

ÇALIKBANK IN BRIEF

FOUNDED IN 1999, ÇALIKBANK (ÇALIK YATIRIM BANKASI A.Ş.) IS THE INVESTMENT BANKING SUBSIDIARY OF ÇALIK HOLDING, ONE OF TURKEY'S LEADING AND RESPECTED GROUPS OF INDUSTRIAL AND COMMERCIAL COMPANIES.

THE BANK OFFERS NICHE BANKING PRODUCTS THAT IT TAILORS BY TAKING A SOLUTION-FOCUSED APPROACH TO A CAREFULLY SELECTED AUDIENCE OF CUSTOMERS.

ÇALIKBANK, IS PARTICULARLY SPECIALIZED IN THE BUSINESS LINES OF TRADE FINANCE, PROJECT FINANCE, LEASING AND COMMODITY MARKETS. PROJECT FINANCE AND INVESTING ON NEW IDEAS ARE THE AVOWED MISSION OF THE BANK.

ÇALIKBANK SERVES ITS CUSTOMERS BY AMALGAMATING THE COMMERCIAL KNOWLEDGE, EXPERIENCE, AND KNOW-HOW OF THE ÇALIK GROUP OF COMPANIES, WITH THE FINANCIAL ENGINEERING INSTRUMENTS. REGARDING COMMODITY MARKETS AS PARTICULARLY IMPORTANT, ÇALIKBANK'S FIRST VENTURE INTO THIS AREA OF BUSINESS HAS BEEN LAUNCHED UNDER THE TRADEMARK NAME OF KOTONLINE, WHICH IS OWNED AND RUN BY ITS SUBSIDIARY COMPANY, AGROMARKET.

AS ONE OF THE WORLD'S THREE COTTON PORTALS, KOTONLINE IS A B2B MARKETPLACE WITH THE POTENTIAL TO HANDLE A BILLION AND A HALF DOLLARS WORTH OF BUSINESS A YEAR IN A GEOGRAPHICAL REGION OF WHICH TURKEY IS THE CENTER.

THE HUMAN RESOURCES THAT ÇALIKBANK CAN CALL UPON ACT WITH A COMMUNAL INTELLIGENCE, HAVE THE HIGHEST PROFESSIONAL QUALIFICATIONS, AND ARE COMMITTED TO EFFECTIVENESS.

ÇALIKBANK WILL CONTINUE TO PURSUE GROWTH IN LINE WITH ITS GOAL OF BECOMING A SPECIALIST BANK THAT SERVES AS EFFECTIVELY IN THE COUNTRIES WHERE TURKISH INDUSTRIALISTS AND ENTREPRENEURS CREATE BUSINESS OPPORTUNITIES AS IT IS IN ITS NATIONAL MARKETS.

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FINANCIAL HIGHLIGHTS*

	Billions of TL		Thousands of USD	
	2000	1999	2000	1999
LOANS, NET	3,619	174	5,399	260
MARKETABLE SECURITIES	152	5,713	227	8,522
LEASE CONTRACTS RECEIVABLES	2,775	-	4,140	-
SHAREHOLDERS' EQUITY	8,892	8,371	13,265	12,487
TOTAL ASSETS	12,666	11,799	18,895	17,601
INTEREST INCOME	3,310	2,636	4,938	3,932
INCOME BEFORE TAXATION AND MONETARY LOSS	3,294	2,718	4,914	4,055
NET INCOME	521	-66 TL	777	-98
USD/TL	670,353	670,353		

*Inflation adjusted figures (restated)

KEY RATIOS

CAPITAL ADEQUACY RATIO	118.12%	658.51%
BALANCE SHEET:		
Loans /Total Assets	28.57%	1.47%
Liquidity Ratio	655.76%	333.06%
CREDIT QUALITY:		
Non-performing Loans/Total Net Loans	0.00%	0.00%
Non-performing Loans/Total Assets	0.00%	0.00%



FINDING INNOVATIVE SOLUTIONS FOR OUR CUSTOMERS

INNOVATION IS CRITICAL TO GROWTH IN VALUE. THINKING DIFFERENTLY ABOUT AN EXISTING MARKET, PRODUCT OR SERVICE CAN BE THE KEY TO OPENING A WHOLE NEW CATEGORY OF DEMAND AND MARKET SEGMENT.

WE BELIEVE THAT WE CAN BEST SERVE OUR CUSTOMERS BY CREATING FINANCIAL SOLUTIONS TAILORED TO THEIR SPECIFIC NEEDS, NOT BY TAKING STANDARDIZED PRODUCTS OFF THE SHELF.

IT TAKES FRESH AND NEW IDEAS, A WORKING ENVIRONMENT THAT REWARDS CREATIVITY AND COLLABORATION, AND SOMETIMES A WILLINGNESS TO LEAVE THE CONVENTIONS OF THE FINANCIAL SERVICES INDUSTRY BEHIND.

A MESSAGE FROM THE BOARD OF DIRECTORS

No matter what aspect one considers it from, 2000 was an extraordinary year indeed for Turkey for it signalled the beginnings of a period of far-reaching transition for the country's society and economy. This was especially true for the banking system, which has become the spearhead of efforts to reform and restructure the Turkish economy.

ALTHOUGH IT IS ONLY A YEAR OLD, ÇALIKBANK WAS ABLE, AT A TIME WHEN FUNDAMENTAL CHANGES WERE TAKING PLACE EVERYWHERE AROUND IT, TO SUBSTANTIALLY IMPROVE ITS POSITION. BY YEAR-END IT HAD DEMONSTRATED ITS CREDIBILITY IN ITS NICHE MARKETS AND CLOSED ITS BOOKS WITH A HIGHLY LIQUID BALANCE SHEET IN A YEAR WHEN LIQUIDITY WAS THE MOST CRITICAL ISSUE CONFRONTING EVERY PLAYER ON THE FIELD.

Because of the prevailing economic situation in 2000, Çalıkbank found it necessary and prudent to reduce the scope of its investment banking activities. Nevertheless, every unit of the Bank performed satisfactorily and important progress was made in the direction of project finance through leasing transactions and developing our e-commerce initiative. Çalıkbank is the only investment bank that introduced the first B2B application in Turkey. In 2000, we created an Internet portal www.kotonline.com that, we believe, will become a powerful engine of revenue growth in the near future.

We regard e-commerce as a business line with a promising potential. Kotonline is the product of our idea to combine the traditional experience and knowledge that our Group has with cotton markets and textile products with the principles of the new economy and with advanced financial techniques.

Our vision of Kotonline, which will also do service as a textile intelligence unit, is that it will become a single market in a geographical region where some 3.5 million tons of cotton are produced a year and also that it will transform Turkey into one of the world's leading cotton-trading centers. Kotonline will, of course, also be making a major contribution to the future growth of our Bank.

PART AND PARCEL OF ÇALIKBANK'S E-COMMERCE STRATEGY IS PARTNERING WITH OTHER COMPANIES WHOSE PRODUCTS AND SERVICES ARE RELATED TO OUR OWN. One such company is Koç.net, which is one of Turkey's leading ISPs and its own e-commerce strategy meshes perfectly with ours. In this vein, we are pleased to announce the launching of a similar cooperation, this one with TARIŞ, the oldest and most distinguished agricultural cooperative in our country.



From left to right:

MEHMET AYHAN BOLAY
Member

BENGÜ ERDOĞMUŞ
Member, Acting General Manager

AHMET ÇALIK
Chairman and Managing Director

NACI AYHAN
Vice Chairman

HALUK RECAİ ULUSOY
Member (Not in the picture)

In closing, we would first like to thank all our colleagues and associates at Çalıkbank for the excellent work they have been doing, while also offering them our best wishes for their continued success.

And of course we must also express our deepest gratitude to all of Çalıkbank's valued customers, correspondents, and strategic partners. For it was their help and contributions which made 2000 such a busy and successful year and which make 2001 such a promising one.

Sincerely,

AHMET ÇALIK

A handwritten signature in black ink, consisting of a long, sweeping horizontal stroke with a small upward flick at the end.

CHAIRMAN OF THE BOARD AND
MANAGING DIRECTOR

SENIOR MANAGEMENT'S REPORT

ÇALIKBANK COMPLETED THE FISCAL YEAR OF 2000 HAVING DEMONSTRATED STRONG PERFORMANCE RESULTING FROM THE COMPANY'S CAPITALIZING ON NEW ECONOMY AND STRATEGIC ALLIANCES.

A number of developments taking place in the first half of 2000 provoked what may have been the most serious economic crisis and perhaps the most difficult economic conditions in the nearly eighty years since the foundation of the Republic of Turkey. This situation had a direct impact on the banking industry of which we are a part.

With our strong market intuition that we have inherited from the Çalık Group of which we are a member, we were quick to spot the developments that would be taking place in 2000. We have set our sights on designing and marketing services and products that will create added value in niche markets. We are well aware that the most important assets we possess to enable us to achieve this goal are the business culture and know-how acquired from our parent Group, technology, and our professional human resources.

Our balance sheet performance and the success of our liquidity management during the crisis are reflected in our results. Even after being adjusted for inflation, our Bank's 2000 balance sheet shows a net return on equity of 15.26%. During both the November 2000 and February 2001 crises, the Bank skilfully managed its liquidity.

ONE OF THE CORE COMPETENCIES OF ÇALIKBANK IS OBTAINING MEDIUM-TERM CREDIT FACILITIES FROM OVERSEAS. ÇALIKBANK DEPLOYS THESE FACILITIES IN THE MOST EFFICIENT WAY POSSIBLE TO FULFIL ITS COMMITMENT OF HELPING CLIENTS SECURE THE BEST TERMS AND CONDITIONS POSSIBLE TO FINANCE THEIR PROJECTS, PURCHASES OF IMPORTED MACHINERY AND EQUIPMENT.

