

TAKASBANK CONNECTS MONEY AND CAPITAL MARKETS THROUGH A  
RELIABLE AND TRANSPARENT COMMUNICATIONS AND  
TRANSACTIONS NETWORK



ANNUAL REPORT 2000



**TAKASBANK**

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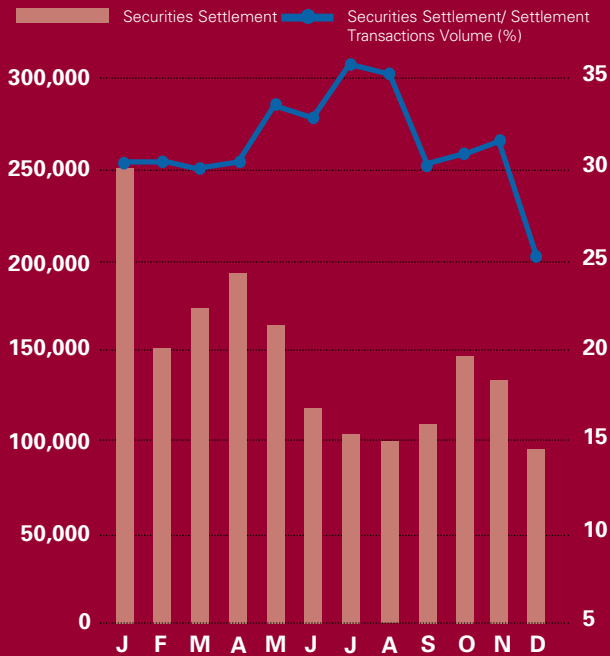
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## FINANCIAL HIGHLIGHTS

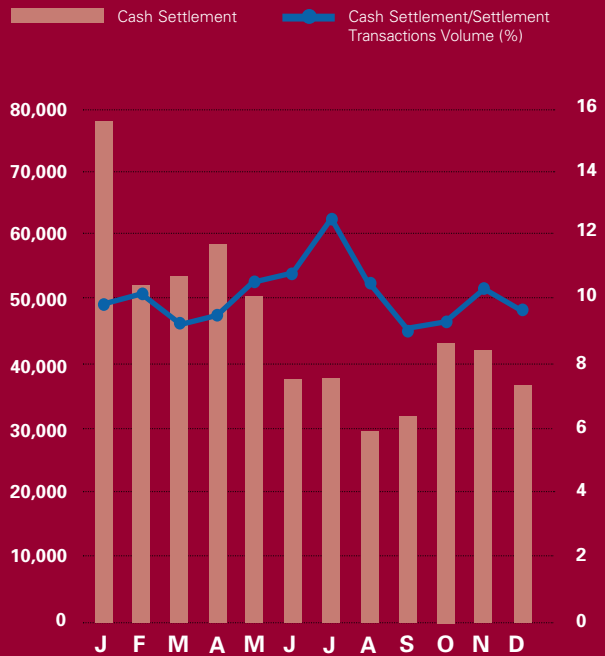
(TL Millions)	2000	1999	1998
Current Assets	51,989,579	29,478,222	14,863,647
Fixed Assets	3,729,717	2,491,396	421,263
Total Assets	55,719,296	31,969,618	15,284,910
Short-term Liabilities	17,128,077	12,942,211	6,055,053
Long-term Liabilities	550,512	286,934	131,137
Paid-in Capital	16,300,000	7,850,000	2,750,000
Net Profit for the Year	18,819,534	9,960,702	5,875,400
Shareholders' Equity	19,221,173	8,779,771	3,223,321
Interest and Portfolio Revenues	20,066,174	14,415,862	7,694,321
Personnel Expenses	4,241,393	2,725,506	1,404,548
Return on Assets	0.50	0.49	0.56
Return on Equity	1.46	1.77	2.67
Profitability Leverage	2.92	3.61	4.77
Net Profit/Equity	0.98	1.13	1.82
Current Assets/Total Assets	0.93	0.92	0.97
Short-term Liabilities/Total Assets	0.31	0.40	0.40
Shareholders' Equity/Total Assets	0.34	0.27	0.21
Current Ratio	3.04	2.28	2.45
Liquidity Ratio	2.81	2.04	2.36
Number of Employees	243	235	220

ACTING IN AN ENVIRONMENT WHERE **TRANSPARENCY AND RELIABILITY** ARE TARGETED AS PRIME CONCERNS, TAKASBANK SERVES THE TURKISH CAPITAL MARKETS USING SUCH INSTRUMENTS AS DOMESTIC AND INTERNATIONAL CUSTODY AND SETTLEMENT, BANKING SERVICES, TETS, TAKASBANK MONEY MARKET, SECURITIES LENDING/BORROWING SERVICES, SECURITIES PURCHASING LOANS AND SUPERVISION BASED ON **STATE-OF-THE-ART TECHNOLOGICAL INFRASTRUCTURE**.

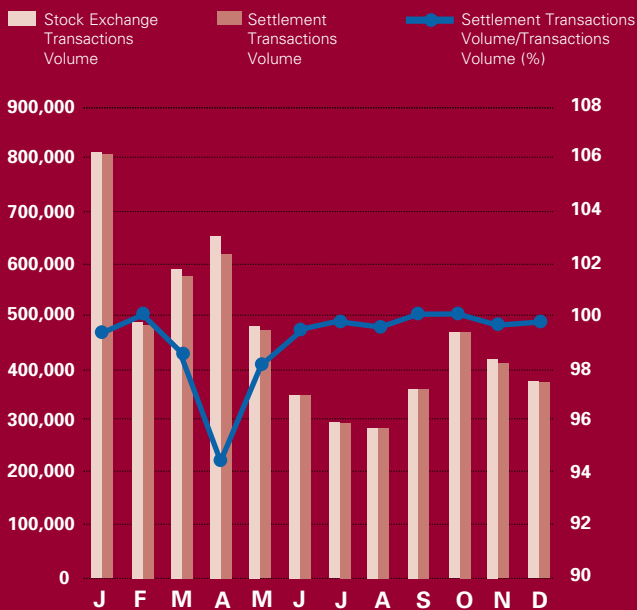
### Securities Settlement in 2000 (TL Billions)



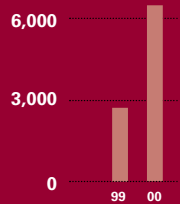
### Cash Settlement in 2000 (TL Billions)



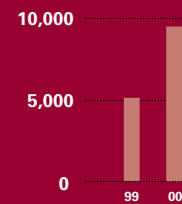
### Stock Exchange, Settlement and Custody Transactions in 2000 (TL Billions)



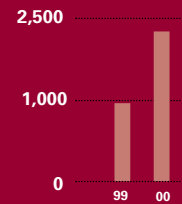
### Average Government Securities (TL Trillions/Nominal)



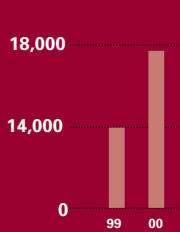
### Average Government Securities (US\$ Millions)



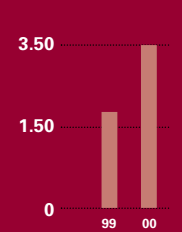
### Nominal Value of Equities (TL Trillions)



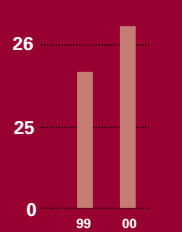
### Market Value of Equities (TL Trillions)



### Nominal Value of Equities (US\$ Billions)



### Market Value of Equities (US\$ Billions)



TAKASBANK IS THE **CENTRAL SECURITIES DEPOSITORY** OF TURKEY, RESPONSIBLE FOR THE SAFEKEEPING OF SECURITIES TRADED IN TURKISH CAPITAL MARKETS. THE DATABASE RELATED TO SUCH SECURITIES IS MAINTAINED IN A COMPUTERIZED ENVIRONMENT **TO SPEED DISSEMINATION OF ACTUAL AND ACCURATE INFORMATION** TO INVESTORS, BROKERAGE HOUSES, BANKS AND REGULATORY AND SUPERVISORY AUTHORITIES.

## 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, İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Co. Inc.) that was set up as a partnership between the ISE and its members. In January 1996, this Company was transformed into a capital markets-specific investment bank under the name TAKASBANK, İMKB Takas ve Saklama Bankası A.Ş. (Takasbank - ISE Settlement and Custody Bank Inc.).

Despite its relatively short history, Takasbank, acting as a bridge between money and capital markets, 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.

Takasbank is a member of ISSA (International Securities Services Association) and ANNA (Association of National Numbering Agencies). Takasbank is also a member of SWIFT network.

Providing short-term 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. Being one of the two Turkish banks with the highest recorded EFT transaction volume, Takasbank ranks among institutions paying the highest corporate tax in the country.

## BOARD OF DIRECTORS

(1) **Osman Birsen** *Chairman*, (5) **Sinan Alp** *Vice-Chairman*, (3) **Emin atana** *President and CEO*,  
(9) **Hüseyin Erkan** *Member*, (10) **Esin Akbulut** *Member*, (6) **Sezai Bekgöz** *Member*, (7) **Atalay Birinci** *Member*,  
(4) **Yamaç Berki** *Member*, **Nevzat Öztangut** *Member (not present)*, (11) **Yusuf Ziya Toprak** *Member*, (8) **Bedii**  
**Ensari** *Member*, (12) **Cavit Savcı** *Auditor*, (2) **Berra Kılıç** *Auditor*



WITH AN IMPORTANT MISSION IN **THE DEVELOPMENT OF THE TURKISH CAPITAL MARKETS**, NOTWITHSTANDING ITS RELATIVELY SHORT HISTORY, TAKASBANK HAS INTRODUCED **NUMEROUS INNOVATIONS** AND HAS ENHANCED ITS POSITION AS A RELIABLE INSTITUTION WITHIN THE INTERNATIONAL FINANCIAL MARKETS.

## MESSAGE FROM THE CHAIRMAN



With the positive impact of the economic program that has been implemented to decrease inflation since the end of 1999 and backed by the IMF's stand-by agreement, interest rates, on both nominal and real terms decreased remarkably especially during the first half of 2000. As a result, stocks became the instrument of choice for investors and a flow of funds from money markets to capital markets was observed. Paralleling increased demand, the number of accounts with a balance at Takasbank rose to 1,400,000 during the year. I believe this increase has been one of the most important benefits of this ending year for us.

Takasbank has overcome a number of negative market conditions and continued with its consistent development. Although our Bank has been on the scene for a relatively short time, we have introduced many innovations and have proven ourselves to be one of the most reliable institutions within international financial markets. Takasbank serves as a role model for other developing countries in the provision of securities services at high international standards. In conjunction with the ISE, Takasbank shares its experience with other markets through the provision of counseling and training services.

We have further developed our operational systems during 2000, consistently keeping a close watch on new developments and

technological innovations. The TETS system, through which brokerage houses access the EFT system of the Central Bank of Turkey on real-time basis, has been updated and these institutions have been given the opportunity to benefit from the facilities granted only to banks. In 2000, five brokerage houses became members of TETS, raising the total number of members to 74.

As we leave another difficult year behind us, I would like to express my gratitude to all of our valuable managers and staff, and to the management of the Capital Markets Board and the ISE, who have continuously supported and encouraged our efforts at Takasbank.

**Osman Birsen**

Chairman of the Board

## SENIOR MANAGEMENT

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





REGARDING THE RESULTS ATTAINED DURING 2000, IT WAS A RATHER SUCCESSFUL PERIOD FOR TAKASBANK. DURING THE YEAR, **100 NEW CUSTODY AGREEMENTS** WERE SIGNED AND THE NUMBER OF INSTITUTIONS BENEFITING FROM THE BANK'S SERVICES ROSE TO 600.

## MESSAGE FROM THE PRESIDENT AND CEO



The year 2000 began on a note of optimistic expectation after the difficulties experienced the previous year. An IMF-backed program aiming to decrease the inflation rate and to re-establish economic stability was implemented amid this hopeful economic environment and a rapid decrease of interest rates was achieved. Increased domestic demand during the first half of the year resulted in economic growth. In August however, an increase in the current deficit was the initial sign that a liquidity shortage was forthcoming - this situation accelerated and became worse by November. Nevertheless, confidence in the markets was re-established by the reserve facility of the IMF.

Judging by the results attained, the year 2000 was a rather successful year for Takasbank. During the year, 100 new custody agreements were signed and the number of institutions benefiting from the Bank's services increased to 600. At the end of the year, the total nominal value of the 42 million stocks that are kept under Takasbank's fungible custody rose to US\$ 3.5 billion. The transaction volume on the Takasbank Electronic Transfer System (TETS) amounted to US\$ 164 billion. Also in 2000, total transaction volume in the Takasbank Money Market increased by 229% to US\$ 48 billion, daily maximum transaction volume rose to US\$ 369 million, the number of transactions climbed to 129,413 annually and the number of participants rose to 145.

With an aim to reducing the transaction costs of member institutions, commissions charged for redemption and coupon payments for the Government Domestic Debt Securities was

decreased to zero. The custody commission, charged on the nominal value of the stocks held in the pool accounts on behalf of mutual funds and investment trusts, was brought down to two per thousand with the aim to promote institutional investors.

