INNOVATIVE SOLUTIONS

ÇALIKBANK 2001 ANNUAL REPORT

ÇALIKBANK 2001 ANNUAL REPORT ADOBE ACROBAT (PDF) VERSION

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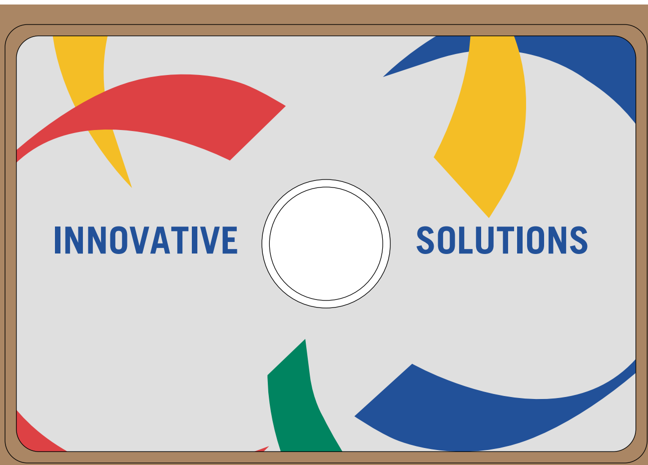

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INNOVATIVE THINKING IS THE MOST IMPORTANT FACTOR NOURISHING GROWTH AND DEVELOPMENT.

INNOVATIVE ÇALIK YATIRIM BANKASI SOLUTIONS

OFFERING PRODUCTS AND SERVICES WITH AN INNOVATIVE APPROACH IN A MARKET SEGMENT PLAYS AN IMPORTANT ROLE IN CREATING BOTH DEMAND AND ADDITIONAL MARKET DEPTH.

BY BLENDING CLASSICAL BANKING AND FINANCIAL INSTRUMENTS WITH INNOVATIVE BUSINESS APPROACHES, ÇALIKBANK PROVIDES CUSTOMERS WITH MODERN, RAPID, HIGH-QUALITY SOLUTIONS. BY MEANS OF THIS APPROACH, WHICH DISTINGUISHES THE BANK FROM ITS COMPETITORS, ÇALIKBANK CONTINUOUSLY PRODUCES ADDED VALUE AS MUCH FOR ITSELF AS IT DOES FOR ITS CUSTOMERS.

AN INSTITUTION RISING ON SOLID FOUNDATIONS...

CORPORATE PROFILE AND PERFORMANCE

ÇALIKBANK, WHICH BECAME OPERATIONAL IN 1999, IS ONE OF TURKEY'S FOREMOST INVESTMENT BANKS.

ÇALIKBANK'S BASIC AIM IS TO OFFER SOLUTION-FOCUSED, SPECIALLY DESIGNED FINANCING PRODUCTS AND SERVICES THAT CREATE HIGH ADDED VALUE IN NICHE MARKETS. SINCE THE DAY IT WAS FOUNDED, THE BANK HAS BEEN PROVIDING A SELECT PORTFOLIO OF CUSTOMERS WITH SERVICES IN THE AREAS OF TRADE FINANCE, LEASING, PROJECT FINANCE, THE DEVELOPMENT OF E-BUSINESS PLATFORMS FOR COMMODITIES MARKETS, AND PRIVATE RISK MANAGEMENT.

THE PRINCIPAL FACTORS MAKING ÇALIKBANK A PRODUCTIVE AND STRONGLY COMPETITIVE INSTITUTION ARE HIGHLY QUALIFIED HUMAN RESOURCES WHO SHARE IN A COMMUNAL INTELLIGENCE AND AN ADVANCED TECHNOLOGICAL PLATFORM.

ÇALIKBANK IS THE ONLY FINANCIAL SERVICES VENTURE OF ÇALIK HOLDİNG, A CORPORATE GROUP ACTIVE IN THE AREAS OF TEXTILES, CONSTRUCTION, ENERGY, AND TRADE THROUGH ITS SUBSIDIARIES GAP GÜNEYDOĞU, GAP İNŞAAT, ÇALIK ENERJİ, AND GAP PAZARLAMA.

2001 WAS A YEAR DURING WHICH ÇALIKBANK CONTINUED TO PURSUE GROWTH AND DEVELOPMENT ON SOLID FOUNDATIONS. ACCORDING TO THE BANK'S 2001 FINANCIAL STATEMENTS, WHICH WERE PREPARED ACCORDING TO IAS 29 STANDARDS, ÇALIKBANK'S TOTAL ASSETS HAVE REACHED TL 38.4 TRILLION, UP FROM THEIR TL 24 TRILLION FIGURE IN 2000. THIS RESULT CORRESPONDS TO A REAL (INFLATION ADJUSTED) GROWTH RATE OF 60%.

ÇALIKBANK CONTINUES TO HAVE ONE OF THE HIGHEST CAPITAL ADEQUACY RATIOS IN ITS SECTOR. AS OF YEAR-END 2001, THE BANK HAD TOTAL EQUITY AMOUNTING TO TL 18.5 TRILLION, UP FROM THE PREVIOUS YEAR'S FIGURE OF TL 16.8 TRILLION. IN 2001, ÇALIKBANK REGISTERED A CAPITAL ADEQUACY RATIO OF 61.8%.

WELL-DEFINED AND EFFECTIVELY IMPLEMENTED BUSINESS STRATEGIES AND POLICIES WILL CONTINUE TO BE THE MOST IMPORTANT GUIDES FOR ÇALIKBANK AS IT PURSUES THE PATH OF SUSTAINABLE AND PROFITABLE GROWTH.

SELECTED FINANCIAL INDICATORS

	TL Billion		USD Thousand	
	2000	2001	2000	2001
Balance sheet				
Credits (net)	7,077	102	5,599	70
Marketable securities portfolio	2,214	1,907	1,752	1,318
Leasing receivables	5,234	15,878	4,141	10,970
Shareholders' equity	16,769	18,519	13,266	12,795
Total assets	24,005	38,353	18,991	26,498
Income statement				
Interest income	6,915	12,690	5,471	8,767
Interest expenditures	236	342	187	236
Income before tax and monetary losses	6,979	13,461	5,521	9,300
Net income	983	1,692	778	1,169

The figures in the table above are inflation adjusted. The difference between these figures and the ones in the 2000 annual report stems from the restatement made to eliminate the effects of inflation.

ÇALIK
YATIRIM BANKASI

RATIOS

	2000	2001
Capital adequacy	118.12%	61.76%
Balance sheet		
Credits/total assets	29.48%	0.27%
Liquidity ratio	655.76%	606.43%
Income statement		
Average return on assets	4.25%	5.43%
Average return on equity	6.04%	9.59%
Loans portfolio		
Loans under follow-up/Loans (net)	0.00%	0.00%
Loans under follow-up/Total assets	0.00%	0.00%

AHMET ÇALIK

CHAIRMAN AND MANAGING DIRECTOR

HAVING REACHED THE END OF ITS SECOND FULL YEAR OF OPERATION, THE PICTURE OF ÇALIKBANK IS THAT OF AN INSTITUTION THAT HAS PRESERVED ITS ASSETS AND ACHIEVED A SUBSTANTIAL DEGREE OF REAL GROWTH.

ON BEHALF OF THE BOARD OF DIRECTORS:

In the interval since we prepared our 2000 annual report a year ago, our business environment has embarked upon a process of change greater than anything hitherto witnessed in its history. The economic crisis that began in November 2000 led to results such that, by the end of 2001, the Turkish economy had shrunk by a rather high 9.4% in real terms and to a countrywide contraction in the general volume of trade. To sum it up in a single sentence: As a country we all became poorer.

While economic activity was undergoing such a severe contraction, the banking industry and financial sector of which we are a part also embarked upon a process of rapid and radical transformation and consolidation. Between the beginning of 2000 and the end of 2001, no fewer than nineteen commercial and investment banks in Turkey were forced out of the sector. A significant number of these banks went into liquidation. And while steps were being taken to rehabilitate the banks that had come under public receivership, foreign capital was observed to be moving into the country's banking sector.

The crisis this time seems to have taught the people of this country and its business world some important lessons. Just about everyone now acknowledges that confidence in the system and political stability are crucial for sustainable growth and economic balance. Similarly the economic and political experience of the last two decades has demonstrated just how expensive the cost of political errors can be. In a world that is globalizing, the path to a country's having competitive strength is through the full and complete implementation of strategies and policies which are transparent and which also enjoy public support.

Having reached the end of its second full year of operation, the picture of Çalıkbank is that of an institution that has preserved its assets and achieved a substantial degree of real growth. For Çalıkbank, the period immediately ahead of us will be a time in which the Bank seeks to take advantage of the potentials arising from growth and change. Indeed, the crisis-management experience that we have acquired in our national market since the day we became operational shapes all our thinking and business management methods and has equipped us with important institutional competencies.

Even when the effects of the crisis were being most severely felt, Çalıkbank successfully fulfilled all of its obligations and, thanks to its robust equity structure and liquid position, it was able to turn each opportunity thrown up by money and capital markets into a profitable business deal. This situation has had a direct impact on our financial results: in a year during which a large number of the financial institutions active in the sector announced losses, Çalıkbank registered a net, after-tax, inflation-adjusted profit of TL 1.7 trillion while achieving a 5.4% average rate of return on assets and a 9.6% average rate of return on capital. The Bank's capital adequacy ratio was 61.8% in 2001.

Foremost among the factors that protected us during the crisis were our prudent and discriminating lending policies. Throughout the

BOARD OF DIRECTORS

NACİ AYHAN
VICE CHAIRMAN

MEHMET AYHAN BOLAY
MEMBER

A. BENGÜ ERDOĞMUŞ
MEMBER, ACTING GENERAL MANAGER

M. ERTUĞRUL GÜRLER
MEMBER

HALUK ULUSOY
MEMBER

entire year, care was given to ensuring that our cash credit portfolio consisted of short-term spot loans that could be called in and returned to the balance sheet as cash items by the end of the year. In 2001, the Bank concentrated on project finance, project consultation, and trade finance–the three basic functions of investment banking. Our leasing portfolio also showed remarkable growth in 2001. Our good relations with foreign financial institutions make it possible for us to conduct leasing transactions for capital goods that require long-term funding without any difficulty.

We also experienced the excitement of registering important progress in the area of consultancy services. The projects that we completed in 2001 chart the course of our future growth in the business of corporate consultancy and restructuring activities. Similar progress was also achieved in the area of e-business. Our Kotonline venture, which we took great pride in announcing in our previous year's report, continued on its path of success in 2001. Yarnline, another electronic platform that is similar to Kotonline but brings yarn producers and consumers together, has also become operational. E-business applications will become yet another axis for growth on which we will be able to offer customers classical investment banking products and services.

The Çalık Group of which we are a member is entering its 20th year. The group continues to move forward with assurance and confidence as it builds upon its activities in both national and international markets. Even in so exceptional a year as 2001 was, Çalık Holding was one of the few Turkish corporates to receive an international rating (BBB tur, Fitch IBCA, 7 December 2001). The synergies and the cross-sale opportunities created by Çalık Holding and its other subsidiaries represent an important potential for Çalıkbank.

