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Innovative solutions

On behalf of the Board of Directors

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Çalıkbank

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Key financial indicators and ratios

	TL Billion		USD Thousand	
	2002	2001	2002	2001
Balance sheet				
Credits (net)	4,092	134	2,500	70
Marketable securities portfolio	8,932	2,495	5,458	1,318
Leasing receivables	20,444	20,775	12,492	10,970
Shareholders' equity	29,259	24,236	17,878	12,795
Total assets	57,752	50,181	35,288	26,498
Income statement				
Interest income	13,293	16,529	8,122	8,767
Interest expenditures	724	448	442	236
Income before tax and monetary loses	11,517	17,612	7,037	9,300
Net income	5,023	2,214	3,069	1,169

The above figures are inflation adjusted. The difference between these figures and the ones in the 2001 annual report stems from the restatement made to eliminate the effects of inflation.

TL 57.8 trillion total assets
TL 29.3 trillion shareholders' equity

Strategy-focused

Long term value

Headquartered in İstanbul, Çalıkbank is one of Turkey's leading investment banks.

A subsidiary of multi-sectoral Çalık Holding, Çalıkbank has been serving a distinguished portfolio of customers since 1999. Designing products and services specially tailored for its customers, the Bank offers them a variety of services ranging from foreign trade finance to leasing and factoring, from project finance to e-business solutions in commodity markets and risk management consultation.

Çalıkbank's basic goal is to come up with high-quality, result-focused, specially-designed financial solutions in its targeted niche markets.

2002 is Çalıkbank's third year of operation.

As it did in the two previous years, the Bank posted successful results in 2002.

For Çalıkbank 2002 was a year in which it completed a restructuring better attuned to the resurgence of economic growth expected to take place in Turkey and in which it also generated much more in added value.

The clearest evidence of this is to be seen in the growth achieved both in number of customers and in transaction volumes. In its third year of operation, the Bank successfully demonstrated its ability to continuously create long-term added value for both shareholders and customers while also further strengthening its own market position.

According to the Bank's financial statements for 2002, which were prepared in accordance with International Financial Reporting Standards (IFRS), Çalıkbank had total assets worth TL 57.8 trillion as of the end of the year. This result represents a 15% rate of real growth over the 2001 year figure of TL 50.2 trillion.

Capital adequacy (BIS ratio)	2002	2001
	52.61%	61.76%
Balance sheet		
Credits/Total assets	7.09%	0.27%
Liquidity ratio	335.25%	606.43%
Income statement		
Average return on assets	9.31%	5.43%
Average return on shareholders' equity	18.78%	9.59%
Loan portfolio		
Loans under follow-up/Loans (net)	0.00%	0.00%
Loans under follow-up/Total assets	0.00%	0.00%

TL 5 trillion
net income

%52.61
capital adequacy

Innovative solutions

Sustainable growth

Sustainable growth is the basic theme of our annual report for 2002. Çalıkbank complements its business philosophy, defined as creating customer-focused innovative solutions, with its adherence to the principle of pursuing and achieving sustainable growth.

Since the day it was founded, Çalıkbank has striven to maintain a sustainable balance among the factors of risk, return, and growth under continuously changing conditions in both national and global markets. Çalıkbank is an institution that distinguishes itself by virtue of its quality, customer satisfaction, unique approach to service, and ability to make use of technology.

Precisely defined and effectively implemented business strategies and policies are Çalıkbank's most important guides on the path of profitable growth. Çalıkbank is an outstanding example of stable, sustainable growth for Turkey's banking industry.

Board of Directors



AHMET ÇALIK
CHAIRMAN



NACI AYHAN
DEPUTY CHAIRMAN



MEHMET AYHAN BOLAY
MEMBER

On behalf of the Board of Directors

As we complete another successful year...

Now that we have put 2002 behind us, the picture of Çalıkbank that we see is one of a bank which is profitable and sound, whose market position becomes stronger with each passing year, and which serves as a model of sustainable growth for others.

The financial results that we have achieved are the clearest proof of this assertion: our average return on assets last year was 9.31% while our average return on equity was more than twice that at 18.78%. The real growth registered by Çalıkbank during the twelve months to year-end 2002 was 15%. Total assets shown in our closing balance sheet for the year were worth TL 57.8 trillion while total credit disbursements stood at TL 37.7 trillion.

I am happy to report that, once again in our third year of operation, we had not a single non-performing credit on our books. That is a natural result of our ability to combine our experience that comes of having a strong background and origin in the real sector with up to date risk-assessment and management techniques and it is a remarkable achievement in a sector where credit risk is a serious threat to institutions.

...change has dominated both our country and the world.

2002 was a year in which many radical changes whose ramifications are certain to be diverse, far-reaching and enduring were experienced.

The world, our national market, our industry, and our competitors continued to undergo rapid change. When we look back at 1999, the year in which we got started in banking, it is easy to see how continuous and steadily more intense the structural transformation of markets has been since then. Since 1999, the number of commercial banks in the Turkish banking industry has dropped dramatically. So too, there have been major changes in the legal framework as regulators take momentous steps whose aim is to enable the Turkish banking industry to compare favorably with the banking systems of the developed economies.

In the period immediately ahead of us, the most important adjustment that the financial sector will have to make will be that of dealing with the new and potentially lucrative market conditions that will prevail under a condition of low inflation.

Çalıkbank embarked upon 2002 as a model corporate that was both sound and equipped with insightful business strategies.



HALUK ULUSOY
MEMBER



M. ERTUĞRUL GÜRLER
MEMBER



A. BENGÜ ERDOĞMUŞ
MEMBER, ACTING GENERAL MANAGER

Our integrated service approach...

Our efforts continue to provide our corporate banking customers with tailor-made solutions and with the convenience and advantages of banking products and services shaped by Çalıkbank's integrated approach. We are aware that our ability to distinguish ourselves and to attract and hold onto customers is directly related to our success in this direction. We believe that it is essential for our continued existence and well-being to have the ability to provide modern, technology-intensive, high-quality service in all aspects of banking from export transactions to short-term spot loans and from electronic banking to day-to-day cash management services.

One natural result of this approach was our decision to provide factoring services and market them intensively among our customers. We believe that factoring will be making an increasingly greater contribution to our revenues.

...is what will make us stand out in the market.

Since the day it opened its doors for business, Çalıkbank has been recognized as a bank with a difference, as a bank known for its innovative products and services. Our ventures in the area of e-commerce have been attracting

attention as bold and exemplary undertakings at a time when the country's economy was going through a very difficult period. Similarly WebBank, our internet banking application that we developed and recently brought on line, has already distinguished itself from similar endeavors by our competitors thanks to its technological solutions that address the needs of corporate customers and cater to their business habits. WebBank is the most recent example of how Çalıkbank's approach to service differentiates from its competitors.

As we foresaw last year...

In last year's report we emphasized in our outlook for 2002 that for Çalıkbank it would be a year of growth and the beginnings of much more rapid development.

Çalıkbank's experience with crisis management acquired in the national market equips us with important corporate competencies and has continued to shape all our thinking and business administration methods since the day our bank started doing business. Those corporate competencies are what make it possible for our small but dynamic staff to quickly and easily spot the opportunities thrown up by the sector and national market and to oversee the

On behalf of the Board of Directors Our experienced professionals and their unwavering commitment to serving our clients have distinguished Çalıkbank in its marketplace.

In 2002, sharp declines in equity markets and a slowing domestic economy created one of the most challenging environments the financial services industry has experienced in decades. Despite this difficult business environment, Çalıkbank reported excellent financial results for the third consecutive year.

☑ Rate of growth

15% growth 18.78% average return on equity

Çalıkbank has a problem-free loan portfolio.

operation of a healthy value-creation chain within the framework of an approach that fully safeguards the balance of our assets and liabilities.

Even during the worst periods of Turkey's recent and prolonged economic crisis, Çalıkbank successfully fulfilled all of its obligations, transforming each of the opportunities presented by money and capital markets into an occasion for profitable business by taking advantage of its robust equity structure and highly liquid position. All of our bank's lendings similarly continued to operate problem-free and remained profitable business ventures.

...we have achieved a rate of growth that is accelerating.

As we make this assessment of our activities in 2002, we take satisfaction in noting the accuracy of our expectations last year concerning our corporate results in the upcoming year. In last year's report we said that 2002 would be a precarious year for the national economy as a whole, one in which achieving anything like a good performance would be difficult if not impossible. The results for the year clearly speak for themselves.

Thanks to the service platform that we developed at the time of the Bank's formation and to our correct strategies, we have been achieving careful, sustainable growth in well-defined target markets. In addition to the financial performance indicators summarized above, the most telling evidence of this is to be seen in our steadily diversifying customer portfolio and expanding volume of business. We also foresee that the speed of our growth will increase in line with the course of our national economy.

