TÜRKİYE VAKIFLAR BANKASI T.A.O.

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED

31 DECEMBER 2001 (RESTATED), 2000 AND 1999

TO THE BOARD OF DIRECTORS
TÜRKİYE VAKIFLAR BANKASI T.A.O.
ANKARA

OPINION OF INDEPENDENT AUDITORS

1. We have audited the accompanying consolidated balance sheets of Türkiye Vakıflar Bankası T.A.O. (the "Bank") and its participations (together, the "Group") as of 31 December 2001, 2000 and 1999 and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of the Turkish Lira at 31 December 2001. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. Except for limitations set out in paragraphs 3 and 5 below, we conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. Detailed information regarding the appropriate classification of consumer and other individual loans in follow up was not available. Accordingly we could not perform sufficient audit procedures regarding the adequacy of loan loss provisions for such loans, and we express no opinion on the adequacy of such provisions.

4. The Bank acquired a 45% shareholding in Güney Ege Enerji İşletmeleri Limited Şirketi in the year 2000 for a consideration of USD 103,500,000, from a borrower experiencing financial difficulty. During 2001 the Bank transferred this shareholding to a newly established participation, Vakıf Enerji ve Madencilik A.Ş., for the same consideration. Güney Ege Enerji Limited Şirketi holds the operating rights for Yatağan, Yeniköy and Kemerköy thermal power generation plants which are within the scope of the privatization programme. Commencement of operation of these power plants is heavily dependent on the conclusion of administrative procedures with the direction of Council of Ministers' decisions. We are unable to form a conclusion as to the amount of any provision which may be needed against the carrying value of this participation, which is accounted at cost in the accompanying financial statements.

5. Complete and accurate information on the original cost of some of the Bank's properties capitalized before 1980 was not available, to enable the calculation of their restated (indexed) cost. Accordingly, instead of restated cost, professional valuations have been used for such properties, determined by a firm of property valuers which is a majority-owned participation of the Bank. We do not express any opinion on the accuracy of the values determined by the property valuer, since this is outside our area of expertise. Additionally, we have tested the accuracy and completeness of the information for fixed assets indexation on a sampling basis, but these tests are not necessarily sufficient to detect any errors in the restated carrying value of fixed assets as a whole.

6. As explained more fully in note 2 “Change of Index in 2001”, certain items in the balance sheet at 31 December 1999 (and all items in the balance sheet at 31 December 1998, which form the opening balances for computation of the 1999 income statement) have been restated to year end money values using a different version of the Wholesale Price Index from that used for the balance sheets at 31 December 2001 and 2000. Such use of a different index affects the comparability of the amounts involved and affects the monetary gain/loss for 2000 and 1999, by amounts which we are unable to quantify.

7. Audit testing in the Bank’s consolidated subsidiary Güneş Hayat Sigorta A.Ş. indicates that the company’s computer system for life branch reinsurance may not be functioning correctly, and therefore we are unable to express an opinion as to whether its payables to reinsurance companies (TL 93 Billion) are recorded completely and correctly.

8. At 31 December 2000, TL 139,073 Billion (historical values) of cash loans extended to public and private sector customers were overdue or not complying with rescheduling agreements. Off balance sheet commitments to those loan customers totalled TL 44,674 Billion (historical values). In addition, current loans totalling TL 57,917 Billion (historical values) at 31 December 2000 were to customers in a weak financial position due to economic conditions or for other reasons. Off balance sheet commitments to those customers totalled TL 128,852 Billion (historical values), and the same customers had received a further TL 40,373 Billion (historical values) loans from a subsidiary of the Bank.

9. In our opinion, except for such adjustments as may be necessary in respect of the matters discussed in the paragraphs above, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2001, 2000 and 1999 and the consolidated results of its operations and its cash flows for the years then ended, in accordance with International Accounting Standards.

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

10. Banking Regulation and Supervision Agency (BRSA) has declared to the Bank with the letter dated 12 June 2002 , numbered BDDK.DEG/21.12 that the Bank’s unconsolidated capital adequacy ratio is realized as 5.91% and a capital increase of TL 160,000 Billion is required by Turkish law as a result of the special audit process .

11. As discussed in Note 31, the accompanying 2001 financial statements have been restated to reflect the adjustments made by BRSA to the Bank’s financial statements. We have not audited any financial statements of the Bank for any period subsequent to 31 December 2001.

Ankara, 23 July 2002 (29 April 2002 as to Note 31)

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
Member Firm of **DELOITTE TOUCHE TOHMATSU**

TÜRKİYE VAKIFLAR BANKASI T.A.O.

INFLATION ADJUSTED AND CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED 31 DECEMBER 2001, 2000 AND 1999
(expressed in the equivalent purchasing power of Turkish Lira at 31 December 2001)

Assets

	Note	As Restated, See Note 31 2001 TL Billion	2000 TL Billion	1999 TL Billion
Liquid Assets	4	78,766	96,652	154,840
Balances With The Central Bank	5a	259,793	163,054	104,010
Balances With Banks	6	457,065	668,997	473,856
Interbank Funds Sold		249,139	39,910	-
Trading Securities Portfolio	7a	3,212,439	2,345,354	4,295,707
Reserve Deposits at the Central Bank	5b	491,084	462,152	369,305
Loans (Net)	8	3,849,656	5,256,095	3,675,078
Trade Receivables	9	48,424	56,598	47,516
Sundry Debtors	10	66,659	45,657	21,015
Equity Participations (Net)	11	230,285	262,822	129,329
Held to Maturity Securities	7b	767,479	1,089,272	-
Goodwill (Net)	12	-	-	969
Premises & Equipment (Net)	13	903,611	822,158	575,251
Other Assets	14	92,934	85,071	66,571
TOTAL ASSETS		10,707,334	11,393,792	9,913,447

continued

TÜRKİYE VAKIFLAR BANKASI T.A.O.

INFLATION ADJUSTED AND CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED 31 DECEMBER 2001, 2000 AND 1999
(expressed in the equivalent purchasing power of Turkish Lira at 31 December 2001)

Liabilities	**Note**	**As Restated ,See Note 31 2001 TL Billion**	**2000 TL Billion**	**1999 TL Billion**
Deposits				
Demand		1,370,307	1,916,417	1,548,837
Time		5,642,862	4,825,290	4,874,683
Expense accruals on deposits		63,546	119,071	196,355
	15	7,076,715	6,860,778	6,619,875
Commitments to Repurchase Securities		894,314	1,088,397	235,089
Interbank Funds Borrowed		120,922	169,204	125,816
Borrowings Funding Loans	16	986,842	893,727	574,577
Securities Issued	17	256,649	240,879	-
Funds	18	172,740	267,575	261,516
Trade Payables	19	45,332	59,062	38,931
Deposits and Advances Taken for Imports		127,259	150,282	156,094
Sundry Creditors	20	56,415	88,827	51,107
Taxes and Dues Payable	21a	196,119	140,743	275,045
Provisions	22	281,890	264,529	340,975
Other Liabilities		98,439	72,944	64,457
		10,313,636	10,296,947	8,743,482
MINORITY INTEREST	23	189,225	174,395	89,236
SHAREHOLDERS' EQUITY				
Share Capital	24	1,011,222	942,323	808,602
Revaluation Fund		69,172	45,917	45,658
Retained Earnings		(875,921)	(65,790)	226,469
		204,473	922,450	1,080,729
TOTAL LIABILITIES AND EQUITY		10,707,334	11,393,792	9,913,447
COMMITMENTS AND CONTINGENCIES	30	3,129,210	3,564,328	2,849,575

continued

TÜRKİYE VAKIFLAR BANKASI T.A.O.

