

annual report 2000

the face of
banking
to come

AKBANK

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Akbank aims to become the leading multi-specialist bank in Turkey in terms of asset size and market share. Akbank's strategic targets are to create shareholder value through continuous growth and profitability. The Bank's sound fundamentals coupled with its strong franchise and brand name has placed it today in a leading market position.

Established in 1948, Akbank is now the largest bank in Turkey in terms of assets (excluding market re-evaluation of subsidiaries). Akbank has been ranked by the Banker Magazine in 2000 among the top 500 banks in the world in terms of asset size and shareholders' equity. In addition, the Bank was awarded 'Best Bank in Turkey' by Euromoney Magazine in 1992, 1993, and 1998. Akbank offers a wide range of consumer, commercial and international trade finance products and services - as well as private banking - to augment its customer base and core businesses of deposit taking and lending. Investment banking, brokerage, insurance and leasing services are provided through its subsidiaries.

Akbank operates through the Head Office in Istanbul and in 13 regional offices throughout Turkey. The Bank has a significant local branch network, with 590 branches (486 full service and 104 satellite branches). In addition to the branch offices as traditional means of distribution, Akbank is currently delivering services from 1,177 ATMs and over 50,000 POS terminals as well as through state-of-the-art interactive telephone, PC banking and

Internet services. Internationally, Akbank operates six branches in Germany (Frankfurt, Hannover, Hamburg, Stuttgart, Essen and Munich) and one in Malta. Akbank International N.V., a newly established subsidiary bank in the Netherlands, will be in operation in the first half of 2001. Akbank also owns 37% of Sabancı Bank in London and 39.99% of BNP-AK-Dresdner Bank in Istanbul. There are three representative offices in London, Paris and Rotterdam.

As a result of its low-cost funding and a low operating expenses-to-income ratio, while achieving strong asset growth, Akbank has consistently been the most profitable bank in Turkey. At the end of 2000, with a 45.1% growth in real TL terms over the previous year, net profit increased to TL 171.7 trillion (approximately US\$ 257 million) and total assets reached TL 7,791.8 trillion (approximately US\$ 11,675 million) recording a strong 26.2% growth in real TL terms.

Akbank achieved an A3 rating from Moody's for long-term local currency bank deposits while Fitch IBCA accorded a long-term national rating of AA+ with an

Akbank achieved an A3 rating from Moody's for long-term local currency bank deposits while Fitch IBCA accorded a long-term national rating of AA+ with an individual rating of B/C.

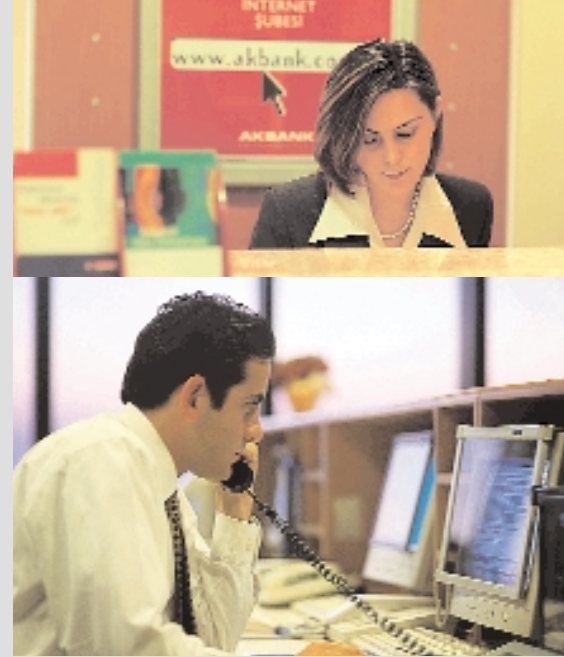
individual rating of B/C. Both of these ratings are the highest public ratings given by either rating agency to any bank in Turkey. With these favorable ratings, Akbank's total securitized borrowing from international markets has reached US\$ 850 million. Additionally, two syndicated deals were secured this year; US\$ 400 million in June and US\$ 350 million in October, both of which were obtained at very suitable terms and conditions.

Akbank aims to become the leading multi-specialist bank in Turkey in terms of asset size and market share. Akbank's strategic targets are to create shareholder value through continuous growth and profitability. The Bank's sound fundamentals coupled with its strong franchise and brand name has placed it today in a leading market position.

The Bank concentrates only on financial services while maintaining a strong capital base, brand name, franchise and management

structure. Technology is pushed to its limits, as the highest quality contemporary financial services are offered to the widest possible customer base. With this understanding, Akbank has been able to sustain a high ROE by expanding assets through loans, retail banking activities as well as fee and commission generating banking services. Concurrently, the Bank capitalizes on a high BIS ratio and low funding costs.

Akbank's shares are listed on the Istanbul Stock Exchange (ISE) with a free float of 27%, depositary receipts are quoted on SEAQ International and Portal. The market capitalization of Akbank as of January 25, 2001 is US\$ 3.8 billion.

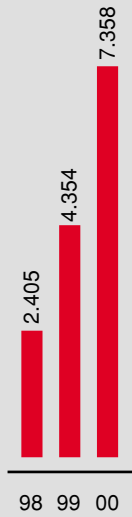




Akbank **concentrates** only on **financial services** while maintaining a strong capital base, brand name, franchise and management structure.

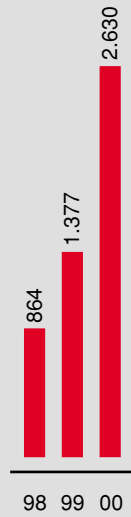
financial highlights

Total Assets



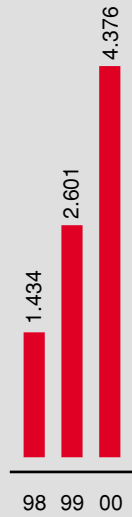
(TL trillions)

Loans



(TL trillions)

Deposits



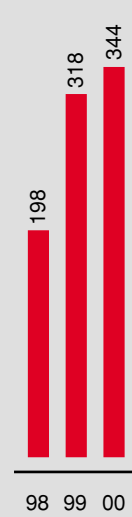
(TL trillions)

Shareholders' Equity



(TL trillions)

Net Profit



(TL trillions)

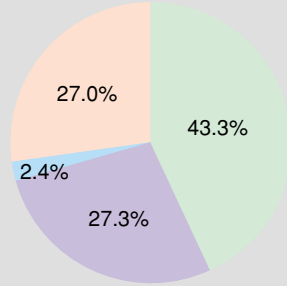
Results under
Turkish Accounting Standards

Inflation Adjusted (IAS 29)
Financial Statements

	TL billions		TL billions	
	2000	1999	2000	1999
Balance Sheet				
Total Assets	7,357,978	4,353,822	7,791,831	6,173,172
Loans	2,630,090	1,376,895	2,531,439	1,734,382
Deposits	4,375,895	2,601,195	4,863,751	3,732,654
Borrowing	1,554,187	673,157	1,426,618	893,009
Shareholders' Equity	1,082,111	758,278	1,181,650	1,087,767
Statement of Income				
Operating Income	808,578	650,412	973,385	1,152,027
Operating Expense	272,553	168,392	308,786	285,322
Profit Before Tax	513,280	477,547	419,048	442,626
Net Profit	343,606	318,387	171,742	118,327
Financial Ratios (%)				
Liquid Assets / Total Assets	50.2	51.3	60.2	64.9
Loans / Total Assets	35.7	31.6	32.5	28.1
Deposits / Total Liabilities and Shareholders' Equity	59.5	59.7	62.4	60.5
ROAE (pre-tax)	55.8	79.0	36.9	41.7
ROAE	37.3	52.7	15.1	11.1
ROAA (pre-tax)	8.8	14.1	6.0	7.7
ROAA	5.9	9.4	2.5	2.1
Cost / Income	33.7	25.9	31.7	24.8

Shareholder Structure

- H.Ö. Sabancı Holding and Subsidiaries
- Sabancı Family
- Sabancı Foundation
- Free Float



Akbank Ratings by Major International Rating Agencies

	Long-Term TL Bank Deposits	Short-Term TL Bank Deposits	Financial Strength and Individual Rating
Moody's	A3	Prime-2	C
Fitch IBCA	AA+*	-	B/C

* National Rating

Quoted from Moody's Rating Report, August 2000:

"The ratings reflect Akbank's favorable position and defensible franchise in the Turkish banking sector coupled with its strong fundamentals and the support the Bank is likely to get from its shareholders, the Sabancı Group. Akbank has been making all necessary adjustments to assure smooth continuation of its business in changing macroeconomic conditions following the implementation of a new stabilization program designed to significantly reduce inflation. So far, Akbank's A3/Prime-2 local currency ratings stand as the highest local currency ratings given to any bank in Turkey."

Quoted from Fitch IBCA's Rating Report, July 2000:

"Akbank's ratings reflect its important position within the Turkish banking system, a strong franchise and brand name, sound performance record, stable funding and a very strong capital base. They also take into account the risks associated with a challenging and potentially volatile operating environment. Akbank has undeniable liability strengths that should leave it well placed to face the challenges of an increasingly competitive operating environment. It enjoys a large and stable customer base and is one of the strongest capitalized Turkish banks."

Akbank has been able to sustain a high ROE by expanding assets through loans, retail banking activities as well as fee and commission generating banking services.



In 2000, Turkey initiated a three-year economic stabilization program with the financial support of the IMF. The program, which aims to bring down the chronic inflation rate to one-digit levels, rested on three pillars; up-front fiscal adjustments, structural reforms and exchange rate commitments supported by income policies.

Steady progress has been made in achieving the key goals of the program. Although the year-end inflation overshot its target, it was the lowest since the mid-1980s. Growth has recovered significantly and fiscal performance actually fared better than the IMF targets. Amid these economic developments, Akbank

continued to grow due to its well-established foothold in financial markets and its strong franchise. At the end of 2000, pre-tax profit and net profit increased to TL 419.0 trillion and TL 171.7 trillion, respectively, while total assets reached TL 7,791.8 trillion in real TL terms.

Although significant improvements have been made, the IMF program suffered from weak elements, namely real appreciation of TL, widening current account deficit and a fragile banking sector. These in turn, led to financial turbulence in February 2001. The authorities abandoned the currency peg and replaced it with a free float. However looking at the

future, we believe Turkey will achieve a low inflation environment. We will therefore continue to implement our long-term strategies. To get prepared for the challenges in the upcoming banking environment, Akbank has initiated a bold restructuring program under the consultancy of A.T. Kearney. To this end, the work with A.T. Kearney covers three inter-related areas;

- Implementation of new strategic initiatives creating competitive advantages
- Major operational restructuring

Akbank will be the prime beneficiary in an environment where new reforms and regulations will lead to a significant increase in asset size, market share and business volume. To get prepared for the challenges in the upcoming new banking environment, Akbank has initiated a bold restructuring process under the consultancy of A.T. Kearney.

- Measurement of customer, product and channel profitability which will lead to an effective CRM

Within this dynamic, forward-looking growth strategy, we regard retail banking as a core element. Our list of retail banking products and services has grown considerably this year with the addition of private banking to our main business stream. We believe that expanding accessibility will contribute to our efforts to increase our customer base and attract new deposits that will further improve our funding costs and will increase fee and commission income. Deposits are not the only funding base we possess, as we diversify funding sources by accessing international markets through varying structures. At the end of 2000, deposits accounted for 77% of our funding base. We believe that this combination of stable deposits and relatively inexpensive international funding give Akbank a distinct competitive advantage over its peers.

This year our ratings were upgraded. Moody's rated Akbank A3 on a long-term local currency bank deposit basis and Fitch IBCA accorded a long-term local currency rating of AA+ with an individual rating of B/C. Both are the highest public ratings given by these agencies to any Turkish bank. As we expand our foreign currency lending and trade financing activity, we expect international borrowing to become a convenient and less costly source of funding. With securitization deals in 1999 and 2000, we tapped international markets for a total of US\$ 500 million. Our current securitized borrowing stands at US\$ 850 million. Additionally, we secured two syndicated deals this year; US\$ 400 million in June and US\$ 350 million in October, both of which were

obtained at very suitable terms and conditions.

We continue to look for new channels to transact with our customers in an effort to widen our customer base at minimal transaction costs. In June 1999, we introduced our first Internet banking branch for retail customers. This Internet branch allows Akbank customers to access their accounts, transfer money and perform Treasury bill, foreign exchange and mutual fund transactions. Customers can also trade on the ISE without paying any additional fee or commission and make credit card and utility bill payments through the retail Internet branch. Our commercial Internet branch was essentially established in June 2000, for small and medium size corporate customers. We are currently working on a project that will offer e-business opportunities to our corporate customers.

Remote banking is significantly more efficient than traditional branch-based banking. Our investments for technology-driven banking have started to bear fruit in a number of ways. Since remote banking transactions cost a fraction of in-person banking, it allows our sales personnel to focus on higher value-added transactions and permits the Bank to increase business volume without proportional investment for property and/or personnel.

Akbank managed to disregard the effects of the liquidity crisis encountered by the banking industry in mid-November without any impact on its profitability. With sensible, well calculated risk-taking measures, Akbank was able to greatly benefit from increased interest rates when the crisis hit the banking industry.

This year we have seen some changes in the composition of the Board and our management team. Mr. Akin Kozanoğlu, former Executive Vice President responsible for retail banking and IT, moved to the Board and was appointed Vice Chairman. Mr. Özen Göksel, who served as the President since 1994, was appointed Managing Director on the Board. Our former Executive Vice President responsible for investment banking, Mr. Zafer Kurtul, was appointed President and CEO of the Bank in November. On behalf of the Board of Directors we would like to extend our appreciation and gratitude to Mr. Oğuz Karahan for his dedication and commitment to making Akbank the premier bank in the country when he was our Vice Chairman. Our thanks also go to Prof. Dr. Ünal Tekinalp, who has shed light on our strategies with his far-reaching academic knowledge and insight.

On behalf of the Board, we would like to extend our appreciation to all of our shareholders and customers, for their continuing confidence. We remain committed to providing increased shareholder value and complete customer satisfaction. At this time, we want to acknowledge the fine work of our personnel whose efforts and dedication have brought about the accomplishments of the past year. Their loyalty and determination remain an integral part of our plans for a successful future.



Erol Sabancı
Chairman



Zafer Kurtul
President and CEO

board of directors

Our list of retail banking products and services has grown considerably this year with the addition of private banking to our main business stream.



Erol Sabancı

*Chairman and
Managing Director*

Mr. Sabancı has been on the Board since 1967, first as a Director until 1969, then as Vice Chairman until March 17, 1998 when he was appointed Chairman. He also serves as Vice Chairman on the Board of Sabancı Holding and as a Director of the Industrial Development Bank of Turkey (TSKB) and the Industrial Investment and Credit Bank (SYKB).

Akin Kozanoğlu

*Vice Chairman and
Executive Director*

Mr. Kozanoğlu was appointed to the Board on July 5, 2000 as an Executive Director and was promoted to Vice Chairman of the Board in December 2000. Previously, he was an Executive Vice President responsible for Retail Banking Services and IT Development. He is also the Banking and Insurance Group President of the Sabancı Group.

Suzan Sabancı Dinçer

Managing Director

Mrs. Dinçer was appointed to the Board in 1997 as a Managing Director. Previously, she held the post of Executive Vice President responsible for Treasury and Fund Management operations at Akbank. She also serves on the Board of Sabancı Holding.

Özen Göksel

Managing Director

Mr. Göksel was appointed to the Board in November 2000 as a Managing Director responsible for credits and internal audit. Mr. Göksel has been with the Bank since 1964. After holding various managerial positions, he was appointed Executive Vice President in 1981. He has been on the Board of Directors between 1994 and November 2000 as the President of Akbank.

Hamit Belig Belli

Director

Mr. Belli has been with the Bank since 1955, holding various positions which include Head of the Board of Internal Auditors, Executive Vice President and President. He moved to the Board in 1995 after long years of service as the President of Akbank. Currently, he is the Chairman and President of Turkish Bank.

board of

We believe that the combination of stable deposits and relatively inexpensive international funding give Akbank a distinct competitive advantage over its peers.



Hikmet Bayar

Director

Mr. Bayar was appointed to the Board in 1996 after he retired from the Turkish Army. Mr. Bayar has served in various commandship positions in the Army and finally as Army Chief of Staff between 1994 and 1996.

Aydın Günter

Director

Mr. Günter was appointed to the Board in 1998 after serving in various positions in Sabancı Holding including Executive Vice President responsible for Finance. He had previously been at the Ministry of Finance as a tax inspector. In 1994, Mr. Günter retired from his post at Sabancı Holding to start his own business in financial advisory services.

Ş. Yaman Törüner

Director

Mr. Törüner was appointed to the Board in March 1998. He was a Member of Parliament between 1995-1999 and a State Minister in 1996. He previously held the post of Chairman of the Istanbul Stock Exchange, from 1990 to 1994. Mr. Törüner also served at the Turkish Central Bank from 1972 to 1990 where he became the Governor of the Central Bank in 1995.

Zafer Kurtul

Director and CEO

Mr. Kurtul joined Akbank in 1998 as an Executive Vice President and was appointed as President in November 2000. Previously he held managerial positions at Citibank, BNP-AK-Dresdner Bank and Societe Generale. He is a graduate of the Faculty of Business Administration at Istanbul University and holds an MBA degree in finance from the University of Wisconsin-Madison. Mr. Kurtul is a CFA charter holder and a member of the Association for Investment Management and Research.

Andrew Buxton

Advisor to the Board

Erkut Ulaş

Head of The Board of Internal Auditors

Mr. Ulaş joined Akbank in 1972 as an assistant internal auditor. He was appointed Head of the Board of Internal Auditors in 1985 and Executive Vice President in 1990. He is a graduate of the Faculty of Economics at Istanbul University.

Auditors

Nedim Bozfakıoğlu
Yalçın Küçükertunç

directors

executive management

1. Zafer Kurtul

President and CEO

2. Hayri Çulhacı

Executive Vice President - Strategy and Corporate Communications

Mr. Çulhacı joined Akbank in 1990 as an Executive Vice President. Prior to that, he served in the Ministry of Finance in various posts. He is a graduate of the Faculty of Political Sciences in Economics at Ankara University and holds an MBA degree from Northeastern University in the USA.

Dr. Balamir Yeni

Executive Vice President - Financial Coordination

Mr. Yeni joined Akbank in February 2001 as an Executive Vice President. He is a graduate of the Faculty of Law at Istanbul University and received his MA and Ph.D. degrees from the Faculty of Business Administration of the same university. He served as the independent chief auditor at KPMG Cevdet Sümer Denetim ve

Yeminli Mali Müşavirlik A.Ş. from 1986 to 2000. He also serves on the academic staff of Istanbul University teaching accounting and auditing.

4. Zeki Tuncay

Executive Vice President - Human Resources

Mr. Tuncay joined Akbank as an assistant internal auditor in 1980. After serving as the personnel manager, he was appointed Executive Vice President in 1994. He is a graduate of the Academy of Economics and Commercial Sciences in Ankara.

5. M. Fikret Önder

Executive Vice President - Private Banking

Mr. Önder joined Akbank as an Executive Vice President in July 2000 and is responsible for Private Banking. Previously, he held managerial positions at different banks abroad. Before joining Akbank, Mr. Önder served at Bank Julius Baer & Co. in London as Senior Portfolio

Manager and Vice President responsible for Private Banking. He is a graduate of economics from the University of Bonn.

6. Barbaros Karakışla

Executive Vice President – Retail Banking

Mr. Karakışla joined Akbank in January 2001 as an Executive Vice President. Mr. Karakışla held managerial positions in various commercial banks before joining Akbank. In his previous post, he was the Director of the Retail Banking Group at Türk Ekonomi Bankası. He is a graduate of Business Administration from Bosphorus University and holds an MBA degree in finance from the same university.

7. Ziya Akkurt

Executive Vice President - Corporate and Commercial Banking

Mr. Akkurt joined the Bank in 1996 as the Manager of the Corporate Banking Department and was appointed Executive Vice President in 1997. Before joining Akbank, Mr. Akkurt held managerial



positions in various commercial banks including Ottoman Bank. He is a graduate of the Faculty of Business Administration at the Middle East Technical University.

8. Nuri Aksoy

Executive Vice President - Credit Analysis and Assessment

Mr. Aksoy has been with the Bank since 1973 and has held various positions including internal auditor and branch manager. He was appointed Executive Vice President in 1996. He is a graduate of the Academy of Economics and Commercial Sciences in Istanbul.

9. Reşit Toygar

Executive Vice President - Treasury

Mr. Toygar joined Akbank as a management trainee in 1990. Before being appointed Executive Vice President in 1998, he was the Manager of the Treasury Department. He is a graduate of the Faculty of Economics at Kingston Polytechnic and holds an MS degree in economics from London School of Economics in England.

10. Eyüp Engin

Executive Vice President - International Banking

Mr. Engin joined Akbank in 1978 as an assistant internal auditor. Before his appointment as Executive Vice President in 1996, he was the Manager of the Treasury Department. He is a graduate of the Middle East Technical University in Business Administration.

11. Ender Çelebi

Executive Vice President - Operations

Before joining Akbank, Mr. Çelebi was the President of Aknet, Akbank's Computer Software subsidiary, from 1990 to 1999. Prior to that, he was a group director at I-Bimsa, the IT company of the Sabancı Group. He is a graduate of the Middle East Technical University in Electrical Engineering.

12. Engin Akalın

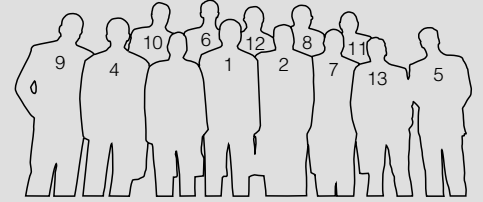
Executive Vice President - Support Services

Mr. Akalın joined Akbank as an assistant internal auditor in 1968 and was appointed Executive Vice President in 1990 after holding various managerial positions. He is a graduate of the Faculty of Economics at Istanbul University.