At the end of the year, lending facilities were offered to 180 intermediary institutions, 121 of which operate as brokerage houses, 48 as commercial banks and one as an investment bank. Of these institutions, 57 utilized Securities Purchasing Loans and 145 traded on the Takasbank Money Market. A number of information technology projects were implemented during 2000 including the EFT-2 Project, which is the second phase of the Electronic Fund Transfer (EFT) system and has been developed in cooperation with the Central Bank of Turkey. The studies regarding the Electronic Securities Transfer (EST) system, also developed in cooperation with the Central Bank and which include the securities transfer between banks and brokerage institutions, have been completed; the system went online in October. The Bank also completed work on a project, which allows brokerage institutions to access the daily balances of their customers via Internet.

Support and assistance of both the Capital Markets Board and the ISE have always been a source of strength to Takasbank. I would like to extend my thanks to the esteemed management at these institutions and to all of our shareholders and customers. It is a pleasure to take this opportunity to express my gratitude to our valuable staff, through whose efforts we have reached such an exemplary position within the international arena.



**Emin Çatana**  
President and CEO



## REVIEW OF OPERATIONS IN 2000

### **Custody Operations**

Custody operations play a vital role in the protection of capital market instruments by preventing fraud, falsification of documents, theft and/or misuse. Securities traded on the ISE and safeguarded at 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 the notices of the issuing companies, the approvals of the Capital Markets Board for public offerings and notices of prohibition of payment imposed by court resolutions and decrees of annulment. Upon demand, the members are also provided securities services on exercising pre-emptive rights, collection of dividends and processing of the replacement of stock certificates.

In 2000, a total of 100 new custody agreements were signed and the number of institutions benefiting from the Bank's services increased to 600. At the end of the year, the total nominal value of 42 million stocks under Takasbank custody reached TL 2 quadrillion.

Although the nominal value of the securities held in custody by Takasbank increased two-fold when compared to the previous year, as result of the work conducted with the issuing companies to decrease the number of physical stock certificates and the replacement of certificates by 26 issuing companies, the number of securities held by Takasbank decreased by 7%. The downward

trend of the past two years in the number of physical securities coming in and going out has continued this year, as well.

As the importance of custody operations are recognized within the market, there has been an increase in the volume of non-fungible custody transactions. In 2000, the nominal value of securities held in custody on non-fungible basis reached TL 400 trillion, compared to TL 99 trillion in 1999; a total of 2.4 million securities were taken into custody on non-fungible basis. In 2001, it is anticipated that the number of the institutional investors to benefit from such services will rise considerably.

In 2000, Takasbank executed the capital increases that are followed by the physical movements of new issue certificates and the dividend collections swiftly and without error, ultimately resulting in increased customer satisfaction.

There has been an increased demand for blockage services where stock certificates are blocked at Takasbank until the date of the annual shareholders meeting to enable the owners of stocks to participate in the annual shareholders meetings. This has been the result of the automation work on stock blockage transactions completed at the end of the previous year.

**TRAINING PROGRAMS** KEEP TAKASBANK STAFF MEMBERS CONSTANTLY INFORMED ABOUT DEVELOPMENTS IN THE TURKISH CAPITAL MARKETS AND MAINTAIN **SERVICE QUALITY AT WORLD-CLASS STANDARDS.**



### *Customer Name-based Custody System*

According to the customer name-based custody system, accounts held at Takasbank that have not yet been converted into name-based accounts are being suspended. Suspension prevents removal of stocks from the account by the brokerage house. Efforts continued throughout the year to convert the accounts opened prior to 1998 into customer name-based accounts. Following the entry of the names notified to the Bank, the accounts that could not be converted into name-based accounts were started to be suspended in groups starting from 11 January 1999. Accounts opened after the inclusion of the brokerage house into the system, but not converted within 30 days, are automatically suspended. As of December 31, 2000, a total of 108,834 accounts have been suspended.

With the implementation of customer-name based custody system, the securities kept in such accounts are now traced through sub-accounts. Thus, sub-account number 30 is assigned to customer open accounts, number 31 to the annual shareholders meeting blockage account, number 32 to the blocked account of the investors, number 33 to the brokerage house sales blockage account, number 34 to the collateral (shareholders' equity) account, number 35 to the securities acquired against credit account, number 36 to collateral account for off-capital market transactions, number 37 to the account where securities purchased on behalf of their customers are recorded by asset management companies and brokerage houses holding asset management certificates.

Within the context of the customer name-based custody system, a blockage facility has been put in force to prevent brokerage houses from accessing the stock accounts and transferring them to the pool accounts without the knowledge of the account holders. With the implementation of this facility as of May 31, 1999, the investors

have been given the opportunity to block the stocks in their open accounts via the Alo-Takas (Interactive Voice Response System) using the passwords and registry numbers allocated by Takasbank. Thus, brokerage houses cannot access the blocked securities in the sub-accounts of the beneficial owners unless the account holder removes the blockage. A blockage can be applied to all securities in the account as well as to selected securities or on a quantity basis.

Especially at the beginning of the year, the number of public offerings increased remarkably in conjunction with the high transaction volume attained in the ISE Stock Market. Together with initial and secondary public offerings, the number of accounts also increased due to high volume public offerings like Tüpraş and Turkcell. The total number of open accounts increased by 1,114,524 (up from 922,000) to 2,036,524 as of December 31, 2000.

Since the end of December 1999, the registry numbers assigned to investors increased from 471,545 to 1,215,197 while the number of name-based accounts increased from 561,870 to 1,548,021.

From June 1, 1999, registry numbers and passwords have been assigned and sent to investors upon the notification of the brokerage houses to Takasbank. As of December 2000, a total of 1,035,594 investors have been notified of their registry numbers and passwords; they also received an Alo-Takas User Manual.

### **Settlement Operations**

In adherence to clearing and delivery versus payment principles, Takasbank executes the clearing and settlement of securities and cash within the ISE markets. The settlement period is T+2 for the ISE Stock Market operations and T+0 for the ISE Bonds and Bills Market operations. With regard to the settlement period, Takasbank is far more



SINCE TAKASBANK IS ABLE TO PERFORM CUSTODY AND SETTLEMENT OPERATIONS UNDER ONE SINGLE ROOF, IT HAS **DECREASED THE PROCESSING TIME INDEPENDENT OF THE NUMBER OF TRANSACTIONS MADE**. IT IS ABLE TO PERFORM TRANSACTIONS IN A **RAPID AND EFFICIENT** WAY WITHOUT VIOLATING THE TRANSPARENCY PRINCIPLE. AS A RESULT, THE SETTLEMENT PERIOD HAS BEEN DECREASED TO T+0; THIS PROCESS CAN BE AS LONG AS T+7 IN SOME DEVELOPED MARKETS.

## REVIEW OF OPERATIONS IN 2000 CONTINUED

advanced than most of the developed countries. The settlement period at the ISE International Market is T+3, which is the common practice in the international markets.

The electronic system established between members and Takasbank enables members to monitor their accounts and obtain reports online. The security of the system is obtained through a user password and a special access number used on a per transaction basis. All transactions can be realized in real-time.

Besides acting as the clearing and settlement center for the ISE, Takasbank has been designated as a center where securities and cash transfers are completed in the most rapidly and safe environment. Takasbank is the central securities depository for equities in Turkey and is the center for all book-entry securities transfers, providing real-time transfer of Government Domestic Debt Securities via Takasbank Electronic Transfer System (TETS), which enables synchronized connections to the Central Bank of Turkey. Brokerage houses, mutual funds, investment trust and asset management companies hold their fixed income securities in book-entry form at the depository accounts at Takasbank. Banks keep the securities purchased against reverse repo transactions on the ISE under custody at Takasbank.

### *TETS System, EFT and EMKT Operations*

When compared to other custody and settlement centers around the world, Takasbank's status as a bank yields important advantages. Since Takasbank is the member of the EFT system, the Central Bank operated interbank payment system in Turkey, it is able

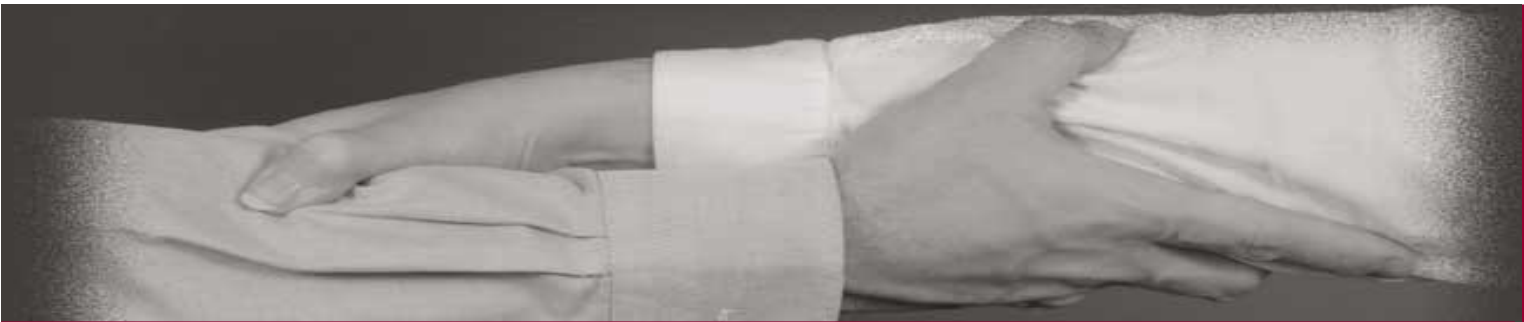
to make cash settlement transactions without the intermediation of a correspondent bank.

Utilizing the on-line connection between the EFT and TETS, cash settlement transactions can be carried out faster and more efficiently. Brokerage houses that are not direct members of the EFT can act as a party to the payment system through TETS and transfer the settlement receivables, credited to their accounts by Takasbank, to the banking system, on a real-time basis. Thus, brokerage houses and other institutional investors are able to make their own payments and transfer customer receivables directly to the related bank accounts. The cash and securities flow between the capital markets and the money markets are implemented effectively.

With a constant eye on the latest developments and improvements in world markets, Takasbank steadily augments its operations system and technological infrastructure. As of April 24, 2000, EFT-2 system, which is the latest version of the EFT system and has been developed by the Central Bank of Turkey, was introduced to EFT members.

The Electronic Securities Transfer (EST) system, providing real time cash and securities transfers between accounts held at the Central Bank of Turkey, became operational as of October 30, 2000. TETS system, which provides the real time connection of members to EFT and EST, was upgraded accordingly. In 2000, five brokerage houses became members of TETS; the total number of members increased to 74.





### *Stock Settlement*

The studies to improve the system for stock settlement transactions have been carried out during 2000 and the project for the automation of the default process became operational on April 10, 2000.

A new software has been tested and installed for the transfer of cash and securities receivables to members, according to the priority set upon the time of the fulfillment of obligations. With this upgrade, settlement transactions can be made efficiently without user interference and settlement receivables are allocated according to fulfillment time of the obligations. Another new software was

realized through the system, while cash and securities transfers will be completed simultaneously. As a result, operational transactions will be carried out more easily and institutions will not be subject to each other's risk. This new system will enable members to make back-to-back settlements and multilateral transfer operations without any funding requirement. There will be a link between the organized market settlement system and the conditional transfer system to perform the settlement operations without incurring high funding costs or risk.

Takasbank constantly strives to meet the needs of its members; it has therefore, modified the stock transfer system between



developed for the entry of intermarket receivables obligations off setting orders from members into the system and for making automatic collections during the transfer of receivables. Both projects will become operational simultaneously and a proposal to bring the deadline for the fulfillment of settlement obligations for stock transactions closer to the closing time of the EFT will be submitted to the ISE.

Software for the conditional transfer project, which provides synchronous securities and cash transfers between members in the Takasbank system within the framework of the delivery versus payment (DVP) principle, was also completed in 2000 and will be implemented next year after testing is finalized. Settlement between custody institutions and brokerage houses will be

members in line with customer demands. A new software package, completed in November 2000, introduced a final time restriction and prohibits further transfers beyond this time without the consent of the counter-party member company. Furthermore, the "Explanation" area in the transfer transaction has been modified and filling in "Customer Account Number" and "Customer Name" areas has been made compulsory.

### *Bonds Settlement*

The conditional transfer system, which enables online transfer of cash and securities receivables, will be implemented for Government Domestic Debt Securities within the framework of similar principles.



## REVIEW OF OPERATIONS IN 2000 CONTINUED

The settlement automation and receivables allocation system based on time priority will be implemented for settlement transactions on the ISE Bonds and Bills Market and will be connected to the conditional transfer system. As applied to the equity transactions, order matching, transfers based on the DVP principle, back-to-back transactions and settlement-defined transactions have been included in the system as new facilities for users. This system will operate online with the EFT and EST allowing banks to transfer the cash and securities receivables automatically to the Central Bank system without further instructions.