INFLATION ADJUSTED AND CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2001, 2000 AND 1999
(expressed in the equivalent purchasing power of Turkish Lira at 31 December 2001)

	Note	As Restated ,See Note 31 2001 TL Billion	2000 TL Billion	1999 TL Billion
Interest Income - Banking	26	2,633,859	1,697,999	2,739,344
Interest (Expense) – Banking	27	(2,315,170)	(1,248,752)	(1,625,323)
Net Interest Income - Banking		318,689	449,247	1,114,021
Loan Loss Provision (Expense)		(515,630)	(13,077)	(132,981)
NET INTEREST INCOME AFTER LOAN LOSS PROVISIONS		(196,941)	436,170	981,040
Non-Interest Income	28	762,215	607,864	367,116
Non-Interest (Expense)	29	(1,193,607)	(916,918)	(738,497)
Income from Associates		8,490	5,516	11,329
INCOME BEFORE TAX AND MONETARY (LOSS)		(619,843)	132,632	620,988
Taxation	21b	(96,169)	(35,963)	(159,288)
INCOME BEFORE MONETARY (LOSS)		(716,012)	96,669	461,700
Monetary (Loss)		(57,316)	(160,047)	(332,688)
NET INCOME/(LOSS)		(773,328)	(63,378)	129,012
Less: Minority Share of Net Income/(Loss)		(24,725)	20,103	(6,064)
Net (Loss)/Income Attributable to T.Vakıflar Bankası T.A.O. Shareholders		(748,603)	(83,481)	135,076
Earnings/(Loss) Per Share		(2,183)	(243)	393

continued

TÜRKİYE VAKIFLAR BANKASI T.A.O.
INFLATION ADJUSTED AND CONSOLIDATED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000
(expressed in the equivalent purchasing power of Turkish Lira at 31 December 2001)

	Paid in Capital Billion TL	Revaluation Fund Billion TL	Retained Earnings Billion TL	Total Billion TL
As at 31.12.1999	808,602	45,658	226,469	1,080,729
Increase in capital	133,721			133,721
Dividends paid			(208,778)	(208,778)
Additions to revaluation fund		259		259
(Loss) for the year			(83,481)	(83,481)
As at 31.12.2000	942,323	45,917	(65,790)	922,450
Increase in capital:				
Cash	17,896			17,896
Transfer from reserves	51,003		(51,003)	-
Changes in minority			2,877	2,877
Dividends paid			(13,402)	(13,402)
(Loss) for the year			(748,603)	(748,603)
Disposals from revaluation fund		(7,686)		(7,686)
Additions to revaluation fund		30,941		30,941
As at 31.12.2001 (As Restated, See Note 31)	1,011,222	69,172	(875,921)	204,473

continued

TÜRKİYE VAKIFLAR BANKASI T.A.O.
INFLATION ADJUSTED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000
(expressed in the equivalent purchasing power of Turkish Lira at 31 December 2001)

	As Restated ,See Note 31 2001 TL Billion	2000 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss)	(748,603)	(83,481)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,696	15,285
Provision for retirement pay	(8,018)	17,858
Insurance technical provisions and other provisions	(21,858)	12,249
Loan provisions	398,100	(118,512)
Increase/(decrease) in taxation on income	40,137	(134,302)
(Increase)/decrease in reserve deposits at Central Bank	(28,932)	(92,847)
Increase/decrease in interbank funds borrowed	(257,433)	3,478
(Increase))/decrease in other assets	(20,769)	(51,255)
Net cash provided from/(used in) operating activities	(611,680)	(431,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase/(decrease) in marketable securities	(545,292)	861,081
(Increase)/decrease in loans	1,004,088	(1,581,017)
(Increase)/decrease in equity participations	32,537	(133,493)
Additions to premises and equipment	(78,655)	(261,933)
Net cash (used in) investing activities	412,678	(1,115,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in deposits	215,937	240,903
Increase /(decrease) in securities under repo agreement	(194,083)	853,308
Increase/(decrease) in loans used	93,115	319,150
Increase/(decrease) in funds borrowed	(94,835)	6,059
Increase/(decrease) in securities issued	15,770	240,879
Increase/(decrease) in other liabilities	7,818	72,485
Increase in minority interest	17,707	85,159
Increase in share capital	17,896	133,721
Cash dividends paid	(13,402)	(208,778)
Net cash provided from financing activities	65,923	1,742,886
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(133,079)	195,997
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	928,703	732,706
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	795,624	928,703

continued

1. THE BANK

Türkiye Vakıflar Bankası Türk Anonim Ortaklığı ('the Bank') was founded on January 15, 1954 in accordance with special legal regulations. The Bank is incorporated with limited liability in Turkey, with headquarters located in Ankara.

2. BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are prepared in accordance with International Accounting Standards (IAS). The main accounting policies used in the preparation of the financial statements are presented below:

Presentation of Financial Statements

The Bank maintains its books of account in Turkish Lira and prepares its statutory financial statements in accordance with the reporting requirements of Banking Law, the Uniform Chart of Accounts issued in accordance with Banking Law, Turkish Commercial Practice and Tax Legislation. The Bank's equity participations maintain their books of account and prepare their statutory financial statements in accordance with regulations prevailing in their area of specialization, Commercial Practice and Tax Regulations. The accompanying financial statements are based on the statutory records with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with statements of International Accounting Standards (IAS) issued by the International Accounting Standards Board.

The statutory records are maintained under the historical cost basis of accounting, without regard either to changes in the general level of prices or to increases in specific prices of assets held, except to the extent that property, plant and equipment may be revalued annually.

Inflation Accounting

In the accompanying financial statements, adjustments have been made to compensate for the effect of inflation on the value of the Turkish Lira, in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies".

The adjustments are based on the State Institute of Statistics Wholesale Price Index

	Index	Conversion Factor
31 December 1997	787.7	6.286
31 December 1998	1,215.1	4.075
31 December 1999	1,979.5	2.501
31 December 2000	2,626.0	1.885
31 December 2001	4,951.7	1.000

The comparative rates of currency deflation of the Turkish Lira against the US Dollar, compared with the rates of general price inflation in Turkey according to the WPI are set out below:

Year:	2001	2000	1999	1998	1997
Currency Deflation US $	114%	24.3%	72.7%	52.7%	90.5%
WPI Inflation	88.5%	32.7%	62.9%	54.3%	90.9%

continued

2. BASIS OF FINANCIAL STATEMENTS (continued)

The principal adjustments are as follows:

- The revaluation of tangible fixed assets under the provisions of the Turkish Tax Procedures Law, as made in the Bank's accounting records, has been eliminated and revaluation based on the State Institute of Statistics Wholesale Price Index has been substituted. This change has been effected for vehicles, furniture, equipment, fixed assets acquired through bad loans and leasehold improvements. Land and buildings are stated at valuation.