Our belief in the Turkish economy...

Like all entrepreneurs, we believe in the Turkish economy and in the great potential that this country has. That belief is what also strengthens our desire to see our country, which has been struggling with crises and their consequences since 1999, achieve the level of economic development that it ought to have as soon as possible.

The process of economic crisis that has been going on in this country since 1999 however has also taught some very important lessons to everyone at every level from the individual to society at large. The steps taken by the financial sector, the government, and the



☑ Our 21 year old trademark

country to make sure that this process is never experienced again are of historical importance. From now on, the most crucial issue will be to ensure that the system can and will operate according to proper and ethical rules.

...shapes our future and serves as our guide.

Our belief in our country and its economic potential is what enables us to shape the future not just of our bank but also of the Çalık Group.

In the newly-forming world order, the geography of which Turkey is the center is rapidly gaining in importance. From the standpoint of the global economy, our youthful and dynamic human resources as well as our natural resources point the way towards the huge commercial potential that this geography will be giving birth to in the next decade.

Our 21 year old trademark...

The Çalık Group, has completed the 21st year of its founding and is proceeding on course towards becoming a strong and effective global player. Development policies that are erected entirely on the foundation of sustainable growth have made it possible for our group to confidently expand the scope of its members' activities in both national and international markets.

...is the guarantee of our cautious, sound growth in the business of banking.

Once again as we did in 2001, we view the future lying ahead with caution but also with confidence. We believe in our national market. Despite our youthfulness as a bank, the twenty-one-year-old trademark whose corporate responsibility we bear shapes our solid growth in the business of banking. Our service platform, which we have created by taking an approach that seeks to minimize costs while maximizing added-value production will continue to generate good results in keeping with our objective of growing and providing our customers with high quality service in all the business endeavors that we undertake.

In closing, I want to thank all our Turkish and foreign business associates who work with us while extending to our team my best wishes for many more years of success.

On behalf of the Board of Directors,

AHMET ÇALIK
Chairman

Çalıkbank

Çalıkbank Management's review of activities and operations in 2002



A. BENGÜ ERDOĞMUŞ
BOARD MEMBER, ACTING GENERAL MANAGER



PEKHAN İŞİPEK
ASSISTANT GENERAL MANAGER



GÖKHAN GÜNGÖR
ASSISTANT GENERAL MANAGER

Stagnation, change, and performance

In last year's annual report we gave our assessment of the Bank's results for the year under the heading "Crisis and performance". Looking over the business situation prevailing in 2002, we came to the conclusion that the words "stagnation" and "change" were the best characterizations we could make of both the limited and the extended business circles in which we perform. Taking our national market as the first of the two, stagnation was what reigned over the Turkish economy; the extended circles on the other hand were scenes of radical changes guided by the global economy, the Iraq war, and international relations.

It was under conditions such as these that Çalıkbank continued to place its resources and to complete the year with a completely problem-free portfolio thanks to its meticulous approach to risk management. All the principal and interest payments accruing to the Bank were collected in full, on time, and without problems – evidence of the high quality of the Bank's assets that further enhanced the picture of its success and the profitability of its results.

Continuing to blend a conservative approach to business with a high degree of foresight and management acumen, Çalıkbank remained

active in nearly every aspect of investment banking but especially so in money and capital markets. The Bank continued to be an institution coming up with innovative solutions, seeking out unseen synergies among different lines of business and basing all its corporate decisions on this approach.

Activities in money and capital markets

Since it was founded, Çalıkbank has regarded money and capital markets as venues in which sustainable income creation can take place. Its performance in these markets has been highly successful.

During 2002 the Bank again took pains to maintain a high degree of liquidity in its dealings in these markets, investing in short-term instruments and carefully managing its asset/liability maturity balances.

2002 was a year in which Çalıkbank devoted increasingly more attention to developing products aimed at money and capital markets. These efforts focused on making much more effective use of the concept of risk management in the management of customers' assets. Customers doing business in today's markets are confronted by a host of risks that go far beyond classical Turkish lira and exchange rate risk and include such issues as cross-rate

Corporate banking constitutes the strongest growth driver for Çalıkbank.

☑ Corporate Banking

total
placements volume
TL 90 trillion

We continued to keep a close eye on our assets and liabilities structure.

risk, commodity risk, and counterparty risk. Another factor that has become important in the new economics is the concept of unit cost and its effective control.

In 2002 Çalıkbank developed a number of important new products designed to address corporate customers' needs for risk-management and consultation services. The Bank has also applied to authorities for licenses for a number of derivatives market products.

Multidimensional risk, cost, and profitability management has become a service that every company irrespective of its sector or size, is going to be increasingly in need of as Turkey's economy moves into its next phase of development. Çalıkbank is determined to pursue growth in this segment and to distinguish itself there with its solution-focused products.

New gains in the corporate banking segment

Since it was founded in 1999, corporate banking has been Çalıkbank's traditional and core business activity. In 2002, the Bank added new impetus to its corporate banking activities and increased the size of its customer base significantly.

Multidimensional customer relations, competitive pricing, and products and services supported by information technology are what underlie Çalıkbank's growth potential in the corporate banking market segment.

The Corporate Banking Unit is responsible for conducting and managing the Bank's relations with its corporate customers. The members of this headquarters-based unit's team concern themselves with the promotion of credit and non-credit products while also focusing on the direct and cross sale of the Bank's commission-generating products.

The volume of the Bank's credit and loan portfolio, which is TL 4.1 trillion in the closing balance sheet dated 31 December 2002, was TL 90 trillion. According to Çalıkbank's balance sheet dated 31 December 2002, the Bank's credit and loan portfolio was worth TL 4.1 trillion. Throughout the year, the Bank continued to supply its customers with a steadily expanding stream of corporate loan, money and capital market products, cash management services, private banking products, and corporate consultancy services.

In addition to maintaining its existing corporate relationships in 2002, Çalıkbank also enlarged the size of its portfolio with the addition of

Çalıkbank Management's review of activities and operations in 2002

☑ Factoring, Leasing

In 2002 Çalıkbank saw a significant increase in its factoring business.

new customers. Nearly one hundred new customers joined the list of the Bank's active customers last year.

Attaching great importance to the quality of its assets, Çalıkbank successfully maintained the liquidity and quality of its loan performance by giving due care and attention under the volatile market conditions of 2002. The Bank has no non-performing loans on its books.

Our factoring and leasing business

As part of its efforts to provide its customers with a complete constellation of products and services, Çalıkbank also offers factoring and leasing services under the heading of its corporate banking activities.

Having successfully written a number of big-ticket leasing contracts for textile-industry capital goods whose importation was financed by means of long-term international resources in previous years, in 2002 Çalıkbank saw a significant increase in its factoring business as well.

The increase in the number of Çalıkbank's corporate banking customers was particularly influential in the growth of its factoring business last year. This business segment is going to be a major product line in the coming years. New leasing business written during

the same year was worth around USD 3 million. According to its financial results for 2002, Çalıkbank's net leasing receivables amounted to TL 20.4 trillion, down slightly from their 2001 year figure of TL 20.8 trillion.

The Bank believes that the Turkish economy's efforts to achieve sustainable growth will continue and be successful. Under these circumstances it expects that both leasing and factoring will continue to be important alternatives to bank loans as financing options and that there will be across-the-board increases in their transaction volumes throughout the sector.

Çalıkbank regards leasing and factoring as essential components of its product mix and has set its sights on growing and increasing its business volumes in these sectors. The Bank will also be turning its attentions to international factoring, as demand seems to warrant this, and it will be taking its first steps in the direction of establishing relations with correspondents in other countries.

Products shaped by Çalıkbank's consultancy mission

Çalıkbank provides customers with modern, rapid, and high-quality solutions by employing its innovative approaches to business to



☑ CONSULTANCY

Financial restructuring is a business in which Çalıkbank has achieved successful results.

We persevere our innovative business approach.

reshape classical banking and financial instruments. By doing so, the Bank not only distinguishes itself from its competitors but also develops precisely the investment banking products and services that its customers need.

Financial restructuring, another business line in which synergies play a crucial role, is an area of consultancy in which Çalıkbank has achieved successful results. Initially intended for Çalık Group companies, this service embodies a complete problem-solving process from identification and analysis to resolution.

In its capacity as a consultant, Çalıkbank develops and delivers turnkey projects incorporating everything a customer needs from technological infrastructure to organizational superstructure and business process models. As a result of increased marketing activities and newly established customer relations in 2002, Çalıkbank has significantly expanded the number of potential customers that it may serve in keeping with its consultancy mission.

The Bank will be increasing its efforts in this direction beginning in 2003.