As of February 2000, the Government Domestic Debt Securities can be traced using an ISIN code - the international standard for the identification of financial instruments. Three-year bonds with variable interest issued by the Turkish Prime Ministry Undersecretariat for the Treasury in 1999 and the two-year bonds issued as of January 2000 were separated on August 2000 in order to make the principal and coupons thereof subject to individual sales and purchase transactions. Each coupon and certificate of the separated securities have been assigned different ISIN codes to trace

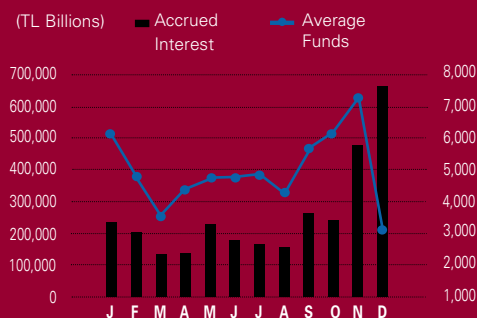
the balance of coupons and principals separately. The principal and coupons of all agreements, sold and purchased as securities on the ISE Bonds and Bills Market and delivered to Takasbank, have been separated to enable the segregation of settlement obligations.

In 2000, two important decisions were taken to decrease transaction costs for the members. The commission charged for redemption and coupon payments for Government Domestic Debt Securities was reduced to zero as of March 7, 2000. As an incentive for corporate investors, a custody commission of five per thousand, charged on the nominal value of equities held in pool accounts at Takasbank, has been reduced to two per thousand as of April 1, 2000.

### *Derivatives Settlement*

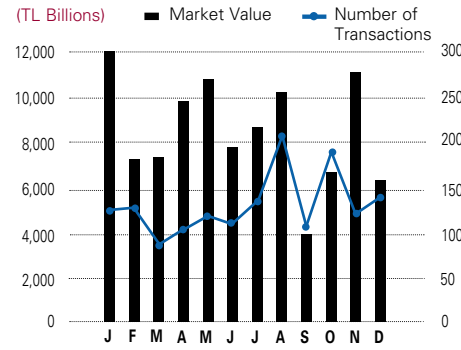
Studies have been completed for clearing and settlement operations in the ISE Derivatives Market. It is anticipated that in the near future, Takasbank will be responsible for the following operations: opening accounts in the names of members and customers for the derivatives issuance and withdrawal of collaterals, collaterals evaluation, updating accounts at the end of the day and transferring profit or loss to the accounts, remuneration of the cash collaterals held in the accounts and guarantee fund transactions. Fund transfers between the ISE Derivatives Market and other markets will be realized through intermarket set-off operations. Through on-line, two-way communication links between the Stock Exchange and Takasbank, risk control will be performed by the Exchange for both transactions and accounts. Settlement transactions will be performed at T+0 value date, minimizing settlement risk.

**Average Funds Allocated to Securities Loans and Accrued Interest**



ONE MAJOR MISSION FOR TAKASBANK IS TO INTRODUCE NEW INSTRUMENTS THAT WILL **HELP TO DEVELOP** THE TURKISH CAPITAL MARKETS FURTHER WHILE CONTINUOUSLY ENHANCING THE EXISTING LINE OF **PRODUCTS AND SERVICES.**

**Market Value of Securities Lending Transactions and Number of Transactions**

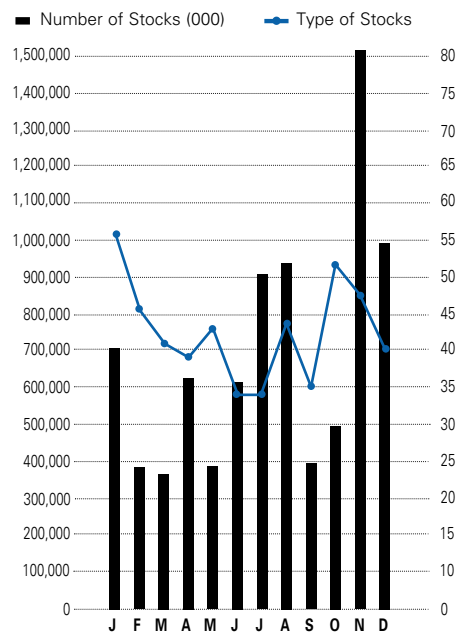


**Credit Operations**

When allocating limits to intermediary institutions, Takasbank conducts financial analysis based on their independently audited three-year financial statements.

Within the framework of market investigation, further information is gathered on the intermediary institutions regarding their transaction volume, custody balances and default situations for customer-based

**Type and Quantity of Stocks Subject to Lending Facilities**



custody accounts; brokerage houses are also checked for previously unpaid checks and bills. At year's end, Takasbank allocated limits to a total of 180 members, of which 121 were brokerage houses, 48 were commercial banks and 11 were investment banks. Securities purchasing loans have been granted to 57 brokerage houses and securities lending/borrowing facilities have been approved for 78 brokerage houses; 145 brokerage houses have conducted transactions on the Takasbank Money Market. Members have been enabled to transfer government bonds and Treasury bills to be used as collateral via Takasbank workstations in their own offices as of February 2000, after thorough testing was completed.

**Securities Purchasing Loans**

In 1999, the average loan transaction volume was realized rather low at TL 1.8 trillion due to the earthquake disaster in August and the resulting economic stagnation; in 2000, it increased by 178% to TL 5 trillion. The average interest rate applied for overnight loans was 70% in 2000 lower than the previous year's average 83.12%. Despite the decrease in overnight interest rates, in line with the decrease in the inflation rate, interest revenue on Securities Purchasing Loans increased by 88% from TL 1.7 trillion in 1999 to TL 3.2 trillion in 2000, accounting for 9% of the total revenue. Additionally, the deadline before interest is charged changed from 15:15 to 15:45, in order to prevent members who are borrowers on the Takasbank Money Market, from paying interest on the transaction day.

**Securities Lending/Borrowing Facility**

In 1999, a total of 953 Securities Lending/Borrowing Facility transactions were carried out; in 2000 this figure increased by 68% and reached 1,605. The total number of stocks subject to the Securities Lending/Borrowing Facility was 8.3 billion with a total market value of TL 103 trillion;



TAKASBANK'S TREASURY MANAGERS HAVE BEEN SUCCESSFUL IN **OPTIMIZING PROFITS** WHILE KEEPING RISKS UNDER CONTROL AT MINIMUM LEVELS EVEN DURING THE MOST TRYING TIMES. WITH PRUDENTLY APPLIED TRADING POLICIES, THE DIVERSIFICATION OF TREASURY INSTRUMENTS WERE MAINTAINED AND UTMOST CARE WAS GIVEN TO MATCH MATURITIES. AS A RESULT, THE BANK'S **LIQUIDITY AND PROFITABILITY** WERE KEPT HIGH AT ALL TIMES.

the increase over the previous year was 120% and 220% in terms of market value.

In 1999, the amount of cash collateral allocated for the Securities Lending/Borrowing Facility had been TL 34.7 trillion; in 2000, it increased to TL 123 trillion, by 254%. Although no commissions have been charged for the transactions of the borrowing members, the commission paid to lending members reached TL 93.4 billion, a 45% increase over the previous year; this figure was TL 57.4 billion in 1999.

Efforts to enable transactions when the date of capital increase or dividend payment regarding the stocks to be borrowed falls within the maturity term of the Securities Lending/Borrowing Facility, were completed early in 2000 and implementation started in July. Thus, members borrowing stocks are able to fulfill their requirements on all working days throughout the year, including cases when the date of dividend payment or cash/non-cash capital increase falls within the maturity date of the facility.

The Intra-day Securities Purchasing Loan is another project of Takasbank; system development studies have been completed and are ready for testing. With this facility, brokerage houses that deal specifically with foreign investors will be able to overcome problems that may arise due to the delivery versus payment system applied by the

custodian banks. They will be able to borrow the stocks they need from Takasbank against a small commission, provided that the stocks are returned on the same day.

#### **Takasbank Money Market**

The transaction volume of the Takasbank Money Market continued to grow in 2000 and experienced a 229% increase over figures of the previous year; from TL 9.7 quadrillion to TL 32 quadrillion. In US dollar terms, this represented a growth from US\$ 21.9 million to US\$ 50.6 million - an increase of 131%. Additionally, the average daily transaction volume increased from TL 39 trillion to TL 127 trillion, while the number of transactions grew from 90,728 to 129,413. In 2000, the number of participating members rose to 139, an increase of 9.4%.

In 2000, several innovations were introduced in the Takasbank Money Market in an effort to cope with the competitive conditions prevailing in other markets and to add to the development of the market.

- Since February 2, 2000, members are able to carry out transfer of government bonds and Treasury bills as collateral from their own offices, as is in the case for stocks and mutual fund certificates.
- As of April 3, 2000, the method for determining limits for sales and purchases within the overall limits granted to members has been changed. Problems previously

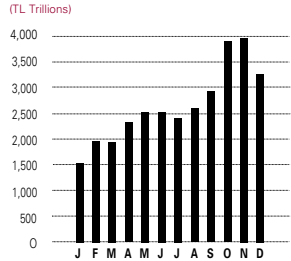
#### **Minimum and Maximum Values in the Takasbank Money Market**

Year	Transactions Value (TL Millions)				Number of Transactions			
	Minimum	Date	Maximum	Date	Minimum	Date	Maximum	Date
1996	1,000	26/11	49,500	19/12	1	26/11	7	19/12
1997	2,500	16/01	6,244,000	23/12	1	02/01	166	15/12
1998	53,500	28/01	19,418,500	25/12	10	02/01	346	18/12
1999	371,000	18/01	83,346,000	29/12	15	22/01	473	02/09
2000	6,024,000	03/01	247,910,000	15/12	53	03/01	767	13/12

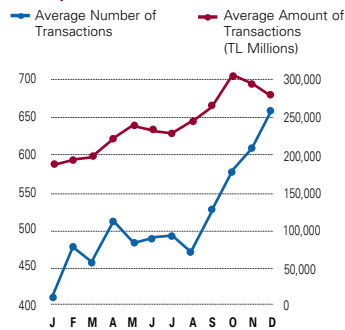




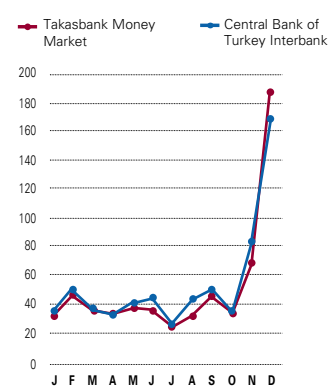
**Takasbank Money Market Transactions Volume**  
(TL Trillions)



**Average Transactions in the Takasbank Money Market**



**Average Daily Interest Rates (%)**



encountered by members that undertook sales and purchase transactions on the same day no longer present difficulties.

- Since June 26, 2000, code numbers for mutual funds and investment trusts can be entered and reported within the system.
- Since October 16, 2000, data dissemination companies are able to announce the top three bid and call rates and amounts on the market information page.

### Treasury Activities

In 2000, the Turkish government applied a strict fiscal policy that was geared to increase non-interest budget surplus, establish new structural reforms and accelerate privatization. This program aimed to implement a revenue policy compatible with the target set for inflation and to establish a foreign exchange rate and monetary policy for the Central Bank of Turkey that would offer long-term goals for economic units.

Consequently, a ceiling was determined for Net Domestic Assets, one of the main items in the balance sheet of the Central Bank, and Net International Reserve has been limited to the potential minimum level of the reserves. It is anticipated that the Central Bank will apply a strategy to reduce its intervention on the Interbank Money Market, known as Interbank; banks have been provided with a certain level of flexibility regarding the compulsory deposit requirement in order to increase liquidity in financial markets.

Correct decisions and timely solutions play an important role in the enhancement of consistency, profitability and service quality in a rapidly developing financial market. Cognizant of this fact, Takasbank has continued its activities in treasury management with its specialized staff, trained

in the latest methodologies and with state-of-the-art technology. The Treasury Department has continued to upgrade and improve operations quality as it moves toward closer collaboration with other departments. Through such efforts, Takasbank has been able to achieve consistently high growth rates that have steadily increased over the last five years. This careful management of risks taking into consideration liquidity, maturity and productivity criteria has made an important contribution to the profitability of the Bank.

The strategy of the Treasury Department was confirmed when Takasbank maintained 80% liquidity in its portfolio of investments as markets suffered from a liquidity shortage in mid-November 2000. During this period, the current deficit was slightly over the estimated value and the seasonal decrease in foreign borrowings, an important factor in the financing of this deficit, accounted for the liquidity shortage. This was a result of the monetary policy being implemented under the economic program. The uneasiness of the investors in Argentina and in similar emerging markets prevented the inflow of foreign resources, which would have relieved the liquidity shortage.

### International Services and Relations

#### International Services

Aided by its operational infrastructure, Takasbank offers custody and settlement services for both domestic and foreign financial institutions at international standards. International operational infrastructure at Takasbank consists of correspondent accounts for securities and cash with international institutions and SWIFT membership.



*Overseas Custody and Settlement Services for Domestic Financial Institutions*

In addition to cash accounts with overseas correspondents, Takasbank has securities and cash accounts with Euroclear and Clearstream, the leading international custody and settlement institutions.

