



TAKASBANK

annual report 2002



FINANCIAL HIGHLIGHTS

(TL millions)	2002*	2001	2000	1999	1998
Total Assets	210,754,593	132,828,647	55,719,296	31,969,618	15,284,910
Shareholders' Equity	70,225,524	38,902,326	19,221,173	8,779,771	3,223,320
Paid-up Capital	60,000,000	33,540,000	16,300,000	7,850,000	2,750,000
Profit Before Tax	69,740,807	61,036,539	28,066,494	15,546,932	8,603,044
Net Profit	46,681,916	40,783,059	18,819,534	9,960,702	5,875,400
Interest and Portfolio Revenue	53,847,495	59,175,592	20,066,174	14,415,862	7,694,320

(US dollars)**	2002	2001	2000	1999	1998
Total Assets	128,941,244	92,269,861	82,944,625	59,192,254	48,877,302
Shareholders' Equity	42,964,504	27,023,630	28,612,942	16,255,885	10,307,368
Paid-up Capital	36,708,451	23,298,672	24,264,438	14,534,399	8,793,809
Profit Before Tax	42,667,950	42,399,235	41,780,227	28,785,391	27,510,373
Net Profit	28,560,347	28,330,087	28,015,056	18,442,397	18,788,053
Interest and Portfolio Revenue	32,944,302	41,106,522	29,870,824	26,691,197	24,604,502

Financial Ratios

	2002	2001	2000	1999	1998
Profit Before Tax / Total Assets	0.33	0.46	0.50	0.49	0.56
Equity / Total Assets	0.33	0.29	0.34	0.27	0.21
Profit Before Tax / Shareholders' Equity	0.99	1.57	1.46	1.77	2.67
Net Profit / Shareholders' Equity	0.66	1.05	0.98	1.13	1.82

Employees

	2002	2001	2000	1999	1998
Number of Employees	230	233	243	235	220

* In the 2002 figures, historical values are used to compare with previous years; in the calculation of tax liabilities, the financial statements reflecting historical values are used as a basis.

** US dollar figures have been calculated based on the buying rates of the US dollar announced by the Central Bank of Turkey (CBT) on the last day of the relevant year.

CBT US\$ buying rates:

12/31/1998:	TL 312,720
12/31/1999:	TL 540,098
12/31/2000:	TL 671,765
12/31/2001:	TL 1,439,567
12/31/2002:	TL 1,634,501

Folk songs, the composers of which have long been lost in history or are simply unknown, preserve the cultural and social values of a society and serve as a bridge by conveying these between generations.

At Takasbank, we also serve as a bridge between the money and capital markets, as well as preserving the valuable investments of the community while providing a platform for the exchange of funds.



Kabak Kemane:

Folk string instrument; the body is carved out of a squash and the bow is made using horsetail hair.

Kopuz: The oldest known Turkish musical instrument played with either a bow or a plectrum.



TAKASBANK IN BRIEF

The settlement of transactions concerning the trading of securities on the Istanbul Stock Exchange (ISE) began with a department formed within the ISE in 1988. In January 1992, the task of settlement and custody was handed over to a company called İMKB Takas ve Saklama A.Ş. (ISE Clearing and Custody Inc.), founded by the partnership of the ISE and its members. Eventually, that company was transformed into a sector-specific bank named Takasbank İMKB Takas ve Saklama Bankası A.Ş. (Takasbank ISE Settlement and Custody Bank Inc.). It now continues its activities as a non-deposit taking bank.

Takasbank serves as a bridge between money and capital markets and is among the most important financial institutions in Turkey. Since it brings the functions of settlement and custody services together under the same roof, Takasbank has a unique place among similar institutions in the world.

Settlement and custody transactions of all ISE Markets are undertaken by Takasbank. The portfolio assets of mutual funds and investment trust companies are also kept in the custody of Takasbank. Takasbank has assumed various responsibilities regarding Private Pension Funds, which are expected to be actively operational in 2003. The custody, settlement and other capital market transactions of pension funds will be carried out by Takasbank. Takasbank will contribute to the operations of Private Pension Funds, which are sure to play a significant role in the development of Turkish capital markets in the future.

Takasbank provides overseas settlement and custody service for the Turkish brokerage houses and other financial institutions for their securities transactions in foreign markets. Takasbank also offers domestic settlement and custody services to foreign financial institutions.

Takasbank, offering short-term cash facilities to capital market participants through its securities purchasing loans and securities lending/borrowing facilities, enables money transactions to be undertaken in a transparent, fast and reliable environment between banks and brokerage houses via the Money Market it operates.

Takasbank complies with the eligible “Central Securities Depository” definition of the Rule 17f-7 issued by the US Securities and Exchange Commission (SEC), which describes the eligibility criteria governing the custody of investment assets outside the United States.

This year, Takasbank is again one of the two banks with the highest EFT volume as it has been in the last five years and is among the institutions paying the highest corporate tax in Turkey.

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BOARD OF DIRECTORS

- | | |
|----------------------|--|
| 1 Osman Birsen | <i>Chairman</i> |
| 2 Kubilay Temuçin | <i>Deputy Chairman</i> |
| 3 Emin S. Çatana | <i>Member, President and CEO</i> |
| 4 Hüseyin Erkan | <i>Member</i> |
| 5 Esin Akbulut | <i>Member (Not in the picture)</i> |
| 6 Sezai Bekgöz | <i>Member (Responsible for Internal Audit and Risk Management)</i> |
| 7 Lütfi Coşkun Özek | <i>Member</i> |
| 8 Ekrem Kerem Korur | <i>Member</i> |
| 9 E. Nevzat Öztangut | <i>Member</i> |
| 10 Yusuf Ziya Toprak | <i>Member</i> |
| 11 Bedii Ensari | <i>Member</i> |
| 12 İbrahim Kurban | <i>Auditor</i> |
| 13 Berra Kılıç | <i>Auditor</i> |



Many security markets in its geographical area frequently rely on the expertise of Takasbank. Within this framework, Takasbank provided training to experts from the Balkan countries, the Turkic Republics and other countries of the region in 2002 and has also organized joint programs.



MESSAGE FROM THE CHAIRMAN



It was a sluggish year generally both for the global economy and the economy of Turkey; progress in the securities markets was not realized as previously anticipated. The reforms undertaken in the banking sector in Turkey continued as measures taken to bolster the financial structure of banks began to yield results. At Takasbank, we continued to shore up our technological infrastructure in 2002 as well as raising our investments geared toward developing new activities and enhancing the quality of our services.

The close coordination between Takasbank and the regulatory bodies such as the Capital Markets Board, Istanbul Stock Exchange (ISE) and the Central Bank of Turkey (CBT) plus information exchange with the market participants have helped Takasbank give direction to its new projects. In 2002, while numerous software packages were developed, existing software used by Takasbank members was also updated and improved.

In 2001 and 2002, with the drop in revenue of brokerage houses due to the economic crises in Turkey coupled with the cost-cutting measures these institutions were implementing, a consensus emerged to reduce the commissions charged by Takasbank for its services in order to help brokerage houses and the sector in general to overcome the negative effects of the crises. Service commissions were analyzed by taking into account the previous years' figures and estimated figures for the future; reductions were made in securities depository services, services for capital increases and dividend collection as well as opening of sub-accounts and annual maintenance commissions. A total cost saving of approximately TL 12 trillion was rendered to capital market participants.

Law No. 4632 dealing with "Private Pension Scheme Savings and Investment System" and the associated regulations have given Takasbank new responsibilities. Many tasks such as the custody, settlement and reporting of fund assets to regulatory institutions will be undertaken by the Bank. Takasbank will play a significant role in the operations of the Private Pension System, which is believed to make a substantial contribution to the development of capital markets in Turkey. Work carried out in cooperation with the Capital Markets Board and pension fund companies was, to a large extent, completed by the end of the year.

In the report entitled GSCS Benchmarks - the 2002 Review of Emerging Markets, securities settlement services in several

countries were assessed and, as has been the case for the past six years, Turkey again ranked first in 2002. Takasbank is proud of this achievement.

Many security markets in its geographical area frequently rely on the expertise of Takasbank. Within this framework, Takasbank provided training to experts from the Balkan countries, the Turkic Republics and other countries of the region in 2002 and has also organized joint programs. Regarding the cooperation between securities exchanges, joint work was undertaken throughout the year with Israeli and Greek stock exchanges and central securities depositories and settlement institutions.

Takasbank launched the development of electronic securities database in which the securities issued in Turkey and which have a secondary market will be recorded and tracked. Fully automatic data processing in the securities services can be realized through adherence to international standards and keeping all securities data in an electronic medium. This project aiming to disseminate securities data to market participants on an electronic platform continued throughout 2002; completion is expected in 2003.

On behalf of the Board of Directors and myself, I would like to take this opportunity to extend my gratitude to our distinguished managers and employees who have contributed to the success of our Bank. Additionally, I would like to thank the management of the Capital Markets Board and the Istanbul Stock Exchange who have always encouraged us and given close support to our endeavors.

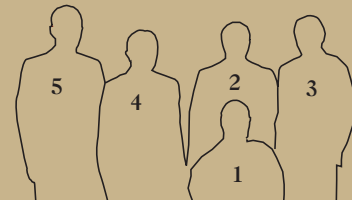
Osman Birsen
Chairman

SENIOR MANAGEMENT

- 1 Emin S. Çatana *President and CEO*
- 2 Nezir Bakır *Executive Vice President*
- 3 Ahmet Çakırsoy *Executive Vice President*
- 4 Yusuf Çiçek *Executive Vice President*
- 5 Şevket Yaşöz *Head of the Board of Internal Auditors*



Takasbank represents Turkey, on behalf of the Turkish Standards Institute (TSE), on the ISO TC68/SC4 committee at the International Standards Organization, which is responsible for developing the international standards for securities and related financial instruments.



MESSAGE FROM THE PRESIDENT AND CEO



When compared with the previous two years, 2002 has been quite sluggish economically. To a large extent, the targets of the economic program were met in the first half of the year but political problems that emerged in the second half led to deviations in the economic program. The decision to call for early elections was received very favorably by the markets and resulted in a trend toward lower interest and foreign exchange rates. These changes were reflected in the Stock Exchange in the form of an increase in transaction volume, this coupled with an increase in exports and foreign exchange inflow, saw a partial revival in the markets. Despite the growing tension as news of a possible U.S. operation in Iraq spread through the markets, Turkey entered 2003 with great optimism for the first time in many years.

In 2002, a total of 22 custody contracts were signed; the number of institutions making use of Takasbank services increased to 564. Additionally, custody volume increased by 25% compared to the previous year, reaching a nominal value of TL 4.6 quadrillion.

The real-time processing for transfer of receivables in line with the principle of time priority has further accelerated settlement transactions. This enables members to conclude their cash settlement transactions without running into a liquidity problem. In 2002, 51.67% of cash settlement receivables were distributed to members by 12 o'clock noon. The same ratio was 32.69% in 2001.

In stagnant market conditions that dominated the first three quarters of the year, the securities purchasing loan volume was extremely low. The optimistic mood and revival prevailing in the economy following the general elections in November stimulated the stock market and was reflected in the securities purchasing loan volume. The number of securities purchasing loan transactions in 2002 went up by 52.5% compared to the previous year, to reach 2,290. To address the demand from brokerage institutions, a project was launched to enable securities purchasing loan transactions for stocks not included in the ISE-100 Index. This project was continuing at the end of the year.

Takasbank Money Market continued its growth during 2002 as well, despite the stagnant economic conditions. Notwithstanding the income tax implementation that came into force in July 2002, Takasbank Money Market transaction volume increased by 63.8% in Turkish lira terms and 38.9% in US dollar terms compared to the previous year.

Total value of defaults decreased by 53.81% compared to the previous year. The ratio of default on payment to the total clearing volume is way below the global average thanks to the efficiency of the system in place in Turkey.

With the gradual withdrawal of the Central Bank of Turkey from Interbank Money Markets throughout the year and finally complete withdrawal as of December 2, 2002, the importance of the Takasbank Money Market will increase even more in 2003. From then on Takasbank Money Market will continue its activities in the financial marketplace as the only organized Turkish lira market.

Takasbank represents Turkey, on behalf of the Turkish Standards Institute (TSE), on the ISO TC68/SC4 committee at the International Standards Organization, which is responsible for developing the international standards for securities and related financial instruments. This committee met in Istanbul between October 14-15, 2002 and was hosted by the TSE and Takasbank.

In order to conform to arrangements put in place by the Banking Regulation and Supervision Agency (BRSA) concerning banks' internal audit and risk management systems, a Risk Management Group reporting directly to the Board of Directors composed of a Senior Risk Committee with subordinate Risk Committee, Market and Credit Risk Committee and Operational Risk Committee, has been formed. Also, the Internal Control Center, another compulsory body within the organization of a bank as stipulated by the BRSA, was formed within Takasbank in 2002.

In all of its endeavors, Takasbank receives enormous support and encouragement from the management of the Capital Markets Board and the ISE. I would like to express my gratitude to the distinguished executives of these institutions as well as to our shareholders and clients for the interest they have provided and the trust they have placed in Takasbank. I would also like to take this opportunity to thank our distinguished staff for making Takasbank an internationally exemplary institution through their unstinting efforts.

Emin S. Çatana
President and CEO

REVIEW OF
OPERATIONS IN 2002



Baglama: The most widespread folk music instrument with three pairs of strings.

The implementation of Alo-Takas allows investors to monitor the number of stocks in their accounts and to block stocks in their open accounts by using assigned passwords and registration numbers.

CUSTODY OPERATIONS

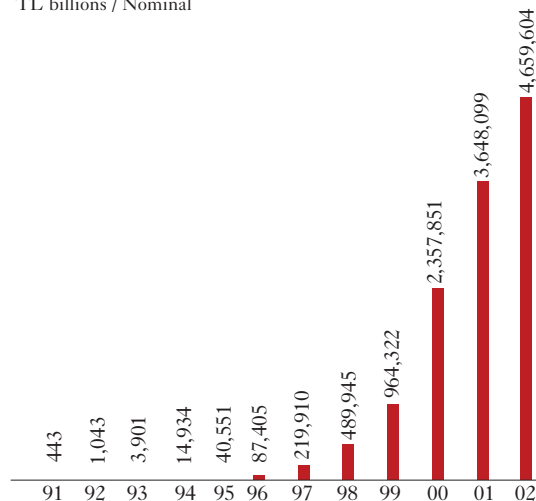
The purpose of custody is the safekeeping of capital market instruments while protecting them against fraud, counterfeit operations, theft and abuse. Securities deposited at Takasbank are insured against these risks.

Within the framework of custody services, all information concerning the shares of the companies listed on the ISE are updated in line with announcements by the issuing companies, the Capital Markets Board's letters of authorization for additional public offerings, as well as the courts' prohibition of payment notifications and annulment decisions. Within this framework, services including the exercise of pre-emptive rights pertaining to stocks under custody, collection of dividends, consolidation and exchange of coupons are also provided.

In 2002, 22 new custody contracts were signed, nine of which were concluded with corporate investors; the number of institutions receiving Takasbank services increased to 564.

Custody Volume by Years

TL billions / Nominal



As of December 31, 2002, 28.4 million stock certificates, 33.7 billion shares and 3.4 million mutual fund participation certificates with a total nominal value of TL 4,027 quadrillion have been deposited in Takasbank's fungible custody; 1.6 million stock certificates with a total nominal value of TL 598.7 trillion have been deposited in non-fungible custody.

In 2002, a total of 6,432,157 stock certificates with a total nominal value of TL 141.1 trillion were replaced by 30 issuing companies.

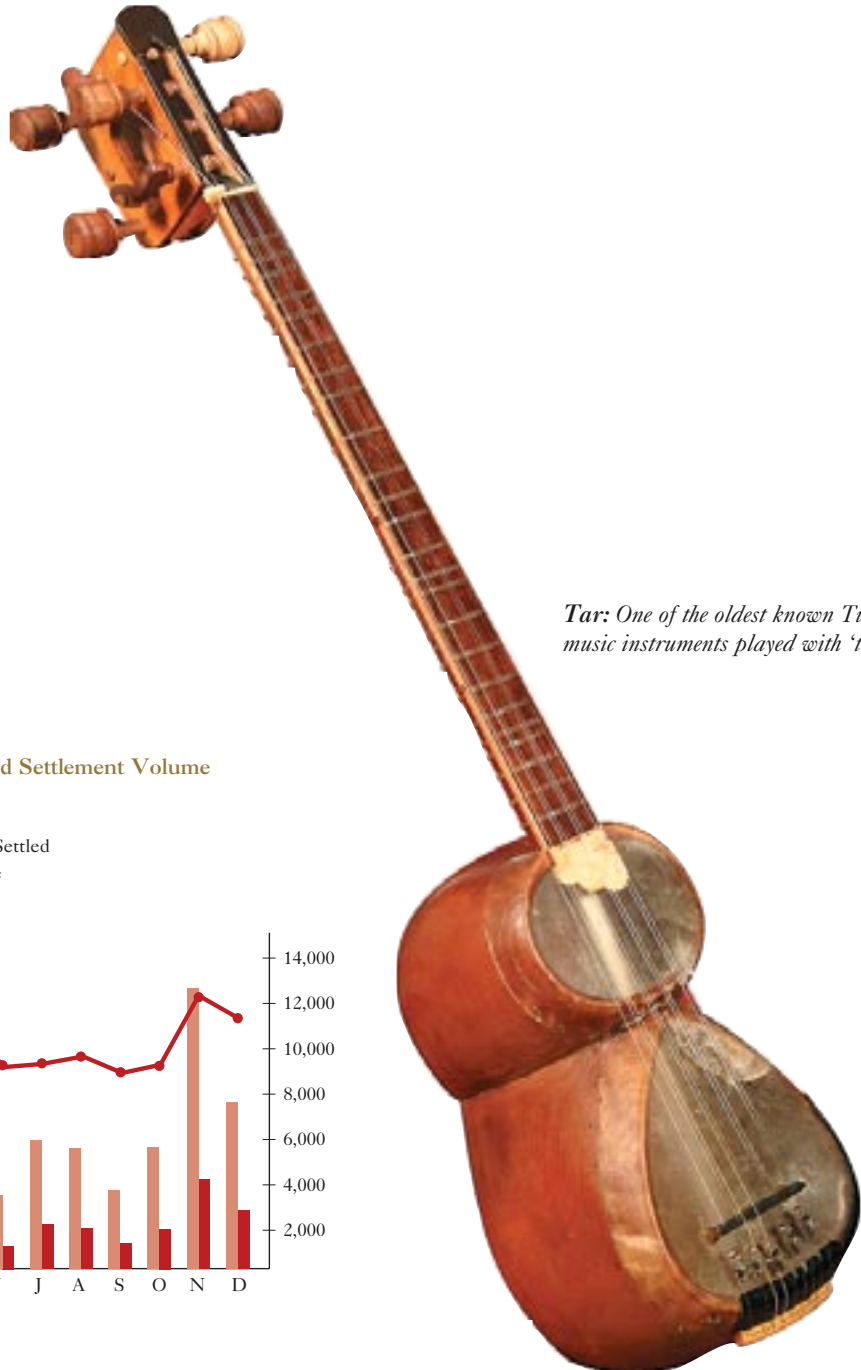
A total of 182,603 stock certificates with a nominal value of TL 573.4 trillion were taken into custody as a result of capital increase transactions through bonus shares by 104 issuing companies, while 56,838 stock certificates with a nominal value of TL 256.5 trillion were received as a result of capital increases on cash basis by 46 issuing companies. Total dividends of TL 191 trillion were collected in dividend distributions made by 80 issuing companies.

Customer Name-based Custody System

According to the customer name-based custody system that was put in place by the Capital Markets Board resolution number 27/1546 and dated September 25, 1997, identities of owners of sub-accounts opened at Takasbank by brokerage houses must be communicated to Takasbank within 30 days. Accounts that have not been converted into name-based accounts will be suspended. Once the identities of the account holders are forwarded to Takasbank, each investor is assigned a password and a unique investor registration number, which are then sent to their addresses along with Alo-Takas (Interactive Voice Response System) operating instructions.

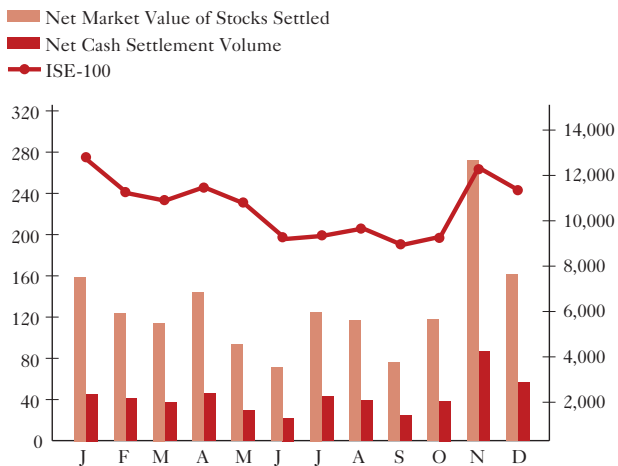
At the end of 2001, the number of open accounts was 1,932,221; in 2002, this figure increased by 13%, to reach 2,187,861. However, with mergers of brokerage houses during the year and as a result of closing some of the accounts by brokerage houses during their year-end audits, the number of open accounts as of December 31, 2002 stood at 2,054,282 with 1,204,914 having a balance.

IN 2002, 22 NEW CUSTODY CONTRACTS WERE SIGNED, NINE OF WHICH WERE CONCLUDED WITH CORPORATE INVESTORS; THE NUMBER OF INSTITUTIONS RECEIVING TAKASBANK SERVICES INCREASED TO 564.



Tar: One of the oldest known Turkish folk music instruments played with 'tezene'.

ISE Stock Market in 2002
ISE National-100 Index and Settlement Volume
(TL trillions)





In 2002, the process of assigning registration numbers to accounts held at Takasbank and forwarding of unique registration numbers and passwords to investors via express postal service continued. During the year, 77,000 of these letters were sent by post.

The graph showing work carried out converting the accounts opened at Takasbank to account holders' names in accordance with Customer Name-based Custody System is provided below.

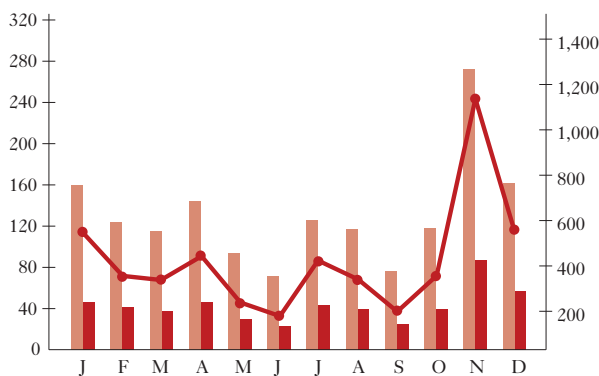
As of December 31, 2002, 90% of the accounts were converted to customer name-based accounts and 197,025 accounts for which identity data had not been forwarded within the stipulated time period were suspended.