The internet and the advent of e-commerce are having a profound impact on the way business is being done. With this belief, in December 2000, we launched Kotonline, a product and service that is new and unique not just in Turkey but in our country's region as well. Kotonline is Çalıkbank's internet cotton portal, an advanced web-based solution for the needs of those engaged in cotton trading.

As an investment bank we are searching out other opportunities to deliver specialized investment banking services and products that companies in Turkey and its hinterland require.



From left to right:

PEKHAN İŞİPEK
Assistant General Manager
BENGÜ ERDOĞMUŞ
Acting General Manager
GÖKHAN GÜNGÖR
Assistant General Manager

Pursuing this growth strategy, we can see excellent opportunities to expand the market for our services through the introduction of a variety of package solutions based on our Kotonline model and experience. These new offerings are logical extensions of our basic business paradigm and we expect them to bring additional support to the growth and profitability that we derive from our core business.

WE ARE ENTHUSIASTIC ABOUT THE BUSINESS PROSPECTS THAT LIE BEFORE US AND ABOUT THE OPPORTUNITIES THAT THEY PRESENT FOR ÇALIKBANK'S FUTURE GROWTH. Each and every one of our highly trained personnel has a strong commitment to superior customer service and we are confident in our ability to help our clients achieve consistent excellence by taking advantage of investment banking shaping in newly establishing economic transition.

COUNTRY REVIEW



THE TRANSFORMATION OF TURKEY BEGINS...

For the Turkish economy, 2000 represents the starting-point of a new era. AS THE COUNTRY EMBARKED UPON A PROCESS OF OVERHAULING ITSELF BOTH ECONOMICALLY AND STRUCTURALLY, AN ECONOMIC PROGRAM PUT TOGETHER WITH IMF SUPPORT WAS ADHERED TO NEAR-PERFECTLY UNTIL THE LAST QUARTER OF THE YEAR. Inflation, the reduction of which was one of the program's basic goals, was pulled down to levels lower than what had been experienced in recent memory.

Throughout most of the year, economic performance was rather encouraging thanks largely to significantly better budget discipline and to a resolute addressing of a number of crucial structural shortcomings. The results were a revival of economic activity in the wake of the 1999 slump (when the economy shrank 6.1% in real terms) and a restored confidence in the Turkish economy that enabled the government to tap sources of external financing at favorable terms.

The 2000 recovery was fuelled largely by the quite remarkable collapse in interest rates in late 1999. The combination of improved confidence and lower interest rates stimulated both investment and private consumption, the latter of which was encouraged by a surge in the volume of low-cost consumer credit. IN 2000, TURKEY'S GDP REGISTERED REAL GROWTH OF 7.2%; GNP GROWTH ON THE OTHER HAND WAS, AT AN ANNUALIZED 6.1%, MORE THAN A WHOLE PERCENTAGE POINT LOWER. This was due mainly to a 75% decrease in net factor income from abroad but it also was the result of an even lower rate of GNP growth (4.6%) in the first half-year that was attributable to the impact of the August 1999 Marmara earthquake. As the direct economic effects of the earthquake waned, GNP growth surged to 7.4% in the year's second half.

A GOVERNMENT DETERMINED TO PULL DOWN INFLATION...

General elections in early 1999 brought to power a three-party coalition government that resolutely laid out and embarked upon an ambitious program whose key points were to seriously combat inflation, to implement an IMF-backed economic program, to accelerate the efforts to liberalize the economy by shedding state-owned firms, and to quickly bring off a slew of much needed structural reforms.

The first successes were witnessed in the hitherto unseen and consistent tempering of the high rates of inflation that had become a part of everyday life for more than a quarter of a century. The economic program introduced at the beginning of the year had the goals of pulling interest rates down to reasonable levels and keeping them there, of reducing national

budget deficits, of phasing out the state’s impact on the real economy through an accelerated program of privatization, and of attracting new foreign investment into the country.

IN RESPONSE TO SUCCESSFUL STABILIZATION PROGRAM IMPLEMENTATION, INFLATION AS MEASURED BY CONSUMER PRICE AND WHOLESALE PRICE INCREASES WAS DOWN TO AN ANNUALIZED 39% AND 32.7% RESPECTIVELY WHILE THE TURKISH LIRA DEPRECIATED BY ONLY 20% IN REAL TERMS. That was nevertheless above the 25% (CPI) and 20% (WPI) originally set in the program but the shortfall is as much attributable to a strong US dollar as it is to hardy domestic demand.

A WIDENING FOREIGN TRADE DEFICIT...

Strong domestic demand fuelled an increase in the demand for imported goods at a time when petroleum prices were rising sharply and Turkish exports, which looked overpriced because of a strong Turkish lira, were increasing only modestly. The combined effect of all this was a considerable widening in the country’s foreign trade deficit, which burgeoned to USD 26.7 billion, a record high. WITH AN IMPORT BILL AMOUNTING TO USD 54.2 BILLION RESULTING FROM DOMESTIC DEMAND AND HIGHER INTERNATIONAL ENERGY PRICES, TURKEY’S EXPORTS IN 2000 COVERED ONLY 51% OF WHAT THE COUNTRY IMPORTED THE SAME YEAR.

THE ECONOMIC SITUATION TURNS SOUR...

At a time when it seemed that the political will to carry through with structural reforms was weakening, the foreign-currency anchor to which the Turkish lira was tied was causing that currency to appreciate excessively against others. This process was exacerbated by rampant domestic demand, which led to further appreciation in the lira. Abroad, movements in the euro/dollar parity discouraged Turkish exporters from acting as aggressively as they should-particularly in EU markets. The results were the worst export performance experienced in years as imports continued to grow unbridled and a current accounts deficit that began sending out danger signals.

THEN, IN THE SECOND HALF-YEAR, THE FLOW OF EXTERNAL RESOURCES INTO TURKEY BEGAN TO FALTER.

Enshrined in Turkey’s monetary policy was a strong commitment to an exchange-rate anchor for the Turkish lira; but that in turn was dependent upon a mechanism by which foreign currency inflows kept the national economy supplied with liquidity; and when they were no longer as readily available, liquidity was impaired as well. IN SEPTEMBER, SHORT-TERM INTEREST RATES BEGAN SIGNALLING AN APPROACHING CRISIS AS THEY BEGAN TO RISE.

REAL GROWTH RATES BY SECTORS (%)					
	1996	1997	1998	1999	2000
Agriculture	4.4	(2.3)	8.4	(5.0)	4.1
Industry	7.1	10.4	2.0	(5.0)	5.6
Services	7.3	8.6	2.4	(4.5)	8.7
GDP	7.0	7.5	3.1	(4.7)	7.2
GNP	7.0	7.5	3.9	(6.1)	6.1

ANNUAL INFLATION (%)					
	1996	1997	1998	1999	2000
Wholesale	84.9	91.0	54.3	62.9	32.7
Consumer	79.8	99.1	69.7	68.8	39.0

Sources: State Planning Organization (SPO) and State Institute of Statistics (SIS)

HEADING INTO CRISIS...

By the last quarter of the year, confidence in the future of the disinflation program had been seriously eroded by the delay in the privatization of Turk Telecom, by Turkey's huge financing requirements in the face of adverse international capital market conditions, and a yawning hole in the country's current accounts. With foreign funds flowing out of the country and T-bill interest rates soaring, a number of public and privately owned banks suddenly found themselves in difficulty.

THE FIRST TO SUCCUMB WAS A BIG COMMERCIAL BANK WHOSE PORTFOLIO WAS OVERLY LADEN WITH GOVERNMENT PAPER. IT HAD TO BE TAKEN OVER BY THE SAVINGS DEPOSIT INSURANCE FUND. MEANWHILE FOREIGN INVESTORS WERE PILING OUT OF MARKETS IN DROVES. IN A SHORT TIME, THE TURKISH CENTRAL BANK SOLD ABOUT SIX BILLION DOLLARS –IN ITS EFFORTS TO PROP UP THE TURKISH LIRA– AND THEREBY REDUCING ITS RESERVES TO THE USD 18.9 BILLION LEVEL.

To stave off further chaos, measures were introduced in November and December; a decision was taken to speed up structural reforms; and an agreement was reached with the IMF under which a Supplementary Reserve Facility (SRF) amounting to USD 7.5 billion was added to the existing stand-by agreement.

MARKETS RECOVER SOME OF THEIR COMPOSURE...

With the government reiterating both its commitment to and the IMF's support of the stabilization program on every possible occasion while also sending out credible signals that the privatization program was going to be pursued and thanks also to a lengthy religious holiday at year-end, the Turkish economy entered 2001 in a state of relative calm.

THE SECOND WAVE OF THE CRISIS APPROACHES...

During the early weeks of the new year, state-owned banks found themselves obliged to borrow substantial volumes of funds on overnight terms, a situation which significantly impaired their already weakened financial structures. Suddenly it looked as if the havoc of November threatened to repeat itself.

On the day before the Treasury's most critical February auction was to be held, a personal and highly publicized altercation at the highest level of government at a single stroke destroyed the already shaky confidence in both the government and its economic program and money markets were plunged into chaos.