WebBank: Çalıkbank's web-based corporate banking solution

WebBank is a Çalıkbank service that enables customers to quickly and securely access the Bank over the internet so that they can perform money transfers, invest, display check and note portfolios, and apply for import/export financing.

Located at calikbank.com.tr, WebBank is the first web-based banking application to be equipped with a dynamic password identification system. WebBank maximizes the security of its internet site and its customers' transactions by employing an innovative password and authorization mechanism that goes beyond a purely electronic environment.

This feature of WebBank has been designed specifically by taking into account medium-sized corporate customers' security and central corporate authorization structures and is based on authorization tokens supplied to customers. The token completely ensures not only the security of system access but also the security of mobile telephone authorizations, enabling the person giving the authorization to do so from wherever he may be and without even having to be in front of a computer. The system has already earned the praise of its users. Çalıkbank will continue to expand its WebBank menu and enrich the site with new modules.

Çalıkbank Management's review of activities and operations in 2002

WebBank, is the first web-based banking application to be equipped with a dynamic password identification system.

Çalıkbank's corporate banking web site offers the following services:

INFORMATION

- > Current accounts
- > Cheque portfolio
- > Bills portfolio
- > WebBank transactions
- > Export and import transactions

MONEY TRANSFERS

- > All kinds of money transfers
- > Electronic fund transfers (EFT)

INVESTMENTS

- > FX transactions
- > Current account transactions
- > Repo transactions

APPLICATIONS

- > Export and import transactions

INSTRUCTIONS

- > Forward account to account transfers
- > Forward money transfers
- > Forward EFT
- > Instructions follow-up and cancellation

In addition through WEB SUPPORT customers may; > change password > up-date their personal information > use the electronic diary > ask for assistance > supply their suggestions.

focus, experience, technology = internet banking solutions

The future of e-commerce applications

Çalıkbank is a pioneer in e-commerce ventures and applications. Two internet portals, Kotonline and Yarnline, set up by Agromarket, a Çalıkbank subsidiary, set out to become electronic marketplaces for trading in cotton and yarns in a broad region of the world of which Turkey is the center. Since their inception, both have attracted considerable interest and praise at both the national and international levels.

Çalıkbank and Agromarket working together have decided to make a strategic change concerning the future of e-commerce applications in keeping with current market trends. Under this change, both Kotonline and Yarnline will cease to be marketplaces and instead will become distribution channels directly linking producers and sellers. The most important reason underlying this strategic decision is the fact that the infrastructure that is vitally important to the operation of an e-marketplace is not developing as quickly in our own country or in its region as it is in advanced economies. This delay has become a serious problem that hinders the development of the element of confidence that is essential to the conduct of e-commerce.

Under the new system, the conduct of trade between sellers and buyers who have known one another for years and for which neither side needs to query the other's credibility or past performance will be transported to an e-commerce platform. The changes needed to convert both portals over to the new system will be completed during 2003.

As a pioneer of e-commerce in Turkey, Çalıkbank believes that its activities in this market segment will enable the Bank to reach increasingly larger customer groups by taking the approach of supplying specialized solutions tailored according to particular needs.

Protecting our corporate culture

All the elements that go to make up our success –our innovative products, our synergetic business segments, and our advanced information technology– all come together around a single and crucial reality: the competence and creativity of our employees. The Çalıkbank team, which might be considered small in view of what it accomplishes, has been on the job since the Bank was founded in 1999.



Çalıkbank's corporate internet banking application is protected by a three-level security system.

1. All the hardware, software, and network infrastructure underlying the Çalıkbank corporate internet banking website incorporates the most advanced technology available today whose reliability has been tested and proven at the international level.

2. All data communication between Çalıkbank and a customer is encoded and transferred over

the internet using advanced 128-bit secure sockets layer (SSL) technology.

3. To further ensure the security of authorization mechanisms and make it possible for authorizations to be given without being in front of a computer, WebBank makes use of authorization tokens. This device, which is an element of hardware as well as of password security, closes the WebBank security ring by means of instantaneously generated password and authorization codes that are used only once.

At a time when our sector is undergoing enormous upheavals and changes, this fact constitutes a most important value. From the very beginning, we have been adhering to corporate human resources and management policies which encourage teamwork and which emphasize participatory, horizontal management rather than a hierarchical organizational structure. We know that our own human resources rank among the best of the sector. We all strive continuously to encourage them and to create an environment in which their creativity can emerge to the fore. We give our human resources every opportunity to take part in the decision-making process and identify themselves with actions at every level.

Çalıkbank's business culture is one that encourages proactive thinking, sharing, and participation. We are pleased that we have created a culture that enables employees to embrace their work with feelings of devotion and belonging. We believe that this culture is what nourishes Çalıkbank's innovative spirit and thinking.

Towards the future

Çalıkbank is an institution dedicated to development and change. The Bank seeks to provide its customers with the best at the most suitable price. That goal is what will also ensure the Bank's sustainable corporate growth in the future.

Turkey and the region around it have enormous potential from the standpoint of investment banking. That potential can only be truly mobilized however so long as the Turkish economy remains on the path of balanced growth. To be successful, an investment bank certainly needs a capital market that is sufficiently broad and deep; but to the same degree, the environment in which it operates must be stable enough so that investment can take place.

Çalıkbank has prepared its business plans for 2003 and 2004 on the basis of the assumption that Turkey's economy will in fact achieve a degree of relative stability. In 2003, we plan to be concentrating on increasing the depth and diversity of our customer relations. We look upon 2004 as a year of new undertakings for Çalıkbank. Our objective in all of this is to steadily strengthen our position in the sector through our business approach based on long-term thinking and to achieve synchronized, sustainable growth in all of our synergetic business lines.

Çalık Holding:

A multi-sectoral conglomerate



an asset size of USD 732 million,
a total turnover exceeding USD 600 million

Çalık Holding is rooted in more than twenty years of experience with doing business in the real sector. Today it is the leader of one of the most respected and well-established multi-sectoral corporate groups in Turkey with ventures in textiles, financial services, construction, energy, and trade.

Operating out of headquarters located in İstanbul, Çalık Holding had total consolidated assets worth USD 732 million as of year-end 2002, a year in which the Group saw its total sales exceed USD 600 million.

Investments equipped with state-of-the-art technology, a talented staff, an evolving corporate structure and culture, an advanced attitude towards quality make up the Group's most important competitive advantages. Strongly focused on development and growth, Çalık Holding is also firmly committed to protecting the environment in all its investment, production, and trading activities.

During 2002 the Çalık Group made important progress in the direction of preparing itself

for the future, continuing to concentrate on the strategically important activities of developing its corporate structure and undertaking new investments.

Textiles once again were Çalık Holding's most important business activity in 2002. The Group is a recognized global brand in the manufacture of denim cloth and its facilities in Turkey and Turkmenistan have the muscle to compete at the global level in a wide range of textile products from cotton yarns to ready-to-wears.

Construction and energy are two other business lines in which the Group has set its sights on future growth. Çalık Holding is currently undertaking large-scale construction projects in Turkmenistan, the most important of which at this time are the Tejen fertilizer Amonia/Urea plant, the Kelete cement plant, and the Yaşlık Pulp and Paper plant. The company is also overseeing the construction of diagnostic and treatment clinics in various parts of Turkmenistan.



The Group's value-creation chain is rounded out by companies specialized in various aspects of trade. Overseeing a group of companies with a strong reputation in the international trade of commodities and manufactured goods ranging from raw cotton to denim cloth, Çalık Holding has strengthened its presence on the internet in recent years by setting up specialized portals through which it puts its many years of real sector experience to work in the virtual world of e-commerce, as a yet largely unexploited new vista for businesses in Turkey.

With its professionalism and problem-solving approach to service, Çalık Holding will continue to strengthen its position among Turkey's most respected and valued companies as a group that offers competitively-priced, high-quality products and services that are sought after by customers all over the world.

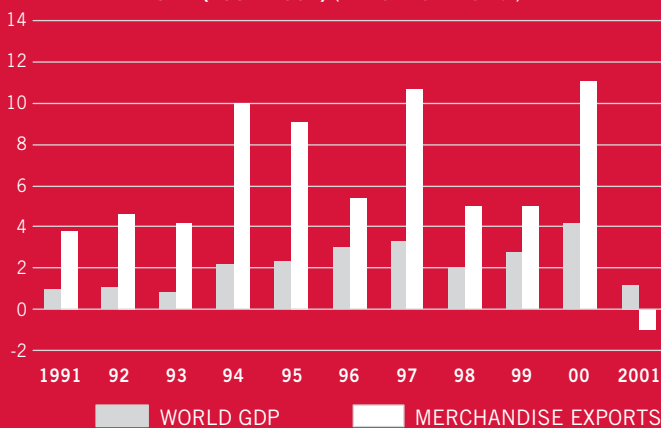
21 years of experience in industry and trade

The business environment

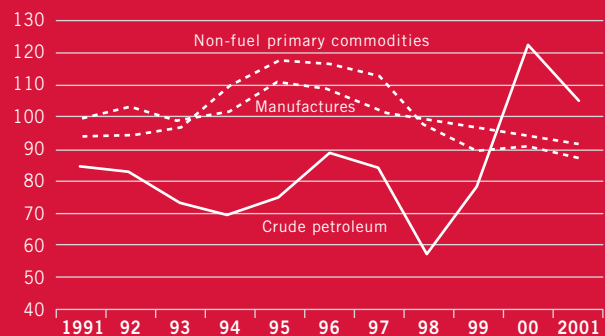
The global economy

2002 was a year in which confidence in the global economy deteriorated still further.