As a result of the identity data sent by the brokerage houses, the number of investors increased by 5% compared to the end of 2001 and totaled 1,618,464 as of December 31, 2002.

The implementation of Alo-Takas allows investors to monitor the number of stocks in their accounts and to block stocks in their open accounts by using assigned passwords and registration numbers. In 2002, the Alo-Takas phone number (0212 315 22 22) received an average of 2,127 calls weekly.

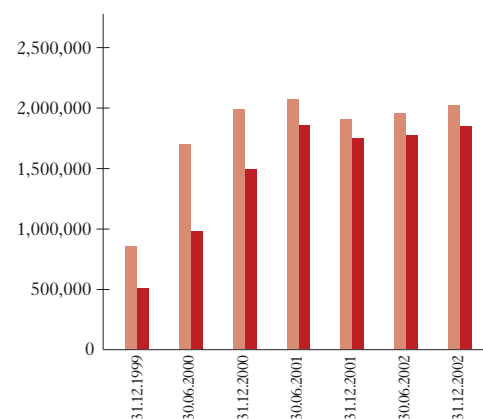
ISE Stock Market in 2002 Stock Exchange Transaction and Settlement Volume (TL trillions)

■ Net Market Value of Stocks Settled
■ Net Cash Settlement Volume
● Stock Exchange Transaction Volume



Transfer to Customer Name-Based Custody

■ Open Accounts
■ Accounts Transferred to Customer Name





CLEARING AND SETTLEMENT OPERATIONS

The main objective of institutions operating a clearing and settlement system is to set up fully automated systems in a fast, efficient and reliable environment with low costs to their users. Adopting this main objective as a principle, Takasbank offers its members a service at a speed and quality achieved by the world's most advanced clearing and settlement systems. One of the comparative advantages of Takasbank is that it can finalize clearing and settlement transactions at the ISE Stock Market on day T+2 and at the ISE Bonds and Bills Market on day T+0; using its advantage as a Bank, it allows cash settlement receivables to be transferred to investors' accounts on the same value date over the national payment system.

Global developments and trends in other clearing and settlement systems are constantly monitored. Recommendations by the world's leading clearing and custody service institutions and organizations concerning systems and country standards are attentively considered.

Coordination with regulatory bodies such as the Capital Markets Board, the Istanbul Stock Exchange and the Central Bank of Turkey and the exchange of information with market participants sheds light on new projects developed by Takasbank. Improvement of existing systems in order to harmonize with local and international developments and to meet members' new requirements is continuing without interruption. Many software systems used by Takasbank members have been upgraded in 2002 within this framework.

Stock Settlement Operations

In the ISE Stock Market settlement system, 115 brokerage houses are direct members of the organized market settlement system, while the settlement transactions of 26 banks, 277 mutual funds and investment trust companies and 19 asset management companies, which are linked to the organized market settlement system, are also handled.

In 2002, total trading volume realized at the ISE Stock Market was TL 107.15 quadrillion. As a result of the multilateral netting system, one of the most important features determining the efficiency of the

The growth of the Guarantee Fund, which was set up to reduce risk and increase efficiency in the clearing and settlement system and the implementation of settlement and clearing in a fully automated environment with real-time realization of the transfer operations in line with the time priority principle, have further accelerated the clearing and settlement process.

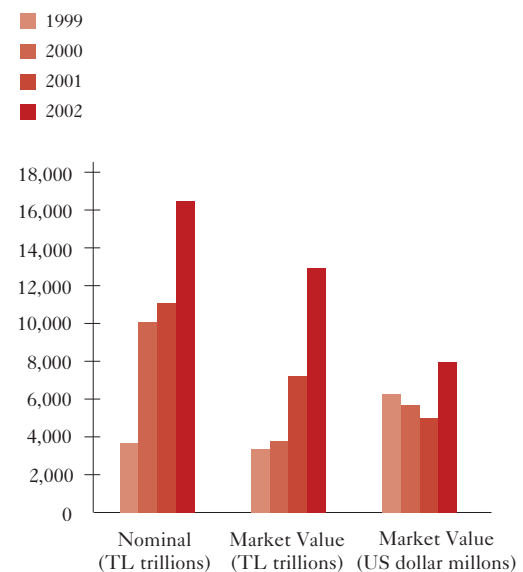
clearing and settlement system, TL 10.99 quadrillion worth of cash settlements (10.26%) and TL 33.45 quadrillion of securities settlements in market value (31.22%) were carried out.

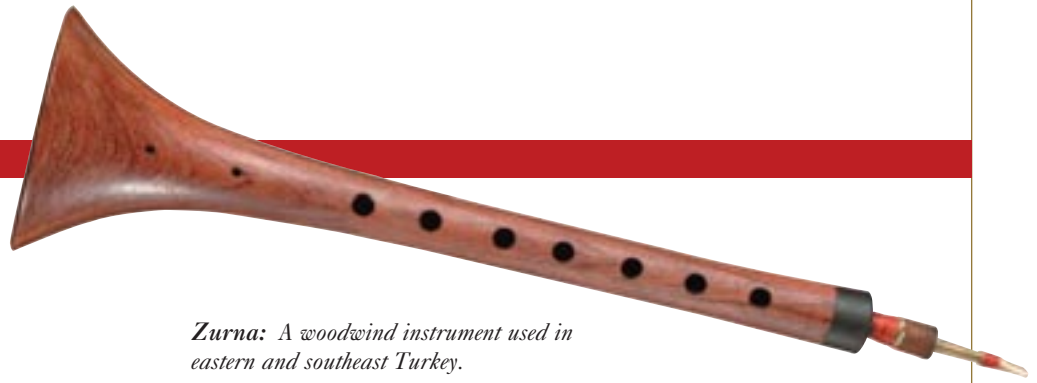
The growth of the Guarantee Fund, which was set up to reduce risk and increase efficiency in the clearing and settlement system and the implementation of settlement and clearing in a fully automated environment with real-time realization of the transfer operations in line with the time priority principle, have further accelerated the clearing and settlement process. It is particularly important that cash settlements be made as timely as possible. In 2001, 32.69% of the cash settlement receivables were allocated to members by 12 o'clock noon; this ratio went up to 51.67% in 2002.

The total defaults experienced in the system also decreased by 53.81% in 2002 over figures from the previous year. The ratio of total defaults to total transactions was far below the global average.

Members responded very favorably to the "Conditional Transfer System" launched in October 2001, wherein securities and cash transfers can be carried out simultaneously within the principle of Delivery versus Payment (DvP); use of the system increased rapidly in 2002.

Government Securities Custody Balance





Zurna: A woodwind instrument used in eastern and southeast Turkey.

Particularly with regard to foreign investor transactions, clearing and settlement operations between custodian institutions and brokerage houses were finalized by using the Conditional Transfer System. This fully automated system has minimized operational risk and eliminated counter party risk by utilizing the DvP mechanism. Moreover, this system, providing members with the Stock Exchange Settlement Linked DvP Transfer Option, has reduced the members' funding difficulties.

The share of the transfer operations carried out through the conditional transfer system within total transfers in the first quarter of the year was 8.4% in Turkish lira terms; in the second quarter, this ratio reached 11.1%; 39.4% in the third quarter and; 40.4% in the last quarter of the year. In 2002, securities with a total market value of TL 11.85 quadrillion and cash transfer in the sum of TL 11.72 quadrillion were the subject of conditional transfer operations; TL 783.4 trillion of the transactions were realized in the form of Stock Exchange Settlement Linked DvP Transfers.

The project, which will achieve the calculation and monitoring of settlement risks by continuously updating the ISE Stock Market transactions transferred to the Takasbank system in real time on a member basis, is scheduled for completion in 2003. This project will enhance Takasbank's role as the central counterparty for settlement.

Bonds and Bills Settlement Operations

In 2002, total trading volume on the ISE Bonds and Bills Market Outright Sales and Purchases Market and the Repo-Reverse Repo Market was TL 838.22 quadrillion. Cash settlement transactions in the Takasbank system, as a result of multi-lateral netting, amounted to TL 108.14 quadrillion and securities settlement transactions were TL 433.62 quadrillion in market value. Additionally, through the multi-lateral netting of the trading of government FX-denominated domestic debt securities worth € 45.63 million and US\$ 237.01 million, correspondent banks finalized cash settlements totaling € 45.58 million and US\$ 225.69 million.

Redemptions of TL 11.2 quadrillion in principal and interest and TL 1.02 quadrillion in coupon payments of government domestic debt securities were made

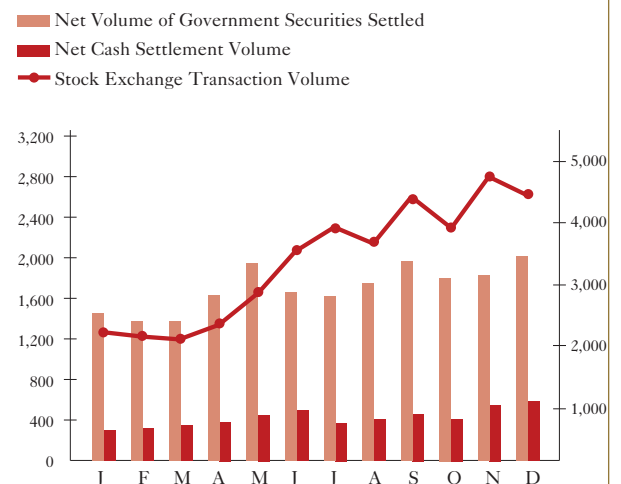
via Takasbank in 2002. In addition, redemptions of US\$ 4.82 million in principal and US\$ 2.21 million in the coupon payments as well as € 83.6 million in principal and € 3.71 million in coupon payments were realized for FX-denominated securities.

The project designed to enable ISE Bonds and Bills Market settlement operations to be carried out faster and more efficiently in a fully automated environment where securities/cash receivables are automatically transferred to member accounts in line with the time priority principle at the moment the cash/securities debts are paid off, became operational on April 29, 2002.

The "Conditional Transfer Project" enabling simultaneous transfer of fixed income securities within the framework of delivery versus payment scheme without taking on the counterparty risk, was also launched on the same date. The facilities providing the option of chain transactions and Stock Exchange Settlement Linked DvP Transfers were also added to the system.

Follow-up of defaults in the ISE Bonds and Bills Market, previously undertaken by the ISE, was handed over to Takasbank on October 1, 2002. Since that date, Takasbank is finalizing all default transactions in the market on behalf of the ISE.

Government Securities Stock Exchange and Settlement Volumes in 2002 (TL trillions)





Kemençe: A Black Sea region folk music instrument whose bow is made of horsetail hairs.

There was a substantial increase in the volume of settlement and clearing operations in FX-denominated Bonds Markets within the ISE due to changing trends in Turkey's economic environment. The system whereby the settlement and clearing operations of this market will be realized through the SWIFT international payment system on-line and in a fully automated fashion is scheduled to commence in 2003.

Cash Transfer Services

The Takasbank Electronic Transfer System (TETS) enables the brokerage houses to have real-time access to the Central Bank EFT system, which is the national payment system. This system enables Takasbank members to have an effective cash transfer facility much like that of banks; in 2002, the number of members reached 78.

Through TETS, bids can be forwarded directly for the Treasury tenders and the Central Bank's Open Market Transactions and tender participation and guarantee fees can be paid. In 2002, 5,217 bids were forwarded to the Central Bank system via TETS.

In 2002, the total cash transferred to member accounts at Takasbank via EFT reached TL 513.74 quadrillion; the total amount sent from member accounts in a similar way reached TL 513.79 quadrillion.

Meanwhile, EFT transactions realized by Takasbank members, which are not members of TETS, by giving written orders to the Bank have been converted into electronic order receipts, allowing operations to be conducted faster and more conveniently.

Mutual Funds

The portfolio assets of mutual funds and investment trust companies are kept in accounts opened in their names at Takasbank; the daily clearing and settlement transactions of the mutual funds and investment trust companies are carried out in an electronic medium.

Moreover, the portfolio assets of mutual funds deposited at Takasbank are valued and monitored within the Takasbank system in accordance with arrangements put in place by the Capital Markets



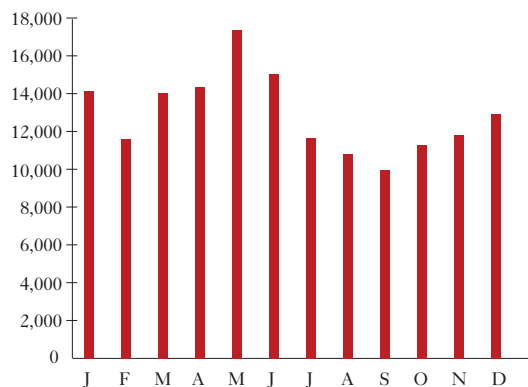
Board and are reported daily in the electronic medium. Also, various data and portfolio distribution information concerning the funds are disseminated daily through data vendor companies to market participants and investors.

Paralleling economic developments in Turkey and the widespread marketing of mutual funds, the value of mutual fund assets kept in the Takasbank system reached TL 9.94 quadrillion by the end of 2002.

Takasbank has assumed various responsibilities under the Private Pension Funds Scheme expected to be launched in 2003 pursuant to Law No. 4632 dealing with Private Pension Savings and Investment System and its related regulations.

Many tasks, such as; custody of pension fund assets, their clearing and settlement, recording of fund shares in the names of the investors and enabling the investors to monitor their shares kept in the Takasbank system, the daily assessment of the fund portfolio and the calculation of the unit share value for reconciliation purposes will be undertaken by Takasbank.

Takasbank Money Market Transaction Volume (TL trillions)



Thus, Takasbank will be contributing valuable services to the workings of the Private Pension System, which is expected to play a very important role in the development of the Turkish capital markets.

In this framework, project work undertaken in coordination with the Capital Markets Board and the pension fund companies has, to a large extent, been completed and a hi-tech automation system has been put in place.

CREDITS AND TAKASBANK MONEY MARKET

General

When allocating limits to ISE members, Takasbank conducts financial analyses based on their constantly updated, independently audited three-year financial statements. Within the framework of market investigation, further information is gathered on these institutions regarding their trading volume, custody balances, customer-based custody accounts and default situations; intermediary institutions are also checked for previously unpaid checks and bills. As of the end of 2002, there were a total of 157 members, of which 116 were brokerage houses, 32 deposit-taking banks and nine non-deposit-taking banks, to which credit limits were assigned through Takasbank's credit allocation system. Securities purchasing loans have been granted to 63 members and securities lending/borrowing facilities have been approved for 85 members; 140 members have conducted transactions on the Takasbank Money Market.

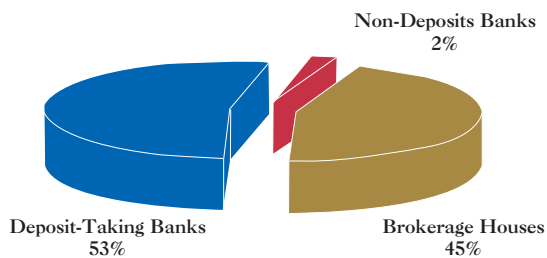
Securities Purchasing Loans

The successive economic crises experienced in 2000 and 2001 and the recession that spread through the economy following the ensuing devaluation naturally had an adverse impact on the ISE Stock Market, with regards to the trend of the indices and transaction volumes.

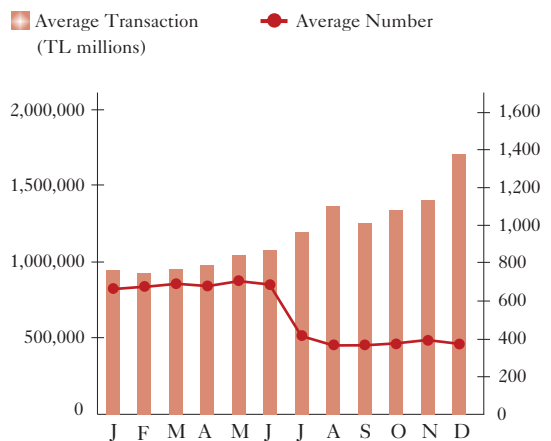


DESPITE INCOME TAX APPLICATION COMMENCED IN JULY 2002, TRANSACTION VOLUME IN THE TAKASBANK MONEY MARKET, WHICH HAS STEADILY DEVELOPED SINCE ITS INCEPTION, INCREASED BY 63.8% COMPARED TO THE PREVIOUS YEAR, TO TOTAL TL 156 QUADRILLION.

Takasbank Money Market Breakdown of Transaction Volume



Takasbank Money Market Transaction Averages





In parallel with falling index and transaction volume, the volume of securities purchasing loan, which is the cash credit facility of Takasbank, was realized at a very low and limited level; the daily average was calculated at TL 3.9 trillion. The optimistic atmosphere in the economy following the elections brought some activity to the stock market as well, which was in turn reflected in the securities purchasing loan volume.

In parallel with the gradual fall in overall interest rates in 2002, the overnight interest rates charged by Takasbank were reduced from 64.0% in January to 49.3% by December, where the annual average was calculated at 54.7%. In the light of this data, interest income on securities purchasing loans reached TL 2.2 trillion in 2002, comprising 2.6% of the total income.

The Intra-Day Securities Purchasing Loan is available particularly for brokerage houses that deal with foreign investors, in order to help these brokerage houses overcome problems that may arise due to the delivery versus payment system applied by the custodian banks. The volume of Intra-Day Securities Purchasing Loan was TL 152.2 trillion in 2002, while the interest revenue was TL 35.2 billion.

Securities Lending/Borrowing Facility

Despite extremely low and sluggish transaction volumes and index figures in the ISE Stock Market during the year, 2,290 securities lending/borrowing facility requests from 72 participating institutions were met by Takasbank. This number of requests in 2002 represented a 52.5% increase compared to 2001.

In 2002, 103 different stocks, comprising of a total of 28.2 billion stock certificates, were the subject to securities lending/borrowing facility; the market value of these stocks on the dates the transactions were concluded was TL 112 trillion. Compared to the previous year, the increase in the number of stocks subject to the said transaction in 2002 was 88.9% while the increase in their market value was calculated at 54.1%.

Although no commission was charged to brokerage houses receiving this facility for their transactions, the commission paid to lending brokerage houses increased by 46.1% compared to 2001 and totaled TL 85.1 billion.

In response to the heavy demand received from brokerage houses over a long period of time, work is continuing to make the securities lending/borrowing facility available for stocks not included in the ISE-100 Index.

Takasbank Money Market Lowest and Highest Values

Year	Transaction Volume (TL millions)				Number of Transactions			
	Lowest	Date	Highest	Date	Lowest	Date	Highest	Date
1998	53,500	28/01/1998	19,418,500	25/12/1998	10	02/01/1998	346	18/12/1998
1999	371,000	18/01/1999	83,346,000	29/12/1999	15	22/01/1999	473	02/09/1999
2000	6,024,000	03/01/2000	247,910,000	15/12/2000	53	03/01/2000	767	13/12/2000
2001	5,872,000	09/03/2001	655,357,000	20/12/2001	54	09/03/2001	805	06/06/2001
2002	141,246,000	21/02/2002	803,839,000	29/05/2002	184	28/10/2002	787	20/02/2002

Total Revenue Compared to Treasury Revenue (TL millions)

Year	Total Revenue	Treasury Revenue	Share of Treasury Revenue in Total (%)
1997	3,943,651	1,924,841	48.8
1998	11,706,063	5,912,927	50.5
1999	21,657,239	12,457,255	57.5
2000	36,719,187	16,101,469	43.9
2001	82,654,720	51,714,509	62.6
2002	84,547,220	51,622,265	61.1

Takasbank Money Market

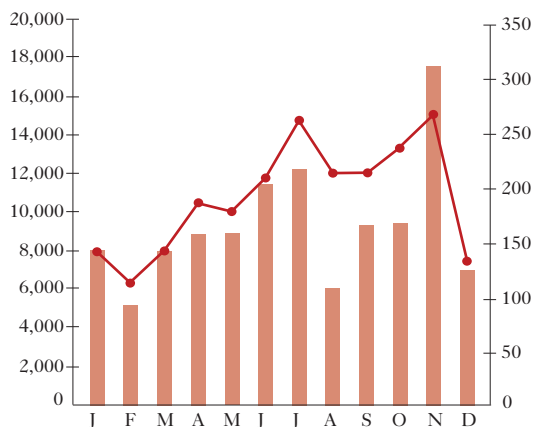
Takasbank Money Market was able to sustain its growth at a time when the adverse impact of the 2001 economic crisis on the financial markets was ongoing. In 2002, Takasbank continued to function as a bridge between the money and capital markets, a role that grows in importance every year. This growth was achieved by meeting the demand from brokerage houses in the most efficient manner.

Despite income tax application commenced in July 2002, transaction volume in the Takasbank Money Market, which has steadily developed since its inception, increased by 63.8% compared to the previous year, to total TL 156 quadrillion. In US dollar terms, the transaction volume increased 38.9% from US\$ 75.9 billion to US\$ 105.5 billion. In parallel with this development, the daily average transaction volume increased from TL 379 trillion to TL 617 trillion, while the number of transactions dropped from 163,000 to 139,000 as the average value of a transaction increased to TL 1.1 trillion. In 2002, a total of seven new members, including two banks and five brokerage houses, started transactions in the Takasbank Money Market.

As the Central Bank of Turkey gradually withdrew from its intermediary role in the Interbank Money Market and finally ended its function on December 2, 2002, Takasbank Money Market will gain momentum as the only organized money market in the financial markets.

Market Value of Securities Lending/Borrowing Transactions and Number of Transactions

Market Value (TL billions) Number of Transactions



With an amendment to Law No. 4761, interest earned on the Takasbank Money Market was considered interest earned on deposits and therefore subjected to income tax; 16% was deducted from the interest earnings as income tax and 10% of that was deducted as defense industry fund levy. With the Corporation Tax General Communiqué serial number 76, it was decided that the deduction would be made by Takasbank and paid to the relevant tax office.

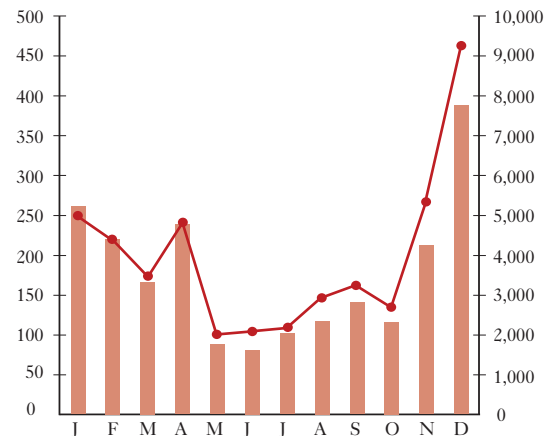
In the Capital Markets Board’s “Regulation Concerning the Principles of the Foundation and Activities of Private Pension Funds”, Takasbank Money Market transactions have been included among the money and capital market instruments that will make up the pension fund investment portfolio. In connection with provisions concerning portfolio restrictions, the Regulation stipulates that a maximum of 20% of pension fund assets may be invested in the Takasbank Money Market. With private pension fund companies beginning to make investments in 2003, the effectiveness and functionality of the Takasbank Money Market will increase.