13. İlker Oral

Executive Vice President - Payment Systems

Mr. Oral joined Akbank in 1983 as an assistant internal auditor and was appointed Executive Vice President in July 2000 responsible for Card Operations and Customer Services. He is also a member of the Board of Directors at the Interbank Card Center. Mr. Oral is a graduate of the Faculty of Business Administration at Istanbul University and holds an MA degree in production management from the same university.



milestones in akbank's history

Akbank was appointed the sole representative for American Express cards in Turkey in 1996. The Bank started to issue Amex Gold and Amex Green charge cards to its customers in 1997.

- Akbank was established in January 1948, in Adana.
- Akbank initiated equity participations for the first time during 1950 with investments in the Industrial Development Bank of Turkey (TSKB); other investments followed.
- The first branch in Istanbul opened on July 14, 1950 in the Sirkeci district.
- The Head Office was relocated to Istanbul in November 1954.
- Automation of all banking transactions began in 1963.
- The first representative office in Frankfurt, Germany was established to transfer the remittances of Turkish 'guest workers' in 1964.
- By the end of 1981, all banking transactions were computerized and on-line applications commenced.
- Ak International Ltd. (which later became Sabancı Bank) started operations in London in 1983 as the first Turkish private sector bank established abroad.
- BNP-AK Bank, with Banque Nationale de Paris (with a 49% share) and Akbank (with a 51% share), was founded in Istanbul in 1985. In 1988, Dresdner Bank joined as a shareholder.
- Akbank was appointed the sole representative for American Express cards in Turkey in 1996.
- New personal banking hardware such as screen-based telephones and PCs broadened the range of services to customers in 1997.
- As the sole representative of American Express in Turkey, Akbank started to issue Amex Gold and Amex Green charge cards to its customers in 1997.
- Akbank successfully finalized a structured deal for US\$ 250 million by securitizing its credit card receivables in July 1998. It was the first voucher deal including AMEX receivables in the world.
- In 1998, Moody's and Duff & Phelps have assigned Akbank the highest credit ratings to any Turkish bank.
- In May 1998 Akbank's Frankfurt Representative Office was converted into a branch.
- In November 1998, an installment payment system was launched with the American Express credit card which is a revolve card.
- Akbank started Internet Banking in June 1999 and the Hamburg Representative Office was converted into a branch.
- In October 1999, Akbank's Munich Representative Office was converted into a branch.



Akbank has been ranked by the Banker Magazine in 2000 among the top 500 banks **in the world** in terms of asset size and

shareholders' equity. In addition, the Bank was

awarded **'Best Bank in Turkey'** by Euromoney

Magazine in 1992, 1993, and 1998.



major accomplishments in 2000

Moody's assigned the highest domestic currency deposit ratings of A3/Prime-2 to Akbank.

February

Akbank introduced "American Express Investment Funds" to Turkish investors.

March

The syndicated facility of US\$ 400 million obtained by Akbank in November 1999 was awarded "The Best Securitization of Emerging Market Assets" by the Structured Finance International Journal of Euromoney.

June

Akbank initialized its commercial Internet branch, which targets small and medium-size companies. The commercial Internet branch allows a wide range of monetary and investment transactions.

Akbank obtained US\$ 400 million from major banks around the world under a syndicated facility. This is the largest loan ever received by a Turkish bank.

Ak Portfolio Management Company was established.

July

Fitch IBCA assigned the highest individual rating among Turkish banks to Akbank. Fitch IBCA mentioned in its announcement that Akbank's ratings reflect its important position within the Turkish Banking System, a strong franchise and brand name, sound performance

record, stable funding and very strong capital base.

Akbank introduced mortgage loans with a term of up to 20 years, in line with the new IMF stabilization program targeting lower inflation.

August

Moody's assigned the highest domestic currency deposit ratings of A3/Prime-2 to Akbank.

Akbank was recognized by the Taylor Nelson Sofres-Piar survey in August 2000 as having the best Internet banking services in Turkey.

The Private Banking Department was established to provide a wide range of products and services, including discretionary asset management and investment advisory services to high net worth individuals.

September

Akbank developed a new credit card - e-card - to meet the "security" needs of Internet users.

Ak Payment Systems Company was established to enhance credit card activity.

October

Akbank obtained a US\$ 350 million syndicated loan denominated in euro to be utilized in pre-financing of exports.



Akbank launched its WAP banking facility for mobile telephone users - enabling a wide variety of monetary and non-monetary transactions.

November

Akbank supplied a total of US\$ 350 million credits to leading companies in the cellular phone industry in Turkey, Turkcell and İŞTİM.

December

Akbank established a new branch in Malta.

Akbank International N.V., a newly established subsidiary bank in the Netherlands, will be in operation in the first half of 2001.



Akbank developed a new credit card - **e-card** - to meet
the "security" needs of **Internet** users.

Akbank offers a full range of contemporary and technology-driven banking and financial services. To complement its long list of banking services, Akbank also delivers other financial services provided by its subsidiaries and affiliated companies through its branch network.

General

Akbank's organizational structure consists of both Corporate Management and Business Units. The three Corporate Management Units are composed of Strategy and Corporate Communications, Financial Coordination and Human Resources. In total there are nine Business Units; six make up the operational departments of the Bank and carry out the main operations; private banking, consumer banking, commercial banking, credits, treasury and international banking. Three other Business Units, operations, support and payment systems, provide the Bank with administrative and technical support.

Akbank offers a full range of contemporary and technology-driven banking and financial services. Consumer banking activities include deposit-taking, consumer lending, overdraft facilities, credit and debit cards and automated payment transactions. Corporate banking activities include a wide variety of corporate credit

schemes denominated in both Turkish lira and major foreign currencies. Cash management services, trade finance and treasury products are other services that are delivered to corporate customers. On the international side, in addition to a wide range of international trade finance products, the Bank also deals with Eximbank-guaranteed foreign trade finance, foreign exchange and Turkish lira clearing.

To complement its long list of banking services, Akbank also delivers other financial services provided by its subsidiaries and affiliated companies through its branch network. Brokerage, corporate finance and investment advisory services of Ak Securities, asset management services of Ak Portfolio Management, life insurance products of Akhayat and non-life insurance policies of Aksigorta are all marketed through Akbank's branches.



Fundamental Strengths of Akbank

High asset quality

Akbank's prudent lending policies have ensured that the Bank's assets are of high quality. Lending policies have long been more conservative than those of its peers because of strict and selective credit approval process and strong collateral support requirements. Credit decisions and follow-up procedures are guided by sophisticated credit scoring models developed by Experian of the UK in retail banking and by Dun & Bradstreet of the USA, in commercial and corporate banking.

Akbank's **prudent lending policies** have ensured that the Bank's assets are of high quality. Lending policies have long been **more conservative** than those of its peers because of **strict and selective credit approval process** and strong collateral support requirements.



Akbank has both an extensive international correspondent network with approximately 900 correspondent banks globally in 116 countries and a local branch network consisting of 590 branches throughout Turkey.



A diversified corporate loan portfolio

Akbank's loan portfolio is diversified across different sectors, regions and customer types. Industries within the loan portfolio include manufacturing 42%, services 24%, primary sectors 5% and others 29%. In addition, the portfolio is diversified geographically with 28% of the loans concentrated in the Istanbul area, the most economically important region of the country. Another significant portion is concentrated in the rapidly growing areas of Ankara and Çukurova.

A strong, wide-spread customer base

Akbank has a strong customer base that includes approximately 3.5 million retail customers, 54,000 middle-market commercial clients and over 700 large corporate customers. Three and a half million individual depositors represent retail deposits of approximately US\$ 4.7 billion. More than 150,000 customers of the Bank currently utilize Internet banking services and screen-based telephones.

A reliable and stable funding base

Akbank's reputation has provided the Bank with a reliable and stable funding base. Deposits have traditionally comprised approximately 77% of total funding. As Turkey begins to conform its depositor insurance schemes to those of the European Union, customers will direct their savings to stronger large-scale banks. Akbank has traditionally benefited from this "flight-to-quality" during times of financial strain.

A combination of stable deposit base and relatively inexpensive international funding gives Akbank a distinct competitive advantage over its peers.

An extensive branch and international network

Akbank has both an extensive international correspondent network with approximately 900 correspondent banks globally in 116 countries and a local branch network consisting of 590 branches throughout Turkey. In addition, Akbank operates six branches in

Germany and one in Malta. Akbank International N.V., a newly established subsidiary bank in the Netherlands, will be in operation in the first half of 2001. Akbank also owns 37% of Sabancı Bank in London and 39.99% of BNP-AK-Dresdner Bank in Istanbul. There are three representative offices in London, Paris and Rotterdam.

A significant market share and penetration

Akbank continues to capitalize on its brand name, stable customer base, broad product spectrum and cross-selling capabilities. The Bank is focused on increasing market share in products that create cross-selling opportunities, such as credit cards, consumer loans and salary disbursements.

Akbank, has a market share of 17% in POS machine placements and approximately 10% market share of ATM machines in Turkey.

New customer access channels

Akbank continues to focus on new methods to conduct business with



its customers. The Bank's goal is to remotely execute 80% of its transactions by the year 2003.

At the present time, the Bank offers an Internet website for retail and commercial customers and a specialized screen-based telephone (Aktel) that allows the customer to perform payment, transfer and investment functions remotely. The Bank has developed its IT infrastructure to permit the execution of transactions via customer WAP phones.

Financial Performance

The Balance Sheet

Akbank's total assets reached TL 7,791.8 trillion at the end of 2000, indicating a 26.2% real growth as compared to 1999 year-end results; 46.0% increase in loans contributed to this strong growth while deposits increased to TL 4,863.8 trillion, representing a 30.3% real growth. The strong growth in loans was a product of Akbank's competitiveness, due to its low funding costs. Deposits represent

62.4% of total assets with savings and FX accounts providing the bulk of funding and giving the Bank long-term stability. Paralleling the decreases in interest rates, there

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Akbank believes that with its already well-established branch network, low-cost funding base and highly developed product base, it is well positioned to compete in the new banking environment.

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was a significant increase in the demand for consumer loans. Consequently, with rapidly

accelerating demand, especially in the first three quarters of the year, consumer and credit card loans increased.

Efforts continued to increase collections under non-performing loans which decreased the non-performing to total loan ratio from 2.5% in 1999 to 1.8% by the end of 2000.

Shareholders' equity stood at TL 1,181.7 trillion by the end of 2000, representing a 8.6% real growth over the previous year.

Akbank believes that with its already well-established branch network, low-cost funding base and highly developed product base, it is well positioned to compete in the new banking environment where high interest yielding government securities and high inflation are becoming history. To further enhance its position in the banking sector, Akbank has taken various marketing initiatives in its corporate and retail banking businesses and established Ak Portfolio

review of operations (continued)



Management Company in June 2000 and a Private Banking department in August 2000.

The Income Statement

Akbank's net income amounted to an inflation adjusted figure of TL 171.7 trillion in 2000, compared to TL 118.3 trillion for 1999. At the end of 2000, Akbank's total interest income amounted to TL 1,609.5 trillion and its interest expense totaled TL 763.6 trillion, resulting in a net interest income of TL 845.9 trillion. Total non-interest income for the same period was TL 401.6 trillion while total non-interest expense reached TL 308.8 trillion. Income before monetary loss and income tax equaled TL 664.6 trillion and net income before extraordinary items stood at TL 211.4 trillion.

Akbank's net income has been affected by the additional tax measures imposed by the government to raise additional funds following the earthquake in the Marmara region in August 1999. In 2000, Akbank paid approximately TL 39.7 trillion as extraordinary taxes.

Corporate and Commercial Banking

Akbank provides financial and banking services to over 700 large corporate customers and approximately 54,000 small and medium-size companies. The Corporate Credits Department serves large corporate customers that have an annual sales revenue of at least US\$ 30 million, or are subsidiaries or joint ventures of a substantial foreign company. The Bank's large corporate customer base represents a broad cross-section of Turkey's largest corporations. The financing requirements of small and medium-size companies are met by two Commercial Credits Departments.

Financial products and services offered to corporate and commercial customers include working capital financing in both Turkish lira and foreign currencies, deposit-taking, direct debiting services, foreign trade financing, letters of credit and letters of guarantee, foreign exchange services and corporate finance services. Electronic banking

services, such as automatic payments, electronic receivables collection, cash management services, direct access to account and stock information and related transactions tailored to meet customers' needs are also provided.

Through joint efforts between the Treasury Department, Ak Securities and Ak Portfolio Management, the Bank offers financial investment services to its corporate customers including sales of repos, Treasury bills and other securities on behalf of clients as well as services relating to the management of mutual funds.

At the end of 2000, loans to large corporations totaled approximately US\$ 1,019 million, representing 26% of the Bank's loan portfolio, as compared to US\$ 719 million as of December 31, 1999. The large corporate loans of the Bank tend to have lower margins than loans to SMEs due both to strong competition in the banking industry and to a low historical loss experience. However, these loans bring in many cross-selling opportunities. Loans to small and medium-size companies consist



New products introduced in 2000 for the use of corporate customers include the Mail Order System where dealers may make payments to manufacturing companies through Akbank POS machines.

principally of secured loans with maturities ranging from three to six months for working capital loans and up to 90 days for unsecured loans such as overdrafts on checking accounts. Loans to small and medium-size companies totaled approximately US\$ 1,199 million, or approximately 30% of the Bank's total loan portfolio as of the end of 2000, compared to US\$ 977 million on December 31, 1999. Akbank believes it is well positioned to increase its market share of loans to small and medium-size companies by capitalizing on its extensive distribution network and low funding costs.

Akbank intends to limit market risk exposure by avoiding maturity, currency and interest rate mismatches. The Bank will also limit its credit exposure by avoiding concentrations within customers, industries or geographic regions and by utilizing careful credit analysis and risk control. In addition, large portions of the loans are targeted at export producers and manufacturers.

Akbank follows a prudent credit risk management policy, verified by its consistently low non-performing-to-total loan ratio and its high reserve coverage. At the end of 2000, the

non-performing-to-total loan ratio was 1.8% with a reserve ratio of 142%.

As a matter of policy, Akbank requires collateral for a majority of loan transactions. This collateral usually takes the form of cash on deposit, mortgages on fixed assets or receivables assigned from third parties or guarantees from third parties, as well as personal guarantees. The Bank is enhancing its ability to evaluate credit risk and facilitate lending decisions through the use of a credit scoring model developed by Dun & Bradstreet. Advantages of the credit scoring

Distribution of Loans into Industries and Types

(TL billions)

Industry and Type	2000		1999	
		%		%
Manufacturing	566,078	21.5	425,040	30.9
Foreign Trade	462,523	17.6	362,369	26.3
Domestic Trade	409,449	15.6	217,629	15.8
Consumer Loans & Credit Cards	438,689	16.7	127,509	9.3
Financial Institutions	178,466	6.8	113,389	8.2
Project Finance	365,878	13.9	80,192	5.8
Others	209,007	7.9	50,767	3.7
Total Loans	2,630,090	100.0	1,376,895	100.0

As the major activity of Akbank's investment banking operation, project finance has demonstrated outstanding expansion both in terms of value and market share since 1998.

model include the ability to monitor the portfolio's risk at any time with respect to industries, types of customers, regions, branches and to develop new marketing strategies and pricing policies which result in a more effective management of risks. A high degree of centralization and limitations set on branch discretion have further contributed to the strength of Akbank's loan portfolio. The management information system automatically generates a current (daily) list of loans in arrears and distributes it to the responsible departments.

The loan portfolio is diversified across many industries that include agriculture, energy, telecom, financial institutions, textiles, food and beverages, metals, chemicals, construction, tourism and transportation. The portfolio is also diversified geographically with 28% of the loans concentrated in the Istanbul area and a significant portion concentrated in rapidly growing areas of Ankara and Çukurova.

New products introduced in 2000 for the use of corporate customers include the Mail Order System where dealers may make payments to manufacturing companies through Akbank POS machines. Currently, there are 1,000 corporate customers using this system. In Secure Collections System, a specialized Akbank account allows manufacturers to collect from dealers through an exclusive overdraft scheme. To provide finance to store credit card issuers, Akbank has started to structure finance packages against the assignment of credit card receivables. The first of such deals was accomplished in 2000 for an amount of US\$ 100 million.

Project Finance

As the major activity of Akbank's investment banking operation, project finance has demonstrated outstanding expansion both in terms of value and market share since 1998. With the strength of its balance sheet, Akbank established a project finance loan portfolio of US\$ 550 million in the year 2000 that reflects a 227% increase over



Akbank continues **its drive to reach** more Turkish merchants through

its POS machines. The Bank has a 17% market share

in POS machine placements with over 50,000

machines presently online.



Akbank's Internet branch allows customers to access their accounts, transfer money, perform securities, foreign exchange and mutual fund transactions and trade on the Istanbul Stock Exchange.



1999 figures. The loan portfolio is expected to surpass US\$ 1,000 million by the end of 2001.

While pursuing an aggressive strategy in the establishment of this portfolio, Akbank has never compromised its prudent risk management approach and has conscientiously distributed the loans equally in the construction, telecommunications, energy and retailing industries. The Bank's risk exposure on project finance is



minimal since loans are either given directly to the Turkish Treasury or, if not, are typically guaranteed by it.

Retail Banking

With its second largest private sector branch network in Turkey, Akbank offers consumers a broad range of retail services and financial products including deposit-taking (through the establishment of TL and foreign currency demand accounts and time deposits), consumer loans, such as cash advances, overdraft facilities, automobile loans, installment credit facilities, credit cards (Visa, MasterCard, and AMEX cards), debit cards, automated payment services, including direct debit and credit, foreign exchange, custodial services, check collection, transfers and remittances and investments. The Bank's retail customer base includes approximately 3.5 million individuals.

New technology

Taking advantage of rapidly developing information technology, Akbank has introduced new banking services using the Internet, WAP technology, screen-based telephones (Aktel) and personal computers. These services were

brought to the market for the convenience of the customers who now have direct access to the Bank to carry out all of their non-cash transactions including investments from anywhere in the world. Akbank's self-service machines (Akservis) installed in major branch locations allow customers to conduct all major banking transactions, including investments. More than 150,000 customers currently utilize Internet banking services and screen-based telephones (Aktel).

Akbank introduced its first Internet banking branch for retail customers in June 1999 with the assistance of its subsidiary, Aknet. Akbank's Internet branch allows customers to access their accounts, transfer money, perform securities, foreign exchange and mutual fund transactions and trade on the Istanbul Stock Exchange. By the end of 2000, the number of retail customers utilizing the facilities at the Internet branch totaled 106,000, accounting for 7% of Akbank's active customers. In June 2000, Akbank established a commercial



Internet branch for small and medium-size companies. Although only a short time has passed since its introduction, the number of corporate users exceeded 5,000 by the end of 2000. Currently, work is underway on a project that will offer corporate clients e-business opportunities in conjunction with the commercial Internet branch.

Credit cards

Akbank is among the largest participants in the payment card industry in Turkey, offering both credit and debit cards. Credit card products offered by the Bank include Visa (Gold, International and Domestic), MasterCard (International and Domestic) and AMEX cards (Gold, Green, Revolve) and co-branded credit cards in conjunction with MasterCard and AMEX. In addition, the Bank is the exclusive issuer of AMEX card products in Turkey. Akbank has so far issued four co-branded credit cards; Carrefoursa hypermarket chain, Atalar ready-made garment stores, the Swissotel hotel chain and Yimpaş supermarket chain.

In September 2000, Akbank separated its credit card business from mainstream operations and transferred it to a newly incorporated, wholly owned subsidiary helping to enhance the

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**Akbank is a principal
player with regard to
ATM machines,
holding
approximately 10%
of the market in
Turkey.**

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Bank's marketing strategy and providing customers with higher quality services. It is expected that this restructuring will increase the Bank's market penetration. Revenue from the Bank's payment card activities is derived from introductory and annual card

service fees, transaction and interchange fees and commissions from merchants.

POS and ATM machines

Akbank continues its drive to reach more Turkish merchants through its POS machines. The Bank has a 17% market share in POS machine placements with over 50,000 machines presently online. Akbank's exclusive agreement with AMEX provides a base in the POS market and gives Akbank an advantage when competing with other banks for new customers.

Akbank is a principal player with regard to ATM machines, holding approximately 10% of the market in Turkey at the end of the year. In close association with other prominent banks in the country, Akbank established 'Golden Point' in 1994. This is an ATM-based network that allows customers of member banks to access their accounts from the ATMs belonging to other banks. Currently, the number of 'Golden Point' ATM sites is over 3,400, with Akbank ATMs totaling 1,177. The



Akbank uses a number of different distribution channels ranging from the more traditional branch offices to the highly technological fully-automated service channels.

and services to individual customers including cash management accounts, brokerage and investment advisory services. These services are offered through its subsidiaries - Ak Securities, Ak Investment Fund and Ak Portfolio Management. In addition to investment services, Akbank also offers various insurance products by functioning as an agent for an affiliated life insurance company, Akhayat and an affiliated non-life insurance company, Aksigorta. In marketing investment and insurance products, Akbank aims to complement its banking services as it creates new sources of fee and commission income.

Akbank is now processing salary payments for approximately 4,000 companies, placing the Bank among the top banks providing this service. This leading market position has allowed Akbank to capture a significant share of the time/demand deposits, credit card and consumer lending business of these companies' employees.

Distribution channels

Akbank uses a number of different distribution channels ranging from the more traditional branch offices to the highly technological fully-automated service channels. The satellite branch concept was introduced in 1996 and since then branch offices have been grouped under full branches and satellite branches to foster specialization and enhance service quality.

Akmatik ATMs, Akpos, Mobile Akpos and the recently introduced virtual POS terminals represent convenient tools for Akbank's both retail and commercial customers.

Self-service banking services within branch premises are rendered through Akservis, while Aklink and AkPC provide banking services remotely. Customer Support Service Center, Akhizmet – IVR, Aktel screen-based telephones and

Distribution Channels Used by Akbank

Branches	Full Branches and Satellite Branches
ATM	Akmatik ATM
POS	Akpos
	Mobile Akpos
	Virtual POS
Self Services	Akservis
PC Banking	Aklink (Commercial application)
	AkPC
Telephone Banking	Customer Support Service Center
	Akhizmet - IVR
	Aktel screen-based telephone
	WAP telephones
Internet Banking	Internet branch for retail customers
	Internet branch for corporate customers

Akbank provides a comprehensive range of international trade finance products and services as well as foreign currency loans to importers and exporters.

banking on WAP telephones are other innovative banking instruments introduced in Turkey by Akbank. Akbank has introduced its Retail Internet Branch in 1999 and Corporate Internet Branch in 2000.