GROWTH IN THE VOLUME OF WORLD MERCHANDISE TRADE AND GDP (1991-2001) (ANNUAL CHANGE %)



PRICE DEVELOPMENTS IN INTERNATIONAL TRADE (1991-2001) (INDEX, 1990= 100)



While confidence in the global economy weakened...

2002 was a year in which confidence in the global economy and its prospects deteriorated still further. The failure of developing markets to achieve stability, persistent stagnation in the world's advanced markets, and the intractable problem of poverty in the less developed countries all provoked questions as to how sustainable were the balances on which the world economy depended.

Scandals at such global US giants as Enron and Arthur Andersen fuelled debates over the fundamentals and values of free market economies and over the so-called "New World Order" in which the blame for the scandals was generally laid on a deficiency if not outright absence of ethical values.

...the American economy grew 2.4%.

Worried about the course of their economy since around the middle of 2000, Americans have been increasingly cutting back on their consumption expenditure. The resulting contraction in demand continues to depress output in the US economy while also pushing up inflation. In a year dominated by these trends, the American economy nevertheless managed to grow 2.4%.

The EU launches a new currency...

Most of the members of the European Union switched over to the euro, replacing their national currencies, as of the first day of 2002. In the course of the year, the new currency gained strength as it took advantage of a slack dollar and

it eventually surpassed it, achieving a parity of EUR 1 = USD 1.05 at year-end.

...as the German economy sends out deep signals of impending slowdown.

Germany, on the other hand, a country whose economy is Europe's driving force, continued to send out signals that it was headed for a slowdown. Germany finished the year registering nearly zero growth but the global slowdown was not the only problem. The German economy is fraught with a number of severe burdens such as mounting social security entitlements that have to be paid to an increasingly grayer population, a double-digit unemployment rate, and the cost, amounting to billions of euros, of financing the EU's expansion and the reconstruction of former East Germany.

Estimates now put the average rate of growth in the Euro zone at something around 1% level.

A South America wracked by crises...

Although they seem to have enormous growth potential, Latin American economies have been unable to pull themselves out of recurring crisis and spent most of 2002 contending with a host of difficulties. The only two countries with anything like healthy economies in the region are Mexico and Chile. The chaos into which Argentine economy was plummeted and the ensuing political and social upheavals had a severely negative impact on investors' attitudes towards emerging economies in 2002.



The global economy is now believed to have grown another 2.8% in 2002.

☑ In 2003

Deflation a threat to the global economy

Last year Asian economies, achieved an average 6% rate of growth.

Despite its huge burden of debt, Argentina has been unable to come to an agreement with the IMF that is acceptable to all sides. The country's economy shrank 11% during 2002. The immediate future course of Brazil, the country whose economy is the biggest and most important in the region, is one that eyes will be watching most carefully. If this country becomes engulfed in economic turmoil such as Argentina has been experiencing, it could easily provoke an enormous hemorrhaging of capital from all emerging markets and spark a new chain reaction of national crisis.

...Asia's economies...

With the notable exception of Japan, improvements were to be observed in Asian economies, where an average 6% rate of growth was achieved last year.

In 2002 China demonstrated that it now had the muscle to sustain its own growth largely irrespective of what conditions elsewhere in the world might be. While the Chinese economy has yet to replace Japan, it nevertheless supplies the strength that keeps the rest of Southeast Asia on its feet today.

The economies of Indonesia, Malaysia, Singapore, and India continue to hold out promise for the future. Japan on the other hand spent 2002 shrinking another 0.8% overall. Unable to shake off its unremitting deflation, the Japanese economy remains trapped in a vicious circle of low consumption. The biggest problem thwarting recovery appears to be the need to reform and restructure the country's banking system.

...Russia, the rising star of the emerging markets, and...

The star of the world's emerging markets in 2002 was Russia. Shaky confidence in other emerging markets encouraged international investors to turn their attentions to Russia in large numbers resulting in a substantial increase in portfolio investment directed to that country. The growth in the Russian economy is expected to continue in 2003 as well.

...the Middle East will draw the world's economic roadmap in 2003.

The war in Iraq and the new picture emerging in the Middle East in its aftermath will be two other important factors that will shape political and socioeconomic trends in 2003 and for years afterwards. The Middle East, already the world's most strategically important region from the standpoint of its oil reserves, will also be generating huge business opportunities as well. As important as the resumption of Iraq's oil exports will be, the huge volume of reconstruction and development work that will be needed in the region after the war is likely to be on a scale that will spark a worldwide resurgence in the contracting, construction, electricity, and transport sectors.

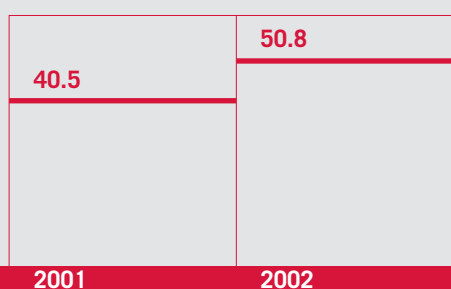
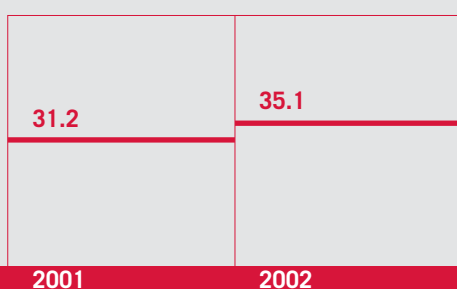
Having grown 2.2% in 2001, the global economy is now believed to have grown another 2.8% in 2002. After having contracted 0.1% in 2001 on the other hand, the volume of world trade is thought to have rebounded by a healthy 2.1% in 2002.

The business environment The Turkish economy

The process of restructuring the Turkish economy continues.

☑ Exports USD billion

☑ Imports USD billion



Towards the end of the country's economic crisis...

The aftershocks of the economic crisis that engulfed the country in 2001 continued to be felt in 2002. To Turkey's economic woes was also added the burden of mounting tensions and anxieties on the political front.

After having been confronted for most of the year by soaring interest rates, volatile exchange rates, and an unattractive capital market, the decision to call early general elections had the immediate effect of dispelling some of the uncertainties that beset the Turkish economy.

...early general elections are called in Turkey in November 2002.

The day after the general elections in the first week of November, Turkey woke up with a new two-party legislature, the first of its kind in a generation. AKP, which held a comfortable majority on its own, formed a new government in the second half of the month.

The initial reactions of both national and international markets to the election results were favorable. At an EU summit meeting held in Copenhagen in 2002, Turkey received a promise that negotiations for the country's full membership could begin in December 2004 provided that specified political criteria were satisfied by that date.

Despite positive developments in economic indicators...

Even though it did not manage to shake off the stagnation that was its most fundamental problem in 2002, the Turkish economy did succeed in registering successful performance in a number of economic indicators, particularly with respect to combating inflation. The decline in the country's chronic inflation was appreciably more than had been called for in the IMF standby agreement: the 12-month increases in wholesale and consumer prices were 30.8% and 29.7% respectively. Real growth for the year also weighed in at 7.8%, more than twice the 3% that had been targeted. Similarly, most of the budget performance parameters were also met while Turkey's ability to service its national debt was once again put to the test and successfully demonstrated.

...the country's economic stagnation is not completely overcome in 2002.

Nevertheless Turkey was unable to achieve the same degree of success in pulling its overall economy out of its stagnation in 2002. Despite a fairly high rate of GNP growth nourished by a resurgence in investment (most of which was directed towards replenishing run-down stocks), strong export performance, and unexpectedly high tourism receipts, that growth remained unsupported by a marked or sustained increase in consumption. The unequal distribution of income still remains one of this country's most serious problems and it is an issue that needs to be addressed urgently. So too is there a need for policies that will encourage consumption and



Strong export performance plays a crucial role for the sustainable and balanced growth of the Turkish economy.

