



Annual Report 2001

**Acting as a bridge between
capital and money markets,
Takasbank ensures efficient
flow of financial resources
between markets.**



Contents

<i>Financial Highlights</i>	01
<i>Takasbank in Brief</i>	02
<i>Board of Directors</i>	03
<i>Message from the Chairman</i>	04
<i>Senior Management</i>	05
<i>Message from the President & CEO</i>	07
<i>Review of Operations in 2001</i>	07
<i>Custody Operations</i>	08
<i>Clearing and Settlement Operations</i>	12
<i>Credit Operations</i>	15
<i>Treasury Activities</i>	15
<i>International Services and Relations</i>	20
<i>Human Resources and Training</i>	21
<i>Systems Development and Software</i>	23
<i>Legal Affairs</i>	23
<i>Administrative Affairs</i>	24
<i>Board of Internal Auditors</i>	25
<i>Independent Auditors' Report, Financial</i>	
<i>Statements and Notes to Financial Statements</i>	25
<i>Management Staff</i>	

Folklore is the collection of all the traditions connecting a people's past to its future. Folk dances are one of the most beautiful and vivid examples of these traditions.

Capital markets display a colorful environment of trading of different instruments and practices and, at Takasbank, all colors of capital markets can be seen.

Financial Highlights

(TL millions)	2001	2000	1999	1998	1997
Total Assets	132,828,647	55,719,296	31,969,618	15,284,910	5,366,149
Shareholders' Equity	38,902,326	19,221,173	8,779,771	3,223,320	1,394,779
Paid-in Capital	33,540,000	16,300,000	7,850,000	2,750,000	1,050,000
Profit before Tax	61,036,539	28,066,494	15,546,932	8,603,044	2,628,453
Net Profit	40,783,059	18,819,534	9,960,702	5,875,400	1,738,657
Interest and Portfolio Revenue	59,175,592	20,066,174	14,415,862	7,694,320	2,813,875

(US dollars)*

Total Liabilities	92,269,861	82,944,625	59,192,254	48,877,302	26,208,298
Shareholders' Equity	27,023,630	28,612,942	16,255,885	10,307,368	6,812,107
Paid-in Capital	23,298,672	24,264,438	14,534,399	8,793,809	5,128,205
Profit before Tax	42,399,235	41,780,227	28,785,391	27,510,373	12,837,377
Net Profit	28,330,087	28,015,056	18,442,397	18,788,053	8,491,609
Interest and Portfolio Revenue	41,106,522	29,870,824	26,691,197	24,604,502	13,742,979

Financial Ratios

Profit before Tax / Total Assets	0.46	0.50	0.49	0.56	0.49
Shareholders' Equity / Total Assets	0.29	0.34	0.27	0.21	0.26
Profit before Tax / Shareholders' Equity	1.57	1.46	1.77	2.67	1.88
Net Profit / Shareholders' Equity	1.05	0.98	1.13	1.82	1.25

Employees

Number of Employees	233	243	235	220	200
---------------------	-----	-----	-----	-----	-----

* Turkish lira figures in the audited financial statements have been converted to the US dollar by using the FX purchase rate announced by the Central Bank of Turkey (TCMB) on the last business day of the year.

31/12/1997 = TL 204,750
 31/12/1998 = TL 312,720
 31/12/1999 = TL 540,098
 26/12/2000 = TL 671,765
 31/12/2001 = TL 1,439,567

Takasbank in Brief

Takasbank, established in 1988 as a department within the Istanbul Stock Exchange (ISE), originally dealt with the provision of settlement services for securities traded by members of the ISE. In January 1992, responsibility for settlement and custody was transferred to an independent company, the İMKB - Takas ve Saklama A.Ş. (ISE - Settlement and Custody Co. Inc.) initially set up as a partnership between the ISE and its members. In January 1996, this Company was transformed into a specialized securities services bank under the name Takasbank - İMKB Takas ve Saklama Bankası A.Ş. (Takasbank - ISE Settlement and Custody Bank Inc.), which does not take deposits.

Formed by partnership among the members of the ISE, Takasbank acts as a bridge between capital and money markets and has become one of the most important institutions in the Turkish financial sector. By bringing settlement and custody functions together under one roof, Takasbank has earned a unique reputation among similar institutions in the world. Since 2001, Takasbank has also undertaken the settlement and custody function of the ISE Derivatives Market.

Takasbank provides overseas settlement and custody service for the Turkish brokerage houses and other financial institutions for their securities transactions in international markets. Takasbank also offers domestic settlement and custody services to foreign financial institutions.

Providing short-term credit facilities to capital market participants through its securities purchasing loans and securities lending/borrowing services, Takasbank offers a transparent, fast and reliable environment to banks and brokerage houses for their cash lending and borrowing transactions within its Money Market.

Takasbank complies with the eligible "Central Securities Depository" definition of the 17f-7 issued by the US Securities and Exchange Commission (SEC), which defines the eligibility criteria governing the custody of investment assets outside the United States.

Takasbank is one of the two Turkish banks with the highest EFT transaction volume during the past four years, and ranks as one of the institutions paying the highest corporate tax in Turkey.

Providing short-term credit facilities to capital market participants through its securities purchasing loans and securities lending/borrowing services, Takasbank offers a transparent, fast and

reliable environment to banks and brokerage houses for their cash lending and borrowing transactions within its Money Market.

- (1) **Osman Birsen** Chairman, (5) **Sinan Alp** Vice Chairman, (3) **Emin S. Çatana** President and CEO,
(4) **Arıl Seren** Member, (12) **Emin Ali Gündez** Member, (6) **Sezai Bekgöz** Member,
Emin Erdem Member (not in the picture), (7) **M. Atakan Yumrukçal** Member,
(9) **E. Nevzat Öztangut** Member, (11) **Yusuf Ziya Toprak** Member,
(8) **Bedii Ensari** Member, (10) **Tangül Durakbaşa** Auditor, (2) **Berra Kılıç** Auditor

Board of Directors



A favorable development in 2001 was that clearing and settlement transactions carried out in Turkey received the highest rating among emerging markets in The Review of

Emerging Markets 2001 prepared by GSCS Benchmarks, an institution that studies the international capital markets.

The scope and quality of securities clearing, settlement and custody functions serve to indicate the level of development in the capital markets of a country. Through continuous technological investments to its infrastructure, Takasbank has become prominent among similar institutions in developed countries. Although, generally speaking, it was a year of severe economic recession for Turkey, Takasbank continued investments for development and growth uninterrupted during 2001.

Major policy issues within the economy went through a series of reassessments during 2001 when reforms, particularly in the banking sector, became inevitable. Many banks that were in financial difficulty were placed under the management of the Savings Deposits Insurance Fund for rehabilitation. An effort was made to seek new partners to purchase these banks. Some of these banks were merged and others sold to new domestic or foreign partners; liquidation was started for those that could not be sold. Brokerage houses affiliated with such banks were also affected and while some continued their operations with new partners, others were closed down.

Despite adverse market conditions throughout most of 2001, Takasbank remained profitable and introduced various new services. These included the launching of clearing and custody functions for the ISE Derivatives Market and the introduction of the "DvP Transfer Facility".

Another favorable development during 2001 was the announcement that clearing and settlement transactions carried out in Turkey received the highest rating among emerging markets in the Review of Emerging Markets 2001, prepared by

GSCS Benchmarks, an institution that studies the international capital markets. Significantly, this is the sixth consecutive year that the same rating has been awarded to clearing and settlement services in Turkey.

Many countries with close ties to Turkey consult with Takasbank for its expertise in the clearing and custody areas. In 2001, Takasbank provided training to experts from the securities markets of the Balkan countries, Turkic Republics and other countries from the region. It has also organized joint programs with securities institutions from these countries.

We hope 2001 will be remembered as an exception and that Turkey will not experience such difficulties in the future. Takasbank will continue to set an example not only in Turkey but also for securities market participants of all neighboring countries in the years to come.

I would like to take this opportunity to thank the distinguished managers and employees of Takasbank who have contributed to its development even amid the difficult circumstances of last year. Additionally, I would like to thank the management of the Capital Markets Board and the ISE on behalf of the Members of the Board of Directors.



Osman Birsen
Chairman

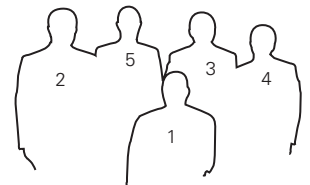
Message from the Chairman



Senior Management



- (1) **Emin S. Çatana** President and CEO, (2) **Nezir Bakır** Vice President,
(3) **Ahmet Çakırsoy** Vice President, (4) **Yusuf Çiçek** Vice President,
(5) **Şevket Yaşöz** Head of the Board of Internal Auditors



Message from the President & CEO



Takasbank continued its international push with great intensity in 2001 and was elected to the nine-member ANNA Service Bureau Advisory Board for a four-year term.

The year 2001 began on a pessimistic note because of the liquidity crisis experienced by the financial markets toward the end of 2000. Problems erupted in February concerning the future of the economic program in place since the beginning of 2000, signaling that the program could not be implemented beyond that point. The abandonment of the foreign exchange rate as the anchor, one of the cornerstones of the program, in favor of a floating exchange rate exacerbated the economic problems in the short run, but toward the end of the year, various circles agreed that it was the right decision.

Year 2001 was unfavorable not only for the financial sector but also for all sectors of the economy. Adversity in the financial sector had a profound effect on manufacturing industries at large; many enterprises started laying off workers and production came to a virtual halt. Public offerings stopped completely and the capital requirements of the industry could not be met. While the country was going through these economic hard times, continuing political stability and the government's decisive stance contributed favorably to solving the problems at hand. The rapid passing of the reform laws through Parliament and a determined effort to fight corruption reflected positively in the public opinion and financial markets.

Despite the difficulties in the economy and the declining volume in capital markets, 2001 was generally a favorably year for Takasbank judging by the results. Twenty new custody contracts were signed in 2001 and the number of institutions benefiting from Takasbank services went up to 620. At the end of the year, 37.8 million stock certificates that are kept under Takasbank's fungible custody had a total nominal value of TL 3,144 trillion; while 1.8 million stock certificates kept under Takasbank's non-fungible custody had a total nominal value of TL 503.5 trillion.

In 2001, two more important projects were introduced into equities clearing and settlement transactions. First was the change of system introduced in March where cash and security receivables in settlement transactions were

synchronously transferred to members' accounts - within the framework of the priority set at the time of fulfillment of obligations - in a fully automatic manner. Second was the introduction in September of the "DvP Transfer Facility" project.

The clearing of foreign exchange-based futures contracts, concluded in the Derivatives Market opened within the ISE in August 2001 is also being undertaken by Takasbank.

Takasbank Money Market continued developing in 2001; the total transaction volume increased by 197.8% to reach TL 95.3 quadrillion. The US dollar-based transaction volume also rose by 50.2% to total US\$ 76 billion. The number of participants increased to 151, up from 139.

Takasbank continued its international push with great intensity in 2001 and was elected to the nine-member ANNA Service Bureau Advisory Board with the highest number of votes at the ANNA General Meeting, for a four-year term. Additionally, it was decided that Takasbank would become the Chairman of the Advisory Board during the 2003-2004 period.

Among the greatest factors contributing to Takasbank's success has been the encouragement it received from the Capital Markets Board (CMB) and the Istanbul Stock Exchange (ISE). I would like to extend my thanks to the distinguished executives of these institutions as well as to all of our shareholders and customers for their continued confidence in Takasbank. As we leave a particularly difficult year behind, special thanks must be given to those laudable employees who have made Takasbank an internationally acclaimed institution through their diligence and expertise.

Emin Çatana
President and CEO

Diyarbakır

Diyarbakır is renowned for its "halay" folk dancing where dancers line up and hold each other's shoulders. All folk dances in the Diyarbakır area, except for Tekayak (Shushane) and Çiftayak (Dunık), are accompanied by folk songs. Variations of

Diyarbakır folk dancing are observed all around Turkey. Düz and Düzo are widespread in Karacadağ-Bismil-Ergani, while Sarı Seyran is popular in the Kulp-Silvan and Bablekon-Kulp areas. Karacadoğdu and Keçkor are some of the other popular folk dances of the area.



Review of Operations in 2001

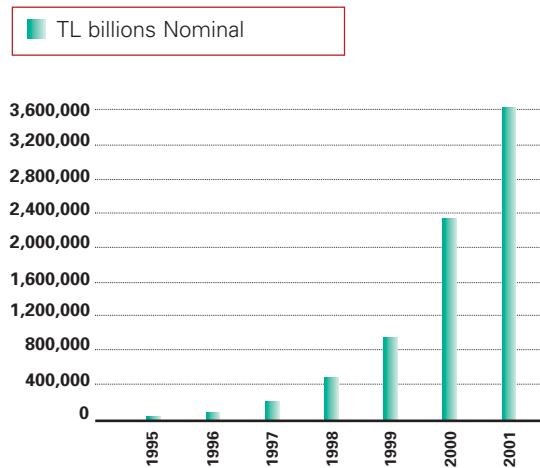
CUSTODY OPERATIONS

Custody operations have a vital role in the protection of capital market instruments by preventing fraud, falsification of documents, theft and/or misuse. Securities traded at the ISE and safekept by Takasbank are insured against these risks.

Within this context, all data, regarding stocks that represent the capital of companies traded on the ISE, are updated in accordance with notices from the issuing companies, the approval of the Capital Markets Board for public offerings and notice of prohibition of transfer/payment imposed by court resolutions and decrees of annulment. The members are also provided securities services on exercising pre-emptive rights, collection of dividends, merging and replacement of stock certificates.

In 2001, a total of 20 new custody contracts, of which 13 were from corporate investors, were signed and the number of institutions benefiting from the Bank's services rose to 620. By the end of the year, the total nominal value of the 37.8 million stock certificates kept under Takasbank's fungible custody rose to TL 3,144 trillion and the total

Custody Volume by Years



nominal value of 1.8 million stock certificates kept under Takasbank's non-fungible custody rose to TL 503.5 trillion.

In 2001, 6,324,805 stock certificates by 27 issuing companies and with a total nominal value of TL 78.4 trillion were replaced.

Also, 310,242 stock certificates from 132 issuing companies, with a total nominal value of TL 855.4 trillion, were taken into custody as a result of capital increases made through bonus shares and 77,416 stock certificates from 54 issuing companies, with a total nominal value of TL 189.7 trillion, were taken into custody as a result of capital increases on cash basis. Meanwhile, a sum of TL 175.6

trillion was collected as dividends from 92 issuing companies in 2001.