Using Euroclear and Clearstream connections in conjunction with central custody and settlement systems in other countries, Takasbank can access these markets, primarily the USA, and offer these services to the brokerage houses, banks, mutual funds and asset management companies established in Turkey for their cross-border securities transactions. Furthermore, financial institutions, such as insurance companies who need overseas custody services for securities issued in foreign currencies and who use these securities as collateral, are able to benefit from an affordable and comprehensive custody service.

During 2000, four mutual funds and one asset management company opened overseas custody and settlement accounts at Takasbank; the total number of companies using this service reached 13.

Intermediary services offered for the settlement of depositary certificates nominally valued at US\$ 2.6 million; Eurobonds offered for settlement totaled US\$ 140 million. At the end of 2000, the total market value of depositary certificates in overseas custody reached US\$ 1.2 million while the nominal value of Eurobonds rose to US\$ 6.1 million.

Overseas custody and settlement services include activities that help the beneficiary to

exercise all rights on his/her securities. These are dividend collections, principal and interest collections on foreign bonds and bills, notification of the agenda and resolutions of the annual shareholders meetings and voting.

*Domestic Custody and Settlement Services for International Financial Institutions*

Takasbank offers domestic custody and settlement services for international financial institutions. At the end of the year, the nominal value of the fixed income securities owned by international institutions and held in custody by Takasbank amounted to US\$ 360 million.

*ISSA Membership*

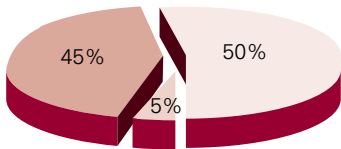
Takasbank is a member of the International Securities Services Association (ISSA) and as such, represents Turkey at the European Forum. Takasbank attended the Year 2000 Meeting of ISSA that was held in Zurich in May 2000.

*Relations with Capital Markets in the Neighboring Countries*

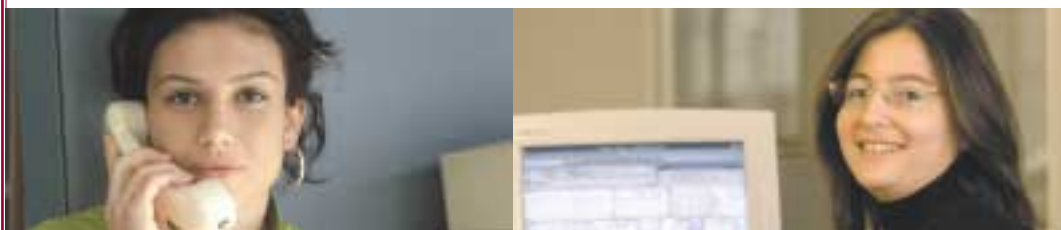
Offering securities services at high international standards, Takasbank is a role model for other countries within the region and frequently acts as a consultant in this field. The Bank shows the same degree of competency in other emerging countries' markets as it has in the development of Turkish capital markets since its establishment.

Personnel from the Balkan States, Central Asian Republics and other countries in the region have been given training while mutual visits have been carried out and joint working programs have been organized. Within this

**Diversification of Takasbank Money Market Transactions Volume**



- Commercial Bank
- Investment Bank
- Brokerage House





context, the senior management and the leading experts in capital markets from Albania, Azerbaijan, Bosnia-Herzegovina, Algeria, Kyrgyzstan, Pakistan and Oman have visited Takasbank. In September 2000, members of the senior management at the ISE and Takasbank participated in a meeting about the 'Development of Free Entrepreneurship in Central Asia and the Regional Perspective of the Stock Markets' held in Kyrgyzstan.

#### *Visits of International Financial Institutions and Informative Meetings*

During 2000, representatives of 15 international financial institutions, of which seven were global custody banks and eight were international asset management institutions, visited Takasbank and were informed about securities services in the Turkish capital markets and the functions and services available at Takasbank.

#### *The Third FIBV Global Emerging Markets Conference and Exhibition*

FIBV Global Emerging Markets Conference and Exhibition, which is held every two years, was organized in Istanbul by the ISE between April 5-7, 2000. Takasbank participated in this event, presenting information to domestic and international investors about its operations and services.

#### *Takasbank Web Site ([www.takasbank.com.tr](http://www.takasbank.com.tr))*

The official web site of Takasbank went on-line in May 2000, in both English and Turkish. Takasbank provides detailed information about its operations and the services it offers to the domestic and international communities via the web site. E-mail inquiries are evaluated and answered by the appropriate departments within Takasbank.

Most of the messages received during 2000 were sent by individual investors, an indication of how this electronic environment is able to

meet the needs of customers and improve two-way communications.

#### *Monthly Bulletin*

Takasbank continuously monitors those international developments related with stock exchanges, central securities depositories, clearing and settlement institutions and custody banks, such as; cooperations and mergers, changes and upgrades in their operational systems and structure, worldwide studies carried out the full automation of the securities services and for the shortening of settlement cycles and sectoral studies and recommendations.

The International Monthly Bulletin contains information about such developments in overseas settlement, custody and related banking matters and can be found in Takasbank's Turkish web site.

#### *Numbering of Securities and Studies on International Standards*

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 for the identification of financial instruments and is the most important component for the full automation of securities services. National Numbering Agencies are responsible for assigning ISIN codes for those financial instruments issued in their countries.

Takasbank informs domestic issuers of securities and the demanding institutions about the assigned ISIN codes, while delivering the codes to other national numbering agencies via the GIAM II system - the global ISIN access mechanism. During 2000, 138 stocks, 138 government bonds and Treasury bills and 78 investment trusts have been assigned ISIN codes.



#### *ISO TC68/SC4 Studies*

The ISO TC68/SC4 is the sub-committee of the International Standards Organization (ISO) responsible for developing and maintaining international standards for "securities and related financial instruments". Takasbank represents Turkey in this organization on behalf of the Turkish Standards Institute. Takasbank contributed to the working committees, WG5 and WG6 throughout the year and attended the annual meeting of the ISO TC68/SC4 held in Santa Fe, New Mexico, USA, in September 2000.

#### *ANNA Studies*

Takasbank is an active member of ANNA-Association of National Numbering Agencies, which is the registration authority for ISIN Numbering Standard of ISO (ISO 6166). Takasbank also leads the convenorship of the "Emerging ANNA Members" working group. The first meeting of this group, participated by 11 countries, was held on April 7, 2000 in Istanbul hosted by Takasbank.

Takasbank joined the extraordinary annual meeting of ANNA held in Brussels in October 2000. Throughout the meeting, Takasbank provided an intensive and positive contribution to the discussions about the forming of an "ANNA Service Bureau" which was unanimously approved by ANNA members. ANNA Service Bureau is anticipated to merge the ISIN data collected from the 61 ANNA

members and to disseminate such data through Internet-based distribution channels.

#### **Human Resources and Training**

At the end of 2000, 243 personnel, including top management, were employed at Takasbank; of this total 11 were temporarily employed as data input operators. Approximately 60% of the personnel have university degrees; the Bank encourages selected graduates to continue their studies and earn advanced degrees.

Since the beginning of 1998, a special bonus has been offered to employees as per their foreign language skills in order to motivate them to improve their existing knowledge of a foreign language; to date, 49 staff members have taken advantage of this program. As an indicator of the participative management approach at Takasbank, open performance evaluation system is being used to assess employee performance.

The Department has organized a number of social and sporting activities such as company picnics, bowling and backgammon tournaments with the participation of a majority of all staff members during 2000. These activities have contributed to the high motivational levels and the esprit de corps of the personnel.

#### **Takasbank Money Market Transactions Volume**

Year	No. of Working Days	Total Transactions Volume		Daily Average		Number of Transactions	
		TL Millions	US\$ Millions	TL Millions	US\$ Millions	Total	Daily Average
1996	65	288,000	3.55	4,431	0.05	47	1
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	39,209,671	88.30	90,728	366
2000	252	31,983,213,500	50,628.61	126,917,514	200.91	129,413	514

AIMING FOR **CONTINUOUS DEVELOPMENT**, TAKASBANK HAS ADOPTED NEW TECHNOLOGICAL ADVANCEMENTS RAPIDLY, UPDATING BOTH HARDWARE SYSTEMS AND SOFTWARE AS ITS **INFORMATION TECHNOLOGY INFRASTRUCTURE** GROWS.

The uniqueness of Takasbank's services precludes the hiring of specialized personnel from other institutions. Therefore, newly recruited personnel are required to undergo extensive training first as in-classroom orientation then as on-the-job training in various departments of the Bank. In addition to such comprehensive and detailed training, new employees are given information about Takasbank's vision and mission, as they are motivated toward common goals and the corporate culture of the organization. Takasbank has adopted an open evaluation system, which encourages participation among the staff.

In 2000, employees attended in-house and off-site training sessions dealing with money and capital markets, banking and finance and data processing technologies. Furthermore, groups of employees attended training programs for basic accounting, project management and analysis of the Central Bank of Turkey balance sheet. English language training is offered by a professional institution to develop and enhance proficiency in English language and grammar. In the year 2000, 452 personnel participated in a total of 171 training programs, for an annual total of 11,304 training hours; average instruction time per employee totaled 47 hours.

Under Takasbank's Civil Defense Plan, first aid and rescue teams participated in theoretical and practical training sessions held by both the Provincial Civil Defense Department and private training institutions. The training sessions held under the supervision of the Provincial Civil Defense Department are ongoing.

**System Development and Software**

The project for the replacement of WAN infrastructure, for the ROUTER systems which improves transaction speed and permits the use of multiple screens, has been completed and brokerage houses are continuing to adopt the new system.

Work on the EFT-2 project, which is the second phase of the EFT system operated in conjunction with the Central Bank of Turkey, has been completed and became operational on April 24, 2000. Other studies on the Electronic Securities Transfer (EST) system, another project undertaken in conjunction with the Central Bank of Turkey involving the transfer of securities between banks and brokerage houses, has been completed and became operational at the end of October 2000.

The studies enabling brokerage house to access customer balances on a daily basis via Internet have been completed and implementation has begun. The project for the review of Stock Settlement Transactions and Automatic Set-Off Transactions has been prepared and testing is underway.

Additional projects developed and implemented during 2000 include the following:

- Studies to convert all software programs used at Takasbank from SQL-Windows to CENTURA, an upgraded program, have been completed.
- The Back Office project on treasury management activities has been completed and implemented.
- The WAN (Remote Access) testing for the Futures Market operated in conjunction with the ISE has been finalized.
- With regard to those brokerage houses whose activities are permanently suspended, the projects for dividend payments, automatic EFT, Alo-Takas and transfer payments have been concluded.
- In line with requirements to enhance supervision of the Capital Markets Board and the ISE, additional software programs have been developed and implemented.





- The Takasbank Money Market system has been reviewed with regard to limit assignment and members' transactions; the amendments have become operational.
  - Studies to accept Government Domestic Debt Securities in the collateral operations of the credit system have been concluded and implemented.
  - Work on improving the performance of the Customer Name-Based Custody system has been carried out.
  - The English version of Alo-Takas System has been prepared; studies to include mutual fund data in the system have been finalized.
  - The GIAM System, which is used to disseminate ISIN codes, became accessible via Internet.
  - The connection to the EVAS, the Electronic Data Transfer System of the Central Bank of Turkey, and data transfer operations became accessible via Internet.
  - The Mutual Funds Project has been reviewed in accordance with the requests of the Capital Markets Board.
- Some of the projects presently being developed and carried out include the following:
- Equity Settlement Conditional Transfer project has been prepared and testing is underway.
  - Securities Settlement Conditional Transfer project has been prepared and testing is underway.
  - Studies on the infrastructure of the Disaster Recovery Center have been completed and further studies are ongoing.
  - In line with the demand from brokerage houses regarding stock transfers between members, a project on the introduction of additional functions has been completed and is currently being tested.
  - Additional software programs for the Derivatives Market have been completed and testing is being conducted.
  - An upgraded version of the SYBASE is to be applied to the database of Takasbank.
  - System analysis for the Government Domestic Debt Securities Lending Project has been completed and work on software programs is underway.
  - The software and hardware capacities of the servers used at the Bank have been increased; currently work is being carried out to increase the performance and capacity of the main system.
  - The analysis of the use of rights in the Securities Lending/Borrowing system has been completed and software program development is ongoing.
  - Projects involving Securities Purchasing Loan have been completed; tests are underway.
  - Studies on the analysis of the automatic production of stock ISIN codes have been completed; work on software development is being carried out.
  - Project analysis for the establishment of a well-organized tracking system of the prohibited persons and to provide integration with the legal system has been completed;





studies on software development are being carried out.

- Review studies for Settlement Operations have been concluded and testing is ongoing.