Our view of the future is a cautious but also a confident one. We believe that the steps being taken in the direction of establishing stability and sustainable macroeconomic balances in our national markets are what will pull our country through these difficult times. At the same time, we foresee that the processes of restructuring and transformation taking place in the Turkish banking industry will continue. Despite our brief past, our soundly laid foundations, our human resources, and our corporate structure are the most important of our assets that guarantee our growth in the years ahead. We will go on protecting and developing the resources under our management and we will do so without becoming overconfident or overoptimistic. Our goal is to maintain our innovative business approach as we grow steadily stronger in our core business competencies and continue to provide our customers with world-standard service.

AHMET ÇALIK
CHAIRMAN AND MANAGING DIRECTOR

GÖKHAN GÜNGÖR
ASSISTANT GENERAL MANAGER

A. BENGÜ ERDOĞMUŞ
BOARD MEMBER, ACTING GENERAL MANAGER

PEKHAN İŞİPEK
ASSISTANT GENERAL MANAGER

ÇALIKBANK MANAGEMENT'S ASSESSMENT OF ACTIVITIES IN 2001

Crisis and performance

2001 was indeed an exceptional year. On the one hand, every segment of our country and society at last had to begin paying the heavy economic price of long years of procrastination in making essential structural changes and reforms. On the other, the terrorist attacks on the twin towers in New York City and the Pentagon in Washington D.C. caused frightful losses of life and property while also provoking globe-spanning political upheavals and leading to the emergence of a common platform on which to combat international terrorism.

Under such extraordinary crisis conditions, Çalıkbank devoted even more attention than ever to liquidity as it managed its lendings and the Bank successfully closed the year with high marks. The real growth achieved and the Bank's profit and other balance sheet indicators all reveal Çalıkbank's foresight and talent for strategy development as well as its exceptional ability to apply both to its day-to-day business.

A conservative approach towards business continued to underlie our performance. Lending policies were developed by closely monitoring term and exchange rate risks. A continuously high degree of liquidity maintained throughout the crisis period became the most important source of the Bank's income.

Leasing transactions acquired significant impetus in 2001. We have also begun to undertake projects in line with the Bank's consultancy mission.

Gains made in money and capital markets

As it did in 2000, in 2001 Çalıkbank maintained a day-to-day watch on money and capital market developments and in this way it was able to secure substantial earnings in those markets when opportunities provided by the crisis environment presented themselves.

After the first wave of crisis experienced in November 2000, the Bank adopted an approach to liquidity designed to mitigate the possible delayed effects of it in 2001. The second wave that hit in February of the new year was an important test for Çalıkbank. In a market situation in which the Turkish lira rapidly depreciated after being freed of all controls and in which overnight interest rates were being quoted in terms of thousands of percentage points, the Bank successfully managed its positions in money and capital markets, maintaining its liquidity at 46% of its total assets and 65% of its equity. The Bank's own positive position with respect to foreign exchange was another advantage that enabled it to weather this difficult period.

Looking at the financial results from 2001, we see that Çalıkbank secured a total of TL 6.6 trillion in interest income as a result of placements that it made to other banks. During the same period, the Bank also registered TL 5.4 trillion on its credit and loans.

Leasing: An expanding business line

Working with a customer portfolio that has been selectively developed is a principle to which Çalıkbank is committed. In 2001, the Bank applied this principle in achieving significant growth in its leasing activities. Last year the Turkish leasing sector experienced an

A MARKETPLACE SHAPED BY A CRISIS ENVIRONMENT

ÇALIKBANK SUCCEEDED TO PROTECT ALL THE ASSETS UNDER ITS MANAGEMENT AND THANKS TO ITS SELECTIVE CREDIT POLICY IT HAS NOT ENCOUNTERED ANY PROBLEMATIC CREDIT TRANSACTIONS. ABOVE ALL THE BANK ENDED THE FISCAL YEAR 2001 WITH A REAL GROWTH AND NET PROFIT.

overall 55% contraction in its business volume, which amounted to USD 731 million. In the case of Çalıkbank however, the situation was exactly the reverse: the Bank made significant progress and posted a total of USD 9.7 million as a result of new leasing business that it wrote.

The Bank concluded new deals with the German export insurance agency Hermes and with the Swiss export insurance agency ERG in addition to those undertaken with Dornier, a well-known German manufacturer of textile machinery. These projects consisted of long-term lease financing on big-ticket capital goods and they were all concerned with textile industry machinery and equipment. Çalıkbank's net leasing receivables contributed TL 15.9 trillion to the Bank's financial results in 2001, more than three times the 2000 figure of TL 5.2 trillion.

The Bank foresees that the Turkish economy will return to the path of growth–albeit not necessarily spectacular growth–as of midyear 2002. In such an event, leasing will emerge as an alternative to bank credit for investment financing and there should be a big, sector-wide increase in transaction numbers. Çalıkbank's goal is continued growth in leasing, taking the greatest advantage of opportunities to increase its volume of business.

A watchful and discriminating credit policy

As an investment bank, Çalıkbank offers its customers spot and fixed-term corporate credit facilities not just in Turkish liras but also in foreign currencies. The Bank's services also include negotiating foreign trade transactions and non-cash credit.

Given the conditions that prevailed in 2001, the Bank took care to develop a portfolio of short-term credit that it extended to its customers, in keeping with its policy of remaining as liquid as possible.

At the end of 2001, the ratio of Çalıkbank's non-performing loans to total assets was once again an impressive 0.0%.

Customer-tailored service

Çalıkbank is an institution that provides customers with modern, rapid, high-quality solutions that combine classical banking and financial instruments with innovative business approaches. This approach is the starting-point that distinguishes the Bank from its competitors and shapes all the investment banking services that a customer may require.

Consultation is one of the most indispensable and basic elements of investment banking today. Producing solutions that mold accurate and timely information precisely according to a customer's needs is the definition of Çalıkbank's consultancy mission.

The Bank undertook to make this mission a reality in 2001 and its newly launched "financial management restructuring" service line became an area of consultancy in which successful progress was achieved. The scope of this service, which is being provided initially to group companies, involves a work process that embraces everything from diagnosis to solution. Under these activities, Çalıkbank completed a number of turnkey projects in different areas ranging from the technological infrastructure customers need to company reorganizations

TRENDS IN ON-LINE COMMERCE AND THE NETWORK ECONOMY

OVER THE NEXT FIVE YEARS, THE VOLUME OF BUSINESS TAKING PLACE ON GLOBAL DIGITAL MARKETS IS EXPECTED TO TOP ONE TRILLION DOLLARS A YEAR IN VALUE. THIS PROJECTION POINTS TO A HUGE EXPANSION AND TO THE SIGNIFICANT POTENTIAL THAT EXISTS IN THE NEW ECONOMY.

Developments in e-commerce

Internet: This word has wrought radical changes in people's attitudes towards communications, entertainment, and business nearly everywhere in the world. E-commerce environments are already basic channels for buying and selling and they are fast becoming important from the standpoints of after-sale customer, product, and service support. This transformation has gone the farthest in developed economies however; in developing economies such as Turkey, the degree of change has been more limited.

The acceptance of the internet at the global level is driving the development of e-commerce while also contributing to lower costs all over the world. Because of the great potential that it embodies, the so-called "network economy" has been the target of billions of dollars in public and private investments in many countries of the world. In addition to its macro-level implications, e-commerce has become an extraordinarily important business and distribution channel for enterprises that are interested in growing and transcending geographical boundaries.

Internet and e-commerce by the numbers

Taylor Nelson Sofres International is a US consultancy that has been regularly conducting a survey of global e-commerce for the last three years. In 2002, thirty-seven countries were included in the survey's scope. According to the company's findings, the percentage of internet users in the general population went from 31% in 2001 to 34% in 2002. Those who did any online shopping accounted for 15% of all internet users. Among the thirty-seven countries in the survey, Turkey ranked 24th in terms of internet use, with a penetration of 20%. This is four points higher than the 16% figure reported in 2001 and it means that Turkey has advanced from the category of "low penetration country" to "medium penetration country" in the space of a year. The countries with the highest rates of internet use (meaning 60% or more) are Denmark, USA, Holland, and Canada in that order.

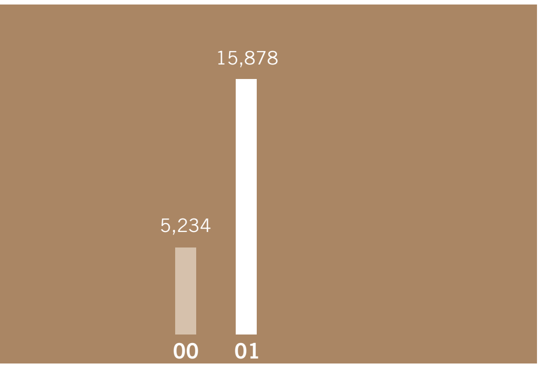
According to the results of a US Commerce Department survey conducted in 2000 and involving more than 125,000 manufacturers, wholesalers, retailers, and service companies:

1. E-commerce is becoming more prevalent in every sector in which it is already present.
2. E-commerce is spreading into new sectors, especially in manufacturing industries.
3. A big part of the total volume of business conducted by e-commerce is controlled by a few industrial groups.
4. EDI (electronic data interchange) and B2B (business-to-business) applications are the most crucial factors providing a base for the support of e-commerce.
5. Manufacturers make 18.4% of their sales (worth USD 777 billion) through e-commerce.
6. Second place in this ranking is taken by wholesalers, who make 7.7% of their sales (worth USD 213 billion) on e-commerce platforms.
7. In 2000, services like travel agencies, airline companies, securities brokerages, publishers, and computer system designers, secured a mere 0.8% of their revenues (worth USD 37 billion) through e-commerce. In the case of retailers, the situation was only marginally better, with 0.9% of total sales (worth USD 29 billion) being made through e-commerce.

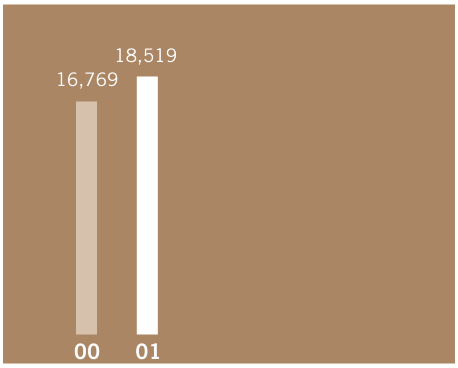
Levels of internet penetration

Low (less than 20%)	Medium (20-40%)	High (over 40%)
Thailand (18%)	Estonia (39%)	Denmark (63%)
Poland (18%)	Italy (38%)	USA (62%)
Mexico (18%)	Great Britain (38%)	Holland (61%)
Lithuania (18%)	France (37%)	Canada (60%)
Latvia (17%)	Spain (29%)	Finland (59%)
Serbia (16%)	Czech Republic (28%)	Norway (58%)
India (16%)	Slovakia (24%)	Australia (53%)
Argentina (15%)	Malaysia (21%)	Singapore (52%)
Romania (12%)	Turkey (20%)	South Korea (52%)
Hungary (10%)		Hong Kong (50%)
Bulgaria (9%)		Taiwan (46%)
Indonesia (6%)		Ireland (46%)
Ukraine (4%)		Belgium (44%)
		Israel (42%)
		Germany (41%)

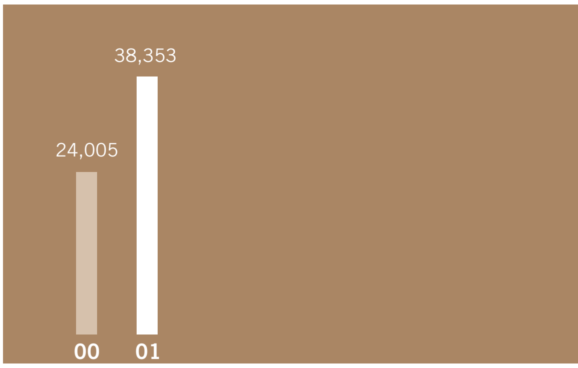
LEASING RECEIVABLES TL BILLION



SHAREHOLDERS' EQUITY TL BILLION



TOTAL ASSETS TL BILLION



and business process models. In 2002, these services are to be diversified and made available to non-group customers as well in keeping with our aim of making them one of the Bank's principle activities.