Customer Name-based Custody System

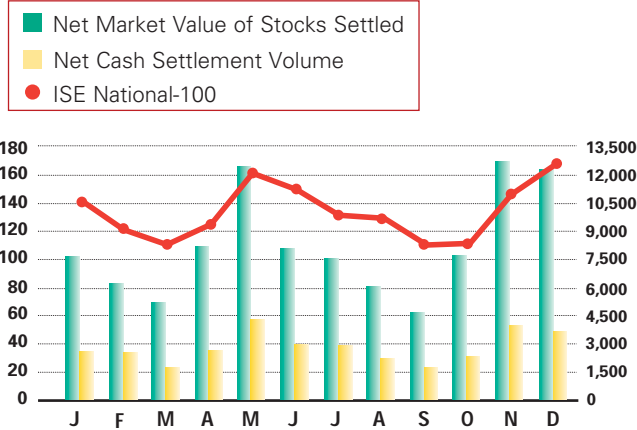
According to the customer name-based custody system that was put in place by the Capital Markets Board resolution number 27/1546 and dated September 25, 1997, identities of owners of sub-accounts opened at Takasbank by brokerage houses must be communicated to Takasbank within 30 days. Accounts that have not been converted into name-based accounts will be suspended. Once the identities of the account holders are forwarded to Takasbank, each investor is assigned a password and registry number, which are then sent to their addresses along with Alo-Takas (Interactive Voice





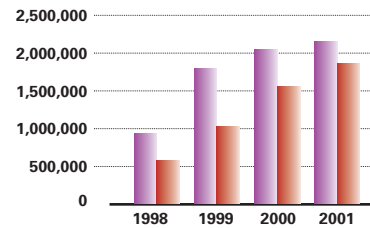
ISE Stock Market in 2001 ISE National-100 Index and Settlement Volume

(TL trillions)



Transfer to Customer Name-Based Custody

Open Accounts
Accounts Transferred to
Customer Name



Response System) operating instructions.

Following a more than 100% increase in the number of accounts with Takasbank during the year 2000, coupled with the high volume of trading on the ISE Stock Market and the increasing number of public offerings, the number of open accounts went up by only 7% due to the economic crisis in 2001, to reach 2,198,283 as of December 20, 2001. As a result of controls conducted at the end of the year, however, due to closing of accounts by some brokerage houses, as of December 31, there were 1,932,221 open accounts, of which 1,233,458 contained securities balances.

In 2001, the process of assigning registration numbers to accounts held at Takasbank

continued - wherein accounts became customer name-based accounts. Customers were sent registration numbers and passwords via express post. Approximately 550,000 such letters were sent during 2001. By the end of 2001, 90% of the accounts had been converted into customer name-based accounts and 201,294 accounts without identity data were suspended. As a result of the identity data sent by the brokerage houses, the number of investors increased by 26% compared to the end of 2000 and totaled 1,536,557 as of December 31, 2001.

The implementation of Alo-Takas allows investors to monitor the number of stocks in their accounts and to block stocks in their open accounts by using assigned passwords and registry numbers. The Alo-

Takas telephone number (0212 315 2222) was used on an average of 3,650 times a week.

CLEARING AND SETTLEMENT OPERATIONS

Takasbank undertakes the clearing and settlement function within all ISE markets on the basis of multilateral netting of the same type of securities and cash, in adherence with delivery versus payment (DvP) principles.

Despite the economic crisis and the extraordinary price movements in the markets during 2001, there were no unsettled transactions and all clearance and settlement actions were completed without any significant problems.

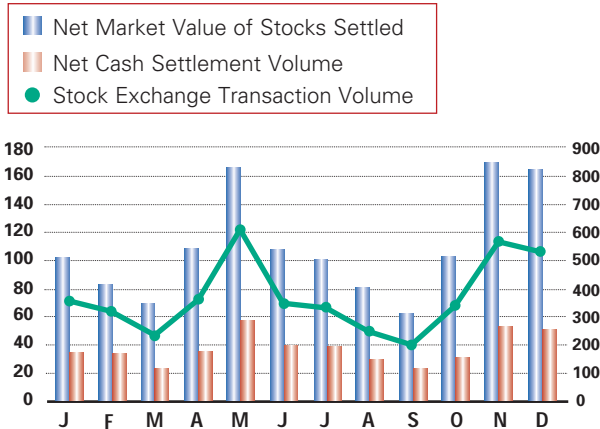
Takasbank places great importance on system

The implementation of Alo-Takas allows investors to monitor the number of stocks in their accounts and to block

stocks in their open accounts by using assigned passwords and registry numbers.

ISE Stock Market in 2001 Stock Exchange Transaction and Settlement Volume

(TL trillions)



development and has continued its efforts in 2001 to conduct clearing and settlement transactions in a faster and more reliable environment. The Bank closely follows developments and general trends in the world's leading clearing institutions and work is ongoing on the enhancement of further automation for clearing and settlement operations.

Stocks Settlement

Contracts concluded during the first and second trading sessions of the ISE Stock Market are forwarded to Takasbank electronically at the end of the afternoon session. Then, Takasbank multilaterally nets the traded securities and cash on the basis of each settlement member, in order to specify settlement obligations of those members. Takasbank's automation system allows

members to monitor their net settlement obligations on the morning of T+1 (the first working day following the trading day). These all-inclusive net settlement figures reduce cash and securities settlement obligations substantially, offering a major advantage as far as financial costs and operational burdens are concerned. In 2001, as a result of calculating these net figures, 10.18% of the trading volume was subjected to a cash settlement while 29.90% was the subject of a stock settlement at the ISE Stock Market. In the Market, a total of TL 9.3 quadrillion in cash and TL 27.5 quadrillion in stock settlement transactions were carried out.

Two important projects concerning stock settlement transactions were introduced during 2001.

Firstly, organized market settlement system has been upgraded. The system upgrade enabling automatic and real-time transfer of cash and securities receivables to members, according to the priority set at the time of the fulfillment of obligations, was introduced on March 26, 2001. With this upgrade, settlement of transactions can be made rapidly and efficiently and automatic collections are made during the transfer of receivables. The system change where intermarket offsetting settlement instructions are entered into the system from member companies' offices and the automatic settlement of receivables during transfer of receivables was introduced on April 2, 2001. Additionally, in order to bring the closing time for meeting settlement obligations in stock

transactions closer to the EFT closing time, the closing time was changed to 16:00 hours by the ISE.

Second significant development within 2001 was the introduction of the Delivery versus Payment Transfer Facility on September 17, 2001. DvP Transfer Facility is different from the settlement transactions undertaken by Takasbank in the ISE Stock Market as the "central counterparty". It is implemented in parallel to the ISE Stock Market settlement (organized market settlement) system particularly for the foreign investors' transactions enabling settlement between brokerage houses and the custodian banks of foreign investors in a fully automated environment.

Delivery versus payment transfers, which is used globally in developed countries for settlement and payment systems, provides simultaneous securities and cash transfers between members in a centralized system.

Utilizing the DvP Transfer Facility, transactions will be carried out more easily and

institutions will not be subject to each other's risk; funding requirements of brokerage houses will be reduced through "Stock Exchange Settlement Defined DvP Transfer" and "Back-to-Back" settlements. The brokerage and custody institution risks emanating from other parties and liquidity risk will be minimized.

Takasbank members realized stock transfers with a market value of TL 570 trillion against a Turkish lira transfer of TL 559 trillion over the DvP Transfer Facility between September 17, 2001 and December 31, 2001.

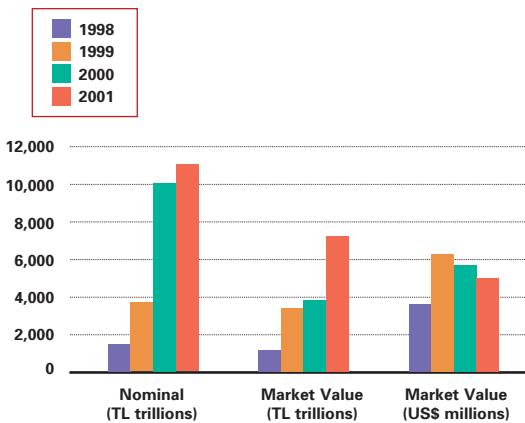
Approximately 8% of these transactions were realized as "Stock Exchange Settlement Defined DvP Transfer".

Bonds and Bills Settlement

In 2001, transactions conducted at the ISE Bonds and Bills Market Outright Purchases and Sales Market and Repo/Reverse-Repo Market were netted in the Takasbank system in terms of securities and cash. A cash settlement of TL 88.7 quadrillion and a securities settlement of TL 366.6 quadrillion were realized.

The foreign exchange denominated-government

Government Securities Custody Balance



In 2001, transactions conducted on the ISE Bonds and Bills Market Outright Purchases and Sales Market and Repo/Repo-Reverse Market were netted in the Takasbank system in terms of securities and cash. A cash settlement of TL 88.7 quadrillion and a securities settlement of TL 366.6 quadrillion were realized.

Delivery versus payment transfers, which is used globally in developed countries for settlement and payment systems, provides simultaneous securities and cash transfers between members in a centralized system.

internal debt securities issued by the Undersecretariat of the Treasury began trading at the ISE Bonds and Bills Market in 2001. Settlement transactions for these securities were carried out using Takasbank foreign exchange correspondent bank accounts. Settlements totaling US\$ 22.2 million were concluded since the last quarter of 2001 when these securities started trading on the ISE markets.

System development efforts are ongoing in the Bonds and Bills Market settlement transactions. The development of software to enable settlement automation and the receivables allocation system based on time priority has been completed with testing currently underway. The project is scheduled to be operational by early 2002.

In 2002, the DvP Transfer System (similar to the one already in use in stock transactions) will be made available to members for bonds and bills transactions. Through this system that will work concurrently with the Central Bank of Turkey's EST (Electronic Securities Transfer) system, bonds and bills as well as cash transfers between members conducted over Takasbank accounts will be simultaneously handled without

taking third party risks. Moreover, in the DvP Transfer System, back-to-back operations and transactions linked to organized market settlement will be carried out automatically.

Work is also underway for the development of a system that will enable the custody of fixed income securities in customer sub-accounts.

Derivatives Settlement

The settlement of foreign exchange-denominated futures contracts traded on the ISE Derivatives Market that was opened on August 15, 2001, has been undertaken by Takasbank. Takasbank has been designated as the Clearing Center for the Derivatives Market and operates in conformity with the rules and regulations of the ISE. Seventeen of the 23

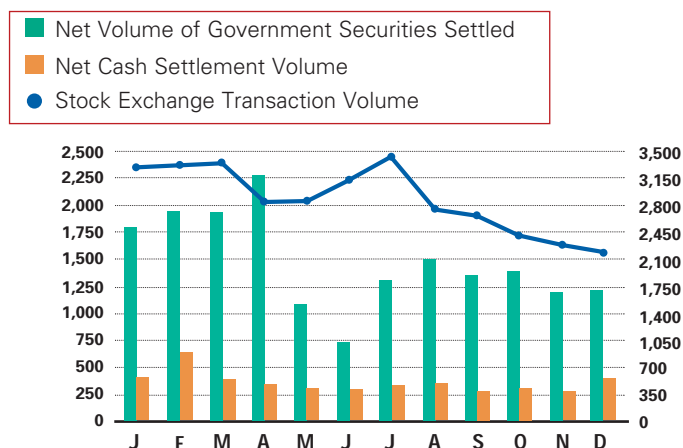
banks holding a Derivatives Market License have fulfilled their "Collateral Fund" obligation and are ready to start trading. As of December 31, 2001, the "Collateral Fund" was comprised of TL 3 trillion in cash and TL 25.5 trillion in non-cash assets.

Starting on August 15, 2001, a trading volume of US\$ 2.6 million was realized until the end of the maturity on September 27, 2001. The TL 118.3 billion resulting from short positions during this period was transferred to member accounts.

During programs held regularly before and after the opening of the Derivatives Market, participants were provided with theoretical and practical computer training by Takasbank experts.

Government Securities Stock Exchange and Settlement Volumes in 2001

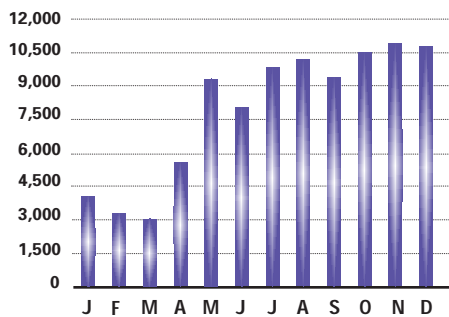
(TL trillions)



Review of Operations in 2001 *continued*

Takasbank Money Market Transaction Volume

(TL trillions)



CREDIT OPERATIONS

When allocating limits to ISE members, Takasbank conducts financial analyses based on their constantly updated, independently audited three-year financial statements. Within the framework of market investigation, further information is gathered on these institutions regarding their trading volume, custody balances and default situations for customer-based custody accounts; brokerage houses are also checked for previously unpaid checks and bills. At year's end, Takasbank allocated limits to a total of 164 members, of which 120 were brokerage houses and 44 were commercial banks. Securities purchasing loans

have been granted to 59 brokerage houses and securities lending/borrowing facilities have been approved for 82 brokerage houses; 142 brokerage houses have conducted transactions on the Takasbank Money Market.

Securities Purchasing Loans

In parallel with the decrease in loan transactions as a result of the November 2000 and February 2001 crises and the economic recession that began prior to these events, Takasbank's daily lending volume was realized only at TL 4 trillion in 2001. Despite the gradual decrease in overnight interest rates following the devaluation that occurred after the nominal foreign exchange rate anchor was abandoned in favor of the floating exchange rate, the average interest rate used for overnight loans was 106.63% in 2001. Interest revenue on Securities Purchasing Loans increased by 28% from TL 3.2 trillion in 2000 to TL 4.1 trillion in 2001, accounting for 5% of the total revenue.

The Intra-Day Securities Purchasing Loan is available particularly for brokerage houses that deal specifically

with foreign investors, in order to help these brokerage houses overcome problems that may arise due to the delivery versus payment system applied by the custodian banks. The volume of Intra-Day Securities Purchasing Loan rose by 96% compared to the previous year, reaching TL 278.7 trillion in 2001, while the interest revenue was TL 64.7 billion. With the lowering of the Intra-Day Securities Purchasing Loan's interest rate from 18% to 9% in January 2001 (this corresponded to a decrease of total cost to brokerage houses from 0.05% to 0.025%), the use of this loan nearly doubled compared to the previous year.