**GNP
growth
7.8%**

Decisiveness of the external factors

increase employment. To accomplish these and other worthy things, it is essential that both investors and the public have firm confidence in the economic system and that economic policies be divorced from political considerations as much as that is humanly possible.

While the Turkish lira appreciates in real terms...

The Turkish lira registered significant gains in value, declining only 14% against the US dollar in the course of the year.

The government's policy of limiting demand had two immediate and palpable results: an increase in the value of the national currency on the one hand and a decrease in inflation on the other. Other problems such as continuing high rates of employee layoffs, high rates of interest, and tough credit conditions however remain the most important stumbling-blocks that must be overcome if inflationary expectations are to be completely broken.

...the country's banking sector continues to undergo rehabilitation.

For the Turkish banking industry, 2002 was a year in which the processes of restructuring and rehabilitation that began with the first wave of crisis two years earlier continued and in which a relative degree of improvement was achieved. Thin profit margins stimulated searches for ways to improve productivity and effectiveness and to identify one's own unique competitive advantages. At the same time, the number of banks active in

the sector dropped from 61 to 54, mostly as the result of consolidations that fed through as reductions in branch and personnel numbers as well.

While the search for stability continues in 2003...

As the first quarter of 2003 draws to a close, the prevailing opinion is that this year is not going to be very much different from 2002 in general terms. It is generally recognized that restoring balances and regaining the momentum of sustainable growth are going to take time.

...external factors may also play a more forceful role.

Despite all the efforts of those who would demonize and oppose globalization, it is an undeniable fact that the world is moving in the direction of becoming a single, all-inclusive economic organism, a process that also entails momentous social and political changes as well. Events in the Middle East, the future course of the European Union, the performance of the Chinese economy, and the policies of supra-national economic entities such as the IMF and World Bank have an impact on all national economies—not just our own—causing them sometimes to be overly sensitive to external factors.

For the Turkish economy however, the issues that must be kept firmly in sight are the Middle East, the EU, Cyprus, relations with the United States, and the ongoing cooperation with the IMF.

**To the Board of Directors of
Çalık Yatırım Bankası A.Ş.
İstanbul**

OPINION OF INDEPENDENT AUDITORS

1. We have audited the accompanying balance sheet of Çalık Yatırım Bankası A.Ş. ("the Bank") as of 31 December 2002 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of Turkish Lira as at 31 December 2002. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Bank as of 31 December 2001 were audited by other auditors whose report dated 1 February 2002 expressed an unqualified opinion on those statements. The other auditors' report has been furnished to us, and our report, insofar as it relates to the opening balances for the current period is based solely on the report of such other auditors.
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. Certain reclassifications have been made to the prior year figures to comply with the current period presentation, but information as to cash flow and shareholders equity is not available for the year ended 31 December 2001 and comparative figures are not presented.
4. In our opinion, except for the omission of certain comparative information as referred to in the preceding paragraph above, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2002, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.
5. Without qualifying our opinion we would like to draw attention to the following: As indicated in Note 22 to the accompanying financial statements, during the course of its business, the majority of transactions of the Bank were entered into with related parties, Çalık Group of companies.

DRT Yeminli Mali Müşavirlik A.Ş.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member of Firm DELOITTE TOUCHE TOHMATSU

Istanbul, 14 February 2003

ÇALIK YATIRIM BANKASI A.Ş.

BALANCE SHEETS

AS AT 31 DECEMBER 2002 AND 2001

		31 December 2002	31 December 2001
ASSETS	Note	TL Billion	TL Billion
LIQUID ASSETS		930	-
BALANCES WITH THE CENTRAL BANK	4	2,336	2,001
BALANCES WITH BANKS	5	2,172	10,017
INTERBANK FUNDS SOLD	6	17,283	9,759
SECURITIES PORTFOLIO (NET)	7		
-Held for trading		8,932	-
-Available for sale		-	599
-Held to maturity		-	1,896
		8,932	2,495
LOANS (NET)	8	4,092	134
LEASING RECEIVABLES (NET)	9	20,444	20,775
EQUITY PARTICIPATIONS	10	-	237
PREMISES AND EQUIPMENT (NET)	11	957	1,126
OTHER ASSETS	12	606	3,637
TOTAL ASSETS		57,752	50,181

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

ÇALIK YATIRIM BANKASI A.Ş.

BALANCE SHEETS

AS AT 31 DECEMBER 2002 AND 2001

		31 December 2002	31 December 2001
	Note	TL Billion	TL Billion
LIABILITIES			
BORROWINGS	13	22,691	19,926
FUNDS OBTAINED IN EXCHANGE OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS		749	283
TAXES AND DUES PAYABLE		71	131
CORPORATE TAX	14	1,125	988
SUNDRY CREDITORS	15	1,767	972
PROVISIONS	16	22	29
OTHER LIABILITIES	17	320	1,160
DEFERRED TAX LIABILITY (Net)	14	1,748	2,456
TOTAL LIABILITIES		28,493	25,945
SHAREHOLDERS' EQUITY			
Share Capital	18	30,534	25,249
Legal Reserves		704	394
Accumulated Profit/(Loss)		(1,717)	728
Transfers to Share Capital		(5,285)	(4,349)
Net Income for The Year		5,023	2,214
TOTAL SHAREHOLDERS' EQUITY		29,259	24,236
COMMITMENTS AND CONTINGENCIES	23	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		57,752	50,181

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

ÇALIK YATIRIM BANKASI A.Ş.

STATEMENTS OF INCOME

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

	Note	31 December 2002 TL Billion	31 December 2001 TL Billion
INTEREST INCOME			
Interest on Loans		3,431	7,008
Interest on Interbank Funds Sold		6,356	-
Interest on Securities Portfolio		2,423	356
Interest Received from Banks		128	8,690
Interest on Financial Leases		955	475
		13,293	16,529
INTEREST EXPENSE			
Interest on Interbank Funds Borrowed		(29)	-
Interest on Borrowings		(527)	(440)
Other Interest Expense		(168)	(8)
		(724)	(448)
NET INTEREST INCOME			
Provision for Loans and Lease Contract Losses		-	-
NET INTEREST INCOME AFTER PROVISIONS			
		12,569	16,081
NET FOREIGN CURRENCY GAINS			
		964	3,567
NET SECURITIES TRADING GAINS			
		245	233
NET TRADING INCOME			
		13,778	19,881
OTHER OPERATING INCOME	19	1,258	1,130
OTHER OPERATING EXPENSES	20	(3,519)	(3,399)
INCOME BEFORE MONETARY LOSS			
		11,517	17,612
MONETARY LOSS			
		(5,244)	(11,427)
INCOME BEFORE TAXATION			
		6,273	6,185
TAXATION	14	(576)	(3,767)
EQUITY IN UNAPPROPRIATED			
NET LOSS OF ASSOCIATE	10	(674)	(204)
NET INCOME			
		5,023	2,214

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

ÇALIK YATIRIM BANKASI A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

	Share Capital TL Billion	Legal Reserves TL Billion	Accumulated Profit/(Loss) TL Billion	Net Income For the Year TL Billion	Total TL Billion
Balance as of 31 December 2001	25,249	394	(3,621)	2,214	24,236
Cash Increase in Capital	-	-	-	-	-
Transfers to Reserves	-	310	(310)	-	-
Transfers to Share Capital	5,285	-	(5,285)	-	-
Transfers to Accumulated Profit/(Loss)	-	-	2,214	(2,214)	-
Net Income for The Year	-	-	-	5,023	5,023
Balance as of 31 December 2002	30,534	704	(7,002)	5,023	29,259

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

ÇALIK YATIRIM BANKASI A.Ş.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2002

	31 December 2002
	TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income / (Loss) for the year	5,023
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	414
Increase / (decrease) in provisions for loan losses	-
Increase / (decrease) in retirement pay provisions	-
Increase / (decrease) in other provisions	(7)
Increase / (decrease) in deferred taxes	(708)
Increase in taxes and dues	72
Net loss of associate	674
Net cash (used in) operating activities	5,468
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) / decrease in marketable securities	(5,690)
(Increase) / decrease in loans and financial leases	(3,453)
(Additions) to tangible and intangible fixed assets (net)	(263)
(Increase) / decrease in accrued interest and other assets	1,677
Net cash (used in) investing activities	(7,729)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase / (decrease) in borrowings	(5,156)
Increase / (decrease) in accrued expenses and other liabilities	3,057
Increase in paid-up capital	5,290
Dividends paid	-
Net cash provided from financing activities	3,191
NET DECREASE IN CASH AND CASH EQUIVALENTS	930
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	930

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

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

1. ACTIVITIES OF THE BANK

Çalık Yatırım Bankası A.Ş. (the "Bank") was incorporated in Turkey in August 1999. Since then it has functioned as an investment bank. The Bank is located in Merter / İstanbul. The Bank does not have branches and is not licensed to receive deposits.