TREASURY ACTIVITIES

In 2002, an election economy was on the agenda in the second half of the year - a period when interest rates fell and foreign exchange rates were relatively lower as far as the banking sector was concerned. Despite the fall in interest rates and dividends amounting to TL 11.4 trillion that Takasbank distributed to its shareholders from the previous year’s profit,

Securities Purchasing Loan-Average Outstanding Loans and Accrued Interest (TL billions)

Accrued Interest Average Outstanding Loans



Joint meetings and work was undertaken with the officials of Israel and Athens central securities depositories during the year within the framework of enhancing cooperation between stock exchanges.

there has not been a significant change in the ratio of treasury revenue within total revenue.

The main objective of Takasbank's Treasury Department is the effective management of all money market instruments and their associated risks. With its expertise and experience, the Department tries to ensure diversity of financial instruments, avoid mismatches in maturity structures while maintaining liquidity at an optimal level by reducing market risks even under the most uncertain economic conditions.

The Takasbank Treasury Department, while attempting to accomplish profitability targets in trading, is also striving to achieve customer satisfaction through customer-focused cash and market operations. The mission of the Treasury Department, cognizant of the critical role played by profitability and the continuity of service in the rapidly developing environment of sophisticated financial services, is to continuously enhance its technical infrastructure along with quality of personnel and services. In line with this mission, in 2002, the Department has completely upgraded its existing trading system to better follow-up market data by introducing advanced technologies.

This has been a year when Takasbank improved its information exchange and speed of transaction in the markets while reducing market risks, preserving its profitability and enhancing its performance in the banking sector.

INTERNATIONAL SERVICES

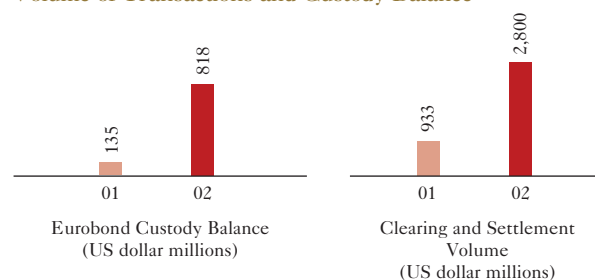
Through the securities and cash correspondent bank accounts established abroad and SWIFT membership, Takasbank offers domestic and foreign institutions international custody, clearing and settlement services.

Overseas Settlement and Custody Services for Domestic Institutions

Through its securities and cash accounts with the international clearing and custody institution Euroclear, Takasbank provides clearing and custody services to financial institutions in Turkey. As of the end of 2002, these included a total of 21 institutions, six of which are brokerage houses, ten are banks, two are asset management companies and three are mutual funds.

The nominal value of Eurobonds, for which settlement services were provided in 2002, increased by 200% compared to the previous year, reaching US\$ 2.8 billion. At the end of 2002, the total market value of depositary certificates and foreign stocks, which are kept in custody abroad reached US\$ 4 billion, while the nominal value of Eurobonds totaled US\$ 818 million with a five-fold increase compared to the previous year.

Overseas Settlement and Custody Services Volume of Transactions and Custody Balance



Settlement and custody services abroad also entail the handling of corporate actions related to stocks. Services are provided for pre-emptive rights, bonus issues and dividend payments in the case of stocks, and principal and interest payments for Eurobonds, foreign T-bills and bonds. Also, while the agendas and resolutions of the Annual Shareholder Meetings are communicated to the institution concerned, voting on behalf of the shareholder institution in the Annual Shareholder Meeting can be exercised by proxy.

Domestic Settlement and Custody Services for Foreign Institutions

Takasbank also provides domestic settlement and custody services in Turkey to foreign financial institutions. The nominal value of fixed income securities that foreign institutions have deposited at Takasbank as of the end of 2002 was US\$ 27 million, while the market value of stocks was TL 2.3 trillion.

INTERNATIONAL RELATIONS

Association of Global Custodians Questionnaire 2002

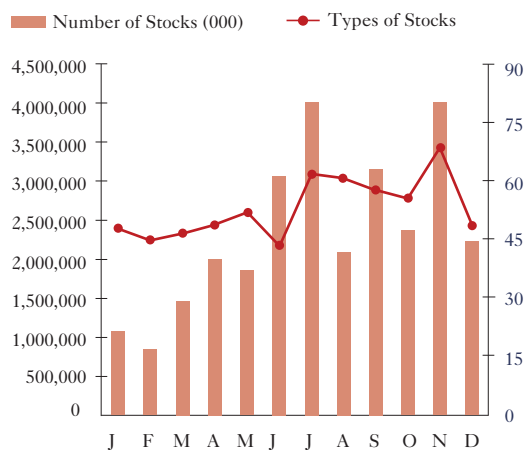
The SEC 17f-7 rule promulgated by the Securities and Exchange Commission of the USA in 2000 made it obligatory for global custodian banks to collect detailed information concerning central clearing, settlement and custody institutions, prepare risk analysis reports in the light of this information and present them to their fund manager clients. Ten global custodian banks in the United States form the Association of Global Custodians (AGC) to have a central collection point for this information. The questionnaire developed by this Association is responded to by 112 central clearing and custody institutions from 77 countries each year. The 125 questions included in the questionnaire aim to obtain information concerning the institution's expertise of central clearing, settlement and custody operations, its reputation and position in the market, the scope and quality of the services it provides, its financial soundness, arrangements concerning insurance or indemnities, the scope of legislation the institution is subject to, independent audit procedures and the like. It is possible to access the AGC Questionnaire to which Takasbank has responded on the Internet at: www.takasbank.com.tr.

GSCS Benchmarks - The 2002 Review of Emerging Markets

In its 2002 report, GSCS Benchmarks, an institution that prepares analyses related to the international securities sector, presented an assessment regarding the quality and scope of clearing, settlement and custody services, operational risk and customer satisfaction of 18 emerging markets to include those of Turkey, Greece, South Africa, South Korea and Latin American countries based on the information obtained from international custodian banks and the relevant country's local settlement and custody institutions. Considering various criteria such as the



Type and Total of Stocks Subject to Securities Lending/Borrowing Facility



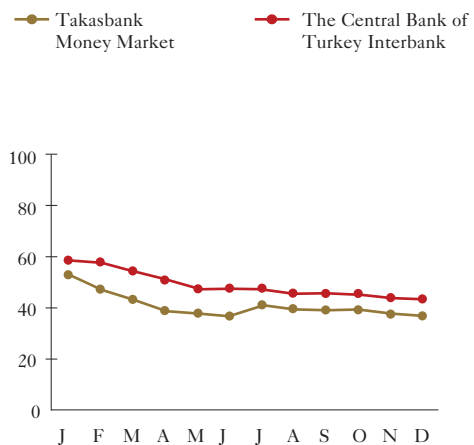
conclusion of the clearing and settlement service, transaction volume, local market interest rates and defaults as far as stocks are concerned, Turkey has ranked first, above all the other countries, as has been the case in the past six years.

Relations with the Capital Markets of the Region

Takasbank is an institution to which countries in its geographical region refer to for assistance. During 2002, Takasbank provided training to experts from the capital market institutions in the Turkic Republics and other countries in the region, mutual visits were realized and joint working programs were arranged. Takasbank has hosted senior executives and experts from the stock markets of Kyrgyzstan, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, Jordan and Greece.

Joint meetings and work was undertaken with the officials of Israel and Athens central securities depositories during the year within the framework of enhancing cooperation between stock exchanges.

Daily Average of Interest Rates (%)



IOSCO 2002 Meeting - Istanbul

The 27th annual meeting of the International Organization for Securities Commissions (IOSCO), hosted by the Capital Markets Board, was held in Istanbul between May 18-24, 2002 under the main sponsorship of the Istanbul Stock Exchange. Takasbank, among the co-sponsors of this organization, provided information to participants at its stand in the conference center.

ISSA Symposium - 2002

The 11th Biannual Symposium organized by the International Securities Services Association (ISSA) was held in Switzerland between June 11-14, 2002 with the participation of Takasbank. During the ISSA symposium held under the main theme of The New Securities Landscape, the latest status of the sector and new developments were reviewed at panel discussions and work groups.



ACTIVITIES RELATED TO INTERNATIONAL STANDARDS

ISO TC68/SC4 Activities

Takasbank represents Turkey on behalf of the Turkish Standards Institute (TSE) at the International Standards Organization on the ISO TC68/SC4 committee, which is responsible for developing the international standards for securities and associated financial instruments.

The 2002 committee meeting, hosted by TSE and Takasbank, was held in Istanbul between October 14-15, 2002. A total of 20 participants from 11 member countries and four liaison organizations attended the meeting where Belgium, Denmark, France, Germany, Korea, Japan, Spain, Switzerland, the United Kingdom, the United States and Turkey were represented. The liaison organizations in attendance were ANNA (Association of National Numbering Agencies), SWIFT, ECBS (European Committee on Banking Standards) and Euroclear. The ISO General Secretariat was also represented at the conference.

Securities National Market Practice Group

The Securities National Market Practice Group-Turkey (NMPG-Turkey) was established with the initiative of Takasbank as a work group within Turkish Bankers Association in 2001, to follow-up on standards concerning securities and other financial instruments undertaken by

the ISO TC68/SC4 committee and to contribute to the implementation of these standards in Turkey. Takasbank chairs NMPG-Turkey; while the members are the Central Bank of Turkey, the Turkish Bankers Association, The Association of Capital Market Intermediary Institutions of Turkey, custodian banks, commercial banks and brokerage institutions.

The Securities Market Practice Group (SMPG), which is an international entity, was formed in 1998 by the International Standards Organization's ISO TC68/SC4 committee responsible for developing standards for securities. The secretarial work of SMPG is undertaken by SWIFT. SMPG is composed of National Market Work Groups from 35 countries and operates in the capacity of a higher body having its own board of directors.

Within the SMPG, work is undertaken toward the implementation of the ISO 15022, which is the new messaging and data glossary standard for securities in which general and country-specific implementations are developed and promulgated. The Turkish implementation of "Settlement and Reconciliation", the first to be realized by NMPG-Turkey, is the twenty-fifth country study undertaken worldwide while the Turkish implementation report on the "Exercise of Corporate Actions" has been published as the fourth report worldwide following those of the United Kingdom, Germany and Israel.

Takasbank Money Market Transaction Volume

Year	Number of Work Days	Total Transaction Volume		Daily Average		Number of Transactions	
		TL millions	US\$ millions	TL millions	US\$ millions	Total	Daily Average
1998	250	2,239,736,500	8,619.04	8,958,946	34.48	47,716	191
1999	248	9,723,998,500	21,899.21	39,209,659	88.30	90,728	366
2000	252	31,983,213,500	50,628.61	126,917,514	200.91	129,413	514
2001	251	95,278,273,500	75,992.03	379,594,715	302.76	163,437	651
2002	253	156,020,472,000	105,547.92	616,681,708	417.19	138,627	548



Davul: A well known Turkish percussion instrument played with a drum stick and a pounder.

ANNA Activities

In 2002, the assignment of the CFI code to all securities was initialized; ISIN was assigned to 73 stocks, 186 government bonds and treasury bills and 14 mutual funds. Moreover, nine ISIN codes were assigned to ISE Derivatives Market futures contracts.

ANNA, Association of National Numbering Agencies, is the international organization responsible for the use and implementation of the ISIN codes for all financial instruments in international markets; it has over 60 members worldwide. A country's National Numbering Agency can become a member of ANNA. Takasbank attended the Annual General Meeting of ANNA that was held in Athens between May 30-31, 2002.

The ANNA Service Bureau (ASB), operated by Standard & Poor's and Telekurs, collects the ISIN codes and associated data records from the National Numbering Agencies on the Internet and disseminates this data to global financial markets. Takasbank is on the board of directors of the ASB representing the ANNA General Assembly.

Takasbank forwards all ISIN codes it assigns along with basic data concerning securities to the ASB system via the Internet. Data belonging to more than 1.5 million securities to which an ISIN code has been assigned worldwide is stored within the ASB system.

Electronic Securities Database Project

Starting with cross border operations, full automation in securities services will only be possible through the implementation of international standards and access to securities data on electronic medium. Considering the demand received from domestic and overseas institutions, Takasbank aims to provide market players an electronic securities database with priority placed on those securities that have been issued and have a secondary market in Turkey. Work on cooperation and project development aimed at obtaining information continued during 2002. The project is scheduled to be operational in 2003.

HUMAN RESOURCES AND TRAINING

There were 230 employees at Takasbank as of the end of 2002. Of the 142 (61%) university graduates among its work force, one has a doctorate and 17 have masters degrees. Takasbank provides incentives to its employees to participate in graduate and postgraduate programs; all other employees are encouraged to achieve higher levels of education. At present, eleven employees are pursuing masters degrees and four are studying for their doctorates.

In 1998, Takasbank instated a

foreign language allowance to provide an incentive to advance foreign language skills and capability; presently, 56 employees are receiving this allowance. Takasbank will continue making this contribution to employees embarking upon foreign language courses.

As a prerequisite for transparency and participative management, an open evaluation system is implemented twice a year.

Due to the highly specialized nature of Takasbank services and the difficulty in finding experienced experts from outside the institution, newly recruited personnel and personnel who need to specialize are given intensive, high quality training. Following theoretical training, personnel newly recruited to Takasbank are assigned to alternating departments on a rotating basis where they undergo practical, on-the-job training. The implementation of rotating programs provides flexibility to management with regard to work planning and a wider work perspective. As a means of developing career opportunities for employees throughout the year, six of Takasbank's personnel underwent this practice at different times. In addition to this comprehensive professional training for new recruits, the vision and the mission of the Bank are also conveyed to Takasbank employees, enabling them to focus on common objectives and adapt to the institutional culture.

Despite on-going economic problems in Turkey, no cutbacks have been made with regard to training activities. All training deemed necessary, either in or out of the Bank, has been put into practice within the framework of programs developed in coordination with other units of Takasbank. A total of 133 training programs were organized in 2002, five of which were in-house programs. Employees participated in a total of 405 training programs, realizing a per-capita yearly training of 37 hours.

At least one instructor representing Takasbank has been sent as a contribution to training and promotional activities, which totaled 28 programs during the year. These programs were offered by the Capital Markets Board, ISE, MASAK (Board of Investigation for Financial Crimes), The Association of Capital Market Intermediary Institutions of Turkey, Sabanci University (for Akbank personnel), Istanbul Bilgi University, Hacettepe University, Istanbul Lawyers Association and Ziraat Bank.

The practice of awarding the Five Year Service badge to personnel who have served for five years at Takasbank has continued as a requisite of institutionalization and corporate culture with a view to maintaining a high level

SYSTEM DEVELOPMENT AND SOFTWARE

Some significant projects were completed and launched in 2002:

- During the year, automated processing for the handling of ISE Bonds and Bills Market defaults were completed allowing all default transactions to be handled by Takasbank.
- The project for the automated processing of the Conditional Transfer Operations (DvP Settlement Facility) for bonds and bills, developed in response to market requirements, was completed and made operational.
- The Database Replication Server, used to transfer data in the Disaster Recovery Center that Takasbank planned to install at premises outside its headquarters, was set up, tested and made operational at a remote location in Istanbul.
- The medium and software were selected for Takasbank's Internet and Intranet infrastructure and their security and hardware installations have been completed. Moreover, Microsoft-based systems used in the Takasbank infrastructure have been reinforced with newly acquired systems permitting a faster and more reliable working environment.
- In all the screen menus used by Takasbank, the User Authorization Project has been completed and is operational.
- Security enhancement measures were taken with regard to Takasbank program menus used by the members and the security infrastructure used to access programs was upgraded in line with international standards.
- All changes concerning the uniform accounting plan have been reflected in the system and are operational.
- The member code change project enabling the changing of member codes and the follow-up of the previous codes (Banking-Custody-Stocks-Bonds etc.) has been modified and is operational.
- The member code identification system enabling the new member codes and accounts to be opened simultaneously and in an integrated manner throughout the Takasbank system has been completed and is operational.
- Automated processing system enabling the lending/borrowing of government domestic debt securities has been completed and is operational.
- The inventory system enabling the follow-up of Takasbank inventory and rendering a fully automated accounting system has been completed and is operational.
- The automated Banned Identities Follow-Up System designed to track accounts and identity procedures of those proscribed by the Capital Markets Board has been completed and is operational.
- Consultation services have been provided for the infrastructure of the MKK (Central Registry Institution); the system and connectivity infrastructure has been put in place during the initial operation.
- Takasbank also developed some additional solutions for government domestic debt securities lending/borrowing messages developed by the Central Bank of Turkey in the Electronic Fund Transfer (EFT) system; these have become operational.
- Reporting software geared for the handling of supervision and auditing work by some external institutions, such as the Banking Regulation and Supervision Agency, the Capital Markets Board, the ISE and the Central Bank of Turkey has been completed and is operational.
- Various reporting and improvement work has been carried out in the Takasbank Money Market system.
- Revisions concerning information provided to data dissemination companies have been completed and are operational.
- ISE Stock Market contracts can now be transmitted and incorporated on-line into the Takasbank system.
- Project revisions concerning tax and citizen identity numbers have been completed.

Projects in the testing stage whose analysis and programming work have been completed are as follows:

- The Pension Funds Automation system, which will enable completion, follow-up, supervision and auditing of transactions concerning pension funds to be undertaken by Takasbank
- The automated system, which enables the calculation, supervision and follow-up of stock settlement risks through various methods
- Front and interface systems to enable integration of the SWIFT system with Takasbank transactions
- Revision of member screens regarding the ISE Derivatives Market
- Project to enable connection passwords used by members for all kinds of inter-account transfer/EFT at Takasbank to be generated at members' offices
- Revisions concerning Treasury Back Office transactions
- Revisions enabling automated redemption of bonds and FX-denominated securities
- Reporting of Takasbank transactions in connection with the Tax Identity data requested by the Ministry of Finance.

Significant projects whose analysis and software development stages are currently on-going are as follows:

- The project that will achieve the transfer to customer name-based custody services for bonds and bills
- Introduction of the use of the Alo-Takas system on the Internet
- Integration of FX-denominated securities settlement and the SWIFT system
- System revisions and reporting that will facilitate supervision and audit processes
- Revisions made in the Conditional Transfer system for stocks (i.e. asset to asset) in response to market requirements and offering additional enhancements
- Automation for the generation of ISIN codes for stocks and other securities
- Securities Electronic Database Project
- Reflection in Takasbank transactions of changes in legislation in repo and rediscount transactions
- The SMS system to warn those concerned about possible errors in the Takasbank information systems



EVERYDAY TAKASBANK FORWARDS ALL ISIN CODES IT ASSIGNS ALONG WITH BASIC DATA CONCERNING SECURITIES TO THE ASB SYSTEM VIA THE INTERNET.

LEGAL AFFAIRS

It is the main duty of the Legal Affairs Department to follow up court cases to which Takasbank is a party and to ensure that all functions of the Bank are performed on a legal footing. The Legal Affairs Department also executes some basic functions such as expropriation orders or precautionary measures placed on financial instruments belonging to brokerage institution customers by courts and administrative authorities within the framework of Customer Name-Based Custody System. It is also responsible to inform the concerned parties in writing and in the most expeditious manner possible.

In the first six months of 2002, the Legal Affairs Department concluded the legal procedures concerning the establishment of Central Registry Institution and the Investor Protection Fund; all information and documents of this Company and the Fund have been handed over to authorized personnel of the Central Registry Institution, which has completed its organization. Moreover, the Legal Affairs Department also makes calculations concerning payments to be made from the Special Fund to the customers of the bankrupt



Kaval: A woodwind folk music instrument with a range of two and a half octaves.



brokerage institutions in accordance with lists forwarded by the Bankruptcy Directorates.

The agreements to which the Bank is a party of, agreements concerning the customer instructions forwarded to Takasbank via facsimile and written commitments relating to instructions for cash, securities, letters of guarantee, conditional transfers and EFT transfer transactions are examined for content and are safeguarded at the Legal Affairs Department. These contracts and written commitments are inputted to the banking system and the relevant operational units of brokerage institutions, investment trust companies and mutual funds, which are authorized to undertake transactions with Takasbank, are identified.

Due to the possibility of inflicting losses on investors and brokerage institutions, payment bans imposed on stocks, which are the leading financial instruments traded in capital markets, are followed by the Legal Affairs Department; the banned stocks are posted on records and in the event such stocks are detected in the Takasbank system, an application is made to the relevant court for the lifting of the ban.

ADMINISTRATIVE AFFAIRS

The Administrative Affairs Department works toward achieving Takasbank vision and principles and provides many types of services and logistical support functions aimed at increasing employees' workplace satisfaction and motivation in line with the customer-focused strategies adopted by the Bank. The Department keeps up with all technological developments via its experienced staff and assures that all new advancements are adapted to the Bank's infrastructure while supporting the implementation of new projects. This work is undertaken with an advanced social awareness and with maximum care for the natural environment.

The Administrative Services, Purchasing and Contracting, Transportation, Communications and Archives, Telephone Exchange, Insurance and Technical Services Units within the Department working in harmony with each other meet the logistics requirements within the Bank with an ever-increasing capacity.

The Insurance Unit operating as an Aksigorta Authorized Agent, secures Takasbank's risks as well as other clients' risks in different insurance categories. A total of 380 insurance policies have been drawn up throughout the year under the insurance agency activities.

Projects realized and implemented by the Department in 2002 can be summarized as follows:

- The Internet infrastructure used by the existing Data Processing Systems has been equipped with new hardware and peripherals to keep up with latest IT developments.
- The existing office equipments have been reinforced with new additions and enhancements.
- Refurbishment work has been undertaken inside and outside the headquarters building for environmental harmony.
- A new fire alert and warning system has been installed in the Archives Unit to enhance building safety.
- Equipment and hardware requirements of the Business Recovery Center in the ISE building have been met.
- An armored vehicle equipped with latest technology products as well as a service vehicle have been purchased to provide faster transportation services.
- An Emergency Aid Center has been set up by purchasing the equipment that would facilitate the work of the Emergency and Rescue Team Takasbank.



BOARD OF INTERNAL AUDITORS

In addition to the internal audit work that continues uninterruptedly throughout the year, the Board of Internal Auditors carries out its activities in harmony and coordination with the Risk Management Group and the Internal Control Center to ensure that risks that may arise during normal course of settlement, custody and banking operations are monitored and controlled.

In addition to assuring that transactions are handled in conformity with the capital market, banking and other relevant legislation, the Board of Internal Auditors conducts various research and development activities with a view to diversifying the services provided to the capital markets and enhancing their quality. The Board not only makes contributions to other departments of the Bank in order to put these efforts into practice, it also actively supports on-the-job training programs provided for Bank employees.