Securities Lending/Borrowing Facility

In 2001, a total of 1,502 Securities Lending/Borrowing Facility transactions were carried out. The total number of stock certificates subject to the Securities

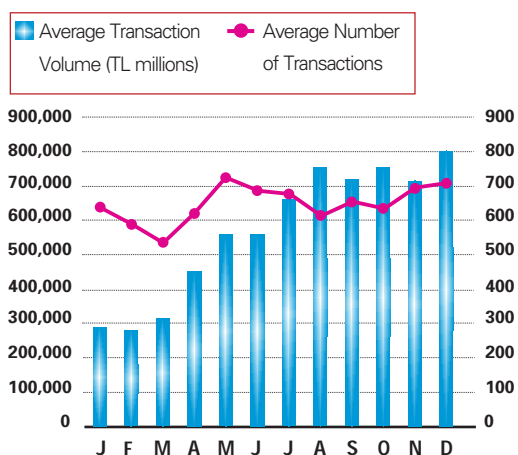


Trabzon *The folk dances of the Trabzon region, called "horon", exude joy, enthusiasm and elegance. Danced at a fast dizzying pace, they reflect the lifestyle of the region's people. The history of this dance is not*

known but is very important to the people in the Trabzon region of Turkey. Usually danced in a circular fashion, the horon is categorized by downward or upward movements depending on the position of the arms.



Takasbank Money Market Transaction Averages



Lending/Borrowing Facility was 14.9 billion with a total market value of TL 73 trillion; the increase over the previous year was 79% in terms of market value.

Although no commissions have been charged for transactions from borrowing members, the commission paid to lending members reached TL 58.3 billion. Moreover, the Government Internal Debt Securities Lending Project of Takasbank, which is expected to be a facility especially for those banks, which will participate in the Market Making System of the Treasury, has been taken up by Takasbank and systems development has been completed. The project reached the software testing phase at the end of 2001.

Takasbank Money Market
The transaction volume of the Takasbank Money Market, that became operational in October 1996, continued to

grow in 2001 and experienced a 197.8% increase over figures from the previous year to reach TL 95.3 quadrillion. In US dollar terms, this represented growth from US\$ 50.6 billion to US\$ 76 billion - an increase of 50.2%. Additionally, the average daily transaction volume increased by 199.1% from TL 126.9 trillion to TL 379.6 trillion, while the number of transactions grew by 26.3% from 129,413 to 163,441. In 2001, the number of participating members rose from 139 to 151.

In an effort to conduct the Takasbank Money Market transactions more efficiently, to meet the requests from the members and to continue the development of the market, the following arrangements have been made:

- As of March 27, 2001, offsetting of settlements among the ISE Stock Market,

Minimum and Maximum Volumes in Takasbank Money Market

Year	Transaction Volume (TL millions)				Number of Transactions			
	Minimum	Date	Maximum	Date	Minimum	Date	Maximum	Date
1997	2,500	16/01/1997	6,244,000	23/12/1997	1	02/01/1997	166	15/12/1997
1998	53,500	28/01/1998	19,418,500	25/12/1998	10	02/01/1998	346	18/12/1998
1999	371,000	18/01/1999	83,346,000	29/12/1999	15	22/01/1999	473	02/09/1999
2000	6,024,000	03/01/2000	247,910,000	15/12/2000	53	03/01/2000	767	13/12/2000
2001	5,872,000	09/03/2001	655,357,000	20/12/2001	54	03/09/2001	805	06/06/2001



In 2001, depositary certificates and foreign stocks cleared through Takasbank's overseas intermediary services increased in market value by

45% to reach US\$ 4 billion. The total nominal value of cleared Eurobonds increased six-fold, totaling US\$ 933 million.

ISE Bonds and Bills Market and Takasbank Money Market have been made fully automatic.

- As of April 20, 2001, session periods were changed to 10:00-12:00 and 13:00-15:30.
- As of August 3, 2001, the minimum limit for transactions was raised to TL 5 billion and higher amounts were accepted at multiples of TL 1 billion.

Takasbank Money Market will continue its effective role in money and securities markets in 2002 and will develop further by taking into consideration the requirements of its members.

TREASURY ACTIVITIES

As of December 31, 2001, Takasbank's total revenue increased by 125.1%, moving from TL 36.7 trillion up to TL 82.6 trillion; revenue from treasury activities increased by 221.18%, increasing from TL 16.1 trillion to TL 51.7 trillion, compared to the previous year.

Energy and dynamism were the keywords behind the transformation process of the Turkish economy in the last decade. Despite its ups and downs, the economy will continue this process of transformation in the future. Concrete and scientific risk analyses to be performed in the following years will be much more effective in sustaining economic development and the determination of financial performance.

Last year, in particular, demonstrated that fluctuations in the Turkish economy and in the financial system played a vital role in the interaction among market products. Effective management of all money market instruments and the risk they carry constitute the backbone of Takasbank Treasury's strategies.

The fact that Takasbank management foresaw the November 2000 and February

2001 crises enabled risk factors to be minimized and the Bank's resources were managed successfully without incurring any losses. Takasbank's liquidity was high during both crises and the Bank achieved a stable growth despite the unfavorable economic environment.

INTERNATIONAL SERVICES AND RELATIONS

Overseas Settlement and Custody Services for Domestic Institutions

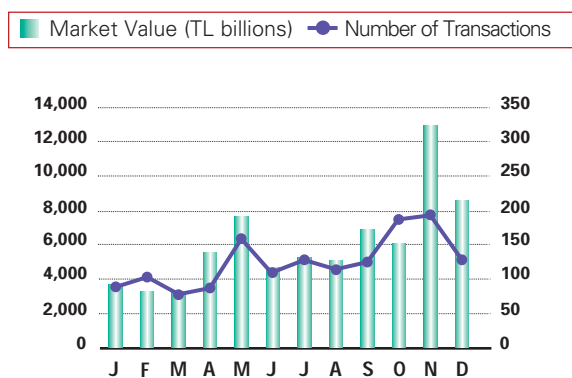
Takasbank provides overseas settlement and custody services to domestic financial institutions such as brokerage houses, banks, investment funds and asset management companies for their transactions carried out in the international markets. Takasbank renders this service through its accounts with the international CSDs.

In 2001, depositary certificates and foreign stocks cleared through Takasbank's overseas

Total Revenue Compared to Treasury Revenue (TL millions)

Years	Total Revenue	Treasury Revenue	Treasury Share (%)
1997	3,943,651	1,924,841	48.8
1998	11,706,063	5,912,927	50.5
1999	21,657,239	12,457,255	57.5
2000	36,719,187	16,101,469	43.9
2001	82,654,720	51,714,509	62.6

Market Value of Securities Lending/Borrowing Transactions and Number of Transactions



intermediary services increased in market value by 45% to reach US\$ 4 billion. The total nominal value of cleared Eurobonds increased six-fold, totaling US\$ 933 million. Meanwhile, the depositary certificates and foreign stocks, for which overseas custody services were provided reached US\$ 4 billion in market value and nominal value of the Eurobonds and other debt instruments totaled US\$ 135 million.

The overseas settlement and custody services also entail the exercise of rights related to securities. Dividends on foreign stocks and principal and interest payments on foreign bonds and bills are collected, while annual general meeting agendas and resolutions are forwarded to the institutions concerned and proxy voting, if requested, is exercised.

of these securities was TL 18.4 trillion.

Conformity with the SEC 17f-7 Rule

The SEC 17f-7 Rule of the US Securities and Exchange Commission that went into effect in June 2000, regulates the conditions under which overseas securities of US investment firms are to be placed in custody with overseas central securities depository (CSD) institutions. The SEC 17f-7 Rule stipulates that US investment institutions receive the current custody risk analysis for their financial assets from the primary custodian.

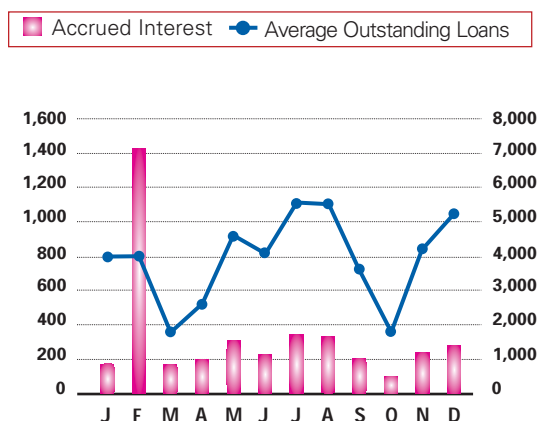
In accordance with SEC 17f-7 Rule, in order for a foreign central securities depository outside the United States to be eligible, the CSD must conform to a series of systematic, technological and legal regulations.

In 2001, detailed questionnaires prepared by the Association of Global Custodians (AGC) and Thomas Murray and Standard & Poors, to collect information for the conformity with SEC 17f-7 Rule, were completed by Takasbank and meetings were held with global custodian banks to inform them of Takasbank's

Domestic Settlement and Custody Services for Foreign Institutions

Takasbank also provides domestic settlement and custody services to foreign financial institutions. By the end of 2001, the nominal value of fixed income securities deposited by the foreign institutions with Takasbank reached US\$ 140 million while the market value

Securities Purchasing Loan - Average Outstanding Loans and Accrued Interest (TL billions)



In reports prepared by global custodian banks for US investment managers, it was stated that Takasbank met the "Eligible Central Securities Depository" as per the SEC 17-f7 Rule requirements.

In 2001, Takasbank provided training for experts from capital market institutions from the Balkan countries, the Turkic

Republics and other countries in the region. Also, visits were exchanged and joint projects were organized.

capabilities. In reports prepared by global custodian banks for US investment managers, it was stated that Takasbank met the "Eligible Central Securities Depository" as per the SEC 17-f7 Rule requirements.

Relations with the Capital Markets of the Region

The countries in Turkey's geographical proximity consult Takasbank's expertise. In 2001, Takasbank provided training for experts from capital market institutions from the Balkan countries, the Turkic Republics and other countries in the region. Also, visits were exchanged and joint projects were organized. Executives and experts from the capital markets of Azerbaijan, Kazakhstan, Macedonia, Mongolia, Pakistan and Greece visited Takasbank.

International Standards for the Numbering of Securities

Takasbank is the National Numbering Agency of Turkey, authorized by the Capital Markets Board to assign ISIN codes for the financial instruments issued in Turkey. ISIN code is an international

standard (ISO 6166) developed by the International Standards Organization (ISO) for the identification of financial instruments. In 2001, 76 stocks, 176 government bonds and Treasury bills and 19 investment funds were assigned ISIN codes. In addition, the Turkish lira, ISE indices and ISE futures contracts were also assigned ISIN codes.

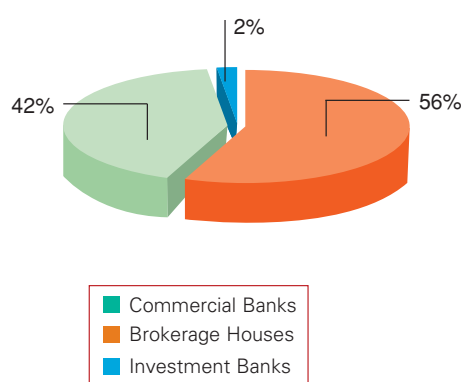
ISO TC68/SC4 Activities

Takasbank represents Turkey on the ISO TC68/SC4, which is the ISO's working committee for developing international standards concerning "securities and other financial instruments". Takasbank contributed to working groups WG6 and WG9 during 2001 and participated in the ISO TC68/SC4 annual meeting. In 2002, the ISO TC68/SC4 annual meeting will be held in Istanbul.

Securities National Market Practice Group

A "Securities National Market Practice Group" (NMPG) was set up in July with the Bankers' Association of Turkey

Takasbank Money Market Breakdown of Transaction Volume



Takasbank, receiving the highest number of votes, was elected as a member on the Advisory Board of ANNA for a four-year term. It was also decided that Takasbank would chair the ASB Advisory Board between 2003 and 2004.

Kırklareli

As is the case elsewhere in the world, conditions existing within the natural environment have compelled the inhabitants of the Kırklareli region of Turkey to create their own cultural dance traditions. The local dance form called 'karşılama' is popular throughout that region.

This dance is performed while standing in a straight line and without touching the other participants. From village to village variations called horo or hora can be seen. Spectators and performers alike join in the dance, moving in time with the music.



Review of Operations in 2001 continued

in order to follow standards developed by the ISO TC68/SC4 for securities and other financial instruments, to contribute to the development and implementation of these standards in Turkey.

The work undertaken by the NMPG under the chairmanship of Takasbank, is carried out through the participation of the representatives of the Bankers' Association of Turkey, the Central Bank of Turkey, the ISE, custodian banks and the brokerage houses in an effort to embrace and represent the entire Turkish capital market. In 2001, NMPG worked on developing implementation standards for Turkey for the ISO 15022 message standard concerning "settlement" transactions. The studies undertaken by NMPG have been compiled by the Securities Market Practice Group working within SWIFT and published along with the implementations from other countries in their specific web site.

ANNA Activities

ANNA-Association of National Numbering Agencies is an international organization with

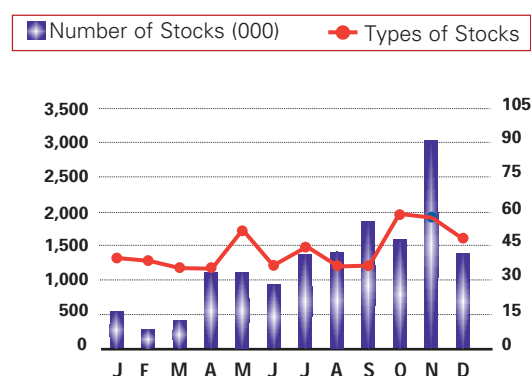
over 60 members worldwide responsible for the implementation of the ISIN code as the sole identification code for all financial instruments in domestic and international markets. Members of this institution are National Numbering Agencies of the countries and Turkey is represented by Takasbank.

With the authorization of ANNA General Assembly, the ANNA Service Bureau (ASB) set up by Standard & Poors and Telekurs, became operational in July 2001; and at the end of 2001, the international ISIN electronic data base system GIAM II was phased out. ASB will undertake ISIN code collection

over the Internet together with the relevant data records from national numbering agencies and disseminate these to global financial markets. Takasbank started posting daily ISIN data on the ASB system as of July 2001.