The Shareholders and distribution of shares as of 31 December 2002 are as follows:

NAME OF SHAREHOLDER	% OF SHARES	NUMBER OF SHARES	NOMINAL VALUE OF SHARES TL Billion
Çalık Holding A.Ş.	91.5	12,352,500	12,353
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	4.5	607,500	607
Ahmet Çalık	2	270,000	270
Mahmut Çalık	1	135,000	135
Ali Akbulut	1	135,000	135
TOTAL	100	13,500,000	13,500

The Bank has cooperation with Gap Pazarlama, Koç.Net and Tariş in their Project of e-commerce in AGROMARKET. The established company, which is 44% owned by the Bank, engages in e-sales of cotton.

The Bank is involved in corporate services such as financial leasing, lending, trade finance and factoring, mainly with the related parties, Çalık Group of companies. The Bank employs 24 people as of 31 December 2002.

2. BASIS OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (formerly referred to as International Accounting Standards, IAS). The principle accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Basis of Presentation of Financial Statements:

The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Banking Law, Commercial Practice 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 for companies incorporated in Turkey as discussed in note 3) with adjustments and reclassifications for the purposes of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

These financial statements are presented in Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The effects of the differences between IFRS and generally accepted accounting principles in other countries than Turkey have not been quantified in the accompanying notes to the financial statements. In the opinion of the Bank's management, all adjustments necessary for the fair presentation of financial position, results of operations and cash flows for the period have been made in the accompanying financial statements.

Certain reclassifications have been made to the prior year financial statements to comply with the current period presentation.

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

Inflation Accounting

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

One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 227% for the three years ended 31 December 2002, based on the wholesale price index announced by the Turkish State Institute of Statistics. IAS 29 requires that financial statements be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods be restated in the same terms by applying a general price index. The restatement adjustments are calculated by using the wholesale price index ("WPI") announced by the Banking Regulation and Supervision Agency ("BRSA"), based on the Turkish State Institute of Statistics Index (1994=100).

The index and corresponding conversion factors for recent year ends to reach balance sheet date money values are as follows:

	Index	Conversion Factor
31 December 1999	1,979.5	3.273
31 December 2000	2,626.0	2.467
31 December 2001	4,951.7	1.308
31 December 2002	6,478.8	1.000

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

Year:	2002	2001	2000	1999
Currency Deflation US \$	13.5%	114.3%	24.3%	72.7%
WPI Inflation	30.8%	88.6%	32.6%	62.9%

The principal adjustments are as follows:

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities and the components of shareholders' equity are restated by applying, to the initial acquisition cost and any accumulated depreciation, the relevant conversion factors reflecting the increase in the WPI from the date of acquisition or initial recording to the balance sheet date. Revaluations made on any other basis in the statutory records are eliminated.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the Bank's net monetary position is included in the statements of income as monetary gain or loss.
- The balance sheet figures for 2001 have been similarly recomputed and indexed to 31 December 2002 money values.

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Accounting Convention

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

3.2 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except for fees and commissions for various banking services rendered which are recognized as income when received. Income and expenses are recognized in accordance with IAS 39 at fair value or amortized cost basis. For the purposes of convenience, certain income and expenses are recognized on a straight-line basis where that does not materially differ from fair value or the amortized cost method. All income and expense items are restated in equivalent purchasing power at the balance sheet date.

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

3.3 Foreign Currency Items

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

Monetary assets and liabilities denominated in foreign currencies are translated at period end exchange rates.

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

3.4 Securities Portfolio

The Bank's securities portfolio primarily represents Government bonds and Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices.

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

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

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

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

Securities held for trading:

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measured. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise.

Securities held to maturity:

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

Securities available for sale:

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

3.5 Premises and Equipment

Premises and equipment, including the related depreciation have been indexed and are expressed in the period-end purchase value of the Turkish Lira. Premises and equipment are depreciated on a straight-line basis using rates which write off the assets over their expected useful lives. The main depreciation rates used are:

Vehicles	20%
Furniture and Fittings	20%
Leasehold Improvements	20%
Intangibles	20%

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

3.6 Computer Software Development Costs

The Bank generally recognizes computer software development costs as expenses when incurred. However, if it is probable that future economic benefits will flow to the Bank, to the extent that expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditure associated with the maintenance of the existing computer software is recognized as expense in the period in which it is incurred.

Computer software development costs capitalized as assets are amortized on a straight-line basis over their expected useful lives, generally five years.

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

3.7 Retirement Pay Provision

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

International Accounting Standards No. 19 (revised) "Employee Benefits" ("IAS 19") came into effect for accounting periods beginning on or after 1 January 2000, and accordingly has been applied in the accompanying financial statements. According to the revised standard future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate. This standard also allows the employee benefit liability to be reduced by anticipated forfeitures by eligible employees of their benefit.

3.8 Loan Loss Provisions

Loans are financial instruments originated by the Bank and accounted for at amortized cost in accordance with IAS 39. Based on its evaluation of the current status of the loans granted, the Bank makes specific loan loss provisions, which it considers, are adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income in the periods in which they become known.

The Bank classifies any loan, which is overdue or where management considers the borrower has lost its creditworthiness into overdue loans. The Bank ceases to recognize income on overdue loans and receivables.

3.9 Taxation and Deferred Taxes

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

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

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

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

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

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

3.10 Securities Under Resale or Repurchase Transactions

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

3.11 Related Parties

For the purpose of the accompanying financial statements shareholders of the Bank and related companies, directors and key management personnel together with their families and related companies and other companies in the Çalık Group are referred to as "Related Parties" in this report.

3.12 Finance and Operating Leases

The Bank as Lessor

Amounts due from lessees under finance leases in the accounts of the lessor are classified and separately recorded as receivables at the amount of the Bank's net investment in the leases. Lease rentals are allocated between principal payment and interest income. Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Assets leased under operating leases are included in premises and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income from operating leases is recognized on a straight line basis over the term of the relevant lease.

The Bank as Lessee

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

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

3.13 Fair Values of Financial Instruments

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

The Bank accounts for financial instruments on a trade date basis. After initial recognition, the Bank measures financial assets, including derivatives that are assets, at their fair values, except for loans and receivables originated by the enterprise and not held for trading, held-to-maturity investments and any financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured.

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Those financial assets that are excluded from fair valuation and that have a fixed maturity are measured at amortized cost using the effective interest rate method. Those that do not have a fixed maturity are measured at cost. All financial assets are reviewed periodically for impairment.

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

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

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

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

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

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

Interbank funds: Estimated fair values of interbank funds borrowed and sold are the amounts payable on demand at the reporting date.

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

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

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

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

3.14 Risk Management

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

Liquidity Risk:

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

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

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

Credit Risk:

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

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

Market Risk:

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

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

Operational Risk:

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

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3.15 Cash and Cash Equivalent Items

Cash and cash equivalent items seen in the statement of cash flows consist of liquid assets, Central Bank accounts and bank balances.

3.16 Use of Estimates

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

3.17 Derivatives

In the normal course of business, the Bank is a party to forward (derivatives) transactions. Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss. The Bank has not entered into any transactions, which are accounted as hedges.

Derivative financial instruments including foreign exchange contracts is initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

3.18 Impairment

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

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

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

Management of the Bank believes that there is no indication of internal or external factors implying any impairment of its assets.

3.19 Offsetting

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

3.20 Equity Participations

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

Investment in associate is accounted under the equity method.

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4. BALANCES WITH THE CENTRAL BANK

	31 December 2002	31 December 2001
	TL Billion	TL Billion
Demand deposits – Turkish Lira (“TL”)	45	42
Demand deposits – Foreign Currency (“FC”)	-	1,959
Time deposits – Foreign Currency (“FC”)	2,291	-
	2,336	2,001

As at 31 December 2002, the time deposits with the Central Bank denominated in foreign currency, mature at most in 2 days and earn interest at rate ranging between 0.55% to 1.43% per annum.

5. BALANCES WITH BANKS

	31 December 2002	31 December 2001
	TL Billion	TL Billion
Domestic Banks		
Demand deposits – FC	-	33
Time deposits – FC	-	9,984
	-	10,017
Banks Abroad		
Demand deposits – FC	630	-
Time deposits – FC	1,542	-
	2,172	-

As at 31 December 2002, the balances with banks abroad (Time deposits – FC) above, mature in 3 days and earn interest at rate 3.15% per annum.

6. INTERBANK FUNDS SOLD

As of 31 December 2002 interbank funds sold amounting to TL 17,283 Billion (31 December 2001: TL 9,759 Billion) represent TL placements made through interbank transactions governed by the Turkish Central Bank maturing within 7 days (2001-5 days) with the interest rates of 45% (2001-62%).