### **Legal Affairs**

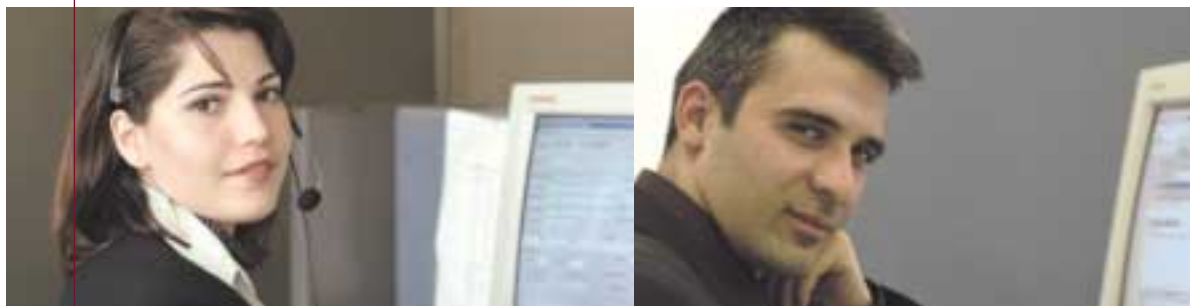
Operations, which have been expanded in parallel with the evolution of market conditions, have resulted in the broadening of the scope and activities of legal affairs at Takasbank. In addition to representing Takasbank in court cases, this Department is also concerned with overseeing, as a trustee, the settlement of disputes and collection of commissions from bankrupt brokerage houses. It is also responsible for monitoring decrees on attachment and precautionary measures applied on the securities of the

an application to the court to lift the injunction is made.

This Department supervises the contents of the agreements and contracts relating to cash, securities, collateral, conditional transfers and TETS, given to Takasbank by brokerage houses, investment trusts and mutual funds; it assures that the authorized signatories are properly defined in the control systems.

### **Administrative Affairs**

Administrative activities that meet the requirements of logistic and support services of Takasbank are performed to improve job satisfaction and motivation levels of the employees and to represent Takasbank in the best possible way. To this end, teamwork is



brokerage houses' customers by the Public Prosecutor, Execution, Bankruptcy and Tax Offices as well as the Social Security Institution. The Department informs the brokerage houses and keeps records of such securities subjected to legal enforcements.

Court injunctions and stop-action notices on certain securities are carefully traced through both the Turkish Commercial Register Gazette and court resolutions since the possibility exists that investors and brokerage houses may incur great losses. Ensuring the registration of prohibited securities and, in the event that they are found to be present among those held in custody by Takasbank,

carried out through effective in-house communications and compliance; requirements are met in line with the principles of maximum labor security, cooperation and work discipline. Utmost attention has been given to adopt advancements in operations by keeping track of developing technology, to fulfill obligations to society and to protect the environment.

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 offered by Takasbank. Support and logistic services at Takasbank are carried out

TAKASBANK HAS BEEN ESTABLISHED TO MEET THE REQUIREMENTS OF **THE TURKISH CAPITAL MARKETS**. DUE TO THE EMPHASIS PLACED ON THE DEVELOPMENT OF INNOVATIVE PRODUCTS, THE **TRANSACTION VOLUME AND LEVEL OF TRANSPARENCY** ARE STEADILY INCREASING.

by purchases, transportation, communications, archives, insurance and technical service units.

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 more rapidly. Utilizing this facility, different types of risks of brokerage houses and customers can be covered as well as such risks confronted by Takasbank.

During 2000:

- A 300-m2 space was leased to serve as the new archives; the General Archives Department was organized enabling all units to access archives inventory records.
- Maintenance, repair and replacement of the air-conditioning system at the Head Office has been carried out in order to improve the capacity of the system.
- The heating system was modified so that it can run on both fuel oil and natural gas; new equipment has also been installed.
- Static testing to determine building stability during a possible earthquake has been carried out; as a result, the water storage tank on the ground floor was replaced with a new 35-40 ton capacity steel tank.
- The capacity of the compensation panel has been increased to double the electrical power output; a new compensation panel has been installed. An additional power generator has been purchased due to frequent electricity cuts.

#### **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.

The Board of Internal Auditors audits all Takasbank departments to ensure that their activities are carried out in strict compliance with official rules and regulations. It also takes an active role in working toward expanding the scope and quality of settlement and custody operations and in training the Takasbank personnel.

The members of the Board participate in training sessions offered by competent institutions in order to minimize problems that might occur within information systems. Members with this type of training background can audit the risks within the information systems as well. In addition to auditing applications, pro-active supervision techniques are also used during the internal control process, as required by contemporary practices.



**ISE SETTLEMENT AND CUSTODY BANK INC.  
AUDITORS' REPORT AND FINANCIAL STATEMENTS  
1 JANUARY - 31 DECEMBER 2000**



Başaran Nas Serbest Muhasebeci  
Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers  
BJK Plaza, Spor Caddesi No:92  
B Blok Kat 9 Akaretler  
Beşiktaş 80680 İstanbul - Turkey  
Telephone: + 90 (212) 259 4980  
Facsimile: + 90 (212) 259 4902

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

ISE SETTLEMENT AND CUSTODY BANK INC.  
INDEPENDENT AUDITORS' REPORT  
AT 31 DECEMBER 2000

1. We have audited the accompanying balance sheet of ISE Settlement and Custody Bank Inc. (the "Bank") at 31 December 2000 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. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ISE Settlement and Custody Bank Inc. at 31 December 2000, and the results of its operations for the year then ended, in accordance with applicable Turkish Laws and Uniformed Chart of Accounts.

Additional paragraph for convenience translation into English:

4. 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 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, 19 February 2001

# ISE SETTLEMENT AND CUSTODY BANK INC.

## BALANCE SHEETS

(Amounts expressed in millions of TL)

	31.12.2000	31.12.1999
<b>ASSETS</b>		
<b>I- CASH</b>	<b>1,446</b>	<b>27,746</b>
A- CASH	1,446	27,746
B- FOREIGN CURRENCY	-	-
C- OTHER	-	-
<b>II- BANKS</b>	<b>32,749,155</b>	<b>12,928,147</b>
A- CENTRAL BANK OF TURKEY	346,597	276,076
B- OTHER BANKS	32,402,558	12,652,071
- DOMESTIC BANKS	32,377,798	12,633,942
- FOREIGN BANKS	24,760	18,129
<b>III- OTHER FINANCIAL INSTITUTIONS</b>	-	-
<b>IV- INTERBANK MONEY MARKET</b>	<b>300,000</b>	-
<b>V- MARKETABLE SECURITIES PORTFOLIO (NET)</b>	<b>10,040,584</b>	<b>4,806,226</b>
A- GOVERNMENT BONDS AND TREASURY BILLS	10,040,584	4,806,226
B- OTHER BONDS	-	-
C- SHARE CERTIFICATES	-	-
D- OTHER	-	-
<b>VI- LOANS</b>	<b>2,253,428</b>	<b>5,075,287</b>
A- SHORT-TERM	2,253,428	5,075,287
B- MEDIUM AND LONG-TERM	-	-
<b>VII- LOANS UNDER FOLLOW-UP (NET)</b>	-	-
A- DOUBTFUL RECEIVABLES (NET)	-	-
- UNSECURED LOANS	-	-
- SECURED LOANS	-	-
- ALLOWANCE FOR DOUBTFUL RECEIVABLES (-)	-	-
B- DOUBTFUL FEE, COMMISSION AND OTHER REC.(NET)	-	-
- GROSS RECEIVABLE AMOUNT	-	-
- ALLOWANCE (-)	-	-
<b>VIII- ACCRUED INCOME AND INTEREST RECEIVABLE</b>	<b>2,005,023</b>	<b>2,918,173</b>
A- LOANS	71,759	36,468
B- MARKETABLE SECURITIES	453,566	1,614,303
C- OTHER	1,479,698	1,267,402
<b>IX- FINANCE LEASE RECEIVABLES (NET)</b>	-	-
A- CUMULATIVE FINANCE LEASE RECEIVABLES	-	-
B- UNEARNED INCOME (-)	-	-
<b>X- RESERVE DEPOSITS</b>	-	-
<b>XI- GOVERNMENT BONDS FUNDING LEGAL RESERVES</b>	-	-
<b>XII- MISCELLANEOUS RECEIVABLES</b>	<b>842,367</b>	<b>629,798</b>
<b>XIII- INVESTMENT AND ASSOCIATES (NET)</b>	-	-
A- FINANCIAL INVESTMENT AND ASSOCIATES	-	-
B- NON-FINANCIAL INVESTMENT AND ASSOCIATES	-	-
<b>XIV- SUBSIDIARIES (NET)</b>	-	-
A- FINANCIAL SUBSIDIARIES	-	-
B- NON-FINANCIAL SUBSIDIARIES	-	-
<b>XV- INVESTMENT SECURITIES (NET)</b>	-	-
A- SHARE CERTIFICATES	-	-
B- OTHER MARKETABLE SECURITIES	-	-
<b>XVI- FIXED ASSETS (NET)</b>	<b>3,729,717</b>	<b>2,491,396</b>
A- BOOK VALUE	4,413,114	3,226,483
B- ACCUMULATED DEPRECIATION (-)	683,397	735,087
<b>XVII- OTHER ASSETS</b>	<b>3,797,576</b>	<b>3,092,845</b>
<b>TOTAL ASSETS</b>	<b>55,719,296</b>	<b>31,969,618</b>

# ISE SETTLEMENT AND CUSTODY BANK INC.

## BALANCE SHEETS

(Amounts expressed in millions of TL)

	31.12.2000	31.12.1999
<b>LIABILITIES</b>		
<b>I- DEPOSITS</b>	-	-
A- SAVING DEPOSITS	-	-
B- CERTIFICATES OF DEPOSITS	-	-
C- PUBLIC SECTOR DEPOSITS	-	-
D- COMMERCIAL DEPOSITS	-	-
E- OTHER INSTITUTIONS DEPOSITS	-	-
F- BANK DEPOSITS	-	-
G- FOREIGN CURRENCY DEPOSITS	-	-
H- GOLD ACCOUNTS	-	-
<b>II- INTERBANK MONEY MARKET</b>	-	500,000
<b>III- FUNDS BORROWED</b>	2,000,000	3,000,000
A- FUNDS BORROWED FROM CENTRAL BANK OF TURKEY	-	-
B- OTHER FUNDS BORROWED	2,000,000	3,000,000
- DOMESTIC BANKS AND INSTITUTIONS	2,000,000	3,000,000
- FOREIGN BANKS, INSTITUTIONS AND FUNDS	-	-
- SUBORDINATED LOANS	-	-
<b>IV- FUNDS</b>	-	-
<b>V- MARKETABLE SECURITIES ISSUED (NET)</b>	-	-
A- BILLS	-	-
B- ASSET BACKED SECURITIES	-	-
C- BONDS	-	-
<b>VI- ACCRUED EXPENSES AND INTEREST PAYABLE</b>	238,726	102,209
A- DEPOSITS	-	-
B- FUNDS BORROWED	204,111	79,506
C- OTHER	34,615	22,703
<b>VII- LEASING PAYABLES (NET)</b>	-	-
A- LEASING PAYABLES	-	-
B- DEFERRED LEASING EXPENSES (-)	-	-
<b>VIII- TAXES AND OTHER DUTIES PAYABLE</b>	398,196	492,622
<b>IX- IMPORT TRANSFER ORDERS</b>	-	-
<b>X- MISCELLANEOUS PAYABLES</b>	2,667,181	1,661,120
<b>XI- PROVISIONS</b>	9,797,472	5,965,959
A- RESERVE FOR EMPLOYMENT TERMINATION BENEFITS	550,512	286,934
B- GENERAL LOAN PROVISION	-	-
C- PROVISION FOR TAXES	9,246,960	5,586,230
D- OTHER PROVISIONS	-	92,795
<b>XII- OTHER LIABILITIES</b>	2,577,014	1,507,235
<b>XIII- SHAREHOLDERS' EQUITY</b>	19,221,173	8,779,771
A- PAID-UP CAPITAL	16,300,000	7,850,000
1- AUTHORISED SHARE CAPITAL	16,300,000	7,850,000
2- UN-PAID CAPITAL (-)	-	-
B- RESERVES	1,494,489	717,143
- LEGAL RESERVES	1,456,028	678,682
- EXTRAORDINARY RESERVES	38,461	38,461
C- RESERVE FOR POSSIBLE LOSSES	-	-
D- REVALUATION FUND	1,426,684	212,628
E- VALUATION DIFFERENCES	-	-
<b>XIV- INCOME</b>	18,819,534	9,960,702
A- NET INCOME FOR THE PERIOD	18,819,534	9,960,702
B- RETAINED EARNINGS	-	-
<b>TOTAL LIABILITIES</b>	<b>55,719,296</b>	<b>31,969,618</b>

## OFF BALANCE SHEET COMMITMENTS

(Amounts expressed in millions of TL)