The election of the ASB Advisory Board, which serves as the ASB's Board of Directors was realized at the ANNA Annual General Meeting held on May 10 - 11, 2001, in Prague. Takasbank, receiving the highest number of votes, was elected as a member on the Advisory Board of ANNA for a four-year term. It was also decided that Takasbank would chair the ASB Advisory Board between 2003 and 2004.

Type and Total of Stocks Subject to Securities Lending/Borrowing Facility



Takasbank Money Market Transaction Volume

Year	Number of Work Days	Total Transaction Volume		Daily Average		Number of Transactions	
		TL millions	US\$ millions	TL millions	US\$ millions	Total	Average
1997	251	399,166,000	2,639.31	1,590,303	10.52	12,896	51
1998	250	2,239,736,500	8,619.04	8,958,946	34.48	47,716	191
1999	248	9,723,998,500	21,899.21	39,209,659	88.30	90,728	366
2000	252	31,983,213,500	50,628.61	126,917,514	200.91	129,413	514
2001	251	95,278,273,500	75,992.03	379,594,715	302.76	163,437	651

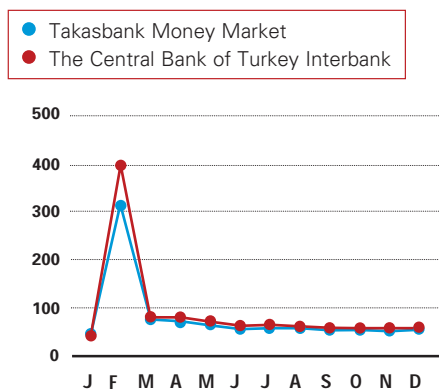
HUMAN RESOURCES AND TRAINING

There were 233 employees at Takasbank as of the end of 2001. Of the 142 (58%) university graduates among its work force, one has a Doctorate and 12 have Masters Degrees. Takasbank encourages its employees to attend graduate and postgraduate courses and encourages all employees to achieve higher levels of education. During 2001, a foreign language allowance was given to 52 employees in a scheme put in place in 1998 that provides a financial incentive toward learning a foreign language.

Twice annually, an open performance evaluation is conducted within a transparent framework and through participative management. Since recruiting experienced personnel from outside the institution is difficult due to the specialized nature of the services at Takasbank, newly recruited

personnel and existing personnel are provided intensive training when necessary. Because the job requires wide-ranging expertise and a wealth of knowledge, new recruits first undergo theoretical training followed by on-the-job practical training in various departments of the Bank on a rotation basis. These training programs afford flexibility to work planning management and distribution, as well as providing a wider perspective and developing career opportunities for the staff. During the year, 11 employees took part in this training, which varied between five to twenty days in length. This comprehensive on-the-job training for newly recruited personnel also presents the vision and mission of Takasbank, enabling employees to focus on the Bank's goals and absorb Takasbank's corporate culture. Despite the economic crisis, training was in no way curtailed and in-house or other

Daily Average of Interest Rates (%)



Training programs afford flexibility to work planning management and distribution, as well as providing a wider perspective and developing career opportunities for the staff. During the year, 11 employees took part in this training, which varied between five to twenty days in length.



training that was deemed necessary was carried out without interruption. A total of 171 training programs took place during 2001, of which two were in-house programs. Lasting 9,304 hours, a total of 403 employees participated in the training programs; each employee received 40 hours of training.

At least one instructor representing Takasbank was provided for approximately 40 training and promotional programs organized by the Capital Markets Board, the ISE, Hacettepe University, the Istanbul Lawyers Association and the Ministry of Finance.

Takasbank organized a special commemorative evening with the entire staff, at which Bank employees who have completed their fifth year of service at Takasbank received a lapel pin honoring their outstanding service. This event helped boost staff morale and motivational levels.

SYSTEMS DEVELOPMENT AND SOFTWARE

During 2001, Takasbank's mainframe computer system, hardware and software

systems were upgraded and Turkey's largest capacity UNIX operating system was installed. Moreover, the database system (SYSDATABASE-12) was also upgraded to the latest version and all projects were made compatible with the database.

Work to setup the offsite Disaster Recovery Center, that will enable Takasbank to continue uninterrupted operations in the event of natural disasters, was completed and the system became operational.

The automation system, developed in response to market requirements, concerning the DvP Transfer Project for stocks was completed and became operational. It is now possible for members to settle their bilateral liabilities toward each other through a DvP transfer order.

The Derivatives Market was set up in August 2001 in cooperation with the ISE; its settlements are carried out through Takasbank. Automatic settlement of receivables was completed, enabling instructions to be entered into the system from member

companies' offices where liabilities and receivables are settled automatically.

The upgrading of Takasbank's proprietary software applications installed in member offices was completed and placed at the disposal of members. Menus used in member offices were reduced to a single menu for an easier, more secure access.

Work on compulsory periodic changing of passwords (password obsolescence) at Takasbank and member terminals was completed and the system has become operational.

A 'Suspended Member' menu was prepared to enable brokerage houses to do their own reporting and to monitor their account statements in the event of their temporary closure for any reason.

The automation of the settlement of foreign exchange denominated domestic securities at Takasbank has been completed and become operational.

Necessary modifications have been made in both Takasbank



and member software in conformity with compulsory tax number implementation of the Ministry of Finance as of September 1, 2001, and the system is now operational. The project whereby members can query from their offices the tax numbers assigned by the Ministry of Finance has also been completed.

Other significant projects that have been completed and are currently operational are as follows:

- Intra-Day Securities Purchasing Loan transactions
- Automation of the dissemination of Securities Lending/Borrowing Facility information to data broadcasting companies
- Enabling the foreign exchange denominated instruments to be accepted as collateral in the Takasbank Money Market system
- Automation of group message transmission over the TETS system
- Automation of non-fungible custody operations
- Automation of databank transactions
- Member access to stock

coupon information over the Internet

- Setting up of a system whereby historical information can be queried and reported through a separate system
- Changing the hardware and software enabling Takasbank to interface with SWIFT and adaptation of the SWIFT-NT system
- Upgrading the Alo-Takas hardware to NT
- Automation of the Alo-Takas English version
- Upgrade of the GIAM system, where the ISIN codes are forwarded by members, to its Internet version GIAM-3

Significant projects whose studies and software have been completed and are currently being tested are as follows:

- Authorization process to be used in the Bonds System
- Automation of the DvP Transfer System for Bonds
- Government Internal Debt Securities Lending Project where these securities will be accepted for lending
- Project to enable Customer Identity Information to be entered from members' offices

- Barcode inventory system developed with a view to monitoring Takasbank inventory and enabling full automation with accounting operations
- Automation of the "Banned Identities Monitoring System" that enables monitoring of accounts and identity transactions of persons placed on the banned list by the Capital Markets Board
- Member Code Change automation to be used in bank mergers and automatic transfer by members whose codes have been changed

Significant projects whose analysis and software studies are ongoing are as follows:

- Automation of defaulted bonds and bills
- Automation of Intra-Day Securities Purchasing Loans
- Transition to customer-based custody in the bonds system
- Automation of Stock Settlement Risk Monitoring
- Automation of Investors Protection Fund
- Interface automation to enable integration of SWIFT and Takasbank operations
- Enabling a web-based Alo-Takas system



Work to setup the offsite Disaster Recovery Center, that will enable Takasbank to continue uninterrupted operations in the event of natural disasters, was completed and the system became operational.

A 'Suspended Member' menu was prepared to enable brokerage houses to do their own reporting and to monitor their account statements in the event of their temporary closure for any reason.

The automation of the settlement of foreign exchange denominated domestic securities at Takasbank has been completed and become operational.

LEGAL AFFAIRS

It is the main duty of the Legal Affairs Department to follow up court cases to which Takasbank is a party and to ensure that all functions of the Bank are performed on a legal footing. The Legal Affairs Department also executes some basic functions such as expropriation orders or precautionary measures placed on financial instruments belonging to brokerage institution customers by courts and administrative authorities within the framework of Customer Name-Based Custody System. It is also responsible to inform the concerned parties in writing and in the most expeditious manner possible.

Central Registry Institution was founded and registered at the Trade Registrars Office and announced at the Trade Registry Gazette by the Legal Affairs Department. Central Registry Institution, a very important structure of the capital markets, was founded pursuant to Article 10/A of the Capital Market Law. It was established to keep the records of financial instruments in the

electronic medium and to follow-up rights and obligations concerning these as recorded data.

The Legal Affairs Department also calculates the annual fees of brokerage houses for the "Investors Protection Fund", informs those concerned of the amount and ensures that said sums are deposited in the Fund account. Yet another function performed by the Legal Affairs Department is the calculation of payments to be made to bankrupt brokerage houses' customers from the Special Fund and to notify the relevant bankruptcy directorates of the sums.

ADMINISTRATIVE AFFAIRS

The Administrative Affairs Department is responsible for providing logistical support and service requirements that will increase the job satisfaction and motivation of Takasbank employees, which in turn will enable the Bank to serve its customers in the best possible manner.

Advanced technologies are employed and implemented

while new projects are being developed and put into practice. Maximum care is taken in all work to assure that social and environmental responsibilities are met.

The level of transactions and technological advancements is increasing along with the development of Turkish capital markets, adding to the expansion and variety of support services needed by Takasbank. The Purchasing and Contracting, Transportation, Communication and Archives, Telephone Exchange, Insurance and Technical Support Units within the Administrative Affairs Department meet these requirements for Takasbank with an ever-increasing capacity.

The number of transactions carried out by Takasbank in its capacity as an authorized Aksigorta agent is also steadily expanding. Through on-line connections set up between the Bank and the Aksigorta Head Office, all insurance operations are performed rapidly. Utilizing this facility, different types of risks of

Maximum care is taken in all work to assure that social and environmental responsibilities are met.

The Board of Internal Auditors acts as a risk control center utilizing an effective internal auditing system that traces and controls any risk that may be

encountered during custody, settlement and banking operations. It continuously monitors the entire Takasbank process throughout the year.

brokerage houses and customers can be covered as well as such risks confronted by Takasbank. Within the Insurance Unit, 370 insurance policies were prepared during the year.

The projects realized and put into practice by the Purchasing and Contracting Unit in 2001 have been outlined below:

- The infrastructure systems created in the previous years were reinforced in line with new technological developments; their capacity was increased through upgrades and add-ons. A new computer system was purchased from Hewlett Packard and works in conjunction to the existing one. Takasbank was the first bank in Turkey to use the HP 9000 Superdome Server and peripherals.
- With the purchase of the new computer system, necessary revisions were made to the existing computer center and new fire extinguishing and cooling systems were installed.
- A Disaster Recovery Center

was set up within the ISE building to back up Takasbank computer systems' data and a new UPS system was purchased.

- A new 125 KVA uninterrupted power system was purchased for the Bank's headquarters, the existing UPS room was enlarged and a new air conditioning system was purchased to increase the room's cooling capacity.

BOARD OF INTERNAL AUDITORS

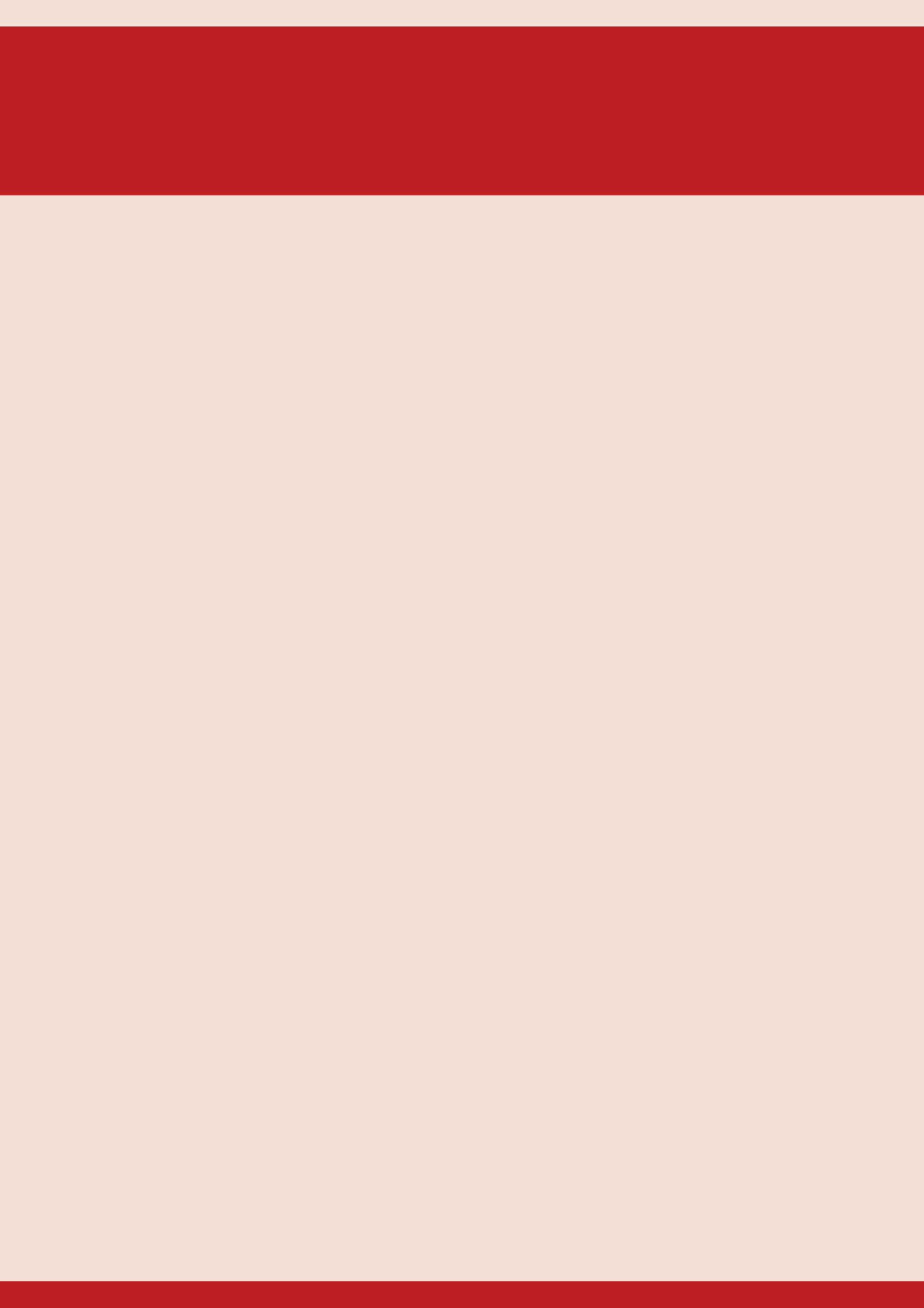
The Board of Internal Auditors acts as a risk control center utilizing an effective internal auditing system that traces and controls any risk that may be encountered during custody, settlement and banking operations. It continuously monitors the entire Takasbank process throughout the year.

