

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

**AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
AT 31 DECEMBER 2000**

AUDITOR'S REPORT

To the Board of Directors of
Kuveyt Türk Evkaf Finans Kurumu A. .

1. We have audited the accompanying balance sheet of Kuveyt Türk Evkaf Finans Kurumu A. . (the "Institution") at 31 December 2000 and the related statements of income and of cash flows for the year then ended all expressed in equivalent purchasing power of the Turkish Lira at 31 December 2000. These financial statements are the responsibility of the Institution'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 financial statements present fairly, in all material respects, the financial position of Kuveyt Türk Evkaf Finans Kurumu A. . 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.
4. Without qualifying our opinion we draw your attention to the following issue:

As explained in Note 22, 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 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 Institution and its future operations and cash flows at present.

Ba aran Nas Serbest Muhasebeci
Mali Mü avirlik Anonim irketi
a member of
PricewaterhouseCoopers

Haluk Yalç n, SMMM

Istanbul, 2 March 2001

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

BALANCE SHEETS AT 31 DECEMBER

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

	Notes	2000	1999
ASSETS			
Cash and due from banks	3	32,178,435	33,035,552
Blocked accounts at the Central Bank of Turkey	4	29,681,016	26,446,886
Marketable securities	5	888,814	1,416,521
Funds invested	6	180,468,495	173,985,165
Investment in leases	7	41,184,998	41,959,392
Income accruals for funds invested		11,457,237	11,935,672
Other assets	8	4,168,747	3,996,807
Investments	9	242,537	353,334
Property and equipment	10	5,412,600	4,925,523
Deferred tax asset, net	12	3,907,611	1,816,908
Total assets		309,590,490	299,871,760
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current accounts and profit/loss sharing investors' accounts	11	280,948,931	271,224,634
Taxes on income	12	253,400	425,442
Withholdings and other taxes payable		814,291	1,770,250
Expense accruals for profit/loss sharing investors' accounts		870,774	-
Other liabilities	13	2,045,140	3,084,550
Reserve for employment termination benefits	14	197,324	154,436
Total liabilities		285,129,860	276,659,312
Shareholders' equity:-			
Share capital	15	21,630,000	11,025,000
Adjustments to share capital	15	(6,315,931)	3,952,469
Retained earnings	16	9,146,561	8,234,979
Total shareholders' equity		24,460,630	23,212,448
Total liabilities and shareholders equity		309,590,490	299,871,760
Commitments and contingent liabilities	18		

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

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER**

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

	Notes	2000	1999
Income from funds invested from :-			
Profit/loss sharing accounts		31,151,250	40,105,279
Current accounts and equity		12,203,946	8,323,162
		43,355,196	48,428,441
Profit shares distributed		(26,521,966)	(32,313,879)
		16,833,230	16,114,562
Other operating revenue:-			
Banking service income		7,536,917	4,191,010
Foreign exchange gain-net		938,490	4,029,994
Other income		786,435	103,594
		26,095,072	24,439,160
Other operating expenses :-			
Personnel expenses		(6,598,676)	(5,741,005)
Bad debt expense		(5,756,230)	(2,437,058)
Depreciation expense		(819,429)	(742,684)
Withholdings and other taxes		(1,532,105)	(871,113)
Fees and commissions		(921,264)	(663,099)
Rent expense		(954,788)	(799,254)
Other expenses	17	(2,675,357)	(3,178,230)
		(19,257,849)	(14,432,443)
Income before tax and monetary loss		6,837,223	10,006,717
Taxation	12	1,809,936	185,493
Income before monetary loss		8,647,159	10,192,210
Monetary loss		(6,744,775)	(7,650,480)
Net income for the year		1,902,384	2,541,730
Weighted average number of shares with TL100,000 face value each		172,112,500	93,937,500
Earnings per share in TL		11,053	27,058

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

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER

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

	Notes	2000	1999
Cash flows from operating activities :-			
Profit before taxation		92,448	2,356,237
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Depreciation	10	819,429	742,684
Reserve for employment termination benefits	14	42,888	24,798
Provision for doubtful receivables		(4,825,068)	4,715,725
Income taxes paid		(452,809)	(473,667)
Profit on sale of fixed assets		2,943	63,217
Diminish in value of investments		-	570,867
Income from funds invested		(43,355,196)	(48,428,441)
Profit shares		26,521,966	32,313,879
		(21,153,399)	(8,114,701)
Operating loss before changes in, operating assets and liabilities:-			
(Increase) in blocked accounts with the Central Bank of Turkey		(3,234,130)	(9,520,706)
Funds invested - net		(16,279,268)	(9,814,270)
(Increase)/decrease in overdue receivables		14,621,006	(9,365,986)
Lease investments (increase)/decrease		774,394	113,965
Decrease/(increase) in other assets		(171,940)	(1,519,254)
Decrease/(increase) in other non-current assets		-	77,714
Increase in current accounts and profit/loss sharing investors accounts		9,724,297	33,063,007
(Decrease)/increase in withholdings and other taxes payable		(955,959)	581,036
Increase/(decrease) in other liabilities		(1,039,410)	(250,912)
		(17,714,409)	(4,750,107)
Income received from funds invested		43,833,631	47,173,645
Profit shares distributed		(25,651,192)	(33,632,327)
Net cash provided from operating activities		468,030	8,791,211
Cash flows from investing activities:			
(Increase)/decrease in marketable securities		527,707	(336,855)
Net additions to premises and equipment		(1,309,449)	(447,072)
Net change in investments		110,797	(49,835)
Net cash used in investing activities		(670,945)	(833,762)
Cash flows from financing activities :-			
Dividends and donation paid		(654,202)	(1,587,897)
Net cash from financing activities		(654,202)	(1,587,897)
Net increase in cash and cash equivalents		(857,117)	6,369,552
Cash and cash equivalents			
At beginning of the period		33,035,552	26,666,000
At end of the period		32,178,435	33,035,552