The members of the Board participate in training programs offered by competent institutions in order to minimize problems that might occur within information systems. The Board members, with this type of training background, have included the auditing of risks within the information systems on their agendas.

RISK MANAGEMENT GROUP

A series of regulations have been put in place by the Banking Regulation and Supervision Agency in parallel with international developments concerning the banks' internal audit and risk management systems. Within the framework of these legal arrangements and in accordance with the decisions taken by Takasbank's Board of Directors on March 29, 2002, a Risk Management Group made up of the Senior Risk Committee reporting directly to the Board of Directors with subordinate Risk Committee, Market and Credit Risk Committee and Operational Risk Committee has been formed.

Cura: A small bağlama (three to six strings).



The Board of Directors have appointed the necessary personnel to the committees under the Risk Management Group and the Directives describing the committees' working procedures, duties and responsibilities has been approved.

The Risk Management Group has been assigned the responsibility of determining risk management policies and implementation procedures, the description, measurement, monitoring, investigation, confirmation and control of risks the activities are subject to. The committees are continuing their activities in coordination with other administrative and audit units related to their areas of responsibility.

INTERNAL CONTROL CENTER

An Internal Control Center directly reporting to the Board of Directors was set up in accordance with the decision of the Bank's Board of Directors, pursuant to the provisions of the Regulation on the Banks' Internal Audit and Risk Management Systems promulgated by the Banking Regulation and Supervision Agency, published in the Official Gazette No. 24312 on February 8, 2001. The Internal Control Center Directives, where the Center's working principles, duties and responsibilities are laid down, was approved and became effective during the same Board meeting.

The 2002 Internal Control Procedure that outlines the annual activities of the Internal Control Center was approved by the Board Member responsible for Internal Audit and Risk Management.

The Internal Control Center fulfils the function of continuous control enabling Takasbank activities to be undertaken in conformity with goals and policies of the Bank and the relevant legislation, rules and regulations.

ISE SETTLEMENT AND CUSTODY BANK INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT
AT 31 DECEMBER 2002**

**CONVENIENCE TRANSLATION INTO ENGLISH
OF PUBLICLY AVAILABLE FINANCIAL STATEMENTS
AND AUDITOR'S REPORT ORIGINALLY ISSUED
IN TURKISH, SEE NOTE F-II**



TAKASBANK

**CONVENIENCE TRANSLATION INTO ENGLISH
OF PUBLICLY AVAILABLE FINANCIAL STATEMENTS AND AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE NOTE F-II**

ISE SETTLEMENT AND CUSTODY BANK INC.

**THE REPRESENTATION LETTER OF BANK MANAGEMENT ON THE PUBLICLY AVAILABLE
AUDITED FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2002**

The financial reporting package includes the following sections in accordance with "Communiqué 17 on the Financial Statements and Related Explanation and Footnotes that will be made Publicly Available" as sanctioned by the Banking Regulation and Supervision Agency:

- Section one - GENERAL INFORMATION
- Section two - FINANCIAL STATEMENTS
- Section three - EXPLANATIONS ON ACCOUNTING POLICIES
- Section four - INFORMATION RELATED TO FINANCIAL STATEMENTS
- Section five - INFORMATION AND DISCLOSURES RELATED TO FINANCIAL STATEMENTS
- Section six - OTHER EXPLANATIONS AND FOOTNOTES
- Section seven - EXPLANATIONS ON INDEPENDENT AUDIT REPORT

The accompanying audited non-consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in billions of Turkish lira in terms of the purchasing power of Turkish lira at 31 December 2002, are prepared in accordance with the Accounting Application Regulation and the communiqués on accounting standards and the records of the Bank.

5 February 2003

Sezai Bekgöz
Member of the
Board of Directors
in charge of Internal
Audit

Emin Çatana
President and CEO

Ahmet Çakırsoy
Executive Vice President

H. İbrahim Samancı
Manager

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

ISE SETTLEMENT AND CUSTODY BANK INC.

AUDITOR'S REPORT
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2002

To the Board of Directors of
İMKB Takas ve Saklama Bankası A.Ş.
(ISE Settlement and Custody Bank Inc.)

1. We have audited the accompanying balance sheet of İMKB Takas ve Saklama Bankası A.Ş. ("ISE Settlement and Custody Bank Inc." or "the Bank") at 31 December 2002 and the related statements of income, of cash flows and of changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Uniform Chart of Accounts of banks, accounting standards and the independent audit principles in conformity with Banking Act No. 4389. Those principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements present fairly, in all material respects, the financial position of İMKB Takas ve Saklama Bankası A.Ş. at 31 December 2002 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by the regulations in conformity with Article 13 of the Banking Act.

Additional paragraph for convenience translation into English:

4. The effects of differences between accounting principles and standards set out by regulations in conformity with Article 13 of the Banking Act No. 4389, accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IAS.

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



Zeynep Uras, SMMM

Istanbul, 5 February 2003

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

A- GENERAL INFORMATION

I. BANK'S SERVICE TYPE AND FIELD OF OPERATIONS

The corporation, which was originally set up as a department of the Istanbul Stock Exchange ("ISE"), and whose operations were reorganized under a separate company named as İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) at 12 July 1991, was transformed into an investment bank at 8 August 1995 with the title of İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.) (in subsequent sections, it is referred to as "Takasbank" or "the Bank"), as published in the Trade Registry Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. Since 2 January 1996, Takasbank, has been continuing its operations as an investment bank. Takasbank carries out clearing, settlement, custody and other necessary transactions of marketable securities on behalf of intermediary institutions. Takasbank also renders customer name based custody services. The head office of Takasbank is located in Istanbul and the Bank has no branches.

Operating areas stated in the Articles of Association of the Bank are as follows:

- Performing custody of the marketable securities, precious metals and other securities and settlement of commitments arising from the purchases and sales of those assets.
- Making every kind of legal, financial and administrative transactions for the delivery of these securities to the related bodies.
- Providing Turkish lira or foreign currency cash and non-cash credit facilities to its customers with or without taking collaterals including gold, marketable securities, notes, time deposits, and other guarantees, lending marketable securities, securities or cash to ISE members to enable them to realize settlement transactions on time; discounting/lending or borrowing marketable securities and other money market instruments when necessary; granting Turkish lira or foreign currency guarantees, guarantee letters and avalizations.
- Managing the "Stock Exchange Money Market" with the participation of the ISE or other stock exchange members in charge, and the Central Bank of Turkey ("CBT").

II. INFORMATION ABOUT THE GROUP THE BANK BELONGS TO

The Bank's main shareholder is Istanbul Stock Exchange.

III. OTHER INFORMATION

a. Commercial title of the Bank:

İMKB Takas ve Saklama Bankası A.Ş.
(ISE Settlement and Custody Bank Inc.)

b. Address, telephone and fax numbers of the head office:

Address : Şişli Merkez Mah. Abide-i Hürriyet Cad.
Mecidiyeköy yolu Sok. No: 286 34381 Şişli / Istanbul
Telephone : (0 212) 315 25 25
Fax : (0 212) 315 25 26

c. Internet address and e-mail address:

www.takasbank.com.tr
international@takasbank.com.tr

d. Reporting period:

1 January - 31 December 2002

I. INFLATION ADJUSTED BALANCE SHEET - ASSETS

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

B - FINANCIAL STATEMENTS

ASSETS		Notes	Current Period 31 December 2002			Prior Period 31 December 2001		
			TL	FC	Total	TL	FC	Total
I.	CASH AND CENTRAL BANK OF TURKEY	(1)	2,034	45	2,079	1,720	152	1,872
1.1	Cash		3	-	3	4	-	4
1.2	Foreign currency		-	-	-	-	-	-
1.3	Balances with the Central Bank of Turkey		2,031	45	2,076	1,716	152	1,868
II.	TRADING SECURITIES (Net)	(2)	3,254	-	3,254	2,631	-	2,631
2.1	Public sector debt securities		3,254	-	3,254	2,631	-	2,631
2.1.1	Government bonds		1,020	-	1,020	77	-	77
2.1.2	Treasury bills		2,234	-	2,234	2,554	-	2,554
2.1.3	Other		-	-	-	-	-	-
2.2	Share certificates		-	-	-	-	-	-
2.3	Other marketable securities		-	-	-	-	-	-
III.	BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	-	6,868	6,868	-	10,937	10,937
3.1	Due from banks		-	6,868	6,868	-	10,937	10,937
3.1.1	Domestic banks		-	57	57	-	1,161	1,161
3.1.2	Foreign banks		-	6,811	6,811	-	9,776	9,776
3.2	Other financial institutions		-	-	-	-	-	-
IV.	MONEY MARKETS	(4)	116,673	-	116,673	104,827	-	104,827
4.1	Interbank money market placements		114,500	-	114,500	103,364	-	103,364
4.2	Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		2,173	-	2,173	1,463	-	1,463
V.	INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(5)	52	-	52	-	-	-
5.1	Share certificates		52	-	52	-	-	-
5.2	Other marketable securities		-	-	-	-	-	-
VI.	LOANS	(6)	7,801	-	7,801	4,371	-	4,371
6.1	Short-term		7,801	-	7,801	4,371	-	4,371
6.2	Medium and long-term		-	-	-	-	-	-
6.3	Loans under follow-up		-	-	-	-	-	-
6.4	Specific provisions (-)		-	-	-	-	-	-
VII.	FACTORING RECEIVABLES	(7)	-	-	-	-	-	-
VIII.	INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(8)	38,938	-	38,938	13,736	-	13,736
8.1	Public sector debt securities		38,938	-	38,938	13,736	-	13,736
8.1.1	Government bonds		8,110	-	8,110	11,271	-	11,271
8.1.2	Treasury bills		30,828	-	30,828	2,465	-	2,465
8.1.3	Other		-	-	-	-	-	-
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS AND ASSOCIATES (Net)	(9)	-	-	-	-	-	-
9.1	Financial investments and associates		-	-	-	-	-	-
9.2	Non-financial investments and associates		-	-	-	-	-	-
X.	SUBSIDIARIES (Net)	(10)	983	-	983	983	-	983
10.1	Financial subsidiaries		983	-	983	983	-	983
10.2	Non-financial subsidiaries		-	-	-	-	-	-
XI.	OTHER INVESTMENTS (Net)	(11)	-	-	-	-	-	-
XII.	FINANCE LEASE RECEIVABLES (Net)	(12)	-	-	-	-	-	-
12.1	Gross finance lease receivables		-	-	-	-	-	-
12.2	Unearned income (-)		-	-	-	-	-	-
XIII.	RESERVE REQUIREMENTS		1,807	91	1,898	-	-	-
XIV.	MISCELLANEOUS RECEIVABLES	(13)	1,404	-	1,404	1,630	-	1,630
XV.	ACCRUED INTEREST AND INCOME RECEIVABLE	(14)	9,070	-	9,070	8,099	-	8,099
15.1	Loans		11	-	11	33	-	33
15.2	Marketable securities		8,527	-	8,527	7,315	-	7,315
15.3	Other		532	-	532	751	-	751
XVI.	PROPERTY AND EQUIPMENT (Net)	(15)	11,923	-	11,923	10,559	-	10,559
16.1	Book value		20,022	-	20,022	15,094	-	15,094
16.2	Accumulated depreciation (-)		8,099	-	8,099	4,535	-	4,535
XVII.	INTANGIBLE ASSETS (Net)	(16)	499	-	499	232	-	232
17.1	Goodwill		-	-	-	-	-	-
17.2	Other		1,101	-	1,101	731	-	731
17.3	Accumulated amortization (-)		602	-	602	499	-	499
XVIII.	OTHER ASSETS	(17)	13,279	-	13,279	17,725	-	17,725
TOTAL ASSETS			207,717	7,004	214,721	166,513	11,089	177,602

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

II. INFLATION ADJUSTED BALANCE SHEET - LIABILITIES

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

LIABILITIES	Notes	Current Period 31 December 2002			Prior Period 31 December 2001		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
1.1 Bank deposits		-	-	-	-	-	-
1.2 Savings deposits		-	-	-	-	-	-
1.3 Public sector deposits		-	-	-	-	-	-
1.4 Commercial deposits		-	-	-	-	-	-
1.5 Other institutions deposits		-	-	-	-	-	-
1.6 Foreign currency deposits		-	-	-	-	-	-
1.7 Precious metals vault accounts		-	-	-	-	-	-
II. INTERBANK MONEY MARKET	(2)	-	-	-	-	-	-
2.1 Interbank money market takings		-	-	-	-	-	-
2.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3 Funds provided under repurchase agreements		-	-	-	-	-	-
III. FUNDS BORROWED	(3)	-	-	-	-	-	-
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other funds borrowed		-	-	-	-	-	-
3.2.1 Domestic banks and institutions		-	-	-	-	-	-
3.2.2 Foreign banks, institutions and funds		-	-	-	-	-	-
IV. MARKETABLE SECURITIES ISSUED (Net)	(4)	-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS	(5)	-	-	-	-	-	-
VI. MISCELLANEOUS PAYABLES	(6)	9,355	6,494	15,849	9,123	10,832	19,955
VII. OTHER EXTERNAL RESOURCES	(7)	49,182	7	49,189	20,954	-	20,954
VIII. TAXES AND OTHER DUTIES PAYABLE	(8)	5,395	-	5,395	616	-	616
IX. FACTORING PAYABLES	(9)	-	-	-	-	-	-
X. FINANCE LEASING PAYABLES (Net)	(10)	-	-	-	-	-	-
10.1 Finance leasing payables		-	-	-	-	-	-
10.2 Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. ACCRUED INTEREST AND EXPENSES PAYABLE	(11)	260	-	260	76	-	76
11.1 Deposits		-	-	-	-	-	-
11.2 Borrowings		-	-	-	-	-	-
11.3 Repurchase agreements		-	-	-	-	-	-
11.4 Other		260	-	260	76	-	76
XII. PROVISIONS	(12)	23,155	-	23,155	27,933	-	27,933
12.1 General provisions		-	-	-	-	-	-
12.2 Reserve for employee termination benefits		96	-	96	1,434	-	1,434
12.3 Provisions for income taxes		23,059	-	23,059	26,499	-	26,499
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(12)	-	-	-	-	-	-
XIV. MINORITY INTEREST		-	-	-	-	-	-
XV. SHAREHOLDERS' EQUITY	(13)	120,873	-	120,873	108,068	-	108,068
15.1 Paid-in capital		60,000	-	60,000	33,540	-	33,540
15.2 Supplementary capital		81,741	-	81,741	79,385	-	79,385
15.2.1 Share premium	(14)	-	-	-	-	-	-
15.2.2 Share cancellation profits		-	-	-	-	-	-
15.2.3 Marketable securities value increase fund	(15)	-	-	-	-	-	-
15.2.4 Revaluation fund	(16)	-	-	-	-	-	-
15.2.5 Value increase in revaluation fund	(17)	-	-	-	-	-	-
15.2.6 Other capital reserves		-	-	-	-	-	-
15.2.7 Capital reserves due to inflation adjustment of paid-in capital		81,741	-	81,741	79,385	-	79,385
15.3 Profit reserves		16,006	-	16,006	11,695	-	11,695
15.3.1 Legal reserves	(18)	12,787	-	12,787	9,246	-	9,246
15.3.2 Statutory		-	-	-	-	-	-
15.3.3 Extraordinary reserves	(19)	3,219	-	3,219	2,449	-	2,449
15.3.4 Other profit reserves		-	-	-	-	-	-
15.4 Profit or loss		(36,874)	-	(36,874)	(16,552)	-	(16,552)
15.4.1 Prior year income/loss		(60,680)	-	(60,680)	(31,934)	-	(31,934)
15.4.2 Current year income/loss		23,806	-	23,806	15,382	-	15,382
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		208,220	6,501	214,721	166,770	10,832	177,602

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

III. INFLATION ADJUSTED OFF-BALANCE SHEET COMMITMENTS

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

	Notes	Current Period 31 December 2002			Prior Period 31 December 2001		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		776,858	-	776,858	908,225	-	908,225
I. GUARANTEES AND COLLATERALS	(1), (5)	776,723	-	776,723	908,225	-	908,225
1.1. Letters of guarantee		-	-	-	-	-	-
1.1.1. Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		-	-	-	-	-	-
1.2. Bank loans		-	-	-	-	-	-
1.2.1. Import letter of acceptance		-	-	-	-	-	-
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	-	-	-	-	-
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Other guarantees		776,723	-	776,723	908,225	-	908,225
1.8. Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1), (5)	135	-	135	-	-	-
2.1. Irrevocable commitments		135	-	135	-	-	-
2.1.1. Asset purchase commitments		-	-	-	-	-	-
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		-	-	-	-	-	-
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for credit card limits		-	-	-	-	-	-
2.1.8. Other irrevocable commitments		135	-	135	-	-	-
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS (2)		-	-	-	-	-	-
3.1. Forward foreign currency buy/sell transactions		-	-	-	-	-	-
3.1.1. Forward foreign currency transactions-buy		-	-	-	-	-	-
3.1.2. Forward foreign currency transactions-sell		-	-	-	-	-	-
3.2. Swap transactions related to foreign currency and interest rates		-	-	-	-	-	-
3.2.1. Foreign currency swap-buy		-	-	-	-	-	-
3.2.2. Foreign currency swap-sell		-	-	-	-	-	-
3.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.4. Interest rate swaps-sell		-	-	-	-	-	-
3.3. Foreign currency and interest rate options		-	-	-	-	-	-
3.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.3.3. Interest rate options-buy		-	-	-	-	-	-
3.3.4. Interest rate options-sell		-	-	-	-	-	-
3.4. Foreign currency futures		-	-	-	-	-	-
3.4.1. Foreign currency futures-buy		-	-	-	-	-	-
3.4.2. Foreign currency futures-sell		-	-	-	-	-	-
3.5. Interest rate futures		-	-	-	-	-	-
3.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.6. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V)		7,868,142	117,344	7,985,486	7,058,020	151,878	7,209,898
IV. ITEMS HELD IN CUSTODY		4,651,264	-	4,651,264	4,790,699	-	4,790,699
4.1. Customer fund and portfolio balances		176	-	176	858	-	858
4.2. Investment securities held in custody		4,649,588	-	4,649,588	4,784,143	-	4,784,143
4.3. Checks received for collection		-	-	-	-	-	-
4.4. Commercial notes received for collection		-	-	-	-	-	-
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		1,500	-	1,500	5,698	-	5,698
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		3,216,878	117,344	3,334,222	2,267,321	151,878	2,419,199
5.1. Marketable securities		3,183,379	116,270	3,299,649	2,226,771	150,371	2,377,142
5.2. Guarantee notes		-	-	-	18	1,507	1,525
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		-	-	-	-	-	-
5.6. Other pledged items		33,363	-	33,363	40,519	-	40,519
5.7. Pledged items-depository		136	1,074	1,210	13	-	13
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		8,645,000	117,344	8,762,344	7,966,245	151,878	8,118,123

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

IV. INFLATION ADJUSTED INCOME STATEMENT

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

	Notes	Current Period 31 December 2002	Prior Period 31 December 2001
INCOME STATEMENT			
I. INTEREST INCOME	(1)	61,189	107,416
1.1 Interest on loans		2,498	7,811
1.1.1 Interest on TL loans		2,498	7,811
1.1.1.1 Short-term loans		2,498	7,811
1.1.1.2 Medium and long-term loans		-	-
1.1.2 Interest on foreign currency loans		-	-
1.1.2.1 Short-term loans		-	-
1.1.2.2 Medium and long-term loans		-	-
1.1.3 Interest on loans under follow-up		-	-
1.1.4 Premiums received from Resource Utilisation Support Fund		-	-
1.2 Interest received from reserve deposits		239	-
1.3 Interest received from banks		957	37,600
1.3.1 Interest received from the Central Bank of Turkey		-	3
1.3.2 Interest received from domestic banks		698	37,495
1.3.3 Interest received from foreign banks		259	102
1.4 Interest received from money market transactions		43,552	34,441
1.5 Interest received from marketable securities portfolio		13,898	19,481
1.5.1 Trading securities		-	-
1.5.2 Available-for-sale securities		-	-
1.5.3 Held-to-maturity securities		13,898	19,481
1.6 Other interest income		45	8,083
II. INTEREST EXPENSE	(2)	11	3,624
2.1 Interest on deposits		-	-
2.1.1 Bank deposits		-	-
2.1.2 Savings deposits		-	-
2.1.3 Public sector deposits		-	-
2.1.4 Commercial deposits		-	-
2.1.5 Other institutions deposits		-	-
2.1.6 Foreign currency deposits		-	-
2.1.7 Precious metals vault accounts		-	-
2.2 Interest on money market transactions		-	2,517
2.3 Interest on funds borrowed		11	1,107
2.3.1 The Central Bank of Turkey		-	-
2.3.2 Domestic banks		11	1,107
2.3.3 Foreign banks		-	-
2.3.4 Other financial institutions		-	-
2.4 Interest on securities issued		-	-
2.5 Other interest expense		-	-
III. NET INTEREST INCOME (I - II)		61,178	103,792
IV. NET FEES AND COMMISSIONS INCOME		6,054	5,659
4.1 Fees and commissions received		7,113	6,240
4.1.1 Cash loans		-	-
4.1.2 Non-cash loans		7,113	6,240
4.1.3 Other		-	-
4.2 Fees and commissions paid		1,059	581
4.2.1 Cash loans		-	-
4.2.2 Non-cash loans		96	96
4.2.3 Other		963	485
V. DIVIDEND INCOME		-	-
5.1 Trading securities		-	-
5.2 Available-for-sale securities		-	-
VI. NET TRADING INCOME/LOSS		(538)	442
6.1 Profit/losses on trading account securities (Net)		-	390
6.2 Foreign exchange gains/losses (Net)		(538)	52
VII. PROFIT/LOSS FROM HELD-TO-MATURITY MARKETABLE SECURITIES	(3)	-	-
VIII. OTHER OPERATING INCOME	(4)	28,810	34,925
IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		95,504	144,818
X. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)	(5)	-	-
XI. OTHER OPERATING EXPENSES (-)	(6)	(18,813)	(21,671)
XII. OPERATING INCOME (IX-X-XI)		76,691	123,147
XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES	(7)	-	-
XIV. NET MONETARY POSITION LOSS/(INCOME)		(26,425)	(65,297)
XV. INCOME BEFORE TAXES (XII+XIII+XIV)		50,266	57,850
XVI. PROVISION FOR TAXES ON INCOME (-)		(26,059)	(33,290)
XVII. NET OPERATING INCOME/EXPENSE AFTER TAXES (XIV-XV)		24,207	24,560
XVIII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES		(401)	(9,178)
18.1 Extraordinary net income/expense before taxes		(401)	(9,178)
18.1.1 Extraordinary income		-	-
18.1.2 Extraordinary expense (-)		(401)	(9,178)
18.2 Provision for taxes on extraordinary income (-)		-	-
XIX. PROFIT/LOSS ON UNCONSOLIDATED INVESTMENTS (-)	(8)	-	-
XX. NET PROFIT AND LOSS (XVII+XVIII+XIX)	(9)	23,806	15,382
Income/Loss per share (Expressed in TL amounts)		39,677	45,862