Private Banking

Akbank established its Private Banking Department in August 2000, which will become fully operational in the first half of 2001. The Department will target high net worth individuals and provide a wide range of products and services, including discretionary asset management and investment advisory services.

International Banking

Akbank's international banking activities are conducted through its International Banking Department at the Head Office in Istanbul and through six branch offices in Germany, one branch in Malta and representative offices in London, Paris and Rotterdam. Akbank International N.V., a newly established subsidiary bank in the

Netherlands, will be in operation in the first half of 2001. Akbank also has a 37% stake in Sabancı Bank, based in London and 39.99% in BNP-AK-Dresdner Bank in Istanbul.

In addition to its own network of overseas branches, representative offices and subsidiary and affiliated banks, Akbank has an extensive correspondent banking network of approximately 900 correspondent banks in 116 countries. The range of correspondent banking products extends beyond traditional payments and trade finance and includes capital market transactions, foreign exchange, hedging, financial advisory services and asset management.

Akbank provides a comprehensive range of international trade finance products and services as well as foreign currency loans to importers and exporters. At the end of 2000, foreign currency cash and non-cash loans amounted to approximately TL 1,637,118 billion and TL 277,029 billion, respectively. In 2000, Akbank processed more than US\$ 2.4 billion in import transactions and US\$ 1.5



billion in export transactions, representing a share of approximately 5.6% in Turkey's exports and 4.4% in imports.

As Akbank expands its foreign currency lending, international borrowing has become an increasingly important source of funding. In 1999 and 2000, Akbank received an aggregate of US\$ 500 million through a securitization program backed by trade payment

The range of **correspondent banking products** extends beyond

traditional payments and **trade finance** and includes

capital market transactions, foreign exchange,

hedging, financial advisory services and asset

management.



The Treasury Department is responsible for the management of the Bank's risk exposure on a day-to-day basis and ensuring the availability of funds for the Bank's branch network.



receivables and other remittances. Akbank's total securitized borrowing is currently US\$ 850 million. In October 2000, a US\$ 350 million syndicated loan was received in addition to a US\$ 400 million syndicated loan received in June 2000, both at a cost of Libor plus 0.50%.

Treasury

Akbank's Treasury Department is located at the Istanbul Head Office and provides complete treasury services for the entire branch network. The Treasury Department is comprised of three separate divisions; Turkish Lira Treasury, Foreign Exchange Treasury and Marketing.

The Treasury Department is responsible for the management of the Bank's risk exposure on a day-to-day basis and ensuring the availability of funds for the Bank's branch network. To carry out these objectives, the Treasury Department engages in spot and forward foreign currency and Turkish lira trading, as well as the trading of Turkish

Treasury bills and bonds and other local and AAA sovereign securities. The Marketing Division has substantially increased its brokerage services on T-Bills and bonds through the Bank's branch network.

Foreign currency against foreign currency trading volume increased by 73.4% to US\$ 20 billion.

Akbank continued its leading position in Turkish lira money market transactions with a volume of TL 15.9 quadrillion (approximately US\$ 22.5 billion) in 2000. With regard to foreign currency denominated security operations, Akbank is also a market leader with a volume of US\$ 660 million in 2000.

Interest rate risk management in relation to foreign currency forward transactions, T-Bills and bonds, repos and reverse repos, money market transactions, cash forward transactions and loans to customers is monitored continuously through daily reporting. The Bank's resulting interest rate structure is marked-to-market to the yield curve. Potential

risks are monitored in "factor sensitivity" terms involving the simulation of the effects of upward and downward shifts of the yield curve on profit and loss.

Capital Markets

Ak Securities, a subsidiary of Akbank, provides service through a number of different activities that include fixed income and equity trading, corporate finance and research through its newly established marketing department. Ak Securities has a strong, diverse customer base made up of approximately 250,000 investors. At the end of 2000, Ak Securities ranked second among Turkish brokerage houses in terms of both number of customers and accounts with stock holdings.

Ak Securities extends the scope of its distribution by utilizing the vast infrastructure of Akbank. Sixty-two Akbank branches are equipped with large trading rooms, while 39 are equipped with mini-trading rooms. All Ak Securities services are accessible via Aktel, AkPC, AkWAP



and the Internet branch of Akbank. With the help of these services, customers can enjoy 24-hour a day service at home or in their offices.

Ak Securities is the first brokerage house to trade foreign funds, specifically Amex Investment Funds, online through all types of distribution channels.

Orders for the ISE's Bonds and Bills Market are executed online and in real-time through a direct link between Ak Securities and the ISE, enabling customers to have higher quality service. Ak Securities has also made the necessary infrastructure investments for the new online equity trading system in the stock market.

Akbank offers portfolio and mutual fund management services through its subsidiary Ak Portfolio Management. Ak Portfolio Management was established to capture a significant share of the market that will emerge when the restructuring of pension funds

actually materializes. It is anticipated that Ak Portfolio Management will serve a significant number of corporate sponsored and individual retirement investment

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**Ak Investment Fund
is the second largest
fund in the market in
terms of portfolio
size and paid-up
capital and is second
in terms of portfolio
returns out of 21
investment trust
companies in Turkey.**

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plans of Sabancı Group companies and its 30,000 employees in addition to those of the Bank's large-scale corporate customers.

Another subsidiary established by the Bank in September 1998, Ak Investment Fund, is an investment trust company owned 99.9% by Akbank. In May 1999, 49% of the shares were offered to the public and are currently traded on the Istanbul Stock Exchange. As of May 2000, this subsidiary had a paid-up capital of TL 6 trillion.

Ak Investment Fund is the second largest fund in the market in terms of portfolio size and paid-up capital and is second in terms of portfolio returns out of 21 investment trust companies in Turkey. Continuously monitoring the financial markets and institutions, Ak Investment Fund aims at minimizing investment risk and maximizing yield through a diversified portfolio.

Akbank firmly believes that it benefits both the Bank and the customers to employ 'the right people in the right positions'.

SUPPORT SERVICES

Information Technology

The emphasis placed on developing a technologically-dynamic infrastructure at Akbank has paid-off especially during times of rapid growth when massive amounts of data have to be processed and transferred through the expanding branch network. Since 1996, Akbank's capital expenditures for technology have exceeded US\$ 200 million.

The technological infrastructure of Akbank gives it a strong competitive advantage across all business lines. The Bank manages one of the largest ATM and branch network systems in Turkey. Through an ATM sharing agreement, customers can utilize the ATM systems of five other banks, giving Akbank ATM cardholders access to over 3,400 machines across the country. Akbank was one of the first banks in Turkey to provide Internet banking services (www.akbank.com.tr) and

plans to further distinguish itself as on-line services expand. Akbank was recognized by the Taylor Nelson Sofres-Piar survey in August 2000 as having the best Internet banking services in Turkey.

Banking application programs are developed totally in-house and are tailored specifically to Akbank requirements with built-in user-friendly features. All branch offices are equipped with their own local database, are fully automated and operate on a real-time on-line basis. The Bank operates a Disaster Recovery Center in Izmir, 300 miles south of Istanbul, which is capable of undertaking all electronic banking services if the Center in Istanbul fails to operate due to a natural disaster or equipment failure.

Human Resources

As of the end of 2000, Akbank had 7,458 employees, of which 1,547 worked at the Head Office, 372 in regional offices and 5,539 in the branch offices. The average age of



Akbank employees is 33 years and more than half are university graduates.

Akbank firmly believes that it benefits both the Bank and the customers to employ 'the right people in the right positions'. Akbank offers competitive compensation and strives to provide a work environment that is challenging and rewarding to its employees. Employees in non-managerial positions belong to a union with which management maintains good-working relationships.

Akbank **trains all new employees** in such basic banking essentials as

accounting, **credit evaluation**, capital markets and

team building. Similar training is given to **existing**

employees on an ongoing basis.



As one of the country's premier banks since the 1970s, Akbank has played an important role as a contributor to a variety of rich cultural and artistic activities that include music, visual and plastic arts.



Akbank trains all new employees in such basic banking essentials as accounting, credit evaluation, capital markets and team building. Similar training is given to existing employees on an ongoing basis. In 2000, all training targets were successfully met with a total of 25,174 participants taking part in the training courses, representing an average of 56 man-hours per employee. A major portion of the total training was devoted to topics dealing with customer relations, cross-selling and credits. Foreign language learning courses are available to Akbank personnel offering an additional opportunity for professionalism and upward mobility.

Training courses, specifically directed toward Akbank personnel, are organized as in-house programs and are offered by local professional training institutions. Selected staff members are sent abroad for long-term educational programs.

Contribution to Culture and the Arts

As one of the country's premier banks since the 1970s, Akbank has played an important role as a contributor to a variety of rich cultural and artistic activities that include music, visual and plastic arts.

Every year since 1990, Akbank has organized an international jazz festival attended mainly by young people. In addition to the concerts presented in this festival in Istanbul, jazz masters from Turkey and around the world have had the opportunity to perform for audiences in Ankara, Adana and Izmir. Other activities within the festival include jazz talks, film shows and workshops organized at the Aksanat Center, Akbank's center for the arts centrally located in Beyoğlu, a landmark institution in Istanbul's artistic and cultural life.

Continuously throughout the year, numerous other artistic activities such as exhibitions, lectures, concerts from video and film shows, are also organized at the Aksanat Center.

The Akbank Chamber Music Orchestra intensified its activities after 1992 and has accompanied

Training Statistics

	1998	1999	2000
Total training hours	235,377	362,500	400,750
Hours per staff	36	55	56
Percentage of working hours allocated to training	2.3%	3.6%	3.7%



some of the world's foremost soloists and performed under some of the greatest conductors. Under its permanent conductor, Cem Mansur, the Orchestra has presented concerts every month at the Sabancı Center and for the past two years has played at universities around Turkey. 'Music Days' at various historical sights have also been organized to commemorate certain special occasions.

Lithograph and serigraph workshops at Aksanat offer an inspiring atmosphere to artists of these disciplines. Artists from the Aksanat Production Theater perform both at the Center and also on other stages around the country. Not neglecting the children, Akbank Children's Theater and traditional Turkish shadow theater (Karagöz) have been giving free performances regularly for the last 25 years. Akbank also sponsors the printing of books in the field of arts

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**In 2000, a book on
"Anatolian
Ornaments and
Jewelry from Ancient
Times" was published
with support from
Akbank.**

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and culture. In 2000, a book on "Anatolian Ornaments and Jewelry from Ancient Times" was published with support from Akbank. Akbank intends to increase its support for cultural and artistic activities in the years ahead.

Equity Participations

Company	Business Area	Equity Ownership %
Financial Sector		
Sabancı Bank	Banking	37.0
BNP-AK-Dresdner Bank	Banking	40.0
Ak Securities	Brokerage	99.8
Ak Investment Fund	Investment	45.6
Ak Portfolio Management	Portfolio Management	100.0
Akbank International N.V.	Banking	100.0
Ak Payment Systems	Credit Cards	100.0
Others		
Aknet	IT - Finance Sector	100.0
I-Bimsa	IT	10.0
Temsa	Automotive	14.9



Auditors' Report and Financial Statements
at 31 December 2000

Convenience Translation into English of Auditors' Report and Financial
Statements originally issued in Turkish, See Note III/8

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**CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITORS' REPORT
ORIGINALLY ISSUED IN TURKISH,
AUDITORS' REPORT**

1. We have audited the accompanying balance sheet of Akbank T.A.Ş. at 31 December 2000 and the related statement of income and the footnotes for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit in order to obtain reasonable assurance on whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements present fairly, in all material respects, the financial position of Akbank T.A.Ş. at 31 December 2000 and the result of its operations for the year then ended in accordance with the relevant Turkish Laws and the communiqué on the principles of organisation and application of the Uniform Chart of Accounts which are consistently applied.

Without qualifying our opinion we would like to draw your attention to the following issue:

4. As explained in the footnote I/12 on 22 February 2001 due to the turmoil in the Turkish Financial sector the Turkish government concluded that the managed exchange rate was no longer sustainable. The crawling-peg system, which had limited the depreciation of the local currency, was then abandoned in favour of a free-floating exchange rate. The Turkish lira has depreciated in excess of 35% when compared to the exchange rates prevailing at 31 December 2000 and the prevailing interest rates are significantly high at the date of this report. There is uncertainty as to the effects of the ongoing volatility in the financial markets on the financial condition of the Bank and its future operations and cash flows at present.

Additional paragraph for convenience translation into English:

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

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



Zeynep Uras, SMMM

İstanbul, 13 February 2001

(except for the footnote I/12 and paragraph 4 above, which are dated 22 February 2001)

akbank t.a.ş. balance sheets

(Amounts are expressed in billions of Turkish lira)

	Audited 31 December 2000	Audited 31 December 1999
Cash	98,687	88,415
Cash	63,186	40,565
Foreign Currency	34,911	47,482
Other	590	368
Banks	2,333,322	600,797
Central Bank of Turkey	4,511	3,503
Other banks	2,328,811	597,294
Domestic banks	1,811,861	393,703
Foreign banks	516,950	203,591
Other financial institutions	0	0
Interbank money market	293,370	55,598
Marketable securities portfolio (net)	645,187	1,281,831
Government bonds and treasury bills	619,423	634,108
Other bonds	0	647,723
Share certificates	666	0
Other marketable securities	25,098	0
Loans	2,630,090	1,376,895
Short-term	1,495,922	1,002,880
Medium and long-term	1,134,168	374,015
Loans under follow-up (net)	5,957	8,379
Loans and other receivables of limited collectibility (net)	1,653	8,379
Gross receivable amount	8,239	33,390
Allowance (-)	6,586	25,011
Loans and other receivables of doubtful collectibility (net)	645	0
Gross receivable amount	3,817	569
Allowance (-)	3,172	569
Uncollectible loans and other receivables (net)	3,659	0
Gross receivable amount	29,862	0
Allowance (-)	26,203	0
Accrued income and interest receivable	291,436	398,876
Loans	73,286	43,811
Marketable securities	92,327	333,743
Other	125,823	21,322
Financial lease receivables (net)	0	0
Cumulative rental receivable	0	0
Unearned income (-)	0	0
Reserve deposits	325,413	206,278
Miscellaneous receivables	145,180	39,798
Investments and associates (net)	29,577	23,097
Financial investments and associates	28,447	21,647
Non-financial investments and associates	1,130	1,450
Subsidiaries (net)	11,184	1,511
Financial subsidiaries	11,181	1,508
Non-financial subsidiaries	3	3
Investment securities (net)	395,656	173,123
Share certificates	3,618	1,034
Other marketable securities	392,038	172,089
Fixed assets (net)	137,644	85,161
Book value	204,641	120,849
Accumulated depreciation (-)	66,997	35,688
Other assets	15,275	14,063
TOTAL ASSETS	7,357,978	4,353,822

akbank t.a.ş. balance sheets

(Amounts are expressed in billions of Turkish lira)

	Audited 31 December 2000	Audited 31 December 1999
Deposits	4,375,895	2,601,195
Savings deposits	1,000,061	655,051
Certificates of deposit	0	3
Public sector deposits	1,186	537
Commercial deposits	330,116	161,479
Other institutions deposits	32,276	32,313
Interbank deposits	368,877	73,922
Foreign currency deposits	2,643,379	1,677,890
Gold vault	0	0
Interbank money market	27,577	19,623
Funds borrowed	1,526,610	653,534
Funds borrowed from Central Bank of Turkey	0	0
Other funds borrowed	1,526,610	653,534
Domestic banks and institutions	26,694	23,827
Foreign banks, institutions and funds	1,499,916	629,707
Subordinated loans	0	0
Funds	0	0
Marketable securities issued (net)	0	0
Bills	0	0
Asset backed securities	0	0
Bonds	0	0
Accrued expenses and interest payable	155,848	89,113
Deposits	59,082	46,643
Borrowings	11,637	8,166
Other	85,129	34,304
Leasing payables (net)	753	1,737
Leasing payables	753	1,737
Deferred leasing expenses (-)	0	0
Taxes and other duties payable	22,398	12,981
Import transfer orders	6,521	15,742
Miscellaneous payables	23,178	19,012
Provisions	117,611	175,527
Reserve for employment termination benefits	0	0
General loan loss provision	27,657	7,153
Provision for taxes	88,414	167,360
Other provisions	1,540	1,014
Other liabilities	19,476	7,080
Shareholders' equity	738,505	439,891
Paid-up capital	500,000	250,000
Authorised share capital	500,000	250,000
Unpaid capital	0	0
Legal reserves	57,486	38,331
First and second legal reserves	57,486	38,331
Capital surplus (issuance of common stocks)	0	0
Other legal reserves	0	0
General reserves	132,045	121,184
Revaluation funds	48,897	30,376
Evaluation differences	77	0
Accumulated deficit	0	0
Current period loss (-)	0	0
Prior years' losses (-)	0	0
Income	343,606	318,387
Income for the period	343,606	318,387
Prior years' income	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,357,978	4,353,822
COMMITMENTS AND CONTINGENCIES		
Guarantees	534,167	374,390
Commitments	1,060,834	571,028
Currency and interest rate transactions	4,466,301	801,608
TOTAL	6,061,302	1,747,026

akbank t.a.ş. statements of income

(Amounts are expressed in billions of Turkish lira)

	Audited 31 December 2000	Audited 31 December 1999
I. INTEREST INCOME	1,413,780	1,111,079
Interest on loans	508,967	366,130
Interest on TL loans	354,601	292,797
Short-term loans	314,510	287,458
Medium and long-term loans	40,091	5,339
Interest on foreign currency loans	149,203	71,265
Short-term loans	94,124	51,557
Medium and long-term loans	55,079	19,708
Interest on loans under follow-up	5,163	2,068
Premiums received from Resource Utilisation Support Fund	0	0
Interest received from reserve deposits	0	0
Interest received from banks	589,884	57,169
Central Bank of Turkey	20	3
Domestic banks	583,176	50,703
Foreign banks	6,688	6,463
Interest received from Interbank transactions	18,600	14,845
Interest received from marketable securities portfolio	295,588	648,798
Government bonds	239,906	610,160
Other marketable securities	55,682	38,638
Other interest income	741	24,137
II. INTEREST EXPENSE	468,797	432,183
Interest on deposits	381,457	395,842
Savings deposits	197,606	260,189
Certificate of deposits	0	0
Public sector deposits	35	67
Commercial deposits	71	2,825
Other institutions deposits	19,518	30,138
Interbank deposits	36,876	9,666
Foreign currency deposits	127,351	92,957
Gold vault	0	0
Interest on Interbank transactions	9,642	8,939
Interest on funds borrowed	77,446	27,200
Central Bank of Turkey	0	0
Domestic banks	4,069	5,800
Foreign banks	60,189	13,006
Other financial institutions	13,188	8,394
Interest on bonds issued	0	0
Other interest expenses	252	202
III. NET INTEREST INCOME (I-II)	944,983	678,896
IV. NON-INTEREST INCOME	2,142,208	713,111
Fees and commissions received	90,529	50,529
Cash loans	14,640	4,605
Non-cash loans	5,421	3,148
Other	70,468	42,776
Profit on trading account securities	70,396	47,055
Foreign exchange gains	1,947,537	597,712
Income from investments and associates	7,494	3,559
Extraordinary income	0	0
Other non-interest income	26,252	14,256
V. NON-INTEREST EXPENSES	2,573,911	914,460
Fees and commissions paid	48,713	47,594
Cash loans	17	5,347
Non-cash loans	65	40
Other	48,631	42,207
Losses on trading account securities	37,107	1,593
Foreign exchange losses	2,168,064	670,874
Employee costs	83,333	53,693
Provision for employment termination benefits	0	0
Rent expenses	3,823	1,780
Depreciation expenses	18,989	10,941
Sundry taxes and duties	15,826	6,253
Extraordinary expenses	0	0
Provision for loan losses	24,729	21,534
Other provisions	22,745	4,473
Other non-interest expenses	150,582	95,725
VI. NET NON-INTEREST INCOME (IV-V)	(431,703)	(201,349)
VII. INCOME BEFORE TAXES (III+VI)	513,280	477,547
VIII. PROVISION FOR TAXES ON INCOME	169,674	159,160
IX. NET INCOME (VII-VIII)	343,606	318,387

akbank t.a.ş. footnotes to financial statements

(Amounts are expressed in billions of Turkish lira)

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

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

- (1) Date of approval of the balance sheet: 13 February 2001 (1999: 11 February 2000)
- (2) a- Detailed explanation of the major accounting principles adopted the Bank in the preparation of the accompanying financial statements:

Basis of presentation of financial statements:

The Bank maintains its books of account and prepares its statutory financial statements in Turkish lira based on the Turkish Commercial Code, Banking Law and Tax Regulations.

The Bank prepares its financial statements in accordance with Article 13 (Accounting Standards) of Banking Act numbered 4389 - revised by the Law numbered 4491 - and "Uniform Chart of Accounts of Banks" and other supplementary communiqués and decrees.

Marketable securities, investments, subsidiaries and investment securities:

Valuation methods used for marketable securities, investments, subsidiaries and investment securities are explained in Note 5 below.

Taxation:

The tax rate is applied as 33% (including fund levy) in accordance with Corporate Tax Law.

Sale and repurchase agreements:

Securities sold subject to linked repurchase agreements ("repos") are valued at market value. The difference between sale and repurchase price is treated as interest expense and accrued evenly over the life of repo agreement. The accrued expense for the related period on repo agreements is netted-off from the increase/decrease account in the value of the securities sold subject to repo agreements.

The difference between purchase and resale prices of the securities purchased under agreements to resell ("reverse repos") is recorded as interest income over the life of reverse repo agreement on a straight-line basis.

General and specific loan reserves:

The general and specific loan provisions are provided in accordance with the "Loan Provisioning Decree" (Decree number 99/13761) published in the Official Gazette dated 21 December 1999, No: 23913 and in accordance with related communique published in the Official Gazette dated 31 March 2000, No: 24006. The effect of changes in regulations on the current year financial statements is explained in Note 11(i).