The accompanying notes from an integral part of these financial statements.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**STATEMENTS OF SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED 31 DECEMBER**

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

	Share capital	Adjustments to share capital	Retained earnings	Shareholders' equity Total
Balance at 1 January 1999	4,500,000	10,477,469	7,281,144	22,258,613
Non-cash increase in share capital	6,525,000	(6,525,000)	-	-
Cash dividends	-	-	(1,125,438)	(1,125,438)
Cash donation	-	-	(462,457)	(462,457)
Current year profit	-	-	2,541,730	2,541,730
Balance at 31 December 1999	11,025,000	3,952,469	8,234,979	23,212,448
Balance at 1 January 2000	11,025,000	3,952,469	8,234,979	23,212,448
Transfer to share capital	300,000	36,600	(336,600)	-
Non-cash increase in share capital	10,305,000	(10,305,000)	-	-
Cash dividends	-	-	(89,493)	(89,493)
Cash donation	-	-	(564,709)	(564,709)
Current year profit	-	-	1,902,384	1,902,384
Balance at 31 December 2000	21,630,000	(6,315,931)	9,146,561	24,460,630

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

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Kuveyt Türk Evkaf Finans Kurumu A. . ("the Institution") was formed in accordance with the provisions of Decree No. 83/7506, issued on 16 December 1983 relating to the establishment of Special Finance Houses in Turkey. The Institution obtained permission from the Central Bank of Turkey on 28 February 1989 and commenced its operations on 31 March 1989. At 31 December 2000, the Institution had twentyfour branches (1999: sixteen branches) that were principally engaged in collecting funds through special current accounts and profit/loss sharing accounts, and allocating collected funds to the Turkish economy.

In accordance with the Banking Law No: 4389 the Institution is required to comply with banking legislation applicable in Turkey within two years.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation of financial statements:

The Institution maintains its books of account and prepares its statutory financial statements in accordance with Turkish Commercial Code and tax regulations. The accompanying 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 as discussed in Note 11) with adjustments and reclassifications for the purpose of fair presentation in accordance with International Accounting Standards ("IAS") issued by International Accounting Standards Committee.

The restatement for changes in the general purchasing power of the Turkish lira as of 31 December 2000 and 1999 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 is applicable to financial statements covering periods beginning on or after 1 January 1990. IAS 29 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 nation wide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS"). Indices and conversion factors used to restate accompanying financial statements as of 31 December 2000 and 1999 are given below:

<u>Date</u>	<u>Index</u>	<u>Conversion factor</u>
31 December 2000	2,626.0	1.000
31 December 1999	1,979.5	1.327
31 December 1998	1,215.1	2.161

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Additions to property and equipment in the year of acquisition are restated by applying the relevant (monthly, yearly average, year-end) conversion factors.
- Comparative financial statements are restated using general inflation indices at the currency purchasing power at the latest balance sheet date.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effects of inflation on the Institution's net monetary position are included in the statements of income as gain or loss on net monetary position.

Marketable securities

Marketable securities are stated at lower of cost or market value.

Related parties

For the purpose of these financial statements, shareholders of the Institution, companies controlled by or associated with the shareholders and investments are considered and referred to as related parties.

Allowance for possible losses on funds invested

The allowance for possible losses on funds invested comprises an amount which is considered adequate by management to cover the inherent risk of loss present in funding relationships as a result of evaluation of total funds invested (including investments in leases) and specifically identified losses.

Since the depositors share the risk of the funds issued to third parties, when the funds issued from profit and loss sharing accounts become doubtful, 20% of the risk is recorded as loss to income statement 80% of the risk is reflected to investors' accounts as deduction to profit shares to be distributed or customer accounts. If the fund invested is issued from equity, full provision is reflected to income statement.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real estate properties acquired in satisfaction of funds invested

Real estate properties acquired in satisfaction of funds invested are reported in other assets at the lower of cost or estimated market value on their acquisition dates, and the lower of such initial amount or estimated market value thereafter. Subsequent write-downs are recorded in other operating expenses, net or related revenue, and gains or losses on sale are recorded upon disposal.

Accounting for export transactions via the Institution

Receivables arising from export transactions via the Institution where the collection risk belongs to domestic exporters and the corresponding payables to domestic exporters, are accounted for under other liabilities (Note 13).

Investments

Investments are carried at cost or value of the bonus shares added to the cost with nominal price. Equity participations over 50% are not consolidated on the grounds of immateriality.

Property and equipment and related depreciation

Property, plant and equipment are carried at cost less depreciation and impairment. Depreciation is provided at the following rates, which approximate the estimated useful lives, using the straight-line method:

Buildings	2%
Office furniture and equipment	25%
Motor vehicles	25%
Leasehold improvements	20%

Deferred income taxes

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax and financial reporting purposes 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.

The principal temporary differences arise from the restatement of property and equipment over their historical cost, differences arising from operating and finance lease, provision for doubtful receivables and severance pay provision.

Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Institution arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 15).