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

VI. INFLATION ADJUSTED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

CHANGES IN SHAREHOLDERS' EQUITY		Notes	Paid-in Capital	Capital reserves due to the inflation adjustment of share capital	Share Premium	Share certificate cancellation profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior period Net Income/(Loss)	Revaluation Fund	Value Increase Fund Revaluation Fund	Marketable Securities Value Increase Fund	Total
1	Prior Period 31 December 2001 Balances at the beginning of period		16,300	73,735	-	-	6,785	-	1,562	-	-	(2,274)	-	-	-	96,108
2	Increase in Period:	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Available-for-sale investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1	Cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1	Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Transferred Amounts:	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1	Available-for-sale investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Transferred to net income		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Transferred to net income		-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Transferred to assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Net current year income		-	-	-	-	-	-	-	-	15,382	-	-	-	-	15,382
8	Dividends	(3)	-	-	-	-	-	-	-	-	-	(3,422)	-	-	-	(3,422)
9	Transferred to legal reserves		-	-	-	-	2,461	-	887	-	-	(3,348)	-	-	-	-
10	Transferred to capital from income		15,813	7,077	-	-	-	-	-	-	-	(22,890)	-	-	-	-
11	Transferred to capital from reserves	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Transferred to capital from revaluation fund	(4)	1,427	(1,427)	-	-	-	-	-	-	-	-	-	-	-	-
13	Issuance of share certificates	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (1+2+3+4+5+6+7+8+9+10+11+12+13)		33,540	79,385	-	-	9,246	-	2,449	-	15,382	(31,934)	-	-	-	108,068
	Current Period 31 December 2002															
	Changes in accounting policies (a)															
1	Balances at the beginning of period		33,540	79,385	-	-	9,246	-	2,449	-	15,382	(27,312)	-	-	-	112,690
2	Increase in Period:	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Available-for-sale investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1	Cash flow hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1	Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Transferred Amounts:	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1	Available-for-sale investments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Transferred to net income		-	-	-	-	-	-	-	-	(15,382)	15,382	-	-	-	-
6.1	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Transferred to net income		-	-	-	-	-	-	-	-	(15,382)	15,382	-	-	-	-
7	Transferred to assets		-	-	-	-	-	-	-	-	23,806	-	-	-	-	23,806
7	Net current year income		-	-	-	-	-	-	-	-	-	(15,623)	-	-	-	(15,623)
8	Dividends	(3)	-	-	-	-	-	-	-	-	-	(4,950)	-	-	-	(4,950)
9	Transferred to legal reserves		-	-	-	-	3,541	-	1,409	-	-	(28,177)	-	-	-	(28,177)
10	Transferred to capital from income		23,957	4,220	-	-	-	-	-	-	-	-	-	-	-	-
11	Transferred to capital from reserves		543	96	-	-	-	-	(639)	-	-	-	-	-	-	-
12	Transferred to capital from revaluation fund	(4)	1,960	(1,960)	-	-	-	-	-	-	-	-	-	-	-	-
13	Issuance of share certificates	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance		60,000	81,741	-	-	12,787	-	3,219	-	23,806	(60,680)	-	-	-	120,873

(a) The Bank has booked the differences arising from the first time application of the communications related to Accounting Application Regulation in "Prior Period Net Income/(Loss)" account in its financial statements as at 31 December 2002 as explained in Section C note XXII. Accounting Policies under IX.11. Corrections related to the first-time application of the Accounting Application Regulation. As a result, a total of TL 4,622 billion profit was added to the balance of this account at the beginning of the period. Therefore, the balance of "Prior Period Net Income/(Loss)" as at 31 December 2001 amounting to TL 31,934 billion was modified to TL 27,312 billion in the balance at the beginning of the period as 31 December 2002.

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

VI. INFLATION ADJUSTED STATEMENT OF CASH FLOW

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

	Notes	Current Period 31 December 2002	Prior Period 31 December 2001
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1		25,331	14,898
1.1.1		60,065	104,264
1.1.2		(11)	(4,137)
1.1.3		-	-
1.1.4		7,113	5,659
1.1.5		-	390
1.1.6		-	-
1.1.7		(9,943)	(10,472)
1.1.8		(29,499)	(29,605)
1.1.9		(401)	(9,178)
1.1.10	(1)	24,432	23,274
1.1.11		(26,425)	(65,297)
1.2		27,103	37,541
1.2.1		(623)	22,142
1.2.2		(710)	(551)
1.2.3		(3,430)	1,188
1.2.4		2,774	(7,909)
1.2.5		-	-
1.2.6		-	-
1.2.7		-	(4,934)
1.2.8		-	-
1.2.9	(1)	29,092	27,605
I.		52,434	52,439
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.		(29,498)	(15,001)
2.1	(2)	-	(983)
2.2	(3)	-	-
2.3		(4,269)	(526)
2.4		25	244
2.5		(52)	-
2.6		-	-
2.7		(25,202)	(13,736)
2.8		-	-
2.9		-	-
2.10		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.		(15,662)	(2,805)
3.1		-	-
3.2		-	-
3.3		-	-
3.4		(15,623)	(2,502)
3.5		(39)	(303)
3.6		-	-
3.7	(1)	-	-
IV.	(1)	-	-
V.		7,274	34,633
VI.	(4)	116,173	81,540
VII.	(5)	123,447	116,173

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

VII. INFLATION ADJUSTED PROFIT APPROPRIATION STATEMENT

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

	Current Period 31 December 2002 (*)	Prior Period 31 December 2001 (**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	49,865	-
1.2	(26,059)	-
1.2.1	(23,690)	-
1.2.2	(2,369)	-
1.2.3	-	-
A.	23,806	-
1.3	(60,680)	-
1.4	-	-
1.5	-	-
B.	(36,874)	-
1.6	-	-
1.6.1	-	-
1.6.2	-	-
1.6.3	-	-
1.6.4	-	-
1.6.5	-	-
1.7	-	-
1.8	-	-
1.9	-	-
1.9.1	-	-
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.10	-	-
1.11	-	-
1.12	-	-
1.13	-	-
1.14	-	-
II. DISTRIBUTION OF RESERVES		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
III. EARNINGS PER SHARE		
3.1	39,677	-
3.2	39.7	-
3.3	39,677	-
3.4	39.7	-
IV. DIVIDEND PER SHARE		
4.1	-	-
4.2	-	-
4.3	-	-
4.4	-	-

(*) As explained in XI- Information and disclosures related to subsequent events under Section Five - Information and Disclosures Related To Financial Statements related to the appropriation of the profit for the period ended 31 December 2002, the Board of Directors of the Bank has decided to eliminate the prior period loss.

(**) Since the appropriation of the profit for the period ended 31 December 2001 was done on non-inflation adjusted financial statements, the profit distribution statement as of that period ended was not prepared.

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

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

C - EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATION ON THE BASIS OF PRESENTATION

a. The preparation of financial statements and related explanations and footnotes in accordance with the Accounting Application Regulation and communiqués on accounting standards:

The Bank maintains its books of account and prepares its statutory financial statements in Turkish lira in accordance with the Banking Act, Turkish Commercial Code and Turkish tax legislation. These financial statements have been prepared in accordance with the 13th Article on "Accounting Standards" of the Banking Act No. 4389 and in accordance with Accounting Application Regulation ("AAR") published in the Official Gazette No. 24793 dated 22 June 2002 brought into effect on 1 July 2002 by the Banking Regulation and Supervision Agency ("BRSA") and the communiqués on accounting standards and communiqués on changes in various accounting standards published in the Official Gazette No. 24980 dated 31 December 2002.

In accordance with the Article 5 of the Communiqué 15 on the Accounting Application Regulation "Accounting Standard of Preparation of Consolidated Financial Statements, Subsidiaries, Joint Ventures and Associates", which deals with subsidiaries whose financial statements will not be included in the consolidation, the Bank has not included its subsidiary in which it has a 65% share in the consolidation, as the right to determine the majority of management is restricted by the Articles of Association, and the Bank has also not included its participation in the consolidation, since the control power cannot be exercised due to the fact that its shareholding percentage is 3%.

b. Valuation basis used in preparation of the financial statements:

b.1 Preparation of financial statements in the current period's purchasing power:

Financial Reporting in Hyperinflationary Economies Standard stated in the Communiqué 14 on the Accounting Application Regulation ("AAR 14") has become effective as of 1 July 2002.

In accordance with AAR 14, the Bank should prepare its financial statements in the purchasing power of the Turkish lira at the balance sheet date. AAR 14 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The corresponding figures for previous periods are restated in the same terms. According to the related communiqué, certain criteria are used to classify an economy as hyperinflationary and one of these criteria is a cumulative three-year inflation rate announced by State Institute of Statistics approaching or exceeding 100%. Inflation adjustments have been performed in accordance with the standards indicated in AAR 14 and by using the wholesale price indices published in the appendix to the AAR 14 and announced by State Institute of Statistics. Detailed information related to the application of inflation accounting is presented in the "IX. Explanation related to inflation accounting" section of the notes to the financial statements.

As stated in Section A "General Information", the Bank was established as İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) at 12 July 1991, and subsequently was converted into an investment bank at 8 August 1995 with the decision of the Council of Ministers as published in Official Gazette dated 23 March 1995 and No. 22236. An opinion was requested from BRSA at 17 January 2003 as to whether the capital entries before 8 August 1995 would be taken into consideration regarding the inflation adjustments on the financial statements in accordance with AAR 14 principles.

In its reply dated 23 January 2003, the BRSA quoted 2nd paragraph of Article 1 "Purpose and scope" of the Banking Act No. 4389 "The banks incorporated or to be incorporated in Turkey and the branches in Turkey of the banks incorporated or to be incorporated abroad shall be governed by provisions of this Act.", and stated that in line with the mentioned regulation, only banks incorporated in Turkey and the branches in Turkey of the banks incorporated abroad are subject to the provisions of the Banking Act.

Since the operations of the Bank were not governed by the provisions of the Banking Act from 12 July 1991, when İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) was first established and registered, to 8 August 1995, when its commercial title was changed and published in the Trade Registry Gazette to İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), inflation adjusted financial statements in accordance with AAR 14 should be prepared only for operations commencing on 8 August 1995. Accordingly, the inflation adjustments of the Bank were performed as of 8 August 1995.

b.2 Other valuation basis:

Methods used in valuation of asset and liability items related to the preparation of the financial statements are disclosed in the related accounting policies.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

II. EXPLANATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank has no embedded derivative instruments. The Bank has no derivative instruments used for hedging purposes as stated in the Communiqué 1 on the Accounting Application Regulation "Accounting of Financial Instruments".

III. OFFSETTING FINANCIAL INSTRUMENTS

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

IV. INTEREST INCOME AND EXPENSE

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis. When the Bank management estimates and judges that the collection becomes doubtful, then the interest income is not recognized until the collection is made.

V. FEE AND COMMISSION INCOME AND EXPENSE

The Bank performs custody and settlement of the marketable securities, precious metals and other securities arising from the purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the ISE and on other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the investors; performs the procedures related to the obtaining of bonus shares, use of subscription rights, timely collection of dividends, principal and interest, exchange of the certificates representing the marketable and other securities and additional financial services.

Due to its above operations, the Bank receives custody and service commission charges from its customers and these fees and commissions, which are recorded as other operating income, are accrued on a monthly basis.

VI. TRADING SECURITIES

Trading securities are initially recognized at cost, which includes transaction costs. Trading securities which are traded in the stock exchange markets are subsequently remeasured at fair value based on the quoted bid prices, whereas trading securities which are not traded are remeasured by the prices declared by the CBT. As explained in detail in Section F: "Other Explanations and Footnotes", the realized gains and losses and related interest income/expense accruals of the trading securities are recorded in related income statement accounts, unless the securities belong to problematic members.

VII. SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS

At 31 December 2002, the Bank has no securities sold subject to repurchase agreements.

Funds given against securities purchased under agreements to resell amount to TL 2,173 billion and are accounted under "Receivables From Reverse Repo Transactions" on the balance sheet. The difference between sale and repurchase price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the internal rate of return method. The interest income accrual calculated is disclosed under other liabilities as a liability when the repurchase agreements are related to problematic members, as described in detail in Section F: "Other Explanations and Footnotes".

The Bank has no marketable securities subject to securities lending transactions.

VIII. INVESTMENT SECURITIES HELD-TO-MATURITY, INVESTMENT SECURITIES AVAILABLE-FOR-SALE, ORIGINATED LOANS AND RECEIVABLES

The Bank classifies and accounts for its financial assets as “Trading”, “Available-for-sale”, “Originated loans and receivables” and “Held-to-maturity”. Sale and purchase transactions of the financial assets mentioned above are recognized at the “transaction dates”. The appropriate classification of financial assets of the Bank is determined at the time of purchase.

Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective yield, is lower than its carrying value, then it is concluded that the asset under consideration is impaired. Provision is made for the diminution in value of the impaired financial asset and is charged against the income for the year.

a. Investment securities held-to-maturity:

Held-to-maturity investments are securities with fixed maturity and fixed or determinable payments where management has the intent and ability to hold the investments to maturity, excluding the originated loans and receivables. Held-to-maturity securities are initially recognized at cost, and subsequently carried at amortized cost using the effective yield method. Interest earned whilst holding held-to-maturity securities is reported as interest income.

The Bank has no financial assets that were initially classified as held-to-maturity; however, due to subsequent changes in classification, which will not be classified as held-to-maturity investments for the following two years. There is no diminution in value for the held-to-maturity securities and no provision for impairment is made.

Prior to the introduction of the Accounting Application Regulation, held-to-maturity securities were classified in the investment securities and are valued with the straight-line method since they were given as collateral.

b. Investment securities available-for-sale:

Available-for-sale investment securities consist of securities, which are not classified as “Originated loans and receivables”, “Held-to-maturity” and “Trading”.

Available-for-sale investment securities are initially recorded at cost and are subsequently remeasured at fair value based on quoted bid prices. When the prices cannot be determined reliably then the amortized cost using the effective yield method is considered as fair value. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in the shareholders’ equity as “Marketable securities value increase fund”, unless there is a permanent decline in the fair value of such assets or they are disposed. When these securities are disposed or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

c. Originated loans and receivables:

Loans and receivables originated by the Bank by providing money directly to the borrower or to a sub-participation agent at draw down are categorized as originated loans and receivables and are carried initially at cost and subsequently recognized at the amortized cost calculated by using effective yield. The expenses incurred for the assets received as collateral are not considered as transaction costs, and are included in the expense accounts.

IX. ORIGINATED LOANS AND RECEIVABLES AND SPECIFIC PROVISIONS

The Bank extends loans in order to provide funds for brokerage firms. However, the Bank does not provide general loan provision, because it is not governed by provisions of the 1st and 12th paragraph of the 11th Article of the Banking Act No. 4389 modified by Laws No. 4672 and 4491 and the “Decree Related to Principles and Procedures on Determining the Qualifications of Bank Loans with Required Reserves and Other Claims and on Reserves to be Held” published in the Official Gazette dated 30 June 2001, No. 24448, since it is an investment bank. There is no specific provision for loans required to be made in accordance with the prevailing regulations and there is no evidence for uncollectibility of loans.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

X. GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank has no goodwill at 31 December 2002.

Other intangible assets carried at historical cost less accumulated amortisation and provision for impairment are restated to the equivalent purchasing power at 31 December 2002.

Amortisation is calculated using the straight-line method over the approximate useful lives of the related assets. The useful life is five years for other intangible assets and it is three years for special costs. The useful life of the asset is determined by assessing the expected useful time of the asset, technical, technologic and other type of worn out and all required maintenance expenses done to utilize the economic benefit from the asset.

The Bank does not expect material changes in the estimation of useful lives, depreciation methods or residual value's that may have a significant impact on current period or future periods.

XI. PROPERTY AND EQUIPMENT

Property and equipment, carried at historical cost less accumulated depreciation and provision for impairment, are restated to the equivalent purchasing power at 31 December 2002. Depreciation is calculated over the restated amounts of property and equipment using the straight-line method. The expected useful lives are stated below:

Buildings	50 years
Machinery, furniture, fixtures and vehicles	5 years

The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in the property and equipment.

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realisable value and value in use"), it is written down immediately to its recoverable amount and the provision for impairment is charged to income statement. For the determination of the net realizable value, the headquarter building of the Bank, which is the most significant item in the property and equipment at 31 December 2002, has been valued by an independent real estate appraisal firm.

Gains and losses on disposal of property and equipment are determined by deducting the net book value of the property and equipment adjusted according to the purchasing power at 31 December 2002 from cash sales revenue adjusted according to the purchasing power at 31 December 2002.

Expenditure for the repair and renewal of property and equipment is charged against income. The capital expenditures made in order to increase the capacity of the tangible asset to increase the future benefit of the asset are added to the cost of the tangible asset. The capital expenditures are composed of the expenses made in order to increase the useful life of the asset, increase the capacity of the asset, increase the quality of the services given or the products produced and decrease the cost of the production.

There are no pledges, mortgages and other precautions and commitments given to acquire property and equipment.

The Bank does not expect any changes in the accounting estimates that will have a significant impact in the current period or that may have a significant impact on future periods.

XII. LEASING TRANSACTIONS

The Bank enters into financial leasing transactions as lessee. Assets acquired under finance lease agreements are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the lease term or the useful life of the asset, whichever is shorter.

The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The Bank did not terminate any finance lease agreements before expiry of the lease period expired at 31 December 2002.

The Bank does not engage in financial leasing transactions as lessor.

XIII. PROVISIONS AND COMMITMENTS

Provisions and contingent liabilities are accounted for in accordance with the Communiqué 8 on the Accounting Application Regulation “Standard for Provisions, Contingent Liabilities and Contingent Assets”.

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When a reliable estimate of the amount of obligation cannot be made, contingent liability exists. A provision is recognized when it is probable that the contingent event will occur; and a reliable estimate can be made.

XIV. OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Provision for notice pay and employment termination benefit liability is calculated in accordance with AAR 10, by taking the simple arithmetical average of the ratio of the actual payment to the total liability calculated by using the ceiling announced in accordance with the Labour Law No. 1475 for the last five years before the balance sheet date.

The Bank has provided for the liabilities arising from short-term employee rights and notice pay and employment termination benefit rights of the employees as at 31 December 2002.

The five-year simple arithmetical average of actual payment rates which is the basis for provision for liabilities arising from employment termination benefits and notice pay is 4% for employee termination benefit and 3% for notice pay.

As at 31 December 2002, the Bank has no employees with fixed period agreements, with end dated of more than 12 months starting from the balance sheet date.

The İMKB Takas ve Saklama Bankası Kefalet Sandığı (ISE Settlement and Custody Bank Inc. Compensation Fund) (the “Fund”), in which 29 of total 230 employees of the Bank participate, is established in order to pay to the Bank any probable deficit or charge or abuse which might be due by the members. The Bank has no liabilities to the Fund.

XV. TAXES

According to the new Tax Law No. 4369 published in the Official Gazette dated 29 July 1998, effective from 1 January 1999, the corporate tax rate, including fund, is 33%.

Before the above-mentioned law change, the Bank was subject to withholding tax calculated on the gross dividends to be paid even if the dividends were not distributed. Subsequent to the law change, the Bank became subject to withholding tax on the gross dividend only when it is paid. Therefore, as explained above, the Bank will only be subject to corporation tax at a rate of 33% and will not be subject to any withholding tax on gross dividends unless dividends are paid. If the profit is distributed, then the Bank will be subject to withholding tax calculated on gross dividends at a specific rate.

Income exempt from corporation tax (except for dividend income received, including investment allowance incentive) is subject to withholding tax at a specific rate, regardless of whether the profits are distributed.

An increase in capital using distributable profit is not considered as a profit distribution and thus there is no withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% on their corporate income. Advance tax is payable by the 15th of the second month following each calendar quarter-end. Advance tax paid by corporations is credited against the annual corporation tax liability.

Under the Turkish taxation system, losses can be carried forward to be offset against future taxable income for up to five years.

There is no accounting standard in the AAR related to deferred taxes, which has become effective since 1 October 2002. Nevertheless, the Bank has calculated deferred taxes for the temporary differences which are deductible from the tax base in the coming periods in accordance with the tax legislation. The Bank has calculated TL 199 billion deferred tax asset in accordance with the tax legislation and this amount is reflected in the financial statements.

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XVI. ADDITIONAL EXPLANATION ON BORROWINGS

Trading liabilities are valued at fair value and all other financial liabilities subsequent to the initial recognition are carried at amortised cost using the effective interest rate method.

There are no hedging techniques used for the liabilities that represent the borrowing.

XVII. PAID-IN CAPITAL AND TREASURY STOCK

During 2002, the Bank has distributed to its shareholders official certificates as a substitute for common stocks in the capital increase amount.

The dividends that are announced after the balance sheet date are disclosed in the notes to the financial statements.

XVIII. AVALIZED DRAFTS AND ACCEPTANCES

The Bank has no avalized drafts and acceptances. There are no avalized drafts and acceptances as to the equivalent of assets as liability.

XIX. GOVERNMENT GRANTS

At 31 December 2002, the Bank has no government grants.

XX. ISE GUARANTEE FUND

The ISE Guarantee Fund is created from the sources of ISE in order to prevent possible delays in the settlement of the marketable securities. The Fund assures that the members with receivable balances are not affected by delays in payments by members with payable balances. The ISE Guarantee Fund is included in the Money Markets and Other External Resources components of the balance sheet.

XXI. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated into Turkish lira by using exchange rates prevailing at the dates of transactions. The foreign currency monetary assets and liabilities are translated with the exchange rates at the balance sheet date. At 31 December 2002, the Bank has no non-monetary foreign currency assets. Gains and losses resulting from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement under the account of net foreign exchange income/expense.

XXII. CORRECTIONS MADE DUE TO THE FIRST-TIME APPLICATION OF THE ACCOUNTING APPLICATION REGULATIONS

The Bank has started to apply AAR communiqués, which have become effective as of 1 October 2002, retrospectively. Therefore, the Bank has calculated the effects of application of AAR communiqués which have become effective since 1 October 2002 in its financial statements at 31 December 2001 and accounted for this effect in its accumulated profit and loss accounts at 1 January 2002. The amounts accounted in the accumulated profit and loss accounts at 1 January 2002 related to the first-time application of AAR communiqués effective as of 1 October 2002 and relevant AAR communiqués are disclosed below.