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7. SECURITIES PORTFOLIO (NET)

	31 December 2002 TL Billion	31 December 2001 TL Billion
<u>Held for Trading:</u>		
Government bonds and Treasury bills	8,174	-
Securities with repurchase agreements	758	-
Less: Diminution in value of securities portfolio	-	-
	<u>8,932</u>	<u>-</u>
<u>Available for Sale:</u>		
Government bonds and Treasury bills	-	274
Securities with repurchase agreements	-	325
Less: Diminution in value of securities portfolio	-	-
	<u>-</u>	<u>599</u>
<u>Held to Maturity:</u>		
Government bonds and Treasury bills	-	1,896
Less: Diminution in value of securities portfolio	-	-
	<u>-</u>	<u>1,896</u>
	8,932	2,495

Marketable securities are initially booked at cost. Government bonds and treasury bills traded on stock exchanges are valued at weighted average market prices as at the balance sheet date in the current year financial statements; Government bonds and treasury bills traded on stock exchanges but not traded as at the balance sheet date are valued at weighted average market prices of the last transaction date. Valuation for Government bonds and treasury bills, which are not traded on a stock exchange, is made based on the prices announced by the Turkish Central Bank.

Estimated fair values for Government Bonds and Treasury Bills that are traded on a stock exchange were calculated based on the prices quoted on the Istanbul Stock Exchange. The fair values of Government Bonds and Treasury Bills that are quoted on the stock exchange have been compared with their book values and unrealized gains on them as follows:

	31 December 2002 TL Billion	31 December 2001 TL Billion
Treasury bills and Government bonds	8,932	2,495
Diminution in value	-	-
Total book value	<u>8,932</u>	<u>2,495</u>
Fair Value of Above Securities	8,932	2,495

The blocked securities kept in the Central Bank, the İstanbul Stock Exchange and İMKB Takas ve Saklama Bankası A.Ş. (stock exchange settlement bank) for the purposes of trading guarantee on interbank, bond, repurchase and reverse repurchase markets as at 31 December 2002 amounted to TL 6,513 Billion (31 December 2001: TL 2,067 Billion).

Securities portfolio includes TL 758 Billion (31 December 2001: TL 325 Billion) securities sold with agreement to repurchase ("repo") as at the balance sheet date. The Bank recorded TL 11 Billion as income on securities with repo agreements being the period end income accruals.

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Maturity analysis of government bonds and, treasury bills as at 31 December 2002 is as follows:

(TL Billion)	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months	Total
Government Bonds	-	-	-	2,419	-	2,419
Treasury Bills	-	-	4,471	2,042	-	6,513
Total	-	-	4,471	4,461	-	8,932

8. LOANS (NET)

	31 December 2002 TL Billion	31 December 2001 TL Billion
SHORT TERM LOANS		
Secured export loans – TL	2,670	134
Secured export loans – FC	-	-
Factoring loans	347	-
Other secured loans	945	-
Overdue loans	-	-
TOTAL LOANS	3,962	134
Less: Provisions	-	-
Specific loan loss provisions	-	-
General loan loss provisions	-	-
TOTAL PROVISIONS	-	-
Accrued Interest	130	-
TOTAL LOANS (NET)	4,092	134

The Bank mainly extends short-term loans to customers with maturities within one year. Interest rates charged for Turkish Lira loans varied between 47.5% -70%. Other secured loans consist of foreign currency indexed loans of TL 38 Billion as of 31 December 2002. Interest rates charged for foreign currency indexed loans varied between 9.04% -9.31%.

Loans can be analyzed by currency as follows;

	31 December 2002 TL Billion	31 December 2001 TL Billion
Currency		
Turkish Lira	4,092	134
US Dollars	-	-
	4,092	134

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Sectoral analysis of loans is as follows:

Sector	31 December	31 December
	2002	2001
	%	%
Trade	67	-
Electricity	-	100
Finance	9	-
Textile	5	-
Mining	9	-
Other	10	-
	100	100

Since the Bank is an investment bank and the investment banks have a right to do factoring facilities, the Bank began to use this opportunity in 2002 and performed factoring transactions. The Bank follows those transactions under the loan portfolio.

9. LEASING RECEIVABLES (NET)

Years	31 December	31 December
	2002	2001
	TL Billion	TL Billion
2002	-	6,613
2003	7,417	5,538
2004	5,391	4,007
2005	5,033	3,711
2006	3,331	2,102
2007	564	-
Gross lease receivable	21,736	21,971
Less: Unearned interest income	(1,292)	(1,196)
	20,444	20,775

Foreign Currency Type	31 December 2002		Equivalent in TL Billion
	Amount	FX Rate	
USD	283,853	1,636,594	465
EURO	7,867,055	1,713,514	13,480
CHF	6,336,128	1,177,491	7,461
TRL (Billion TL)	330	1	330
TOTAL			21,736

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10. EQUITY PARTICIPATIONS

The Bank has cooperation with Gap Pazarlama, Koç.Net and Tariş in their project of e-commerce in AGROMARKET. The company has established a web site www.kotonline.com to engage in e-sales of cotton. The site is the first e-cotton platform of Turkey and Near East. The site has started its operations in December 2000, and has been the first B2B online cotton sales Portal.

In the accompanying financial statements, the investment consists of 44% participation in AGROMARKET for which 100% provision has been made and therefore the net book value is zero. (31 December 2001: provision amounting to TL 237 Billion).

The investment is accounted for using the equity method. The equity in appropriated net loss of associate amounting to TL 674 Billion (31 December 2001: TL 204 Billion) is reflected in the statement of income.

11. PREMISES AND EQUIPMENT (NET)

	31 December 2002 TL Billion	31 December 2001 TL Billion
Machinery and Equipment	415	399
Furniture and Fixtures	110	116
Vehicles	222	223
Intangibles	1,219	1,017
Leasehold Improvements	222	164
Others	18	23
Premises and Equipment	2,206	1,942
Less: Accumulated Depreciation	(1,249)	(816)
Premises and Equipment (Net)	957	1,126

12. OTHER ASSETS

	31 December 2002 TL Billion	31 December 2001 TL Billion
Prepaid Expenses	31	-
Transitory Accounts	113	1,189
Fair Value of Forwards-Assets	-	2,422
Advances Given	390	-
Others	72	26
	606	3,637

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13. BORROWINGS

	31 December 2002 TL Billion	31 December 2001 TL Billion
Financial:		
Domestic Banks-Foreign Currency	2,455	-
Foreign Banks – Foreign currency	11,849	8,607
	14,304	8,607
Non-Financial:		
Payables to Suppliers	8,387	11,319
	8,387	11,319
	22,691	19,926

Borrowings financial part have two portions; TL 2,245 Billion of the borrowing from domestic banks (31 December 2001- Nil) bear variable interest rates within the range of 1.5% to 1.72% and mature on 2-3 January 2003 and TL 11,849 Billion of the borrowings from foreign banks (31 December 2001- TL 8,607 Billion) bear variable interest rates within the range of 3.4% to 6% (2001- range 3.5% to 7.6%) and have maturity dates within the range June 2005 to March 2007. (2001- June 2005 to March 2007)

Borrowings non-financial part is the long-term payables to the suppliers regarding to the purchases of the machinery and equipment, which are subject to the leasing transactions.

14. TAXATION

The Bank is subject to Turkish corporation tax, which is applied at the rate of 30% on taxable corporate income for accounting periods starting on or after 1 January 1999. A tax surcharge is additionally applied at the rate of 10% on the corporation tax amount.

In addition to corporation tax, income withholding tax is charged on profits after corporation tax if dividends are distributed. Consequently, if profits are retained, the Bank's effective tax rate is 33% from 1999 onwards, and, if profits are distributed there will be additional withholding taxes.

The Bank recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and are discussed below.

Temporary differences occur between the years in which certain items of income and expense are recorded for accounting and for tax purposes. There are timing differences between the Bank's recording of fixed asset depreciation for statutory tax books and IFRS. For fixed assets, the Bank generally depreciates its assets at different rates for its statutory books as compared to its IFRS financial statements.