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions

Transactions in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from settlement and translation of foreign currency items have been included in the related income and expense accounts, as appropriate.

Income and expense recognition

Income and expenses are recognised on the accrual basis except for commission, service income and income from funds invested from current accounts and equity. Commission and other service income are recorded as income when received. Income from funds invested from current accounts and equity is recognised at the date of transaction.

Profit/loss sharing account income recognition

Income from funds invested from profit/loss sharing accounts is accrued at year-end and the net income is distributed to profit/loss sharing accounts. Accrued income from funds invested from profit/loss sharing accounts is recognised as income in full. 80% of this income is accrued as expense for the profit shares distributed, except for the accrued income from funds invested from special profit/loss sharing accounts where 90% is accrued as expense.

Accounting for leases

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include cash, amounts due from banks and marketable securities with maturity periods of less than three months.

Credit risk

Financial instruments contain an element of risk that the counterpart may be unable to meet the terms of the agreements. This risk is managed by limiting the aggregate risk to any individual counterpart and financial institutions. The Institution's exposure to credit risk is concentrated in Turkey where the majority of the activities are carried out. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign exchange risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. The risk arising from the depreciation of Turkish lira against foreign currencies is managed by investing in foreign currency assets.

Liquidity risk

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate funding lines from shareholders and high quality investors.

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 Institution using available market information and appropriate valuation methodologies. However judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Institution could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets:-

Monetary assets for which fair value approximates carrying value:

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

The fair values of certain financial assets carried at cost, including cash and due from banks, and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of marketable securities approximate their fair value.

The carrying values of funds invested along with the related allowances for uncollectibility is estimated to be their fair values.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities:-

Monetary liabilities for which fair value approximates carrying value:

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

Earnings per share

Earnings per share disclosed in the accompanying statements of income are determined by dividing net profit by the weighted average number of shares that have been outstanding during the years concerned.

In Turkey, companies can increase their share capital by making a prorata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares. Accordingly, the weighted average number of shares used in earnings per share computations is derived by giving retroactive effect to the issuances of the following shares:-

	Number of shares issued attributable to transfers to share capital from		
	<u>Retained earnings</u>	<u>Revaluation surplus</u>	<u>Total</u>
2000	3,000,000	103,500,000	106,500,000
1999	-	65,250,000	65,250,000

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 3 - CASH AND DUE FROM BANKS

	2000	1999
Cash :-		
Turkish lira	969,950	821,882
Foreign currency	3,361,837	2,236,450
	4,331,787	3,058,332
Due from banks :-		
Foreign banks		
- Turkish Lira	-	663,500
- Foreign currency	19,240,480	22,740,926
Central Bank of Turkey		
- Turkish Lira	13,737	356,265
- Foreign currency	448,564	71,710
Domestic banks		
- Turkish Lira	1,941,900	1,085,795
- Foreign currency	5,853,915	4,283,346
Special Finance Institutions		
- Turkish Lira	16,003	49,281
- Foreign currency	332,049	726,397
	27,846,648	29,977,220
Total cash and due from banks	32,178,435	33,035,552

Foreign currency cash includes the following:-

	2000		1999	
	Foreign currency	TL million	Foreign currency	TL million
US \$	3,408,707	2,271,835	1,706,570	1,220,629
DM	2,856,859	900,602	2,600,002	956,565
Other		189,400		59,256
		3,361,837		2,236,450

Due from banks, except for foreign banks, are demand deposits which bear no interest.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 3 - CASH AND DUE FROM BANKS (Continued)

Foreign banks include the following profit and loss sharing accounts with maturities up to 1 month (1999: 2 months).

	<u>Principal 2000</u>		<u>Value at maturity</u>	<u>Principal 1999</u>		<u>Value at maturity</u>
	<u>Foreign currency</u>	<u>TL million</u>	<u>Foreign currency</u>	<u>Foreign currency</u>	<u>TL million</u>	<u>Foreign currency</u>
US\$	12,450,000	8,297,676	12,504,624	19,000,000	13,589,807	19,117,883
DM	-	-	-	1,000,000	367,909	1,003,000
EUR	-	-	-	2,000,000	1,439,089	2,005,859
KWD	311,622	680,103	312,160	-	-	-
TL	-	-	-	-	663,500	506,250
		8,977,779			16,060,305	

Foreign banks include the following profit and loss sharing accounts with maturities of 4 months (1999: 6 months):

	<u>Principal 2000</u>		<u>Value at maturity</u>	<u>Principal 1999</u>		<u>Value at maturity</u>
	<u>Foreign currency</u>	<u>TL million</u>	<u>Foreign currency</u>	<u>Foreign currency</u>	<u>TL million</u>	<u>Foreign currency</u>
US\$	3,000,000	1,999,440	3,119,853	3,000,000	2,145,759	3,113,945

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 4 - BLOCKED ACCOUNTS AT THE CENTRAL BANK OF TURKEY AND LIQUIDITY REQUIREMENTS

Blocked accounts at the Central Bank of Turkey at 31 December are as follows:-

	2000		1999	
	Foreign currency	TL million	Foreign currency	TL million
TL	-	1,752,331	-	1,381,905
US \$	32,399,488	21,593,611	25,704,104	18,384,937
EUR	10,269,400	6,331,712	9,280,429	6,677,682
Others	-	3,362	-	2,362
		29,681,016		26,446,886

According to the decree no 7 published in the Official Gazette 23515 dated 6 November 1998, the Institution is liable to hold certain percentages of its Turkish lira and foreign currency current accounts and of the profit/loss sharing accounts as specified below in a blocked account at the Central Bank of Turkey. Blocked accounts may be in the form of cash or other type of liquid assets, as accepted by the Central Bank of Turkey.