<b>ASSESTS</b>	<b>2000</b>	<b>1999</b>
I- GUARANTEES	200,700,581	65,471,745
II- COMMITMENTS	3,513,662	1,578,252
III- VALUABLES UNDER CUSTODY- TL	3,612,777,593	1,287,756,290
IV- VALUABLES UNDER CUSTODY- FC	294,912,774	61,169,205
V- OTHER	9,020,407,306	3,634,858,548
VI- OTHER - FC	94,932,713	1,761,334
<b>TOTAL</b>	<b>13,227,244,629</b>	<b>5,052,595,374</b>
<b>LIABILITIES</b>	<b>2000</b>	<b>1999</b>
I- GUARANTEES	200,700,581	65,471,745
II- COMMITMENTS	3,513,662	1,578,252
III- VALUABLES UNDER CUSTODY- TL	3,612,777,593	1,287,756,290
IV- VALUABLES UNDER CUSTODY- FC	294,912,774	61,169,205
V- OTHER	9,020,407,306	3,634,858,548
VI- OTHER - FC	94,932,713	1,761,334
<b>TOTAL</b>	<b>13,227,244,629</b>	<b>5,052,595,374</b>

# ISE SETTLEMENT AND CUSTODY BANK INC.

## INCOME STATEMENTS

(Amounts expressed in millions of TL)

	31.12.2000	31.12.1999
<b>I- INTEREST INCOME</b>	<b>20,066,174</b>	<b>14,415,862</b>
A- INTEREST ON LOANS	3,225,390	1,690,085
1- Interest on TL loans	3,225,390	1,690,085
a- Short-term loans	3,225,390	1,690,085
- Other financial institutions	3,158,301	1,576,450
- Inter-day loans	65,627	103,623
- Personnel loans	1,462	10,012
b- Medium- and long-term loans	-	-
2- Interest on FC loans	-	-
a- Short-term loans	-	-
b- Medium- and long-term loans	-	-
3- Interest on legal follow-up	-	-
4- Premiums received from Resource Utilisation Support Fund	-	-
B- INTEREST RECEIVED FROM RESERVE DEPOSITS	-	-
C- INTEREST RECEIVED FROM BANKS	14,604,720	9,372,522
1- Central Bank of Turkey	2,131	291
2- Domestic banks	14,602,587	9,372,231
3- Foreign banks	2	-
D- INTEREST RECEIVED FROM INTERBANK TRANSACTIONS	651,210	151,956
E- INTEREST FROM MARKETABLE SECURITIES PORTFOLIO	814,970	2,889,133
1- Treasury bills and government bonds	814,970	2,889,133
2- Other marketable securities	-	-
F- OTHER INTEREST INCOME	769,884	312,166
<b>II- INTEREST EXPENSE</b>	<b>1,289,988</b>	<b>830,509</b>
A- INTEREST ON DEPOSITS	-	-
1- Saving deposits	-	-
2- Saving certificates	-	-
3- Public sector deposits	-	-
4- Commercial deposits	-	-
5- Other institutions deposits	-	-
6- Bank deposits	-	-
7- Foreign currency deposits	-	-
8- Gold accounts	-	-
B- INTEREST ON INTERBANK TRANSACTIONS	236,530	694,693
C- INTEREST ON FUNDS BORROWED	1,053,458	135,816
1- Central Bank of Turkey	-	-
2- Domestic banks	1,053,458	135,816
3- Foreign banks	-	-
4- Other institutions	-	-
D- INTEREST ON BONDS ISSUED	-	-
E- OTHER INTEREST EXPENSE	-	-
<b>III- NET INTEREST INCOME</b>	<b>18,776,186</b>	<b>13,585,353</b>
<b>IV- NON-INTEREST INCOME</b>	<b>16,653,013</b>	<b>7,241,378</b>
A- FEES AND COMMISSIONS RECEIVED	1,287,303	395,291
1- Cash loans	-	-
2- Non-cash loans	1,287,303	395,291
3- Other	-	-
B- PROFIT FROM CAPITAL MARKET TRANSACTIONS	16	22,662
C- FOREIGN EXCHANGE GAIN	30,553	20,983
D- INCOME FROM INVESTMENTS AND ASSOCIATES	-	-
E- EXTRAORDINARY INCOME	-	-
F- OTHER NON-INTEREST INCOME	15,041,876	6,579,694
G- INCOME FROM PREVIOUS YEARS	293,265	222,748
<b>V- NON-INTEREST EXPENSES</b>	<b>7,362,705</b>	<b>5,279,799</b>
A- FEES AND COMMISSIONS PAID	116,472	83,321
1- Cash loans	-	-
2- Non-cash loans	83,382	57,474
3- Other	33,090	25,847
B- LOSS FROM CAPITAL MARKET TRANSACTIONS	-	-
C- FOREIGN EXCHANGE LOSS	5,706	14,765
D- PERSONNEL EXPENSES	4,241,393	2,725,506
E- PROVISION FOR EMPLOYMENT TERMINATION BENEFITS	296,415	162,963
F- RENT EXPENSES	10,086	8,664
G- DEPRECIATION AND AMORTIZATION EXPENSES	485,930	375,170
H- SUNDRY TAXES AND DUTIES	411,303	195,188
I- EXTRAORDINARY EXPENSES	68,194	455,328
J- PROVISION FOR LOAN LOSSES	-	-
K- OTHER PROVISIONS	-	-
L- OTHER NON-INTEREST EXPENSES	1,727,206	1,258,894
<b>VI- NON-INTEREST EXPENSES</b>	<b>9,290,308</b>	<b>1,961,579</b>
<b>VII- INCOME BEFORE TAXES</b>	<b>28,066,494</b>	<b>15,546,932</b>
<b>VIII- TAX PROVISION</b>	<b>9,246,960</b>	<b>5,586,230</b>
<b>IX- NET INCOME FOR THE PERIOD</b>	<b>18,819,534</b>	<b>9,960,702</b>

# ISE SETTLEMENT AND CUSTODY BANK INC.

## NOTES TO FINANCIAL STATEMENTS

(Amounts expressed in millions of TL)

### 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:  
26 January 2001.

(2) a- The significant accounting policies applied by the Bank:

#### **Presentation of financial statements**

The Bank prepares its 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 the Article 13 of the Banking Act No: 4389 which prescribes Uniformed Chart of Accounts, balance sheet, income statement and notes, and accounting and valuation principles applicable for banks.

#### **Marketable securities**

Treasury bills and government bonds classified under marketable securities portfolio held for trading purposes are carried at market. The positive difference between the cost and the fair value obtained after the valuation of these marketable securities are included in the Interest and Income Accruals component of the balance sheet and Interest Income on Marketable Securities Portfolio component of the income statement.

#### **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 evenly over the life of repo agreements.

#### **Related parties**

For the purpose of these financial statements, shareholders, Board of Directors, key management personnel and the other entities they are directly or indirectly own or have significant influence over management are considered 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 in Istanbul Stock Exchange ("ISE") and in other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the investors; performs the procedures related with 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 from delays in payments by members with payable balances. ISE Guarantee Fund is included in the Marketable Securities Portfolio 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 No: 3094. The Bank calculated depreciation on buildings based on their cost. As of 31 December 2000 the revaluation rate is 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 fixture	20%
Transportation vehicles	20%
Phones and datalines	20%
Software	20%
Leasehold improvement	33%

#### **Foreign currency transactions**

Foreign currency transactions are translated into Turkish lira using the bid rates of the Central Bank of Turkey prevailing on 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 on the balance sheet date. Exchange gains or losses arising from the settlement and translation of foreign currency items are included in the income statement.

#### **Employment termination benefit**

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 30-days salary amount and does not exceed TL587,720,000 for each year worked. Employment termination expenses are recognised as tax deductible expense 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 treasury bills and government bonds that are not present 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 as 33%.

Before that change the withholding tax was calculated whether or not the profits are distributed. However, with the change stated above, companies that do not distribute profits will be subject to 33% tax with no withholding tax obligation. The others are subject to 33% corporate tax and a withholding tax at a rate of 16.5% of dividends paid (5.5% for companies quoted at ISE).

If the company has tax exempt income (including investment allowance exception, except for dividend income) a withholding tax at a rate of 19.8%, whether or not profits are distributed, should be applied to the exempt income for both private and public companies.

In case that the current period profit is added to capital the withholding tax is not applied.

In accordance with the change of the law the Bank will need to calculate 25% prepaid tax from quarterly financial statements and pay the related tax within forty-five days following the respective period.

According to the Corporate Tax Law the losses recognised in the tax declaration are deductible within a period not exceeding of 5 years.

b- Changes in accounting policies and their monetary effects.

Except the change in valuation methods explained in footnote 4, there is no change in accounting policies in the current year.

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

Going concern, accrual basis and consistency assumptions are strictly obeyed.

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

In accordance with the decision no: 40586 of the Treasury dated on 18 May 2000 the Bank as of 31 December 2000 has changed the valuation method for marketable securities. Accordingly, government bonds and bills have been carried at market. At 31 December 1999, the government bonds and bills in portfolio were stated at cost as adjusted for the amortisation of premiums or discounts on purchases over the period to maturity. The effect of this change is to record TL327,894 million unrealised gain in the current year. If the Bank had carried the government bonds and bills at market as of 31 December 1999, the profit for previous year would be TL67,458 million less than it was originally reported.

(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
- 2- Other
  - a) Indexed to inflation and foreign currency
  - b) Fixed income

Treasury bills and government bonds classified under marketable securities portfolio, which belong to ISE Guarantee Fund and problem brokerage firms are valued at market.

- c) Floating interest rates

**Securities in foreign currency:**

- 1- Share certificates
- 2- Other
  - a) Indexed to inflation and foreign currency
  - b) Fixed income
  - c) Floating interest rates

**B. Investment and Associates:**

**Securities in Turkish Lira**

**Securities in foreign currency**

**C. Subsidiaries:**

**Securities in Turkish Lira**

**Securities in foreign currency**

**D. Investment securities:**

**Investment securities in Turkish Lira**

- 1- Share certificates
  - a) Long-term investments
  - b) Pledged securities
  - c) Restricted
- 2- Other marketable securities
  - a) Long-term investments
  - b) Pledged securities
  - c) Restricted

**Investment securities in foreign currency**

- 1- Share certificates
  - a) Long-term investments
  - b) Pledged securities
  - c) Restricted
- 2- Other marketable securities
  - a) Long-term investments
  - b) Pledged securities
  - c) Restricted

(\* ) No information on valuation method is required if there is no marketable security 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 US\$ bid rates declared by the Bank on the last five working days of the period:

	<b>Current Period</b> <b>31 December 2000</b>	<b>Prior period</b> <b>31 December 1999</b>
A. The US dollar exchange rate for TL used for the preparation of the financial statements:	671,765 TL	538,196 TL
B. The US dollar exchange rates for TL announced by the Bank for the last five working days of the current and previous periods were as follows:		
US dollar purchase rate at the date of balance sheet:	671,765TL	538,196 TL
US dollar purchase rates for the days before balance sheet date:		
1. Day 1	669,967 TL	536,446 TL
2. Day 2	672,232 TL	535,394 TL
3. Day 3	674,820 TL	532,942 TL
4. Day 4	679,627 TL	532,913 TL
5. Day 5	677,675 TL	532,465 TL

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

	Current Period (31 December 2000)		Prior Period (31 December 1999)	
	TL millions	\$ millions	TL millions	\$ millions
<b>I- FOREIGN CURRENCY ASSETS</b>				
1) CASH AND CASH EQUIVALENTS (Cash, cash in transit, purchased cheques)	-	-	-	-
2) CENTRAL BANK OF TURKEY	56,438	0.08	16,174	0.03
3) DOMESTIC BANKS	376,511	0.56	503,147	0.94
4) FOREIGN BANKS	24,759	0.04	18,129	0.03
5) MARKETABLE SECURITIES (NET)	-	-	-	-
6) LOANS	-	-	-	-
7) RESERVE DEPOSITS	-	-	-	-
8) FOREIGN CURRENCY INDEXED ASSETS (a+b)	-	-	-	-
a) Loans	-	-	-	-
b) Other	-	-	-	-
9) ACCRUED INCOME AND INTEREST	-	-	-	-
10) OTHER ASSETS	-	-	-	-
<b>OFF-BALANCE SHEET ITEMS (11+12)</b>	-	-	-	-
11) REPURCHASE AGREEMENTS	-	-	-	-
12) FORWARD CURRENCY PURCHASES	-	-	-	-
<b>TOTAL FOREIGN CURRENCY ASSETS (1-12)</b>	<b>457,708</b>	<b>0.68</b>	<b>537,450</b>	<b>1.00</b>
<b>II- FOREIGN CURRENCY LIABILITIES</b>				
1) FOREIGN CURRENCY DEPOSITS	-	-	-	-
2) GOLD DEPOSITS	-	-	-	-
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) LOANS	-	-	-	-
b) OTHER	-	-	-	-
10) ACCRUED EXPENSES AND INTEREST	-	-	-	-
OTHER LIABILITIES	434,989	0.65	517,621	0.96
<b>OFF-BALANCE SHEET ITEMS (12+13)</b>	-	-	-	-
12) RESALE AGREEMENTS	-	-	-	-
13) FORWARD CURRENCY SALES	-	-	-	-
<b>TOTAL FOREIGN CURRENCY LIABILITIES (1+13)</b>	<b>434,989</b>	<b>0.65</b>	<b>517,621</b>	<b>0.96</b>
<b>FOREIGN CURRENCY NET POSITION (I - II)</b>	<b>22,719</b>	<b>0.03</b>	<b>19,829</b>	<b>0.04</b>

Explanation about Bank's management of foreign currency:

There are not any transactions denominated in foreign currency, except those held for liquidity requirements.