The Communiqué 10 on Accounting Application Regulation - Standard for Accounting of Employee Rights:	
Provision for liabilities arising from employee termination benefits and notice pay	1,286
The Communiqué 1 on Accounting Application Regulation - Standard for Accounting of Financial Instruments:	
Valuation difference in the held-to-maturity investment securities	(179)
The Communiqué 4 on Accounting Application Regulation - Standard for Accounting of Leasing Transactions:	
Finance leasing transactions as lessee	3,476
Other	39
Total	4,622

Therefore, prior period income/loss account amounting to TL 31,934 billion on the opening balance sheet at 31 December 2001 has been recalculated as TL 27,312 billion after reflecting the effect of adjustments mentioned above.

XXIII. RECLASSIFICATIONS

Where necessary, comparative figures of the prior year (31 December 2001), have been reclassified to conform to changes in presentation in the current year.

D- INFORMATION RELATED TO FINANCIAL POSITION

I. STRATEGY OF USING FINANCIAL INSTRUMENTS AND EXPLANATIONS ON FOREIGN CURRENCY TRANSACTIONS

- a. In the current year, the Bank has utilized its resources in interbank money markets and treasury bills and government bonds. These instruments have higher yields compared to other financial instruments and bear lower risk. Maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in interbank money markets. The most significant resource is the share capital of the Bank. The other resources comprise the short-term placements of the members, and their utilization is short-term. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has no field of operations for which a return is achieved above the average return calculated for operations and off-balance sheet risks.

In accordance with the Articles of Association, the Bank carries on transactions only in interbank money markets. Accordingly, exchange rate and interest rate volatility are managed by maintaining the asset and liability equivalence. Related to the transactions in interbank money markets, the transaction limits determined in these markets are established as risk limits.

- b. The Bank has no available-for-sale foreign currency equity instruments. In order to hedge interest rate risk arising from fixed or floating rate deposits, the Bank prefers short-term transactions.
- c. The Bank hedges foreign currency risk arising from foreign currency denominated transactions by offsetting foreign currency liabilities with foreign currency assets.
- d. The Bank has no investments in foreign entities.

II. CAPITAL ADEQUACY RATIO

- a. The capital adequacy ratio of the Bank is 322%, which is significantly higher than the minimum required ratio of 8% as stipulated in the legislation.
- b. In the calculation of the capital adequacy ratio, the Bank has used “Market Risk Measurement with Standard Method Procedure” in accordance with the 18th article of the “Communiqué on the Measurement and Evaluation of the Banks’ Capital Adequacy” published in the Official Gazette dated 31 January 2002 and No. 24657.

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Information related to capital adequacy ratio: Billion TL, %

	Risk Weights							
	Bank				Consolidated (*)			
	0%	20%	50%	100%	0%	20%	50%	100%
Risk Weighted Assets, Liabilities and Non-Cash Loans								
Balance Sheet items (Net)	133,731	1,585	3,382	23,413	-	-	-	-
Cash	3	-	-	-	-	-	-	-
Banks	2,076	150	-	6,718	-	-	-	-
Interbank money market placements	114,500	-	-	-	-	-	-	-
Receivables from reverse repo transactions	2,173	-	-	-	-	-	-	-
Reserve deposits	1,898	-	-	-	-	-	-	-
Special finance houses	-	-	-	-	-	-	-	-
Loans	126	245	-	7,430	-	-	-	-
Loans under follow-up (Net)	-	-	-	-	-	-	-	-
Subsidiaries, associates and investments held-to-maturity	-	-	-	-	-	-	-	-
Miscellaneous receivables	2	1,190	-	212	-	-	-	-
Marketable securities held-to-maturity (Net)	-	-	-	-	-	-	-	-
Advances for assets acquired by financial leasing	-	-	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-	-	-
Leased assets (Net)	-	-	3,382	-	-	-	-	-
Fixed assets (Net)	-	-	-	9,035	-	-	-	-
Other assets	12,953	-	-	18	-	-	-	-
Off-balance sheet items	745,304	28,661	135	3,301	-	-	-	-
Guarantees and pledges	744,806	28,627	-	3,290	-	-	-	-
Commitments	-	-	135	-	-	-	-	-
Other off-balance sheet items	-	-	-	-	-	-	-	-
Transactions related with derivative financial instruments	-	-	-	-	-	-	-	-
Interest and income accruals	498	34	-	11	-	-	-	-
Non-risk weighted accounts	-	-	-	-	-	-	-	-
Total risk weighted assets	879,035	30,246	3,517	26,714	-	-	-	-

Summary information about the consolidated and bank-only capital adequacy ratio:

	Banks		Consolidated (*)	
	Current Period	Prior Period	Current Period	Prior Period
Total risk weighted assets (***)	37,097	34,820	-	-
Shareholders' Equity	119,525	106,795	-	-
Shareholders' Equity/Total risk weighted assets (CAR (%))	322	307	-	-

(*) The Bank does not prepare consolidated financial statements.

(**) The amount includes TL 2,575 billion, which is the amount subject to market risk.

Information about the shareholders' equity items:

	Current Period	Prior Period
CORE CAPITAL		
Paid-in capital	60,000	33,540
Nominal capital	60,000	33,540
Capital commitments (-)	-	-
Capital reserves due to inflation adjustment of paid-in capital	81,741	79,385
Common stock issued premiums and cancellation profits	-	-
Legal reserves	12,787	9,246
First legal reserve (Turkish Commercial Code 466/1)	12,787	9,246
Second legal reserve (Turkish Commercial Code 466/2)	-	-
Other legal reserve per special legislation	-	-
Statutory reserves	-	-
Extraordinary reserves	3,219	2,449
Reserves allocated by the General Assembly	3,219	2,449
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Profit	23,806	15,382
Current period profit	23,806	15,382
Prior period profit	-	-
Loss (-)	(60,680)	(31,934)
Current period loss	-	-
Prior period loss	(60,680)	(31,934)
Total Core Capital	120,873	108,068
SUPPLEMENTARY CAPITAL		
Revaluation Fund	-	-
Securities	-	-
Immovables	-	-
Associates and subsidiaries to be transferred to share capital	-	-
Profit on sale of associates, subsidiaries and buildings to be transferred to share capital	-	-
Revaluation fund of leasehold improvement	-	-
Increase in the value of revaluation fund	-	-
Foreign exchange differences	-	-
General reserves	-	-
Provisions for possible losses	-	-
Subordinated loans	-	-
Marketable securities and investment securities value increase fund	-	-
Associates and subsidiaries	-	-
Investments available-for-sale	-	-
Investments held for structural transactions	-	-
Total Supplementary Capital	-	-
TIER III CAPITAL	-	-
CAPITAL		
DEDUCTIONS FROM THE CAPITAL	1,348	1,273
Investments in unconsolidated financial companies whose main activities are money and capital markets, or insurance and that operate with licenses provided in accordance with special laws	1,035	983
Leasehold improvements	5	24
Installation costs	-	-
Prepaid expenses	308	266
The negative difference between the market values and the carrying amounts for unconsolidated investments, subsidiaries, other investments and fixed assets	-	-
Subordinated loans given to other banks which operate in Turkey	-	-
Goodwill (Net)	-	-
Capitalised expenses	-	-
Total Shareholders' Equity	119,525	106,795

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III. CREDIT RISK

1. The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

The credit limits are determined according to the types of the loans of the Bank. The credit limits are determined as cash and non-cash limits by taking into consideration the types of loans. The loans given are classified as (1-12) month, (12-24) month or (24+) month maturities, and the Bank can extend short-term loans for a maximum of 1 month. The loans of the Bank aim to fund the debts of intermediary institutions in the stock and bond market. Since the Bank guarantees when a security is not returned by the borrower the payment and collection and securities borrowing operations in the Takasbank Money Market, which is similar to interbank money market; these transactions are followed under non-cash loan items. The Bank gives loans to employees in accordance with the legislation.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily. The creditworthiness of borrowers is monitored regularly in accordance with the related legislation, financial statements and other financial reports are taken from borrowers of extended loans in accordance with the related legislation. The credit limits are amended according to the financial positions of the companies and collaterals against credits are taken in accordance with the application principles for loans.

After the financial analysis, investigation and other analyses are performed on the companies applying for loans, and the loan limits are proposed to the Board of Directors for approval. When these loan limits are approved by the Board of Directors, they become effective. Revision of loan limits is performed every six-months unless there is no significant change in the financial situation of the companies.

2. The Bank has no forward and option contracts or any other similar agreements.
3. The Bank has not been faced with credit risk exposure since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short-term, no transactions to minimize or terminate its credit risk exposure have been required.
4. The Bank has no defaulted non-cash loans, restructured loans or long-term commitments.
5. The Bank has no banking and lending activities in foreign countries.
6.
 - a. The proportion of the largest 100 cash loan balances in the total cash loan portfolio of the Bank is 100%.
 - b. The proportion of the largest 100 non-cash loan balances in the total non-cash loan portfolio of the Bank is 100%.
 - c. The proportion of the largest 100 cash and non-cash loan balances in the total loans and off-balance sheet non-cash loans is 100%.
7. There is no general provision amount for credit risk since the Bank is an investment bank; liquid guarantees and guarantees of a similar nature are taken.

Information according to geographical concentration:

	Assets	Liabilities	Non-cash Loans	Capital Expenditures	Net Profit
Current Period					
Domestic	206,927	93,848	776,723	983	23,547
European Union Countries	70	-	-	-	3
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	6,741	-	-	-	256
Other Countries	-	-	-	-	-
Unallocated Assets/Liabilities **	-	-	-	-	-
Total	213,738	93,848	776,723	983	23,806
Prior Period					
Domestic	166,843	-	908,225	983	15,280
European Union Countries	110	-	-	-	1
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	9,666	-	-	-	101
Other Countries	-	-	-	-	-
Unallocated Assets/Liabilities **	-	-	-	-	-
Total	176,619	-	908,225	983	15,382

* OECD Countries other than EU countries, USA and Canada

**Unallocated assets/liabilities which could not be distributed according to a consistent principle

Sector concentrations for cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel, food and beverage services	-	-	-	-	-	-	-	-
Transportation and telecommunication	-	-	-	-	-	-	-	-
Financial institutions	7,801	100	-	-	4,371	100	-	-
Real estate and renting services	-	-	-	-	-	-	-	-
Self-employed services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	7,801	100	-	-	4,371	100	-	-

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IV. MARKET RISK

Fund management strategy is established for the purpose of preventing liquidity problems, supplying optimization in the risk-return equilibrium, and utilization of resources with maximum productivity by taking the minimum level of risk. In accordance with the fund management strategy applied, the transactions are carried out with the banks approved by the Board of Directors, unnecessary foreign currency transactions are not performed and foreign currency position is kept square, derivative instruments are not used, and no securities other than the Public Sector Debt Securities are included in the securities portfolio of the Bank. The strategy applied has focused on the estimation of the changes in the TL interest rates; the Bank tries to obtain optimum maturity distribution by utilizing long-term instruments when interest rates are expected to fall, and short-term instruments when increase in the interest rates are expected to rise.

The senior management of the Bank continuously monitors the Bank's portfolio distribution on the basis of maturity and other terms of instruments. The transactions of the treasury are exercised with the approval and instructions of the senior management and the fund management strategy, if deemed necessary due to the changes in the markets, is revised by the senior management. The realized transactions are followed and controlled by the Internal Control Center and Risk Management Group, which are directly dependent on the Management Committee.

The amount subject to market risk is calculated and reported with the Standard Method described in the 4th section of the "Communiqué related to the Measurement and Evaluation of the Banks' Capital Adequacy", published in the Official Gazette dated 31 January 2002 and No. 24657. Market risk is measured monthly.

	Balance
Capital to be employed for interest rate risk - Standard method	206
Capital to be employed for general market risk	206
Capital to be employed for specific risk	-
Capital to be employed for options subject to interest rate risk	-
Capital to be employed for common stock position risk - Standard method	-
Capital to be employed for general market risk	-
Capital to be employed for specific risk	-
Capital to be employed for options subject to common stock position risk	-
Capital to be employed for currency risk - Standard method	-
Capital liability	-
Capital to be employed for options subject to currency risk	-
Total Value-at-Risk (VAR) - Internal model	-
Total capital to be employed for market risk	206
Amount subject to market risk	2,575

V. CURRENCY RISK

1. The Bank is subject to the reserve and liquidity requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Market for Transactions with a Fixed Term, cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of banks and brokerage firms except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made on foreign currency. Therefore, the Bank performs its obligations in two-week periods in ratios designated in blocked and average accounts of the Central Bank of Turkey ("CBT"). The foreign currency amounts, kept due to the reserve and liquidity requirements, are making an excess in the amount of assets with regard to the ratio of assets to liabilities, the Bank is not exposed to currency risk since the currency risk ratio is close to 1. Therefore, the Board of Directors of the Bank has not set limits for positions, which are followed daily.
2. Since the Bank is not exposed to foreign currency risk, there are no derivatives used for foreign currency debts and net foreign currency investment
3. The Bank's foreign currency risk management strategy is the management of assets and liabilities in a way not to be affected by the exchange rates of transactions from foreign currency assets and liabilities.
4. The Bank's spot foreign exchange bid rates as of the date of the financial statements and for each five days prior to that date:

	US Dollar	EURO	Japanese Yen
At 31 December 2002	TL 1,634,501	TL 1,703,477	TL 13,678
At 30 December 2002	TL 1,651,207	TL 1,714,448	TL 13,741
At 27 December 2002	TL 1,633,732	TL 1,691,403	TL 13,580
At 26 December 2002	TL 1,649,711	TL 1,701,512	TL 13,682
At 25 December 2002	TL 1,669,897	TL 1,717,823	TL 13,866
At 24 December 2002	TL 1,642,126	TL 1,691,553	TL 13,667

5. The simple arithmetical average of the Bank's foreign exchange bid rates for the last thirty days is TL 1,577,763 for 1 US dollar, TL 1,596,401 for 1 EURO, TL 12,951 for 1 Japanese Yen.

Information on currency risk of group: Foreign currency amounts (TL Billion)

	EURO	USD	Yen	Other FC	Total
Current Period					
Assets					
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	45	-	-	45
Due from other banks and financial institutions	13	6,854	-	1	6,868
Trading securities	-	-	-	-	-
Investment securities available-for-sale	-	-	-	-	-
Loans	-	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-	-
Investment securities held-to-maturity	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other assets	-	91	-	-	91
Total Assets	13	6,990	-	1	7,004
Liabilities					
Banks deposits	-	-	-	-	-
Foreign currency deposits	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	-	-
Marketable securities issued	-	-	-	-	-
Miscellaneous payables	5	6,489	-	-	6,494
Other liabilities	-	7	-	-	7
Total Liabilities	5	6,496	-	-	6,501
Net On-Balance Sheet Position	8	494	-	1	503
Net Off-Balance Sheet Position					
Financial derivative assets	-	-	-	-	-
Financial derivative liabilities	-	-	-	-	-
Non-cash loans	-	-	-	-	-
Prior Period					
Total assets	30	11,059	-	-	11,089
Total liabilities	27	10,805	-	-	10,832
Net on-balance sheet position	3	254	-	-	257
Net off-balance sheet position	-	-	-	-	-
Non-cash loans	-	-	-	-	-

VI. INTEREST RATE RISK

- Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured monthly.
- The Bank is utilizing the funds from its equity and miscellaneous payables and other liabilities excluding the non-current assets on placements, trading securities, interbank money markets and securities purchasing loans. For this reason, the fluctuations in the market interest rates affect the Bank's financial position and cash flows. If the inflation rate increase and interest rate are in line with the estimations of the CBT, no decrease or increase is expected in the interest income. The Board of Directors has no limitations on daily interest rates.
- The Bank is exposed to interest rate risk arising from the effect of interest rate fluctuations on interest sensitive assets and liabilities. These risks are managed by the balancing of interest rate sensitive assets and liabilities. The strategy applied is based on the estimation of changes in TL interest rates, when a long-term decline in interest rates is expected, when an increase is expected, short-term instruments are used in order to maintain optimum maturity distribution. The Bank does not purchase any marketable securities other than Treasury Bills and Government Bonds in the marketable security portfolio and the maturity for these securities is between 1 month and 12 months. Through the application of these strategies, interest rate risk is minimized. This fact will have a positive effect on the net income and shareholders' equity of the Bank in the future period.

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Information related to the interest rate mismatch of the Bank:

(Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates):

Current Period	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 Year and Over	Demand	Total
Assets							
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	2,079	2,079
Due from banks and other financial institutions (*)	123,391	-	-	-	-	150	123,541
Trading securities	285	63	957	1,949	-	-	3,254
Investment securities available-for-sale	-	-	-	-	-	52	52
Loans	7,801	-	-	-	-	-	7,801
Investment securities held-to-maturity	9,610	4,881	5,483	18,964	-	-	38,938
Other assets (***)	5,730	1,698	1,540	2,000	-	28,088	39,056
Total assets	146,817	6,642	7,980	22,913	-	30,369	214,721
Liabilities							
Bank deposits (**)	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Miscellaneous payables	3,831	-	-	-	-	12,018	15,849
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	-	-	-	-
Other liabilities	48,579	-	-	-	-	29,420	77,999
Total liabilities	52,410	-	-	-	-	41,438	93,848
On-balance sheet interest sensitivity gap	94,407	6,642	7,980	22,913	-	(11,069)	120,873
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	94,407	6,642	7,980	22,913	-	(11,069)	120,873

(*) Interbank money market placements are included in "Due from banks and other financial institutions" line.

(**) Interbank money market takings are included in "Bank deposits" line.

(***) "Other assets" line includes Subsidiaries, Reserve Deposits, Miscellaneous Receivables, Interest and Income Accruals, Tangible Fixed Assets, Intangible Fixed Assets and Other Assets.

Prior Period	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 Year and Over	Demand	Total
Assets							
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	152	-	-	-	-	1,720	1,872
Due from banks and other financial institutions (*)	115,708	-	-	-	-	56	115,764
Trading securities	2,554	-	77	-	-	-	2,631
Investment securities available-for-sale	-	-	-	-	-	-	-
Loans	4,371	-	-	-	-	-	4,371
Investment securities held-to-maturity	-	13,736	-	-	-	-	13,736
Other assets (***)	242	7,101	5	-	-	31,880	39,228
Total assets	123,027	20,837	82	-	-	33,656	177,602
Liabilities							
Bank deposits (**)	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Miscellaneous payables	7,769	-	-	-	-	12,186	19,955
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	-	-	-	-
Other liabilities	15,402	-	-	-	-	34,177	49,579
Total liabilities	23,171	-	-	-	-	46,363	69,534
On-balance sheet interest sensitivity gap	99,856	20,837	82	-	-	(12,707)	108,068
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-
Total interest sensitivity gap	99,856	20,837	82	-	-	(12,707)	108,068

(*) Interbank money market placements are included in "Due from banks and other financial institutions" line.

(**) Interbank money market takings are included in "Bank deposits" line.

(***) "Other assets" line includes Subsidiaries, Reserve Deposits, Miscellaneous Receivables, Interest and Income Accruals, Tangible Fixed Assets, Intangible Fixed Assets and Other Assets.

Average interest rates applied to monetary financial instruments:

Current Period	EURO %	USD %	Yen %	TL %
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	25.0
Due from banks and other financial institutions	-	1.55	-	64.3
Trading securities	-	-	-	62.5
Investment securities available-for-sale	-	-	-	-
Loans	-	-	-	54.7
Investment securities held-to-maturity	-	-	-	70.5
Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Prior Period				
	EURO %	USD %	Yen %	TL %
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from banks and other financial institutions	-	2.31	-	119.6
Trading securities	-	-	-	114
Investment securities available-for-sale	-	-	-	-
Loans	-	-	-	106.63
Investment securities held-to-maturity	-	-	-	79.1
Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	-	-	-	-

The interest rates stated above are compound interest rates.

VII. LIQUIDITY RISK

1. The Bank management takes guarantees for Stock Exchange Money Market and settlement transactions and places TL funds in short-term in order to remain liquid. The Bank does not carry foreign currency positions.

The effective management of the risks arising from money market instruments is the fundamental strategy of the management. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank has a position as seller in the Interbank Money Market and CBT Interbank markets. The Bank has no term based funds borrowed. The Turkish lira and foreign currency sales transactions with banks are exercised within the limits determined by the senior management and monitored by the internal audit and inspection units.

2. The interest rates of payments, assets and liabilities match. Since there is no mismatch, there is no need for the measurement of the effect on profitability.
3. The Bank's short and long-term liquidity need is met by its own resources.
4. The Bank's cash flows are utilized in short-term investments and public sector debt securities depending upon its equity and the funds of cash collaterals obtained due to the amounts remaining in the unrestricted accounts of the members, stock exchange money market, derivative instruments market, securities purchasing loan and securities borrowing operations. There is no need for maintaining liquidity by the overnight or one-week funds from interbank money market.

The Bank manages the liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, close the open positions and fund loan requirements.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

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Presentation of assets and liabilities according to their outstanding maturities:

	Demand (*)	1-3 Months	3-6 Months	6-12 Months	1 Year and over	Total
Current Period						
Assets						
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	2,079	-	-	-	-	2,079
Due from banks and other financial institutions (**)	123,541	-	-	-	-	123,541
Trading securities	285	63	957	1,949	-	3,254
Investment securities available-for-sale	52	-	-	-	-	52
Loans	7,801	-	-	-	-	7,801
Investment securities held-to-maturity	9,610	4,881	5,483	18,964	-	38,938
Other assets (****)	7,134	1,698	14,493	2,000	-	39,056
Total assets	150,502	6,642	20,933	22,913	-	214,721
Liabilities						
Bank deposits (***)	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-
Funds provided from other financial instruments	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-
Miscellaneous payables	15,849	-	-	-	-	15,849
Other liabilities	54,940	5,460	23,059	-	-	77,999
Total liabilities	70,789	5,460	23,059	-	-	93,848
Net Liquidity Gap	79,713	1,182	(2,126)	22,913	-	120,873
Prior Period						
Total assets	140,603	7,183	17,804	-	-	177,602
Total liabilities	19,863	23,171	26,500	-	-	69,534
Net Liquidity Gap	120,740	(15,988)	(8,696)	-	-	108,068

(*) Maturities of up to one month are stated in demand column.

(**) Interbank money market placements are included in "Due from banks and other financial institutions" line.

(***) Interbank money market takings are included in "Banks deposits" line.

(****) "Other assets" line includes Subsidiaries, Reserve Deposits, Miscellaneous Receivables, Interest and Income Accruals, Tangible Fixed Assets, Intangible Fixed Assets and Other Assets.

VIII. PRESENTATION OF ASSETS AND LIABILITIES WITH THEIR FAIR VALUES:

The following table summarizes the carrying amounts and fair values of the financial assets and liabilities that are not carried at fair value in the financial statements.