	Rate %	
	Foreign currency	TL
Current accounts (*)	11	8
Subsequent increases in current accounts	11	8
Profit/loss sharing accounts (*)	11	8
Subsequent increases in profit/loss sharing accounts	11	8

(*) Except for placements of domestic banks and special finance institutions.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 5 - MARKETABLE SECURITIES

	2000	1999
Common stock	555,574	1,058,894
Participation fund	333,240	357,627
	888,814	1,416,521

Participation fund represents investment to Unit Investment Fund of Islamic Development Fund in the amount of US\$500,000. Common stock includes shares of Kuwait Finance House (shareholder) and The International Investor and other various shares traded in the Istanbul Stock Exchange.

NOTE 6 - FUNDS INVESTED

At 31 December, funds invested are as follows:

	2000	1999
Funds invested from profit/loss sharing accounts	152,115,640	147,090,963
Funds invested from current accounts and equity	21,316,850	12,898,890
	173,432,490	159,989,853

Overdue receivables :-

Funds invested from profit / loss sharing accounts	14,171,642	26,961,938
Funds invested from current accounts and equity	5,899,875	4,893,953
Total funds invested	193,504,007	191,845,744

Provision for doubtful receivables :

Funds invested from current accounts and equity	(3,891,740)	(2,918,145)
Funds invested from profit / loss sharing accounts - Turkish lira	(1,153,177)	(992,047)
Funds invested from profit / loss sharing accounts - foreign currency	(7,990,595)	(13,950,387)
	180,468,495	173,985,165

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 6 - FUNDS INVESTED (Continued)

Funds invested at 31 December are further analysed per sectors as follows:

	2000	1999
Food and beverage	26,160,135	32,996,650
Textile and leather	37,062,214	22,893,849
Metal products	10,884,248	16,229,799
Construction	13,017,859	15,620,799
Chemicals and petroleum	14,657,261	13,021,503
Automotive	13,247,371	9,620,940
Paper	4,589,474	7,353,260
Forestry	7,353,102	6,587,909
Leasing	9,526,257	5,111,798
Electronic	1,768,868	4,486,396
Computer	2,943,681	3,626,827
Other industries	32,222,020	22,440,123
	173,432,490	159,989,853

Movement in provisions for impairment in funds invested is as follows:

Balance at 1 January 2000	17,860,579
Provisions – firm	6,834,922
Provisions – investors	12,086,382
Recoveries of amounts previously provided	(1,078,692)
Amounts written off	(18,752,761)
Inflation effect	(3,914,918)
Balance at 31 December 2000	13,035,512

NOTE 7 - INVESTMENT IN LEASES

	2000	1999
Gross investment in leases	53,587,190	53,698,351
Unearned finance income	(12,402,192)	(11,738,959)
Total investment in leases	41,184,998	41,959,392
Less: Current portion	(24,897,644)	(19,044,641)
	16,287,354	22,914,751

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 8 - OTHER ASSETS

	2000	1999
Assets to be sold	2,362,487	1,033,209
Transitory accounts	917,790	1,884,132
Advances and deposits given	733,882	873,555
Fixed assets value added tax-current	126,217	47,706
Other	28,371	158,205
	4,168,747	3,996,807

NOTE 9 - INVESTMENTS

	Share %	2000 TL million	Share %	1999 TL million
Ferma Fermuar Tekstil San. ve Tic. A. .	-	-	74.79	681,664
Körfez Gayrimenkul n aat Taahhüt Turizm San. ve Tic. A. .	99	196,437	99	196,437
G.A.P. Boru San. ve Tic. A. .	98	46,100	98	46,100
		242,537		924,201
Diminution in value of investments		-		(570,867)
		242,537		353,334

During January 2000, the Institution sold shares of Ferma Fermuar Tekstil San. ve Tic. A. . amounting to TL681,664 million for an amount of TL110,797 million. TL560,867 million provision was provided for the diminution identified in the sale value of this investment.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 10 - PROPERTY AND EQUIPMENT

Year ended 31 December 1999	Buildings	Furniture and office equipment	Motor vehicles	Leasehold improvements	Total
Opening net book value	3,469,631	1,352,557	190,739	271,423	5,284,350
Additions	-	365,048	81,256	767	447,071
Disposals	-	(852)	(62,362)	-	(63,214)
Depreciation charge	(85,773)	(540,808)	(31,998)	(84,105)	(742,684)
Closing net book value	3,383,858	1,175,945	177,635	188,085	4,925,523
At 31 December 1999					
Cost	4,288,498	572,599	777,074	10,864,489	
Accumulated depreciation	(904,640)	(4,050,373)	(394,964)	(588,989)	(5,938,966)
Net book value	3,383,858	1,175,945	177,635	188,085	4,925,523
Year ended 31 December 2000					
Opening net book value	3,383,858	1,175,945	177,635	188,085	4,925,523
Additions	-	1,032,068	8,414	268,967	1,309,449
Disposals	-	(2,943)	-	-	(2,943)
Depreciation charge	(85,770)	(599,147)	(46,492)	(88,020)	(819,429)
Closing net book value	3,298,088	1,605,923	139,557	369,032	5,412,600
At 31 December 2000					
Cost	4,288,498	6,255,443	581,013	1,046,041	12,170,995
Accumulated depreciation	(990,410)	(4,649,520)	(441,456)	(677,009)	(6,758,395)
Net book value	3,298,088	1,605,923	139,557	369,032	5,412,600