**Current Period:**  
**(31 December 2000):**

	US Dollars (****)	Euro(**) Group	Euro	CHF	Japanese Yen	Other(***) (*****)
<b>I- Foreign Currency Assets</b>						
Cash and cash equivalents						
Banks	679,823	155	1,038	-	-	431
Marketable securities (Net)	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Investment securities (Net)	-	-	-	-	-	-
Other foreign currency assets (*)	-	-	-	-	-	-
<b>Total Foreign Currency Assets</b>	<b>679,823</b>	<b>155</b>	<b>1,038</b>	<b>-</b>	<b>-</b>	<b>431</b>
<b>II- Foreign Currency Liabilities</b>						
Deposits	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Marketable securities issued (Net)	-	-	-	-	-	-
Other foreign currency liabilities (*)	647,530	-	1	-	-	-
<b>Total Foreign Currency Liabilities</b>	<b>647,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Difference (I - II)</b>	<b>32,293</b>	<b>155</b>	<b>1,037</b>	<b>-</b>	<b>-</b>	<b>431</b>

**Prior Period:**  
**(31 December 1999):**

	US Dollars (****)	Euro(**) Group	Euro	CHF	Japanese Yen	Other(***) (*****)
<b>I- Foreign Currency Assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
Banks	994,223	342	2,414	-	-	1,612
Marketable securities (Net)	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Investment securities (Net)	-	-	-	-	-	-
Other foreign currency assets (*)	-	-	-	-	-	-
<b>Total Foreign Currency Assets</b>	<b>994,223</b>	<b>342</b>	<b>2,414</b>	<b>-</b>	<b>-</b>	<b>1,612</b>
<b>II- Foreign Currency Liabilities</b>						
Deposits	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Marketable securities issued (Net)	-	-	-	-	-	-
Other foreign currency liabilities (*)	961,770	-	-	-	-	-
<b>Total Foreign Currency Liabilities</b>	<b>961,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Difference (I - II)</b>	<b>32,453</b>	<b>342</b>	<b>2,414</b>	<b>-</b>	<b>-</b>	<b>1,612</b>

(\*) All other foreign currency assets and liabilities including off balance sheet items.

(\*\*) Currencies to be converted into Euro, total in Euro terms (like DEM, FRF etc.)

(\*\*\*) US dollar equivalent of all other currencies having less than 10% share in foreign currency assets and liabilities.

(\*\*\*\*) Amounts are expressed in thousands of US Dollars.

(\*\*\*\*\*) Amounts are expressed in US Dollars.

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

31/12/2000 (TL million)			
	Book value(*)	Accumulated depreciation	Insurance coverage
<b>Movables</b>	1,298,744	581,422	2,554,602
<b>Immovables</b>	3,114,370	101,975	2,434,156
1- Assets under use for banking activities	3,114,370	101,975	2,434,156
2- Other	-	-	-
<b>Assets held for resale</b>	-	-	-
1- Stocks	-	-	-
2- Immovables	-	-	-
<b>Assets held under financial leases (as lessee)</b>	-	-	-

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

31/12/1999 (TL million)			
	Book value(*)	Accumulated depreciation	Insurance coverage
<b>Movables</b>	1,242,493	695,407	2,003,200
<b>Immovables</b>	1,983,989	39,680	1,364,084
1- Assets under use for banking activities	1,983,989	39,680	1,364,084
2- Other	-	-	-
<b>Assets held for resale</b>	-	-	-
1- Stocks	-	-	-
2- Immovables	-	-	-
<b>Assets held under financial leases</b>	-	-	-

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

(10) Significant contingent gains and losses; although the amount can not be estimated:  
None.

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

As of 31 December 2000, the Bank has under marketable securities portfolio government bonds, which belong to ISE Guarantee Fund amounting to TL2,443,550 million, resulting from reverse repurchase transactions. Furthermore, the Bank has in its marketable securities portfolio government bonds, amounting to TL863,458 million, of problem brokerage firms; government bonds, amounting to TL987,200 million resulting from reverse repurchase transactions. Transactions with securities belonging to ISE Guarantee Fund and problem brokerage firms are recorded in accordance with the legislation. Credit natured account for ISE Guarantee Fund is 'Other Liabilities' and for securities belonging to problem brokerage firms is 'Miscellaneous payables'. Because of marked to market valuation of government bonds belonging to ISE Guarantee Fund and government bonds/treasury bills belonging to problem brokerage firms, unrealised gains of TL56,235 million and TL69,412 million were calculated, respectively. This amount does not have any effect on profit and loss account and is recorded in other assets and miscellaneous payables.

#### **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:

In the meeting of Board of Directors held on 26 January 2001 the Bank decided to increase paid-in capital to TL33,540,000 million from TL16,300,000 million. TL15,813,316 million of the total addition of TL17,240,000 million will be added from the net income of the current period and TL1,426,684 million from the revaluation fund.

(13) Information about branches abroad:

**Location of the branch:**                      **Total Assets**                      **Legal capital(\*)**  
None.

**C. The independent accountants auditing the financial statements:**

*The financial statements at 31 December 2000 are audited by Başaran Nas Serbest Muhasebeci ve Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) who issued clean audit opinion.*

**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 ....

(2) a- Due from foreign banks:

	Current Period		Prior Period	
	TL Amount (TL millions)	USD Amount (USD)	TL Amount (TL millions)	USD Amount (USD)
Unrestricted deposits	24,760	36,858	18,129	33,685
Restricted deposits	-	-	-	-
<b>Total</b>	<b>24,760</b>	<b>36,858</b>	<b>18,129</b>	<b>33,685</b>

b- Breakdown of due from foreign banks according to their origins:

OECD Countries		Other Countries	
Country	Balance (TL millions)	Country	Balance (TL millions)
1. Luxembourg	590		
2. England	289		
3. Germany	658		
4. Italy	67		
5. USA	18,793		
6. Belgium	4,363		
<b>Total</b>	<b>24,760</b>		

(3) a- The value increase fund portion of the marketable securities balance: TL ...-.....

b- The market value of securities which are carried at cost with market values in excess of acquisition cost:  
None.

The acquisition cost of marketable securities which are carried at market value in excess of acquisition cost:  
None.

c- TL552 billion of total marketable securities and investment securities balance is held for legal requirements.

d- Breakdown of marketable securities:

	Cost TL millions	Market value TL millions	Value declared by Central Bank of Turkey (*) TL millions	Provision for diminishing in value TL millions
<b>Treasury bills and Government bonds</b>				
1. Fixed income securities	10,040,584	10,494,125	10,001,031	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	-	-	-	-
<b>Revenue Participation Certificates</b>				
<b>Investment Funds</b>	-	-	-	-
<b>Other Debt Securities</b>				
1. Fixed income securities	-	-	-	-
2. Securities indexed to inflation	-	-	-	-
3. Securities indexed to foreign currency	-	-	-	-
4. Securities in foreign currency	-	-	-	-
<b>Gold</b>	-	-	-	-
<b>Share certificates</b>				
1. Quoted	-	-	-	-
2. Unquoted	-	-	-	-
<b>Other marketable securities</b>	-	-	-	-

(\*) Values calculated, based on daily prices announced by the Central Bank of Turkey in the official gazette.

(4) a- Advances, cash and non-cash loans granted to shareholders and personnel:

	31 December 2000		31 December 1999	
	Cash TL millions	Non-cash TL millions	Cash TL millions	Non-cash TL millions
<b>1. Loans granted to shareholders</b>				
- Loans given to shareholders (legal entities directly)	1,756,500	78,852,000	3,466,000	10,069,000
- Loans given to shareholders (real persons directly)	-	-	-	-
- Loans given to shareholders (directly/indirectly )	-	-	-	-
<b>2. Loans granted to employees of the Bank</b>	1,928	-	129,787	-

Loans are granted in accordance with the Banking Law taking the market conditions into consideration.



b- Credit policies and practices applied for related parties (as defined by International Accounting Standards) and analysis of related party transactions during the period:

	<b>Related parties TL millions</b>	<b>Total TL millions</b>	<b>Total (%)</b>
<b>Marketable securities</b>			
31 December 1999	1,374,165	4,806,226	29
Change (Net)	1,069,385	-	-
31 December 2000	2,443,550	10,040,584	24
<b>Loans</b>			
31 December 1999	3,466,000	5,075,287	68
Change (Net)	(1,709,500)		
31 December 2000	1,756,500	2,253,428	78
<b>31 December 2000</b>			
<b>Other non-interest income</b>		228,014	
<b>Fees and commissions received</b>		900,000	

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

	<b>Financial Subsidiaries, Investments &amp; Associates</b>		<b>Other Subsidiaries, Investments &amp; Associates</b>	
	<b>Current Period</b>	<b>Prior period</b>	<b>Current period</b>	<b>Prior period</b>
	<b>31 December 2000</b>	<b>31 December 1999</b>	<b>31 December 2000</b>	<b>31 December 1999</b>
<b>RECEIVABLES:</b>	-	-	-	-
- Banks and other financial institutions				
- Bonds and other marketable securities				
- Loans (including non-performing)				
- Interest and other income accruals				
- Leasing receivables (Net)				
- Other receivables				
<b>PAYABLES:</b>	-	-	-	-
- Deposits				
- Borrowings				
- Bonds issued				
- Interest and expense accruals				
- Leasing payables				
- Other payables				
<b>NON-CASH LOANS:</b>	-	-	-	-
- Letters of guarantee				
- Acceptance credits				
- Letters of credit				
- Other non-cash loans				

The Bank does not have any investments, associates and subsidiaries.

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

	<b>Group I - Standard performing loans and other receivables</b>		<b>Group II - Loans and other receivables under special follow-up</b>	
	(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
<b>TL millions</b>	<b>AMOUNT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>	<b>AMOUNT</b>
<b>Cash loans</b>		<b>2,253,428</b>		
<b>I- Loans (excluding loans for specialization)</b>		<b>2,253,428</b>		
Export loans				
Import loans				
Investment loans				
Loans given to domestic banks				
Loans given to foreign banks				
Other loans given to financial institutions		2,251,500		
Gold credits				
Other loans				
1- Consumer loans				
2- Credit cards				
3- Other loans abroad				
4- Other		1,928		
<b>II- Specialization loans</b>				
Agricultural loans				
Immovables				
Professional loans				
Navigation loans				
Tourism loans				
Other				
<b>III- Liquidated non-cash loans</b>				
<b>Receivables classified under other assets but legally considered as loans</b>				
<b>Other receivables</b>				
<b>Non-cash loans</b>		<b>200,700,581</b>		

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

	<b>Group III: Loans and receivables with limited collectibility</b>	<b>Group IV: Doubtful loans and other receivables</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current period (31 December 2000):</b>			
(Gross amounts before special provisions)			
<b>1- Renewed loans</b>	-	-	-
<b>2- Refunded loans and other receivables</b>	-	-	-
<b>3- Restructured loans and other receivables</b>	-	-	-
<b>Prior period (31 December 1999):</b>			
(Gross amounts before special provisions)			
<b>1- Renewed loans</b>	-	-	-
<b>2- Refunded loans and other receivables</b>	-	-	-
<b>3- Restructured loans and other receivables</b>	-	-	-

There are no renewed, refunded or restructured loans and other receivables under follow-up accounts:

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

	<b>Group III:</b> Loans and receivables with limited collectibility	<b>Group IV:</b> Doubtful loans and other receivables	<b>Group V:</b> Uncollectible loans and other receivables
<b>Current period (31 December 2000):</b>			
<b>Collateral Group</b>			
Uncollateralized	-	-	-
Collateral Group I	-	-	-
Collateral Group II	-	-	-
Collateral Group III	-	-	-
Collateral Group IV	-	-	-
<b>Prior period (31 December 1999):</b>			
<b>Collateral Group</b>			
Uncollateralized	-	-	-
Collateral Group I	-	-	-
Collateral Group II	-	-	-
Collateral Group III	-	-	-
Collateral Group IV	-	-	-

There are no loans and other receivables under legal follow-up.

c- Movements in provision for loans and receivables follow-up:  
None.

d- Foreign currency receivables under follow-up accounts:

	<b>Group III:</b> Loans and receivables with limited collectibility	<b>Group IV:</b> Doubtful loans and other receivables	<b>Group V:</b> Uncollectible loans and other receivables
<b>Current period (31 December 2000):</b>			
Ending balance			
- Special provision (-)			
Net balance per balance sheet			
<b>Prior period (31 December 1999):</b>			
Ending balance			
- Special provision (-)			
Net balance per balance sheet			

There are no foreign currency loans and other receivables under legal follow-up.

(6) Receivables on forward sales of assets:

**Current period (31 December 2000)**

<b>Receivables on forward sales of assets</b>	<b>Gross receivable amount</b>		<b>Net total</b>
	<b>Turkish lira</b>	<b>Foreign currency</b>	<b>Receivable amount</b>

Foreign currency, Turkish lira  
(\$, DM etc.) equivalent

- 1- Sales of investments, associates and subsidiaries
- 2- Sales of fixed assets
- 3- Other

There is no receivable on forward sales of assets.