- Income statement items have been indexed to year-end money values, based on quarterly data, and provision expenses and depreciation have been restated.

- The gain or loss on net monetary position has been calculated.

- Balance sheet and income statement items for the year 1999 and 2000 have also been calculated in the same way and indexed to year-end 2001 money values.

Change of Index in 2001

The WPI has been periodically re-based in past years, most recently in 1994. Accordingly, to prepare indices in a continuous sequence from 1970 to 2001, as required for inflation accounting, it is necessary to create a composite index from the 1994-based index and previous indices. The composite index announced by the Banking Regulation and Supervision Agency (BRSA) to be applied in Turkish banks' reporting to the BRSA for 2001 differs, for years prior to 1994, from the composite index that had been used for the IAS financial statements of Türkiye Vakıflar Bankası T.A.O. and other Turkish banks in prior years. To achieve consistency with the reporting to BRSA, in the accompanying financial statements the BRSA's version of the WPI has been used, which represents a change from the index used in previous years. The change affects the carrying values of premises & equipment, share capital and equity participations, being the balance sheet items which include components originating before 1994. The prior year figures for 2000 and 1999 have been restated to apply the BRSA version of the index, so far as practicable (the data consolidated from subsidiaries in 1999 and for the Bank's carrying value of participations in 1999 uses the former index).

continued

2. BASIS OF FINANCIAL STATEMENTS (continued)

Consolidation

- Türkiye Vakıflar Bankası T.A.O below holds a controlling shareholding in the following banks, financial sector institutions and companies (in those cases where the shareholding is less than 50%, control is nevertheless effectively exercised, usually because the minority shareholders include shareholders of the Bank):

	Sector	Türkiye Vakıflar Bankası Ownership (%)	Auditors
Güneş Hayat Sigorta A.Ş.	Insurance	27.04	D&T
Güneş Sigorta A.Ş.	Insurance	35.35	PwC
Vakıf Deniz Finansal Kiralama A.Ş.	Leasing	73.85	D&T
Vakıf Finansal Kiralama A.Ş.	Leasing	64.24	AA
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Other financial	29.45	D&T
Vakıf Yatırım Menkul Değerler A.Ş.	Other financial	99.50	D&T
World Vakıf Offshore Ltd.	Banking	84.20	D&T
Vakıf Finans Factoring A.Ş.	Other financial	73.00	D&T
Taksim Otelcilik A.Ş.	Tourism	51.51	D&T
Vakıfbank International Wien AG.	Banking	90.00	D&T
Vakıf Enerji ve Madencilik A.Ş.	Industry	84.87	D&T
Vakf Finance Limited	Other financial	100.00	E&Y

The financial statements of the above entities are consolidated with those of Türkiye Vakıflar Bankası T.A.O in the accompanying financial statements. Together they are referred to as “the Bank and its participations” or “the Group”. The method of consolidation is set out in note 3.2. The ownership percentages set out above include cross-holdings.

The Bank’s investments other than those stated above, in which the shareholding is 20 % or greater, are accounted for using the equity method. Other investments and certain minor subsidiaries and associates are accounted for at cost. One major 45% associate is accounted for at cost, as separately disclosed in note 11.

Economic and Financial Crisis:

Since February 2001, Turkey has experienced a contraction in economic activities and volatility in foreign currency rates, capital and money markets. A new program including various regulations which was introduced in May 2001 in order to strengthen the economic and legal infrastructure as in developed markets is ongoing. Although the effects of volatility in economic indicators and markets are continuing, the accompanying financial statements reflect the effects, so far as they are known and can be estimated, of the economic and financial crisis.

continued

3. ACCOUNTING POLICIES

The principal accounting policies followed in the preparation of the accompanying financial statements are as follows:

3.1 Accounting Convention

The accompanying financial statements have been prepared in accordance with International Accounting Standards ("IAS"). Effect has been given in the financial statements to adjustments and reclassifications which have not been entered in the general books of account of the Bank and its equity participations maintained in conformity with accounting practices prevailing in Turkey as set out in note 2.

3.2 Adoption of New International Accounting Standard: IAS 39

IAS 39 Financial Instruments: Recognition and Measurement is applicable for the first time to financial statements for periods beginning on or after 1 January 2001. IAS 39 has introduced a comprehensive framework for accounting for all financial instruments. The Bank's detailed accounting policies in respect of such instruments are set out below. The principal effects of the adoption of IAS 39 have been the reclassification of the Bank's securities portolio into trading and investment portfolios accounted in accordance with the IAS 39 rules, and the classification of the Bank's equity participations as "Available for sale assets" since they have no fixed maturity. The effect of these changes on opening shareholders' equity at 1 January 2001 is not material and has not been separately disclosed. The Bank's accounting systems do not facilitate the recalculation of interest income and expense accruals on an IRR basis as required by IAS 39 for originated loans and receivables and certain liabilities including deposits; sampling techniques indicate that the effect of application would not be material to Group profit/loss or shareholders' equity and accordingly the straight line method has continued to be used.

3.3 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except for fees and commissions for various banking services rendered and dividends from equity participations which are recognized as income when received. All income and expense items are restated in equivalent purchasing power at the balance sheet date.

Exchange gains arising from revaluation of Turkish Lira loans which are indexed to foreign currencies are included as interest income.

continued

3. ACCOUNTING POLICIES (continued)

3.4 Foreign Currency Items

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions.

Assets and liabilities of the Bank denominated in foreign currencies are translated at year end Bank exchange rates. For the translation of assets and liabilities of consolidated participations TCMB rates are used.

All exchange gains and losses arising on settlement and translation of foreign currency items are included in the statement of income.

3.5 Securities Portfolio

The Bank's securities portfolio primarily represents Government bonds and Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices. The cost of foreign currency denominated securities is translated at year-end exchange rates.

Securities are impaired if their carrying amounts are greater than their estimated recoverable amounts. The Bank assesses at each balance sheet date whether there is any objective evidence that they may be impaired. If any such evidence exists, the Bank estimates the recoverable amount of that asset or group of assets and recognizes impairment losses in net profit or loss for the period.

Interest earned for holding securities is included in interest income. All gains or losses on sale of trading securities, and on investment securities if such transactions occur, are accounted for in the statement of income for the period.

The Bank designates its securities portfolio in accordance with IAS 39 as follows:

<u>Securities held for trading:</u>

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measured. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise. As discussed in notes 3.13 and 7, certain trading securities are valued at cost in the absence of a reliable estimate of market value.

Investment fund share certificates are stated at market value. Quoted shares are carried at market value.

<u>Securities held to maturity:</u>

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. Held to maturity securities having a fixed maturity are measured at amortized cost using the effective interest rate method.

continued

3. ACCOUNTING POLICIES (continued)

3.5 Securities Portfolio

Securities available for sale:

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at amortized cost. Gains or losses on available for sale securities are included in net profit or loss for the period in which they arise.

Investments in equity instruments that do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, are accounted for at cost. Securities that do not have a fixed maturity are measured at cost.

3.6 Premises and Equipment

Premises and equipment, including the related depreciation have been indexed and are expressed in the year end purchase value of the Turkish Lira.