Since 1984, using an option granted under Turkish tax legislation, the Institution revalued in its statutory books of account, its property and equipment in use more than one year, and the related accumulated depreciation at each year-end, by using the rates and procedures prescribed by the Ministry of Finance to reflect the effects of inflation on the value of the Turkish lira. The resulting increases in the net book values of the assets are included under shareholders' equity as revaluation surplus in the statutory records. The Institution may use the revaluation surplus for issuance of free capital shares to existing shareholders. However, if the revaluation increment is included in an account other than the revaluation surplus account, the amount is subject to corporation tax.

In the Institution's statutory books depreciation is provided on revalued amounts, except, for the net revaluation increment applicable to buildings, and such depreciation is deductible in the computation of income subject to corporation tax. All entries related to such revaluation which were recorded in statutory books of account of the Institution have been eliminated in the accompanying financial statements as part of the restatement process referred to in Note 2.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 11 - CURRENT ACCOUNTS AND PROFIT/LOSS SHARING INVESTORS' ACCOUNTS

	2000	1999
Current accounts :-		
Turkish Lira	6,796,833	5,824,500
Foreign currency	20,655,814	26,062,480
	<hr/> 27,452,647	<hr/> 31,886,980
Profit/loss sharing investors' accounts :-		
Turkish Lira	15,953,169	12,451,098
Foreign currency	237,543,115	226,886,556
	<hr/> 253,496,284	<hr/> 239,337,654
Total current accounts and profit/loss sharing investors' accounts	<hr/> 280,948,931	<hr/> 271,224,634

At 31 December current accounts and profit/loss sharing investors' accounts can be analysed according to their original maturities as follows :-

	<u>2000</u>		<u>1999</u>	
	Turkish lira TL million	Foreign currency TL million	Turkish lira TL million	Foreign currency TL million
Up to 1 month	13,534,833	170,492,794	11,100,217	153,306,246
From 1 month to 3 months	4,051,836	52,881,272	4,313,195	54,772,128
From 3 months to 1 year	3,140,333	12,360,168	2,862,186	13,167,659
370 days special maturity	2,023,000	22,464,695	-	31,703,003
	<hr/> 22,750,002	<hr/> 258,198,929	<hr/> 18,275,598	<hr/> 252,949,036

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 11 - CURRENT ACCOUNTS AND PROFIT/LOSS SHARING INVESTORS' ACCOUNTS (Continued)

At 31 December foreign currency current accounts and profit/loss sharing investors' accounts are analysed as follows:

	<u>2000</u>		<u>1999</u>	
	Foreign currency	TL million	Foreign currency	TL million
<u>Current accounts :-</u>				
US\$	21,679,311	14,448,827	22,769,573	16,286,006
DM	7,998,504	2,521,464	13,921,089	5,121,700
Others		3,685,523		4,654,774
		20,655,814		26,062,480
<u>Profit/loss sharing investors' accounts:</u>				
US\$	275,410,862	183,555,831	230,216,911	164,663,336
DM	147,010,407	46,343,855	168,622,032	62,037,635
Others		7,643,429	-	185,585
		237,543,115		226,886,556

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 12 - TAXES ON INCOME

The reconciliation of taxation is as follows:

	2000	1999
Profit per statutory records	1,312,666	2,762,332
Add/deduct:		
Disallowable expenses	93,691	156,906
Provision for severance pay	41,000	398,318
Income from free zone	(8,570)	(44,875)
Income deducted from prior year profit	416,830	-
Income to be realised next year	(542,887)	(553,133)
Other allowances	(32,932)	-
Islamic Development Bank allowance	-	(141,112)
Taxable profit	1,279,798	2,578,436
Tax thereon at the applicable tax rate 19.8% (1999: 16.5%)	253,400	425,442
Inflation adjustment	27,367	112,742
	280,767	538,184
Deferred tax effect of temporary differences	(2,090,703)	(723,677)
Total tax charge/(income) for the year	(1,809,936)	(185,493)

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 12 - TAXES ON INCOME (Continued)

Effective from 1 January 1999, corporation tax is payable at a rate of 33% on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed. 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 Company are subject to a withholding tax calculated on the gross dividend to be paid at the rate of 16.5% for private companies and 5.5% for quoted companies. 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.

Interest income on Turkish government bonds and treasury bills is subject to corporation tax.

Capital gains derived from the sale of investments in subsidiaries and immovable assets held for not less than two years are tax exempt if 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 the incentive of investment allowance. Such allowance is 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%.

Under the Turkish taxation system, losses can be carried forward to offset against future taxable income for up to 5 years. Losses cannot be carried back, however, 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 which 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.

The Institution benefits from investments incentive allowances. Therefore, effective tax-rate for the Institution is 19.8% (1999: 16.5%).