In addition to supervision of operations undertaken to ensure conformity with the capital market, banking and other relevant legislation, the Board of Internal Auditors conducts various studies and

undertakes research to diversify the services provided to capital markets and to enhance their quality. The Board makes contributions to different departments within the Bank to actualize these studies as well as to actively contribute to on-the-job training provided to the Bank's employees.

The members of the Board participate in training programs offered by competent institutions in order to minimize problems that might occur within information systems. The Board members, with this type of training background, have included the auditing of risks within the information systems on their agendas.

**ISE SETTLEMENT AND CUSTODY BANK INC.
AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2001**



**CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITORS' REPORT
ORIGINALLY ISSUED IN TURKISH, SEE NOTE III/8**

ISE SETTLEMENT AND CUSTODY BANK INC.

**AUDITORS' REPORT
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2001**

1. We have audited the accompanying balance sheet of ISE Settlement and Custody Bank Inc. ("the Bank") at 31 December 2001 and the related statement of income and footnotes for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. 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.
3. As explained in note 11(ii) of the general footnotes and explanations regarding the Bank and its financial structure, based on the notification of the Prime Ministry Capital Markets Board dated 23 January 2002, the Bank started to record the penalties of due-date differences of securities under the ISE Guarantee Fund account which were accounted for as income in previous periods. In the income statement for the year ended 31 December 2001, the Bank has expensed and classified as "Extraordinary Expenses" the amount of TL 7,015 billion, which is calculated by accumulating interest on the penalties of due-date differences of securities recorded as income in current and previous periods amounting to TL 3,796 billion.
4. In our opinion, except for the effect of the matter noted in paragraph 3 above, the accompanying financial statements present fairly, in all material respects, the financial position of ISE Settlement and Custody Bank Inc. at 31 December 2001, and the results of its operations for the year then ended, in accordance with the applicable Turkish Laws and the Uniform Chart of Accounts.

Additional paragraph for convenience translation into English:

5. The effects of differences between accounting principles issued in the communiqué on the principles of organisation and application of the Uniform Chart of Accounts applicable for Banks and as accepted by the Capital Markets Board (CMB), accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IAS.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers



Zeynep Uras, SMMM
Partner

İstanbul, 31 January 2002

ISE SETTLEMENT AND CUSTODY BANK INC. BALANCE SHEET

(TL Billion)

	31.12.2001	Audited	31.12.2000
Cash	3		1
Cash	3		1
Foreign Currency	0		0
Other	0		0
Banks	9,787		32,749
Central Bank of Turkey	1,428		346
Other Banks	8,359		32,403
- Domestic Banks	887		32,378
- Foreign Banks	7,472		25
Other Financial Institutions	0		0
Interbank Money Market	79,000		300
Marketable Securities Portfolio (Net)	3,129		10,041
Government Bonds and Treasury Bills	3,129		10,041
Other Bonds	0		0
Share Certificates	0		0
Other	0		0
Loans	3,341		2,253
Short-Term	3,341		2,253
Medium and Long-Term	0		0
Loans Under Follow-Up (Net)	0		0
Loans and Other Receivables of Limited Collectibility (Net)	0		0
- Gross Receivable Amount	0		0
- Allowance (-)	0		0
Loans and Other Receivables of Doubtful Collectibility (Net)	0		0
- Gross Receivable Amount	0		0
- Allowance (-)	0		0
Uncollectible Loans and Other Receivables (Net)	0		0
- Gross Receivable Amount	0		0
- Allowance (-)	0		0
Accrued Income and Interest Receivable	6,190		2,005
Loans	25		72
Marketable Securities	5,591		453
Other	574		1,480
Financial Lease Receivables (Net)	0		0
Cumulative Rental Receivable	0		0
Unearned Income (-)	0		0
Reserve Deposits	0		0
Miscellaneous Receivables	1,246		842
Investments and Associates (Net)	0		0
Financial Investments and Associates	0		0
Non-Financial Investments and Associates	0		0
Subsidiaries (Net)	649		0
Financial Subsidiaries	649		0
Non-Financial Subsidiaries	0		0
Investment Securities (Net)	10,498		0
Share Certificates	0		0
Other Marketable Securities	10,498		0
Fixed Assets (Net)	5,439		3,730
Book Value	6,421		4,413
Accumulated Depreciation (-)	982		683
Other Assets	13,547		3,798
TOTAL ASSETS	132,829		55,719

ISE SETTLEMENT AND CUSTODY BANK INC. BALANCE SHEET

(TL Billion)

	31.12.2001	Audited	31.12.2000
Deposits	0		0
Savings Deposits	0		0
Certificates of Deposits	0		0
Public Sector Deposits	0		0
Commercial Deposits	0		0
Other Institutions' Deposits	0		0
Interbank Deposits	0		0
Foreign Currency Deposits	0		0
Gold Accounts	0		0
Interbank Money Market	0		0
Funds Borrowed	0		2,000
Funds Borrowed from Central Bank of Turkey	0		0
Other Funds Borrowed	0		2,000
- Domestic Banks and Institutions	0		2,000
- Foreign Banks, Institutions and Funds	0		0
- Subordinated Loans	0		0
Funds	0		0
Marketable Securities Issued (Net)	0		0
Bills	0		0
Asset Backed Securities	0		0
Bonds	0		0
Accrued Expense and Interest Payable	58		239
Deposits	0		0
Funds Borrowed	0		204
Other	58		35
Leasing Payables (Net)	0		0
Leasing Payables	0		0
Deferred Leasing Expenses (-)	0		0
Taxes and Other Duties Payable	471		398
Import Transfer Orders	0		0
Miscellaneous Payables	15,251		2,667
Provisions	21,349		9,797
Reserve for Employment Termination Benefits	1,096		550
General Loan Provision	0		0
Provision for Taxes	20,253		9,247
Other Provisions	0		0
Other Liabilities	16,015		2,577
Shareholders' Equity	38,902		19,221
Paid-Up Capital	33,540		16,300
- Authorised Share Capital	33,540		16,300
- Unpaid Capital (-)	0		0
Legal Reserves	2,859		1,456
- First and Second Legal Reserves	2,859		1,456
- Capital Surplus (Issuance of Common Stocks)	0		0
- Other Legal Reserves	0		0
General Reserves	543		38
Revaluation Funds	1,960		1,427
Evaluation Differences	0		0
Accumulated Deficit	0		0
- Current Period Loss (-)	0		0
- Prior Years' Losses (-)	0		0
Income	40,783		18,820
Income for the Period	40,783		18,820
Prior Years' Income	0		0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	132,829		55,719

COMMITMENTS AND CONTINGENCIES

(TL Billion)

	31.12.2001	Audited	31.12.2000
Guarantees	694,150		200,701
Commitments	1,122		3,514
Currency and Interest Rate Transactions	0		0
Custody and Pledge Securities	5,510,474		3,707,182
Other	10,455,734		9,315,849
TOTAL	16,661,480		13,227,246

ISE SETTLEMENT AND CUSTODY BANK INC. INCOME STATEMENT

(TL Billion)

	31.12.2001	Audited	31.12.2000
I. INTEREST INCOME	59,175		20,066
Interest on Loans	4,075		3,225
Interest on TL Loans	4,075		3,225
- Short-Term Loans	4,075		3,225
- Medium and Long-Term Loans	0		0
Interest on Foreign Currency Loans	0		0
- Short-Term Loans	0		0
- Medium and Long-Term Loans	0		0
Interest on Loans Under Legal Follow-Up	0		0
Premium Received from Resource Utilisation Support Fund	0		0
Interest Received from Reserve Deposits	0		0
Interest Received from Banks	17,246		14,605
Central Bank of Turkey	2		2
Domestic Banks	17,174		14,603
Foreign Banks	70		0
Interest Received from Interbank Transactions	22,585		651
Interest Received from Marketable Securities Portfolio	11,641		815
Treasury Bills and Government Bonds	11,641		815
Other Marketable Securities	0		0
Other Interest Income	3,628		770
II. Interest Expense	1,555		1,290
Interest on Deposits	0		0
Savings Deposits	0		0
Savings Certificates	0		0
Public Sector Deposits	0		0
Commercial Deposits	0		0
Other Institutions' Deposits	0		0
Bank Deposits	0		0
Foreign Currency Deposits	0		0
Gold Accounts	0		0
Interest Received on Interbank Transactions	1,077		237
Interest on Funds Borrowed	478		1,053
Central Bank of Turkey	0		0
Domestic Banks	478		1,053
Foreign Banks	0		0
Other Institutions	0		0
Interest on Bonds Issued	0		0
Other Interest Expense	0		0
III. NET INTEREST INCOME (I-II)	57,620		18,776
IV. NON-INTEREST INCOME	23,479		16,653
Fees and Commissions Received	3,819		1,287
Cash Loans	0		0
Non-Cash Loans	3,819		1,287
Other	0		0
Profit from Capital Market Transactions	166		0
Foreign Exchange Gains	76		31
Income from Investments and Associates	0		0
Extraordinary Income	0		0
Other Non-Interest Income	19,418		15,335
V. NON-INTEREST EXPENSES	20,063		7,362
Fees and Commissions Paid	364		116
Cash Loans	0		0
Non-Cash Loans	58		83
Other	306		33
Loss from Capital Market Transactions	0		0
Foreign Exchange Losses	58		6
Personnel Expenses	6,165		4,241
Provision for Employment Termination Benefits	555		297
Rent Expenses	36		10
Depreciation Expenses	552		486
Sundry Taxes and Duties	326		411
Extraordinary Expenses	7,015		68
Provision for Loan Losses	0		0
Other Provisions	0		0
Other Non-Interest Expenses	4,992		1,727
VI. NET NON-INTEREST EXPENSES (IV-V)	3,416		9,291
VII. INCOME BEFORE TAXES (III+VI)	61,036		28,067
VIII. TAX PROVISION	20,253		9,247
IX. NET INCOME FOR THE PERIOD (VII-VIII)	40,783		18,820

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

I- GENERAL FOOTNOTES AND EXPLANATIONS REGARDING THE BANK AND ITS FINANCIAL STRUCTURE

A. Footnotes and explanations in respect of the current period:

(1) Date of approval of the balance sheet:
29 January 2002 (2000: 26 January 2001)

(2) a- Detailed explanation of the major accounting principles followed by the Bank in the preparation of the accompanying financial statements:

Presentation of financial statements

The Bank maintains its books of account and prepares its statutory financial statements in Turkish lira in accordance with the Banking Law, Turkish Commercial Code and Turkish tax legislation. The accompanying financial statements have been prepared in conformity with Article 13 (Accounting Standards) of the Banking Act numbered 4389 revised by Laws numbered 4491 and 4672 which set out the Uniform Chart of Accounts, balance sheet, income statement and notes, and accounting and valuation principles applicable for banks.

Marketable securities, investments, subsidiaries and the affiliates

The valuation methods of marketable securities, investments, subsidiaries and the affiliates are explained in detail in footnote 5 below.

Reverse repo

Securities purchased under agreements to resell ("reverse repos") are carried at cost and the difference between sale and repurchase price is treated as interest and accrued for the period.

Related parties

For the purpose of these financial statements, the shareholders, the Board of Directors, key management personnel and the other entities that they directly or indirectly own or have significant influence over the management of are considered as and referred to as related parties.

Custody and service income and commissions

The Bank performs custody and settlement of the marketable securities, precious metals and other securities arising from the purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the Istanbul Stock Exchange ("ISE") and on other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the investors; performs the procedures related to the obtaining of bonus shares, use of preference rights, on time collection of dividends, principal and interest, exchange of the documents representing the marketable and other securities and additional financial services.

As a result of the above operations, the Bank receives custody and service commission income from its customers. The fee income and commissions are accrued on a monthly basis.

ISE Guarantee Fund

ISE Guarantee Fund is created from the sources of ISE in order to prevent possible delays in the settlement of the marketable securities. The Fund assures that the members with receivable balances are not affected by delays in payments by members with payable balances. The ISE Guarantee Fund is included in the Interbank Money Market and Other Liabilities components of the balance sheet.

Property and equipment

Property and equipment are carried at cost plus revaluation calculated in accordance with the Law on Revaluation numbered 3094. The Bank has calculated depreciation on buildings based on their historical cost. As of 31 December 2001 the revaluation rate is 53.2% (2000: 56%). The depreciation is calculated according to the straight-line method. The depreciation rates applied are as follows:

Buildings	2%
Machinery and equipment	20%
Furniture and fixtures	20%
Transportation vehicles	20%
Phones and data lines	20%
Software	20%
Leasehold improvements	33%

Foreign currency transactions

Foreign currency transactions are translated into Turkish lira using the bid rates of the Central Bank of Turkey prevailing at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Turkish lira based on the bid rates of the Central Bank of Turkey at the balance sheet date. Exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency assets and liabilities denominated in foreign currencies are recognised in the income statement.

Employment termination benefits

Under the Turkish Labour Law, the Bank is required to pay termination benefits to each employee who has completed one year of service in case of employment termination without due cause, retirement, call-up for military service or death. This benefit amounts to the equivalent of 30 days and does not exceed TL 978,020,000 (2000: TL 506,740,000) for each year worked. Employment termination expenses can only be recognised as tax deductible expenses in the year of payment.

Financial risks and risk management

(i) Interest rate risk

The Bank is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

(ii) Liquidity risk

The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions.

Off-Balance Sheet Items

Off-balance sheet items mainly comprise the securities under custody and pledge and treasury bills and government bonds that are not held at the Bank.

Tax provision

According to the new Tax Law No: 4369 published in the Official Gazette dated 29 July 1998, effective from 1 January 1999, the corporate tax rate, including fund, was changed to 33%.