Foreign Currency Transactions:

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Foreign currency assets and liabilities have been translated into Turkish Lira at year-end foreign exchange bid rates of the Bank. Gains and losses resulting from the settlement of such transactions and from the translation of foreign currency assets and liabilities denominated in foreign currencies are recognised in the income statement as foreign exchange gains and losses.

Income and expense recognition:

All income and expenses are recognised on an accrual basis, except for certain commission income and fees for various banking services which are recorded as income at the time of effecting the transactions to which they relate.

- b- Changes in accounting policies and their monetary effects: None. The changes in the valuation methods and their monetary effects are explained in Note 4. (1999: None.)

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

(4) Effects of any changes in the valuation methods applied in the current year result:

The Bank changed the valuation method used for marketable securities in order to comply with the decree of the Undersecretariat of the Treasury dated 18 May 2000, No.40586. Accordingly, government bonds and treasury bills in the securities portfolio, which were valued by the straight-line accrual method in the previous periods, are stated at their respective market values at 31 December 2000. As a result of this regulatory change in the valuation method, interest income recognized in the financial statements as at 31 December 2000 is decreased by TL87,973 as compared to the valuation method used in the previous period.

(5) Detailed explanation of the valuation methods used for marketable securities (including investments, subsidiaries and investment securities):

A. Marketable Securities Portfolio:

Securities in Turkish Lira

1- Common stocks.....: Market value

2- Other Marketable Securities:

a) Inflation and foreign currency

indexed marketable securities.....: -

b) Fixed rate marketable securities: Market value, if ISE price is not available, CBT value.

c) Floating rate marketable securities: Market value, if ISE price is not available, CBT value.

Securities in foreign currency

1- Common stocks.....: -

2- Other Marketable Securities:

a) Inflation and foreign currency

indexed marketable securities.....: -

b) Fixed rate marketable securities: -

c) Floating rate marketable securities: -

B. Investments:

Investments in Turkish Lira.....: Stated at cost plus free shares obtained from investees which increased their share capital through revaluation adjustment and general reserves.

Investments in foreign currency.....: Stated at the translated foreign currency cost value at the prevailing foreign exchange bid rates of the Bank.

C. Subsidiaries:

Subsidiaries in Turkish Lira.....: Stated at cost plus free shares obtained from subsidiaries which increased their share capital through revaluation adjustment and general reserves.

Subsidiaries in foreign currency.....: Stated at the translated foreign currency cost value at the prevailing Bank's foreign exchange bid rates.

D. Investment Securities:

Investment securities in Turkish Lira

1- Common stocks

a) Long-term investments.....: Stated at cost.

b) Securities given as collateral or pledged: -

c) Securities subject to structured deals: -

2- Other investment securities

a) Long-term investments.....: Straight-line accrual.

b) Securities given as collateral or pledged: Straight-line accrual.

c) Securities subject to structured deals: -

Investment securities in foreign currency

1- Common stocks

d) Long-term investments.....: Stated at cost.

e) Securities given as collateral or pledged: -

f) Securities subject to structured deals: -

2- Other investment securities

d) Long-term investments.....: Straight-line accrual.

e) Securities given as collateral or pledged: Straight-line accrual.

f) Securities subject to structured deals: -

(1999: Treasury bills, government bonds and similar securities are stated at cost plus accrued interest on a straight-line basis. Foreign currency investments and share certificates are stated at the translated foreign currency cost value at the prevailing foreign exchange bid rates of the Bank.)

- (6) Depreciation method applied during the period, changes made during current period and their monetary effect: The double declining method was applied during the period, no change in the application was made in the current period.
- (7) Foreign exchange rate used in the preparation of the balance sheet and U.S. Dollar bid rates declared by the Bank on the last five working days of the period:

	31 December 2000	31 December 1999
A. The Bank's "Foreign Currency Evaluation Rate"	667,400-TL.	540,000-TL.
B. U.S. Dollar bid rates on the balance sheet date and on the 5 working days preceding the balance sheet date:		
The Bank's "U.S. Dollar Buying Rate" at the balance sheet date;	667,400-TL.	540,000-TL.
Preceding the balance sheet date;		
1. Day bid rate	668,500-TL.	539,700-TL.
2. Day bid rate	668,300-TL.	537,500-TL.
3. Day bid rate	671,800-TL.	536,500-TL.
4. Day bid rate	673,800-TL.	534,600-TL.
5. Day bid rate	678,200-TL.	533,600-TL.

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

	31 December 2000		31 December 1999	
	TL	Million US\$	TL	Million US\$
I-FOREIGN CURRENCY ASSETS				
1) CASH AND CASH EQUIVALENTS (Foreign currency cash on hand, cash in transit, cheques bought)	35,501	53	47,851	88
2) CENTRAL BANK	120	-	61	-
3) DOMESTIC BANKS (excluding Interbank)	30,700	46	28,350	54
4) FOREIGN BANKS	516,950	775	203,591	377
5) MARKETABLE SECURITIES PORTFOLIO (NET)	-	-	647,723	1,199
6) LOANS	1,311,643	1,965	854,537	1,582
7) RESERVE DEPOSITS	283,634	425	172,652	320
8) FOREIGN CURRENCY INDEXED ASSETS (a+b)	325,475	488	76,988	143
a) LOANS	325,475	488	76,988	143
b) OTHER	-	-	-	-
9) ACCRUED INTEREST INCOME	51,571	77	20,179	37
10) OTHER ASSETS	559,307	838	117,338	217
OFF-BALANCE SHEET ITEMS (11+12)	1,829,290	2,741	393,430	729
11) RECEIVABLES FROM REPURCHASE TRANSACTIONS	9,611	14	-	-
12) FOREIGN CURRENCY FORWARD TRANSACTIONS (BUY)	1,819,679	2,727	393,430	729
TOTAL FOREIGN CURRENCY ASSETS (1-12)	4,944,191	7,408	2,562,700	4,746
II-FOREIGN CURRENCY LIABILITIES				
1) FOREIGN CURRENCY DEPOSITS	2,643,379	3,961	1,677,890	3,107
2) GOLD VAULT	-	-	-	-
3) BANK DEPOSITS	162,125	243	72,089	133
4) FUNDS BORROWED FROM CENTRAL BANK	-	-	-	-
5) FUNDS BORROWED FROM DOMESTIC BANKS (excluding Interbank)	10,884	16	16,101	30
6) FUNDS BORROWED FROM OTHER DOMESTIC INSTITUTIONS	-	-	-	-
7) FUNDS BORROWED FROM ABROAD	1,499,916	2,247	629,707	1,166
8) SECURITIES ISSUED (NET)	-	-	-	-
9) FOREIGN CURRENCY INDEXED LIABILITIES (a+b)	-	-	-	-
a) BORROWINGS	-	-	-	-
b) OTHER	-	-	-	-
10) ACCRUED INTEREST EXPENSE	62,392	94	44,071	82
11) OTHER LIABILITIES	42,949	64	27,530	51
OFF-BALANCE SHEET ITEMS (12+13)	633,960	950	200,868	372
12) PAYABLES DUE TO REPURCHASE TRANSACTIONS	9,611	14	-	-
13) FOREIGN CURRENCY FORWARD TRANSACTIONS (SELL)	624,349	936	200,868	372
TOTAL FOREIGN CURRENCY LIABILITIES (1-13)	5,055,605	7,575	2,668,256	4,941
FOREIGN CURRENCY NET POSITION (I-II)	(111,414)	(167)	(105,556)	(195)

Explanation on foreign currency management of the Bank: Foreign currency asset and liability management is performed in accordance with related prudential requirements.

31 December 2000	US\$ (‘000)	Euro(**) Group (‘000)	Euro (‘000)	Swiss Francs (‘000)	Japanese Yen (‘000)	Other (***) (‘000)
I-Foreign currency assets						
Cash and Cash Equivalents	29,587	21,804	998	1,688	17,634	1,250
Banks	427,929	596	409,450	4,052	191,336	7,935
Marketable Securities Portfolio (net)	-	-	-	-	-	-
Loans	1,689,898	239,535	575,785	2,950	-	4,252
Investment Securities (net)	326,473	-	-	-	3,218,195	973
Other Foreign Currency Assets (*)	2,297,059	10,112	1,426,958	3,908	184,408	90,018
Total Foreign Currency Assets	4,770,946	272,047	2,413,191	12,598	3,611,573	104,428
II-Foreign currency liabilities						
Deposits	2,883,560	758,904	492,836	34,862	93,412	135,730
Funds Borrowed	1,456,373	2,561	866,941	-	-	-
Securities Issued (net)	-	-	-	-	-	-
Other Foreign Currency Liabilities (*)	544,586	12,334	526,614	1,317	3,412,126	31,850
Total Foreign Currency Liabilities	4,884,519	773,779	1,886,391	36,179	3,505,538	167,580
Difference (I - II)	(113,573)	(501,732)	526,800	(23,581)	106,035	(63,152)

31 December 1999	US\$ (‘000)	Euro(**) Group (‘000)	Euro (‘000)	Swiss Francs (‘000)	Japanese Yen (‘000)	Other (***) (‘000)
I-Foreign currency assets						
Cash and Cash Equivalents	46,051	39,204	2	2,384	5,706	1,728
Banks	226,774	76,976	77,215	29,300	1,944,924	11,069
Marketable Securities Portfolio (net)	1,064,935	37,951	13,985	-	6,839,750	15,781
Loans	1,085,751	540,485	89,088	1,600	-	7,162
Investment Securities (net)	50	-	-	-	4,158,900	-
Other Foreign Currency Assets (*)	771,869	120,602	193,208	12,284	11,224,945	59,060
Total Foreign Currency Assets	3,195,430	815,218	373,498	45,568	24,174,225	94,800
II-Foreign currency liabilities						
Deposits	2,067,779	974,668	34,775	31,661	79,595	140,805
Funds Borrowed	1,142,226	9,827	34,425	15,000	-	-
Securities Issued (net)	-	-	-	-	-	-
Other Foreign Currency Liabilities (*)	243,994	124,555	65,057	588	2,722,319	42,914
Total Foreign Currency Liabilities	3,453,999	1,109,050	134,257	47,249	2,801,914	183,719
Difference (I - II)	(258,569)	(293,832)	239,241	(1,681)	21,372,311	(88,919)

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

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

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

(9) Book value, accumulated depreciation and insurance coverage of fixed assets:

31 December 2000	Book Value	Accumulated Depreciation	Insurance Amount
Equipment, furniture, fixtures and vehicles	82,225	55,199	71,905
Land and buildings	119,372	10,522	52,897
1-In the Banks' usage	119,372	10,522	52,897
2-Other	-	-	-
Assets held for resale	427	-	-
1-Commodities	-	-	-
2-Land and buildings	427	-	-
Leased assets (as lessee)	-	-	-

31 December 1999	Book Value	Accumulated Depreciation	Insurance Amount
Equipment, furniture, fixtures and vehicles	44,859	28,591	41,122
Land and buildings	74,345	6,508	37,945
1-In the Banks' usage	74,345	6,508	37,945
2-Other	-	-	-
Assets held for resale	269	-	-
1-Commodities	8	-	-
2-Land and buildings	261	-	-
Leased assets (as lessee)	-	-	-

(10) Information on significant contingent gains and contingent losses of which the amounts are uncertain: None.

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

(i) At 31 December 2000, in accordance with Article 13 of the Banking Act numbered 4389 - revised by the Law numbered 4491 and the "Loan Provisioning Decree" and the related regulation, the Bank provided TL27,657 general loan loss reserve for standard loans, loans under close-monitoring and other receivables. TL13,804 of this amount is the provision provided for "Other receivables defined as loans" in accordance with the change in the regulation.

(ii) As explained in Note 4 and in Note 11 (i) above, the total monetary effect of the changes in the regulations on the income before taxes of the current period is TL101,777. Consequently, had the mentioned changes not been made, the income before taxes would have been TL615,057.

(iii) During the period, a total of US\$750 million syndicated loans, US\$400 million at 23 June 2000 and US\$350 million at 13 October 2000, have been obtained.

(iv) The Bank established Akbank International N.V. - a wholly owned banking subsidiary in the Netherlands with EUR25 million share capital and established Ak Ödeme Sistemleri A.Ş. - a wholly owned Turkish subsidiary with TL100 initial share capital. Furthermore, a foreign branch has been established in Malta with US\$5 million capital, however the branch has not commenced its operations yet.

B. Other footnotes and explanations;

(12) Information on subsequent events which have a significant impact on financial position and/or on the Bank's operations:

On 22 February 2001, due to the turmoil in the Turkish financial sector the Turkish government concluded that the managed exchange rate was no longer sustainable. The crawling-peg system, which had limited the depreciation of the local currency, was then abandoned in favour of a free-floating exchange rate. The Turkish lira has depreciated significantly against major foreign currencies when compared to the exchange rates prevailing at 31 December 2000. Due to the lack of stability in the financial markets these exchange rates have not yet been settled. On the other hand, liquidity shortage in the Turkish lira caused a drastic increase in interest rates on deposits, loans and interbank money markets. As the accompanying financial statements indicate the Bank has high amounts of liquid assets and the impact of ongoing volatility on the Bank will be determined as the financial markets will become settled and stable.

(13) Information on foreign branches of the Bank:

Country/City	Total Assets	Legal Capital (*)
1. Germany – Frankfurt	220,876	49,574

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

C. The Accountants who audited the financial statements and the Auditors' Report:

The financial statements at 31 December 2000 have been audited by Başaran Nas Serbest Muhasebeci ve Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and in the auditor's report dated 13 February 2001, it is stated that the accompanying financial statements present fairly, in all material respects, the financial position of the Bank at 31 December 2000 and the result of its operations for the year then ended in accordance with the relevant Turkish Laws and the communiqué on the principles of organisation and application of the Uniform Chart of Accounts which are consistently applied.

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

(1) The restricted portion of the funds in the Central Bank of Turkey account is ...-... (1999: -).

(2) a- Information on foreign bank balances:

	31 December 2000		31 December 1999	
	Turkish Lira	US Dollars (Million)	Turkish Lira	US Dollars (Million)
Unrestricted amount	455,293	683	203,591	377
Restricted amount (*)	61,657	92	-	-
Total	516,950	775	203,591	377

(*) TL 38,898 portion of restricted amount is the placement in accordance with 'Liquidity Requirement' for quarterly interest and principle payment of the securitized borrowing amounting to US\$500 million from Westdeutsche Landesbank.

b- The breakdown of foreign bank balances according to countries (the country in which related banks are domiciled):

OECD Countries		Other Countries	
Country name	Amount (TL)	Country name	Amount (TL)
1. AUSTRIA	7,212	1. KUWAIT	6,674
2. AUSTRALIA	66	2. SAUDI ARABIA	287
3. BELGIUM	4,818	3. RUSSIA	140
4. CANADA	135	4. CHINA	49
5. SWITZERLAND	(4,963)		
6. GERMANY	398,530		
7. DENMARK	7,776		
8. SPAIN	(186)		
9. FINLAND	154		
10. FRANCE	44,659		
11. ENGLAND	5,057		
12. ITALY	8,387		
13. JAPAN	1,000		
14. THE NETHERLANDS	1,511		
15. NORWAY	900		
16. SWEDEN	192		
17. TURKEY	168		
18. USA	34,269		
19. CZECH REPUBLIC	73		
20. IRELAND	42		
TOTAL	509,800	TOTAL	7,150

- (3) a- The value increase fund portion of the marketable securities balance is TL77 (1999: None).
- b- The market value of securities stated at cost with market values in excess of acquisition cost: TL570 (1999: None).
- c- TL40,000 of the total marketable securities and investment securities balance is held for legal requirements (1999: TL40,978).
- d- Breakdown of marketable securities portfolio as of 31 December 2000:

	Cost Value	Market Value	Value declared by Central Bank of Turkey (*)	Allowance for impairment in value
Government Bonds and Treasury Bills				
1. Fixed rate	619,423	628,190	633,101	-
2. Inflation indexed	-	-	-	-
3. Foreign currency indexed	-	-	-	-
4. Foreign currency	-	-	-	-
5. Variable rate	25,098	32,064	28,699	-
Revenue Sharing Certificates	-	-	-	-
Mutual funds	-	-	-	-
Other Bonds and Bills				
1. Fixed rate	-	-	-	-
2. Inflation indexed	-	-	-	-
3. Foreign currency indexed	-	-	-	-
4. Foreign currency	-	-	-	-
5. Variable rate	-	-	-	-
Gold	-	-	-	-
Common stocks				
1. Quoted in stock exchange	589	666	-	-
2. Not quoted	-	-	-	-
Other securities	-	-	-	-

(*) The value stated at Central Bank prices published in the Official Gazette.

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

	31 December 2000		31 December 1999	
	Cash	Non-cash	Cash	Non-cash
1. Loans granted to shareholders				
- Corporate shareholders (direct)	-	33	-	61
- Real person shareholders (direct)	-	-	-	-
- Bank's shareholders (direct and indirect)	298,930	76,883	99,729	3,473
2. Loans granted to employees	4,175	-	1,392	-

Explanations for advances and loans granted to shareholders and employees: The Bank extends loans to its shareholders and employees during normal course of business within the limits set by the Banking Act and applies interest rates prevailing in the market. 62% (1999: 82%) of the loans granted to employees is consumer loans, 34% (1999: 17%) car loans, and 4% (1999: 1%) is house loans at 31 December 2000.

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

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

	Related parties	Total	(%)
Loans			
31 December 1999	395,707	1,376,895	29
Net change	30,154		
31 December 2000	425,861	2,630,090	16
Banks			
31 December 1999	23,037	600,797	4
Net change	(-)19,391		
31 December 2000	3,646	2,333,322	-
Deposits			
31 December 1999	83,525	2,601,195	3
Net change	97,136		
31 December 2000	180,661	4,375,895	4

2. Main income statement items, such as interest expenses, commissions, fees paid and others:

	31 December 2000		(%)
	Related parties	Total	
Interest income on loans	90,764	508,967	18
Interest expense on deposits	12,392	381,457	3

3. Non-performing loans and doubtful receivables and reserve provided for these receivables: None.

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

	31 December 2000		(%)
	Related parties	Total	
Guarantees	93,394	534,167	17
Commitments	2,382	1,060,834	-
Currency and interest rate transactions	3,977,820	4,466,301	89

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

-The group which consists of two or more real persons or companies forming a unique risk due to the direct or indirect control of a group member over the other(s).

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

c- The total receivable and payable balances of the Bank to/from subsidiaries, investments and associates:

	Financial subsidiaries, investments and associates		Other subsidiaries, investments and associates	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
RECEIVABLES:				
Banks and other financial institutions	3,646	29,037	-	-
Bonds and similar investment securities	-	-	-	-
Loans (including loans under follow-up)	6,324	14,013	35,198	12,946
Accrued interest income	-	748	-	187
Receivables from leasing transactions (net)	-	-	-	-
Miscellaneous receivables	-	-	-	-
PAYABLES:				
Deposits	104	28	3,869	1,906
Funds borrowed	-	-	-	-
Securities issued (net)	-	-	-	-
Accrued interest expense	3	-	13	8
Obligations under financial leases	-	-	-	-
Miscellaneous payables	-	-	-	-

	Financial subsidiaries and investments		Other subsidiaries and investments	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
NON-CASH LOANS:				
Letters of guarantee	2,717	2,236	10,695	34,084
Acceptance credits	-	-	-	-
Letters of credit	-	-	-	-
Endorsements	-	-	-	-
Other non-cash credits	-	-	-	-

d- Information about the first and second group loans and other receivables and loans and other receivables which have been renewed, structured through refinancing or rescheduled:

	I. Group - Standard Loans and Other Receivables		II. Group - Loans and Other Receivables Under Close Monitoring	
	(1)	(2)	(1)	(2)
	Renewed, Structured through Refinancing and Rescheduled	Other loans and receivables	Renewed, Structured through Refinancing and Rescheduled	Other loans and receivables
	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Cash loans that are recorded in loan accounts	-	2,596,646	2,215	31,229
I-NON-SPECIALIZATION LOANS	-	2,596,646	2,215	31,198
Export loans	-	301,597	1,864	-
Import loans	-	-	-	-
Investment loans	-	353,011	-	-
Loans given to domestic banks	-	349,746	-	-
Loans given to foreign banks	-	-	-	-
Other loans given to financial sector	-	8,634	-	-
Gold loan	-	-	-	-
Other loans	-	1,583,658	351	31,198
1. Consumer loans	-	260,931	-	1,515
2. Credit cards	-	119,170	-	25,830
3. Other foreign loans	-	144,418	-	-
4. Other	-	1,059,139	351	3,853
II-SPECIALIZATION LOANS	-	-	-	-
Agricultural loans	-	-	-	-
Real estate loans	-	-	-	-
Professional loans	-	-	-	-
Maritime loans	-	-	-	-
Tourism loans	-	-	-	-
Other specialization loans	-	-	-	-
III-LIQUIDATED NON-CASH LOANS	-	-	-	31
Receivables or balances that are considered as loans according to related regulations of banking	-	2,760,879	-	-
Other receivables	-	-	-	-
Non-cash loans	-	533,109	-	1,058

(5) a- Information on loans and other receivables included in loans under follow-up account which are structured through refinancing, renewed or rescheduled:

	3 rd Group: Loans and receivables of limited collectibility	4 th Group: Loans and receivables of doubtful collectibility	5 th Group: Uncollectible loans and receivables
31 December 2000: (Gross amounts)			
1- Renewed loans	-	-	-
2- Loans and other receivables which are structured through refinancing	-	-	-
3- Rescheduled loans and receivables	2,215		

Explanation for loans and receivables which have been renewed, structured through refinancing or rescheduled and are included within loans under follow-up: According to the new decree on loan loss provisions, the renewed or rescheduled loans under follow-up accounts are monitored in follow-up accounts for 6 months. For this reason, during 2000 these amounts have not been transferred to structured through refinancing, renewed or rescheduled loan accounts.

b- Breakdown of loans under follow-up and other receivables according to the collateral types and the reserves provided:

	3 rd Group: Loans and receivables of limited collectibility	4 th Group: Loans and receivables of doubtful collectibility	5 th Group: Uncollectible loans and receivables
31 December 2000:			
Type of collateral			
Without Collateral	6,475	3,102	24,594
1 st Type Collateral	-	-	-
2 nd Type Collateral	49	50	1,530
3 rd Type Collateral	44	20	79
4 th Type Collateral	18	-	-

Explanation on allowance for non-cash loans which are not liquidated: The allowance provided for such non-cash loans amounting to TL175 is not included in the above table.

c- The movement of loans under follow-up and special reserves:

	3 rd Group: Loans and receivables of limited collectibility	4 th Group: Loans and receivables of doubtful collectibility	5 th Group: Uncollectible loans and receivables
Balances at 30 September 2000	5,411	8,058	24,780
-Addition (+)	9,876	-	-
-Transfer from other categories of loans under follow-up (+)	-	5,823	8,198
-Transfer to other categories of loans under follow-up (-)	5,823	8,198	-
-Collections (-)	1,224	1,867	2,544
-Write-offs (-)	1	-	572
Balances at 31 December 2000	8,239	3,817	29,862
- Special reserve provided (-)	6,586	3,172	26,203
Net Balance at 31 December 2000	1,653	645	3,659

d- Information on foreign currency loans under follow up:

	3 rd Group: Loans and receivables with limited collectibility	4 th Group: Loans and receivables with doubtful collectibility	5 th Group: Uncollectible loans and receivables
31 December 2000:			
Balances at 30 September 2000	1,241	704	1,751
- Special reserve provided (-)	828	295	1,318
Net Balance at 31 December 2000	413	409	433

(6) Receivable from the sale of assets is TL: None (1999: None),

(7) a- The portion of investments and subsidiaries representing the gain recognized through the application of equity method of accounting and mark-to-market valuation of these companies: None (1999: None).

b- Breakdown of investments and participations of the Bank as to industrial segments:

	Cost	Free Shares	Revaluation Fund	Valuation Allowance
DOMESTIC INVESTMENTS AND SUBSIDIARIES				
Banks	2,053	2,799	4,745	-
Insurance	-	-	-	-
Manufacturing	140	12	977	-
Mining	-	-	-	-
Energy	-	-	-	-
Construction	-	-	-	-
Transportation	-	-	-	-
Export	-	-	-	-
Tourism	-	-	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial institutions	4,920	2,389	-	-
Other commercial enterprises	3	2	-	-
FOREIGN INVESTMENTS AND SUBSIDIARIES				
Banks	22,722	-	-	-
Insurance	-	-	-	-
Manufacturing	-	-	-	-
Mining	-	-	-	-
Energy	-	-	-	-
Construction	-	-	-	-
Transportation	-	-	-	-
Export	-	-	-	-
Tourism	-	-	-	-
Agriculture	-	-	-	-
Forestry	-	-	-	-
Other financial institutions	-	-	-	-
Other commercial enterprises	-	-	-	-

c- Cost of investments and subsidiaries, which are quoted in domestic stock exchange(s) amounts to TL 2,787 (1999: TL 510), There are not any investments and subsidiaries quoted in foreign stock exchanges.

d- Amount of free shares obtained from participations and subsidiaries which have increased their share capital through internal sources in the current period is TL 10,924 (1999: TL 2,192).

e- Breakdown of investments and subsidiaries of the Bank:

31 December 2000:

Name	Share (%)	Total Capital	Net Profit for the period	Market Value
1. Sabancı Bank PLC.	37.00	49,344	7,879(1)	(2)
2. Ak Yatırım Men. Değ. A.Ş.	99.80	2,250	2,289(1)	(2)
3. BNP-Ak-Dresdner Bank	39.99	24,000	4,500(1)	(2)
4. Aknet Bilgi İşlem San. A.Ş.	99.99	7	182(1)	(2)
5. Ak Yayınları Ltd. Şti.	95.00	1	-	(2)
6. Temsa Termo Mek. San. A.Ş.	14.89	7,500	9,750(1)	(2)
7. I-Bimsa Ulus. İş. Bil. Yön. A.Ş.	10.00	10	518(1)	(2)
8. Ak Portföy Yönetimi A.Ş.	99.99	1,000	(-)84(1)	(2)
9. Ak Yatırım Ortaklığı A.Ş.	45.62	6,000	270(1)	2,841(3)
10. Ak Ödeme Sistemleri A.Ş.	99.99	5,000	(-)32(1)	(2)
11. Oralitsa İnş. Malz. Ltd. Şti.	18.93	66	(-)14(1)	(2)(4)
12. Akbank International N.V.	100.00	15,492	-	(2)(5)

(1) : Net profit for the period ended 30 September 2000.

(2) : Not quoted on stock exchange

(3) : In the calculation of the market value, average of last 5 days weighted average prices of the Istanbul Stock Exchange are used.

(4) : In liquidation.

(5) : Operations not yet commenced.

31 December 1999:

Name	Share (%)	Total Capital	Net Profit for the period	Market Value
1. Sabancı Bank PLC.	37.00	43,581	5,999	-
2. Ak Yatırım Men. Değ. A.Ş.	99.80	1,000	1,118(*)	-
3. BNP-Ak-Dresdner Bank	39.99	10,000	6,782	-
4. Aknet Bilgi İşlem San. A.Ş.	99.99	7	3(*)	-
5. Ak Yayınları Ltd. Şti.	95.00	1	1	-
6. Temsa Termo Mek. San. A.Ş.	14.89	1,000	(-)9,354	-
7. I-Bimsa Ulus. İş. Bil. Yön. A.Ş.	10.00	10	269	-
8. Oralitsa İnş. Malz. Ltd. Şti.	18.93	66	-	-
9. Sınai Yat. ve Kredi Bankası	10.00	10,000	6,826	-
10. Turk Nokta Net Bil. Hiz. A.Ş.	15.00	240	(-)495	-

(*): No tax provision provided.

(x): In liquidation.

Note: Investments and subsidiaries not quoted in the Istanbul Stock Exchange with a book value of TL24.1 trillion are estimated to have a market value of TL73.7 trillion.

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

Entity	Sales value	Market value at sales date	Sales term
1. Türk Nokta Net Bilgi Hiz. A.Ş.	1,316	-	Cash payment
2. Ak Yatırım Ortaklığı A.Ş.	514	514	Cash payment

(8) Information on investment securities:

	Treasury Bills and Bonds		Other Investment Securities	
	Historical cost	Valuation	Historical cost	Valuation
Investment securities:				
Securities in Turkish Lira				
1-Common Stocks				
a) Long-term investments	-	-	3,594	-
b) Securities given as collateral or pledged	-	-	-	-
c) Securities subject to structured deals	-	-	-	-
2-Other Investment Securities				
a) Long-term investments	-	-	-	-
b) Securities given as collateral or pledged	154,592	32,209	-	-
c) Securities subject to structured deals	-	-	-	-
Securities in Foreign Currency				
1-Common Stocks				
a) Long-term investments	-	-	23	-
b) Securities given as collateral or pledged	-	-	-	-
c) Securities subject to structured deals	-	-	-	-
2-Other Investment Securities				
a) Long-term investments	218,514	6,306	-	-
b) Securities given as collateral or pledged	18,933	494	-	-
c) Securities subject to structured deals	-	-	-	-

(9) Movables and real estates acquired against receivables and held for resale, in compliance with the Banking Act, amount to TL - (1999: TL8) and TL427 (1999: TL261), respectively.

(10) Breakdown of the other assets and other liabilities if they exceed 10% of the balance sheet total (excluding off-balance sheet commitments): None.

(11) a- Breakdown of deposits as to maturity:

	Demand deposits		Time deposits (*)	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
Savings deposits	118,873	57,290	881,188	597,761
Certificates of deposit	-	3	-	-
State enterprises deposits	1,172	515	14	22
Commercial deposits	230,327	127,009	99,789	34,470
Other deposits	5,713	6,542	26,563	25,771
Bank deposits	3,025	337	365,851	73,585
1-Central Bank	-	-	-	-
2-Domestic banks	530	185	313,398	3,130
3-Foreign banks	2,495	152	52,453	70,455
4-Others	-	-	-	-
Foreign currency deposits	351,759	286,375	2,291,621	1,391,515
1-Residents in Turkey	348,083	283,836	2,138,967	1,296,607
2-Residents abroad	3,676	2,539	152,654	94,908
Gold vault	-	-	-	-
Total deposits	710,868	478,071	3,665,026	2,123,124

(*) Includes those with 7 days maturity.

b- Deposits under the guarantee of Saving Deposit Insurance Fund:

	Insured amount	
	31 December 2000	31 December 1999
1- Savings deposits	1,000,061	655,051
2- Foreign currency savings deposits	2,435,289	1,497,883
3- Other deposits in the form of savings deposits (*)	-	-
4- Foreign branches' deposits under foreign authorities' insurance	149,991	92,560

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

(12) a- The premium on securities issued is TL: None (1999: None).

b- Amounts of bonds issued convertible to common stocks: None (1999: None).

c- Securities issued in the current period other than common stocks: None (1999: None).

d- Securities issued by the Bank which have matured in the current period: None (1999: None).

(13) The total of cash collateral received is TL344 (1999: TL205).

Information regarding the nature of cash collaterals: The amount is related to cash collaterals obtained from loan customers.

(14) a- The portion of marketable securities value increase fund which belongs to foreign currency marketable securities (common stocks in trading portfolio, investments, subsidiaries and investment securities) is TL: None (1999: None). The portion of that amount which is related to foreign currency valuation of foreign currency investments, subsidiaries and investment securities is TL: None (1999: None).

b- Information on valuation of foreign currency investments, subsidiaries and common stocks included in investment securities: Foreign currency investments, subsidiaries, and common stocks included in investment securities are valued at year-end foreign exchange rates and the resulting evaluation difference is included in foreign exchange gain in the income statement. The foreign exchange gain for the current year is TL2,397.

(15) Information regarding maturity breakdown of balance sheet items and certain off-balance sheet items:

Maturity breakdown of balance sheet items and certain off balance sheet items at 31 December 2000 is given in the Appendices as separate tables.

- (16) a- Bank's legal shareholders' equity in accordance with the Banking Act and information related with equity items under the generally accepted accounting applications:

Shareholders' Equity Per Statutory Regulations (1 to 7):	31 December 2000	31 December 1999
1- Paid-in Capital	500,000	250,000
Nominal Capital	500,000	250,000
Unpaid Portion (-)	-	-
2- Legal Reserves	57,486	38,331
First Legal Reserves (Turkish Commercial Code 466/1)	33,999	18,080
Second Legal Reserves (Turkish Commercial Code 466/2)	23,487	20,251
Capital Surplus	-	-
Other Legal Reserves	-	-
3- General Reserves	132,045	121,184
General Reserves	132,045	121,184
Foreign Currency Share Capital Exchange Difference (*)	-	-
Accumulated Profits (**)	-	-
Accumulated Losses (-)	-	-
4- Revaluation Fund of Fixed Assets	44,620	29,174
Furniture, fixtures and vehicles	8,004	2,509
Land and buildings	36,332	26,582
Current cost reserve	70	63
Equity participation and real estate sales income to be transferred to Share Capital	214	20
Revaluation adjustment of leasehold improvements	-	-
5- Revaluation Fund of Investments and Subsidiaries	4,277	1,202
6- Other Capital Equivalent Resources (***)	-	-
7- Loss (-)	-	-
Current period loss	-	-
Prior period loss	-	-
Shareholders' Equity Total Per Statutory Regulations (1 to 7):	738,428	439,891
Shareholders' Equity Per Accounting Applications (Except 6, 1 to 8):		
8- Evaluation Difference of Marketable Securities Portfolio and Investment Securities	77	-
Marketable securities portfolio	77	-
Participations and subsidiaries	-	-
Investment securities	-	-
Shareholders' Equity Total Per Accounting Applications (except 6, 1 to 8):	738,505	439,891

(*) Foreign exchange difference arising from evaluation of foreign currency share capital of the banks which are allowed to keep foreign currency share capital.

(**) Unappropriated profits determined by the General Assembly in compliance with the Banking Act and other regulations.

(***) Capital Equivalent Resources defined by the Banking Act and Banking Regulation and Supervision Board.

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

	31 December 2000	31 December 1999
I-Tier I Capital	1,033,137	727,902
II-Supplementary Capital	70,673	30,375
1-Subordinated Loans	-	-
2-Other	70,673	30,375
III-Capital (I + II + Third Tier Capital)	1,103,810	758,277
-Third Tier Capital	-	-
IV-Items Deducted from Capital Base	247,552	128,692
V-Capital Base (III - IV)	856,258	629,585

- (17) a- Whether the registered capital system is applied in the Bank and if so, the ceiling of the registered capital amount:
Registered capital system is applied in the Bank, the ceiling of the registered capital is TL1,200,000 (1999: None).

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

Increase date	Increase amount	Cash	Reserves	Revaluation fund
24 March 2000	250,000	220,000(*)	82(**)	29,918

(*) Transfer to share capital from 1999 profit

(**) Transfer to share capital from current cost reserve and fixed assets sale income.

c- Information related to transfer from the revaluation funds to the capital in the current period: In the current period, TL28,796 and TL1,122 have been transferred to the share capital from the fixed assets revaluation fund of the Bank and from the revaluation fund of investments and subsidiaries respectively. (1999: TL16,072 from the fixed assets revaluation fund of the Bank and TL568 from the revaluation fund of investments and subsidiaries)

d- Privileges for shares representing the capital: None.

e- Institutions and persons which have 10% or more of the voting rights and/or share in the capital:
Hacı Ömer Sabancı Holding A.Ş. 32.87% (1998: 32.87%).

- (18) Accounting method applied for financial leasing transactions and the explanations required in accordance with International Accounting Standard No 17 (IAS 17): Assets acquired through financial leasing are included in assets in accordance with the communiqué on the Uniform Chart of Accounts Applicable for Banks (lease obligations are included in liabilities and the assets are depreciated over their estimated useful lives. These assets are not subject to revaluation). Assets acquired through financial leasing amount to TL753 (net) (1999: TL1,737).

- (19) Footnotes in respect of other issues:

a- Disclosure for deferred taxes and provision for deferred tax liabilities: The income before taxes is TL513,280 as of 31 December 2000. After deducting certain exempt income items such as dividend income, foreign exchange gain on foreign investments, foreign branch and free-trade zone branches income and adding certain disallowable expenses TL514,165 is the tax base at 31 December 2000. The effective tax rate is applied as 33% (30% corporate tax rate and 3% fund levy) in accordance with Corporate Tax Law and consequently TL169,674 tax provision has been provided.

b- Method applied for accounting of currency swap transactions in accordance with the 4th part of the Uniform Chart of Accounts Applicable for Banks titled "Specific transactions (Derivative instruments)" and Accounting principles: The spot transactions and forward commitments of currency swaps are recorded as liability in balance sheet and off-balance sheet accounts, foreign exchange position and foreign exchange purchase-sales accounts are not used. At period ends; balance sheet accounts are closed with reversal of previous entries and the resulting foreign exchange gain or losses are recorded to related accounts.

c- Accrued interest income and expenses of forward and swap contracts:

	31 December 2000
Accrued Interest Income (Forward)	7
Accrued Interest Expenses (Forward)	8,654
Accrued Interest Income (Swap)	2,839
Accrued Interest Expenses (Swap)	2,117

d- List of assets and liabilities indexed to foreign exchange rates, gold prices and other financial indicators and their valuation: Foreign exchange indexed assets are foreign exchange rate indexed loans. There are not any other assets and liabilities indexed to foreign exchange rates, gold prices and other financial indications. Foreign exchange gain on the principal and interest earned are reflected to related interest income accounts.

e- Other issues: None.

III - FOOTNOTES AND EXPLANATIONS TO INCOME STATEMENT:

- (1) a- Interest received from investments and subsidiaries is TL70,552 (1999: TL18,203); fees and commissions received is TL2,781(1999: TL385).
- b- Interest paid to investments and subsidiaries is TL225 (1999: TL350); fees and commissions paid is TL- (1999: TL-).
- (2) Total financial leasing income: None (1999: None).
- (3) Total financial leasing expense: TL2,139 (1999: TL5,249).
- (4) a- General provision for loan losses: TL20,409 (1999: TL 3,704).
- b- Provision for the value decrease in marketable securities is None (1999: None).
- (5) Other items in income and expense groups I ,II,IV and V in excess of 10% of the group total, breakdown of the sub-accounts constituting 20% of these accounts:

	31 December 2000	31 December 1999
Fees and commissions received/Other	70,468	42,776
Banking service fee	70,468	42,776
Fees and commissions paid/Other	48,713	42,207
Clearing house commission paid to Banks	35,944	36,326
Operating expenses/Other operating expenses	150,582	95,725
- Saving deposit insurance fund	30,386	18,272
- Repair and maintenance expenses	23,695	21,057
- Defense fund	2,388	1,436

- (6) Information on presentation of repurchase transaction expenses in the accompanying financial statements and related income and expenses: The accounting method for repurchase transactions in the accompanying financial statements is explained in Note I-2.

	31 December 2000
Accrued income on marketable securities	
subject to repurchase transactions	51,468
Accrued expenses on repurchase transactions	47,467

- (7) Footnotes in respect of other issues:
- (i) Following the earthquakes at 17 August 1999 and 12 November 1999, the Turkish Parliament approved a new tax code to impose additional corporate, interest income, real estate and motor-vehicle taxes. According to Law No: 4481 and related communique published in the Official gazette dated 26 November 1999; the Bank paid additional corporate, real estate and motor vehicle taxes amounting to TL8,559 (1999: TL1,740); and provided additional interest income tax amounting to TL35,801 (1999: TL26,808).
- (ii) As explained in Note 11(ii) of General Footnotes And Explanations Regarding The Bank And Its Financial Structure, the effects of changes in the regulations on year 2000 financial results is TL101,077. Had these changes not been applied, the income before tax would have been TL615,057 for the year ended 31 December 2000.
- (8) Explanation added for convenience translation to English:

The accompanying financial statements are prepared and presented in accordance with the accounting and reporting principles issued in accordance with the relevant Turkish Laws and the communiqué on the principles of organisation and application of the Uniform Chart of Accounts Applicable for Banks and as accepted by the Capital Market Board, which are different from accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS"). The effects of such differences have not been quantified. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IAS.

**Auditors' Report and
Consolidated Financial Statements
at 31 December 2000**

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AUDITORS' REPORT

To the Board of Directors of Akbank T.A.Ş.

1. We have audited the accompanying consolidated balance sheet of Akbank T.A.Ş. ("the Bank" - a Turkish corporation) at 31 December 2000 and the related consolidated statements of income and of cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish lira at 31 December 2000. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Akbank T.A.Ş. at 31 December 2000 and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Without qualifying our opinion we draw attention to the following issue:

4. As explained in Note 25, on 22 February 2001 due to the turmoil in the Turkish financial sector the Turkish government concluded that the managed exchange rate was no longer sustainable. The crawling-peg system, which had limited the depreciation of the local currency, was then abandoned in favour of a free-floating exchange rate. The Turkish lira has depreciated in excess of 35% when compared to the exchange rates prevailing at 31 December 2000 and the prevailing interest rates are significantly high at the date of this report. There is uncertainty as to the effects of the ongoing volatility in the financial markets on the financial condition of the Bank and its future operations and cash flows at present.

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



Zeynep Uras, SMMM

Istanbul, 23 February 2001

akbank t.a.ş. consolidated balance sheets

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2000)

	Notes	2000	1999	1998
ASSETS				
Cash and due from banks	3	2,811,411	1,034,842	744,565
Trading securities	4	797,327	2,017	3,398
Reserve deposits with the Central Bank of Turkey	5	325,413	273,648	322,152
Loans	7	2,531,439	1,734,382	1,864,006
Investment securities	4	753,154	2,698,596	1,915,156
Accrued interest receivable	8	195,429	85,759	66,848
Investments in associated companies	9	62,281	62,602	52,975
Other investments - net of provision for diminution in value	9	25,711	27,579	25,508
Property and equipment	10	182,821	171,232	144,434
Other assets and pre-payments	11	106,845	66,407	150,172
Deferred tax assets	14	-	16,108	-
Total assets		7,791,831	6,173,172	5,289,214
LIABILITIES AND SHAREHOLDERS' EQUITY				
Customer deposits	12	4,863,751	3,732,654	3,222,765
Interbank money market deposits	13	33,488	26,032	23,772
Funds borrowed	13	1,248,934	687,854	402,846
Debt securities in issue	13	144,196	179,123	168,958
Accrued interest payable		124,957	118,711	156,466
Income taxes payable	14	88,467	241,319	56,666
Deferred tax liabilities	14	18,751	-	147,702
Other liabilities and accrued expenses	15	74,026	86,514	59,740
Reserve for employment termination benefits	16	13,611	13,198	14,523
Total liabilities		6,610,181	5,085,405	4,253,438
Shareholders' Equity				
Share capital	17	500,000	250,000	125,000
Adjustment to share capital	17	838,801	831,574	766,428
Share premium		2,843	2,843	2,843
(Accumulated deficit)/Retained earnings	18	(159,994)	3,350	141,505
Total shareholders' equity		1,181,650	1,087,767	1,035,776
Total liabilities and shareholders' equity		7,791,831	6,173,172	5,289,214

Commitments and contingent liabilities 23

These consolidated financial statements have been approved for issue by the Board of Directors on 23 February 2001 and signed on its behalf by Zafer Kurtul, the Chief Executive Officer and by Balamir Yeni, the Executive Vice President of the Bank.