A liquidity crunch, which was especially worsened by the huge demand for day-to-day liquidity by state-owned banks, caused gridlock in the country's payment system. IN THE FACE OF THESE DEVELOPMENTS, ON 22 FEBRUARY 2001 IT WAS DECIDED TO CUT THE TURKISH LIRA FREE OF THE FOREIGN CURRENCY ANCHOR TO WHICH IT HAD BEEN BOUND SINCE DECEMBER 1999 AND TO LET THE CURRENCY FLOOD FREELY.

In the wake of the November crisis, the Turkish banking system had had to contend only with interest rate risk.

FOREIGN TRADE (USD billion)

	1996	1997	1998	1999	2000
Exports	23.2	26.3	27.0	26.6	27.5
Imports	43.6	48.6	45.9	40.7	54.2
Exports/Imports (%)	53.2	54.1	58.7	65.3	50.8
Trade Deficit	(20.4)	(22.3)	(18.9)	(14.1)	(26.7)

Source: State Institute of Statistics (SIS)

Now it had to deal with that as well as with exchange rate risk and the result of this double exposure was significant losses. At the same time, the combined effects of increases in interest rates and inflation plus volatile exchange rate movements created a climate of uncertainty that harried the whole economy. The distress of the financial sector made itself felt in the rest of the economy: new sources of credit vanished and there were serious problems with servicing existing debt.

TOWARDS A RENEWED ECONOMIC PROGRAM...

Confronted by a new and potentially more dangerous crisis before the effects of the crisis in late 2000 had abated, the government was forced to review and rethink its economic policies as well as its political agenda. Radical changes were made in the echelons managing the economy and in April, a revamped economic program was announced in which it was made clear that the government would continue to vigorously combat inflation.

“TRANSITION TO A STRONG ECONOMY”

THE OBJECTIVES OF THE ECONOMIC PROGRAM ANNOUNCED IN APRIL WERE TO REVERSE THE DAMAGE CAUSED BY THE EVENTS TAKING PLACE IN THE FIRST QUARTER OF THE YEAR AND TO SET THE TURKISH ECONOMY ON A NEW AND SUSTAINABLE BALANCE. While enjoying strong political support at home, the program also had the blessings of international financial circles.

The basic thrust of the new program is that, since the managed exchange-rate program of 2000 had to be abandoned, it was urgently necessary to address and preclude any crisis in confidence or instability that the transition to a free exchange rate regime might entail and to develop a framework in which the economy could be restructured.

At the same time, efforts to combat inflation would continue with the same uninterrupted determination under the new exchange rate regime. In the banking system, all banks—but especially public banks and the banks under Savings Deposit Insurance Fund administration—would quickly press through and complete their restructurings while also establishing a healthier and sounder relationship between the banking sector and the rest of the economy. In the case of public finances, a genuine balance was to be achieved. To accomplish all of this, a legal framework was to be rapidly erected to ensure greater efficiency and transparency in public finances and the operation of state mechanisms, to support the real sector and increase its influence over the economy, and to strengthen social solidarity.

Efforts to secure domestic and foreign support for the program quickly bore fruit. An agreement was reached under which USD 10 billion in funds from the IMF and the World Bank would be provided to Turkey under an agreed upon set of conditions. In May, the IMF’s executive committee ratified that agreement.

Thanks to the government’s steadfast support of the program announced and implemented by those charged with the economy’s management, there are now strong expectations that the Turkish economy will at last return to the path of stability after all the upheavals it has been experiencing since the fall of 2000.

MONETARY AGGREGATES (USD billion)					
	1999/Q4	2000/Q1	2000/Q2	2000/Q3	2000/Q4
Currency in Circulation	4.4	4.0	4.4	4.7	5.6
M1	7.4	8.8	9.9	10.1	12.2
M2	42.0	38.2	39.9	40.1	48.8
Foreign Currency Deposits	32.6	34.9	36.8	38.0	36.3
Repo Transactions	7.3	12.2	12.6	10.9	8.9
M2YR	81.8	85.5	89.2	89.0	94.0

Source: Central Bank of Turkey

THE YEAR IN REVIEW



ÇALIKBANK: AN EXAMPLE OF “NICHE BANKING”

Çalıkbank is an investment bank that became operational on 1 September 1999 under a license issued by the Undersecretariat of Treasury on 16 August of the same year. The Bank’s headquarters are located in İstanbul. ÇALIKBANK IS A SUBSIDIARY OF ÇALIK HOLDING, ONE OF TURKEY’S LEADING AND MOST RESPECTED INDUSTRIAL GROUPS, AND THE GROUP’S ONLY VENTURE IN THE FINANCIAL SERVICES INDUSTRY.

Born at a time when the Turkish economy is in the midst of a major transition, Çalıkbank has nevertheless managed to grow in what is, at the macroeconomic level, an extremely difficult environment. Since it was founded in 1999, the Bank has been witness to the turbulent economic changes that Turkey has been experiencing and has been transforming the challenges thrown up by this milieu into business opportunities.

The Bank is focused on areas of business that have high growth potential. The “new economy” is an area to which the Bank attaches particular importance. Çalıkbank also believes that the development of web-based business solutions that encompass not just Turkey but the wider region of the countries around.

One of the ways for a bank to survive and create a competitive advantage for itself in the midst of the historical transformation that the Turkish economy is undergoing is to design and offer products needed by the business world in general. In other words, the Bank’s approach is to identify and choose niche markets and then become specialized in them.

THE BANK INTERPRETS ITS MISSION AS TAKING A SOLUTION-FOCUSED APPROACH IN WHICH IT SERVES A CAREFULLY SELECTED CUSTOMER GROUP IN A PARTICULAR MARKET NICHE BY SUPPLYING THEM WITH APPROPRIATELY DESIGNED PRODUCTS. ÇALIKBANK’S AREAS OF SPECIALIZATION ARE INTERNATIONAL TRADE FINANCE, PROJECT FINANCE, LEASING, AND COMMODITY MARKETS.

2000: A YEAR DEMANDING PRUDENCE AND INSIGHT

2000 was Çalıkbank’s first full year of operation and the Bank spent much of it keeping a close watch on market and other developments, quickly adapting its strategies and business plans according to their requirements.

Mindful of the potential consequences of the three-year stabilization program introduced in Turkey, the Bank adhered to a policy of increasing its cash resources to allay market risks that were likely to develop in the third quarter of 2000.

In keeping with this policy, the Bank's Treasury and Capital Markets Department avoided taking long-term positions in alternative investment vehicles and instead concentrated on short-term lendings.

AS A RESULT OF THIS POLICY, ÇALIKBANK HAD A HIGHLY LIQUID POSITION WHEN THE NOVEMBER 2000 CRISIS BROKE OUT AND IT EMERGED FROM THE CRISIS SHOWING A PROFIT. THE BANK'S LIQUID ASSETS LENT OUT AT OVERNIGHT RATES IN NOVEMBER AMOUNTED TO SOME 42% OF ITS TOTAL ASSETS AND TO 58% OF ITS EQUITY.

After the November crisis had passed, the Bank continued to watch market developments carefully. Recognizing that the economy's "blood pressure" was still too high and that crisis was still brewing at the macroeconomic level, the Bank made no changes in its policies with the result that, when the second crisis broke out in February 2001, it was once again highly liquid.

One of the outcomes of the February crisis was that the Turkish lira was cut free of its foreign currency anchor. ONCE AGAIN THE BANK WAS IN A POSITION TO LEND ITS LIQUIDITY TO A MARKET HUNGRY FOR IT AND THIS TIME THE BANK'S CASH LOANS AMOUNTED TO 46% OF ITS TOTAL ASSETS AND 65% OF ITS EQUITY. When the flight to foreign exchange that ultimately led to devaluation began, Çalıkbank defended itself by maintaining a long foreign currency position to the degree permitted by laws and regulations.

THE FUTURE OF INVESTMENT BANKING

The transformation of the Turkish economy will bring on significant changes in the financial and non-financial sectors of the country's economy.

With the maturation of Turkey's banking industry, there will be significant growth in investment banking and there will be an increased need for investment banks over the next years. In the context of the economic stability that beset Turkey's financial system in the 1990s, the country's investment banks suffered considerably. This will change substantially in the ten years ahead as ever greater opportunities present themselves.

As inflation and interest rates subside, the Turkish economy will make steadily greater use of long-term funds. The source of such funds is capital markets and the mediators for them are investment banks.

There will also be a resurgence in the demand for investment in the economy. Long-term investment credit, structured financing, project financing, and similar services will be offered by investment banks. As commercial banks turn more

and more to the financing of small businesses and to personal banking services, the need for corporate financing will be satisfied by investment banks with funds secured off capital markets.

To the degree that Turkey's anti-inflation program is convincing to international circles, there will be an increase in foreign investment in the country, especially in investment directed at capital markets. The portfolios of foreign institutional investors will expand. In much the same way, investment banks will also have greater influence over the channeling and management of foreign capital entering the country whether as direct investment or as portfolio investment.

The customers who will be in the greatest demand for corporate financial services will be the middle-sized companies that make up the potent vigor of the Turkish economy. As the driving forces of the economy and the sources of the economy's rapid growth and transformation, the need of these firms for investment banking services will increase.

Looking now to the future, the Bank will continue to keep a close eye on the process of macroeconomic change through which the Turkish economy is going and to reassess its business strategies in light of day-to-day developments. Since the passing of the February crisis, Çalıkbank has made no changes in its policies, continuing to manage its assets and liabilities while adhering to its principle of remaining liquid.