Before the above-mentioned law change, the Company was subject to withholding tax calculated on the gross dividends to be paid even if the dividends were not distributed, whereas with the law change, the Company became subject to withholding tax on the gross dividend only when it is paid. Therefore, as explained above, the Company will only be subject to corporation tax at a rate of 33% and will not be subject to any withholding tax on gross dividends unless dividends are paid. If the profit is distributed, then the Company will be subject to withholding tax calculated on gross dividends with a rate of 16.5% (5.5% for publicly listed companies).

Income exempt from corporation tax (except for dividend income received, including investment allowance incentive) is subject to withholding tax at the rate of 19.8% (including listed companies), regardless of whether the profits are distributed.

An increase in capital using distributable profit is not considered as a profit distribution and thus there is no withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% on their corporate income. Advance tax is payable by the 15th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability.

Under the Turkish taxation system, losses can be carried forward to offset against future taxable income for up to five years.

b- Changes in accounting policies and their monetary effects for the period: **None. The changes in the valuation methods and their effects have been explained in footnote 4.**

(3) Validity of the basic accounting assumptions; going-on concern, accrual basis and consistency:

Going-on concern, accrual basis and consistency assumptions are strictly obeyed (2000: Valid).

(4) Effects of any changes in the valuation methods applied in the computation of the results for the period.

In accordance with the decree of the Banking Regulatory and Supervisory Agency dated 3 May 2001, numbered 3631, the Bank has changed the valuation method of the marketable securities portfolio and investment securities. Accordingly, at 31 December 2001, securities, which are pledged as collateral, which were classified within the marketable securities portfolio and valued at market values in prior periods, are classified as investment securities and valued with the straight line accrual method in accordance with the change in the regulations. As a result of this change in the valuation method, the interest income recognized in the financial statements as at 31 December 2001 has increased by TL 300 billion as compared to the valuation method used in the previous period.

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

(5) Detailed explanation of the method of valuation used for marketable securities (including subsidiaries, associates, investment securities)*:

A. Marketable securities:

Securities in Turkish Lira:

- 1- Share certificates: **None.**
- 2- Other

- a) Indexed to inflation and foreign currency: **None.**
- b) Fixed income **Treasury bills and government bonds classified under marketable securities portfolio valued at market.**
- c) Floating interest rates: **None.**

Securities in foreign currency:

- 1- Share certificates: **None.**
- 2- Other: **None.**
 - a) Indexed to inflation and foreign currency: **None.**
 - b) Fixed income: **None.**
 - c) Floating interest rates: **None.**

B. Investment and Associates:

Securities in Turkish Lira: **None.**

Securities in foreign currency: **None.**

C. Subsidiaries:

Securities in Turkish Lira: **Stated at cost.**

Securities in foreign currency: **None.**

D. Investment securities:

Investment securities in Turkish Lira

- 1- Share certificates
 - a) Long-term investments: **None.**
 - b) Pledged securities: **None.**
 - c) Restricted: **None.**
- 2- Other marketable securities
 - a) Long-term investments: **None.**
 - b) Pledged securities: **None.**
 - c) Restricted: **Valued by straight-line accrual method.**

Investment securities in foreign currency

- 1- Share certificates
 - a) Long-term investments: **None.**
 - b) Pledged securities: **None.**
 - c) Restricted: **None.**
- 2- Other marketable securities
 - a) Long-term investments: **None.**
 - b) Pledged securities: **None.**
 - c) Restricted: **None.**

(*) No information on valuation method is required if there is no marketable security in both current and prior periods as classified above.

(6) Depreciation method applied during the period, changes made during current period and their monetary effect.

Straight-line method is applied during the period; no change in the application is made in the current period.

(7) Foreign exchange rate used in the preparation of the balance sheet and U.S. dollar bid rates declared by the Bank on the last five working days of the period.

	Current Period 31 December 2001	Prior Period 31 December 2000
A. The Bank's "Foreign Currency Evaluation Rate" (1 U.S. dollar =.....TL)	1,439,567 TL	671,765 TL
B. The U.S. dollar exchange rates announced by the Bank for the last five working days preceeding the balance sheet date were as follows:		
U.S. dollar bid rate at the date of balance sheet:	1,439,567 TL	671,765 TL
U.S. dollar bid rates for the days preceding the balance sheet date:		
1st day bid rate	1,433,199 TL	669,967 TL
2nd day bid rate	1,448,816 TL	672,232 TL
3rd day bid rate	1,443,980 TL	674,820 TL
4th day bid rate	1,464,686 TL	679,627 TL
5th day bid rate	1,470,646 TL	677,675 TL

(8) Information on foreign currency assets and liabilities (as described in regulations on "Foreign Currency Net General Position/Capital Base" ratios) net foreign currency position, their Turkish lira amounts and U.S. dollar equivalents:

	Current Period 31 December 2001		Prior Period 31 December 2000	
	TL	Million \$	TL	Million \$
I- FOREIGN CURRENCY ASSETS				
1) CASH AND CASH EQUIVALENTS (Cash, Cash in Transit, Purchased Cheques)	-	-	-	-
2) CENTRAL BANK OF TURKEY	116	0.08	56	0.08
3) DOMESTIC BANKS (Excluding Interbank)	885	0.61	377	0.56
4) FOREIGN BANKS	7,472	5.19	25	0.04
5) MARKETABLE SECURITIES PORTFOLIO (NET)	-	-	-	-
6) LOANS	-	-	-	-
7) RESERVE DEPOSITS	-	-	-	-
8) FOREIGN CURRENCY INDEXED ASSETS (a+b)	-	-	-	-
a) Loans	-	-	-	-
b) Other	-	-	-	-
9) ACCRUED INTEREST AND INCOME	-	-	-	-
10) OTHER ASSETS	-	-	-	-
OFF-BALANCE SHEET ITEMS (11+12)	-	-	-	-
11) RECEIVABLES FROM REPURCHASE	-	-	-	-
12) FORWARD CURRENCY PURCHASES TRANSACTIONS	-	-	-	-
TOTAL FOREIGN CURRENCY ASSETS (1-12)	8,473	5.88	458	0.68
II- FOREIGN CURRENCY LIABILITIES				
1) FOREIGN CURRENCY DEPOSITS	-	-	-	-
2) GOLD VAULT	-	-	-	-
3) BANK DEPOSITS	-	-	-	-
4) FUNDS BORROWED FROM CENTRAL BANK OF TURKEY	-	-	-	-
5) FUNDS BORROWED FROM DOMESTIC BANKS	-	-	-	-
6) FUNDS BORROWED FROM OTHER INSTITUTIONS	-	-	-	-
7) FOREIGN BORROWINGS	-	-	-	-
8) MARKETABLE SECURITIES ISSUED (NET)	-	-	-	-
9) FOREIGN CURRENCY INDEXED LIABILITIES (a+b)	-	-	-	-
a) Borrowings	-	-	-	-
b) Other	-	-	-	-
10) ACCRUED INTEREST AND EXPENSES	-	-	-	-
11) OTHER LIABILITIES	8,279	5.75	435	0.65
OFF-BALANCE SHEET ITEMS (12+13)	-	-	-	-
12) PAYABLES DUE TO REPURCHASE TRANSACTIONS	-	-	-	-
13) FORWARD CURRENCY SALES	-	-	-	-
TOTAL FOREIGN CURRENCY LIABILITIES (1+13)	8,279	5.75	435	0.65
FOREIGN CURRENCY NET POSITION (I-II)	194	0.13	23	0.03

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

Explanation on foreign currency management of the Bank:

There are no transactions denominated in foreign currency, except for those held in accordance with liquidity requirements and collaterals for ISE Derivatives Market.

Current Period

(31 December 2001):

	U.S. Dollars (thousand)	Euro(**) Group (thousand)	Euro (thousand)	CHF (thousand)	Japanese Yen (thousand)	Other(***) (thousand)
I- Foreign Currency Assets						
Cash and Cash Equivalents	-	-	-	-	-	-
Banks	5,870	-	18	-	-	-
Marketable Securities Portfolio (Net)	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Investment Securities (Net)	-	-	-	-	-	-
Other Foreign Currency Assets (*)	-	-	-	-	-	-
Total Foreign Currency Assets	5,870	-	18	-	-	-
II- Foreign Currency Liabilities						
Deposits	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-
Other Foreign Currency Liabilities (*)	5,753	-	-	-	-	-
Total Foreign Currency Liabilities	5,753	-	-	-	-	-
Difference (I-II)	117	-	18	-	-	-

Prior Period

(31 December 2000):

	U.S. Dollars (thousand)	Euro(**) Group (thousand)	Euro (thousand)	CHF (thousand)	Japanese Yen (thousand)	Other(***) (thousand)
I- Foreign Currency Assets						
Cash and Cash Equivalents	-	-	-	-	-	-
Banks	680	-	1	-	-	-
Marketable Securities Portfolio (Net)	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Investment Securities (Net)	-	-	-	-	-	-
Other Foreign Currency Assets (*)	-	-	-	-	-	-
Total Foreign Currency Assets	680	-	1	-	-	-
II- Foreign Currency Liabilities						
Deposits	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-
Other Foreign Currency Liabilities (*)	648	-	-	-	-	-
Total Foreign Currency Liabilities	648	-	-	-	-	-
Difference (I-II)	32	-	1	-	-	-

(*) Other foreign currency assets and liabilities including off balance sheet items.

(**) In the Euro Group column, foreign currencies which will be converted into Euro (German Mark, French Franc and others) are expressed in Euro transactions made in Euro and are stated in the Euro column.

(***) Other foreign currencies which make up less than 10% of foreign currency assets and liabilities are expressed in U.S. dollars.

(9) Bank premises and equipment, accumulated depreciation and insurance coverages:

Current Period: 31 December 2001

	Book Value (*)	Accumulated Depreciation	Insurance Coverage
Movables	1,606	772	10,820
Immovables	4,815	210	4,662
1- In the Bank's usage	4,815	210	4,662
2- Other	-	-	-
Assets held for resale	-	-	-
1- Stocks	-	-	-
2- Immovables	-	-	-
Assets held under financial leases (as lessee)	-	-	-

(*) Book value is "gross" book value before accumulated depreciation.

Prior Period: 31 December 2000

	Book Value (*)	Accumulated Depreciation	Insurance Coverage
Movables	1,299	581	2,555
Immovables	3,114	102	2,434
1- In the Bank's usage	3,114	102	2,434
2- Other	-	-	-
Assets held for resale	-	-	-
1- Stocks	-	-	-
2- Immovables	-	-	-
Assets held under financial leases (as lessee)	-	-	-

(*) Book value is "gross" book value before accumulated depreciation.

(10) Information on significant contingent gains and losses of which the amounts are uncertain:

None (2000: None).

(11) Other matters which have had significant impact on the financial statements and therefore should be disclosed for the purpose of true and fair presentation of the financial statements:

(i) As of December 2001, under the marketable securities portfolio the Bank has government bonds which belong to problem brokerage firms amounting to TL 1,118 billion as a result of reverse repo transactions. Furthermore, the Bank, in its marketable securities portfolio has government bonds and treasury bills, amounting to TL 2,011 billion (2000: TL 1,851 billion) belonging to problem brokerage firms. Transactions with securities belonging to problem brokerage firms are recorded in accordance with the legislation. Credit natured accounts for securities belonging to problem brokerage firms are recorded as "Miscellaneous payables". Because of marked to market valuation of government bonds and treasury bills belonging to problem brokerage firms, unearned income amounting to TL 155 billion was calculated (2000: TL 69 billion). This amount does not have any relation on profit and loss accounts and is followed up in miscellaneous payables.

(ii) Formerly the Bank recorded as income the security due-date difference penalty interest collected from members failing to fulfill their security clearance obligations within the deadlines. From the beginning of the year 2002, the Bank has changed this application and started to record this penalty interest in the ISE Guarantee Fund account based on the notification of the Prime Ministry Capital Markets Board ("CMB") Auditing Section dated 23 January 2002. In addition, at 31 December 2001 the Bank has expensed and recorded in the ISE Guarantee fund the amount of TL 7,015 billion, calculated by accumulating interest using the average net yield on the security penalty income recorded in the current (TL 304 billion) and previous (TL 3,492 billion) periods as ratified by the CMB.

B. Other footnotes and explanations:

(12) Other information which materially affects the balance sheet and is essential for the true and fair presentation of the balance sheet:

None (2000: None).

(13) Information about branches abroad:

None (2000: None).

ISE SETTLEMENT AND CUSTODY BANK INC. NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

Location of the branch	Total Assets	Legal capital (*)
------------------------	--------------	-------------------

- - -

(*) Share capital according to minimum requirements of the related country or capital allocated by the headquarters.

C. The accountants who audited the financial statements and the auditors' report

The financial statements at 31 December 2001 have been audited by Başaran Nas Serbest Muhasebeci ve Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers), and in the auditors' report dated 31 January 2001 it is stated that the accompanying financial statements, except for the effects of the extraordinary expense of TL 7,015 billion calculated by accumulating interest on the security due-date difference penalty income recorded in the current and previous periods in the amount of TL 3,796 billion, present fairly, in all material respects, the financial position of the Bank at 31 December 2001 and the result of its operations for the year then ended in accordance with the relevant Turkish Laws and the communiqué on the principles of organisation and application of the Uniform Chart of Accounts which are consistently applied.

II- FOOTNOTES AND EXPLANATIONS TO THE BALANCE SHEET AND MEMORANDUM ACCOUNTS

(1) The restricted portion of the funds in the Central Bank of Turkey account amounts to TL ... (2000:).