The accompanying notes form an integral part of these consolidated financial statements.

akbank t.a.ş. consolidated statements of income

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2000)

	Notes	2000	1999	1998
Interest income:				
Interest on loans		555,106	634,484	690,105
Interest on investment securities		388,227	1,532,689	1,045,959
Interest on deposits with banks		665,260	118,893	50,778
Other interest income		876	378	1,420
Total interest income		1,609,469	2,286,444	1,788,262
Interest expenses:				
Interest on deposits		664,013	1,009,295	715,101
Interest on funds borrowed and debt securities in issue		85,944	45,646	34,858
Interest on Interbank money market deposits		13,336	17,114	3,387
Other interest expenses		281	349	1,198
Total interest expenses		763,574	1,072,404	754,544
Net interest income		845,895	1,214,040	1,033,718
Foreign exchange gains and losses, including net gains or losses from dealing in foreign currency		(242,142)	(138,572)	(109,299)
Net interest income after foreign exchange gains and losses		603,753	1,075,468	924,419
Provision for loan losses	7	(31,998)	(34,441)	(29,924)
Net interest income after foreign exchange gains and losses and provision for loan losses		571,755	1,041,027	894,495
Fees and commission income		112,264	97,594	66,294
Fees and commission expense		(54,393)	(79,480)	(50,714)
Net fee and commission income		57,871	18,114	15,580
Other non-interest income:				
Profit on trading account securities - net		333,368	78,018	13,514
Income from associates		530	10,308	7,126
Dividend income		3,275	2,608	10,700
Gain on sale on investments		47	97	20,653
Profit on sale of property and equipment		98	185	1,089
Other income		6,441	1,670	5,365
Total non-interest income		343,759	92,886	58,447
Other non-interest expenses:				
Employee costs		100,469	101,108	88,492
Depreciation and amortisation	10	19,083	16,826	15,282
Sundry taxes and duties		18,042	10,786	8,469
Other expenses	19	171,192	156,602	141,151
Total non-interest expenses		308,786	285,322	253,394
Income before loss on net monetary position and income taxes		664,599	866,705	715,128
Loss on net monetary position		(245,551)	(424,079)	(265,039)
Income before income taxes		419,048	442,626	450,089
Income taxes	14	207,635	275,120	220,048
Income after loss on net monetary position and income taxes		211,413	167,506	230,041
Extraordinary item	20	(39,671)	(49,179)	-
Net Income		171,742	118,327	230,041
Earnings per share in TL million	2			
- ordinary shares		0.0003	0.0002	0.0005
- founders' and usufruct shares		7,531	4,797	9,517
Weighted average number (000) of shares outstanding, of face value TL1,000 each	2			
- ordinary shares		500,000,000	472,773,973	418,143,836
- founders' and usufruct shares		2,538	2,538	2,538

The accompanying notes form an integral part of these consolidated financial statements.

akbank t.a.ş. consolidated statements of cash flows

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2000)

	Notes	2000	1999	1998
Cash flows from operating activities:				
Income for the period before taxation		419,048	442,626	450,089
Extraordinary item	20	(39,671)	(49,179)	-
		379,377	393,447	450,089
Adjustments for:				
Depreciation and amortisation	10	19,083	16,826	15,282
Provision for loan losses	7	31,998	34,441	29,924
Provision for impairment in value of investments	19	10,029	-	-
Employment termination benefits	16	4,035	5,589	7,909
Income from associates		(530)	(10,308)	(7,126)
Add back dividend income		(3,275)	(2,608)	(10,700)
Interest income - net		(845,895)	(1,214,040)	(1,033,718)
Interest paid		(757,328)	(1,110,160)	(730,379)
Interest received		1,794,924	2,231,500	1,807,491
Operating profit before changes in operating assets and liabilities		632,418	344,687	528,772
Net (increase)/decrease in reserve deposits with the Central Bank of Turkey		(51,765)	48,502	(65,533)
Net (increase)/decrease in loans to customers		(814,915)	116,408	(427,977)
Net decrease/(increase) in trading and investment securities		211,458	(352,757)	(476,710)
Net (increase)/decrease in other assets		(40,437)	83,765	(21,005)
Net increase/(decrease) in other liabilities		(12,488)	26,774	1,219
Net increase in deposits from customers		1,131,097	509,889	593,056
		1,055,368	777,268	131,822
Income taxes paid		(286,599)	(339,203)	(160,805)
Net cash from (used in) operating activities		768,769	438,065	(28,983)
Cash flows from (used in) investing activities:				
Purchase of property and equipment	10	(30,672)	(43,624)	(16,699)
Net change in investment in associated companies and other investments		(7,310)	(1,389)	97,766
Dividends received		3,275	2,608	10,700
Net cash from (used in) investing activities		(34,707)	(42,405)	91,767
Cash flows from (used in) financing activities:				
Proceeds from borrowed funds and debt securities (net of repayments)		533,607	297,433	248,651
Dividends paid		(77,859)	(176,009)	(155,062)
Issue of ordinary shares		-	109,673	119,183
Share premium		-	-	479
Net cash from financing activities		455,748	231,097	213,251
Net increase in cash and cash equivalents		1,189,810	626,757	276,035
Cash and cash equivalents at beginning of year	3	1,741,175	1,114,418	838,383
Cash and cash equivalents at end of year	3	2,930,985	1,741,175	1,114,418

The accompanying notes form an integral part of these consolidated financial statements.

akbank t.a.ş. consolidated statements of changes in shareholders' equity

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2000)

	Share capital	Adjustment to share capital	Share premium	Retained earnings/ (Accumulated deficit)	Total
Balance at 1 January 1998	50,000	670,983	2,364	118,267	841,614
Capital increase:	75,000	95,445	479	(51,741)	119,183
- Cash injection	45,000	73,704	479	-	119,183
- Transfer from retained earnings	30,000	21,741	-	(51,741)	-
Cash dividends	-	-	-	(155,062)	(155,062)
Net income for the year	-	-	-	230,041	230,041
Balance at 31 December 1998	125,000	766,428	2,843	141,505	1,035,776
Capital increase:	125,000	65,146	-	(80,473)	109,673
- Cash injection	62,500	47,173	-	-	109,673
- Transfer from retained earnings	62,500	17,973	-	(80,473)	-
Cash dividends	-	-	-	(176,009)	(176,009)
Net income for the year	-	-	-	118,327	118,327
Balance at 31 December 1999	250,000	831,574	2,843	3,350	1,087,767
Capital increase:	250,000	7,227	-	(257,227)	-
- Cash injection	-	-	-	-	-
- Transfer from retained earnings	250,000	7,227	-	(257,227)	-
Cash dividends	-	-	-	(77,859)	(77,859)
Net income for the year	-	-	-	171,742	171,742
Balance at 31 December 2000	500,000	838,801	2,843	(159,994)	1,181,650

The accompanying notes form an integral part of these consolidated financial statements.

akbank t.a.ş. notes to consolidated financial statements

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2000)

NOTE 1 - PRINCIPAL ACTIVITIES

Akbank T.A.Ş. ("the Bank") was formed in 1948 and is a member of the Sabancı Group of companies which is incorporated and domiciled in Turkey. The Bank's head offices are located at Sabancı Center 4. Levent Istanbul/Turkey. In 2000, the Bank had 590 branches dispersed throughout the country and 3 representative offices and 6 branches operating outside the country. As at 31 December 2000, the Bank employed 8,244 people. In addition to regular banking operations, the Bank also provides insurance intermediary services as an agency of Aksigorta A.Ş. and Akhayat Sigorta A.Ş.. Substantially all of the Bank's operations are carried out in one geographical segment (Turkey) and in one business segment (banking).

Some of the Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. On April 1998 2,012,500,000 ordinary shares or 4.03% of the outstanding share capital of the Bank was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depositary Shares (ADS).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of presentation of financial statements

The Bank and its domestic subsidiary maintain their books of account and prepare their statutory financial statements in Turkish lira based on the Turkish Commercial Code, Banking Law, Capital Market Board and Tax Regulations. Foreign consolidated entities and associate maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions. These consolidated financial statements are based on the statutory records which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment for companies registered in Turkey as discussed in Note 10, and for trading securities which are carried at the market value) with adjustments and reclassifications for the purpose of fair presentation in accordance with International Accounting Standards (IAS), issued by the International Accounting Standards Committee.

The Bank's reporting currency has been changed from US dollars to Turkish lira in 2000 as the Bank's transactions are principally denominated in Turkish lira. Accordingly, the Bank has applied IAS 29 ("Financial Reporting in Hyperinflationary Economies") as explained below.

The restatement for changes in the general purchasing power of the Turkish lira as of 31 December 2000 is based on IAS 29 which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods 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%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS").

Indices and conversion factors used to restate accompanying consolidated financial statements as of 31 December 2000, 1999 and 1998 are given below:

Dates	Index	Conversion factor
31 December 2000	2,626.000	1.000
31 December 1999	1,979.500	1.327
31 December 1998	1,215.100	2.161

The main procedures for the above-mentioned restatement are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities which are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant (monthly, yearly average, year end) conversion factors.
- Comparative financial statements are restated in terms of the measuring unit current at the currency purchasing power at the latest balance sheet date.
- All items in the statement of income are restated by applying the monthly conversion factors.
- The effects of inflation on the Bank's net monetary position are included in the statement of income as gain or loss on net monetary position.

(b) Consolidation

Subsidiary undertakings (including special purposes entities "-SPE-"), in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated.

The list of principal subsidiary undertakings is set out below:

Name of subsidiary	Country of incorporation	Shareholding %		
		2000	1999	1998
Ak Yatırım Menkul Değerler A.Ş.	Turkey	99.98	99.98	99.98
Ak Receivables Corporation	Cayman Islands	-	-	-
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-	-

Principal activities of Ak Yatırım Menkul Değerler A.Ş. are related to brokerage, investment banking and mutual fund management.

Ak Receivables Corporation (a special purpose entity) was established in July 1998 in connection with the issue of trust certificates amounting to US\$250 million. A.R.T.S. Ltd. (another special purpose entity) was established in November 1999 in connection with raising long-term financing amounting to US\$500 million. Both entities have lent the funds raised to the Bank, which controls the SPEs.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

(c) Investments in associated companies and other investments

Investments in associated companies are accounted for by the equity method of accounting. These are undertakings in which the Bank has between 20% and 50% of the voting rights, and over which the Bank exercises significant influence, but which it does not control.

Equity accounting involves recognizing in the income statement the Bank's share of the associate's profit or loss for the year. The Bank's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate. Provisions are recorded for long-term impairment in value.

Other investments, in which the Bank has less than 20% of the voting rights or over which it does not exercise significant influence, are carried at cost and provisions are recorded for long-term impairment in value (Note 9).

(d) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holdings group are considered and referred to as related parties. A number of banking transactions was entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.

(e) Trading securities

Trading securities are stated at market value. All related realised and unrealised gains and losses from trading securities are reported in profit on trading account securities. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

(f) Investment securities

These securities include debt securities which management intends to hold until maturity and are stated at cost as adjusted for the amortisation of premiums or discounts on purchases over the period to maturity. Interest earned and amortised gain on investment securities is reported as interest income. A reduction in market value is not taken into account unless it is considered to be permanent.

(g) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the consolidated financial statements as trading or investment securities and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell ("reverse repos") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements (Note 23).

(h) Income and expense recognition

Income and expenses are recognised on an accrual basis. Commission income and fees for various banking services are recorded as income at the time of effecting the transactions to which they relate.

(i) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis until, in management's estimates and judgement, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills.

(j) Loans and provisions for loan impairment

A specific credit risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. The level of the provision is also based on applicable banking regulations. A general provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such. The provision for loan impairment is based on an analysis of internal credit gradings allocated to borrowers, refined to reflect the economic climate in the markets in which the Bank operates and the realisable value of collateral taken against outstanding exposures.

The provision made during the year is charged against the income for the year. Loans that cannot be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the period (Note 7).

(k) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are accounted for as off- balance sheet transactions and are disclosed as commitments and contingent liabilities (Note 23).

(l) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

(m) Property and equipment

All property and equipment carried at historical cost less accumulated depreciation are restated to the equivalent purchasing power at 31 December 2000. Depreciation is calculated over the restated amounts of property and equipment using the straight-line method to write off the restated cost of each asset to its residual values over its estimated useful life, as follows:

Buildings	50 years
Equipment	4 years
Leasehold improvements	7 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Expenditure for the repair and renewal of property and equipment is charged against income. It is, however, capitalised if it results in an enlargement or substantial improvement of the respective assets (Note 10).

Leasehold improvements comprise primarily the capitalised branch refurbishment costs and are amortised on a straight-line basis over the corresponding lease terms or their estimated useful lives, whichever is shorter.

(n) Computer software development costs

Generally, costs associated with developing computer software programs are recognised as expense as incurred. However, expenditure that enhances and extends the benefits of computer software programs beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

Costs associated with the maintenance of existing computer software programs and for modifications for the Year 2000 were expensed as incurred.

(o) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the restatement of property and equipment over their historical cost, amortised gains on investment securities, provision for loan losses and provision for employment termination benefits.

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Bank. Deferred tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised (Note 14).

(p) Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve for the future probable obligation of the Bank arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 16).

(q) Financial instruments

IAS 32 Financial Instruments: Disclosure and Presentation defines financial instruments very broadly, covering not only financial assets and liabilities but also derivative financial instruments and requires disclosures about exposure to, and significant concentrations of, credit risk and about exposure to foreign exchange, interest rate and liquidity risks.

Credit risk

Financial instruments contain an element of risk that the counterparts may be unable to meet the terms of the agreements. The Bank's exposure to credit risk is concentrated in Turkey, where the majority of the activities are carried out. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. The Bank has in place effective credit evaluation, disbursement and monitoring procedures, and those control procedures are supported by senior management. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries (Notes 7 and 23).

Foreign exchange risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities. The remaining open foreign exchange exposures are hedged with derivative financial instruments that include primarily forward foreign exchange contracts (Note 21).

Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Liquidity risk

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental for the management of the Bank. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions (Note 22).

(r) 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 estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Bank could realise in a current market exchange.

A market does not presently exist for term loans and deposits which would facilitate obtaining prices for comparative instruments, and if sold or settled prior to their stated maturity dates, these instruments would bear transaction costs in the form of fees or discounts. Accordingly, fair value has not been computed for these instruments and net book amounts are considered to be a reasonable estimate of the fair value. Balances denominated in foreign currencies are translated at period/year-end exchange rates.

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

Financial assets

The fair values of certain financial assets carried at cost, including cash and balances with the Central Bank of Turkey, due from other banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair value of investment securities has been estimated based on market prices at balance sheet dates (Note 4).

The carrying value of loans and advances to customers, along with the related allowances for uncollectability, is considered to approximate their fair value.

Financial liabilities

The fair values of deposits from banks and customers and other short-term borrowed funds are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are in principle at variable rates and denominated in foreign currencies, are translated at period-end exchange rates and accordingly their fair values approximate their carrying values.

Derivative financial instruments

The fair values of forward foreign exchange contracts and currency/interest rate swaps have been estimated based on quoted market rates prevailing at balance sheet date. The carrying and estimated fair values of derivative financial instruments are provided in Note 23.

(s) Derivative financial instruments

Derivative financial instruments comprise forward foreign exchange contracts and currency and interest rate swaps that allow the Bank to reduce its foreign exchange and interest rate risks. Accordingly, gains and losses on forward foreign exchange contracts are calculated by valuing the contract with the spot exchange rate prevailing on the balance sheet date and comparing that with the original amount calculated on a straight line basis by using the spot rate prevailing at the beginning of the contracts. Gains and losses on interest rate swaps used for hedging purposes are recognised as income or expense on the same basis as the corresponding expense or income on the hedged position. Gains and losses on interest rate swaps are included in the interest income and expense as appropriate.

The Bank's criteria for a derivative instrument to be classified as a hedge is as follows:

- The transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being hedged,
- There is adequate evidence of the intent to hedge at the outset of the transaction.

(t) Offsetting

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

(u) Earnings per share

Earnings per share for each class of shares disclosed in these consolidated statements of income are determined by dividing the net income attributable to that class of shares, by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Bonus shares issued during the period were as follows:

Year	Number of shares issued attributable to transfers to share capital from:		Total
	Retained earnings	Revaluation surplus	
2000	220,082,167,377	29,917,832,623	250,000,000,000
1999	46,428,218,319	16,071,781,681	62,500,000,000
1998	19,614,543,679	10,385,456,321	30,000,000,000

The earnings attributable to each class of shares have been determined by reference to their effective relative economic interest therein (i.e. their theoretical relative dividend rights assuming that a policy of maximising distributions to each class of shares is followed). The earnings attributable to each class of shares for each year on this basis were as follows:

Year	Founders' and usufruct shares	Ordinary shares	Total
2000	19,114	152,628	171,742
1999	12,175	106,152	118,327
1998	24,154	205,887	230,041

There was no difference between basic and diluted earnings per share for any class of shares for any of these years.

(v) Reporting of cash flows

For the purposes of cash flow statement, cash and cash equivalents include cash, due from banks, trading securities and investment securities with original maturity periods of less than three months (Note 3).

NOTE 3 - CASH AND DUE FROM BANKS

	2000	1999	1998
Cash funds:			
Cash on hand	98,105	116,808	110,073
Purchased checks	590	489	685
Cash in transit	-	-	47,127
	98,695	117,297	157,885
Current accounts and demand deposits:			
Central Bank	4,665	4,646	3,140
Foreign banks	75,149	54,433	49,907
Domestic banks	8	13	20
	79,822	59,092	53,067
Time deposits:			
Foreign banks	308,321	215,651	372,960
Domestic banks	2,031,203	569,046	71,374
	2,339,524	784,697	444,334
Interbank money market placements	293,370	73,756	89,279
Total cash and due from banks	2,811,411	1,034,842	744,565

At 31 December 2000, time deposits with domestic banks include securities obtained through agreements to resell (reverse repos) in the amount of TL219,350 billion (1999: TL39,209 billion; 1998: TL19,188 billion). The interest rates on reverse repos range between 80% and 400% at 31 December 2000 (1999: 86-215%; 1998: 86%-268%).

Interest rates applied for time deposits and Interbank money market placements are as follows:

Time deposits in foreign banks:

	2000			1999			1998		
	Foreign Currency	TL billion	Interest rate %	Foreign Currency	TL billion	Interest rate %	Foreign Currency	TL billion	Interest rate %
EUR	344,200,000	213,294	4.8-5.0	-	-	-	-	-	-
US\$	142,383,561	95,027	6.4-6.8	148,732,382	106,565	3.4-6.7	138,125,000	93,349	4.9-6.5
DM	-	-	-	124,500,000	89,375	3.25-4.0	536,290,097	217,268	2.8-4.0
CHF	-	-	-	25,000,000	11,187	1.66-1.94	65,000,000	32,007	1.5-2.0
Various	-	-	-	8,524	-	-	-	30,336	-
		308,321			215,651			372,960	

Time deposits in domestic banks:

	2000			1999			1998		
	Foreign Currency	TL billion	Interest rate %	Foreign Currency	TL billion	Interest rate %	Foreign Currency	TL billion	Interest rate %
TL Billion	-	2,000,503	35-400	-	531,430	44-215	-	64,616	86-268
US\$	46,000,000	30,700	8.5-30	52,500,000	37,616	7.2-9.5	10,000,000	6,758	5-15
		2,031,203			569,046			71,374	

Interbank money market placements:

	2000			1999			1998		
	Foreign Currency	TL billion	Interest rate %	Foreign Currency	TL billion	Interest rate %	Foreign Currency	TL billion	Interest rate %
US\$	434,000,000	289,652	12-85	50,000,000	35,825	6.7-8.5	30,000,000	20,275	8-9.3
EUR	6,000,000	3,718	23-45	51,000,000	36,605	4.8-6.8	-	-	-
DM	-	-	-	-	-	-	170,000,000	69,004	4.5-7.3
TL Billion	-	-	-	-	1,326	53	-	-	-
		293,370			73,756			89,279	

At 31 December 2000, time deposits in foreign banks amounting to TL61,657 billion (1999: TL16,144 billion) are pledged as collateral in connection with long-term securitised borrowings of US\$500 million (1999: US\$ 400 million), issue of trust certificates of US\$216 million (1999: US\$250 million, 1998: US\$250 million) and various borrowings received (Note 13).

Due from banks includes the following related party bank balances:

	Type of Deposits	2000	1999	1998
Sinai Yatırım Bankası A.Ş.	Time	13,348	7,959	-
Sabancı Bank plc	Demand	3,646	2,502	4,441
	Time	-	28,059	58,238
Türkiye Sinai Kalkınma Bankası A.Ş.	Time	2,002	-	-
BNP-AK-Dresdner Bank A.Ş.	Demand	1	1	-
Total due from related party banks		18,997	38,521	62,679

Cash and cash equivalents included in the statements of cash flows for the years ended 31 December 2000, 1999 and 1998 are as follows:

	2000	1999	1998
Cash and due from banks	2,811,411	1,034,842	744,565
Trading securities and investment securities with original maturities less than three months excluding accrued interest	119,574	706,333	369,853
	2,930,985	1,741,175	1,114,418

NOTE 4 - TRADING AND INVESTMENT SECURITIES

The breakdown of securities is as follows:

Trading securities

	2000	1999	1998
Government bonds and treasury bills	796,072	1,088	3,394
Share certificates	1,255	929	4
	797,327	2,017	3,398

The interest rates on government bonds and treasury bills held for trading purposes at 31 December 2000 vary between 31%-124% (1999: 58% - 94%; 1998: 76% - 101%).

Investment securities

	2000		1999		1998	
	TL billion	Interest rate %	TL billion	Interest rate %	TL billion	Interest rate %
Government bonds	414,903	32-38	621,526	72-98	584,072	98-116
Treasury bills	6,901	34-70	1,086,293	58-147	906,963	70-134
Government bonds denominated in foreign currency	223,673	11-13	763,994	10-12.5	205,570	8.25-12
Eurobonds	10,867	9-12	58,419	7-12	83,110	5.75-12
Other foreign currency bonds	96,810	5-6	168,364	5-12	135,441	5-11.5
	753,154		2,698,596		1,915,156	

As at 31 December 2000, the portion of government bonds bearing floating interest coupons is TL275,725 billion (1999: TL209,461 billion, 1998: TL181,317 billion).

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to TL347,051 billion (1999: TL244,429 billion; 1998: TL226,711 billion).

Other foreign currency bonds amounting to TL10,294 billion (1999: TL29,065 billion; 1998: None) have been pledged as collateral with financial institutions.

The market value of investment securities is TL694,998 billion (1999: TL2,733,496 billion; 1998: TL1,842,464 billion).