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 12 - TAXES ON INCOME (Continued)Deferred income taxes

The temporary differences giving rise to the deferred income tax assets and deferred tax liabilities are as follows:-

	2000		
	Temporary difference	Tax rate %	Amount
Deferred income tax liabilities			
Accrued income on "murabaha" transactions	66,430	19.8	13,153
Net off of exchange of deposits	1,643	19.8	325
Restatement of property and equipment	327,459	19.8	64,837
	395,532	78,315	
Deferred income tax assets			
Accounting for finance leases	17,067,056	19.8	3,379,276
Reserve for employment termination benefits	197,324	19.8	36,474
Unrealised loss on marketable securities	184,210	19.8	39,070
Provision for doubtful receivables and write offs	2,682,353	19.8	531,106
	20,130,943		3,985,926
Net deferred income tax asset	19,735,411		3,907,611
	1999		
	Temporary difference	Tax rate %	Amount
Deferred income tax liabilities			
Unrealised gain on marketable securities	40,034	16.5	6,606
Restatement of property and equipment	974,395	16.5	160,775
	1,014,429		167,381
Deferred income tax assets			
Accounting for finance leases	9,707,066	16.5	1,601,666
Reserve for employment termination benefits	154,436	16.5	25,482
Over accrued income	272,771	16.5	45,007
Provision for diminution in value of investments	570,867	16.5	94,193
Provision for doubtful receivables and write offs	1,320,857	16.5	217,941
	12,025,997		1,984,289
Net deferred income tax asset	11,011,568		1,816,908

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 13 - OTHER LIABILITIES

	2000	1999
Payable to exporter firms (Note 2)	1,012,199	1,160,740
Payable to suppliers	810,974	1,247,831
Expenses payable	140,952	374,607
Others	81,015	301,372
	2,045,140	3,084,550

NOTE 14 – RESERVE FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Labor Law, the Institution is required to pay termination benefits to each employee who has completed 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 (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 TL 587,720,000 (1999: TL 345,200,000) 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 Institution arising from the retirement of the employees.

International Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

	2000	1999
Discount rate	7%	7%
Turnover rate to estimate the probability of retirement	94%	93%

The principal assumption is that the maximum liability of TL 587,720,000 for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 646,563,000 (1999: TL 488,900,000) which is effective from 1 January 2000 has been taken into consideration in calculating the reserve for employment termination benefit of the Institution.

Movements in the reserve for the employment termination benefits during the year are as follows:

	2000	1999
Balance - 1 January	154,436	129,645
Paid during the year	(21,320)	(40,963)
Increase during the year	64,208	65,754
Balance - 31 December	197,324	154,436

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 15 - SHARE CAPITAL

The Institution's authorised and fully paid-up capital amounts to TL21,630,000 million (1999: TL11,025,000 million), which consists of 216,300,000 shares (1999: 110,250,000 shares) of a nominal value of TL100,000 each. The Institution increased its share capital by TL10,605,000 million (1999: TL6,525,000 million) during 2000. At 31 December, the paid-up capital (historic) was held as follows:-

		2000		1999
	Shares %	TL million	Shares %	TL million
Kuwait Finance House	49.99	10,812,344	49.99	5,511,146
Vak flar Genel Müdürlü ü	29.95	6,447,370	29.95	3,301,787
The Public Institution for Social Security Kuwait	9.00	1,946,700	9.00	992,250
Islamic Development Bank	9.00	1,946,700	9.00	992,250
Türkiye Diyanet Vakf	1.00	216,300	1.00	117,317
Others	1.06	260,586	1.06	110,250
	100.00	21,630,000	100.00	11,025,000

NOTE 16 - LEGAL RESERVES AND RETAINED EARNINGS

The Institution is required to create the following legal reserves by making appropriations from earnings, which are available for distribution only in the event of liquidation of the Institution in accordance with Turkish Commercial Code and the Institution's constitution agreement :-

- 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.

At 31 December legal reserves and retained earnings per statutory accounts are as follows :-

	2000	1999
Legal reserves	475,930	315,317
Retained earnings	2,030,237	1,761,033
	2,506,167	2,076,350

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 17 - OTHER EXPENSES

	2000	1999
Advertising expenses	956,834	878,156
Communications expenses	430,687	363,945
Consultancy fees	313,842	149,353
Unrealised losses on marketable securities	204,105	-
Travel and representation expenses	155,945	87,316
Repair and maintenance expenses	121,287	135,481
Stationary and subscription expenses	109,692	79,137
Energy expenses	98,799	88,268
Computer system expenses	61,456	109,813
Diminution in value of investments	-	570,868
Other	222,710	715,893
	2,675,357	3,178,230

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES

The Institution has the following commitments and contingencies outstanding at 31 December:

	2000	1999
Guarantee letters	33,557,049	18,437,342
Letters of credit	22,688,620	20,272,437
Acceptance credits	613,706	551,903
	56,859,375	39,261,682

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 19 - CURRENCY RISK**31 December 2000**