The marketable securities held for investment consist of interest bearing held-to-maturity assets. The fair value of held-to-maturity assets is based on market prices or when this information is not available, broker/dealer price quotations for securities with similar yield, maturity and other terms are used. The Bank has no obligations resulting from deposits and issuance of marketable securities.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	170,836	137,314	171,342	137,390
Due from banks and other financial institutions	123,836	116,477	123,836	116,477
Investment securities available-for-sale	52	-	52	-
Investment securities held-to-maturity	46,948	20,837	47,454	20,913
Financial Liabilities	15,849	19,955	15,849	19,955
Interbank money market deposits	-	-	-	-
Other deposits	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Marketable securities issued	-	-	-	-
Miscellaneous payables	15,849	19,955	15,849	19,955

IX. ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS

1. The Bank carries out trading, custody, management and consulting services on others' behalf and account.

According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and performing the settlement of cash and security commitments arising from the purchases and sales in the stock exchanges. The Bank realizes transactions necessary for transfers, settlement, entrance, and discharge of debts, securities obtained for custody and other marketable securities; bonus share purchasing, collection of interest and capital at maturity, dividends, amendment of documents representing the securities and other marketable securities and similar financial services. The Bank also provides settlement and the custody of collaterals of transactions in the derivative instruments market established under ISE.

2. The Bank has no trust transactions.

X. OPERATIONAL SEGMENTS

- a. The Bank renders settlement and custody services under its investment bank status and does not engage in commercial banking activities such as private banking, private customer current accounts, deposits, credit and ATM cards, consumer loans.
- b. In the Bank, fund transfers, current accounts, deposits, overdrafts, loans and other credit facilities, forward transactions and options and other similar derivative products facilities do not exist as in corporate banking.
- c. In the Bank, the trading in financial instruments, fund management, structured finance, leasing, merger and acquisition advice activities do not exist as in investment banking.
- d. In the Bank, corporate finance transactions and activities in the IT sector including computer services do not exist.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

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E- INFORMATION AND DISCLOSURES RELATED TO FINANCIAL STATEMENTS

I. INFORMATION AND DISCLOSURES RELATED TO ASSETS:

1. Information related to the account of the Central Bank of Turkey:

	Current Period	Prior Period
Demand Unrestricted Amount	2,076	1,716
Time Unrestricted Amount	-	152
Total	2,076	1,868

2. Additional information related to trading securities should be disclosed on net basis:

a. Information on the trading securities given as guarantee/blocked:

The Bank has no trading securities given as guarantee/blocked at December 2002 and 2001.

b. Trading securities subject to repo transactions:

The Bank has no trading securities subject to repo transactions at 31 December 2002 and 2001.

3. Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union countries	70	110	-	-
USA and Canada	23	22	6,718	9,644
OECD countries*	-	-	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
Total	93	132	6,718	9,644

* EU countries, OECD countries excluding USA and Canada

4. Information on receivables from reverse repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
From domestic transactions	2,173	-	1,463	-
Central Bank of Turkey	-	-	-	-
Banks	2,173	-	1,463	-
Brokerage firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Brokerage firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-

5. Information on the available-for-sale securities:

a. The types of available-for-sale securities:

Available-for-sale securities consist of the investment in which the Bank has less than 10% shareholding, namely Izmir Derivatives Market of which the Bank has acquired 3% of the shares at 21 June 2002.

b. Information on investment securities available-for-sale:

	Current Period	Prior Period
Debt securities	-	-
Quoted in a stock exchange	-	-
Not quoted	-	-
Share certificates	52	-
Quoted in a stock exchange	-	-
Not quoted	52	-
Impairment provision (-)	-	-
Total	52	-

c. **Information on available-for-sale securities given as collateral and their carrying value:**

At 31 December 2002 and 2001, the Bank has no available-for-sale securities given as collateral.

d. **Information on the available-for-sale securities given as guarantee/blocked:**

At 31 December 2002 and 2001, the Bank has no available-for-sale securities given as guarantee/blocked.

e. **Available-for-sale securities subject to repo transactions:**

At 31 December 2002 and 2001, the Bank has no available-for-sale securities subject to repo transactions.

6. Information on credits:

a. **Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	6,793	547,433	1,225	659,325
Corporate shareholders	6,793	547,433	1,225	659,325
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	12	-

b. **Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:**

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
Non-specialisation loans	7,801	-	-	-
Discount Notes	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	7,801	-	-	-
International loans	-	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Precious metals loans (Gold, etc.)	-	-	-	-
Other	-	-	-	-
Specialised lending	-	-	-	-
Other receivables	-	-	-	-

c. **Loans according to their maturity structure:**

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or rescheduled	Loans and other receivables	Restructured or rescheduled
Short-term loans	7,801	-	-	-
Non-specialisation loans	7,801	-	-	-
Specialised loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans	-	-	-	-
Non-specialisation loans	-	-	-	-
Specialised loans	-	-	-	-
Other receivables	-	-	-	-

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d. **Information on consumer loans:**

The Bank has no consumer loans at 31 December 2002 and 2001.

e. **Loans according to type of borrowers:**

	Current Period	Prior Period
Public	-	-
Private	7,801	4,371

f. **Domestic and foreign loans:**

	Current Period	Prior Period
Domestic loans	7,801	4,371
Foreign loans	-	-

g. **Loans granted to subsidiaries and investments:**

There are no loans given to subsidiaries and affiliates.

h. **Specific provisions provided against loans:**

There are no special provisions for the loans.

i. **Information on loans and other receivables included in loans under follow-up accounts (Net):**

i.1. Information on loans and other receivables renewed, refunded or restructured, and classified under follow-up accounts:

There are no loans and other receivables renewed, refunded or restructured, and classified under follow-up accounts.

i.2. Total loans and other receivables under follow-up accounts:

The Bank has no follow-up receivables.

i.3. Information on foreign currency loans and other receivables under follow-up:

The Bank has no foreign currency loans and other receivables under follow-up.

j. **Information on collection of uncollectible loans and other receivables:**

The Bank has no uncollectible loans and receivables.

7. Information on factoring receivables of the Bank, if any:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	-	-	-
Medium and long-term	-	-	-	-

8. Information on investment securities held-to-maturity (Net):

a. **Information on investment securities held-to-maturity:**

	Current Period	Prior Period
Debt securities	38,938	13,736
Quoted in a stock exchange	38,938	13,736
Not quoted	-	-
Impairment provision (-)	-	-
Total	38,938	13,736

b. The movement of investment securities held-to-maturity:

	Current Period	Prior Period
Balance at the beginning of the period	13,736	18,070
Foreign currency differences on monetary assets	-	-
Purchases during year	43,876	16,982
Disposals through sales and repayments	(11,564)	(12,097)
Monetary loss	(7,110)	(9,219)
Impairment provision	-	-
Period-end balance	38,938	13,736

c.1. Information on accounts in which investment securities held-to-maturity recorded:

Investment securities held-to-maturity	Current Period				Prior Period			
	Historical Cost		Valuation		Historical Cost		Valuation	
	TL	FC	TL	FC	TL	FC	TL	FC
Given as collateral or blocked	38,938	-	46,948	-	13,736	-	20,837	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Collaterals on securities lending	-	-	-	-	-	-	-	-

c.2. Investment securities held-to-maturity given as collateral or blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds and similar investment securities	38,938	-	13,736	-
Other	-	-	-	-

c.3. Held-to-maturity securities subject to repo transactions:

The Bank has no held-to-maturity securities subject to repo transactions.

c.4. Held-to-maturity securities for structured position:

The Bank has no held-to-maturity securities for structured position.

9. Information on investments (Net):

a. Information on investments:

a.1. Information on investments:

At 31 December 2002 and 2001, the Bank has no investments.

a.2. Information on investments according to the order in (a.1):

At 31 December 2002 and 2001, the Bank has no investments.

a.3. Shareholders and other members of the group, which have voting, control power together with the parent and/or other members of the financial group: None

a.4. Accounting method used for the investments:

At 31 December 2002 and 2001, the Bank has no investments.

b. Information on investments:

b.1. Information on investments:

At 31 December 2002 and 2001, the Bank has no investments.

b.2. Evaluation of the investment made in investments:

At 31 December 2002 and 2001, the Bank has no investments.

b.3. The sector information and related amounts for the investments:

At 31 December 2002 and 2001, the Bank has no investments.

b.4. Investments quoted:

At 31 December 2002 and 2001, the Bank has no investments.

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b.5. Information on investments included in consolidation: None

b.6. Investments sold in the current period:

The Bank has no investments sold in the current period.

b.7. Investments purchased in the current period:

The Bank has no investments purchased in the current period.

10. Information on investments (Net):

a. Information on subsidiaries:

Although the Bank's share in Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Institution) is 65%, the Bank has not consolidated this subsidiary since its voting right is 2/7 and it has no controlling power according to the Articles of Association. The subsidiary is carried at inflation adjusted cost amounting to TL 983 billion in the financial statements.

a.1. Information on investments:

Description	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Institution)	Askerocağı Cad. No:15 K:3 Elmadag/Şişli İstanbul	29	-

Information on investments as presented in table:

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit /Loss	Prior Period Profit/Loss	Fair Value
2,136 (*)	1,137 (*)	222 (*)	604 (*)	-	14 (*)	236 (*)	-

(*) Obtained from unaudited financial statements not adjusted for inflation accounting at 31 December 2002 and 31 December 2001.

b. Information on subsidiaries:

b.1. Information on subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	983	-
Movements during the period	-	983
Purchases	-	983
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment provision	-	-
Balance at the end of the period	983	983
Capital commitments	-	-
Share percentage at the end of the period (%)	65	65

b.2. Valuation of subsidiaries:

	Current Period	Prior Period
Valuation with cost	983	983
Valuation with fair value	-	-
Valuation with equity method	-	-

b.3. Sectoral information and the related carrying amounts on subsidiaries:

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	983	983

b.4. Subsidiaries quoted on stock exchange:

At 31 December 2002 and 2001, the Bank has no subsidiaries quoted on stock exchange.

b.5. Information on subsidiaries included in consolidation: None

b.6. Subsidiaries sold in the current period:

The Bank has no subsidiaries sold in the current period.

b.7. Subsidiaries purchased in the current period:

The Bank has no subsidiaries purchased in the current period.

11. Information on other investments:

a. The commitments of the Bank relating to joint ventures:

The Bank has no joint ventures.

b. Information on joint ventures:

The Bank has no joint ventures.

c. The information regarding the Bank's joint ventures in its non-consolidated financial statements since the Bank does not prepare consolidated financial statements:

The Bank has no joint ventures.

d. Accounting policy used for joint ventures:

The Bank has no joint ventures.

12. Information on finance lease receivables (Net):

a. Presentation of remaining maturities of net investments in finance leases:

At 31 December 2002 and 2001, the Bank has no finance lease receivables.

b. The information on net investments in finance leases:

At 31 December 2002 and 2001, the Bank has no finance lease receivables.

c. Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement:

The Bank has no investments with finance lease agreements.

13. Information on receivables arising from term sales of assets included in miscellaneous receivables:

At 31 December 2002 and 2001, there are no receivables arising from term sales of assets included in miscellaneous receivables.

14. Information on accrued interest and income receivables:

a. Information on accrued interest and income receivables:

Accrued interest and income receivables	Current Period		Prior Period	
	TL	FC	TL	FC
Interest receivables	-	-	-	-
Interest accruals	11	-	33	-
Loan commissions and other income receivables	-	-	-	-
Loan commissions and other income accruals	-	-	-	-

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b. Information on other accrued interest and income receivables:

Other accrued interest and income	Current Period		Prior Period	
	TL	FC	TL	FC
Trading securities	517	-	210	-
Investment securities available-for-sale	-	-	-	-
Investment securities held-to-maturity	8,010	-	7,101	-
Interest accruals of reverse repo transactions	3	-	4	-
Interest accruals of reserve deposits	202	-	-	-
Income accruals of financial derivative instruments	-	-	-	-
Interest and income accruals	-	-	-	-
Income accrual of foreign exchange gains	-	-	-	-
Income accruals of finance leases	-	-	-	-
Other	327	-	751	-

15. Information on immovables: (Net)

	Land and buildings	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period End:					
Cost	9,428	-	793	4,873	15,094
Accumulated depreciation (-)	(531)	-	(584)	(3,420)	(4,535)
Net book value	8,897	-	209	1,453	10,559
Current Period End:					
Net book value at beginning of the period	8,897	-	209	1,453	10,559
Additions	-	6,666	578	234	7,478
Disposals (-)	-	-	(22)	(3)	(25)
Impairment charge	(1,959)	-	-	-	(1,959)
Depreciation (-)	(189)	(3,284)	(150)	(507)	(4,130)
Currency translation differences (-) -	-	-	-	-	-
Closing net book value	6,749	3,382	615	1,177	11,923

a. The amount of impairment for a single real estate property if it is material for the financial statements as a whole:

a.1. The indications and conditions for recording or reversal of impairment:

At 22 January 2003, Vakıf Gayrimenkul Ekspertiz and Değerlendirme A.Ş. made independent valuation to determine the fair value of the building listed under property and equipment of the Bank. As a result of the independent valuation, the net realizable value of the related building is found to be lower than its net book value, and accordingly impairment charge has been accounted for.

a.2. The amount of impairment recorded or reversed in the financial statements:

At 31 December 2002, the impairment on property and equipment amounts to TL 1,959 billion in the financial statements.

b. The total amount of impairment recorded and reversed in the current period which in aggregate has a material effect on the financial statements and the indications and conditions for recording or reversal of impairment:

The impairment charge recorded in the current period is TL 1,959 billion. There is no impairment reversed in the current period.

16. Information on intangible assets:

a. Useful lives and amortisation rates used:

Intangible assets are amortised over five years except for the special costs, which are amortised over three years.

b. Amortisation methods used:

For intangible assets straight line basis amortisation is used.

c. Cost and accumulated amortisation at the beginning and end of the period:

	Beginning Period	Ending Period
Cost	731	1,101
Accumulated depreciation	(499)	(602)

d. Reconciliation of movements on fixed assets for the current period:

	Current Period
Beginning balance	232
Internally generated amounts	370
Additions due to mergers, transfers and acquisitions	-
Unused and disposed items	-
Increases or decreases in the revaluation fund	-
Impairment charges	-
Reversal of impairment charges	-
Amortisation expenses (-)	103
Currency translation differences arising from foreign investments	-
Other differences in book values	-
Period-end balance	499

e. For material single intangible asset, the net book value, description and the remaining amortisation period:

The Bank has no single intangible asset which is material in the financial statements as a whole.

f. Information on intangible assets which were acquired with government incentives and initially recognized at fair value:

	Current Period
Fair value at the initial recognition	-
Book value	-

g. Information about the valuation method subsequent to the initial recognition for intangible assets that were acquired with government grants and initially recognized at fair value:

The Bank has no intangible assets that were acquired with government grants.

h. Information on the net book value of intangible assets with restricted use or pledged:

There are no intangible assets with restricted use or pledged.

i. The information on commitments given for the acquisition of intangible assets:

The Bank has no commitments given for the acquisition of intangible assets.

j. Information on intangible assets that are revalued:

The Bank has no intangible assets that are revalued.

k. Amount of research and development costs expensed in the current period, if any:

The Bank has no research and development costs expensed in the current period.

l. Information on positive or negative goodwill, which arise from the consolidation of subsidiaries:

m. Information on goodwill:

At 31 December 2002 and 2001, the Bank has no goodwill.

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- n. The carrying value of goodwill at beginning and end of the period, and movements within the period:

At 31 December 2002 and 2001, the Bank has no goodwill.

- o. The carrying value of negative goodwill at beginning and end of the period, and movements within the period:

At 31 December 2002 and 2001, the Bank has no negative goodwill.

17. Information on other assets:

- a. Information about prepaid expenses, taxes and other similar transactions:

Other assets mostly consist of prepaid taxes.

- b. The description and amounts for items, which constitute at least 20% of other assets if other assets exceed 10% of total assets, excluding off-balance sheet commitments:

There are no other assets that exceeds 10% of the total assets.

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES

1. Information about the savings deposits:

Since the Bank is an investment bank it does not accept deposits.

a.1. Information of maturity structure of the deposits: None.

a.2. Prior Period: None.

b.1. Information on savings deposits under the guarantee of Savings Deposit Insurance Fund and exceeding the limit of deposit insurance fund: None.

b.2. Information about the savings deposits of foreign banks' Turkey branches if covered by insurance in the country of the foreign bank: None.

b.3. Savings deposits, which are not under the guarantee of deposit insurance fund: None.

2. Information on funds provided from repurchase agreement transactions:

At 31 December 2002 and 2001, the Bank has no funds provided from repurchase agreement transactions.

3. Information on borrowings:

- a. Information on borrowings:

At 31 December 2002 and 2001, the Bank has no borrowings.

- b. Additional information about the concentrated areas of liabilities and the reasons of concentration based on the customers, sectors or other criteria leading to such concentration:

The liabilities of the Bank consist of taxes payable and similar payables and cash collaterals and current accounts of the members. The Bank also has liabilities regarding the amounts held due to the fact that it is managing the guarantee funds established for common stock, bond and bill markets in the ISE.

4. Information on marketable securities issued:

a.1. Information on marketable securities issued:

At 31 December 2002 and 2001, the Bank has no marketable securities issued.

a.2. Prior Period: None.

- b. Information on convertible bonds:

At 31 December 2002 and 2001, the Bank has no convertible bonds.

c. Explanation on maturity structure, interest structure and currency type of marketable securities issued:

The Bank has no issued marketable securities.

c.1. *Current Period*: None.

c.2. *Prior Period*: None.

5. Information on funds:

The Bank has no funds.

a. *Current Period*: None.

b. *Prior Period*: None.

6. Information on miscellaneous payables:

	Current Period	Prior Period
Cash collateral received	13,584	17,988
Member unrestricted and special purpose accounts	1,777	844
Blocked money (CMB Terminal Costs)	-	1,110
Other miscellaneous payables	488	13

The cash guarantees taken are composed of cash guarantees from the members to make transactions in Stock Exchange Money Market, Margin Trading Loans, Securities Borrowing Operations and ISE Forex Futures Market.

7. The description and amounts for items, which constitute at least 20% of other liabilities if other liabilities exceed 10% of total assets, excluding off-balance sheet commitments:

	Current Period	Prior Period
ISE Guarantee Fund - Share Certificates	18,071	15,402
ISE Guarantee Fund - Bonds	28,330	5,354
Other	-	1,110

8. Information on taxes payable and premiums:

a. Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	-	-
Taxation of securities	4,736	1
Property tax	-	-
Banking Insurance Transaction Tax (BITT)	244	258
Foreign Exchange Legislation Tax	-	-
Value added tax payable	-	-
Other	284	238

b. Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	50	43
Social Security Premiums-Employer	71	60
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	3	7
Unemployment insurance-Employer	7	9
Other	-	-

9. Information on factoring payables:

At 31 December 2002 and 2001, the Bank has no factoring payables.

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10. Information on financial leasing:

- a. **General information about important terms of the rent contracts, including criteria used to determine contingent rent instalments of financial lease contracts, existing conditions for renewals and buy options, and whether there are any restrictions existed in the contract:**

The Bank has no financial leasing agreement done in the current period.

- b. **Detailed explanations about changes in the contracts and the new liabilities incurred due to such changes:**

The Bank has no financial leasing agreements that are likely to change.

- c. **Liabilities incurred due to financial leasing agreements:**

There are no liabilities incurred due to financial leasing agreements.

- d. **Explanations and disclosures on financial lease are also made for operating lease:**

The Bank does not have operating lease transactions.

- e. **Explanations on contract conditions and special terms for the lessee and the lessor related to sale and lease back transactions:**

The Bank does not engage in sale and lease back transactions.

11. Information on accrued interest and expenses payables:

	Current Period		Prior Period	
	TL	FC	TL	FC
Accrued interest on deposits	-	-	-	-
Accrued interest on borrowings	-	-	-	-
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreement transactions	-	-	-	-
Accrued interest on financial derivative instruments	-	-	-	-
Accrued interest and expense	-	-	-	-
Foreign exchange losses accrued	-	-	-	-
Other interest and expense accruals	260	-	76	-

12. Information on general provisions and subordinated loans:

- a. **Information on general provisions:**

Since the Bank is an investment bank there are no general provisions.

- b. **Information on employee termination benefits and notification indemnity:**

	5 PP	4 PP	3 PP	2 PP	Prior Period	Current Period
Actual payments of employee termination benefits	84	64	29	76	23	46
Reserve for employee termination benefits and notification indemnity	1,134	1,673	2,132	2,626	2,463	2,802
Actual payment ratio	7%	4%	1%	3%	1%	2%
Ratio of reserve for employee termination benefits and notification indemnity	-	-	-	-	6%	3%
Possible reserve for employee termination benefits and notification indemnity	-	-	-	-	148	96

- c. **Liabilities resulting from retirement benefits:**

c.1. Liabilities for foundations established in accordance with "Social Security Institution":

The Bank has no foundations established in accordance with "Social Security Institution".

c.2. All kinds of liabilities against establishment of foundations that provide benefits for the employees after retirement:

The Bank has no foundations that provide benefits for the employees after retirement.

- d. **Explanation on nature of provisions, amount and timing for the expected payment by giving reference to related uncertainties:**

There is no payment date expected by the Bank.

- e. **Information on provisions for possible risks:**

There are no provisions for possible risks.

- f. **Detail explanations on the number of subordinated loans, maturity, interest rate, creditor institution, and, if any, the option of conversion to stocks:**

The Bank has no subordinated loans.

- g. **Information on subordinated loans:** None.

13. Information on shareholders' equity:

- a. **Presentation of paid-in capital:**

	Current Period	Prior Period
Common stock	60,000	33,540
Preferred stock	-	-

- b. **Amount of paid-in capital, explanation about whether the registered share capital system is used, if this system is used the amount of registered share capital:**

The registered capital system is not used in the Bank.

- c. **Information on share capital increases and their sources; other information on increased capital shares in current period:**

Date of Increase	Amount of Increase	Cash	Reserves	Revaluation Fund
31 May 2002	26,460	-	24,500	1,960

- d. **Information on share capital increases from revaluation funds:**

Revaluation of fixed assets	Revaluation of investments	Profit on sales of fixed assets	Profit on sales of investments	Special cost revaluation fund
1,960	-	-	-	-

- e. **Significant share capital commitments until the end of the fiscal year and the subsequent interim period, the general purpose of these commitments and the estimated resources necessary for these capital commitments:**

The Bank has no capital commitments.

- f. **Explanation on possible effects of uncertainties and commitments on capital resources of the Bank and past performance indications about the major revenues, profitability and liquidity of the Bank:**

The Bank continues its operations with high profitability. A small portion of the Bank's capital is directed for investments made to the property and equipment and subsidiaries. However the Bank has a high level of capital and utilizes it in liquid and high return yielding assets. When all these facts are taken into consideration, the Bank's capital is strengthening continuously.

- g. **Summarized information about privileges given to shares representing the capital stock:**

In the current period, the Bank has privileged common stocks with a nominal value of TL 200 million. These privileged stocks that belong to ISE, give the shareholders the right to be presented with more members in the Board of Directors.