Premises and equipment are depreciated using rates which write off the assets over their expected useful lives. The assets are depreciated on a straight-line basis mainly at the following rates:

Buildings	2%
Vehicles	15% - 20%
Furniture and Office Equipment	6% - 20%
Leasehold and Leasehold Improvements	Over the life of the lease

With the exception of fixed assets to be sold which have been acquired through guarantees received by the Bank for loans given, additions to premises and equipment are based on the purchase prices paid to third parties.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Using an option granted by the Turkish tax laws and regulations, in its statutory records the Group revalues its premises and equipment (including the related depreciation) in accordance with the rates and procedures published by the Ministry of Finance. The surplus on revaluation is credited to a revaluation reserve, which may be subsequently incorporated as share capital. The revaluation is not taxable and depreciation, which is charged on the revalued amount, is deductible for tax purposes. Buildings are depreciated over their acquisition cost. Land and fixed assets taken over in settlement of loans are neither depreciated nor revalued. Coefficients for revaluation in recent years have been: 2001: 53.2%, 2000: 56%, 1999: 52.1%, 1998: 77.8%, 1997: 80.4% and 1996: 72.8%.

continued

3. ACCOUNTING POLICIES (continued)

3.6 Premises and Equipment (continued)

Revaluation surpluses arising from the revaluation of premises and equipment in the statutory records as allowed by the prevailing taxation legislation in Turkey are eliminated in the accompanying financial statements.

3.7 Retirement Pay Provision

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. Such payments are based on number of years' service and final salary at the date of retirement or leaving.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") has been applied in the accompanying financial statements. Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate. This standard also allows the employee benefit liability to be reduced by anticipated forfeitures by eligible employees of their benefit.

The Bank does not calculate the provision on an individual employee basis, but rather makes an estimation of the overall liability.

3.8 Equity Participations

In the statutory books of account the Bank values its equity participations at cost plus the nominal value of bonus shares received from investee companies converting their revaluation reserves to share capital. Revaluation surpluses arising from the nominal value of shares received in the statutory records are eliminated in the accompanying financial statements.

Equity participations have been expressed in the year end purchase value of the Turkish Lira. In cases where there is a loss in value, statutory books have been reduced to such values, by a provision for such impairment, charged to the statement of income.

3.9 Loan Loss Provisions

Loans are financial instruments originated by the Bank and accounted for at amortized cost in accordance with IAS 39 (but with amortization on a straight line basis as discussed in note 3.2). Based on its evaluation of the current status of loans granted, the bank makes loan loss provisions which it considers adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income. The bank generally ceases the accrual of interest if interest or principal has remained unpaid for more than three months. Interest accrued on overdue loans is considered in management's assessment of the required provisions for loan losses. For loans that are rescheduled, interest is calculated retrospectively and added to the loan balance.

continued

3. ACCOUNTING POLICIES (continued)

3.9 Loan Loss Provisions (continued)

The loan loss provisions and the general loan provision follow the requirements as specified by Turkish Banking regulations. In accordance with the prevailing provisioning legislation, banks in Turkey should appropriate 0.5% general provision for cash loans and other receivables and 0.1% general provision for non-cash loans. The Bank's general provision exceeds these rates.

3.10 Taxation and Deferred Taxes

Provision is made in the accompanying financial statements for the estimated liability of the Bank for Turkish taxes on the results for the year by using rates that have been enacted or substantively enacted by the balance sheet date. The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Temporary differences arise in respect of retirement pay provisions, the difference between the book value of tangible fixed assets and the carrying value in the accompanying financial statements (which is based on indexed cost) and various other provisions not taxable or tax-deductible until the following year or years.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income, unless it relates to a revaluation credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

continued

3. ACCOUNTING POLICIES (continued)

3.11 Securities Under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve debt (totally government) securities. Sales of securities under agreements of repurchase ("Repos") are retained in the balance sheet under securities portfolio and the corresponding counter party commitment is included separately under liabilities. The net gain or loss on repo transactions is accrued over the period to maturity. Purchases of securities under agreements of resale ("reverse repos") are included in the securities portfolio and interest income on such transactions is accrued on an IRR basis over the period to maturity.

3.12 Financial Leases – the Group as Lessee

Assets held under finance leases are recognized as assets of the Bank at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leases of assets under which all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight line basis over the period of the lease.

3.13 Fair Values of Financial Instruments

The term financial instruments includes both financial assets and financial liabilities, and also derivatives. Financial instruments are fundamental to the Bank's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Bank. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Bank's balance sheet. The Bank trades in financial instruments for customer facilitation and as principal.

The Bank accounts for financial instruments on a trade date basis. After initial recognition, the Bank measures financial assets, including derivatives that are assets, at their fair values, except for loans and receivables originated by the enterprise and not held for trading, held-to-maturity investments and any financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured. Those financial assets that are excluded from fair valuation and that have a fixed maturity are measured at amortized cost using the effective interest rate method. Those that do not have a fixed maturity are measured at cost. All financial assets are reviewed periodically for impairment.

continued

3. ACCOUNTING POLICIES (continued)

3.13 Fair Values of Financial Instruments(continued)

Various financial instruments are accounted for at fair value, as described above and in the related accounting policies notes. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market, if one exists.

Current economic conditions have led not only to volatility in Turkish markets, but also to low trading volumes in many markets. Consequently the Bank is unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets, and calculation of present values on an IRR basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there are a wide range of valuation techniques, it may be inappropriate to compare the Bank’s fair value information to independent markets or to other financial institutions’ fair value information.

Gains or losses on financial assets or liabilities held for trading are included in net profit or loss for the period in which they arise. Gains or losses on available-for-sale financial assets are included in net profit or loss for the period in which they arise. For those financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in net profit or loss when the financial asset or liability is derecognised or impaired, as well as through the amortization process.

As discussed below, for certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities portfolio: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

Loans: The major portion of the loans are short-term and have interest rates that are subject to fluctuation at short notice in accordance with prevailing interest rates in the market. Management believes that the risk factors embedded in the entry value of interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

continued

3. ACCOUNTING POLICIES (continued)

3.13 Fair Values of Financial Instruments(continued)

Deposits: Estimated fair value of demand deposits, saving deposits, interbank deposits and certificates of deposits is the amount payable on demand at the reporting date.

Securities under resale and repurchase agreements: The carrying amount is a reasonable estimate of fair value.

The fair values of balances denominated in foreign currencies which are translated at period end exchange rates along with related accrued interest are estimated to be their fair values.

In the normal course of business, the Bank enters into a variety of derivative transactions principally in the foreign exchange and interest rate markets. These are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including lending and securities investment. The majority of the counter parties in the Bank's derivative transactions are banks and other financial institutions. The risks involved in derivatives include market, credit and liquidity risk.

The Bank deals with financial instruments with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, prefinancing loans, etc. The Bank's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

3.14 Risk Management

Through its normal operations, the Bank is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. Responsibility for the management of these risks rests with the Board of Directors, which delegates the operational responsibility to the Bank's general management and appropriate sub-committees.

Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. The Bank is exposed to an inevitable degree of mismatch between the maturities of its assets and liabilities.