	US\$	DM	TL	Other	Total
Cash and due from banks	23,379,049	2,863,317	2,941,590	2,994,479	32,178,435
Blocked accounts at the Central Bank of Turkey	21,593,611	-	1,752,331	6,335,074	29,681,016
Marketable securities	333,240	-	249,313	306,261	888,814
Funds invested	121,075,874	28,462,419	23,156,906	737,291	173,432,490
Overdue receivables	11,217,523	2,403,765	6,450,229	-	20,071,517
Provision for doubtful receivables	(8,828,795)	(824,194)	(3,382,523)	-	(13,035,512)
Investment in leases	18,429,326	17,022,890	5,732,782	-	41,184,998
Income accruals for funds invested	6,186,015	2,138,492	3,132,191	539	11,457,237
Other assets	703,647	59,960	3,173,372	231,768	4,168,747
Investments	-	-	242,537	-	242,537
Property and equipment	-	-	5,412,600	-	5,412,600
Deferred tax asset, net	-	-	3,907,611	-	3,907,611
Total assets	194,089,490	52,126,649	52,768,939	10,605,412	309,590,490
Current accounts and profit/loss sharing investors' accounts	198,004,658	48,865,319	22,750,002	11,328,952	280,948,931
Taxes on income	-	-	253,400	-	253,400
Withholdings and other taxes payable	-	-	814,291	-	814,291
Expense accruals for profit/loss sharing investors' accounts	-	-	870,774	-	870,774
Other liabilities	248,939	1,315	1,792,156	2,730	2,045,140
Reserve for employment termination benefits	-	-	197,324	-	197,324
Total liabilities	198,253,597	48,866,634	26,677,947	11,331,682	285,129,860
Net balance sheet position	(4,164,107)	3,260,015	26,090,992	(726,270)	24,460,630

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 19 - CURRENCY RISK (Continued)**31 December 1999**

	US\$	DM	TL	Other	Total
Cash and due from banks	24,259,626	3,402,923	2,976,723	2,396,280	33,035,552
Blocked accounts at the Central Bank of Turkey	18,384,937	-	1,381,905	6,680,044	26,446,886
Marketable securities	357,627	-	-	1,058,894	1,416,521
Funds invested	96,850,696	41,359,468	21,779,689	-	159,989,853
Overdue receivables	20,557,263	6,780,041	4,518,587	-	31,855,891
Provision for doubtful receivables	(11,066,162)	(2,884,225)	(3,910,192)	-	(17,860,579)
Investment in leases	25,244,686	16,652,948	61,758	-	41,959,392
Income accruals for funds invested	6,207,385	2,251,571	3,476,716	-	11,935,672
Other assets	2,150,164	235,858	1,263,793	346,992	3,996,807
Investments	-	-	353,334	-	353,334
Property and equipment	-	-	4,925,523	-	4,925,523
Deferred tax asset, net	-	-	1,816,908	-	1,816,908
Total assets	182,946,222	67,798,584	38,644,744	10,482,210	299,871,760
Current accounts and profit/loss sharing investors' accounts	180,949,342	67,159,335	18,275,598	4,840,359	271,224,634
Taxes on income	-	-	425,442	-	425,442
Withholdings and other taxes payable	-	-	1,770,250	-	1,770,250
Expense accruals for profit/loss sharing investors' accounts	-	-	-	-	-
Other liabilities	452,257	73,391	2,553,134	5,768	3,084,550
Reserve for employment termination benefits	-	-	154,436	-	154,436
Total liabilities	181,401,599	67,232,726	23,178,860	4,846,127	276,659,312
Net balance sheet position	1,544,623	565,858	15,465,884	5,636,083	23,212,448

Foreign currency assets and liabilities are evaluated by using the Institution's foreign currency bid rate for US\$1 = TL666,480 and DM1 = TL315,242 at 31 December 2000 (1999: US\$1 = TL539,000 and DM1 = TL277,249).

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 20 - LIQUIDITY RISK (billions of Turkish Lira)

31 December 2000	Demand and less than 1 month	1 to 3 months	3 to 12 months	Over 1 year	No maturity	Total
ASSETS						
Cash and due from banks	30,179	-	1,999	-	-	32,178
Blocked accounts at Central Bank of Turkey	-	-	-	-	29,681	29,681
Marketable securities	889	-	-	-	-	889
Funds invested	24,736	42,298	99,031	7,367	-	173,432
Overdue receivables	-	-	-	-	20,072	20,072
Provision for doubtful receivables	-	-	-	-	(13,036)	(13,036)
Investments in leases	3,603	6,160	14,837	16,585	-	41,185
Income accrual for funds invested	1,745	2,756	6,520	436	-	11,457
Other assets	147	519	780	370	2,353	4,169
Investments	-	-	-	-	242	242
Property and equipment	-	-	-	-	5,413	5,413
Deferred tax asset	-	-	-	3,908	-	3,908
Total assets	61,299	51,733	123,167	28,666	44,725	309,590
LIABILITIES						
Current accounts and profit/loss sharing investors' accounts	184,028	56,933	15,500	24,488	-	280,949
Taxes on income	253	-	-	-	-	253
Withholdings and other taxes payable	814	-	-	-	-	814
Other liabilities	444	609	801	191	-	2,045
Expense accruals	583	288	-	-	-	871
Reserve for employment termination benefits	-	-	-	197	-	197
Total liabilities	186,122	57,830	16,301	24,876	-	285,129
Net liquidity gap	(124,823)	(6,097)	106,866	3,790	44,725	24,461
ASSETS						
31 December 1999	Demand and less than 1 month	1 to 3 months	3 to 12 months	Over 1 year	No maturity	Total
Cash and due from banks	33,036	-	-	-	-	33,036
Blocked accounts at Central Bank of Turkey	-	-	-	-	26,447	26,447
Marketable securities	1,416	-	-	-	-	1,416
Funds invested	20,801	38,398	89,591	11,200	-	159,990
Overdue receivables	-	-	-	-	31,856	31,856
Provision for doubtful receivables	-	-	-	-	(17,860)	(17,860)
Investments in leases	19,045	-	-	22,915	-	41,960
Income accrual for funds invested	1,671	3,341	6,326	597	-	11,935
Other assets	1,158	958	1,440	441	-	3,997
Investments	-	-	-	-	353	353
Property and equipment	-	-	-	-	4,925	4,925
Deferred tax asset	-	-	-	1,817	-	1,817
Total assets	77,127	42,697	97,357	36,970	45,721	299,872
LIABILITIES						
Current accounts and profit/loss sharing investors' accounts	164,407	59,085	16,030	31,703	-	271,225
Taxes on income	426	-	-	-	-	426
Withholdings and other taxes payable	1,770	-	-	-	-	1,770
Other liabilities	1,018	832	1,018	217	-	3,085
Reserve for employment termination benefits	-	-	-	154	-	154
Total liabilities	167,621	59,917	17,048	32,074	-	276,660
Net liquidity gap	(90,494)	(17,220)	80,309	4,896	45,721	23,212