ÇALIKBANK'S CORE BUSINESS IS INVESTMENT BANKING; HOWEVER IN 2000 THERE WAS A SHIFT IN POLICY FOCUS FOR REASONS STEMMING ENTIRELY FROM MACROECONOMIC CONSIDERATIONS. THIS SHIFT DOES NOT MEAN THAT THE BANK HAS ABANDONED ITS INVESTMENT BANKING MISSION: THAT MISSION WILL REGAIN ITS ORIGINAL IMPORTANCE AS SOON AS ECONOMIC DEVELOPMENTS AND MARKET CONDITIONS PERMIT.

A SOUND AND STABLE FINANCIAL STRUCTURE

The prudent and risk averse policies that Çalıkbank adheres to are reflected in the Bank's financial statements. The Bank demonstrated sound financial performance in 2000 and registered solid growth.

TOTAL ASSETS WERE UP 7.6 % OVER THEIR ORIGINAL TL 11.8 TRILLION LEVEL AND REACHED TL 12.7 TRILLION IN 2000. Adopting a conservative approach to risk in the face of the macroeconomic conditions that it observed around itself, Çalıkbank kept its exposure to cash credit risk at low levels in 2000. As a result of this careful and discriminating approach, the total volume of the Bank's credit remained at the TL 3.6 trillion level.

AS OF YEAR-END 2000, THE BANK'S EQUITY HAD REACHED TL 8.9 TRILLION. ÇALIKBANK HAS A RATHER HIGH CAPITAL ADEQUACY RATIO, ON THE ORDER OF 118.12%.

Çalıkbank completed 1999, the year of its formation, showing a loss of TL 66 billion after the inflation adjustment on its books. In 2000, its first full year of operation, the Bank posted a net profit of TL 522 billion after the inflation adjustment.

THE FOUNDATIONS OF INVESTMENT BANKING: PROJECT FINANCE

Çalıkbank regards project finance as the principal activity underlying investment banking. Although the Bank is currently active in the business of project finance through leasing contracts, the Bank expects to become more involved in the financing of large-scale projects as an intermediary consultant.

In addition to being active in the national market here in Turkey, the Bank also sees great potential in this line of business in Turkmenistan, where the Çalık Group is engaged in a number of commercial and industrial projects. The Group's activities in that country will be creating significant synergies for the Bank.

ÇALIKBANK'S GOAL IS TO "FINANCE IDEAS". TAKING THIS MISSION AS ITS STARTING POINT, THE BANK IDENTIFIES PROJECTS THAT ARE PROFITABLE AND WHOSE FEASIBILITY STUDIES HAVE BEEN PREPARED SO AS TO APPEAL TO INTERNATIONAL INVESTORS; PROMOTES THESE PROJECTS ON FOREIGN CAPITAL MARKETS; AND RAISES THE FINANCING THEY NEED BY EMPLOYING STRUCTURED FINANCE TOOLS.

Çalıkbank expects to make significant gains as it grows and acquires additional experience in the area of project finance. The Bank has already put together a team of professionals equipped with the knowledge and experience needed to support its ventures into this line of business.

AN EFFECTIVE PLAYER IN MONEY AND CAPITAL MARKETS

Throughout 2000, Çalıkbank continued to offer its customers a variety of alternatives in capital and money market products. In addition to overnight repo, which is the most conservative of investment vehicles, Çalıkbank also handles customers' trading in all forms of government bonds, T-bills, and similar instruments both in Treasury auctions and in the secondary market. FULLY EQUIPPED WITH ALL THE TECHNOLOGICAL INFRASTRUCTURE NEEDED TO CARRY OUT CAPITAL AND MONEY MARKET TRANSACTIONS, THE BANK PROVIDES ITS CUSTOMERS WITH HIGH-QUALITY SERVICE THANKS TO ITS SERIOUS APPROACH AND ACCURATE MARKET INFORMATION.

In addition to classical capital market instruments, Çalıkbank also plans to introduce trading in derivatives such as futures and options as well.

KOTONLINE: THE SOURCE OF RELIABLE INFORMATION FOR ACCURATE DECISION-MAKING

Kotonline provides a platform that cotton producers and consumers and the textile industry as a whole can all come together on and take advantage of the up-to-date information, analyses, and interpretations with which it is equipped so that they can make correct trading decisions.

A cotton seller who comes to Kotonline frees himself of uncertainties: uncertainties about finding buyers when he needs them,

Kotonline offers many advantages for a buyer too. He has the confidence of dealing with a seller who has proven his trustworthiness. He is able to choose from among a much broader and deeper pool of suppliers. He has complete analyses before him to make his choices because the cotton is certified by accredited laboratories. He knows that the quality of the cotton he buys will boost his output and increase his own added value.



uncertainties about cotton market analyses and forecasts, uncertainties about what competitors in other countries are doing now or are likely to do in the future. He quickly discovers that registering with Kotonline is a way of getting better prices for his goods, of increasing his competitive strength, and of guaranteeing both his buyers and his payments.

For garment-makers, the benefits that Kotonline has to offer are endless. From a single location they can keep track of and compare completely transparent raw material prices from many different sources. They have access to all the information they need for precise pricing.

www.kotonline.com



STRONG RELATIONS WITH EXPORT CREDIT AGENCIES

Since the day it was founded, Çalıkbank has recognized the importance of international relations and given them the attention they deserve.

A fact of life in today's world of finance is that investment banking knows no borders. Projects for which financing is needed are becoming more and more complex and expensive and dealing with this situation requires financing structures in which there are many participants. For developing countries like Turkey, this is a particularly crucial problem because the national financial markets of developing countries tend not to be broad or deep enough to finance large-scale projects on their own and international money and capital markets usually need to be tapped instead.

IN RECOGNITION OF THIS, ÇALIKBANK FROM THE VERY BEGINNING MADE A POINT OF DEVELOPING GOOD RELATIONS WITH FOREIGN COUNTRIES' EXPORT CREDIT AGENCIES. One of the foremost organizations of this kind is Hermes, Germany. In 2000, the Bank handled more than DEM 13 million worth of transactions through Hermes where all the lines were abandoned for Turkey. These deals, which contributed much to the growth of the Bank's balance sheet last year, involved vendor's leasing transactions with Dornier, a world-famous German manufacturer of textile machinery. Çalıkbank concluded these deals in partnership with Bayerische Landesbank, Commerzbank, and Landesbank Baden-Württemberg. THE BANK INTENDS TO EXPAND ITS ACTIVITIES IN THIS AREA IN LINE WITH CUSTOMER DEMANDS AND WILL BE DEVELOPING RELATIONS WITH THE EXPORT CREDIT AGENCIES OF OTHER COUNTRIES AS WELL.

B2B: AN AREA WITH HUGE GROWTH POTENTIAL

E-commerce and business-to-business (B2B) applications are two areas of that Çalıkbank has set its sights on as having enormous growth potential in the medium term.

The growth of internet applications in Turkey has been explosive and shows no signs of letting up. Already the internet has become a widespread and indispensable channel of distribution for Turkish businesses active in a broad range of sectors.

IN FEBRUARY 2000, ÇALIKBANK ENTERED INTO A JOINT VENTURE WITH KOÇ.NET, KOÇ HOLDING'S ISP, AND SET UP AGROMARKET, A COMPANY WHOSE FOCUS IS ON THE DEVELOPMENT OF B2B APPLICATIONS.

THE FIRST PROJECT UNDERTAKEN BY AGROMARKET WAS THE DEVELOPMENT OF AN ELECTRONIC COTTON TRADING PORTAL, WHICH IS NOW IN OPERATION AT THE ADDRESS www.kotonline.com.

Çalıkbank strongly believes that the growth and spread of B2B applications in Turkey and its hinterland are going to be no less explosive than that of the internet itself. We are now working on projects to set up similar e-commerce markets for, wheat, oil seed, hazelnuts, and similar agricultural commodities.

The Bank regards the venture capital model as the best structure for the development of future e-commerce projects. During the formative stages, Çalıkbank will be present as the biggest stockholder; but as time progresses and depending on the project's maturation and performance, the Bank will take on new shareholders and sell shares in the enterprise.

Another area with serious growth potential in Turkey is commodity markets. The Turkish Ministry of Trade is presently involved in a number of projects that will ultimately lead to the formation of the first genuine commodity markets in our country. Çalıkbank is keeping a close watch on these developments in its belief that its experience with its existing B2B applications will give it an early advantage in the new commodity markets when they become active. The Bank is ready to undertake the duties of market maker for the development of these markets. The experience acquired in cotton trading at Kotonline, will provide the models needed to create other agricultural commodity markets.

**STRONG TECHNOLOGICAL
INFRASTRUCTURE PROVIDING
QUALITY SERVICE TO A SELECTED
GROUP**

BECAUSE ÇALIKBANK REGARDS THE PRODUCTS AND SERVICES OF THE NEW ECONOMY AS ITS AREA OF PARTICULAR STRENGTH, IT ATTACHES MORE IMPORTANCE TO TECHNOLOGY THAN OTHER BANKS DO. CHOOSING THE RIGHT TECHNOLOGY AND MAKING IT AVAILABLE AND PART OF THE SYSTEM AT THE RIGHT TIME ARE WHAT CONSTITUTE THE BASIS OF THE SUCCESS OF THE PROJECTS THAT THE BANK UNDERTAKES.

In 2000, Çalıkbank set up its own information system. At the same time that it commissioned its NT-based Winbank banking software package, the Bank also developed its own internet banking module in-house. The Bank's website is now at the service of customers at www.calikbank.com.tr.