In order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis, and maintains liquid assets which it judges sufficient to meet its commitments.

continued

3. ACCOUNTING POLICIES (continued)

3.14 Risk Management (continued)

The Bank uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

Credit risk

Credit risk arises where the possibility exists of a counter party defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorised at Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey. The Bank places emphasis on obtaining sufficient collateral from borrowers including, wherever possible, mortgages or security over other assets.

The day-to day management of credit risk is devolved to individual business units, which perform regular appraisals of counter party credit quantitative information.

Market risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts, will have an adverse financial impact. The primary risks within the Bank's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Bank's balance sheet is denominated in currencies other than the Turkish Lira (principally the US dollar and Euro-zone currencies).

The Bank's management of its exposure to market risk is performed through the Asset and Liability Committee, comprising members of senior management, and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

Operational risk

Operational risk arises from the potential for financial loss or reputation damage as a result of inadequate systems (including systems breakdown), errors, poor management, breaches of internal controls, fraud or external events. The Bank's business units manage this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements.

3.15 Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents consists of liquid assets, balances with the Central Bank and Balances with Banks.

continued

3. ACCOUNTING POLICIES (continued)

3.16 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.17 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of (i) the sales price of the asset (less any selling costs); (ii) the present value of the cash flows which are expected to arise from future use of the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Corporate assets are not directly separable and independent from the other assets and operations of the Bank. Management of the Bank believes that there is no indication of internal or external factors implying any impairment of corporate assets.

3.18 Use of Estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

continued

3. ACCOUNTING POLICIES (continued)

3.19 Earnings Per Share

IAS 33 "Earnings Per Share" requires disclosure of basic earnings per share and diluted earnings per share (if applicable) for companies whose shares are publicly traded or which are in the process of issuing shares in a public market. There were no dilutive equity instruments outstanding, which would require the calculation of a separate diluted earnings per share.

The basic earnings per share calculation is as follows:

	2001	**2000**	**1999**
Shares outstanding (Billion)	343	343	343
Net profit/(loss) (TL Billion)	(748,603)	(83,481)	135,076
Basic earnings (loss) per share (TL)	(2,183)	(243)	394

Earnings per share are calculated as if all capital increases had been bonus shares, since it is not practicable to calculate the market capitalization before and after increases.

3.20 Consolidation

The consolidation includes the companies set out in note 2. Adjustments are made to eliminate intercompany interests, charges and dividends, intercompany receivables and payables and intercompany investments. In cases where the consolidated entities are not 100% owned the shareholders' equity and net income which belong to third party shareholders are separately disclosed as Minority Interest.

All other participations are stated at cost. In cases where there is evidence of permanent impairment in value, recorded amounts are reduced by such impairment, charged to the income statement.

continued

4. LIQUID ASSETS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Cash balances – Turkish Lira	56,503	76,384	112,332
Cash balances – Foreign currency	21,189	20,031	39,789
Other	1,074	237	2,719
	78,766	96,652	154,840

5. BALANCES WITH THE CENTRAL BANK

	2001 TL Billion	2000 TL Billion	1999 TL Billion
a) Balances with the Central Bank			
Demand deposits – Turkish Lira	77,962	55,218	46,982
Demand deposits – Foreign currency	223	109	4
	78,185	55,327	46,986
Time deposits – Foreign currency	181,376	106,586	57,024
	259,561	161,913	104,010
Income accruals	232	1,141	-
	259,793	163,054	104,010
b) Reserve deposits at the Central Bank			
Reserve Deposits – Turkish Lira	108,167	172,053	125,071
Reserve Deposits – Foreign currency	372,817	290,099	244,234
	480,984	462,152	369,305
Income accruals	10,100	-	-
	491,084	462,152	369,305

Under the Turkish Central Bank regulations, Banks are required to deposit with the Central Bank a proportion of all deposits taken from customers, other than interbank deposits. The prevailing rates are 8% for Turkish Lira deposits and 11% for foreign currency deposits. These reserves are not available funds to finance the operations of the Bank. Reserve deposits begin to earn interest in 2001.

continued

6. BALANCES WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
DOMESTIC BANKS			
Current accounts - Turkish Lira	1,053	11,120	18,832
Current accounts- Foreign currency	45,216	25,402	-
Time deposits – Turkish Lira	2,713	380,500	-
Time deposits – Foreign currency	6,487	96,248	234,402
	55,469	513,270	253,234
FOREIGN BANKS			
Current Accounts - Foreign currency	62,298	101,942	7,807
Time deposits – Foreign currency	334,116	37,136	198,243
	396,414	139,078	206,050
	451,883	652,348	459,284
Income accrual on balances with banks and other Financial institutions	5,182	16,649	14,572
	457,065	668,997	473,856

The time TL deposits above mature within one month and earn interest at rates ranging from 61% to 140% per annum. The time foreign currency deposits above mature within one month and earn interest at rates ranging from 4% to 15% per annum.

continued

7. SECURITIES PORTFOLIO AND HELD TO MATURITY SECURITIES

a) Securities Portfolio

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Government Bonds and Treasury Bills	2,975,236	2,281,981	3,524,790
Investment Participation Bills	2,621	15,670	4,346
Shares	4,406	9,259	1,022
Other	35,674	4,046	6,061
	3,017,937	2,310,956	3,536,219
Income accruals	194,502	34,398	759,488
	3,212,439	2,345,354	4,295,707

The carrying values of securities are equal to fair values where a fair value is available, and amortised cost for those bonds, especially Eurobonds as discussed below, where a fair value is not available (see note 3.5).

Securities portfolio includes TL 885,663 Billion (2000:1,159,940 1999:311,868) securities sold with agreements to repurchase ("repo") as at the balance sheet date.

Estimated fair values for Government Bonds and Treasury Bills that are traded on a stock exchange were calculated based upon the prices quoted on the İstanbul Stock Exchange. For index-linked Government bonds, fair values were calculated based on either the prices quoted in the Official Gazette or internal rate of return.

Government bonds as at 31 December 2001 include bonds issued by the Republic of Turkey in foreign currencies (Eurobonds) and mature through the year 2002-2030. These government bonds are valued at cost in foreign currency, translated at year end exchange rates, plus interest accrued on an IRR basis. On this basis, the book value of these government bonds as at 31 December 2001 is TL 1,745,044 Billion (US $ 1,145,450,556, EUR 143,941,208 and GBP 1,466,551). The bonds are not quoted on a stock exchange.

TL 388,846 Billion of of the securities portfolio are blocked securities for legal requirements and kept as guarantee for Istanbul Stock exchange transactions, Interbank Money Market transactions, liquidity guarantee and foreign currency market guarantee.

b) Held to Maturity Securities

	2001 Cost Value TL Billion	2001 Market Value TL Billion	2000 Cost Value TL Billion
Government Bonds and Treasury Bills	671,147	-	1,079,776
Other	3,782	-	-
	674,929	-	1,079,776
Income accrual	92,550	-	9,496
	767,479	-	1,089,272

continued

8. LOANS (NET)

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Short and Medium term loans	2,764,237	4,825,511	3,474,072
Overdue loans	1,221,722	265,376	171,637
Less: Provision for loans	(551,221)	(148,870)	(170,849)
Interest and other accruals on loans	414,918	314,078	200,218
	3,849,656	5,256,095	3,675,078

Sector	2001 %	2000 %	1999 %
Industry	34	30	47
Construction	6	14	17
Trade	16	12	9
Retail and consumer	33	33	21
Other	11	11	6
	100	100	100

The Bank mainly extends short term loans to customers with maturities within one year. Interest rates charged for loans varied between 109% and 152% for Turkish Lira loans and 16% and 23% for foreign currency loans per annum during the year.