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 21 - TRANSACTIONS WITH RELATED PARTIES

Income earned on profit and loss sharing accounts with Kuwait Finance House is TL - million (1999: TL 130,573 million).

i) Foreign currency deposits with related parties are as follows:

		2000		1999	
		Foreign currency	TL million	Foreign currency	TL million
Kuwait Finance House	US\$	21,936	14,620	47,771	34,169
	DM	158	50	25,785	9,487
	Kuwait dinar	342,262	746,973	3,016	7,088
		761,643		50,744	

ii) Funds used by the investee companies and related income at 31 December are as follows:

		2000		1999	
		Original currency	TL million	Original currency	TL million
Körfez Gayrimenkul n aat Taahhüt Turizm Sanayi ve Tic. A. .	US\$	7,180,975	4,785,976	6,792,140	4,858,098
	TL		6,664		423,974
			4,792,640		5,282,072
Ferma Fermuar Tekstil San. ve Tic. A. .	US\$	-	-	2,282,826	1,632,798
	DM	-	-	504,368	185,562
G.A.P Boru San. ve Tic. A. .	US\$	3,031,667	2,020,545	5,906,051	4,224,320
	DM	-	-	2,186,122	804,295
	TL		40,853		427,441
		2,061,398		5,456,056	
		6,854,038		12,556,488	

The income from funds invested to related parties amounts to TL103,119 million (1999: TL313,820 million) of which TL82,495 million (1999: TL251,055 million) was reflected to profit shares distributed.

KUVEYT TÜRK EVKAF F NANS KURUMU A. .**NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000**

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

NOTE 21 - TRANSACTIONS WITH RELATED PARTIES (Continued)**iii) Investment in leases includes the following related party net finance lease receivables:-**

		<u>2000</u>		<u>1999</u>	
		<u>Original</u>	<u>TL million</u>	<u>Original</u>	<u>TL million</u>
		<u>currency</u>		<u>currency</u>	
G.A.P Boru San. ve Tic. A. .	US\$	2,258,637	1,505,336	2,396,056	1,713,786
	DM	1,033,764	325,886	1,004,367	369,516
	TL	-	-	-	22,524
			1,831,222	2,105,826	
Ferma Fermuar Tekstil San. ve Tic. A. .	US\$	-	-	55,609	39,774
	DM	-	-	49,033	18,039
				57,813	
Körfez Gayrimenkul n aat Taahhüt Turizm San. ve Tic. A. .	US\$	-	-	5,145	3,680
	TL	-	3	-	2,420
			3	6,100	
			1,831,225	2,169,739	

iv) At 31 December the Institution's shareholders' balances which are included in the profit/loss sharing investors accounts are as follows :-

		<u>2000</u>		<u>1999</u>	
		<u>Foreign</u>	<u>TL million</u>	<u>Foreign</u>	<u>TL million</u>
		<u>Currency</u>		<u>Currency</u>	
Islamic Development Bank	US\$	21,236,152	14,153,471	US\$ 10,383,530	7,426,851
Kuwait Finance House	US\$	6,740,000	4,492,075	US\$ 7,411,562	5,301,142
	EUR	10,368,000	6,392,504	-	-
Vak flar Genel Müdürlü ü		-	431,542	-	177,535
The Public Institution for Social Security Kuwait	US\$	102,193	68,110	US\$ 97,324	69,612
			25,537,702	17,892,416	12,975,140

KUVEYT TÜRK EVKAF F NANS KURUMU A. .

NOTES TO FINANCIAL STATEMENTS AT 31 DECEMBER 2000

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

NOTE 21 - TRANSACTIONS WITH RELATED PARTIES (Continued)

v) The profit shares distributed to the Institution's shareholders are analysed as follows:-

		2000		1999	
		Foreign Currency	TL million	Foreign Currency	TL million
Islamic Development Bank	US\$	703,648	438,298	898,416	642,594
Kuwait Finance House	US\$	597,874	308,190	741,652	530,468
	EURO	27,631	15,762		
Vak flar Genel Müdürlü ü			210,259	-	40,245
The Public Institution for Social Security Kuwait	US\$	6,568	3,767	5,614	4,016
			976,276		1,217,323

vi) The guarantee letters extended to related parties at 31 December are as follows:

	2000	1999
G.A.P. Boru San. ve Tic. A. .	34,500	84,039
Ferma Fermuar Tekstil San. ve Tic. A. .	-	3,465
Körfez Gayrimenkul In aat Taahhüt Turizm San. ve Tic. A.	3,760	5
		87,509

NOTE 22 - SUBSEQUENT EVENTS

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 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 these financial statements. There is uncertainty as to the effects of the ongoing volatility in the financial markets on the financial condition of the Institution and its future operations and cash flows at present.

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