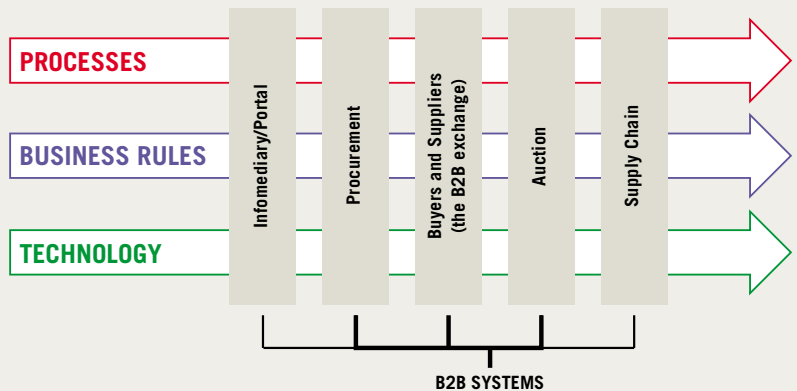
FUNDAMENTALS OF B2B E-COMMERCE

The Internet is the foundation for B2B. Although it has been largely used only in the past six years, it is hard to envisage the world without the Internet. The foundation of the B2B started in the 1960s, when the US government laid the structure for the Internet. A government-to-business application for the Department of defense needed a network of computers that would all talk the same language. Later in the 1970s, the communication protocols were replaced with the TCP/IP protocol set, creating the basis for the Internet.

As the foundation of all B2B activities the Internet provides the framework for developing systems. The digital marketplace involves different elements, including business rules, processes, technology and support services. The main difference between the B2B marketplace from the old marketplace can be summarized in two words: change and efficiency.

B2B systems create a multidimensional marketplace.

B2B Market Components



THE STRUCTURE OF ÇALIKBANK IS IDEALLY SUITED FOR INTERNET BANKING. ONE OF THE BANK'S GOALS IS TO INTRODUCE A MODULE THAT WILL ALLOW CORPORATE CUSTOMERS TO HAVE ACCESS TO CASH-MANAGEMENT SERVICES OVER THE INTERNET. This project, which is now in progress, is slated to become operational in early 2002.

In the area of information technology applications, the Bank completed a document management and archival system project in 2000. Its purpose was to create a more productive and effective working environment for bank personnel. The systems introduced under this project provide managers with a set of tools that permit accurate assessments and judgments to be made and thus lead to significant gains in management effectiveness.

INVESTING IN BRAIN POWER...

ÇALIKBANK HAS A STRONGLY FLAT ORGANIZATIONAL STRUCTURE IN WHICH HIERARCHY IS REDUCED TO THE MINIMUM AND INDIVIDUALS ACT ON THE BASIS OF SHARED KNOWLEDGE AND WISDOM.

78% of the Bank's human resources have a bachelor's degree and 12% have a master's degree or a doctorate. 87% of the professional staff have a command of at least one foreign language. Every Çalıkbank employee is an expert in their particular field and has a strong commitment to the Bank's corporate culture and to its team spirit.

During 2000, Çalıkbank provided its employees with training opportunities in areas of specialization in Turkey and abroad. The Bank attaches particular importance to training, recognizing that employees need to keep their knowledge and skills up to date.

RESPONDING TO THE CHALLENGE OF CHANGE...

Çalıkbank is also structured so as to respond quickly to the challenges that change throws up and to transform opportunities into business. The Kotonline venture that it has spearheaded in the business of cotton trading, is an eloquent example of the Bank's strengths and of its ability to see the future.

Çalıkbank foresees that, as the Turkish economy stabilizes, Turkish entrepreneurs will soon be taking a greater interest in business opportunities in other countries in the region and that they will undertake even more business ventures.

THANKS TO THIS VISION AND TO THE BUSINESS APPROACHES AND STRENGTHS THAT IT INHERITS FROM THE ÇALIK GROUP OF COMPANIES, THE BANK IS READY TO SERVE AND CREATE ADDED VALUE FOR A SELECTED GROUP OF CUSTOMERS BY COMBINING CLASSICAL INVESTMENT BANKING INSTRUMENTS WITH THE VEHICLES AND TECHNIQUES OF THE NEW ECONOMY.

AND THAT IS WHAT WILL CHART THE COURSE OF ÇALIKBANK'S FUTURE GROWTH.

KISACA ÇALIK HOLDİNG

ÇALIK HOLDİNG, TÜRKİYE'NİN ÖNDE GELEN ÇOK-SEKTÖRLÜ ŞİRKET GRUPLARINDAN BİRİDİR.

Çalık Holding..... iştirak şirketi ile tekstil, finans, inşaat ve enerji sahalarında faaliyet göstermektedir. Çalık Holding'in konsolide aktif büyüklüğü 2000 yılı sonunda yarım milyar doları aşmış; şirketlerinde istihdam ettiği toplam çalışan sayısıbini bulmuştur.

Çalık Holding şirketlerinin üretim ve yatırım faaliyetleri, Türkiye ve Türkmenistan'da yoğunlaşırken,milyon dolara ulaşan toplam ihracatı ile Grup, dünya pazarlarında bilinen, saygın bir isimdir.

Güncel teknolojik donanıma sahip yatırımları, yetkin kadrosu, kurumsallaşma yönündeki sağlam adımları ve gelişmiş kalite anlayışı Grubun en önemli rekabet unsurlarını oluşturmaktadır. Çevre ve insan sağlığı konusunda yüksek bir bilinç ve duyarlılığa sahip olan Çalık Grubu, Türk kültür ve sanatı ile milli değerlerin korunması konusundaki örnek çalışmaları ile de farklılaşmaktadır.

TEKSTİL, GRUBUN GELENEKSEL VE EN GENİŞ İŞ SAHASIDIR.

Denim kumaş üretimi alanında bir dünya markası olan Grup, Malatya ve Türkmenistan'da bulunan tesisleri ile pamuk ipliğinden konfeksiyona çok çeşitli tekstil ürününde dünya ölçeğinde rekabet gücüne sahiptir.

Global çaplı tekstil şirketleri ile oluşturduğu stratejik ortaklıklar, Çalık Holding'e geniş bir coğrafyada dünya pazarlarına ulaşma kabiliyeti kazandırmıştır. Grubun en büyük ticaret pazarları ABD, İtalya başta olmak üzere AB ülkeleri ve eski Doğu Bloku ülkeleridir.

FİNANS, İNŞAAT VE ENERJİ GRUBUN DİĞER ANA İŞ SAHASIDIR.

Grubun finans sektöründeki iştiraki Çalıkbanktır. Bir yatırım bankası statüsünde olan kurum, 1999 yılından beri hizmet vermektedir.

Çalık Holding, inşaat sektöründeki faaliyetleri kapsamında, tekstil alanındaki anahtar teslim fabrika projeleri dışında, konut ve iş merkezi inşaatları da gerçekleştirmektedir. Grubun inşaat sahasındaki faaliyetleri ağırlıklı olarak Türkmenistan'da üstlendiği projelerden oluşmaktadır.

Türkiye'nin giderek artan enerji ihtiyacını da göz önüne alarak, enerji sektörüne girmeye karar veren Grup, elektrik üretimi ve elektrik dağıtımının yanında doğal gaz dağıtımı ve toptan satımı gibi konularında da şirketleri vasıtasıyla çalışmalarını yürütmektedir.

TÜRKMENİSTAN: GRUBUN GELİŞME EKSENİ

Yatırımları için genişleme alanı olarak seçtiği Türkmenistan'da gerçekleştirdiği ortaklık ve tesislerle birçok "ilk"i gerçekleştiren Çalık Grubu, bu ülkede önemli ve saygın bir konuma sahiptir. Grup, Türkmenistan'da tekstil, inşaat ve hidrokarbon alanındaki projelerini sürdürmeyi ve bu coğrafyadaki iş hacmini geliştirmeyi öngörmektedir.

The background features a complex, abstract pattern of overlapping, concentric circles and lines. These lines are arranged to form a stylized, somewhat mask-like face with large, hollow eyes and a wide, open mouth. The lines are thin and light-colored, creating a delicate, wireframe effect. The overall composition is centered and symmetrical.

AUDITORS' REPORT



A. A. Aktif Analiz S.M.M.M. A.Ş.

TO THE BOARD OF DIRECTORS OF ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ:

1. We have audited the accompanying balance sheet of Çalık Yatırım Bankası Anonim Şirketi (a Turkish corporation - "the Bank") as of December 31, 2000, 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, 2000. 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. The accompanying financial statements for 1999, presented for comparative presentation purposes only, were audited by other auditors whose report dated January 21, 2000, expressed an unqualified opinion on these statements.

4. In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of Çalık Yatırım Bankası Anonim Şirketi as of December 31, 2000, and the results of its operations and cash flows for the year then ended, in accordance with International Accounting Standards, issued by the International Accounting Standards Committee.

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

a) As indicated in Notes 4 and 8 to the accompanying financial statements, during the course of its business, the Bank has entered into transactions only with related parties, Çalık Group of companies, in terms of loans provided and leasing contracts carried out.

b) As also discussed in Note 22, as a result of the significant volatility in Turkish capital and money markets, and liquidity shortages during the week starting February 19, 2001, managed exchange rate system which had limited the depreciation of local currency was abandoned in favor of a free floating exchange rate system. During this period Turkish Lira depreciated significantly against major currencies. As of February 23, 2001, depreciation of Turkish Lira against US dollar using the rates announced by the Central Bank was approximately 37% when compared to the rates prevailing as of December 31, 2000 and exchange rates have not yet settled and the economic uncertainties are still prevailing.

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

İstanbul,

February 9, 2001.