The Bank has extended total loans of CHF 8,400,186, USD 1,500,000 and TL 8,003 Billion TL its non-consolidated participations as of 31 December 2001. (31 December 2000: 19,709 Billion TL)

continued

9. TRADE RECEIVABLES

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Receivables from insurance customers	42,053	54,425	47,371
Other trade receivables	6,371	2,173	6,856
Less: Provision for doubtful receivables	-	-	(6,711)
	48,424	56,598	47,516

10. SUNDRY DEBTORS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Receivables from personnel	110	96	123
Receivables for banking services	333	428	339
Receivables from sale of assets	53,173	6,839	3,279
Receivables from credit card transactions	3,180	8,568	9,015
Receivables from court expenses	9,385	8,803	6,319
Other sundry debtors	478	20,923	1,940
	66,659	45,657	21,015

continued

11. EQUITY PARTICIPATIONS (Net)

"Available for sale assets" under IAS 39 classification:

	Percent Owned 2001 (%)	2001 TL Billion	2000 TL Billion	1999 TL Billion
Ataköy Marina ve Yat.İşletmecilik A.Ş.	55.04	11,474	11,661	7,712
Ataköy Otelcilik A.Ş.	28.92	13,230	13,775	8,917
Ataköy Turizm Tes. Ve Tic. A.Ş.	40.58	24,064	24,476	22,706
Banque Du Bosphore	20.00	5,545	5,176	4,318
Bankalararası Kart Merkezi A.Ş.	9.70	495	603	509
EGS Gayrimenkul Yatırım Ort.A.Ş.	0.73	-	534	451
EGS Yatırım Bankası A.Ş.	-	-	3,262	3,264
ETİ Soda Üretim Paz.Nak.ve Tic.A.Ş.	0.04	10	18,864	-
Güney Ege Enerji İşlt.Ltd.Şti.	38.19	123,414	136,522	-
Güneş Turizm Oto Endüst. ve Tic. A.Ş.	100.00	576	656	554
IMKB Takas ve Saklama Bankası A.Ş.	5.20	4,418	3,677	3,104
İnan Sigorta A.Ş.	-	-	875	739
İstanbul Reasürans A.Ş.	33.58	1,294	-	1,294
İzmir Enternasyonal Otelcilik A.Ş.	5.00	3,640	4,267	3,600
Kıbrıs Vakıflar Bankası Ltd.	15.00	343	285	239
Kredi Kayıt Bürosu A.Ş.	9.09	546	643	541
Sınai Yatırım Bankası A.Ş. (*)	6.94	1,832	3,605	12,875
Trophy Röntgen Sanayi A.Ş.	0.05	590	773	651
Türk Ticaret Bankası A.Ş.	-	-	3,660	3,087
Türkiye Sınai Kalkınma Bankası A.Ş. (*)	9.06	3,278	5,498	16,164
Vakbel A.Ş.	73.36	5,982	6,164	434
Vakıf Factoring Hizmetleri A.Ş.	-	-	1,199	2,148
Vakıf Gayrimen.Ekspertiz ve Değ. A.Ş.	25.04	197	94	85
Vakıf İnşaat Restorasyon A.Ş.	22.09	6,045	5,732	7,079
Vakıf Kobi Araştırma Ve Danışm. A.Ş.	-	-	-	111
Vakıf Menkul Kıy. Yat. Ort. A.Ş.	17.81	1,881	1,997	2,114
Vakıf Risk Sermayesi Yat. Ort. A.Ş. .(*)	46.44	3,348	4,635	4,111
Vakıf Sistem Pazarlama A.Ş.	79.75	2,718	2,162	1,676
Vakıflar Turizm ve Tic. A.Ş.	-	-	-	16,856
Bayek A.Ş.	17.82	4,472	-	-
Others		10,893	2,027	3,990
		230,285	262,822	129,329
Provision for diminution in value of participations (-)		-	-	-
		230,285	262,822	129,329

(*): Shares of Sınai Yatırım Bankası A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş. and Vakif Risk Sermayesi Yat. Ort. A.Ş.are traded on the Istanbul Stock Exchange. The investments in these entities as of 2001 and 2000 have been valued at the market price as at the balance sheet date.

continued

11. EQUITY PARTICIPATIONS (Net) (cont'd)

The participation in Güney Ege Enerji İşletmeleri Ltd. Şti. was acquired during December 2000 in settlement of certain loans. Güney Ege Enerji İşletmeleri Ltd. Şti. intends to take over and develop three power stations. The purchase price includes significant goodwill. The participation has been accounted at cost.

Summary financial information relating to Güney Ege Enerji İşletmeleri Ltd. Şti. is as follows, based on unaudited financial statements prepared in accordance with Turkish tax law and the commercial code:

	2001 TL Billion
Assets	252
Shareholders Equity	54
Profit/(Loss) for the period	(331)

12. GOODWILL (NET)

	2001 TL Billion	**2000 TL Billion**	**1999 TL Billion**
Goodwill	-	5,738	4,840
Accumulated Depreciation (-)	-	(5,738)	(3,871)
	-	-	969

13. PREMISES AND EQUIPMENT

	2001 TL Billion	**2000 TL Billion**	**1999 TL Billion**
Land and Buildings	907,306	886,550	576,454
Vehicles, Furniture & Equipment	200,331	139,663	162,401
Leasehold Improvements	17,563	13,020	13,332
Construction work in progress	-	4,377	17,747
Less: Accumulated depreciation	(221,589)	(221,452)	(194,683)
NET BOOK VALUE	903,611	822,158	575,251

Land and building include assets taken over in settlement of doubtful loans.

continued

14. OTHER ASSETS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Deferred acquisition cost	15,242	16,579	16,349
Prepaid expenses	10,508	11,788	9,817
Investment Properties	31,551	32,048	17,919
Inventories	929	943	1,409
Other	34,704	23,713	21,077
	92,934	85,071	66,571

15. DEPOSITS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Savings and certificates of deposit	568,741	748,323	1,075,826
Public, commercial and other deposits	1,699,468	2,926,289	2,448,386
Interbank deposits	101,024	786,200	494,157
Foreign currency deposits	4,643,936	2,280,895	2,405,151
	7,013,169	6,741,707	6,423,520
Expense accruals on deposits	63,546	119,071	196,355
	7,076,715	6,860,778	6,619,875

The time deposits have maturity periods of less than one year. The Bank has applied interest rates to Turkish Lira time deposits based upon maturity as follows: one month 53-54.11%, three months 47-59.49% six months 43-62.95% and one year 28.79-54%. Interest rates applied for foreign currency time deposits vary between 6.6% and 7.25% for US Dollars and 3.25 and 6.5% for Euro.

continued

16. BORROWINGS FUNDING LOANS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Borrowings from other domestic banks and institutions	329,614	171,247	281,231
Borrowings from overseas banks and institutions	643,930	693,154	278,547
Interest and other expense accruals	13,298	29,326	14,799
	986,842	893,727	574,577

Borrowing from domestic banks includes funds used from the Turkish Export and Import Bank. These funds were extended to the Bank's loan customers for export activities.