Foreign currency investment securities are as follows:

	2000			1999			1998	
	Foreign currency	TL billion		Foreign currency	TL billion		Foreign currency	TL billion
US\$	455,466,410	303,977	US\$	1,202,658,495	861,696	US\$	402,229,634	271,840
JPY	3,275,997,836	19,273	JPY	11,224,314,078	78,291	JPY	14,511,611,831	88,950
GBP	8,207,343	8,100	GBP	9,937,000	11,490	GBP	9,937,000	11,235
DM	-	-	DM	79,261,441	29,193	DM	128,590,226	52,096
EUR	-	-	EUR	14,087,623	10,107	EUR	-	-
	331,350			990,777			424,121	

NOTE 5 - RESERVE DEPOSITS WITH THE CENTRAL BANK OF TURKEY

	2000	1999	1998
Reserve deposits	325,413	273,648	267,518
Government bonds funding legal reserves	-	-	54,634
	325,413	273,648	322,152

Reserve deposits represent the minimum deposits maintained with the Central Bank of Turkey, as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank of Turkey. In accordance with the current legislation, the reserve deposit rates for Turkish lira and foreign currency deposits are 6% and 11%, respectively. These reserve deposit rates are applicable to both time and demand deposits. Subsequent to the balance sheet date, the reserve deposit rate for Turkish lira deposits has been reduced to 4%.

According to the amendment to the Turkish Banking Law made by Law No. 4389 dated 23 June 1999, the Bank is no longer required to keep government bonds funding legal reserves.

NOTE 6 - LIQUIDITY REQUIREMENTS

Turkish banking regulations require that banks maintain minimum amounts of cash-on-hand, deposits with the Central Bank of Turkey and government bonds in their portfolio against their liabilities computed on the basis of certain ratios prescribed in the related regulations. The Bank is in conformity with the following liquidity requirements at 31 December:

	Applicable for 2000	Applicable for 1999	Applicable for 1998
Turkish lira deposits	4% government bonds 2% cash 2% deposits in call account	4% government bonds 2% cash, 2% deposits in call account	6% government bonds
Turkish lira liabilities	8% deposits in call account, 4% government bonds, 2% cash	8% deposits in call account, 4% government bonds, 2% cash	8% deposits in call account, 6% government bonds
Foreign currency deposits	1% government bonds 2% cash	1% government bonds 2% cash	3% government bonds
Foreign currency liabilities	11% deposits in call account, 1% government bonds 2% cash	11% deposits in call account, 1% government bonds 2% cash	11% deposits in call account, 3% government bonds

Subsequent to the balance sheet date, the liquidity requirement for Turkish lira liabilities for government bonds has been decreased to 6% from 8%.

NOTE 7 - LOANS

The breakdown of loans according to economic sectors is as follows:

	2000	1999	1998
Consumer loans and credit cards	439,203	170,440	178,349
Domestic trade	392,485	277,130	87,776
Industrial	358,395	395,978	777,920
Financial institutions	281,629	254,989	268,467
Telecommunication	233,590	-	-
Foreign institutions	144,418	117,123	45,046
Export trading	133,793	164,150	113,849
Textile	99,839	67,110	87,897
Construction	24,819	28,687	13,544
Tourism	21,304	15,478	6,526
Other	421,686	248,173	288,775
Total	2,551,161	1,739,258	1,868,149
Overdue loans	47,408	44,306	31,823
Total loans	2,598,569	1,783,564	1,899,972
Allowance for loan losses	(67,130)	(49,182)	(35,966)
Net loans	2,531,439	1,734,382	1,864,006

Loans to the public sector and private sector are as follows:

Public sector (including State Economic Enterprises)	84,803	111,087	208,760
Private sector	2,513,766	1,672,477	1,691,212
Total loans	2,598,569	1,783,564	1,899,972

Interest rates for Turkish lira loans (excluding Turkish Eximbank loans) vary between 65% and 250% (1999: 56.6-102%; 1998: 72-110%) per annum. Interest rates applied for foreign currency loans (excluding overdue loans) are as follows:

2000				1999				1998			
Foreign Currency	TL billion	Interest rate %		Foreign Currency	TL billion	Interest rate %		Foreign Currency	TL billion	Interest rate %	
US\$	1,707,046,261	1,139,283	6.8-16.8	US\$	1,069,914,815	766,586	9.4-14.7	US\$	957,208,213	646,911	7.8-9.8
DM	526,038,416	166,846	6.3-13.9	DM	849,874,754	313,016	7.8-10.8	DM	956,148,711	387,366	5.7-7.8
EUR	393,571,531	243,888	6.6-15.2	EUR	89,088,270	63,953	8.7-9.5	EUR	-	-	-
Various	13,148			Various	10,613			Various	27,585		
	1,563,165				1,154,168				1,061,862		

Loans to third party customers and related parties and to the public sector and private sector are as follows:

	2000	1999	1998
Third party customers	2,172,708	1,258,620	1,559,469
Related parties	425,861	524,944	340,503
Total loans	2,598,569	1,783,564	1,899,972

Loans to related parties were negotiated on the same basis as loans to unrelated customers.

At 31 December 2000, the total of loans granted to Sabancı Group companies with foreign partnership is TL88,156 billion (1999: 141,582 billion, 1998: TL77,922 billion).

As at 31 December 2000, total interest income earned from related parties is TL86,087 billion (1999: TL91,795 billion, 1998: TL42,149 billion).

The allowance for loan losses comprises amounts in respect of specifically identified loans plus a further amount considered adequate to cover the inherent risk of loss present in lending relationships.

Movements in the provision for loan losses during the year are as follows:

	2000	1999	1998
Balance at beginning of year	49,182	35,966	15,334
Gross provisions	33,743	31,731	20,104
Recoveries	(17,582)	(14,063)	(1,809)
Written-off	(1,452)	(530)	(24)
Net specific provision for the year	14,709	17,138	18,271
Net general provision for the year	17,289	17,303	11,653
Monetary gain	(14,050)	(21,225)	(9,292)
Balance at end of year	67,130	49,182	35,966

The aggregate amount of non-performing loans on which interest is not being accrued amounted to TL47,408 billion (1999: TL44,306 billion; 1998: TL31,823 billion) at 31 December 2000.

NOTE 8 - ACCRUED INTEREST RECEIVABLE

	2000	1999	1998
Accrued interest income on bank placements	122,616	24,014	2,600
Accrued interest income on loans	72,051	57,138	60,974
Other accrued interest income	762	4,607	3,274
	195,429	85,759	66,848

NOTE 9 - INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER INVESTMENTS

Investments in associated companies

	2000		1999		1998	
	Share (%)	TL billion	Share (%)	TL billion	Share (%)	TL billion
Sabancı Bank plc	37.00	42,822	37.00	45,360	37.00	40,400
BNP-AK-Dresdner Bank A.Ş.	39.99	19,459	39.99	17,242	39.99	12,575
		62,281		62,602		52,975

The Bank does not exert control over the financial and operating policy decisions of the above companies.

Where necessary, the accounting policies used by the associates have been changed to ensure consistency with the policies adopted by the Bank.

Other investments

	2000		1999		1998	
	Share (%)	TL billion	Share (%)	TL billion	Share (%)	TL billion
Sabancı group companies						
Temsa Termo Mekanik Sanayi ve Tic.A.Ş.	14.89	5,790	14.89	5,790	14.89	5,790
Ak Yatırım Ortaklığı A.Ş.	45.62	3,725	50.99	1,310	99.99	2,568
Akbank International N.V.	100.00	3,680	-	-	-	-
Ak Ödeme Sistemleri A.Ş.	99.99	1,332	-	-	-	-
Ak Portföy Yönetimi A.Ş.	99.99	1,122	-	-	-	-
Aknet Bilgi İşlem San. ve Tic. A.Ş.	99.99	479	99.99	479	99.99	479
Türk Nokta Net Bilgi Hiz. A.Ş.	-	-	15.00	1,709	-	-
Other	-	784	-	784	-	784
Total Sabancı group companies		16,912		10,072		9,621
Non-group companies						
Türkiye Sınai Kalkınma Bankası A.Ş.	5.72	11,109	5.72	10,516	5.72	9,774
Sınai Yatırım Bankası A.Ş.	8.00	6,747	10.00	6,124	10.00	5,338
Other	-	972	-	867	-	775
Total non-group companies		18,828		17,507		15,887
Other investments - total		35,740		27,579		25,508
Less: Diminution in value of other investments		(10,029)		-		-
Other investments-net of provision for permanent diminution in value		25,711		27,579		25,508

Akbank International N.V. was established in December 2000 as a banking subsidiary in the Netherlands. However, its operations had not commenced as at 31 December 2000. Ak Ödeme Sistemleri A.Ş., Ak Portföy Yönetimi A.Ş. and Aknet Bilgi İşlem San. ve Tic. A.Ş. are not consolidated due to immateriality. Similarly, Ak Yatırım Ortaklığı A.Ş. is not accounted under the equity method of accounting due to immateriality.

Some of the shares of Ak Yatırım Ortaklığı A.Ş., Türkiye Sınai Kalkınma Bankası A.Ş., and Sınai Yatırım Bankası A.Ş. are quoted on the Istanbul Stock Exchange. The total market value of these investments based on their quoted prices at 31 December 2000 is TL6,584 billion.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 1998					
Cost	151,447	144,424	4,128	3,450	303,449
Accumulated depreciation	(27,820)	(130,017)	-	(1,178)	(159,015)
Net book amount	123,627	14,407	4,128	2,272	144,434
At 31 December 1999					
Cost	155,127	160,533	18,278	4,006	337,944
Accumulated depreciation	(30,744)	(134,273)	-	(1,695)	(166,712)
Net book amount	124,383	26,260	18,278	2,311	171,232
Year ended 31 December 2000					
Opening net book amount	124,383	26,260	18,278	2,311	171,232
Additions	21,210	22,684	24,088	689	68,671
Disposals	(938)	(189)	(36,872)	-	(37,999)
Depreciation charge	(4,824)	(13,550)	-	(709)	(19,083)
Closing net book amount	139,831	35,205	5,494	2,291	182,821
At 31 December 2000					
Cost	174,848	177,162	5,494	4,695	362,199
Accumulated depreciation	(35,017)	(141,957)	-	(2,404)	(179,378)
Net book amount	139,831	35,205	5,494	2,291	182,821

Since 1984, using an option granted by the Turkish Tax Legislation, the Bank has revalued, in its statutory books of account, property and equipment that has been in use for more than a year (excluding land, which is not revaluable), and the related accumulated depreciation at each year-end, by using the rates and procedures prescribed by the related legislation. The related increases in the net book values of the assets are included in shareholders' equity as revaluation surplus in the statutory records. The Bank may use the revaluation surplus for issuance of bonus shares to existing shareholders.

All entries related to such revaluation which were recorded in the Bank's statutory books of account have been eliminated in these consolidated financial statements as part of the restatement process referred to in Note 2(a).

NOTE 11 - OTHER ASSETS AND PRE-PAYMENTS

The principal components of other assets and pre-payments are as follows:

	2000	1999	1998
Customer checks at clearing house	75,506	46,351	102,727
Pre-payments	9,824	2,356	2,529
Receivables from credit card payments	6,580	3,180	3,163
Advances to investment funds	4,000	-	-
Insurance premium receivables	1,656	1,403	2,332
Other	9,279	13,117	39,421
	106,845	66,407	150,172

NOTE 12 - CUSTOMER DEPOSITS

The breakdown of deposits according to type and maturity is as follows:

	2000			1999			1998		
	Demand	Time	Total	Demand	Time	Total	Demand	Time	Total
Savings deposits	426,418	3,019,740	3,446,158	456,025	2,638,970	3,094,995	485,938	2,132,902	2,618,840
Funds deposited under repurchase agreements	-	541,816	541,816	-	281,799	281,799	-	245,899	245,899
Commercial deposits	221,307	253,317	474,624	176,241	45,728	221,969	218,675	65,421	284,096
Bank deposits	3,026	365,851	368,877	447	97,617	98,064	1,008	19,274	20,282
Other	5,713	26,563	32,276	1,611	34,216	35,827	13,898	39,750	53,648
	656,464	4,207,287	4,863,751	634,324	3,098,330	3,732,654	719,519	2,503,246	3,222,765

Foreign currency demand deposits are as follows:

	2000			1999			1998		
	Foreign Currency	TL billion		Foreign currency	TL billion		Foreign currency	TL billion	
US\$	380,329,264	253,832	US\$	342,986,256	245,747	US\$	304,985,226	206,118	
DM	224,090,582	71,076	DM	277,548,340	102,224	DM	343,083,123	138,994	
GBP	7,038,958	7,017	GBP	5,603,351	6,479	GBP	6,414,426	7,252	
EUR	10,840,029	6,717	EUR	8,593,137	6,169	EUR	12,529	9	
CHF	4,884,707	1,990	CHF	4,319,498	1,933	CHF	5,601,818	2,758	
Various		13,911	Various		17,728	Various		27,644	
	354,543			380,280				382,775	

The interest rates vary between 41-106% (1999: 45-85%; 1998: 47-93%) for Turkish lira time deposits.

Foreign currency time deposits are as follows:

	2000			1999			1998		
	Foreign Currency	TL billion	Interest Rate (%)	Foreign Currency	TL billion	Interest Rate (%)	Foreign Currency	TL billion	Interest Rate (%)
US\$	2,506,670,725	1,672,952	7.3 - 17	1,724,792,453	1,235,801	5.6 - 11	1,525,861,069	1,031,225	6 - 10.5
DM	1,084,672,790	344,031	5.5 - 14	1,117,993,989	411,767	4.3 - 8	1,041,245,543	421,841	4.5 - 8.5
GBP	73,449,292	72,486	7.2 - 7.5	64,065,709	74,078	7.5 - 10	50,106,500	56,654	9 - 10
EUR	226,770,327	140,525	5.5 - 14	26,181,674	18,795	3.7 - 8	66,403	30	5 - 8
CHF	28,031,116	11,421	4	27,341,707	12,235	4 - 6	23,758,371	11,699	3.5 - 6
Various		219,141			188,561			176,171	
	2,460,556			1,941,237			1,697,620		

The Bank has undertaken various business transactions with Sabancı Holdings group companies and other related parties during the year. At 31 December 2000, deposits of TL472,782 billion (1999: TL396,243 billion; 1998: TL155,496 billion) were from Sabancı Holdings group companies and other related parties. The total interest expense paid to related party deposits is TL100,775 billion (1999: TL164,621 billion; 1998: TL80,694 billion) for the year ended 31 December 2000.

NOTE 13 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE

	2000	1999	1998
Interbank money market deposits			
- Turkish lira	27,911	23,878	23,772
- Foreign currency	5,577	2,154	-
Interbank money market deposits	33,488	26,032	23,772
Domestic banks			
- Turkish lira	15,810	10,250	16,955
- Foreign currency	10,884	21,359	13,898
Foreign institutions	1,222,240	656,245	371,993
Funds borrowed	1,248,934	687,854	402,846

Interbank money market deposits represent borrowings from the Interbank money market regulated by the Central Bank of Turkey. The interest rates applied for Turkish Lira Interbank money market deposits outstanding at 31 December 2000 is 110 % (1999: 70%; 1998: 79%).

Funds borrowed from domestic banks represent funds obtained from Turkish Eximbank to finance certain export loans given to customers, under prevailing regulations. The interest rates on Turkish lira funds borrowed vary between 17% and 29% at 31 December 2000 (1999: 35% - 63%; 1998: 42% - 80%).

Foreign currency funds borrowed are as follows:

	2000			1999			1998		
	Foreign Currency	TL billion	Interest Rate (%)	Foreign Currency	TL billion	Interest Rate (%)	Foreign Currency	TL billion	Interest Rate (%)
US\$	1,040,320,992	694,311	6.5 - 8.36	892,254,846	639,294	5.5 - 9.6	173,170,000	117,034	5.9 - 8.6
EUR	875,940,596	542,803	4.9 - 6.4	37,424,602	26,696	3.1 - 7.0	-	-	-
DM	5,003,882	1,587	6.1	19,170,000	7,054	4.1 - 6.6	621,370,000	251,802	3.6 - 6.8
CHF	-	-	-	15,000,000	6,714	2.4	31,000,000	17,055	1.8 - 2.4
	1,238,701			679,758			385,891		

In November 1999, the Bank finalised a structured finance deal of US\$400 million by securitizing its foreign currency denominated present and future remittances (international payment orders, cash against goods, LC reimbursement rights, cash against documents and other amounts in deposit accounts). In June 2000, a further advance of US\$100 million was added to the same deal. The maturity date of the US\$500 million included in the funds borrowed from foreign institutions is December 2004. While the interest rate for the first portion of US\$400 million is LIBOR + 3%, the rate for the second portion of US\$100 million has been decreased to LIBOR + 2.5%. At 31 December 2000, the outstanding amount of the securitization deal amounts to US\$468,750,000 after the repayment of US\$31,250,000 during 2000. Off-shore cash reserve accounts and payment accounts amounting to TL38,898 billion (1999: TL19,144 billion) are pledged in favour of the lender (Note 3). The repayment schedule of this structured finance deal is as follows:

	2000		1999		1998	
	US\$ (000)	TL billion	US\$ (000)	TL billion	US\$ (000)	TL billion
2000	-	-	25,000	17,909	-	-
2001	125,000	83,425	100,000	71,636	-	-
2002	125,000	83,425	100,000	71,636	-	-
2003	125,000	83,425	100,000	71,636	-	-
2004	93,750	62,569	75,000	53,728	-	-
Total	468,750	312,844	400,000	286,545	-	-

Debt securities in issue

In July 1998, the Bank securitized its foreign currency denominated present and future credit card receivables for the issue of certificates amounting to US\$250 million in total. The maturity date of the issue is July 2005, and the interest rate is LIBOR+2.5% per annum. At 31 December 2000, the outstanding balance of trust certificates is US\$216 million, after the repayment of the first installment of US\$34 million during 2000. The payment accounts amounting to TL9,411 billion are pledged in favour of the lender (Note 3). The repayment schedule of the trust certificates in issue is as follows:

	2000		1999		1998	
	US\$ (000)	TL billion	US\$ (000)	TL billion	US\$ (000)	TL billion
2000	-	-	33,943	24,320	33,943	22,940
2001	37,466	25,005	37,466	26,844	37,466	25,321
2002	41,356	27,601	41,356	29,631	41,356	27,950
2003	45,650	30,467	45,650	32,708	45,650	30,852
2004	50,389	33,630	50,389	36,103	50,389	34,054
2005	41,196	27,493	41,196	29,517	41,196	27,841
Total	216,057	144,196	250,000	179,123	250,000	168,958

NOTE 14 - TAXATION

	2000	1999	1998
Income taxes currently payable	92,180	246,956	156,477
Prepaid taxes	(3,713)	(5,637)	(99,811)
Income taxes payable	88,467	241,319	56,666
Deferred tax liabilities	(27,513)	(14,772)	(156,896)
Deferred tax assets	8,762	30,880	9,194
Deferred tax assets (liabilities)-net	(18,751)	16,108	(147,702)

Effective from 1 January 1999, corporation tax at the rate of 33% including 10 % fund levy is payable on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances.

Income exempt from corporation tax (except dividend income received from Turkish Companies) is subject to withholding tax at the rate of 16.5% regardless of whether the profits are distributed.

Dividends paid by the Bank are subject to a withholding tax calculated on the gross dividend at the rate of 16.5% for private companies and 5.5% for quoted companies to be paid by the Bank to the tax office on behalf of the related shareholders out of the distributed amount. An increase in capital using distributable profit or by issuing bonus shares is not considered as a profit distribution and thus there is no withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% on their corporate income. Advance tax is payable by the 15th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Capital gains derived from the sale of participation shares and immovables held for not less than two years are tax exempt on the condition that such gains are added to paid-in capital in the year in which they are sold.

Capital expenditures and projected capital expenditures for the following year are eligible for investment allowance incentives. Such allowances are available to companies for specific capital investments and are deductible from taxable income prior to the calculation of the corporate income tax. Investment allowance incentives utilised are subject to a withholding tax at the rate of 19.8% (1999: 16.5%; 1998: 16.5%).

Under the Law No.4481, additional tax liabilities were imposed in order to compensate for the losses suffered due to earthquakes in the Marmara Region and vicinity on 17 August 1999 and 12 November 1999. Accordingly, effective from 1 January 2000, treasury bills and bonds issued prior to 1 December 1999 and maturing after 1 January 2000 have been kept subject to interest tax. The tax rate schedule is based upon the number of days between 1 December 1999 and the redemption dates of the respective securities.

For treasury bills or bonds issued at discount, the following schedule applies:

Days remaining until redemption (From 1 December 1999):	Tax rate:
1-91	4%
92-183	9%
More than 183	14%

Additionally, two-year fixed interest rate bonds with quarterly coupon payments will be taxed at a 19% rate, and three-year variable interest rate bonds with quarterly coupon payments taxed at a 4% rate. No tax has been imposed on treasury securities issued on or after 1 December 1999. Securities issued in foreign currency, such as Eurobonds, are not subject to this tax.

Under the Turkish taxation system, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing. During this time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

A reconciliation between the expected and the actual taxation charge is stated below:

	2000	1999	1998
Income before income taxes after extraordinary item	379,377	393,447	450,089
Non-taxable items:			
- loss on monetary position	245,551	424,079	265,039
- expenses disallowed	38,454	21,222	39,275
- exempt income	(69,768)	(29,595)	(40,893)
- other tax rate differences	-	24,475	(76,157)
Taxable profit	593,614	833,628	637,353
Tax thereon at the applicable tax rate 33% (1999: 33%; 1998: 35.75%)	195,893	275,098	227,854
Tax effect of the differences between tax and book value of property and equipment	(980)	3,387	7,703
Tax effect of other temporary differences	12,722	(3,365)	(15,509)
Total tax charge for the year	207,635	275,120	220,048

Deferred taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 33% (1999: 33%; 1998: 33%) at 31 December 2000.