(Except with respect to the matter discussed in Note 22,
as to which the report date is February 23, 2001)

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

BALANCE SHEETS

DECEMBER 31, 2000 AND 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

ASSETS	Notes	2000	1999
CASH AND CURRENT ACCOUNTS WITH BANKS	5	159	6
CALL AND TIME DEPOSITS WITH BANKS	5 and 17	2,623	5,341
INTERBANK FUNDS SOLD	6 and 17	1,400	-
FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS	18	1,000	-
MARKETABLE SECURITIES, net	7 and 17	152	5,713
LOANS	4, 8 and 17		
Short-term		3,619	174
Long-term		-	-
Less- Allowance for loan losses		-	-
Loans, net		3,619	174
LEASE CONTRACTS RECEIVABLE	4, 9 and 17	3,152	-
Less- Unearned interest income		(377)	-
Less- Allowance for lease contracts receivable losses		-	-
Lease contracts receivable, net		2,775	-
ACCRUED INTEREST INCOME AND OTHER ASSETS	4 and 13	252	30
EQUITY PARTICIPATION	7	99	-
EQUIPMENT AND INTANGIBLE ASSETS, net	10	587	535
Total assets		12,666	11,799

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

BALANCE SHEETS

DECEMBER 31, 2000 AND 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2000	1999
INTERBANK FUNDS BORROWED	11 and 17	-	2,653
FUNDS BORROWED	12 and 17	2,164	-
FUNDS BORROWED UNDER SECURITIES			
REPURCHASE AGREEMENTS	18	282	-
ACCRUED INTEREST EXPENSE PAYABLE AND OTHER LIABILITIES	13	465	22
TAXES PAYABLE			
- Taxes on income	14	428	681
- Deferred income tax	14	384	46
Other taxes		51	26
Total liabilities		3,774	3,428
SHAREHOLDERS' EQUITY:			
Share capital	15	8,437	8,437
Accumulated deficit	16	(66)	-
Net income/(loss) for the year		521	(66)
Total shareholders' equity		8,892	8,371
CONTINGENCIES AND COMMITMENTS	4 and 18		
Total liabilities and shareholders' equity		12,666	11,799

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

STATEMENTS OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2000 AND FOR THE PERIOD JULY, 28 AND DECEMBER 31, 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

	Notes	2000	1999
INTEREST INCOME:			
Interest and commissions on loans	4	1,587	217
Interest on marketable securities	4	22	2,103
Interest on financial leases		52	-
Interest on deposits with banks		1,649	316
		3,310	2,636
INTEREST EXPENSE:			
Interest on funds borrowed		(113)	(43)
Other interest expense		-	-
		(113)	(43)
Net interest income		3,197	2,593
PROVISION FOR LOAN AND LEASE CONTRACT LOSSES	8 and 9	-	-
Net interest income after provision for loan and lease contract losses		3,197	2,593
FOREIGN EXCHANGE GAIN, net of loss of TL 2,405 (1999 - TL-nil)		62	370
Net interest income after provision for loan and lease contract losses, and foreign exchange loss, net		3,259	2,963
OTHER OPERATING INCOME:			
Income from banking services		126	16
Trading gain on marketable securities, net of loss of TL 156 (1999-TL-nil)		1,193	306
Other income		80	-
		1,399	322
OTHER OPERATING EXPENSES:			
Salaries and employee benefits		(587)	(174)
Administrative expenses and other expenses		(367)	(121)
Taxes other than on income		(262)	(243)
Depreciation and amortization		(148)	(29)
		(1,364)	(567)
Income before provision for taxation and monetary loss		3,294	2,718
PROVISION FOR TAXATION	14		
Current		(447)	(869)
Deferred		(349)	(46)
Net income before monetary loss		2,498	1,803
MONETARY LOSS		(1,977)	(1,869)
Net income/(loss)		521	(66)

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ
STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2000 AND FOR THE PERIOD BETWEEN JULY, 28 AND DECEMBER 31, 1999
(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

	Total	Share Capital (*)	Adjustments to Share Capital	Accumulated Deficit	Net Income/(Loss)
Balances, at inception date	8,437	5,000	3,437	-	-
Net loss for the year	(66)	-	-	-	(66)
Balances, at December 31, 1999	8,371	5,000	3,437	-	(66)
Inclusion of accumulated deficit	-	-	-	(66)	66
Net income for the year	521	-	-	-	521
Balances, at December 31, 2000	8,892	5,000	3,437	(66)	521

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

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ
 RESTATED STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2000 AND FOR THE PERIOD BETWEEN JULY, 28 AND DECEMBER 31, 1999
 (Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss) for the year	521	(66)
Adjustments for:		
Unrealized monetary gain/loss, net	72	30
Depreciation and amortization	148	30
Provision for loan losses	-	-
Provision for retirement pay, net	7	-
Provision for deferred tax liability	349	46
Net increase/(decrease) in other assets and liabilities	239	18
Operating profit before changes in operating assets and liabilities	<u>1,336</u>	<u>58</u>
Increase/(decrease) in current taxes payable	(207)	814
Net increase in funds borrowed from banks	2,164	-
Net increase in loans	(3,445)	(174)
Net increase/(decrease) in interbank funds borrowed	(2,653)	2,653
Net increase in interbank funds sold	(1,400)	-
Net increase in funds lent under securities resale agreement	(1,000)	-
Net increase in funds borrowed under securities repurchase agreement	282	-
Net increase/(decrease) in call and time deposits with banks	2,718	(5,341)
Net (increase) in lease receivables	(2,775)	-
Income taxes paid	(129)	(133)
Net cash provided by/(used in) operating activities	<u>(5,109)</u>	<u>(2,123)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of non-dealing securities	8,406	2,138
Purchase of non-dealing securities	(2,845)	(7,881)
Purchases of premises and equipment	(200)	(565)
Disposals of premises and equipment	-	-
Purchase of shares of equity participations	(99)	-
Net cash provided by/(used in) investing activities	<u>5,262</u>	<u>(6,308)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	-	-
Share capital cash increase	-	8,437
Net cash provided by/used in financing activities	<u>-</u>	<u>8,437</u>
NET INCREASE IN CASH AND DUE FROM BANKS	153	6
CASH AND DUE FROM BANKS AT BEGINNING OF THE YEAR/ PERIOD	6	-
CASH AND DUE FROM BANKS AT END OF THE YEAR/ PERIOD	159	6
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, 2000 and 1999 were as follows:		
Interest paid	1,226	22
Income taxes	129	133
Interest received	4,074	720
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.		
Cash and cash equivalents as previously reported	5	-
Effect of restatement	1	-
Cash and cash equivalents as restated	<u>6</u>	<u>-</u>

ÇALIK YATIRIM BANKASI ANONİM ŞİRKETİ

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND FOR THE PERIOD JULY 28 - DECEMBER 31, 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000 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, 2000, The Bank employs 20 people (1999-12).

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 Accounting Standards (IAS) issued by the International Accounting Standards Committee including restatement for the changes in the general purchasing power of the Turkish lira as of December 31, 2000. The Bank adopted all standards, which were mandatory as of December 31, 2000. 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 9, 2001.

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 20. The effects of the differences between IAS and the generally accepted accounting principles in the United States or other countries other than Turkey, in which the IAS 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, 2000 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, 1998	54.36	52.73
December 31, 1999	62.92	72.71
December 31, 2000	32.70	24.38

(*) 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, 1998	1,215.1	2.161
December 31, 1999	1,979.5	1.327
December 31, 2000	2,626.0	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, 1999 are restated in their entirety to the measuring current at December 31, 2000.
- Monetary assets and liabilities as of December 31, 2000 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 other than bonus shares from the date it was contributed (see Note 15).
- 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.
- Interest income and expense and foreign exchange gains and losses are not restated within the accounting year in which they arise. All other items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the net monetary position is included in the accompanying statements of income as a net monetary gain or loss.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**a) Income and Expense Recognition:**

Income and expenses are recognized on the accrual basis. 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.

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b) Allowance for Loan Losses:

Based upon its evaluation of loans granted, management estimates the total allowance that it believes is adequate to cover uncollectible amounts in the Bank's loan portfolio, lease receivables and losses under guarantees and commitments. 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.

As an investment bank, Çalıkbank is not subject to the guidelines of the Cabinet of Minister's Communiqué 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) Marketable Securities and Equity Participations:

For marketable securities portfolio, designation as "held to maturity" security rather than as "available for sale" security is based on the intent to hold the security for the long-term. Gains or losses on the disposal of "held to maturity" securities are recognized using a specific identification basis.

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) Equity Participations:

The equity participations are carried at restated cost in the equivalent purchasing power of Turkish lira at December 31, 2000, net of reserve for impairment.

ii) Securities "Available for Sale":

Debt securities classified as "available for sale" are stated at market values, with resulting gain/(loss) recognized in the accompanying statements of income.

iii) Securities "Held to Maturity":

Turkish lira denominated debt securities are stated at cost and adjusted for accretion of discount.

d) Securities Under Resale or Repurchase Agreements:

Securities sold under sale and repurchase agreements ("repos") are accounted for as a financing transaction and related assets are reflected as marketable securities sold under repurchase agreements at their carrying values with corresponding counterparty liability reflected as funds borrowed under securities repurchase agreements. Funds purchased under agreements to resell ("reverse repos") are reflected as funds lent under securities resale agreements. The difference between sale and repurchase price in repo transactions or purchase and resale price in reverse repo transactions is accrued evenly over the life of the transaction. The Bank treats repo transactions as trading transactions and records gains and losses on these transactions as trading gain/loss net. Such transactions are short-term and mainly involve government debt securities.

e) Equipment and Fixtures:

Equipment and fixtures are carried at restated cost in year-end purchasing power at December 31, 2000. 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 also involves in financial leases (as a lessor). 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) 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.