Borrowings from banks, excluding loans for which the Bank acted as an agency, include the following:

2001	Maturing in One year	Maturing in Two years	Maturing in Three years	Maturing in Four years	Maturing in Five years
CHF	1,215,414	669,430	8,173,235	15,909,927	5,597,250
EUR	696,098	3,100,934	2,573,707	-	9,378,274
USD	189,572,205	-	-	-	200,000,000
Interest	Libor+3	Libor+1.5-3	Libor+3	Libor+3	Libor+1-3
Range	4.1-5.3				

2000	Maturing in One year	Maturing in Two years	Maturing in Three years	Maturing in Four years	Maturing in Five years
CHF	4,802,272	7,106,609	1,040,000	-	-
DEM	102,046,495	8,810,791	617,728	2,348,000	-
EUR	47,041,667	18,393,244	-	-	-
FFR	3,062,067	5,305,071	-	-	-
USD	400,452,903	23,406,468	11,250,000	2,054,687	11,309,095
TL	3,112	133	-	-	-
Interest	LIBOR + 1.00 - 2.85	LIBOR + 2.25	LIBOR + 0.50	LIBOR + 0.60 – 0.75	-
Range	4.9 – 11	11	3.15 - 11	11	6.49 - 11

continued

17. SECURITIES ISSUED

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Securities issued	248,460	233,193	-
Interest accruals	8,189	7,686	-
	256,649	240,879	-

Securities issued comprise Notes issued of EURO 200 Million which mature on 7 August 2003. Interest is payable on Notes, quarterly at the rate of the 3 month EURIBOR rate plus 4.75 %.

18. FUNDS

According to an agreement between the Mass Housing Administration (M.H.A) and the Bank, the Bank is obliged to act as an intermediary in loan disbursements. These loan disbursements, for which the Bank is supplied with the corresponding funds accounted for as "Funds" in its balance sheet, are intended to support the economic development of certain regions of Turkey. Entities are provided with such credits subject to the approval of the M.H.A and Government participation fund and the Bank has no responsibility for any shortfalls in the ultimate repayments of the credits by borrowers. The Bank charges commission for the intermediary services provided.

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19. TRADE PAYABLES

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Trade payables	23,890	1,686	6,879
Payables to insurance companies	18,206	24,491	12,210
Premium reserves	3,236	29,573	7,141
Advances received	-	3,312	12,701
	45,332	59,062	38,931

20. SUNDRY CREDITORS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Cash guarantees	24,488	51,487	7,167
Reserved cash	18,837	17,584	24,898
Payables to funds	11,786	16,560	14,552
Other	1,304	3,196	4,490
	56,415	88,827	51,107

continued

21. TAXATION

The Bank and its equity participations are subject to Turkish corporation tax which is applied at the rate of 30% on taxable corporate income for accounting periods starting on or after 1 January 1999. A tax surcharge is additionally applied at the rate of 10% on the corporation tax amount. Taxation is computed separately for each entity in the Group.

In addition to corporation tax, income withholding tax is charged on profits after corporation tax if dividends are distributed. Consequently, if profits are retained, companies' effective tax rate is 33% from 1999 onwards, while if profits are distributed there are additional withholding taxes. The withholding rates are 5% for publicly traded and 15 % for non-public companies.

The Bank recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IAS purposes and its statutory tax financial statements (see note 3.10).

In Turkey there is no procedure for final agreement of tax liabilities. The taxation authorities may conduct an investigation and may raise additional assessments at any time within five years from the balance sheet date.

a) Balance sheet: Taxes and dues payable

	2001 TL Billion	**2000 TL Billion**	**1999 TL Billion**
Corporation tax, withholding tax and funds	14,287	22,946	274,344
Deferred tax liability/(assets)- net	150,726	59,872	(20,978)
Prepaid taxes	-	(4,863)	(41,922)
Other taxes and dues	31,106	62,788	63,601
	196,119	140,743	275,045

b) Statement of income: Taxes

	2001 TL Billion	**2000 TL Billion**	**1999 TL Billion**
Corporation tax, withholding tax and funds	14,287	21,924	252,020
Provision expense for deferred tax	81,882	14,039	(92,732)
	96,169	35,963	159,288

continued

21. TAXATION (continued)

The major cumulative temporary differences are as follows at 31 December 2001, 2000 and 1999:

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Fixed assets indexation difference and revaluation surplus	556,221	360,195	203,802
Deferred acquisition cost	15,242	16,578	16,350
Loan loss provisions not deductible	(29,985)	(100,501)	(167,711)
Retirement pay provision	(44,344)	(44,452)	(36,246)
Excess provision for premiums	(13,594)	(18,560)	(31,882)
Other temporary differences (total)	(26,793)	(31,860)	(47,883)
NET CUMULATIVE TEMPORARY DIFFERENCES	456,747	181,400	(63,570)

Deferred taxes are calculated on all temporary differences using a principal tax rate of 33%.

continued

22. PROVISIONS

	2001 TL Billion	2000 TL Billion	1999 TL Billion
PROVISIONS FOR RETIREMENT PAY			
At 1 January	52,362	34,504	42,427
Provision for the period (net)	16,575	26,353	7,215
Monetary Loss	(24,593)	(8,495)	(15,138)
At 31 December	44,344	52,362	34,504
GENERAL LOAN PROVISION			
At 1 January	34,236	152,748	56,903
Provision and release for the period (net)	11,829	(80,907)	103,567
Monetary Loss	(16,080)	(37,605)	(7,722)
At 31 December	29,985	34,236	152,748
PROVISION FOR NON-CASH LOANS	63,447	11,959	-
INSURANCE COMPANIES TECHNICAL PROVISIONS	144,114	165,972	153,723
TOTAL PROVISIONS	281,890	264,529	340,975

Provision for Retirement Payments:

Lump sum payments are made to all employees who retire from the bank or whose employment is terminated for reasons other than misconduct. The amount payable is 30 days' gross pay for each year of service. The rate of pay is that ruling at 31 December 2001, subject to a maximum of TL 978,020 thousand per month (2000: 1,108,230 TL 1999: TL 863,514 TL thousand per month at indexed values).