(2) a- Information on due from foreign banks:

	Current Period 31 December 2001		Prior Period 31 December 2000	
	TL Amount	US\$ Amount	TL Amount	US\$ Amount
Unrestricted amount	7,472	5,190,504	25	36,858
Restricted amount	-	-	-	-
Total	7,472	5,190,504	25	36,858

b- Breakdown of due from foreign banks according to their origins (the country in which the banks are domiciled)

Current Period: 31 December 2001

OECD Countries		Other Countries	
Country	Balance (TL)	Country	Balance (TL)
1. USA	7,388		
2. Belgium	62		
3. Luxembourg	1		
4. Germany	21		
Total	7,472		

Prior Period: 31 December 2000

OECD Countries		Other Countries	
Country	Balance (TL)	Country	Balance (TL)
1. Luxembourg	1		
2. Germany	1		
3. USA	19		
4. Belgium	4		
Total	25		

(3) a- The value increase fund portion of the marketable securities portfolio balance is TL ... (2000: None).

b- The market value of securities which are carried at cost with market values in excess of acquisition cost is TL ... (2000: None), the acquisition cost of marketable securities which are carried at market value in excess of acquisition cost is TL ... (2000: None).

c- TL 670 billion of the total marketable securities portfolio and investment securities balance is held for legal requirements (2000: TL 552 billion).

d- Breakdown of marketable securities portfolio at current period:

	Cost TL billion	Market Value TL billion	Value Declared by Central Bank of Turkey (*) TL billion	Value Calculated by Internal Rate of Return TL billion	Allowance for Impairment in Value TL billion
Treasury bills and Government bonds					
1. Fixed income securities	3,129	3,293	3,298	3,298	-
2. Securities indexed to inflation	-	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-	-
4. Securities in foreign currency	-	-	-	-	-
5.	-	-	-	-	-
Revenue Sharing Certificates	-	-	-	-	-
Investment funds	-	-	-	-	-
Other Debt Securities	-	-	-	-	-
1. Fixed income securities	-	-	-	-	-
2. Securities indexed to inflation	-	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-	-
4. Securities in foreign currency	-	-	-	-	-
5.	-	-	-	-	-
Gold	-	-	-	-	-
Share certificates	-	-	-	-	-
1. Quoted	-	-	-	-	-
2. Unquoted	-	-	-	-	-
Other Marketable Securities	-	-	-	-	-

(*) Values calculated based on daily prices announced by the Central Bank of Turkey in the Official Gazette.

(4) a- The total amount of advances and loans granted to shareholders and employees of the Bank and notes:

	Current Period 31 December 2001		Prior Period 31 December 2000	
	Cash	Non-cash	Cash	Non-cash
1. Loans granted to shareholders	936	531,432	1,757	78,852
- Loans given to shareholders (legal entities directly)	936	531,432	1,757	78,852
- Loans given to shareholders (real persons directly)	-	-	-	-
- Loans given to shareholders (directly / indirectly)	-	-	-	-
2. Loans granted to employees of the Bank	9	-	2	-

Notes on advances and loans granted to shareholders and employees: **Loans are granted in accordance with the Banking Law taking the market conditions into consideration.**

b- The comparative information on the total balances arising from transactions with related parties (*) (direct and indirect shareholders, investments, participations and subsidiaries) or related groups (without disclosing the name of the group) with the total balances in the financial statements in the following format:

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

1. Major balance sheet items such as the marketable securities portfolio, loans and securities issued balances at beginning and end of the period and changes during the period:

	Related Parties	Total	%
Marketable Securities Portfolio			
31 December 2000	2,444	10,041	24
Change (Net)	685	(6,912)	
31 December 2001	3,129	3,129	100
Interbank Money Market			
31 December 2000	-	-	-
Change (Net)	-	-	
31 December 2001	-	-	-
Loans			
31 December 2000	1,756	2,253	78
Change (Net)	(820)	1,088	
31 December 2001	936	3,341	28

2. Main income statement items, such as interest expenses, commission, fees paid and others;

	Current Period 31 December 2001	Prior Period 31 December 2000
Fees and commissions received	1,080	900
Other non-interest income	576	228

3. Non-performing loans and doubtful receivables and reserve provided for these receivables: **None (2000: None).**

4. Contingencies, irrevocable commitments and off-balance sheet liabilities:

	Current Period 31 December 2001	Prior Period 31 December 2000
Guarantees and Commitments	531,432	78,852

Note*): Related parties mean the parties who have control over one another in terms of operational and financial decisions. Related party transactions are the transfers of resources and obligations between the Bank, which is responsible for disclosures, and the related parties (direct and indirect shareholders, equity participations, subsidiaries and investment securities). The definition of the group of related companies is as follows:

- The group which consists of two or more real persons or companies forming a unique risk due to the direct or indirect control of a group member over the other(s).
- The group which consists of two or more real persons or companies that do not have any control relation, but are closely connected to each other meaning that one of the group member's financial problems may cause the other(s) to be in repayment difficulties and hence, those members constitute a unique risk.

c- Receivables from and payables to investments, associates and subsidiaries:

	Financial Subsidiaries, Investment and Associates		Other Investments and Associates	
	Current Period 31 December 2001	Prior Period 31 December 2000	Current Period 31 December 2001	Prior Period 31 December 2000
RECEIVABLES:	-	-	-	-
- Banks and other financial institutions	-	-	-	-
- Bonds and other marketable securities	-	-	-	-
- Loans (including loans under follow-up)	-	-	-	-
- Accrued interest income	-	-	-	-
- Leasing receivables (Net)	-	-	-	-
- Other receivables	-	-	-	-

	Financial Subsidiaries, Investment and Associates		Other Investments and Associates	
	Current Period	Prior Period	Current Period	Prior Period
	31 December 2001	31 December 2000	31 December 2001	31 December 2000
PAYABLES:	-	-	-	-
- Deposits	-	-	-	-
- Borrowings	-	-	-	-
- Bonds issued	-	-	-	-
- Accrued interest expense	-	-	-	-
- Leasing payables	-	-	-	-
- Other payables	-	-	-	-
NON-CASH LOANS	-	-	-	-
- Letter of guarantee	-	-	-	-
- Acceptance credits	-	-	-	-
- Letters of credit	-	-	-	-
- Endorsement	-	-	-	-
- Other non-cash loans	-	-	-	-

The information on receivables from and payables to investments, associates and subsidiaries: **None (2000: None).**

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

	Group I – Standard loans and Other Receivables		Group II – Loans and Other Receivables Under Special Follow-up	
	(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
TL Billion	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Cash Loans	-	3,341	-	-
I-Non-specialisation Loans	-	3,341	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Investment Loans	-	-	-	-
Loans Given to Domestic Banks	-	-	-	-
Loans Given to Foreign Banks	-	-	-	-
Other Loans Given to Financial Institutions	-	3,332	-	-
Gold Credits	-	-	-	-
Other Loans	-	-	-	-
1-Consumer Loans	-	-	-	-
2-Credit Cards	-	-	-	-
3-Other Foreign Loans	-	-	-	-
4-Other	-	9	-	-
II-Specialisation Loans	-	-	-	-
Agricultural Loans	-	-	-	-
Immovables	-	-	-	-
Professional Loans	-	-	-	-
Maritime Loans	-	-	-	-
Tourism Loans	-	-	-	-
Other	-	-	-	-
III-Liquidated Non-cash Loans	-	-	-	-
Receivables or Balances That Are Considered As Loans According to Related Regulators of Banking	-	-	-	-
Other Receivables	-	-	-	-
Non-cash Loans	-	694,150	-	-

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

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

There are no loans and other receivables renewed, refunded or restructured, and classified under follow-up accounts (2000: None).

	Group III: Loans and Receivables of Limited Collectibility	Group IV: Loans and Other Receivables of Doubtful Collectibility	Group V: Uncollectible Loans and Other Receivables
Current Period (31 December 2001):			
(Gross amounts before provisions)	-	-	-
1- Renewed loans	-	-	-
2- Refunded loans and other receivables	-	-	-
3- Restructured loans and other receivables	-	-	-
Prior Period (31 December 2000):			
(Gross amounts before provisions)	-	-	-
1- Renewed loans	-	-	-
2- Refunded loans and other receivables	-	-	-
3- Restructured loans and other receivables	-	-	-

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

There are no loans and other receivables under follow-up (2000: None).

	Group III: Loans and Receivables of Limited Collectibility	Group IV: Loans and Other Receivables of Doubtful Collectibility	Group V: Uncollectible Loans and Other Receivables
Current Period (31 December 2001):			
Collateral Group			
Without Collateral	-	-	-
Collateral Group I	-	-	-
Collateral Group II	-	-	-
Collateral Group III	-	-	-
Collateral Group IV	-	-	-
Prior Period (31 December 2000):			
Collateral Group			
Without Collateral	-	-	-
Collateral Group I	-	-	-
Collateral Group II	-	-	-
Collateral Group III	-	-	-
Collateral Group IV	-	-	-

c- Movements in loans under follow-up and special reserves:

	Group III: Loans and Receivables of Limited Collectibility	Group IV: Loans and Other Receivables of Doubtful Collectibility	Group V: Uncollectible Loans and Other Receivables
BALANCE AT 31 DECEMBER 2000	-	-	-
- Addition (+)	-	-	-
- Transfer From Other Categories of Loans Under Follow-up (+)	-	-	-
- Transfer to Other Categories of Loans Under Follow-up (-)	-	-	-
- Collections (-)	-	-	-
- Write-offs (-)	-	-	-
BALANCE AT 31 DECEMBER 2001	-	-	-
- Special Reserve Provided (-)	-	-	-
NET BALANCE AT 31 DECEMBER 2001	-	-	-

d- Foreign Currency Receivables Under Follow-up Accounts:

	Group III: Loans and Receivables of Limited Collectibility	Group IV: Loans and Other Receivables of Doubtful Collectibility	Group V: Uncollectible Loans and Other Receivables
Current Period (31 December 2001):			
ENDING BALANCE	-	-	-
- Special Provision (-)	-	-	-
NET BALANCE PER BALANCE SHEET	-	-	-
Prior Period (31 December 2000):			
ENDING BALANCE	-	-	-
- Special Provision (-)	-	-	-
NET BALANCE PER BALANCE SHEET	-	-	-

(6) Receivables on Forward Sales of Assets:

There is no receivable on forward sales of assets (2000: None).

Current Period: 31 December 2001

Receivables on Forward Sales of Assets	Gross Receivable Amount		Net Total Receivable Amount
	Turkish Lira	Foreign Currency (Foreign Currency, Turkish Lira (\$, DM etc.) Equivalent)	
1- Sales of Investments, Associates and Subsidiaries	-	-	-
2- Sales of Fixed Assets	-	-	-
3- Other	-	-	-

Prior Period: 31 December 2000

Receivables on Forward Sales of Assets	Gross Receivable Amount		Net Total Receivable Amount
	Turkish Lira	Foreign Currency (Foreign Currency, Turkish Lira (\$, DM etc.) Equivalent)	
1- Sales of Investments, Associates and Subsidiaries	-	-	-
2- Sales of Fixed Assets	-	-	-
3- Other	-	-	-

There are no receivables on forward sales of assets (2000: None).

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

(7) a- TL..... (2000: None) of associates and subsidiaries represented the "value increase" arising from the market value adjustments and TL (2000: None) represented the "value increase" arising from the equity method of accounting.

b- Information about economic sectors of associates and subsidiaries:

	Cost	Bonus Share	Revaluation Fund	Value Decrease Provision
DOMESTIC INVESTMENTS AND SUBSIDIARIES:	649	-	-	-
BANKS	-	-	-	-
INSURANCE	-	-	-	-
PRODUCTION	-	-	-	-
MINING	-	-	-	-
ENERGY	-	-	-	-
TRANSPORTATION	-	-	-	-
EXPORT	-	-	-	-
TOURISM	-	-	-	-
AGRICULTURE	-	-	-	-
FORESTRY	-	-	-	-
OTHER FINANCIAL	649	-	-	-
OTHER COMMERCIAL	-	-	-	-
FOREIGN INVESTMENTS AND SUBSIDIARIES:	-	-	-	-
BANKS	-	-	-	-
INSURANCE	-	-	-	-
PRODUCTION	-	-	-	-
MINING	-	-	-	-
ENERGY	-	-	-	-
TRANSPORTATION	-	-	-	-
EXPORT	-	-	-	-
TOURISM	-	-	-	-
AGRICULTURE	-	-	-	-
FORESTRY	-	-	-	-
OTHER FINANCIAL	-	-	-	-
OTHER COMMERCIAL	-	-	-	-

c- Carrying values of subsidiaries and associates quoted at the domestic and foreign stock exchanges amounted to TL (2000: None) and TL (2000: None).

d- Bonus shares received on subsidiaries and associates amounted to TL (2000: None).

e- Subsidiaries and associates :**The Bank has no associates and subsidiaries (2000: None).**

Title	Share (%)	Total Capital	Net Profit for the Period	Market Value
1- Merkezi Kayıt Kuruluşu A.Ş.	65	1,000	180(*)	-

(*) As of 31.12.2001 unaudited gross profit. (2000: None).

f- The breakdown of investments and subsidiaries sold in current period:

There are no investments and subsidiaries sold in current period (2000: None).

Title	Sales Price	Market Value at Sales Date	Sales Term
1-	-	-	-
2-	-	-	-

(8) Information on investment securities:

	Treasury Bills and Bonds		Other Securities	
	Cost	Valuation	Cost	Valuation
Investment Securities:				
Securities in Turkish Lira:	10,498	5,427	-	-
1- Share Certificates	-	-	-	-
a) Long-term Investments	-	-	-	-
b) Pledged Securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other Securities	-	-	-	-
a) Long-term Investments	10,498	5,427	-	-
b) Pledged Securities	-	-	-	-
c) Restricted	-	-	-	-
Securities in Foreign Currencies:	-	-	-	-
1- Share Certificates	-	-	-	-
a) Long-term Investments	-	-	-	-
b) Pledged Securities	-	-	-	-
c) Restricted	-	-	-	-
2- Other Securities	-	-	-	-
a) Long-term Investments	-	-	-	-
b) Pledged Securities	-	-	-	-
c) Restricted	-	-	-	-

(9) Movables and immovables held for resale in accordance with the Banking Law, amounted to TL... (2000: None).

(10) Other assets and other liabilities items in excess of 10% of the balance sheet total (excluding off-balance sheet commitments), title and balance of sub-accounts constituting 20% of these accounts:

	31 December 2001	31 December 2000
Other Assets:		
Prepaid Taxes	13,344	3,682
Prepaid Expenses	203	91
Other	-	25
	13,547	3,798
Miscellaneous Payables:		
Cash Collaterals Taken	13,748	1,951
CMB Guarantees - Blocked Deposits	849	399
Member Current Account	604	228
Other	50	89
	15,251	2,667
Other Liabilities:		
ISE Guarantee Fund	11,772	2,500
ISE Bonds and Bills Market Payables	4,092	-
Other	150	77
	16,014	2,577

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

(11) a- Maturity structure of deposits:

Since the Bank is an investment bank, it does not collect deposits.