**Prior period (31 December 1999)**

<b>Receivables on forward sales of assets</b>	<b>Gross receivable amount</b>		<b>Net total</b>
	<b>Turkish lira</b>	<b>Foreign currency</b>	<b>Receivable amount</b>

Foreign currency, Turkish lira  
(\$, DM etc.) equivalent

- 1- Sales of investments, associates and subsidiaries
- 2- Sales of fixed assets
- 3- Other

There is no receivable on forward sales of assets.

(7) a- TL...-... of associates and subsidiaries represented the 'value increase' arising from the market value adjustments and TL ...-... represented the 'value increase' arising from the equity method of accounting.

The Bank has no associates and subsidiaries.

b- Information about economic sectors of associates and subsidiaries:

	<u>Cost</u>	<u>Bonus Shares</u>	<u>Revaluation Fund</u>	<u>Value Decrease Provision</u>
<b>DOMESTIC INVESTMENTS AND SUBSIDIARIES:</b>	-	-	-	-
BANKS				
INSURANCE				
PRODUCTION				
MINING				
ENERGY				
TRANSPORTATION				
EXPORT				
TOURISM				
AGRICULTURE				
FORESTRY				
OTHER FINANCIAL				
OTHER COMMERCIAL				

<b>DOMESTIC INVESTMENTS AND SUBSIDIARIES:</b>	-	-	-	-
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 ... and TL ...

d- Bonus shares received on subsidiaries and associates amounted to TL ...

e- Subsidiaries and associates:

<u>Title</u>	<u>% of ownership</u>	<u>Total capital</u>	<u>Net income for the period</u>	<u>Market value</u>
--------------	-----------------------	----------------------	----------------------------------	---------------------

1-  
2-

f- Sale of subsidiaries and associates:

<u>Title</u>	<u>Selling price</u>	<u>Market value</u>	<u>Information</u>
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1-  
2-

(8) Investment securities:

	Government bonds		Other securities	
	Cost	Market value	Cost	Market value
<b>Securities in Turkish Lira:</b>	-	-	-	-
1- Share certificates				
a) Long-term investments				
b) Pledged securities				
c) Restricted				
2- Other securities				
a) Long-term investments				
b) Pledged securities				
c) Restricted				
<b>Securities in foreign currencies:</b>	-	-	-	-
1- Share certificates				
a) Long-term investments				
b) Pledged securities				
c) Restricted				
2- Other securities				
a) Long-term investments				
b) Pledged securities				
c) Restricted				

The Bank has no securities as of 31 December 2000 and 1999.

(9) Movables and immovables held for resale in accordance with the Banking Law, amounted to TL...-

(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 2000 TL millions	31 December 1999 TL millions
<b>Other assets:</b>		
Prepaid taxes	3,681,536	3,036,130
Items in stock	25,065	12,016
Other	90,975	44,699
	3,797,576	3,092,845
<b>Miscellaneous payables:</b>		
Cash collateral taken	1,951,551	764,054
CMB guarantees-blocked deposits	398,623	488,950
Member current account	228,290	363,819
Other	88,717	44,297
	2,667,181	1,661,120
<b>Other liabilities:</b>		
ISE Guarantee Fund	2,499,785	1,388,629
Other	77,229	118,606
	2,577,014	1,507,235

(11) a- Maturity structure of deposits:

	<b>Demand deposits</b>		<b>Time deposits</b>	
	Current period	Prior period	Current period	Prior period
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
Saving 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- Other	-	-	-	-
Foreign currency deposits	-	-	-	-
1- Local residents	-	-	-	-
2- Foreign residents	-	-	-	-
Gold accounts	-	-	-	-
<b>Total deposits</b>	-	-	-	-

(\* ) Deposits with 7 day notification are included.

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

b- Deposits insured or guaranteed under 'Saving Deposit Insurance Fund':

	<b>Insured amount</b>	
	Current period	Prior period
	31 December 2000	31 December 1999
1- Saving deposits,	-	-
2- Foreign currency saving deposits,	-	-
3- Other saving deposits (*)	-	-
4- Deposits in foreign branches insured by foreign organisation	-	-

(12) a- The premium on bonds issued: TL ...-...

b- Bonds in circulation which can be converted to common stocks are : TL ...-...

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

d- Securities matured during the current period: None.

(13) The total of cash collateral received is TL1,951,551 million.

Explanation about cash collaterals:

TL1,920,225 million of cash collateral is for blocked cash collaterals of problem brokerage firms and the rest is for borrowed securities loans and securities loans.

(14) a- The portion of the amount related to marketable securities value increase fund which belongs to foreign currency marketable securities (common stocks, shares in subsidiaries, investments and associates) is TL: ...-... The portion of that amount which is related to foreign currency valuation of foreign currency subsidiaries investments and associates and investment securities is TL: ...-...

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

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

Assets and liabilities and the breakdown of some off-balance sheet items according to their terms for current and prior periods are included in annex.

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

	<b>Current period</b> <b>31 December 2000</b> <b>TL millions</b>	<b>Prior period</b> <b>31 December 1999</b> <b>TL millions</b>
<b>Legal Shareholders' Equity (from 1 to 7)</b>		
1- Paid capital	16,300,000	7,850,000
- Nominal capital	16,300,000	7,850,000
- Unpaid capital (-)	-	-
2- Legal reserves	1,456,028	678,682
- 1st legal reserve (TCC 466/1)	1,367,397	590,051
- 2nd legal reserve (TCC 466/2)	88,631	88,631
- Share premium	-	-
- Legal reserve per special legislation and articles of association	-	-
3- Extraordinary reserves	38,461	38,461
- Reserves allocated per Ordinary General Meeting	38,461	38,461
- Exchange rate difference on foreign currency capital	-	-
- Retained earnings	-	-
- Accumulated losses (-)	-	-
4- Revaluation surpluses	1,426,684	212,628
- Movables	337,871	212,628
- Immovables	1,088,813	-
- Cost increase fund	-	-
- Bonus shares from investee companies and income on sale of immovables	-	-
- Revaluation surplus on special costs	-	-
5- Revaluation surpluses received through bonus shares	-	-
6- Other capital sources	-	-
7- Losses (-)	-	-
- Current period losses	-	-
- Prior year losses	-	-
<b>Total Legal Shareholder's Equity (from 1 to 7):</b>	<b>19,221,173</b>	<b>8,779,771</b>

**Shareholders' Equity per accounting application:**

8- Marketable securities value increase fund:	-	-
- Marketable securities	-	-
- Subsidiaries and associates	-	-
- Investment securities	-	-

**Total Shareholders' Equity per Accounting Application (from 1 to 8, excluding 6):**

<b>19,221,173</b>	<b>8,779,771</b>
-------------------	------------------

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

	<b>Current Period</b> <b>31 December 2000</b> <b>TL millions</b>	<b>Prior period</b> <b>31 December 1999</b> <b>TL millions</b>
<b>I- Core Capital</b>	<b>36,614,022</b>	<b>18,527,845</b>
<b>II- Supplementary Capital</b>	<b>1,426,684</b>	<b>212,628</b>
1- Subordinated debts	-	-
2- Other	1,426,684	212,628
<b>III- Capital (I+II+Third Generation Capital)</b>	<b>38,040,706</b>	<b>18,740,473</b>
- Third Generation Capital	-	-
<b>IV- Deductions from Capital</b>	<b>99,975</b>	<b>44,700</b>
<b>V- Capital Base (III-IV)</b>	<b>37,940,731</b>	<b>18,695,773</b>



(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.

b- Information related to increase in share capital in current period and its resources:

<b>Date</b>	<b>Increase in TL millions</b>	<b>Cash TL millions</b>	<b>Reserves TL millions</b>	<b>Revaluation fund TL millions</b>
15 May 2000	8,450,000	-	8,295,626	154,374

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

In the current period, the capital was increased by TL154,374 million from fixed asset revaluation fund.

d- Privileges for share certificates representing the capital:

The Bank has preferred shares with nominal value of TL200 million. These preferred shares belong to Istanbul Stock Exchange and gives right to have more member in the Board of Directors.

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

<b>Shareholder</b>	<b>(%)</b>
Istanbul Stock Exchange	22.60
Other	77.40

47.07% of 'other' is held by banks, and remaining 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:

At 31 December 2000, amounts of finance lease transactions are as follows:

	<b>(TL millions)</b>
Total leased assets	367,001
Finance lease obligations	-
Accumulated depreciation	209,250
Current year's depreciation	73,401

Balance sheet and income statement adjusted in accordance with IAS 17 are attached.

(19) Footnotes in respect of other issues:

a- Information about deferred tax and deferred tax provision:

	<b>Current Period</b>	<b>Prior period</b>
	<b>31 December 2000</b>	<b>31 December 1999</b>
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.

b- Method applied for accounting of currency swap transactions in accordance with 4th part of Uniform Chart of Accounts Applicable for Banks named 'Specific transactions (Derivative instruments) and Accounting principles:

The Bank has no derivative instruments as of 31 December 2000.

c- Exchange rate gain/loss accruals on forwards and currency swaps, accounted under other accruals in assets and liabilities:

	<b>Current Period</b>	<b>Prior period</b>
	<b>31 December 2000</b>	<b>31 December 1999</b>
Income accruals on forwards	-	-
Expense accruals on forwards	-	-
Income accruals on currency swaps	-	-
Expense accruals on currency swaps	-	-

d- The components of the assets and liabilities and increase in their amounts:

The Bank does not have any assets and liabilities that are indexed to the exchange rate, gold price and other financial indicators

e- Other explanations:

The government bonds held under guarantee of interbank and as disponibility, with a nominal value of TL8,000,000 million 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 TL292,733 millions more (including deferred tax payable of TL144,182 millions). 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: ....., fees and commissions received are TL: .....

b- Interest paid to subsidiaries and associates is TL: ....., fees and commissions paid is TL: .....

(2) Total leasing income is TL: .....

(3) Total leasing expense is TL165 million.

(4) a- General provision for loan losses is TL: .....

The Bank in accordance with the Banking Act Article 20/2 is not a deposit bank and therefore is not subject to Decree on Loan Loss Provision issued in Official Gazette No: 23913 dated 21 December 1999.

b- Provision for the value decrease in marketable securities is TL: .....

(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:

	<b>31 December 2000</b>	<b>31 December 1999</b>
	<b>TL millions</b>	<b>TL millions</b>
<b>Other non-interest income</b>		
Income of account opening on behalf of the members	4,382,785	1,169,924
Custody and services commissions	4,248,233	2,024,317
Bonus shares collection commissions	1,718,737	778,173
Income of account maintenance on behalf of the members	862,565	313,187
Stock Exchange settlement income	900,000	540,000
Preference rights commissions	688,714	368,289
Share translation commission	376,535	26,354
EFT expense provision	446,323	288,657
Dividend collection commission	257,728	237,179
Other	1,160,256	833,614
	<b>15,041,876</b>	<b>6,579,694</b>
<b>Other non-interest expense</b>		
Communication expenses	411,988	368,883
EFT message expenses	198,459	123,049
Computer usage expenses	275,970	119,148
Advertisement expenses	30,543	63,977
Stationary expenses	135,429	61,666
Representation expenses	65,325	53,706
Donation and aid expenses	143,513	11,908
Other	465,979	456,557
	<b>1,727,206</b>	<b>1,258,894</b>

(6) Expenses on repurchase transactions:

	<b>31 December 2000</b>	<b>31 December 1999</b>
	<b>TL millions</b>	<b>TL millions</b>
Security at repo	-	-
Income rediscount of security	-	-
Expense rediscount of repo security	-	-

(7) Footnotes related to the other issues that should be disclosed: None.

## MANAGEMENT TEAM

**Emin atana**  
President and CEO

**Nezir Bakır**  
Vice President

**Ahmet akırsoy**  
Vice President

**Yusuf iek**  
Vice President

**evket Yaşöz**  
Head of the Board of Internal Auditors

**Tolga Somuncuođlu**  
Custody Director

**Arzu Öztürk**  
Systems Development Director

**Ender Aybulus**  
Software and System Operations Director

**Mustafa Şentürk**  
Human Resources and Training Director

**Mehmet Günal**  
Credits and Money Market Director

**Tanju Günel**  
Operations Director

**İbrahim Samancı**  
Accounting Director

**Cahit Girgin**  
Legal Affairs Director

**Gülcan Tok**  
Administrative Affairs and Purchasing Director

**Suat Sevand**  
Treasury Director

**Eşref Hatipođlu**  
Security Staff Director

**TAKASBANK ISE Settlement and Custody Bank Inc.**

Abide-i Hürriyet Caddesi Mecidiyeköy Yolu Sokak 286 Şişli 80260 İstanbul Turkey

Tel: +90 212 315 25 25 (Pbx) Fax: +90 212 315 25 26 (Pbx)

e-mail: [international@takasbank.com.tr](mailto:international@takasbank.com.tr) web site: <http://www.takasbank.com.tr>