Çalıkbank is determined to fulfill its consultancy mission, recognizing it as one of the basic functions of investment banking, and to become one of the leading institutions in this field of endeavor in Turkey.

The advantage of having roots in the real sector

Çalıkbank is a subsidiary of a group whose experience is rooted in many aspects of the real sector, especially textiles. Those origins equip the Bank with important competitive advantages. The twenty years of real sector experience of its principal stockholder, Çalık Holding and the outlook towards risk that this implies are an important asset and wellspring of knowledge in understanding and interpreting customers' needs.

All of the products and services that the Bank has developed since its formation have been intended for the real sector. In particular, important progress has been made in the direction of putting e-business applications at the service of real sector companies.

In 2001 Agromarket, a Çalıkbank subsidiary, conducted a project aimed at promoting widespread use of Internet and e-business applications in areas where cotton is grown and ginned. This project first became operational in the Urfa Organized Industrial Zone. Cooperating with the Urfa Commercial Exchange, more than 200 ginners in the area were given access to e-business applications and to market information. A second stage of this project is now being considered that will expand the operation to include Diyarbakır, Söke, and Manisa.

Yarnline, the Group's second electronic marketplace after its highly successful Kotonline, became operational in 2001 and is aimed at yarn manufacturers and buyers.

These and similar activities will make their contributions towards the Bank's efforts to promote its specialized services and to make them accessible to a wider customer base.

Kotonline: One of the world's three cotton portals

Launched in 2000, Kotonline is one of only three cotton portals in the whole world. The goal of this portal, which is situated at the heart of the geographical region made up of Central Asia, the Middle East, and the Balkans, is to move all trading in cotton into an electronic environment and thus become a textile information center while also creating a regional marketplace. Kotonline continued its remarkable development in 2001.

In its first year of operation, Kotonline handled a total quotation volume of 200,000 tons, receiving an average of 80,000 hits a week with each visitor spending an average of 45 minutes logged into the portal. In 2001 the portal was made more directly accessible to producers by the opening of a trading room in Şanlıurfa.

Kotonline plans to open another trading room in Söke during 2002. Such developments will contribute towards increasing the volume of trading that takes place through the portal.

ÇALIKBANK: AN INSTITUTION COMMITTED TO DEVELOPMENT AND CHANGE

ÇALIKBANK'S BASIC AIM IS TO MOBILIZE THE GREAT POTENTIAL OF THE TURKISH ECONOMY BY ACTING IN CONCERT WITH TURKISH INVESTORS AND ENTREPRENEURS AS WELL AS FOREIGN CAPITAL.

Kotonline is developing cooperation agreements with the other two cotton portals, one in the United States and the other in Britain. In addition, Kotonline is no longer just handling cotton trading in Turkey but has also begun receiving quotations from other net cotton producing countries such as the United States, Pakistan, Turkmenistan, and Greece.

This portal is undertaking a vital and pioneering role in establishing electronic marketplaces in our country. At the same time, it is also intimately involved in the sector's efforts to develop its own rules of standardization, documentation, and accreditation in the cotton trade. By doing so, Kotonline is underwriting important developments in the creation of a trusted platform on which to do business. From the Bank's specific point of view, the importance of Kotonline is that it aims to link the payment systems of the documented trade in cotton into the banking system's electronic payment channels.

Experience suggests that in the banking payments system, the most reliable method for all the parties involved is that of real-time direct debiting combined with properly supported electronic documentation and trading mechanisms, all of which are conducted on an Internet platform. Significant progress has already been made in this direction.

An advanced risk identification and monitoring capability

Çalıkbank employs a proven system for measuring and monitoring risk, the most critical concern of today's financial sector that complies with world standards. The Bank's own risk monitoring system was installed and became operational well before risk monitoring and control criteria became statutory requirements in Turkey. A system of quantitatively measuring and rating risk-exposed assets was adopted as the risk measurement model. A feature of the rating method that the system incorporated was that customers who entered into any sort of relationship with the Bank that gave rise to an element of risk were automatically assessed and given a rating. This system still represents one of the Bank's important pluses.

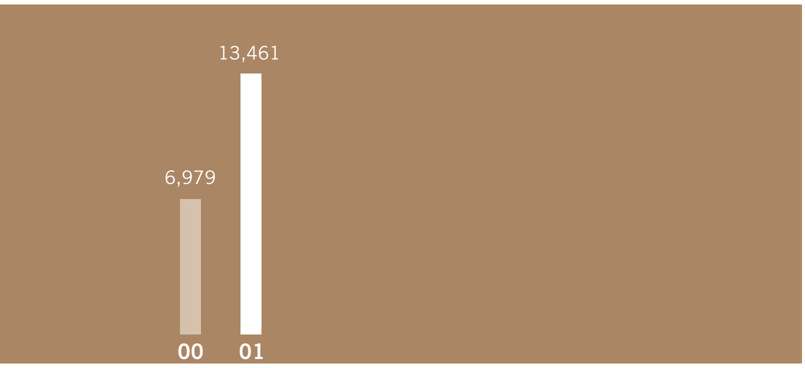
An innovative spirit's perception of technology

For Çalıkbank, innovation and ongoing change are what shapes an institution's success and in today's world, technology is the primary vehicle for innovation and change. Since the day it was founded, the Bank has taken pains to ensure that technology was applied in the most effective way possible to all its business processes by employing an entirely technological platform.

In the crisis-wracked environment of 2001, this attribute gave Çalıkbank an important competitive advantage. At a time when its competitors were being crushed by mounting operational costs, the Bank was able to take advantage of the cost-cutting opportunities that were created by efficiency and by economies of scale.

Çalıkbank carries out all of its business processes on a high-tech platform. But what is even more important is that the Bank is an institution that is able to design technology suitable for its own needs and for those of its customers. The technological solution designs that were executed for projects undertaken in its consultancy

INCOME BEFORE TAX AND MONETARY LOSSES TL BILLION



NET INCOME TL BILLION

business as well as activities in commodity markets are the most concrete examples of this aspect of the Bank.

An enterprising team that possesses a communal intelligence

Çalıkbank believes that only a team possessing an enterprising spirit can create innovative solutions.

Because its roots lie in the real sector, Çalıkbank has a team whose members are not only individually enterprising but who also believe in unrestricted corporate thinking and participatory management. The great majority of the team's members have been serving Çalıkbank since the Bank was founded. These human resources carry out their activities within a horizontal organizational structure in which hierarchy has been reduced to the minimum. They all act within the framework of a team awareness to which everyone contributes.

The Bank attaches great importance to the professional training of its staff. During 2001, Çalıkbank again made use of domestic and foreign training opportunities to refresh the professional competencies of its employees.

An institution committed to development and change

Çalıkbank is an institution that is committed to development and change. Seeking to supply its customers only with the best at the most suitable price, the Bank engages in ongoing research in its areas of business and it adapts itself according to current national and international market conditions.

Çalıkbank believes that our country offers great potential from the standpoint of investment banking. Anticipating the imminent return of the Turkish economy to the path of stable growth, the Bank is ready to serve its selectively chosen group of real-sector customers in the areas of investment banking and project finance and to increase its business volumes in both. To accomplish this, the Bank intends to be concentrating on asset-backed securities, forfaiting, factoring, and leasing in 2000.

As a developing economy, Turkey is in need of a substantial amount of investment of every kind. Our basic aim is to mobilize this great potential, acting in concert with Turkish investors and entrepreneurs as well as with foreign capital, while also continuing to be an important and respected player in a market that is steadily gaining depth.

ÇALIK HOLDİNG: A SOUND, MULTI-SECTORAL CORPORATE STRUCTURE

ÇALIK HOLDİNG, WHICH CELEBRATED ITS 20TH ANNIVERSARY IN 2001, IS A RESPECTED AND WELL-ESTABLISHED MULTI-SECTORAL GROUP OF COMPANIES IN TURKEY WITH 17 SUBSIDIARIES THAT ARE ACTIVE IN THE AREAS OF TEXTILES, CONSTRUCTION, FINANCIAL SERVICES, ENERGY, AND TRADE.

The production and investment operations of Çalık Holding companies are concentrated mainly in Turkey and Turkmenistan. With total foreign trade volume worth USD 301 million at year-end 2001, the Group is a recognized and trusted name in world markets.

Investments fully equipped with state-of-the-art technology, a proficient team, a sound corporate structure, and an advanced approach to quality are what make up the Group's most important competitive strengths. With its heightened awareness of and sensitivity for human and environmental health, the Çalık Group also distinguishes itself by virtue of its exemplary efforts on behalf of the preservation of Turkish culture and the arts and of Turkish national values.

The Group's activities achieved notable growth in 2001. Indeed from the standpoint of its financial results, 2001 was a "golden" year for the Çalık Group. As of year-end 2001, Çalık Holding's consolidated assets stood at USD 566 million in value. During the year, the Group's already strong liquidity and profitability reached their best levels since the Group's inception. Taking important steps in the direction of readying itself for the future, the Group focused on institutionalization–an issue to which it attaches the utmost importance–as well as on its new investments.

Çalık Holding's traditional and most important business is textiles. As a global brand name in the manufacture of denim fabric, the Group has the strength to compete at the world level in a wide range of goods from cotton yarns to ready-to-wear garments. Strategic partnerships formed with global-spanning textile companies give Çalık Holding the ability to reach world markets almost anywhere.

Construction and energy rank high among the other areas in which the Group seeks to achieve growth. The Group undertakes large-scale turnkey construction projects not only in its own national market but also in Turkmenistan. In the business of energy, work is now in progress on developing projects for the generation and distribution of electricity as well as for natural gas distribution and wholesaling.

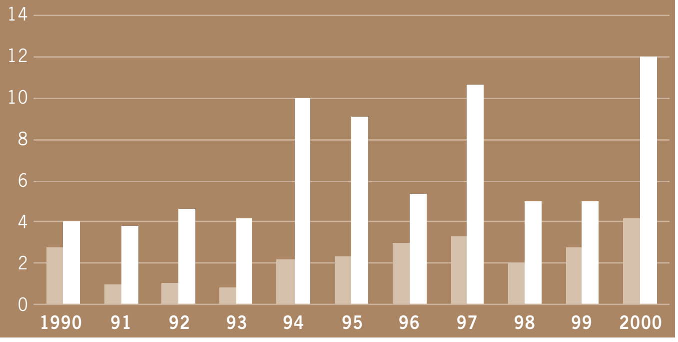
Trade is the most recent link added to complement the Group's value-creation chain. The Group has in-depth knowledge and tradition in trade, all backed by 20 years of solid experience in the business of manufacturing.