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In the accompanying financial statements deferred tax asset / liability and corporate tax are comprised of the following:

a) Balance Sheet: Taxes and funds payable

	31 December 2002
	TL Billion
Corporate taxes and funds	1,125
Prepaid taxes	-
	1,125
Deferred tax liability	1,748

b) Income Statement:

	31 December 2002
	TL Billion
Current income tax	704
Deferred tax charge/(benefit)	(128)
	576

Temporary differences subject to deferred tax:

	31 December 2002
	TL Billion
Restatement of fixed assets	541
Retirement pay provision	(22)
Leasing adjustment	8,035
Forward accrual reversal	276
	8,830

Components of deferred tax (asset) / liability:

	31 December 2002
	TL Billion
On restatement of fixed assets	107
Retirement pay provision	(4)
Leasing adjustment	1,590
Forward accrual reversal	55
	1,748

Movement of deferred tax (asset) / liability:

Opening balance at 1 January 2002	2,456
Monetary gain/loss	(580)
Current year charge/(benefit)	(128)
Closing balance at 31 December 2002	1,748

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Current income tax can be reconciled to the profit per statement of income as follows:

	31 December 2002
	TL Billion
Reconciliation of Taxation	
Profit before Taxation, after Monetary Loss	6,273
Tax at the domestic income tax rate of 33%	2,070
Tax effect of restatement of non monetary items per IAS 29	1,317
Tax effect of adjustments	11
Capital incentives	(2,817)
Tax effect of expenses that are not deductible in determining taxable income	426
Tax effect of income that are deductible in determining taxable income	(8)
Other tax corrections	(423)
Taxation per Income Statement	576

15. SUNDRY CREDITORS

	31 December	31 December
	2002	2001
	TL Billion	TL Billion
Payables to Compulsory Government Funds	10	-
Customer Deposits (*)	1,732	972
Others	25	-
	1,767	972

(*) As at 31 December 2002, TL 1,732 Billion comprised of the no interest bearing payables to the group companies (31 December 2001: TL 972 Billion).

16. PROVISIONS

	31 December	31 December
	2002	2001
	TL Billion	TL Billion
PROVISION FOR RETIREMENT		
At 1 January	29	17
Provision for the year	-	12
Indexation effect (net)	(7)	-
At Period End	22	29

Retirement Pay Provision:

Lump sum payments are made to all employees who retire from the Bank or whose employment is terminated for reasons other than misconduct. The amount payable is 30 days gross pay for each year of eligible service. The rate of pay that is ruling at 31 December 2002 is subject to a maximum of TL 1,260,150,000.

Under the definitions contained in International Accounting Standard No 19, "Employee Benefits" the Turkish retirement pay system is an unfunded defined benefit scheme. Consequently IAS 19 requires that a provision be built up for employees' accrued entitlement as calculated actuarially.

In the accompanying financial statements the provision has been made on an estimated basis in compliance with International Accounting Standard No 19.

Actuarial calculations are not available for the Bank's accrued liability but for the purposes of these financial statements a calculation has been prepared for the Bank only, assuming a real discount rate of 6% (the net of inflation of 35% and a discount rate of 43%).

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17. OTHER LIABILITIES

	31 December 2002 TL Billion	31 December 2001 TL Billion
Payment Orders	132	1
Transitory Accounts	188	15
Other	-	1,144
	320	1,160

18. SHARE CAPITAL

Shareholders	%	31 December 2002 Paid-Up Capital TL Billion	%	31 December 2001 Paid-Up Capital TL Billion
Çalık Holding A.Ş.	91.5	12,353	91.5	7,320
GAP Güneydoğu Tek. San. ve Tic. A.Ş.	4.5	607	4.5	360
Ahmet Çalık	2.0	270	2.0	160
Mahmut Çalık	1.0	135	1.0	80
Ali Akbulut	1.0	135	1.0	80
	100	13,500	100	8,000
Effect of inflation		17,034		17,249
		30,534		25,249

19. OTHER OPERATING INCOME

	31 December 2002 TL Billion	31 December 2001 TL Billion
Income From Fees and Commissions on Loans	295	75
Income From Banking Services	362	276
Other	601	779
	1,258	1,130

20. OTHER OPERATING EXPENSES

	31 December 2002 TL Billion	31 December 2001 TL Billion
Personnel Expenses	1,367	1,311
Taxes and Dues Paid	224	296
Depreciation and Amortization	414	382
Commission Expenses	75	-
Administrative Expenses and Other	1,439	1,410
	3,519	3,399

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21. MATURITY ANALYSIS OF THE BALANCE SHEET

Maturities of assets and liabilities as at 31 December 2002:

	On Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Undistributed	Total TL Billion
ASSETS							
Liquid Assets	930	-	-	-	-	-	930
Balance with the Central Bank	45	2,291	-	-	-	-	2,336
Balances with Banks	630	1,542	-	-	-	-	2,172
Interbank Funds Sold	-	17,283	-	-	-	-	17,283
Securities Portfolio (Net)	-	-	-	8,932	-	-	8,932
Loans (Net)	-	3,234	858	-	-	-	4,092
Leasing Receivables (Net)	-	378	1,540	4,857	13,669	-	20,444
Premises and Equipment (Net)	-	-	-	-	-	957	957
Other Assets	-	-	-	-	-	606	606
Total	1,605	24,728	2,398	13,789	13,669	1,563	57,752
LIABILITIES							
Borrowings	-	2,681	820	5,331	13,859	-	22,691
Funds Obtained in Exchange of Securities Sold	-	749	-	-	-	-	749
Taxes and Dues Payable	-	71	-	-	-	-	71
Corporate Tax	-	-	-	1,125	-	-	1,125
Sundry Creditors	-	-	-	-	-	1,767	1,767
Provisions	-	-	-	-	-	22	22
Other Liabilities	-	-	-	-	-	320	320
Deferred Tax Liability (Net)	-	-	-	-	-	1,748	1,748
Share Capital	-	-	-	-	-	30,534	30,534
Legal Reserves	-	-	-	-	-	704	704
Accumulated Profit/(Loss)	-	-	-	-	-	(1,979)	(1,979)
Total	-	3,501	820	6,456	13,859	33,116	57,752

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Maturities of assets and liabilities as at 31 December 2001:

	On Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Undistributed	Total TL Billion
ASSETS							
Liquid Assets	-	-	-	-	-	-	-
Balance with the Central Bank	-	2,001	-	-	-	-	2,001
Balances with Banks	-	10,017	-	-	-	-	10,017
Interbank Funds Sold	-	9,759	-	-	-	-	9,759
Securities Portfolio (Net)	-	324	273	1,898	-	-	2,495
Loans (Net)	-	134	-	-	-	-	134
Leasing Receivables (Net)	-	696	427	4,873	14,779	-	20,775
Premises and Equipment (Net)	-	-	-	-	-	1,126	1,126
Other Assets	-	-	-	-	-	3,874	3,874
Total	-	22,931	700	6,771	14,779	5,000	50,181
LIABILITIES							
Borrowings	-	-	-	-	19,926	-	19,926
Funds Obtained in Exchange of Securities Sold	-	283	-	-	-	-	283
Taxes and Dues Payable	-	131	-	-	-	-	131
Corporate Tax	-	988	-	-	-	-	988
Sundry Creditors	-	-	-	-	972	-	972
Provisions	-	-	-	-	29	-	29
Other Liabilities	-	1,160	-	-	-	-	1,160
Deferred Tax Liability (Net)	-	-	-	-	-	2,456	2,456
Share Capital	-	-	-	-	-	25,249	25,249
Legal Reserves	-	-	-	-	-	394	394
Accumulated Profit/(Loss)	-	-	-	-	-	(1,407)	(1,407)
Total	-	2,562	-	-	20,927	26,692	50,181

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

22. RELATED PARTY TRANSACTIONS AND BALANCES

The accompanying financial statements include the following balances due from or due to related parties:

	31 December 2002
	TL Billion
<u>Due from related parties:</u>	
Loans	2,387
Leasing receivables	19,786
Non-cash loans	30,770
<u>Due to related parties:</u>	
Sundry creditors	1,732
<u>Transactions with related parties:</u>	
Interest income on leasing	955
Interest income on cash loans	2,572
Commission income	221
Rent expense	(132)
Other administrative expense	(28)

23. COMMITMENTS AND CONTINGENCIES

	31 December 2002	31 December 2001
	TL Billion	TL Billion
Letters of guarantee (TL)	8,868	7,271
Letters of guarantee (FC)	5,878	2,773
Acceptance credits	14,735	10,126
Letters of credit (FC)	4,159	2,700
	33,640	22,870

The non-cash exposures to the group companies comprises of the 91% of the total balance, amounting to TL 30,770 Billion.

The foreign currency position of the Bank can be summarized as follows:

	31 December 2002	31 December 2001
	TL Billion	TL Billion
Total foreign currency assets	26,148	36,593
Forwards (buy)	546	-
Total foreign currency liabilities	(25,035)	(21,774)
Forwards (sell)	(546)	(11,815)
Net foreign currency position	1,113	3,004

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

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NOTES TO THE FINANCIAL STATEMENTS

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24. INVESTMENT INCENTIVES

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

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

25. SUBSEQUENT EVENT

The employee termination indemnity ceiling has increased to TL 1,323,950,000 commencing on 1 January 2003.

According to the Bank's General Assembly decision on 28 February 2003, 31 December 2002 profit of the Bank is going to be retained by appropriating to the legal reserves and retained earnings.