	Demand Deposits		Time Deposits (*)	
	Current Period	Prior Period	Current Period	Prior Period
	31 December 2001	31 December 2000	31 December 2001	31 December 2000
Savings Deposits	-	-	-	-
Certificate of Deposits	-	-	-	-
Public Sector Deposits	-	-	-	-
Commercial Deposits	-	-	-	-
Other Institutions' Deposits	-	-	-	-
Bank Deposits	-	-	-	-
1- Central Bank of Turkey	-	-	-	-
2- Domestic Banks	-	-	-	-
3- Foreign Banks	-	-	-	-
4- Others	-	-	-	-
Foreign Currency Deposits	-	-	-	-
1- Local Residents	-	-	-	-
2- Foreign Residents	-	-	-	-
Gold Accounts	-	-	-	-
Total Deposits	-	-	-	-

(*) Deposits with 7 day notification are included.

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

	Insured Amount	
	Current Period	Prior Period
	31 December 2001	31 December 2000
1- Saving Deposits	-	-
2- Foreign Currency Saving Deposits	-	-
3- Other Saving Deposits (*)	-	-
4- Deposits in Foreign Branches Insured by Foreign Organisations	-	-

(*) To be disclosed in case any related legislation exists.

(12) a- The premium on bonds issued is TL ...-... (2000:None).

b- Bonds in circulation which can be converted to common stocks are TL ...-... (2000: None).

c- Securities other than shares issued during the current period: None (2000: None).

d- Securities matured during the current period: None (2000: None).

(13) The total of cash collateral received is TL 13,748 billion (2000: TL 1,952 billion).

Explanation about cash collaterals :

TL 3,293 billion (2000: TL 1,920 billion) of cash collateral is for blocked cash collaterals of problem brokerage firms and TL 199 billion (2000: TL 32 billion) is for borrowed securities loans and cash guarantees received for Interbank money market transactions. TL 10,256 billion (2000: ...-...) is the transaction guarantee for the ISE Derivatives Market transactions and ISE Derivatives Market guarantee fund.

(14) a- The portion of the amount related to the marketable securities value increase fund which belongs to foreign currency marketable securities (common stocks, shares in subsidiaries, investments and associates) is TL:..-... (2000: None). The portion of that amount which is related to foreign currency valuation of foreign currency subsidiaries investments and associates and investment securities is TL: ...-... (2000: None).

b- Explanation about the foreign currency revaluation of foreign currency subsidiaries, associates and investment securities :
None (2000: None).

(15) Breakdown of balance sheet and certain off-balance sheet items according to their terms:

Maturity breakdowns of balance sheet items and certain off-balance sheet items for current and prior periods are given in the Appendices as separate tables.

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

	Current Period	Prior Period
	31 December 2001	31 December 2000
LEGAL SHAREHOLDERS' EQUITY (FROM 1 TO 19):		
I- SHARE CAPITAL	77,725	36,614
1- Paid-in Capital	33,540	16,300
- Nominal Capital	33,540	16,300
- Unpaid Capital (-)	-	-
2- Legal Reserves	2,859	1,456
- First Legal Reserve (Turkish Commercial Code 466/1)	2,770	1,367
- Second Legal Reserve (Turkish Commercial Code 466/2)	89	89
- Share Premium	-	-
- Legal Reserve Per Special Legislation and Articles of Association	-	-
3- Extraordinary Reserves	543	38
- Reserves Allocated Per Ordinary General Meeting Resolution	543	38
- Exchange Rate Difference on Foreign Currency Capital (1)	-	-
- Retained Earnings (2)	-	-
- Accumulated Losses (-)	-	-
4- Current Period Income (3)	40,783	18,820
5- Losses (-)	-	-
- Current Period Losses	-	-
- Prior Year Losses	-	-
II- SUPPLEMENTARY CAPITAL (4)	1,960	1,427
6- Bank Fixed Asset Revaluation Fund	1,960	1,427
- Movables	358	338
- Immovables	1,602	1,089
- Cost Increase Fund	-	-
- Basis of Funds for Capital Increase by Sale of the Shares in Investment and Associates (Inducing Marketable Securities)	-	-
- Leasehold Improvements Revaluation Fund	-	-
7- Investments, Subsidiaries and Other Participations	-	-
Fixed Asset Revaluation Fund	-	-
8- Provisions	-	-
General Loan Loss Provisions (5)	-	-
Specific Provisions (6)	-	-
9- Subordinated Loans Borrowed	-	-
10- Marketable Securities Value Increase Fund	-	-
- Marketable Securities Portfolio	-	-
- Subsidiaries and Associates	-	-
- Investment Securities	-	-

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

	Current Period 31 December 2001	Prior Period 31 December 2000
III- DEDUCTIONS FROM CAPITAL	858	104
11- Unconsolidated Financial Assets, Affiliates and Other Financial Institutions Whose Capital is Contributed to (Capital Contribution to Financial Institution Whose Main Activities are in Money and Capital Markets, Insurance, and That Operate With Licenses and Permissions in Line With Special Laws)	649	
12- Research and Development Costs	6	13
13- Leasehold Improvements	-	-
14- Prepaid Expenses	203	91
15- The Negative Difference Between the Market Value and the Value Recorded in the Balance Sheet of Unconsolidated Investments, Subsidiaries, Other Investments and Fixed Assets	-	-
16- Subordinated Loans Given to Other Banks Which Operate in Turkey	-	-
17- Cash Credits; Extended to Direct or Indirect Shareholders That Own 10% or More of the Bank and to Those That Indirectly Perform Credit Transactions With Them	-	-
18- Goodwill	-	-
19- Capitalized Expenses	-	-
Total of Legal Shareholders' Equity I+II-III:	78,827	37,937
SHAREHOLDERS' EQUITY PER ACCOUNTING APPLICATIONS (From 1 to 10, Excluding 4, 8 and 9):		
Total Shareholders' Equity Per Accounting Applications:	38,902	19,221

- (1) Foreign exchange differences arising from evaluation of share capital of the banks, which are allowed to keep foreign currency share capital.
- (2) Unappropriated profits determined by the General Assembly in compliance with the Banking Act and other regulations.
- (3) The period profit after tax provision.
- (4) In the case of supplementary capital exceeding more than 100% of the capital, it is not considered in the shareholders' equity account.
- (5) It is the balance of general loan loss provision minus the net amount of loans to be liquidated.
- (6) Apart from the Banks' loan loss provisions, it points out the provisions for the possible risks in general and which are not directly related to another subject and are followed up from the sub accounts, which are formed under the other provisions account. The portion of this amount, which exceeds more than 25% of the capital, is not considered in the supplementary capital calculation.

b- Information on the Bank's capital base which is considered in capital adequacy ratio in compliance with banking regulations:

	Current Period 31 December 2001	Prior Period 31 December 2000
I- Tier I Capital	77,725	36,614
II- Supplementary Capital	1,960	1,427
1. Subordinated Loans	-	-
2. Other	1,960	1,427
III- Capital (I+II+ Third Tier Capital)	79,685	38,041
- Third Tier Capital	-	-
IV- Items Deducted from Capital Base	858	104
V- Capital Base (III - IV)	78,827	37,937

(17) a- Whether the registered capital system is applied in the Bank and if so, the ceiling of the registered capital :

Registered capital system is not applied (2000: Not applied).

b- Information related to increase in share capital in the current period and sources of the increase:

Date	Increase Amount	Cash	Reserves	Revaluation Fund
20 March 2001	17,240	-	15,813	1,427

c- Information related to capital that is increased from revaluation funds:

In the current period, the capital was increased by TL 1,427 billion from the fixed asset revaluation fund.

d- Privileges for share certificates representing the capital:

As of 31 December 2001 the Bank has preferred shares with a nominal value of TL 200 million (2000: TL 200 million). These preferred shares belong to the Istanbul Stock Exchange and bestow the right to have more members on the Board of Directors.

e- Institutions and persons which have 10% or more of the voting rights and/or share in the capital:

Shareholder	Current Period	Prior Period
	31 December 2001 (%)	31 December 2000 (%)
Istanbul Stock Exchange	22.60	22.60
Other	77.40	77.40

47.07% (2000: 47.07%) of "other" is held by banks, and the remaining 30.33% (2000: 30.33%) is held by brokerage firms.

(18) Methods applied for financial leasing transactions and the explanations required in accordance with International Accounting Standard No 17 (IAS 17); Additional balance sheet and profit and loss statement prepared in accordance with IAS 17 should be included by Investment Banks: **Assets acquired through financial leasing are included in assets in accordance with the Communiqué on the Uniform Chart of Accounts Applicable for Banks.**

At the balance sheet date, amounts of finance lease transactions are as follows:

	Current Period	Prior Period
	31 December 2001	31 December 2000
Total Leased Assets	2,650	367
Leasing Payables	947	-
Accumulated Depreciation	741	209
Current Year Depreciation	457	73

Balance sheet and income statement adjusted in accordance with IAS 17 are presented as Appendix I.

(19) Footnotes in respect of other issues:

a- Information about deferred tax and deferred tax provision:

	Current Period	Prior Period
	31 December 2001	31 December 2000
Deferred Tax Liabilities	-	-
Reserve for Deferred Tax Liability (B/S) (*)	-	-
Deferred Tax Provision (P/L) (**)	-	-

Note (*) : Classified in **"other liabilities"** on balance sheet.

(**) : Classified in **"tax provisions"** on income statement.

The effective tax rate is applied as 30% corporate tax rate and 3% fund levy in accordance with Corporate Tax Law and consequently TL 20,253 billion (2000: TL 9,247 billion) tax provision is provided.

b- Method applied for accounting of currency swap transactions in accordance with the 4th part of the Uniform Chart of Accounts Applicable for Banks titled SPECIFIC TRANSACTIONS (DERIVATIVE INSTRUMENTS) AND ACCOUNTING PRINCIPLES:

The Bank has no derivative instruments as at 31 December 2001 (2000: None).

c- Exchange rate gain or loss accruals on forwards and currency swaps, accounted under other accruals in assets and liabilities: **None (2000: None).**

ISE SETTLEMENT AND CUSTODY BANK INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts are expressed in billions of Turkish ("TL") unless otherwise stated)

	Current Period 31 December 2001	Prior Period 31 December 2000
Income Accruals on Forwards	-	-
Expense Accruals on Forwards	-	-
Income Accruals on Currency Swaps	-	-
Expense Accruals on Currency Swaps	-	-

d- Information about details and valuation of assets and liabilities indexed to foreign exchange rates, gold prices and other financial indicators:

The Bank does not have any assets and liabilities that are indexed to the foreign exchange rates, gold prices and other financial indicators. The Bank does not have any loans that are indexed to foreign exchange rates either (2000: None).

e- Other explanations: **None (2000: The government bonds held under guarantee of interbank and as disponibility, with a nominal value of TL 8,000 billion have been recorded under marketable securities portfolio and carried at market as of 31 December 2000. If these securities had been recorded as investment securities and had been stated at cost as adjusted for the amortisation of premiums or discounts on purchases over the period to maturity, the current period's net profit would be TL 293 billion more (including deferred tax payable of TL 144 billion). Since the above mentioned difference has no material effect on financial statements, there is no correction made to these financial statements.)**

III- FOOTNOTES AND EXPLANATIONS TO INCOME STATEMENT:

(1) a- Interest received from subsidiaries and associates is TL..... (2000: None) fees and commissions received are TL (2000:None).

b- Interest paid to subsidiaries and associates is TL..... (2000: None), fees and commissions paid is TL (2000: None).

(2) Total leasing income is TL (2000: None).

(3) Total leasing expense is TL 2,373 billion (2000: None).

(4) a- General provision for loan losses is TL (2000: None).

The Bank does not collect deposits in accordance with the Banking Act and therefore is not subject to Decree on Loan Loss Provision.

b- Provision for the value decrease in marketable securities is TL (2000: None).

(5) Other items in income and expense groups I, II, IV and V in excess of 10% of the group total, breakdown of the sub-accounts constituting 20% of these accounts:

	Current Period 31 December 2001	Prior Period 31 December 2000
Other Non-interest Income:		
Common Stock Custody Commission	5,227	3,761
Bonus Shares Collection Commissions	3,242	1,719
Commissions from Customer Name Based Account Maintenance	2,160	863
Commissions from Customer Name Based Custody	1,752	4,383
Government Bond and Treasury Bill Custody Commission	1,106	721
Stock Exchange Settlement Income	1,080	900
Preference Rights Commissions	944	689
Same Custody Commission	490	487
EFT Expense Provision	452	446
Dividend Collection Commission	440	258
Titles No Longer Required	193	376
Other	2,333	439
	19,419	15,042

	Current Period	Prior Period
	31 December 2001	31 December 2000
Other Non-interest Expense:		
Leasing Expenses	2,373	-
Communication Expenses	1,173	412
Computer Usage Expenses	394	276
EFT Messages Cost	207	198
Printed Media and Stationary Expenses	117	135
Representation Expenses	103	65
Commercial Expenses	21	31
Donation Expenses	-	144
Other	604	466
	4,992	1,727

(6) Information on presentation of repurchase transactions expenses in the accompanying financial statements and related income and expenses: **None (2000: None)**.

	Current Period	Prior Period
	31 December 2001	31 December 2000
Accrued Income on Marketable Securities		
Subject to Repurchase Transactions	-	-
Accrued Expenses on Repurchase Transactions	-	-

(7) Footnotes related to the other issues that should be disclosed.

As explained in note 11 (ii) of the general footnotes and explanations regarding the Bank and its financial structure, the security due-date difference penalty income recorded in current and previous periods amounting to TL 7,015 billion has been classified as extraordinary expenses in the income statement for the year ended 31 December 2001 (2000: None).

Management Staff

Emin S. Çatana
President and CEO

Nezir Bakır
Vice President

Ahmet Çakırsoy
Vice President

Yusuf Çiçek
Vice President

Şevket Yaşöz
Head of the Board of Internal Auditors

Tolga Somuncuoğlu
Custody Manager

Arzu Öztürk
Systems Development Manager

Ender Aybulus
Software and Hardware Manager

Mustafa Şentürk
Personnel and Training Manager

Mehmet Günal
Credits and Money Market Manager

Tanju Günel
Operations Manager

İbrahim Samancı
Accounting Manager

Cahit Girgin
Legal Affairs Manager

Gülcan Tok
Administrative Affairs Manager

Suat Sevand
Treasury Manager

Eşref Hatipoğlu
Security Services Manager

TAKASBANK ISE Settlement and Custody Bank Inc.

Abide-i Hürriyet Caddesi Mecidiyeköy Yolu Sokak 286 Şişli 80260 Istanbul Turkey
Tel: +90 212 315 25 25 (Pbx) Fax: +90 212 315 25 26 (Pbx)
Alo-Takas: +90 212 315 22 22 web site: <http://www.takasbank.com.tr>