The deferred tax asset and liability represents the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return, in accordance with the applicable tax law. The temporary differences giving rise to deferred income tax assets and deferred tax liabilities are as follows:

	Cumulative temporary differences			Deferred tax assets/(liabilities)		
	2000	1999	1998	2000	1999	1998
Employment termination benefits	(13,611)	(13,198)	(14,497)	4,492	4,355	4,784
Provision for loan losses	(10,597)	(11,721)	(13,363)	3,497	3,868	4,410
Unrealized losses on swap transactions	(2,344)	-	-	773	-	-
Valuation difference on investment securities	-	(68,658)	-	-	22,657	-
Deferred tax assets	(26,552)	(93,577)	(27,860)	8,762	30,880	9,194
Difference between property and equipment reported in purchasing power of Turkish lira at 31 December and tax base of property and equipment	41,796	44,766	34,502	(13,792)	(14,772)	(11,387)
Valuation difference on investment securities	41,578	-	454,718	(13,721)	-	(145,509)
Deferred tax liabilities	83,374	44,766	489,220	(27,513)	(14,772)	(156,896)
Deferred tax assets/(liabilities)-net				(18,751)	16,108	(147,702)

NOTE 15 - OTHER LIABILITIES AND ACCRUED EXPENSES

The principal components of other liabilities and accrued expenses are as follows:

	2000	1999	1998
Non-income related taxes and withholdings	23,992	19,112	19,595
Payment orders to correspondent banks	15,153	5,829	4,079
Import deposits and transfer orders	6,522	20,883	2,986
Blocked deposits	5,010	2,508	1,225
Additional earthquake tax charges (Notes 14 and 20)	-	11,308	-
Other	23,349	26,874	31,855
	74,026	86,514	59,740

NOTE 16 - RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Labour Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL587,720,000 (TL345,200,000 and TL200,625,000 in terms of the purchasing power at 31 December 1999 and 31 December 1998 respectively) for each year of service.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

IAS 19 (revised) "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December:

	2000	1999	1998
Discount rate (%)	7	7	7
Turnover rate to estimate the probability of retirement (%)	2	2	2

Additionally, the principal actuarial assumption is that the maximum liability of 587,720,000 TL for each year of service would increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL646,560,000, which is effective from 1 January 2001, has been taken into consideration in calculating the reserve for employment termination benefit of the Bank (TL488,990,000 and TL286,341,350 in terms of the purchasing power at 1 January 2000 and 1 January 1999, respectively).

In 1999, the Bank adopted this revised standard in these consolidated financial statements retroactively. The financial statements, including the comparative information for 1998, are presented as if the new accounting policy was always been in use. Therefore, comparative information is restated in order to reflect the new accounting policy.

Movement in reserve for employment termination benefits during the year is as follows:

	2000	1999	1998
1 January	13,198	14,523	11,951
Paid during the year	(5,347)	(5,735)	(4,944)
Increase during the year	4,035	5,589	7,909
Monetary gain/(loss)	1,725	(1,179)	(393)
31 December	13,611	13,198	14,523

NOTE 17 - SHARE CAPITAL

The share capital of the Bank is TL500,000 billion (1999: TL250,000 billion; 1998: TL125,000 billion) and consists of 500,000,000,000 (1999: 250,000,000,000; 1998: 125,000,000,000) authorized shares with a nominal value of TL1,000 each.

The Bank's authorised capital amounts to TL1,200,000 billion at 31 December 2000.

At 31 December the issued and fully paid-in share capital was held as follows:

	2000		1999		1998	
	Shares (%)	TL billion	Shares (%)	TL billion	Shares (%)	TL billion
Sabancı Group, family and related companies:						
Hacı Ömer Sabancı Holding A.Ş.						
and related companies	43.4	216,918	43.4	108,459	44.8	55,979
Sabancı family	28.0	139,785	29.1	72,866	30.3	37,929
Total Sabancı Group, family and related companies	71.4	356,703	72.5	181,325	75.1	93,908
Other	28.6	143,297	27.5	68,675	24.9	31,092
Total	100.0	500,000	100.0	250,000	100.0	125,000

Adjustment to share capital represents the restatement effect of cash contributions to share capital in terms of equivalent purchasing power at year-end.

The Articles of Association ("the Articles") of the Bank establish 564 founders' shares and 1974 usufruct shares. In accordance with the Articles, 10% of the remaining distributable profit is distributed to founders' shares after appropriation of the legal reserves and after the distribution of the first dividends equalling 5% of the paid-up capital. In the event of liquidation, a portion of the liquidation shares is assigned to the founders' shares and usufruct shares.

NOTE 18 - RETAINED EARNINGS AND LEGAL RESERVES

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, the Bank is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

- First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid share capital.
- Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued share capital, without limit. It may be used to absorb losses.

Under the previous Banking Law the Bank was required to set a reserve for possible losses, appropriated at the rate of 5% from profit after tax until the total reserve is equal to the paid-in capital. The new Banking Act has abolished this requirement and the balance accumulated in statutory financial statements has been classified as general reserve.

At 31 December reserves held by the Bank in the historical statutory financial statements are as follows:

	2000	1999	1998
Legal reserves	57,486	38,331	25,278
General reserve	132,045	121,184	34,184

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders. In accordance with the Articles, dividends are also paid to holders of usufruct shares at an amount of 10%, and to the chairman and members of the Board of Directors at an amount of up to 2%.

Dividends of TL29,117 billion from the 1999 profit were allocated to founders' and usufruct shares (1998: TL22,910 billion; 1997: TL17,028 billion).

According to Capital Markets Board (CMB) regulations, the Bank, in common with all companies regulated under the CMB rules, has the following two options; it may either distribute dividends in cash or it may elect not to distribute any dividends at all. However, the CMB may require the Bank to distribute dividends in cash. If the Bank makes a decision to distribute any dividends, distribution should be made within five months following the year-end.

NOTE 19 - OTHER EXPENSES

	2000	1999	1998
Saving deposits insurance fund	33,911	30,660	24,290
Repair and maintenance expenses	22,429	26,008	29,298
Computer maintenance and support expenses	20,852	17,358	13,370
Marketing expenses	16,816	14,512	12,852
Donations	10,072	13,695	11,592
Provision for diminution in value of other investments (Note 9)	10,029	-	-
Other	57,083	54,369	49,749
	171,192	156,602	141,151

The donation made to Sabancı University was TL9,151 billion in 2000 (1999: TL13,088 billion; 1998: TL11,480 billion).

NOTE 20 - EXTRAORDINARY ITEM

As discussed in Note 14, following the earthquakes in 1999, the Turkish Parliament approved a new tax code that imposed additional corporate and interest income taxes. According to Law No: 4481 and Decree No:1 "Additional Interest Income and Corporate Taxes" published in the Official Gazette dated 26 November 1999, an additional corporate tax of 5% on the 1998 tax base and an additional interest income tax on government securities were imposed. The Bank paid or accrued TL39,671 billion (1999: TL35,563 billion) for additional interest tax. The entire additional corporate tax amount of TL13,616 billion was paid or accrued in 1999. These taxes have been recorded as an extraordinary item for the period ended 31 December 2000 and 1999 in the consolidated financial statements.

NOTE 21 - FOREIGN CURRENCY POSITION

Assets and liabilities denominated in foreign currency (currencies other than Turkish lira) are stated in terms of TL billion as follows:

	2000	1999	1998
Cash and due from banks	743,041	443,682	753,139
Trading and investment securities	331,350	990,777	424,121
Reserve deposits with Central Bank of Turkey	283,754	229,163	203,081
Property and equipment	1,372	1,809	1,129
Loans	1,563,631	1,154,636	1,062,524
Investments in associated companies	42,822	45,360	40,400
Accrued interest receivable and other assets	45,118	36,115	37,596
Total foreign currency assets	3,011,088	2,901,542	2,521,990
Customer deposits - demand	(354,543)	(380,280)	(382,775)
Customer deposits - time	(2,460,556)	(1,941,237)	(1,697,620)
Funds borrowed, interbank money market deposits and debt securities in issue	(1,382,897)	(858,881)	(554,849)
Accrued interest payable and other liabilities	(99,765)	(92,852)	(63,700)
Total foreign currency liabilities	(4,297,761)	(3,273,250)	(2,698,944)
Net balance sheet position	(1,286,673)	(371,708)	(176,954)
Off-balance sheet derivative instruments net position	1,195,331	255,032	(8,221)

TL1,200,873 billion of net forward currency and swap purchase transactions outstanding at 31 December 2000 have been made with related parties (1999: TL268,636 billion; 1998: TL62 billion).

NOTE 22 - MATURITY OF ASSETS AND LIABILITIES

The Bank's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due. The amount of assets and liabilities at 31 December analysed over the remaining period to the contractual maturity date is as follows:

	2000					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks	2,475,970	156,924	-	-	178,517	2,811,411
Investment and trading securities	131,728	1,106,495	306,147	2,315	3,796	1,550,481
Reserve deposit with Central Bank of Turkey	325,413	-	-	-	-	325,413
Loans	1,046,819	667,862	816,758	-	-	2,531,439
Accrued interest receivable	133,310	31,211	30,908	-	-	195,429
Investments	-	-	-	-	87,992	87,992
Property and equipment	-	-	-	-	182,821	182,821
Other assets and pre-payments	106,530	293	22	-	-	106,845
Total assets	4,219,770	1,962,785	1,153,835	2,315	453,126	7,791,831
Customer deposits	3,768,975	412,841	25,471	-	656,464	4,863,751
Interbank money market deposits	33,488	-	-	-	-	33,488
Funds borrowed	389,819	615,042	244,073	-	-	1,248,934
Debt securities in issue	6,022	18,983	119,191	-	-	144,196
Accrued interest payable	69,478	41,355	14,124	-	-	124,957
Income taxes payable	-	88,467	-	-	-	88,467
Deferred tax liabilities	-	-	18,751	-	-	18,751
Other liabilities and accrued expenses	68,701	293	22	-	5,010	74,026
Reserve for employment termination benefits	-	-	-	-	13,611	13,611
Total liabilities	4,336,483	1,176,981	421,632	-	675,085	6,610,181
Net liquidity gap	(116,713)	785,804	732,203	2,315	(221,959)	1,181,650

	1999					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	
Cash and due from banks	902,740	14,805	-	-	117,297	1,034,842
Investment and trading securities	985,334	910,813	792,344	10,105	2,017	2,700,613
Reserve deposit with Central Bank of Turkey	273,648	-	-	-	-	273,648
Loans	872,169	654,083	208,130	-	-	1,734,382
Accrued interest receivable	56,973	21,955	6,831	-	-	85,759
Investments	-	-	-	-	90,181	90,181
Property and equipment	-	-	-	-	171,232	171,232
Other assets and pre-payments	65,084	1,176	147	-	-	66,407
Deferred tax assets	-	-	16,108	-	-	16,108
Total assets	3,155,948	1,602,832	1,023,560	10,105	380,727	6,173,172
Customer deposits	2,920,573	177,757	-	-	634,324	3,732,654
Interbank money market deposits	26,032	-	-	-	-	26,032
Funds borrowed	100,127	323,605	264,122	-	-	687,854
Debt securities in issue	5,857	18,463	125,286	29,517	-	179,123
Accrued interest payable	88,885	27,927	1,899	-	-	118,711
Income taxes payable	-	241,319	-	-	-	241,319
Other liabilities and accrued expenses	73,635	10,223	148	-	2,508	86,514
Reserve for employment termination benefits	-	-	-	-	13,198	13,198
Total liabilities	3,215,109	799,294	391,455	29,517	650,030	5,085,405
Net liquidity gap	(59,161)	803,538	632,105	(19,412)	(269,303)	1,087,767

	1998					Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	
Cash and due from banks	577,816	8,864	-	-	157,885	744,565
Investment and trading securities	481,330	1,262,528	171,298	-	3,398	1,918,554
Reserve deposit with Central Bank of Turkey	322,152	-	-	-	-	322,152
Loans	873,420	616,938	373,648	-	-	1,864,006
Accrued interest receivable	58,451	2,142	6,255	-	-	66,848
Investments	-	-	-	-	78,483	78,483
Property and equipment	-	-	-	-	144,434	144,434
Other assets and pre-payments	144,516	5,263	393	-	-	150,172
Total assets	2,457,685	1,895,735	551,594	-	384,200	5,289,214
Customer deposits	2,226,041	277,205	-	-	719,519	3,222,765
Interbank money market deposits	23,772	-	-	-	-	23,772
Funds borrowed	182,104	220,742	-	-	-	402,846
Debt securities in issue	-	-	107,062	61,896	-	168,958
Accrued interest payable	109,991	42,009	4,466	-	-	156,466
Income taxes payable	-	56,666	-	-	-	56,666
Deferred tax liabilities	-	-	147,702	-	-	147,702
Other liabilities and accrued expenses	52,859	5,263	393	-	1,225	59,740
Reserve for employment termination benefits	-	-	-	-	14,523	14,523
Total liabilities	2,594,767	601,885	259,623	61,896	735,267	4,253,438
Net liquidity gap	(137,082)	1,293,850	291,971	(61,896)	(351,067)	1,035,776

NOTE 23 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated financial statements, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

Legal proceedings

As of 31 December 2000, there are a number of legal proceedings outstanding against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will result.

Commitments for resale and repurchase of marketable securities:

The Bank's commitments for resale and repurchase of marketable securities (government bonds, treasury bills and eurobonds) at 31 December are as follows. As explained in Note 2 (g), repurchase agreements ("repos") are retained in the consolidated financial statements as trading or investment securities and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell are recorded as due from banks.

	2000		
	Up to 1 month	1 to 3 months	Total
Repurchase commitments	551,570	1,867	553,437
Resale commitments	219,906	-	219,906

	1999		
	Up to 1 month	1 to 3 months	Total
Repurchase commitments	285,883	213	286,096
Resale commitments	40,632	-	40,632

	1998		
	Up to 1 month	1 to 3 months	Total
Repurchase commitments	248,280	1,134	249,414
Resale commitments	19,394	-	19,394

Included in the repurchase commitments were TL34,414 billion (1999: TL61,205 billion; 1998: TL49,455 billion) of repurchase agreements made with Sabancı Holdings group companies and other related parties at 31 December 2000.

Commitments to forward currency purchase/sale and swap transactions:

The breakdown of forward currency purchase/sale and swap transactions at 31 December is as follows:

		Foreign currency amount	2000 TL Billion		Foreign currency amount	1999 TL Billion		Foreign currency amount	1998 TL Billion
Forward currency purchases	US\$	1,386,578,007	925,402	US\$	435,843,500	312,279	US\$	-	-
	EUR	1,061,372,000	657,711	EUR	4,000,000	2,815	EUR	-	-
	TL billion	-	389,862	TL billion	-	-	TL billion	-	-
	JPY	100,000,000	588	JPY	-	-	JPY	-	-
			1,973,563			315,094			-
Forward currency sales	TL billion	-	1,632,411	TL billion	-	275,018	TL billion	-	-
	US\$	349,139,000	233,015	US\$	4,016,600	2,877	US\$	-	-
	EUR	246,208,000	152,570	EUR	60,000,000	43,133	EUR	-	-
	JPY	100,000,000	588	NOK	1,608,000	82		-	-
			2,018,584			321,110			-
Currency swap purchases	US\$	168,830,505	112,677	US\$	94,260,000	67,537	US\$	32,400,000	21,897
	EUR	113,000,000	70,024	EUR	50,000,000	35,957	EUR	-	-
	GBP	31,000,000	30,593	GBP	26,000,000	30,045	GBP	-	-
	CHF	12,077,000	4,922	CHF	27,200,000	12,170	CHF	-	-
			218,216			145,709			21,897
Currency swap sales	US\$	104,334,613	69,633	US\$	97,890,975	70,138	DM	54,244,720	21,950
	EUR	242,079,431	150,012	EUR	105,478,753	75,695	EUR	-	-
			219,645			145,833			21,950
Interest rate swap purchases	US\$	26,615,748	17,763	US\$	87,877,600	62,964	US\$	105,539,548	71,327
			17,763			62,964	DM	18,432,500	7,475
									78,802
Interest rate swap sales	JPY	3,150,000,000	18,531	JPY	10,998,900,000	76,810	JPY	14,246,200,000	83,497
			18,531			76,810	US\$	5,000,000	3,379
									86,876
Spot purchases		-	-	US\$	200,000	143	US\$	65,000,000	43,929
							JPY	130,000,000	762
							DM	3,345,000	1,354
							SEK	4,000,000	334
									46,379
Spot sales		-	-	SEK	1,703,000	143	DM	30,185,700	40,643
							US\$	1,055,150	2,446
							FRF	16,800,000	2,027
							ATS	25,538,000	1,357
									46,473
Total			4,466,302			1,067,806			302,377

The fair values of forward currency purchase/sale, spot purchase/sale and swap contracts at 31 December 2000 amounts to TL33,438 billion. The fair values were measured by reference to the forward rate for a contract to be consummated on the same future date as the original contract.

The related party balances in forward currency purchase/sale and swap transactions are as follows:

	2000			1999			1998		
	Turkish lira	Foreign currency	Total	Turkish lira	Foreign currency	Total	Turkish lira	Foreign currency	Total
Forward currency purchases	386,252	1,580,015	1,966,267	-	268,636	268,636	-	-	-
Forward currency sales	(1,632,411)	(379,142)	(2,011,553)	(238,439)	-	(238,439)	-	-	-
Swap currency purchases	-	-	-	-	-	-	-	22,039	22,039
Swap currency sales	-	-	-	-	-	-	-	(21,977)	(21,977)
Net position	(1,246,159)	1,200,873	(45,286)	(238,439)	268,636	30,197	-	62	62

Maturity analysis for forward currency purchase/sale and swap transactions is as follows:

	2000					Total
	Up to 1 Month	1-3 Months	3-12 Months	Over 1 year		
Forward purchases	344,756	838,884	789,923	-		1,973,563
Forward sales	343,947	859,737	814,900	-		2,018,584
Total swap purchases	132,275	8,703	83,161	11,840		235,979
Total swap sales	133,744	8,325	84,047	12,060		238,176
	954,722	1,715,649	1,772,031	23,900		4,466,302

	1999					Total
	Up to 1 Month	1-3 Months	3-12 Months	Over 1 year		
Forward purchases	315,094	-	-	-		315,094
Forward sales	321,110	-	-	-		321,110
Total swap purchases	80,064	73,136	40,415	15,058		208,673
Total swap sales	80,057	81,882	40,437	20,267		222,643
	796,325	155,018	80,852	35,325		1,067,520

	1998					Total
	Up to 1 Month	1-3 Months	3-12 Months	Over 1 year		
Total swap purchases	1,500	678	35,670	62,851		100,699
Total swap sales	1,540	676	38,767	67,843		108,826
	3,040	1,354	74,437	130,694		209,525

Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Bank at 31 December:

	2000			1999			1998		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Letters of guarantee issued by the Bank									
- Turkish lira	8,013	249,123	257,136	12,843	206,780	219,623	6,443	223,407	229,850
- Foreign currency	24,093	83,319	107,412	24,124	62,438	86,562	29,887	50,379	80,266
Acceptance credits									
- Foreign currency	168,840	777	169,617	187,076	744	187,820	164,331	11,870	176,201

Included in the letters of guarantee and acceptance credits of TL89,390 billion (1999: TL128,325 billion; 1998: TL126,338 billion) guarantees were to related parties at 31 December 2000.

NOTE 24 - MUTUAL FUNDS

At 31 December 2000, the Bank manages five (1999: three; 1998: three) mutual funds (Funds) which were established under Capital Market Board Regulations. At 31 December 2000, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of TL60,997 billion (1999: TL14,387 billion; 1998: TL6,349 billion). In accordance with the Funds' statute, the Bank purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging between 0.007% and 0.012%. At 31 December 2000, the Bank earned a management fee of TL1,110 billion (1999: TL259 billion; 1998: TL88 billion).

NOTE 25 - SUBSEQUENT EVENTS

On 22 February 2001, due to the turmoil in Turkish financial sector, the Turkish government concluded that the managed exchange rate was no longer sustainable. The crawling-peg system, which had limited the depreciation of the local currency, was then abandoned in favour of a free-floating exchange rate. The Turkish lira has depreciated significantly against major foreign currencies when compared to the exchange rates prevailing at 31 December 2000. Due to the lack of stability in the financial markets these exchange rates have not yet been settled. On the other hand, liquidity shortage in the Turkish lira caused on a drastic increase in interest rates on deposits, loans and interbank money markets. The Bank has a net US dollar equivalent open foreign currency position of US\$136,457,000 (TL109,166 billion) at 22 February 2001 in its unaudited financial information for 2001. There is uncertainty as to the effects of the ongoing volatility in the financial markets on the financial condition of the Bank and its future operations and cash flows at present.

Adopted by the General Meeting of Akbank T.A.Ş. Shareholders held on March 28, 2001. The following have been resolved by the majority of the votes:

1. The Balance Sheet and Profit and Loss Account for 2000 have been ratified and the Board of Directors and Auditors released from liability with regard to operations and accounts of the year in question by vote of the shareholders present at the meeting.
2. Net Profit for 2000 be distributed in accordance with the Board of Directors proposal, such that:
 - TL 25,000,000,000,000 be allocated from 2000 profit to be distributed as dividends to shareholders from March 29, 2001 against 2000 dividend coupons for Series 12, 13, 14 and 15 shares,
 - TL 30,142,564,614,000 be allocated to founders' and usufructuary shares to be paid out as TL 11,876,503,000 per share upon presentation of Coupon 53 for founders' shares and Coupon 12 for usufructuary shares, from March 29, 2001,
 - the remaining balance, including withholding tax on dividend payments to be set apart as extraordinary reserve.
3. The ratification of the Board of Directors decision to elect Akın Kozanoğlu, Özen Göksel and Zafer Kurtul for vacant seats in the Board.
4. The appointment of Erol Sabancı, Akın Kozanoğlu, Suzan Sabancı Dinçer, Özen Göksel, Hamit Belişelli, Mehmet Hikmet Bayar, Aydın Günter, Yaman Törüner and Zafer Kurtul as Board Members for a period of three years, with a gross monthly remuneration of TL 500,000,000.
5. The appointment of Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers as Independent Auditor for 2000 and 2001.
6. The Board of Directors to be empowered in connection with matters falling within the scope of articles 334 and 335 of the Turkish Commercial Code.
7. In order to be in line with the CMB regulations, changes to be made in the Statute of Akbank in articles 43, 44 and 75.

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