With its eye on the future and in line with global trends, Çalık Holding is blending its strong trading experience and e-commerce applications in a bid to make itself the leader and market-maker of a geographical area of which its national market will be the center.

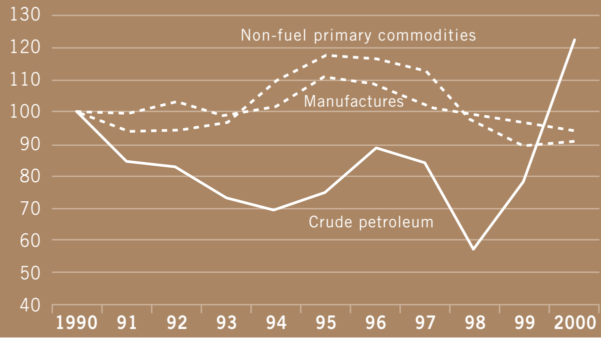
With its professional structure and solution-oriented service approach, Çalık Holding will continue to strengthen its position among the most highly respected and outstanding institutions in Turkey.

21ST-CENTURY TRENDS IN THE WORLD ECONOMY

GROWTH IN THE VOLUME OF WORLD MERCHANDISE TRADE AND GDP, (1990-2000) (ANNUAL CHANGE %)



PRICE DEVELOPMENTS IN INTERNATIONAL TRADE (1990-2000)
(INDEX, 1990= 100)



During the 1990s, a time when globalization made its effects felt everywhere, the trend of countries to open their borders in the economic sense brought a new dimension to the world economy. A worldwide technological revolution that was underway together with the explosive growth of the Internet were two other factors that accelerated and encouraged this trend.

IMF and World Bank supported economic programs in which particular country features were downplayed created a set of common goals that all national economies could share in to one degree or another. At the same time for the developing countries, they also greatly accelerated capital market activities paralleling their own privatization processes. With borders gone and production factors fully mobilized, investment began flowing out of developed countries and into the emerging economies, attracted to the latter by the greater economic rewards. The result of this was that the world economy began presenting the appearance of unified action.

Developed countries turned their attentions towards fixed capital investment in order to take advantage of cheaper manpower while also involving themselves in portfolio investment as they pursued the higher returns that emerging capital markets had to offer. Just as it secured income for the developing countries, this process also made it possible for the emerging economies to rack up impressive rates of growth and the countries in this group began outstripping the developed countries in their growth rates. In 1997, the developed countries' economies grew an aggregate 3.4% whereas among the developing countries, the rate of growth registered was 5.7%.

By 1998 however, the global economy had gone into a stall. A fire that broke out in the Southeast Asian economies soon led to the collapse of the Russian economy and at that point, the world economy stumbled and began to contract. A string of "emergencies" soon revealed the structural and political flaws that beset the emerging economies while also demonstrating that boiler-plate recipes of solutions provided no remedy for the difficulties faced by different economies in different parts of the world.

The global economy began to pull itself together after a fairly brief spell in 1999 however and resumed growing: 3.4% in 1999, 4.7% in 2000, and 4.2% in 2001. The impact of an expansion in domestic demand in the United States on this trend is undeniable but that is not the whole story. Higher oil prices were part of it but so too were the developing countries' contributions: the fruits of their structural reform programs and increased exports that took advantage of exchange rate parities.

Even though the trend towards world economic growth exerted inflationary pressures, the tight money and fiscal policies that were in place meant that the 1990s were a period of low rates of inflation for most of the world's economies. In 2000, the average rate of inflation among the developed countries was 2.3% while among the developing ones it was 6.2%. Even in Latin American countries, where high rates of inflation are notorious, the average rate of inflation remained a low 8.9%.

A string of crises in the late 1990s led to some skittishness among so-called "hot money" portfolio investors and resulted in cutbacks in this type of investment. By the time we reached the 2000s, the example of Argentina caused hot money to be even more indisposed than ever insofar as emerging economies were concerned. Similarly, overexposure to these economies in some investment portfolios nearly brought quite a few international investment institutions to their knees.

The September 11th terrorist attacks proved to be the global economy's most important final exam. While recognizing that economic freedom was not without its limits as well, investors also came to realize that sociopolitical balances were issues of great importance when making investment decisions. The events of September 11th appeared to lend support to national values and to the idea that national borders do need to be preserved in every sense. Clearly this situation is going to give support to those who oppose the idea of globalization and it is also going to have an impact, to one degree or another, on investment and capital activity both in developed countries and in the emerging economies. Henceforth, the world economy has to learn to be more localized.

THE TURKISH ECONOMY AND ITS PROCESS OF TRANSFORMATION

THE TURKISH ECONOMY IS UNDERGOING THE MOST FAR-REACHING, THE MOST RADICAL, AND THE MOST LONG-LASTING PROCESS OF TRANSFORMATION IN ITS HISTORY. WHILE THIS PROCESS IS NOT WITHOUT ITS PAINFULNESS, ITS AIM IS TO PLACE THE COUNTRY INTO THE ORBIT OF A DEVELOPED ECONOMY.

TURKEY SELECTED MACROECONOMIC INDICATORS (1997-2001)

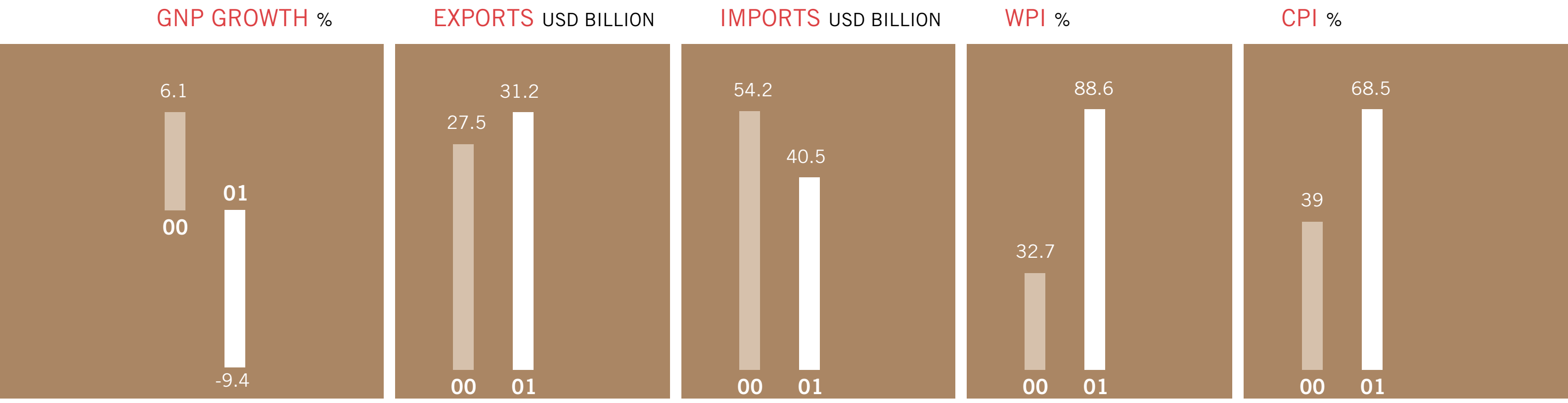
	1997	1998	1999	2000	2001
GNP (with fixed prices - TL billion)	114,874	119,303	112,044	119,144	107,911
GNP (with current prices - TL billion)	29,393,262	53,518,332	78,282,967	125,596,129	179,480,078
Per capita GNP (USD)	3,183	3,247	2,996	3,095.00	2,160
Local debt (TL billion)	6,283,425	11,612,885	22,920,145	36,420,620	122,157,260
Foreign debt (USD billion)	84.2	96.3	102.1	118.6	115.1
Mid-long term foreign debt (USD billion)	66.5	75.5	79.2	90.3	98.8
Short term foreign debt (USD billion)	17.7	20.8	22.9	28.3	16.3

The optimism that prevailed and what might be called "over"-confidence in the system that existed as we entered 2000 became the soft underbelly where crisis struck home. In this process, structural problems burst forth and upset all balances in such a way and to such a degree that nobody could possibly ignore them.

All sectors of the country were united in the view that economic stability and sustainable growth could only be achieved through permanent, radical measures to eliminate a number of crucial and fundamental flaws. Thus what was now important was to be in overall consensus on programs to resolve these issues and to bring about essential structural reforms and changes without further loss of time. It was only after this point that the economy would be able to pull itself up and set all its wheels fully in motion.

In the process that began in November 2000, the government initiated a new and courageous program of far-reaching reforms and it did this in the face of market conditions characterized by a markedly devalued Turkish lira, by highly volatile interest rates, and by an economic slump in which domestic demand shriveled.

This transformation, whose macro-level effects are expected to be long-lasting and widespread, the Turkish banking industry has been as much affected as has the whole Turkish economy. The sector has already embarked upon a process of rapid consolidation and restructuring. In the more than a year and a half since November 2000, nineteen banks whose financial structures were impaired were taken out of the system by the Banking Regulation and Supervision Board and turned over to the Savings Deposit Insurance Fund. During 2001, four of these banks were bought up by different capital groups. The remaining fifteen, acknowledging that there was no possibility of their rehabilitation, had to be wound up.



During the same period, Emlak Bank, then one of the biggest publicly-owned banks in Turkey, was also wound up by merging it into Ziraat Bank, another public bank. This operation did not simply reorganize the capital structure of the two institutions: it also made it possible for the Bank that emerged from the unification to pursue its banking activities with a new management structure and outlook.

In the wake of the November and February crises, the entire banking system was confronted by the distress resulting from the sudden materialization of its exposure to both interest rate and exchange rate risks. At the same time, it became necessary for the so-called "duty losses" of the public banks to be committed to government bonds in order to alleviate their pressure on the system. As a result of these two developments, there was a huge surge in the stock of public domestic debt in 2001.

Reforms and activities aimed at rehabilitating the banking sector and at giving it the strength to compete at the international level are now in progress and the goal is to complete these during the second half of 2002. Consolidation through mergers and acquisitions is expected to continue in the sector. The recent entry of HSBC, one of the biggest banking groups in the world, signals interest in the Turkish banking sector on the part of foreign capital. That interest is expected to continue.

The heaviest price for having been obliged to satisfy the financing needs of the public sector and for having trusted the government's economic program have been banks as well as those companies which, being indebted to banks, were sucked into crisis along with them. Both groups are now in need of a somewhat overdue restructuring.

A strong banking sector will also make it possible to overcome the impasse being faced in the real sector. It is particularly important that companies that are in distress be restored to the point where they can create both added value and provide employment once again. At this juncture, a strong banking sector that fulfills its lending functions will be one of the most important contributors towards overcoming Turkey's economic woes.

AUDITORS' REPORT

ANDERSEN

A. A. Aktif Analiz S.M.M.M. A.Ş.

To the Board of Directors of
Çalık Yatırım Bankası Anonim Şirketi

1. We have audited the accompanying balance sheet of Çalık Yatırım Bankası Anonim Şirketi (a Turkish corporation - "the Bank") as of December 31, 2001, and the related statements of income, shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of Turkish lira at December 31, 2001. 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 the 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 financial statements referred to in the first paragraph present fairly in all material respects, the financial position of Çalık Yatırım Bankası Anonim Şirketi as of December 31, 2001, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards, as published by the International Accounting Standards Board.