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i) 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.

j) 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.

k) 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 policies 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), which are carried in off-balance sheet accounts.

Such contracts are entered into mainly to mitigate exposure to foreign currency risk. Market rates with respect to derivative transactions are not publicly available in Turkey and accordingly discounts or premiums computed as the difference between the contract rate as discounted as of the related cut off date and the actual spot rate is recorded as gain or loss at related period end.

The resulting accrued gain and loss, representing their fair value, is reflected in other assets and other liabilities, respectively, in the accompanying balance sheets.

l) 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.

For marketable securities for which market prices are available, fair value equals total value computed using such market prices (See Note 7). For the remaining marketable securities, fair value is estimated to approximate carrying values.

The carrying value of loans net of reserves, are estimated to approximate their fair values due to their short-term nature. The carrying value of lease receivables, mainly denominated in foreign currency, are estimated to approximate their fair values due to their short-term nature.

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.

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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 value of funds borrowed which include mainly floating rate borrowings, are considered to approximate their principal amounts plus accrued interest (Note 12).

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

m) Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and current accounts with banks.

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 solely conducted with group companies as shown below.

Major balances outstanding with related parties at December 31, 2000 and 1999 are as follows:

	2000	1999
Loans	3,619	174
Accrued interest income on loans	133	24
Lease contracts receivable, net (Note 9)	2,775	-
Non cash loans (Note 18)	2,959	743
Repurchase agreements	282	-

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

	2000	1999
Interest and commissions income on loans	1,587	217
Interest income on financial leases	52	-

As of December 31, 2000 interest rates applicable to cash loans were 90%-22%(1999-110%).

As of December 31, 2000 commission rates applicable to non-cash guarantees were 0,25% - 2% (1999-1%-2%).

5) DUE FROM BANKS AND CALL AND TIME DEPOSITS WITH BANKS:

At December 31, 2000 and 1999 the details of cash and current accounts and call and time deposits with banks are as follows:

	2000			1999		
	Turkish Lira (TL)	Foreign Currency Denominated	Total	Turkish Lira (TL)	Foreign Currency Denominated	Total
Due from banks	49	94	143	3	3	6
Call and time deposits	2,270	353	2,623	5,341	-	5,341
	2,319	447	2,766	5,344	3	5,347

As of December 31, 2000, foreign currency and TL time deposits represent short-term placements at banks maturing within 2 days (1999-3 to 4 days).

As of December 31, 2000, foreign currency time deposits bear interest rates of 15% and TL deposits bear interest rates of 85% - 120% (1999-90%-110%).

6) INTERBANK FUNDS SOLD:

As of December 31, 2000 interbank funds sold represent TL placements made through interbank transactions governed by the Turkish Central Bank maturing within 2 days with interest rate of 125%.

7) INVESTMENTS:

Investments comprise marketable securities and equity participation.

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a) Marketable securities:

'Available for sale' and 'held to maturity' securities at December 31, 2000 and 1999 are as follows:

As of December 31, 2000 and 1999, the market values and carrying values of the marketable securities are as follows:

	2000		
	Carrying Value (*)	Central Bank Reserve Values (***)	Market Value (Approximate) (**)
"Available for sale"			
Government bonds	152	156	152
	1999		
	Carrying Value (*)	Central Bank Reserve Values (***)	Market Value (Approximate) (**)
"Available for sale"			
Government bonds	5,713	5,644	5,713

(*) Including Istanbul Stock Exchange (ISE) Bond Market values for TL treasury bills and government bonds have been taken as basis in computation of carrying values.

(**) Istanbul Stock Exchange (ISE) Bond Market values for TL treasury bills and government bonds, have been taken as basis in computation of market values.

(***) Announced by The Central Bank of Turkey for disponibility requirements.

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

	2000		1999	
	Nominal	Cost	Nominal	Cost
Deposited against activities in the ISE				
- Government bonds	TL 100	TL 78	-	-
- Treasury bills	-	-	-	-
Central Bank deposits (government bonds and Treasury bills)				
- Interbank transactions				
- TL	TL 100	TL 79	TL 2,000	TL 1,624
- Foreign currency TL equivalent	-	-	-	-
- Repurchase transactions	-	-	-	-
- Disponibility requirements	-	-	-	-
- Blocked depot	-	-	-	-
- Share capital collateral	-	-	-	-
	TL 200	TL 157	-	TL 1,624

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

b) Equity participation:

Equity participation at December 31, 2000 consists of 50% participation in an Internet portal – Agromarket amounting to TL150 (in historical terms) with 50% of participation. Equity participation is stated at restated cost, with TL96 of net reserve for impairment in value.

8) LOANS:

Loans at December 31, 2000 and 1999, comprise the following:

	2000	1999
Short-term loans	3,619	174
Long-term loans	-	-
Loans in legal follow-up	-	-
	3,619	174
Less: allowance for loan losses	-	-
Loans, net	3,619	174

As of December 31, 1999 the balance consists of a loan given to a related party operating in the textile sector maturing at March 31, 2000 with the interest rate of 110%.

As of December 31, 2000 the balance consists of loans given to related parties operating mainly in the textile sector maturing during January 2001

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with an average interest rate of 120%.

Loans by industry segments at December 31, 2000 and 1999 are as follows:

	2000	1999
Finance	604	-
Textile	3,015	174
Total loans	3,619	174

At December 31, 2000 and 1999 the segregation of the performing loans by their currency is as follows:

	2000	1999
In Turkish lira	3,619	174
In foreign currencies	-	-
	3,619	174

9) LEASE CONTRACTS RECEIVABLE:

All lease contracts receivables, consisting of rental receivables over the terms of the leases, at December 31, 2000 are comprised of textile sector leasing agreements between Çalıkbank and Group companies. The rental receivables are as follows:

Years	2000
2001	1,172
2002	736
2003	523
2004	371
2005	350
Gross lease receivable	3,152
Loss: Unearned interest income	(377)
	2,775

	2000	
	Amount	IRR (%)
In foreign currencies (full)	DEM 3,109,946	%0.004-%5
	USD 324,438	
	EURO 3,588,834	
	JPY 9,176,256	
In Turkish lira	TL 22	
Equivalent in Turkish Lira	3,152	

As of December 31, 1999, the Bank has no lease contracts receivables outstanding.

10) EQUIPMENT AND INTANGIBLE ASSETS:

Equipment and fixtures comprise:

	2000	1999
Cost as restated:		
Furniture and fixture	45	41
Machinery and equipment	146	92
Motor vehicle	90	80
Leasehold improvements	66	66
Rights	412	281
Other	4	5
	763	565
Less: Accumulated depreciation, and amortization, as restated	(176)	(30)
Net book value, as restated	587	535

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11) INTERBANK FUNDS BORROWED:

Interbank funds borrowed from the interbank money market governed by the Central Bank as of December 31, 2000 and 1999 are as follows:

	Amount		Interest rate (%)		Maturity (days)	
	2000	1999	2000	1999	2000	1999
TL Borrowings	-	2,653	-	70	-	3

12) FUNDS BORROWED FROM BANKS:

Funds borrowed from financial institutions at December 31, 2000 consist of the loans obtained as set forth below:

	2000		
	Maturity Range	Effective Interest Rate (%)	Amount
Long-term:			
Foreign currency-Foreign banks	5 years	5.54-6	487
	5 years	6.1	1,677
Total			2,164

Funds borrowed from financial institutions include mainly floating rate borrowings.

At December 31, 1999, the Bank has no outstanding funds borrowed from financial institutions.

13) ACCRUED INTEREST INCOME AND OTHER ASSETS AND ACCRUED INTEREST EXPENSE AND OTHER LIABILITIES:

Accrued interest income and other assets comprise the following:

	2000	1999
Accrued interest income on loans	133	-
Accrued interest income on bank deposits	83	30
Accrued interest income on marketable securities	22	-
Others	14	-
	252	30

Accrued interest and other liabilities comprise the following:

	2000	1999
Accrued interest expense on funds borrowed	9	-
Accrued interest expense on interbank funds borrowed	-	10
Transitory accounts	358	-
Reserve for retirement pay liability	7	-
Payment orders	14	-
Others	77	12
	465	22

14) 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% (1999-16.5%).

As of December 31, 2000 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% (1999-16.5%) 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, 2000 is TL2,719.

As of December 31, 2000, the Bank has unused statutory investment allowances of TL4,334 (in historic terms) 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, 2000 and 1999 computed by applying the effective statutory tax rate to income before tax provision for income tax as shown in the following reconciliation;

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	2000	1999
Income before provision for taxes and monetary loss, being basis for tax reconciliation	3,294	2,718
Provision for corporate tax at the combined tax rate of 33%	1,087	897
Net benefit of investment allowance utilized	(298)	-
Tax effect in historical amounts of permanent non-tax deductible and tax deductible expenses and others, net	16	-
Other effects, primarily relating to restatement due to the effects of accounting for inflation	(9)	18
Provision for taxes per statements of income	796	915
Provision for taxes per accompanying statements of income		
- Current	447	869
- Deferred	349	46
	796	915

In the accompanying balance sheet as of December 31, 2000, an advance payment of tax made in 2000 amounting to TL19 (1999-TL133) has been netted off with the current taxes payables.

In Turkey, a new tax law was enacted on November 26, 1999. The objective of the law is to generate additional tax revenues in order to help finance the public deficits, which further increased due to two recent earthquakes. This law introduced an additional 5% tax burden on taxable corporate profits and salary income earned in 1998, additional taxes on property and motor vehicles as well as withholding taxes on interest income earned on government securities. As of December 31, 1999 the Bank has no additional tax burden arising from these provision of the new law.