General Provision for Loans:

The general provision for loans has been made in respect of losses which have not yet been specifically identified but are known from experience to be present in any loan portfolio.

continued

23. MATURITY ANALYSIS

As at 31 December 2001	Up to 1 Month TL Billion	1 to 3 Months TL Billion	3 to 12 Months TL Billion	Greater than 1 year TL Billion	(*) Total TL Billion
ASSETS					
Liquid assets	78,766	-	-	-	78,766
Banks (including Central Bank)	691,071	2,108	18,265	-	711,444
Interbank funds sold	248,000	-	-	-	248,000
Securities portfolio	790,394	69,025	644,001	1,471,816	2,975,236
Loans (**)	525,205	304,066	691,059	1,243,907	2,764,237
LIABILITIES					
Deposits	3,836,139	2,495,892	453,689	227,449	7,013,169
Securities sold under repo agreements	665,509	-	-	-	665,509
Interbank funds borrowed	120,830	-	-	-	120,830
Bank borrowings	51,379	62,478	493,663	366,024	973,544
Funds	3,029	6,345	27,867	135,499	172,740

(*) Interest income and expense accruals are excluded.
.......(**) Maturity distribution is estimated.

continued

23. MATURITY ANALYSIS

As at 31 December 2000	Up to 1 Month TL Billion	1 to 3 Months TL Billion	3 to 12 Months TL Billion	Greater than 1 year TL Billion	(*) Total TL Billion
ASSETS					
Liquid assets	96,652	-	-	-	96,652
Banks (including Central Bank)	487,959	3,108	5,378	317,817	814,260
Interbank funds sold	39,127	-		-	39,127
Securities portfolio	82,910	31,362	473,110	1,723,574	2,310,956
Loans	667,999	415,494	1,615,755	2,242,769	4,942,017
LIABILITIES					
Deposits	1,584,495	4,405,642	513,489	238,081	6,741,707
Securities sold under repo agreements	1,088,397	-	-	-	1,088,397
Interbank funds borrowed	167,036	-	-	-	167,036
Bank borrowings	66,969	36,723	578,432	415,470	1,097,594
Funds	2,678	5,634	25,066	234,197	267,575

(*) Interest income and expense accruals are excluded.

continued

23. MATURITY ANALYSIS

As at 31 December 1999	Up to 1 Month TL Billion	1 to 3 Months TL Billion	3 to 12 Months TL Billion	Greater than 1 year TL Billion	(*) Total TL Billion
ASSETS					
Liquid assets	154,840	-	-	-	154,840
Banks (including Central Bank)	114,070	294,215	155,009	-	563,295
Interbank funds sold	-	-	-	-	-
Securities portfolio	59,343	618,753	1,181,840	1,676,281	3,536,219
Loans	504,640	739,798	1,058,881	1,171,541	3,474,860
LIABILITIES					
Deposits	3,527,306	1,719,158	954,864	222,194	6,423,520
Securities sold under repo agreements	235,089	-	-	-	235,089
Interbank funds borrowed	123,512	-	-	-	123,512
Bank Borrowings	20,461	104,689	224,480	210,146	559,778
Funds	1,705	4,182	18,951	236,678	261,516

(*) Interest income and expense accruals are excluded.

continued

24. MINORITY INTEREST

In the calculations of minority interests in group companies, shareholders of T.Vakıflar Bankası T.A.O. are included among the minority shareholders.

	2001 TL Billion	2000 TL Billion	1999 TL Billion
-Paid in capital	249,156	178,091	124,590
-Retained Earnings	(59,931)	(3,696)	(35,354)
	189,225	174,395	89,236

25. SHARE CAPITAL

The Bank's share capital consists of A, B and C classes of shares, which carry the same rights.

Class of Shares	2001 TL Billion	2000 TL Billion	1999 TL Billion
A	188,650	121,000	77,000
B	68,600	44,000	28,000
C	85,750	55.000	35,000
	343,000	220,000	140,000
Unpaid capital	(23,334)	-	-
Paid capital per statutory records	319,666	220,000	140,000
Indexation effect	691,556	722,323	668,602
Indexed Share Capital	1,011,222	942,323	808,602

continued

26. INTEREST INCOME

	2001 TL Billion	2000 TL Billion	1999 TL Billion
BANKING			
Interest on Loans	1,636,982	1,132,472	1,517,196
Interest on Securities Portfolio	766,795	493,326	1,081,939
Interest on Deposits at Banks	120,399	69,428	70,896
Interest on Interbank Funds Sold	66,583	2,691	11,295
Interest on Reserve Requirement	18,126	-	-
Other Interest Income	24,974	82	58,018
TOTAL	2,633,859	1,697,999	2,739,344

27. INTEREST EXPENSE

	2001 TL Billion	2000 TL Billion	1999 TL Billion
BANKING			
Interest Expense on Deposits	2,153,087	1,035,978	1,548,317
Interest Expense on Interbank Funds Borrowed	50,363	45,071	30,366
Interest Expense on Borrowings	100,278	162,801	39,533
Other Interest Expense	11,442	4,902	7,107
TOTAL	2,315,170	1,248,752	1,625,323

continued

28. NON-INTEREST INCOME

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Banking services income	338,056	206,133	145,932
Capital market transaction income (net)	237,847	142,396	164,019
Other	186,312	259,335	57,165
TOTAL	762,215	607,864	367,116

29. NON-INTEREST EXPENSE

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Personnel expenses	233,234	324,104	341,177
Taxes and dues	57,065	201,986	29,978
Depreciation expenses	35,722	15,285	13,810
Commissions and fees paid	62,674	53,571	55,775
Retirement pay provision	15,478	55,630	14,348
Foreign exchange losses (net)	586,998	84,047	78,213
Other provisions	43,622	17,991	99,015
Other-Banking	173,604	211,996	126,577
Other-Insurance (net)	(25,585)	(40,665)	(42,572)
Other-Leasing (net)	36,396	(571)	49,514
Other- Service sector (net)	(25,601)	(6,456)	(27,338)
	1,193,607	916,918	738,497

continued

30. CONTINGENCIES AND COMMITMENTS

Significant contingencies and commitments are summarized as follows:

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Letters of Guarantee			
- in Turkish Lira	837,886	865,295	607,292
- in Foreign Currency	1,009,500	1,168,807	1,160,810
Letters of Credit	675,304	789,310	668,943
Acceptance Loans	195,143	189,353	165,925
Prefinance Loans	-	1,513	1,618
Other Commitments	411,377	550,050	244,987
	3,129,210	3,564,328	2,849,575

The foreign currency position of the Bank together with significant consolidated equity participations can be summarized as follows:

	2001 TL Billion	2000 TL Billion	1999 TL Billion
Total foreign currency assets	6,225,688	3,618,657	3,543,935
Total foreign currency liabilities	6,451,355	4,285,964	3,799,570
Net foreign currency position	(225,667)	(667,307)	(255,635)
Swap sell agreements	172,119	102,261	59,994
Net foreign currency position after above agreements	(53,548)	(565,046)	(195,641)

The Bank does not expect any counterparties to fail to meet their obligations arising on off balance sheet transactions.

concluded

31. RESTATEMENT OF FINANCIAL STATEMENTS

New regulations have required the preparation of special reporting to the Banking Regulation and Supervision Agency ("BRSA") on the condition of each Turkish private sector deposit-taking bank as at 31 December 2001. Türkiye Vakıflar Bankası T.A.O. has entered the scope of such special reporting. The BRSA intended to announce financial statements of private sector deposit-taking banks, prepared in accordance with the relevant Turkish principles, after it has assessed the results of the special reports submitted to it. Accordingly, the financial statements issued at 29 April 2002 was draft and temporary, since BRSA decisions regarding the Bank's financial statements prepared under Turkish principles might also lead to adjustments in the accompanying financial statements prepared in accordance with International Accounting Standards, as mentioned in the opinion of the previous report. Subsequent to the issuance of the Bank's 2001 financial statements, the BRSA announced the adjustments to be made in the Bank's financial statements as of 31 December 2001. As a result, the financial statements have been restated as of 23 July 2002 from the amounts previously reported.

concluded