4. Without qualifying our opinion, we draw attention to the following:

As indicated in Notes 4, 8, 9 and 19 to the accompanying financial statements, during the course of its business, the majority of transactions of the Bank were entered into with related parties, Çalık Group of companies.

A.A. AKTİF ANALİZ
SERBEST MUHASEBECİLİK MALİ MÜŞAVİRLİK ANONİM ŞİRKETİ
Member of Andersen Worldwide

by Esra Peri

İstanbul,
February 1, 2002.
(Except with respect to the matter discussed in Note 18,
as to which the report date is February 18, 2002)

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001)

ASSETS	Notes	**2001**	2000
CASH AND CURRENT ACCOUNTS WITH BANKS	5	**1,529**	299
CALL AND TIME DEPOSITS WITH BANKS	5 and 16	**7,656**	5,049
INTERBANK FUNDS SOLD	6 and 16	**7,459**	2,695
MARKETABLE SECURITIES, net	7, 16 and 19	**1,907**	2,214
LOANS	4, 8 and 16		
Short-term		**102**	7,077
Long-term		**-**	-
Less- Allowance for loan losses		**-**	-
Loans, net		**102**	7,077
LEASE CONTRACTS RECEIVABLE	4, 9 and 16	**16,793**	5,945
Less- Unearned interest income		**(915)**	(711)
Less- Allowance for lease contracts receivable losses		**-**	-
Lease contracts receivable, net		**15,878**	5,234
OTHER ASSETS	12 and 19	**2,781**	143
INVESTMENT IN ASSOCIATE	7	**181**	187
EQUIPMENT AND INTANGIBLE ASSETS, net	10	**860**	1,107
TOTAL ASSETS		**38,353**	24,005

The accompanying notes are an integral part of these statements.

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	**2001**	2000
FUNDS BORROWED	11 and 16	**15,445**	4,633
OTHER LIABILITIES	12	**1,653**	976
TAXES PAYABLE			
- Taxes on income	13	**755**	807
- Deferred income tax	13	**1,877**	724
- Other taxes		**104**	96
Total liabilities		**19,834**	7,236
SHAREHOLDERS' EQUITY:			
Share capital	14 and 18	**19,298**	15,911
Retained earnings/(accumulated deficit)	15	**858**	(125)
Transfers to share capital	15	**(3,329)**	-
Net income for the year		**1,692**	983
Total shareholders' equity		**18,519**	16,769
CONTINGENCIES AND COMMITMENTS	4 and 19		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**38,353**	24,005

The accompanying notes are an integral part of these statements.

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001)

	Notes	**2001**	2000
INTEREST INCOME:			
Interest and commissions on loans	4	**5,413**	3,316
Interest on marketable securities		**272**	45
Interest on financial leases	4	**363**	109
Interest on deposits with banks		**6,642**	3,445
		12,690	6,915
INTEREST EXPENSE:			
Interest on funds borrowed		**(336)**	(236)
Other interest expense		**(6)**	-
		(342)	(236)
Net interest income		**12,348**	6,679
PROVISION FOR LOAN AND LEASE CONTRACT LOSSES	8 and 9	**-**	-
Net interest income after provision for loan and lease contract losses		**12,348**	6,679
FOREIGN EXCHANGE GAIN, net of loss of TL 76,593 (2000 - TL 5,026)		**2,726**	130
Net interest income after provision for loan and lease contract losses, and foreign exchange gain, net		**15,074**	6,809
OTHER OPERATING INCOME:			
Income from banking services		**211**	238
Trading gain on marketable securities, net of loss of TL 7 (2000 - TL 294)		**178**	2,250
Other income		**596**	152
		985	2,640
OTHER OPERATING EXPENSES:			
Salaries and employee benefits		**(1,002)**	(1,107)
Administrative expenses and other expenses		**(1,078)**	(590)
Taxes other than on income		**(226)**	(494)
Depreciation and amortization		**(292)**	(279)
		(2,598)	(2,470)
Net income before provision for taxation, monetary loss and equity in unappropriated net loss of associate		**13,461**	6,979
PROVISION FOR TAXATION	14		
Current		**(976)**	(843)
Deferred		**(1,903)**	(658)
Net income before monetary loss and equity in unappropriated net loss of associate		**10,582**	5,478
MONETARY LOSS		**(8,734)**	(4,314)
Net income before equity in unappropriated net loss of associate		**1,848**	1,164
EQUITY IN UNAPPROPRIATED NET LOSS OF ASSOCIATE	7	**(156)**	(181)
NET INCOME		**1,692**	983

The accompanying notes are an integral part of these statements.

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001)

	Total	Share Capital (*)	Adjustments to Share Capital	Retained Earnings/ (Accumulated Deficit) Net of Transfers to Share Capital	Net Income/(Loss)
Balances, at December 31, 1999	15,786	5,000	10,911	-	(125)
Inclusion of accumulated deficit	-	-	-	(125)	125
Net income for the year	983	-	-	-	983
Balances, at December 31, 2000	16,769	5,000	10,911	(125)	983
Inclusion of accumulated deficit	**-**	**-**	**-**	**983**	**(983)**
Share capital increase					
- Cash	**58**	**50**	**8**	**-**	**-**
- Retained earnings	**-**	**2,950**	**379**	**(3,329)**	**-**
Net income for the year	**1,692**	**-**	**-**	**-**	**1,692**
Balances, at December 31, 2001	**18,519**	**8,000**	**11,298**	**(2,471)**	**1,692**

(*) Share capital represents statutory historical paid-in capital

The accompanying notes are an integral part of these statements.

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	**1,692**	983
Adjustments for:		
Unrealized monetary gain/loss, net	**118**	136
Depreciation and amortization	**292**	279
Provision for loan losses	**-**	-
Provision for retirement pay, net	**14**	13
Provision for deferred tax liability	**1,903**	658
Net increase/(decrease) in other assets and liabilities	**6,690**	811
Operating profit before changes in operating assets and liabilities	**10,709**	2,880
Increase/(decrease) in current taxes payable	**(44)**	(390)
Net increase in funds borrowed from banks	**2,487**	4,091
Net (increase)/decrease in loans	**6,975**	(6,748)
Net (decrease) in interbank funds borrowed	**-**	(5,004)
Net increase in interbank funds sold	**(4,764)**	(2,640)
Net increase/(decrease) in marketable securities sold under repurchase agreement	**1,638**	(1,886)
Net increase/(decrease) in funds borrowed under securities repurchase agreement	**(326)**	532
Net increase/(decrease) in call and time deposits with banks	**(2,607)**	5,024
Net (increase) in lease receivables	**(10,644)**	(5,234)
Income taxes paid	**(526)**	(243)
Net cash provided by/(used in) operating activities	**2,898**	(9,618)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment securities	**-**	15,836
Purchase of investment securities	**(1,527)**	(5,366)
Purchases of premises and equipment	**(45)**	(377)
Disposals of premises and equipment	**-**	-
Purchase of shares of equity participations	**(154)**	(187)
Net cash provided by/(used in) investing activities	**(1,726)**	9,906
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	**-**	-
Share capital cash increase	**58**	-
Net cash provided by/used in financing activities	**58**	-
NET INCREASE IN CASH CURRENT ACCOUNTS WITH BANKS	**1,230**	288
CASH AND CURRENT ACCOUNTS BANKS AT BEGINNING OF THE YEAR	**299**	11
CASH AND CURRENT ACCOUNTS WITH BANKS AT END OF THE YEAR	**1,529**	299

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

a) The cash paid by the Bank for interest and income taxes and the cash received as interest during the years ended December 31, 2001 and 2000 were as follows:

	2001	2000
Interest paid	**259**	2,312
Income taxes	**428**	243
Interest received	**12,616**	7,684

b) For purposes of the statements of cash flows, the Bank considers cash on hand and current accounts with banks as cash and cash equivalents.

	2001	2000
Cash and cash equivalents as previously reported	**159**	9
Effect of restatement	**140**	2
Cash and cash equivalents as restated	**299**	11

The accompanying notes are an integral part of these statements.

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001 unless otherwise indicated)

1 OPERATIONS OF THE BANK:
Çalık Yatırım Bankası Anonim Şirketi (a Turkish corporation – Çalıkbank or the Bank) was established in August 1999 in Turkey and its head offices are located at Fatih Caddesi, Selvi Sokak No:18 Merter - İstanbul / Turkey. The Bank is owned and controlled by the Çalık Group (Note 4). Çalıkbank operates as an investment bank and is also involved in corporate services such as financial leasing, lending and trade finance. As an investment bank, Çalıkbank is not licensed to receive deposits from customers. As of December 31, 2001, the Bank employs 22 people (2000-20).

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS:
The Bank maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code, Banking Law, Capital Market Board and tax regulations. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board including restatement for the changes in the general purchasing power of the Turkish lira as of December 31, 2001. The Bank adopted all standards, which were mandatory as of December 31, 2001. No Standards are adopted before their effective date.

The Bank's IAS financial statements are authorized for issue by the top management of the Bank on February 1, 2002.

The Bank adopted IAS 39 (Revised 2000 - Financial Instruments: Recognition and Measurement which has been operative since January 1, 2001) with effect from January 1, 2001. As the effect of applying IAS 39 to December 31, 2000 financial statements were immaterial, an adjustment was not made to the opening retained earnings in the accompanying financial statements as of December 31, 2001. Certain reclassifications made to December 31, 2000 financial statements to present them on a comparative basis with the current period financial statements. Such reclassifications relate to the adoption of IAS 39 of financial assets and liabilities reflected at amortized cost.

A summary of the effect of adjustments including restatement which have been made to conform the statutory books of account with IAS is provided in Note 19. The effects of the differences between IAS and the generally accepted accounting principles in the United States or countries other than Turkey, in which the IFRS financial statements may be used, have not been quantified herein.

The restatement for the changes in the general purchasing power of the Turkish lira as of December 31, 2001 is based on IAS 29, which requires that financial statements prepared in the currency of a highly inflationary economy should be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods should be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%.

Dates	Inflation Rates (%) (*)	Devaluation Rates (%) (**)
December 31, 1999	62.92	72.71
December 31, 2000	32.70	24.38
December 31, 2001	88.56	114.30

(*) Based on the wholesale price indices announced by the State Institute of Statistics.
(**) Based on the rate of exchange of U.S. dollar announced by the Central Bank of Turkey.

The restatement was calculated by means of conversion factors derived from the countrywide wholesale price index published by the State Institute of Statistics. Such indices during the current and prior years are as follows:

Dates	Index	Conversion Factors
December 31, 1999	1,979.5	2.501
December 31, 2000	2,626.0	1.886
December 31, 2001	4,951.7	1.000

The main guidelines for the above mentioned restatement are as follows:
- The financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at December 31, 2000 are restated in their entirety to the measuring current at December 31, 2001.
- Monetary assets and liabilities as of December 31, 2001 are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- The inflation adjusted share capital amount has been derived by indexing each capital increase from the date it was contributed (see Note 14).
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of shareholders' equity (except for the revaluation surplus which is eliminated) are restated by applying the relevant conversion factors.
- All items in the statements of income are restated by applying the relevant conversion factors with the exception of depreciation, gain or loss on disposal of fixed assets (which have been restated based on the restated gross book values and accumulated depreciation) and the provision for bad debts which is already expressed in terms of monetary unit at current at December 31, 2001.
- The effect of general inflation on the net monetary position is included in the accompanying statements of income and separately disclosed as a net monetary gain or loss.