As of December 31, 2000 and 1999, the summary of deferred tax liability/(asset) was as follows:

	Deferred Tax Liability/(Asset)	
	2000	1999
Deferred tax on;		
Interest income accrual on marketable securities which will be taxable when collected	-	(3)
Other temporary differences, net (mainly, restatement of fixed assets and financial leasing)	384	49
Net deferred tax of the temporary differences	384	46

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 within five years.

15) SHARE CAPITAL:

Paid-in share capital as of at December 31, 2000 and 1999 is restated in equivalent purchasing power at December 31, 2000. As of December 31, 2000 and 1999, the Bank's historical authorized and paid-in share capital comprises 5,000,000 shares each having TL1,000,000 par value.

As of December 31, 2000 and 1999 the paid-in share capital of the Bank in historical Turkish lira is as follows:

	2000		
	Amount	%	
Ahmet Çalık	4,000	80.0	
Mahmut Çalık		500	10.0
Çalık Holding	225	4.5	
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	225	4.5	
Ali Akbulut	50	1.0	
	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, 2000 and 1999, the Bank's statutory capital adequacy ratio exceeded the minimum requirement of the Treasury.

The adjustments to share capital amounting to TL3,437 at December 31, 2000 and 1999, represent the restatement effect of the cash contributions (at inception date) to share capital with the purchasing power of December 31, 2000.

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16) 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, 2000 the statutory general reserve and current year net income of TL3,026 (1999-TL1,238) (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:

	2000	1999
Legal Reserves	62	-

17) 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, 2000 and 1999.

	2000					Total
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	
Interest Earnings Assets						
Turkish lira						
- Call and time deposits with banks	2,270	-	-	-	-	2,270
- Interbank funds sold	1,400	-	-	-	-	1,400
- Lease contracts receivable	2	3	3	3	11	22
- Trading and investment securities	-	-	152	-	-	152
- Funds lent under securities resale agreements	1,000	-	-	-	-	1,000
- Loans	3,619	-	-	-	-	3,619
	8,291	3	155	3	11	8,463
Foreign currency (*)						
- Call and time deposits with banks	353	-	-	-	-	353
- Interbank funds sold	-	-	-	-	-	-
- Lease contracts receivable	311	83	248	328	1,783	2,753
- Trading and investment securities	-	-	-	-	-	-
- Loans	-	-	-	-	-	-
	664	83	248	328	1,783	3,106
Interest Earning Liabilities						
Turkish lira						
- Funds borrowed	-	-	-	-	-	-
- Interbank funds borrowed	-	-	-	-	-	-
- Funds borrowed under securities repurchase agreement	282	-	-	-	-	282
	282	-	-	-	-	282
Foreign currency (*)						
- Funds borrowed	-	-	168	168	1,828	2,164
- Interbank funds borrowed	-	-	-	-	-	-
	-	-	168	168	1,828	2,164

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	1999					Total
	0 to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	
Interest Earnings Assets						
Turkish lira						
- Call and time deposits with banks	5,341	-	-	-	-	5,341
- Lease contracts receivable	-	-	-	-	-	-
- Trading and investment securities	5,713	-	-	-	-	713
- Loans (**)	-	174	-	-	-	174
	11,054	174	-	-	-	11,228
Foreign currency (*)						
- Call and time deposits with banks	-	-	-	-	-	-
- Interbank funds sold	-	-	-	-	-	-
- Lease contracts receivable	-	-	-	-	-	-
	-	-	-	-	-	-
Interest Earning Liabilities						
Turkish lira						
- Funds borrowed	-	-	-	-	-	-
- Interbank funds borrowed	2,653	-	-	-	-	2,653
	2,653	-	-	-	-	2,653
Foreign currency (*)						
- Funds borrowed	-	-	-	-	-	-
- Interbank funds borrowed	-	-	-	-	-	-
	-	-	-	-	-	-

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

18) 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 takes 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.

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, 2000 and 1999:

Description	2000	1999
Letters of guarantee issued by the Bank	2,156	743
Letters of credit	803	-
Acceptance credits	-	-
Other guarantees	-	-
	2,959	743

The sectoral distribution of non-cash loans at December 31, 2000 and 1999 are as follows:

Description	2000	1999
Textile	2,707	743
Finance	250	-
Others	2	-
	2,959	743

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.

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Commitments of resale and repurchase of marketable securities-

The Bank's commitments for resale and repurchase of marketable securities as of December 31, 2000 is as follows:

	Amount	Maturity Range (days)
Repurchase commitments (at repurchase value)	1,022	2
Resale commitments (at resale value)	290	2

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

Forward agreements-

As of December 31, 2000 and 1999, the Bank's forward commitments comprised:

	Buy		Sell	
	2000	1999	2000	1999
TL	-	-	-	-
US \$	1,962	-	2,000	-
EURO	2,000	-	1,962	-
US\$ Equivalent	3,924	-	3,924	-

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:

- the industry dynamics and borrowers competitive position within the sector,
- the financial position of the borrower,
- the level of leverage,
- managerial capability and ethics of the credit customers

Foreign Exchange Risk:

The Bank holds its short and long foreign exchange position according to the foreign exchange basket of 1US\$ plus 0.77EUR, which was defined by the Central Bank of Turkey for the purpose of hedging itself from the volatility in cross currencies. The Bank's foreign exchange risk is continuously monitored by the Bank's treasury 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 IAS as of December 31, 2000 and 1999, is as follows:

	2000		1999	
	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	1,238	1,788	-	1,238
Effect of adjustments				
1. Total effect of leasing adjustment	-	1,013	-	-
2. Effect of impairment in value of equity participation	-	(54)	-	-
3. Deferred tax effect of timing differences	(6)	(334)	-	(6)
Total effect of adjustments in historic Turkish lira	(6)	625	-	(6)
Net effect of restatement	(1,298)	(1,892)	-	(1,298)
Balances per accompanying financial statements	(66)	(66)	521	(66)

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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND FOR THE PERIOD JULY 28 - DECEMBER 31, 1999

(Currency - Billions of Turkish lira in equivalent purchasing power at December 31, 2000 unless otherwise indicated)

21) SUBSEQUENT EVENTS:

Subsequent to the balance sheet date, at the Annual General Meeting held on February 13, 2001 the Bank has decided not to distribute the net income for 2000 to the shareholders and to transfer to retained earnings as general reserve, subject to the legal reserve requirements (See Note 16).

Effective January 1, 2001 the retirement pay ceiling has been increased to TL647 (1999-TL489).

22) EVENT SUBSEQUENT TO THE DATE OF AUDITORS' REPORT:

During the week starting on February 19, 2001, prices of equity and domestic debt securities traded in Istanbul Stock Exchange declined steeply, interbank money market and public and private sector borrowing interest rates increased significantly and banking system was confronted with liquidity problems. Upon these developments in the financial markets, on February 22, 2001 adoption of a free-floating exchange system instead of the managed exchange rate system, which has been followed to date, was announced. As of February 23, 2001, US dollar foreign currency buying and selling rates announced by the Central Bank of Turkey were 957,879 and 962,499, respectively, as compared to the rates of TL 671,765 (buying) and TL 675,004 (selling) as of December 31, 2000. As of December 31, 2000 and February 23, 2001 the Bank's net foreign exchange positing including forward position (in thousand US dollar equivalent) is as follows:

	February 23, 2001 (unaudited)	December 31, 2000
Bank's foreign currency assets	4,586	5,158
Bank's foreign currency liabilities	3,446	3,428
Bank's forward purchase commitments	3,770	3,817
Bank's forward sale commitments	3,770	3,817

A SELECTION OF SPECIALIST TERMS.....

Business to Business (B2B) The portion of the Internet market that effects transactions between business operations and their partners in marketing, sales, development, manufacturing and support.

B2B exchanges A business exchange that facilitates introductions, listings and manages the transactions between buyers and sellers in specific markets.

B2B portals In business-to-business terms, a portal is usually a one-stop destination specific to an individual industry or function in the B2B cycle.

Business to Business (B2B) Transactions Business transactions conducted over public or private networks, including public and private transactions using the Internet as a delivery vehicle. These transactions include: financial transfers, on-line exchanges, auctions, product and service delivery supply chain activities and integrated business networks.

E-commerce Umbrella term for applications for the sale of products and services via the Internet.

E-business Term used broadly for the act of doing business using the Internet and other electronic means to conduct business.

E-marketplaces Electronic locations where buyers, sellers and intermediaries meet to conduct business.

E-procurement Systems that support the purchase of products and services across the Internet.

HTML Abbreviation for hypertext markup language. Programming language for drafting of documents on the Internet.

ISP (Internet service providers) Deliver a wide range of services to individual users and organizations for the Internet. These include web hosting, electronic mail, FTP, and many other e-commerce services.

Infomediary The infomediary is a variation of the portal. In addition to providing specific information for an individual industry, the infomediary is usually a creator or reseller of content.

Internet The global network that links a very substantial fraction of the world's computer networks. The Internet stems from the original ARPANET, the network that connected four US campuses, which was initiated in North America in 1969.

LAN Abbreviation for local area network. A computer network that operates and is located in one specific location. The LAN enables the connected stations to share devices such as printers and modems.

WAN (Wide Area Network) Made up of local networks that are connected to other local networks by high-speed telephone lines.



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www.calikbank.com | www.kotonline.com

Fatih Caddesi, Selvi Sokak 18 31010 Merter, İstanbul TURKEY Tel: (90 212) 539 81 09-539 01 01 Fax: (90 212) 502 39 43