Certain reclassifications have been made to the December 31, 2000 financial statements to present them on a comparative basis with the current year financial statements. Such reclassifications relate mainly to presentation of the interest income and expense and foreign exchange gains and losses in accordance with IAS 29 and to presentation of the accrued interest income and expense in accordance with IAS 32.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
a- Income and Expense Recognition:
Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans become doubtful of collection, such as when overdue by more than 90 days, or, when the borrower or securities' issuer defaults, if earlier than 90 days. Such income is excluded from interest income until received. Commission income and fees for various banking services (such as granting letters of guarantees, letters of credit and money transfers) are recorded as income at the date the related service is performed.

b- Allowance for Loan Losses:
Based upon its evaluation of loans granted, management estimates the total allowance that it believes is adequate to cover uncollectable amounts in the Bank's loan portfolio, lease receivables and losses under guarantees and commitments. As required by IAS 39, a reserve for loan losses and impairment is provided when the present value of expected future cash flows (or collateral value) discounted at the loans original effective interest rate (recoverable amount) of an impaired loan is lower than the carrying value of that loan. The allowances for loan losses and lease receivables are based on estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of income in the periods in which they become known. The Bank classifies as "loans in arrears" any loan which is not adequately collateralized and for which the Bank Management is of the opinion that the borrower has lost its credit worthiness. The Bank ceases to recognize income on such loans after transfer to loans in arrears accounts.

As an investment bank, Çalıkbank is not subject to the guidelines of the Cabinet of Minister's Comminnique with respect to classification of loans and reserve for loan losses. The allowance for loan and lease contract receivable losses is established through a provision for losses charged to expenses. Uncollectible loans are written off after finalization of legal procedures. The allowance is an amount that management believes will be adequate to cover possible losses on existing loans or lease receivables that may become uncollectible, based on evaluations of the collectibility of loans and prior loss experience.

c- Investments:
The Bank adopted IAS 39, Financial Instruments: Recognition and Measurement on 1 January 2001. Accordingly, investments are classified into the following categories: held-to-maturity, trading and available-for-sale.

All purchase and sales of investments are recognized on the trade date or settlement date. Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

The valuation methods applied for different types of securities, within the context of the lower of cost or market principle, can be summarized as follows:

i) Investment in Associate:
Investment in associate is accounted under the equity method.

ii) Securities "Available-for-Sale":
Available for sale securities include debt securities primarily government bonds and treasury bills. Debt securities classified as "available for sale" are initially recognized at cost without any deduction of transaction costs and subsequently carried at fair value by reference to their quoted market prices at the balance sheet date, with resulting gain/(loss) recognized in the accompanying statements of income.

Interest earned whilst holding available-for-sale securities is reported as interest income. Dividends received are included in dividend income. All related realized and unrealized gains and losses are included in net marketable securities trading income.

iii) Securities "Held-for-Trading":
Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognized at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realized and unrealized gains and losses are included in net marketable securities trading income. All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Bank commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs.

iv) Securities "Held to Maturity":
Held to Maturity securities include debt securities primarily government bonds and treasury bills. Turkish lira denominated debt securities are initially stated at cost (which includes transaction costs) and subsequently carried at amortized cost using the effective interest rate method, less any provision for impairment.

All purchases and sales of marketable securities are recognized on the settlement date. No financial assets has been reclassified as one required to be reported at amortized cost rather than at fair value during the period.

v) Sale and Repurchase Agreements and Lending of Securities:
Securities sold subject to a linked repurchase agreements ('repos') are retained in the financial statements as trading, Available-for-sale or Held-to maturity securities and the counterparty liability is stated as funds borrowed under securities repurchase agreements as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as cash and cash equivalents. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method. Such transactions are short-term and mainly involve government debt securities. Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

d- Provisions:
A provision is recognised when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as interest expense.

e- Equipment and Fixtures:
Equipment and fixtures are carried at restated cost in year-end purchasing power at December 31, 2001. Depreciation is provided on the restated amounts using the straight-line method. The annual rates used which approximate the estimated economic lives of the related assets are as follows:

Motor vehicles	20%
Furniture, fixtures and office equipment	20%
Leasehold improvements	20%

f- Accounting for Leases – As Lessor:
As an investment bank, the Bank is also involved in financial leases (as a lessor). The Bank presents leased assets as a receivable equal to the net investment in the lease finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized immediately as expenses. Such financial leases consist of full-payout leases of furniture and office equipment. The excess of aggregate lease rentals plus the residual value over the cost of the leased asset constitute the unearned lease income to be taken into income over the term of the lease and produce a constant periodic rate of return on the net cash investment remaining in each lease.

g- Foreign Currency Transactions:
Gains and losses arising from foreign currency transactions are reflected in the statement of income as realized during the course of the year. Foreign currency assets and liabilities at the balance sheet dates have been translated into Turkish lira at the foreign exchange rates prevailing at the balance sheet dates, the effects of which are also recorded in the statement of income as foreign exchange gains or losses.

h- Funds Borrowed:
Funds borrowed are initially recognized at the proceed received, net of transaction costs. They are subsequently carried at amortized cost using the effective interest rate method, the difference between net proceeds and redemption value being recognized in the net profit or loss for the period over the life of the funds borrowed. Borrowing costs are expensed as incurred.

i- Deferred Taxation:
Deferred tax liabilities and assets are recognized for the tax effects attributable to differences between the tax and financial reporting bases of assets and liabilities (i.e. future deductible or taxable temporary differences) and carry forwards, using the currently enacted tax rates and the balance sheet liability method. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. In accordance with revised IAS 12, deferred taxation is provided on the temporary differences, which arise on the restatement of non-monetary assets through the application of IAS 29.

j- Employee Termination Benefits:
Employee termination benefits required by Turkish Labor Law are recognized in the accompanying financial statements as earned. The Bank has provided a reserve for employee termination benefits in the accompanying financial statements which is estimated to approximate the liability required under IAS 19 (Revised 1998), Employee Benefits. The Bank does not have a pension fund for its employees.

k- Trust Assets:
Assets held by the Bank in fiduciary or agency capacities for its customers are not included in the accompanying balance sheets, since such items are not assets of the Bank.

l- Financial Instruments:
Financial assets and financial liabilities carried on the balance sheet include cash, current, call and time deposit accounts with banks, marketable securities, loans and lease contracts receivable, funds borrowed and other payables. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting polices found in this Note.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Bank has a legally enforceable right to offset and intends to settle either on a net basis or to release the asset and settle the liability simultaneously.

Derivatives:
In the normal course of business, the Bank is a party to forward (derivatives).

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss. As of December 31, 2001 and 2000 there are no derivative instruments that are designated as hedging instruments.

Derivative financial instruments include foreign exchange contracts, forward rate agreements, currency swaps and options which are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value.

Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

m- Fair Value of Financial Instruments:
Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The Bank using available market information, management's judgement and appropriate valuation methodologies has determined the estimated fair values of financial instruments.

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32. To the extent relevant and reliable information is available from the financial markets in Turkey, the fair value of the financial instruments of the Bank is based on such market data. The fair values of remaining financial instruments of the Bank can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange.

The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments.

Financial Assets
Monetary assets for which fair value approximates carrying value:

For cash and deposits with banks and the Central Bank and interbank funds sold, fair value is estimated to approximate carrying value due to their short-term nature.

Balances denominated in foreign currencies are translated at year end exchange rates.

The fair value of marketable securities included in available-for-sale securities is estimated by reference to their quoted market price at the balance sheet date. The fair value of held-to-maturity marketable securities is determined using market valuations at the balance sheet date (See Note 7).

The fair values of loans and lease receivables, net of reserves, if any, are also considered to approximate their carrying values as the interest rates applicable to those receivables are in line with the market rates and due to short-term nature of the loans and lease receivables. The fair value of the loan portfolio and lease contracts receivable is estimated by assessing the risk components of the portfolio.

The fair value of equity participations, which are not listed at the stock exchange, is estimated to approximate the carrying value net of any reserve for impairment.

Financial Liabilities
Monetary liabilities for which fair value approximates carrying value:

The fair values of other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The fair values of funds borrowed are considered to approximate their respective carrying values as the interest rates applicable to those borrowings are in line with the market rates and the maturities of such borrowings are mainly short-term. (Note 12).

The fair value of long-term borrowings is based on the quoted market price for the same or similar issues.

The Bank carries trading liabilities, and foreign exchange instruments at their estimated fair value.

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001 unless otherwise indicated)

n- Measurement Currency:
Based on the economic substance of the underlying events and circumstances relevant to the Bank, the measurement currency of the Bank has been determined to be Turkish lira.

o- Cash and Cash Equivalents:
Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

p- Contingencies:
Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

r- Subsequent Events:
Post-year-end events that provide additional information about the Bank's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the related note when material.

4 GROUP STRUCTURE AND RELATED PARTIES:
The Bank is controlled by the Çalık Group (the Group). The Group comprises many companies engaged in construction, energy, textile, international trade and other businesses, some of which are located abroad. The Group companies and the shareholders of the Bank are referred to as "related parties" for the purposes of the accompanying financial statements.

The Bank's lending business has been mainly conducted with group companies as shown below.

Major balances outstanding with related parties at December 31, 2001 and 2000 are as follows:

	2001	2000
Loans	**-**	7,077
Lease contracts receivable, net (Note 9)	**15,878**	5,234
Non cash loans (Note 18)	**16,316**	5,581
Repurchase agreements	**104**	532

Transactions made with related parties during the year are as follows:

	2001	2000
Interest and commissions income on loans	**5,356**	3,316
Interest income on financial leases	**363**	109

As of December 31, 2001 interest rates applicable to cash loan was 82%(2000-22%-90%). As of December 31, 2001 commission rates applicable to non-cash guarantees were 1,5% - 3% (2000 - 0,25-2%).

5 DUE FROM BANKS AND CALL AND TIME DEPOSITS WITH BANKS:
At December 31, 2001 and 2000 the details of cash and current accounts and call and time deposits with banks are as follows:

	2001			2000		
	Turkish Lira (TL)	**Foreign Currency Denominated**	**Total**	Turkish Lira (TL)	Foreign Currency Denominated	Total
Due from banks	**32**	**1,491**	**1,523**	92	177	269
Call and time deposits	**25**	**7,631**	**7,656**	4,383	666	5,049
	57	**9,122**	**9,179**	4,475	843	5,318

As of December 31, 2001, foreign currency and TL time deposits represent short-term placements at banks maturing within 5 days (2000- 2 days). As of December 31, 2001, foreign currency time deposits bear interest rates of 3.25% - 4.5% and TL deposits bear interest rates of 57% (2000 - 85%-120%).

6 INTERBANK FUNDS SOLD:
As of December 31, 2001 interbank funds sold represent TL placements made through interbank transactions governed by the Turkish Central Bank maturing within 7 days (2000 – 2 days) with interest rate of 62% (2000 - 125%).

7 INVESTMENTS:
Investments comprise marketable securities and equity participation.

(a) Marketable securities:
'Available for sale' and 'held to maturity' securities at December 31, 2001 and 2000 are as follows:

		2001	
	Carrying Value	**Central Bank Reserve Values (*)**	**Market Value (Approximate) (**)**
"Available for sale"			
Government bonds	**209**	**206**	**209**
Marketable securities sold under repurchase agreements (TL)	**248**		**248**
"Held to Maturity"			
Government bonds	**1,450**	**1,442**	**1,442**
	1,907		**1,899**

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001 unless otherwise indicated)

	2000		
	Carrying Value	Central Bank Reserve Values (*)	Market Value (Approximate) (**)
"Available for sale" Government bonds	328	294	328
Marketable securities sold under repurchase agreements (TL)	1,886		1,886
	2,214		2,214

(*) Announced by The Central Bank of Turkey for disponibility requirements.
(**) Istanbul Stock Exchange (ISE) Bond Market values for TL treasury bills and government bonds, have been taken as basis in computation of market values.

The breakdown of the securities given as collateral is as follows:

	2001		2000	
	Nominal	**Cost**	Nominal	Cost
Deposited against activities in the ISE				
- Government bonds	**101**	**75**	100	147
- Treasury bills	**-**	**-**	-	-
Central Bank deposits (government bonds and Treasury bills)				
- Interbank transactions				
- TL	**-**	**-**	100	149
- Foreign currency	**USD 1,000,000**	**USD 1,000000**	-	-
TL equivalent	**1,447**	**1,447**	-	-
- Repurchase transactions	**399**	**315**	-	-
- Disponibility requirements	**-**	**-**	-	-
- Blocked depot	**-**	**-**	-	-
- Share capital collateral	**-**	**-**	-	-
	1,947	**1,837**	200	296

The carrying values of the marketable securities held as "available for sale" and marketable securities sold under repurchase agreements are equal their market values at respective year-ends.

(b) Investment in Associate:
Investment in associate at December 31, 2001 consists of 44% participation in an internet portal – Agro Market amounting to TL303 (in historical terms). Investment in associate is accounted for using the equity method. The equity in unappropriated net loss of associate amounting to TL 156 (2000 - TL 181) is reflected in the statement of income.

8 LOANS:
Loans at December 31, 2001 and 2000, comprise the following:

	2001	2000
Short-term loans	**102**	7,077
Long-term loans	**-**	-
Loans in legal follow-up	**-**	-
	102	7,077
Less: allowance for loan losses	**-**	-
Loans, net	**102**	7,077

As of December 31, 2001 the balance consists of a loan given to a third party operating in the electricity sector maturing at January 17, 2002 with the interest rate of 82%.

As of December 31, 2000 the balance consists of loans given to related parties operating mainly in the textile sector maturing during January 2001 with an average interest rate of 120%.

Loans by industry segments at December 31, 2001 and 2000 are as follows:

	2001	2000
Finance	**-**	1,181
Textile	**-**	5,896
Electricity	**102**	-
Total loans	**102**	7,077

At December 31, 2001 and 2000 the segregation of the performing loans by their currency is as follows:

	2001	2000
In Turkish lira	**102**	7,077
In foreign currencies	**-**	-
	102	7,077

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001 unless otherwise indicated)

9 LEASE CONTRACTS RECEIVABLE:
All lease contracts receivables, consisting of rental receivables over the terms of the leases, at December 31, 2001 are comprised of textile sector leasing agreements between Çalıkbank and Group companies. The rental receivables are as follows:

Years	**2001**	2000
2001	**-**	2,210
2002	**5,055**	1,388
2003	**4,233**	987
2004	**3,063**	700
2005	**2,836**	660
2006	**1,606**	-
Gross lease receivable	**16,793**	5,945
Less: Unearned interest income	**(915)**	(711)
	15,878	5,234

		2001		2000	
		Amount	**IRR %**	**Amount**	IRR %
In foreign currencies (full)	**DEM**	**6,612,884**	**2-5**	3,109,946	2-5
	USD	**598,200**		324,438	
	EURO	**6,218,454**		3,588,834	
	JPY	**30,000**		9,176,256	
	CHF	**3,889,324**		-	
In Turkish lira	**TL**	**260**		41	
Equivalent in Turkish Lira		**16,793**		5,945	

10 EQUIPMENT AND INTANGIBLE ASSETS:
Equipment and fixtures comprise:

	2001	2000
Cost as restated:		
Furniture and fixture	**89**	85
Machinery and equipment	**305**	275
Motor vehicle	**170**	170
Leasehold improvements	**125**	124
Rights	**777**	777
Other	**18**	8
	1,484	1,439
Less: Accumulated depreciation, and amortization, as restated	**(624)**	(332)
Net book value, as restated	**860**	1,107

11 FUNDS BORROWED FROM BANKS:
Funds borrowed from financial institutions at December 31, 2001 consist of the loans obtained as set forth below:

	2001			
	Maturity Range	**Effective Interest Rate (%)**	**Original Currency**	**TL Equivalent Amount**
Under securities repurchase agreements (TL):	**2-7 days**	**58**	**-**	**216**
Long-term:				
Foreign currency-Foreign banks	**4 years**	**7.6**	**DEM 401,743**	**264**
	4 years	**6.2**	**EUR 2,186,668**	**2,793**
	5 years	**3.5**	**CHF 3,445,870**	**2,983**
	4 years	**7.4**	**EUR 431,039**	**538**
				6,578
Others	4 years		**US$ 594,735**	**861**
			DM 5,849,603	**3,832**
			EUR 3,088,540	**3,958**
				8,651
Total long-term				**15,229**
Total funds borrowed				**15,445**

Funds borrowed from financial institutions include mainly floating rate borrowings.

	2000			
	Maturity Range	Effective Interest Rate (%)	Original Currency	TL Equivalent Amount
Under securities repurchase agreements (TL):	7-10 days	78-100	-	542
Long-term:				
Foreign currency - Foreign banks	5 years	5.54-6	EURO 1,032,126	926
	5 years	6.1	EURO 2,697,625	3,165
Total long term				4,091
Total funds borrowed				4,633

As of December 31, 2001, funds borrowed under securities repurchase agreements represent securitized borrowings against marketable securities of TL 248 (2000 - TL 1,886).

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001 unless otherwise indicated)

12 OTHER ASSETS AND OTHER LIABILITIES

Other assets comprise the following:

	2001	2000
Transitory accounts	**909**	-
Fair value of forwards-assets	**1,852**	117
Others	**20**	26
	2,781	143

Other liabilities comprise the following:

	2001	2000
Transitory accounts	**12**	675
Fair value of forwards-liabilities	**-**	117
Reserve for retirement pay liability	**22**	13
Payment orders	**1**	26
Others	**1,618**	145
	1,653	976

13 TAXATION ON INCOME:

According to law number 4369 that is published on July 29, 1998 with effect from January 1, 1999, the corporation tax rates have been set as 33% including funds. Furthermore, in case of distribution of dividends from corporate earnings, dividends shall be subject to income tax withholding at 16.5% including fund levies. In addition, except for dividend income items exempt from corporation tax are subject to income tax withholding whether distributed or not. Transfer of distributable net income to share capital is not considered as dividend distribution.

Income withholding tax rate is 16.5%. Investment allowance is subject to income tax withholding at the effective rate of 19.8%.

As of December 31, 2001 the Bank has not incurred any corporation tax liability due to tax exemption of investment allowances and accordingly only income withholding tax (current and deferred taxation) is computed at an effective rate of 19.8% over such allowances (Note 18).

The amount of investment allowance used in the computation of the current year taxation on the statutory income for the year ended December 31, 2001 is TL 3,813 (2000 - TL 5,128).

As of December 31, 2001, the Bank has unused statutory investment allowances of TL 10,639 (in historic terms) (2000 – TL 4,334) which can be carried forward indefinitely according to the current tax legislation.

The total provision for income tax applicable to income for the years ended December 31, 2001 and 2000 computed by applying the effective statutory tax rate to income before tax provision for income tax as shown in the following reconciliation;

	2001	2000
Income before provision for taxes and monetary loss, and equity in unappropriated loss of equity participation being basis for tax reconciliation	**13,461**	6,978
Provision for corporate tax at the combined tax rate of 33%	**4,442**	2,302
Net benefit of investment allowance utilized	**(503)**	(562)
Tax effect in historical amounts of permanent non-tax deductible and tax deductible expenses and others, net	**78**	30
Other effects, primarily relating to restatement due to the effects of accounting for inflation and deferred tax	**(1,138)**	(269)
Provision for taxes per statements of income	**2,879**	1,501
Provision for taxes per accompanying statements of income		
- Current	**976**	843
- Deferred	**1,903**	658
	2,879	1,501

As of December 31, 2001 and 2000, the summary of deferred tax liability/(asset) was as follows:

	Deferred Tax Liability/(Asset)	
	2001	2000
Deferred tax on;		
Accrual for forward gain	**366**	-
Employee termination benefits	**(9)**	-
Other temporary differences, net (mainly, restatement of fixed assets and accounting for financial leases)	**1,520**	724
Net deferred tax of the temporary differences	**1,877**	724

In Turkey, tax returns are filed within the fourth month following the year-end. According to existing tax regulations, the tax authorities may examine such returns and the underlying accounting records and revise assessments within five years.

14 SHARE CAPITAL:

Paid-in share capital as of at December 31, 2001 and 2000 is restated in equivalent purchasing power at December 31, 2001. As of December 31, 2001 Bank's share capital increased to 8,000,000 (2000 - 5,000,000) shares each having TL 1,000,000 par value all paid-in.

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001 unless otherwise indicated)

As of December 31, 2001 and 2000 the paid-in share capital of the Bank in historical Turkish lira is as follows:

	2001		2000	
	Amount	**%**	Amount	%
Çalık Holding	**7,320**	**91.5**	225	4.5
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	**360**	**4.5**	225	4.5
Ahmet Çalık	**160**	**2.0**	4,000	80.0
Mahmut Çalık	**80**	**1.0**	500	10.0
Ali Akbulut	**80**	**1.0**	50	1.0
	8,000	**100.0**	5,000	100.0

According to the regulations governing the Turkish banking system, the Bank is obliged to comply with the minimum requirements of the Capital Adequacy Ratio (statutory capital adequacy ratio) as defined by the Undersecretariat of Treasury of the Republic of Turkey (the Treasury). Such ratio is computed based upon the historic Turkish lira financial statements of the Bank. For each of the years ending December 31, 2001 and 2000, the Bank's statutory capital adequacy ratio exceeded the minimum requirement of the Treasury.

The adjustments to share capital amounting to TL 11,298 at December 31, 2001, (2000 – TL 10,911) represent the restatement effect of the contributions to share capital with the purchasing power of December 31, 2001.

15 ACCUMULATED DEFICIT:

The historical retained earnings before restatement consist of legal and general reserves. In accordance with Turkish Commercial Code, the legal reserves consist of first and second legal reserves that are appropriated following the Annual General Meeting of the Bank shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital.

Under the Turkish Commercial Code, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but they may be used to offset losses in the event that the historical general reserve is exhausted.

As of December 31, 2001 the statutory general reserve and current year net income of TL 4,885 (2000 - TL 3,026) (at historical figures) were available for distribution, subject to the legal reserve requirements referred to above.

The legal reserves of the Bank were as follows:

	2001	2000
Legal Reserves	**151**	62

16 MATURITY DISTRIBUTION:

The following tables show a distribution of Turkish lira and foreign currency denominated assets and liabilities in approximate maturity groupings according to remaining maturities as of December 31, 2001 and 2000.

	2001					
	0 to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Interest Earning Assets						
Turkish lira						
- Call and time deposits with banks	**25**	**-**	**-**	**-**	**-**	**25**
- Interbank funds sold	**7,459**	**-**	**-**	**-**	**-**	**7,459**
- Lease contracts receivable	**2**	**25**	**32**	**84**	**23**	**166**
- Marketable securities	**248**	**209**	**-**	**-**	**-**	**457**
- Loans	**102**	**-**	**-**	**-**	**-**	**102**
	7,836	**234**	**32**	**84**	**23**	**8,209**
Foreign currency (*)						
- Call and time deposits with banks	**7,631**	**-**	**-**	**-**	**-**	**7,631**
- Interbank funds sold	**-**	**-**	**-**	**-**	**-**	**-**
- Lease contracts receivable	**530**	**301**	**1,449**	**2,159**	**11,273**	**15,712**
- Marketable securities	**-**	**-**	**-**	**1,450**	**-**	**1,450**
- Loans	**-**	**-**	**-**	**-**	**-**	**-**
	8,161	**301**	**1,449**	**3,609**	**11,273**	**24,793**
Interest Bearing Liabilities						
Turkish lira						
- Funds borrowed	**216**	**-**	**-**	**-**	**-**	**216**
	216	**-**	**-**	**-**	**-**	**216**
Foreign currency (*)						
- Funds borrowed	**32**	**-**	**718**	**750**	**5,016**	**6,578**
	32	**-**	**718**	**750**	**5,016**	**6,578**

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2001 unless otherwise indicated)

	2000					
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest Earning Assets						
Turkish lira						
- Call and time deposits with banks	4,383	-	-	-	-	4,383
- Interbank funds sold	2,695	-	-	-	-	2,695
- Lease contracts receivable	4	6	6	6	20	42
- Marketable Securities	1,886	-	328	-	-	2,214
- Loans (**)	7,077	-	-	-	-	7,077
	16,045	6	334	6	20	16,411
Foreign currency (*)						
- Call and time deposits with banks	666	-	-	-	-	666
- Interbank funds sold	-	-	-	-	-	-
- Lease contracts receivable	587	157	467	619	3,362	5,192
	1,253	157	467	619	3,362	5,858
Interest Bearing Liabilities						
Turkish lira						
- Funds borrowed	542	-	-	-	-	542
	542	-	-	-	-	542
Foreign currency (*)						
- Funds borrowed	-	-	318	320	3,453	4,091
	-	-	318	320	3,453	4,091

(*) Turkish lira equivalent converted at prevailing year-end exchange rate.

17 INVESTMENT INCENTIVES:
The Bank has obtained investment incentive certificates from the Undersecretariat of Treasury for its various investments in direct financing leases. Such incentives include exemptions from custom duties on machinery and equipment to be imported and investment allowances at 100% on the approved capital expenditures.

Investment allowance take the form of a deduction from taxable profits for purposes of corporation tax calculations. Such allowances are recognized over the term of the related lease contracts unless the utilization of the allowances per statutory tax computation exceeds the term of the lease contract.

18 EVENT SUBSEQUENT TO THE DATE OF AUDITORS' REPORT:
Subsequent to the balance sheet date, at the Annual General Meeting held on February 15, 2002 the Bank has decided not to distribute TL 4,734 (in historical terms) from the net income for 2001. At the Board of Directors Meeting held on February 18, 2002 the Bank has resolved to increase the historical paid in share capital from TL 8,000 to TL 13,500 (in historical terms) The historical increase amount of TL 5,500 was funded from:

Prior year statutory net income	4,475
Transfer from revaluation fund	1,025
	5,500

19 CONTINGENCIES AND COMMITMENTS:
In the course of its banking activities, the Bank undertakes various commitments and incurs contingent liabilities that are not presented in the accompanying financial statements. Such commitments include extending credit facilities, government securities sale and repurchase transactions, payment guarantees, letters of guarantee, acceptance credits and letters of credit.

The following is a brief summary of significant contingencies and commitments at December 31, 2001 and 2000:

Description	**2001**	2000
Letters of guarantee issued by the Bank	**7,678**	4,067
Letters of credit	**2,064**	1,514
Acceptance credits	**7,741**	-
Other guarantees	**-**	-
	17,483	5,581

The non-cash loans by industrial groups at December 31, 2001 and 2000 are as follows:

Description	**2001**	2000
Textile	**16,817**	5,105
Construction	**327**	-
Finance	**250**	472
Others	**89**	4
	17,483	5,581

Letters of Guarantee - are mainly issued on behalf of textile and finance companies for performance of their bid contracts.

Acceptances and Letters of Credit - are payment commitments to banks arising from international trade transactions of domestic importers.

Commitments of resale and repurchase of marketable securities - The Bank's commitments for resale and repurchase of marketable securities as of December 31, 2001 is as follows:

	2001	
	Amount	**Maturity Range (days)**
Repurchase commitments (at repurchase value)	**-**	**-**
Resale commitments (at resale value)	**248**	**2**

	2000	
	Amount	Maturity Range (days)
Repurchase commitments (at repurchase value)	1,927	2
Resale commitments (at resale value)	547	2

As of December 31, 2000, the repurchase agreements include agreements with related parties.

Derivative Financial Instruments:
The Bank uses derivative financial instruments to manage market risks. As of December 31, 2001 and 2000 the Bank does not have any derivative financial instruments designated as hedges. All derivative financial instruments are considered as trading and thus reflected at fair values.

Forward agreements-
As of December 31, 2001 and 2000, the notional amounts of forward commitments of the Bank are as follows:

	Buy		Sell	
	2001	2000	**2001**	2000
TL	**-**	-	**-**	-
US $ (in million)	**-**	1,962	**1,380**	2,000
EURO (in million)	**-**	2,000	**5,490**	1,962
US$ Equivalent	**-**	3,924	**6,240**	3,924

As of December 31, 2001 and 2000, the fair value of the outstanding forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. In the absence of reliable forward fair estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.

As of December 31, 2001 and 2000 the outstanding derivative financial instruments approximated the following (in TL billions):

	2001	2000
Assets due to forward agreements (Note 12)	1,852	117
Liabilities due to forward agreements	-	117

The above indicated forward agreements outstanding are made with group companies as of December 31, 2001 and their maturities range between January 3, 2001 and July 15, 2002.

The above indicated forward agreements outstanding as of December 31, 2000 mature on March 29, 2001.

Credit and Market Risk Management:
The Bank management daily monitors the borrowers on principal and interest payments. Bank management also periodically evaluates:
- i) the industry dynamics and borrowers competitive position within the sector,
- ii) the financial position of the borrower,
- iii) the level of leverage,
- iv) managerial capability and ethics of the credit customers

Foreign Exchange Risk:
The Bank holds its short and long foreign exchange position according to the limits on the level of the position in total for overnight and intra-day positions which was defined by the Board of Directors for the purpose of hedging itself from the volatility in cross currencies which also complies with the legal requirement in effect. The Bank's foreign exchange risk is continuously monitored by the Bank's treasury department and the Internal Control department and reported daily to the top management. The foreign exchange position is discussed in the weekly Asset Liability Committee and measures are taken if needed.

Interest Rate Risk:
The Bank's policy is to avoid the asset liability mismatch. The treasury department closely observes interest rate risk by simulations and scenario analysis. Daily reports are prepared and submitted to top management. Asset Liability Committee takes the decisions on large positions.

20 EFFECT OF ADJUSTMENTS AND RESTATEMENT:
The summary of the effect of adjustments and restatement which have been made to conform the statutory with IFRS as of December 31, 2001 and 2000 is as follows:

		2001		2000	
		Increase/Decrease Effect on		Increase/Decrease Effect on	
		Retained Earnings/ (Accumulated Deficit)	**Net Income for the year**	Retained Earnings/ (Accumulated Deficit)	Net Income for the year
	Balances per statutory financial statements	**151**	**4,734**	1,238	1,788
	Effect of adjustments				
1.	Total effect of leasing adjustment	**1,013**	**5,852**	-	1,013
2.	Effect of impairment in value of equity participation	**(54)**	**(108)**	-	(54)
3.	Fair value adjustment of forwards	**-**	**(276)**	-	-
4.	Reversal of retirement pay liability in accordance with IAS 19	**-**	**11**	-	-
5.	Deferred tax effect of timing differences	**(334)**	**(991)**	(6)	(334)
	Total effect of adjustments in historic Turkish lira	**625**	**4,488**	(6)	625
	Net effect of restatement	**82**	**(7,530)**	(1,357)	(1,430)
	Balances per accompanying financial statements	**858**	**1,692**	(125)	983

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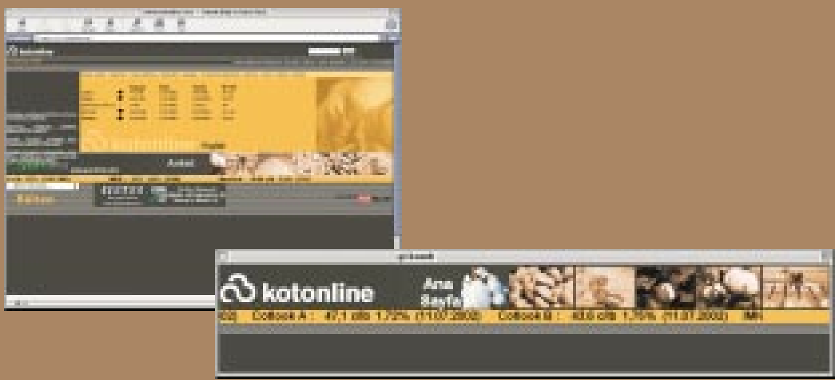

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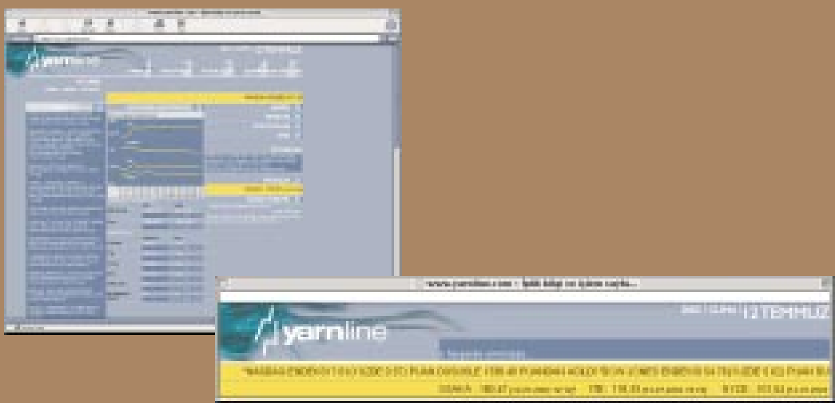

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