14. Common stock issue premiums, shares and equity instruments:

	Current Period	Prior Period
Number of shares	599,998,000	335,398,000
Preferred stock	2,000	2,000
Common stock issue premium	-	-
Common stock cancellation profit	-	-
Other equity instruments	-	-
Total common stock issue	600,000,000	335,400,000

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15. Information on marketable securities value increase fund:

a. Information on marketable securities value increase fund:

There is no marketable securities value increase fund.

b. Information on financial statement presentation of foreign exchange gains arising from foreign currency associates, subsidiaries and investment securities available-for-sale:

The Bank has no foreign currency associates, subsidiaries and investment securities available-for-sale.

c. Explanation on the amount of cumulative foreign exchange difference relating to prior years and included in shareholders' equity as a separate line item when it initially applies the accounting standard on the effect of changes in foreign exchange rates:

The Bank has no cumulative foreign exchange difference relating to prior years and included in shareholders' equity.

16. Information on revaluation fund:

There is no revaluation fund.

17. Information on revaluation fund increase and the resources:

The Bank has no resources that will cause revaluation fund increase.

18. Information on legal reserves:

	Current Period	Prior Period
First legal reserves	10,993	8,595
Second legal reserves	1,794	651
Other legal reserves allocated per special legislation	-	-

19. Information on extraordinary reserves:

	Current Period	Prior Period
Reserves allocated by the General Assembly	3,219	2,449
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Capital reserves due to inflation adjustment of paid-in capital	81,741	79,385

20. a. Information on minority rights: None.

b. Information on shareholders having more than 10% share percentage:

Name/Commercial Title	Share Amounts (*)	Share Percentage	Paid-in Capital	Unpaid Portion
ISE	13,564	22.61%	13,564	-

(*) Nominal Amount

Of the other portion of 77.39% of the shares, 41.38% belongs to banks, 36.01% belongs to intermediary institutions.

III. INFORMATION AND DISCLOSURES RELATED TO INCOME STATEMENT

1. Information on interest income received from associates and subsidiaries:

There is no interest income received from associates and subsidiaries.

- a. Information on interest income received from associates and subsidiaries: None.
- b. Information on financial leasing income: None.
- c. Interest received from reverse repurchase agreement transactions: None.
- d. Information on interest from the factoring receivables: None.

2. Information on interest expenses given to associates and subsidiaries:

There are no interest expenses given to associates and subsidiaries.

- a. Information on interest expense given to associates and subsidiaries: None.
- b. Information on financial leasing expense: None.
- c. Maturity structure of the interest expense on deposits: None.
- d. Interest given to repurchase agreement transactions: None.
- e. Information on interest about the factoring transaction liabilities: None.

3. Net income/losses from marketable securities for investment purposes:

	Current Period	Prior Period
From investment securities available-for-sale	-	-
From investment securities held-to-maturity	13,898	19,481
Total	13,898	19,481

4. Information related with other operating income:

Other operating income mainly consists of commission and fee income obtained related with common stock and public sector debt securities custody, customer name based custody, account maintenance, bonus share collection and stock exchange settlement operations in line with the main operating area of the Bank.

Extraordinary items, and current developments are disclosed including the quantification of the effect. The nature and amount of profit from extraordinary items is:

There are no extraordinary items materially affecting the profit of the Bank.

5. Provision expense related to loans and other receivables of the Bank:

The Bank has no provision expenses related to loans and other receivables.

6. Information related to other operational expenses:

a. Information related to other operational expenses:

	Current Period	Prior Period
Personnel expenses	9,943	8,064
Reserve for employee termination benefits	2	951
Bank social aid provision fund deficit provision	-	-
Depreciation expenses of fixed assets	2,181	1,070
Amortization expenses of intangible assets	103	122
Other operating expenses	4,278	6,404
Maintenance expenses	73	56
Advertisement expenses	318	27
Other expenses	3,887	6,321
Loss on sales of assets	6	1
Operational leasing expenses	39	303
Other	1,483	4,756
Total	18,813	21,671

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- b. The nature and amount of expenses due to extraordinary items should be disclosed separately. The current tax expense effect of extraordinary items should be disclosed separately:

Extraordinary expenses, in the amount of TL 401 billion, consist of late payment fees paid with the direction of the Capital Markets Board amounting to TL 351 billion and return of incorrectly collected Bank Insurance Transaction Tax amounting to TL 50 billion.

- c.1. The income statement item in which goodwill amortization is included:

The Bank has no goodwill.

- c.2. A statement whether the negative goodwill, if any, is determined in accordance with principles identified in article 16 of the accounting standard on the Accounting for Merger and Acquisitions and Investments of Banks, the timing and amount of anticipated expenses and losses, the periods in which the negative goodwill will be recognized as income, and the income statement items in which this income is recorded:

The Bank has no negative goodwill.

7. The profit and loss from subsidiaries and associates:

- a. The profit and loss from subsidiaries and associates:

There is no profit and loss from subsidiaries and associates.

- b. The profit and loss from subsidiaries and associates, which are accounted for using the equity method of accounting is disclosed as a separate line item in the income statement:

The Bank has no associates.

- c. The information on income and expense related with transactions made with real or legal persons within the same risk group of the Bank:

Income and expense related with transactions made with real or legal persons within the same risk group of the Bank is explained in detail in VIII. Section - Information and disclosures related to the Bank's risk group.

8. Information on profit and loss from subsidiaries and associates not consolidated: None.

9. Information on net income/loss for the period:

- a. Nature, amount and frequency of income and expenses arising from ordinary banking activities, for understanding the performance of the Bank in the current year:

The income and expenses of the Bank from the settlement and custody services in the capital markets are continuous since the Bank had already been launched except for the new services. Therefore, there is no change in the nature, amount and frequency of income and expenses arising from ordinary banking activities that will affect the performance of the Bank.

- b. The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There are no changes in the accounting estimates, including the effects to the future period.

- c. Profit and loss from minority rights: None.

10. Nature and amount of changes in accounting estimates, which materially affect the current period and are expected to affect the following periods: If the effects of the above-mentioned changes cannot be quantified, this fact should also be disclosed:

There are no changes in the accounting estimates of the Bank which materially affect the current period and are expected to affect the following periods.

IV. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEET ACCOUNTS

1. Explanation related to all the matters explained below separately from other contingent liabilities:

a. Explanation related to all the matters explained below separately from other contingent liabilities:

a.1. Contingent matters related to the joint venture of the Bank and the share of the Bank in contingent liability with other shareholders:

The Bank has no joint ventures.

a.2. The share of the joint venture of the Bank in its own contingent liabilities:

The Bank has no joint ventures.

a.3. Contingent liabilities arising from the liabilities of other shareholders of the joint venture of the Bank:

The Bank has no joint ventures.

b. When accounting for contingent assets and liabilities, disclosure is made depending on the probability of realization of the contingency event:

b.1. For contingent assets, if the probability of the occurrence is virtually certain, this asset will be accounted for, but if the probability of the occurrence is high, disclosure about this asset:

The Bank has no contingent assets.

b.2. For contingent liabilities, if the probability of the occurrence is high and the liability can be reliably measured, a provision will be booked for this liability, but if it cannot be measured reliably, this liability will be disclosed in notes to the financial statements. In addition, if the probability of the occurrence of the contingent liability is low or there is no such probability, explanation about this liability:

The Bank has no contingent liabilities.

In this aspect, subjects mentioned below related to contingent assets and liabilities will be explained in the disclosures of the financial statements:

1. The estimation of financial impact of the contingent asset or liability after the occurrence of the contingency event:

The Bank has no contingent assets or liabilities.

2. Date of occurrence of the loss/income from contingent events, if known.

The Bank has no loss or income from contingent events.

2. Disclosures relating to derivative financial instruments:

The Bank has no derivative financial instruments.

Detailed information about the forward and option agreements including; type of agreement, the purpose of the agreement, characteristics of the risk, risk management strategies, hedging relations, possible effects to the Bank's financial position, timing of the cash flow of the derivative instrument, reasons for unrealized transactions which are not expected to be realized by the Bank and previously booked to the accounts as the realization of the transaction was anticipated by the Bank, revenue and losses which cannot be reconciled with the income statement in the current period because of the agreements, for each type of forward and option agreement, separately. In addition, disclosure about the amount of the forward and option agreements:

The Bank has no forward and option agreements.

3. Information related with off-balance sheet:

a. Type and amount of without recourse loan commitments:

The Bank has no without recourse loan commitments.

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b. Probable losses and obligations arising from off-balance sheet items including the items listed below:

b.1. Non-cash loans including guarantees, banker's acceptances, letters of credit and other financial guarantees:

The Bank plays an intermediary role between the buyer and the seller in the stock exchange money market as market maker, and provides guarantees to cover non-payment of debts; and follows such risks in this market under non-cash loan accounts. Limits are set for the members for stock exchange money market transactions and there is continuous liability for collateral of these limits. This collateral is kept in the Bank as calculated in proportion to loan limits determined according to the extent, which they can be sold. The non-cash loan amount of the Bank is TL 776,723 billion at 31 December 2002. The total value of collaterals received is TL 975,015 billion (Cash, public sector debt securities, letters of guarantee and current values of common stocks).

b.2. Certain guarantees, temporary guarantees, collateral or any similar transactions:

The Bank has no certain guarantees, temporary guarantees, collateral or similar transactions.

4. The Bank discloses off-balance sheet concentration, if any:

The related explanations can be made in geographical regions, customer or sectoral basis according to the conditions of the Bank. Geographical classification can be made in respect of domestic, foreign country groups or domestic regions: Customers can be classified in respect of public institution and organizations, commercial, industrial and service enterprises:

Since the Bank carries out clearing, settlement, custody and other necessary transactions for marketable securities, precious metals and other securities on behalf of intermediary institutions and it executes the settlement of commitments and receivables arising from cash and securities purchase and sale in the stock exchanges; off-balance sheet liabilities of the Bank consist of non-cash loans, custody and pledged items and accounts where the Bank records the bonds and bills, which are not present at the Bank.

5. Total amount of non-cash loans:

a. Total amount of non-cash loans:

	Current Period	Prior Period
Guarantees given against cash loans	-	-
With maturity of 1 year or less than 1 year	-	-
With maturity of more than 1 year	-	-
Other non-cash loans	776,723	908,225
Total	776,723	908,225

b. There is no pledge, mortgage and other restrictions, if any, on property and equipment. There are not any commitments for the purchase of property and equipment.

6. Information related to services delivered in the name and account of others:

Explanations about the Bank's operations such as custody and placements, if any, which are performed in the name of real and legal persons, foundations, pension funds and other institutions in their financial statements:

The Bank, on behalf of intermediary institutions, carries out settlement, custody and other necessary transactions for marketable securities, precious metals and other securities and it executes the settlement of commitments and receivables arising from cash and securities purchase and sale in the stock exchanges. Besides, the Bank opens custody accounts for its customers, institutional investors and companies quoted on the ISE and on other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the individual investors; performs the procedures related to the obtaining of bonus shares, use of subscription rights, on time collection of dividends, principal and interest, replacement of certificates representing the marketable and other securities and additional financial services.

7. Brief information related to rating carried out by international rating firms:

There is no rating of the Bank carried out by international rating firms.

8. Sectoral risk concentrations of non-cash loans:

a. Sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel, food and beverage services	-	-	-	-	-	-	-	-
Transportation and telecommunication	-	-	-	-	-	-	-	-
Financial institutions	776,723	100	-	-	908,225	100	-	-
Real estate and renting services	-	-	-	-	-	-	-	-
Self-employed services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	776,723	100	-	-	908,225	100	-	-

b. Information on the first and second group non-cash loans and other receivables including those that have been restructured or rescheduled:

	Ist Group		IInd Group	
	TL	FC	TL	FC
Non-cash Loans				
Letters of guarantee	-	-	-	-
Bank acceptances	-	-	-	-
Letters of credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Other commitments and contingencies	776,723	-	-	-

V. INFORMATION AND DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Information on adjustments arising from the application of the standard on Accounting for Financial Instruments in the current period:

a. Information on the increase arising from the fair valuation of securities available-for-sale:

The Bank has not made the fair valuation of its available-for-sale securities.

b. Information on increases in the cash flow hedges:

The Bank has no derivative or non-derivative assets or liabilities designated as hedging instruments with respect to cash flow hedge.

b.1. Beginning and ending of period are reconciled: None.

b.2. Information on the amount of gain or loss relating to a financial derivative or non-derivative financial instrument which is included in shareholders' equity, for cash flow hedges: None.

c. For foreign currency differences, reconciliation between beginning and ending amounts has been performed: None.

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2. Information on adjustments arising from the application of the accounting standard on Accounting for Financial Instruments in the current period:

a. Information on investment securities available-for-sale:

Information on amount of gains or losses arising from the fair valuation which is recorded in equity and recycled to the income statement for available-for-sale securities (excluding hedging instruments):

The Bank has not made a fair valuation of its available-for-sale securities.

b. Information on cash flow hedges:

For cash flow hedges, information on the amount of gain or loss arising from the hedging instrument and recorded in the income statement:

The Bank has no derivative and non-derivative financial assets or liabilities designated as hedging instruments with respect to cash flow hedges.

3. Information about dividends:

a. Amount of dividends declared after the balance sheet date but before the issue of the financial statements:

There are no dividends declared by the Bank after the balance sheet date but before the issue of the financial statements.

b. Net dividend per share declared after balance sheet date:

There are no dividends declared by the Bank after the balance sheet date.

4. Amounts transferred to legal reserves:

	Current Period	Prior Period
Amount transferred to legal reserves from retained earnings	-	-

5. Information about share issues:

a. The Bank has no share issues. There are no rights, privileges, or restrictions on dividends and repayment of treasury stocks, for none of the shareholding groups.

VI. INFORMATION AND DISCLOSURES RELATED TO THE CASH FLOW STATEMENT

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates in cash and cash equivalents:

The "Other" item under "Operating profit before changes in operating assets and liabilities" amounting to TL 24,432 billion consists mainly items such as fees and commissions paid, other operating income, other operating expense excluding personnel expense, foreign exchange gains/losses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 29,092 billion consists mainly changes in other external resources where ISE Guarantee Fund is recorded, miscellaneous payables, other liabilities and taxes and other duties payable.

The effect of changes in the foreign currency rates on the cash and cash equivalents is reflected on net foreign exchange gains/losses. The foreign exchange gains/losses amount mentioned above is included in the "Other" line under "Operating profit before changes in operating assets and liabilities".

2. Information about cash flows due to acquisition of associates, subsidiaries, and other investments:

There is no cash outflow due to acquisition of associates, subsidiaries and other investments in the current period.

3. Information about disposal of associates, subsidiaries, and other investments:

There is no cash inflow due to disposal of associate, subsidiaries and other investments in the current period.

4. Information about cash and cash equivalents:

1. Items included in cash and cash equivalents and accounting policy used to determine cash and cash equivalents:

Cash and foreign currency and demand deposits in the banks including the Central Bank of Turkey are described as "Cash". Interbank money market placements and time deposits in the banks with original maturity of less than three months are described as "Cash equivalents".

2. The effect of any change made in the accounting policy:

The effects of accounting policy changes due to the application of AAR and related communiqués in 2002 are explained in Note XXII in Section Three.

3. Reconciliation between cash and cash equivalents per balance sheet and cash flow statement:

3 (i). Information on cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
Cash	1,928	116
Cash and foreign currency vault	4	2
Demand deposits at banks	1,924	114
Cash Equivalents	114,245	81,424
Interbank money markets	103,364	740
Time deposits at banks	10,881	80,684
Total Cash and Cash Equivalents	116,173	81,540

Total value arising from transactions of the prior period equals to cash and cash equivalents at the beginning of the period.

3 (ii). Information on cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	2,229	1,928
Cash and foreign currency vault	3	4
Demand deposits at banks	2,226	1,924
Cash Equivalents	121,218	114,245
Interbank money markets	114,500	103,364
Time deposits at banks	6,718	10,881
Total Cash and Cash Equivalents	123,447	116,173

5. Amount and nature of cash and cash equivalents of the Bank that are not freely useable due to legal restrictions or other reasons:

There are no cash and cash equivalents of the Bank that are not freely useable due to legal restrictions or other reasons.

VII. INFORMATION AND DISCLOSURES RELATED TO ACCOUNTING FOR BANK MERGER AND TRANSFERS AND ACQUISITIONS

1. For all business combinations including transfers, the name and type of merging entities, accounting policy used to account for the business combination, effective date of the merger, activities to terminate the merge:

The Bank has not performed any merger transactions.

2. Explanation about the period when the acquisition occurs:

The Bank has not performed any acquisition transactions.

3. For mergers and transfers, the following information should be disclosed in the financial statements of the period in which the transaction occurs:

The Bank has not performed any merger and/or transfer transactions.

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- a. Description and number of shares issued, share exchanges, and share percentage for each shareholder: None.
 - b. Amounts of assets and liabilities that are being merged by each bank: None.
 - c. Sales revenue, other operating income, extraordinary gains and expenses, and net profit or loss before merger or transfer: None.
4. Information required in this section should be provided for bank mergers after the balance sheet date before the date the financial statements were approved for issue. If an explanation cannot be provided, this fact should be explained with reasons:

The Bank has not performed any merger transactions after the balance sheet date.

VIII. INFORMATION AND DISCLOSURES RELATED TO BANK'S RISK GROUP

1. Information on the volume of transactions relating to the Bank's risk group, incomplete loan and deposit transactions and profit and loss of the period:

a. Current Period:

Bank's risk group (*)	Associates and subsidiaries		Direct and indirect shareholders of the Bank		Other items that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Interest and commission income received	-	-	2,043	-	-	-

*Defined in the 20th Article of the "Regulation on the Establishment and Operations of Banks".

b. Prior Period:

Bank's risk group (*)	Associates and subsidiaries		Direct and indirect shareholders of the Bank		Other items that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Interest and commission income received	-	-	1,485	-	-	-

*Defined in the 20th Article of the "Regulation on the Establishment and Operations of Banks".

c.1. Information on deposits belonging to the Bank's risk group:

The Bank has no deposits belonging to the Bank's risk group.

c.2. Information on forward and option agreements and other similar agreements of the Bank with the Bank's risk group:

The Bank has no forward and option agreements and similar other agreements with the Bank's risk group.

2. With respect to the Bank's risk group:

- a. The relations with entities that are included in the Bank's risk group and controlled by the Bank irrespective of the relationship between the parties:

The Bank has no entities that are included in the Bank's risk group and controlled by the Bank.

- b. Besides the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other:

There are no entities in the Bank's risk group controlled by the Bank.

- c. There are no transactions that are accounted for using the equity method in the Bank.

IX. EXPLANATIONS RELATED TO INFLATION ACCOUNTING

1. Financial statements have been restated to eliminate the effect on the financial statements of the changes in the purchasing power parity of the Turkish lira at the balance sheet date.
2. These inflation adjusted financial statements have been prepared based on historical statutory financial statements, except for the value increases on fixed assets due to revaluation before the restatement. Reclassifications and adjustments have been made on the financial statements in order to comply with AAR 14.
3. The below conversion factors and wholesale price indices announced on the same basis by State Institute of Statistics have been used to restate financial statements as at 31 December 2002:

Date	Price index	Conversion factor
31 December 2002	6,478.800	1.000
31 December 2001	4,951.700	1.308
31 December 2000	2,626.000	2.467

4. Non-monetary assets and liabilities, which are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors. In the restatement, these items are restated on the basis of their initial recognition date in the balance sheet. There are no non-monetary assets and liabilities which are valued at current value; i.e. foreign currency denominated asset and liability accounts and whose yields or capitals are indexed to inflation or foreign currency. Monetary assets and liabilities, which are carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
 - Assets are restated on the basis of their acquisition dates. During the restatement of assets, which are subject to depreciation, the effects of revaluation on these assets and respective accumulated depreciation, which has been applied in accordance with the to related regulation, are eliminated.
 - In the restatement of the shareholders' equity, transfers from revaluation fund and other similar funds to share capital are eliminated since they were not recognized as capital injection from shareholders. Transfers of amounts which do not occur as a result of revaluation such as reserves, unappropriated profit, share premiums and investment and immovable fixed asset sale income are deemed to be cash contributions and are restated. As a result of the restatement, the increase amount on the share capital with respect to the historic amount of paid-in capital is disclosed as "Capital reserves due to the inflation adjustment of paid-in capital" under equity in the financial statements.
 - All items in the statement of income are restated by applying the monthly conversion factors.
 - Since the wholesale price indices reflect monthly price changes, the same monthly conversion factors are used for all transactions realized within a month.
 - The effects of inflation on the Bank's net monetary position are included in the income statement as "gain or loss on net monetary position".

In accordance with AAR14, the financial statements of the previous period-end have been restated in terms of the purchasing power of TL at the balance sheet date for comparison purposes.

5. All property and equipment carried at historical cost less accumulated depreciation is restated to the equivalent purchasing power at 31 December 2002. Depreciation is calculated over the restated amounts of property and equipment using the straight-line method to write off the restated cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	50 years
Office equipment, furniture, fixture and vehicles	5 years

The depreciation charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date, is calculated in proportion to the period the item remained in the property and equipment.

The Bank contracted Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş. to carry out a valuation at 22 January 2003 with regard to the determination of the fair value of its building, which was included in property and equipment of the Bank. Since the amount determined by the appraisal report was lower than the net book value of the building, the Bank booked a provision for impairment in the value of the property and equipment amounting to TL 1,959 billion.

6. Under the Turkish Commercial Code and the Articles of Association of the Bank, the registered value of reserves at 31 December 2002 and 2001, is TL 12,787 billion and TL 9,246 billion, respectively. The registered value of paid-in capital at 31 December 2002 and 2001 is TL 60,000 billion and TL 33,540 billion, respectively.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2002

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2002)

7. Items included in monetary gain or loss resulting from monetary items and items that are associated with the monetary gain or loss such as interest and foreign exchange gain or loss resulting from loans and borrowings are presented separately in the income statement by being deducted from "gain or loss on net monetary position" item and being included in the relevant item in accordance with the relevant communiqués of accounting standards.
8. The previous period's financial statements of the Bank were audited.
9. According to AAR14, the amount calculated by deducting the liabilities and equity items from assets, on condition that they were restated in the period up until the beginning of the accounting period in which the financial statements are prepared in accordance with AAR14 for the first time, is followed in "retained earnings /(accumulated deficit)" under equity accounts. These amounts are TL 60,680 billion and TL 31,934 billion at 31 December 2002 and 2001, respectively.
10. Income and expenses accrued during the period and income and expenses made during the period are not seasonal and evenly distributed. Although this situation permits the usage of "average indices" for the restatement of income statement items, "monthly" income and expense balances were obtained and these balances were restated separately with the relevant month's indices, and therefore the income statement is restated in terms of the purchasing power of TL at 31 December 2002.

X. INFORMATION AND DISCLOSURES RELATED TO THE DOMESTIC, FOREIGN OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIONS OF THE BANK

The Bank has no domestic, foreign or off-shore branches. The number of employees of the Bank at 31 December 2002 is 230.

	Number	Number of employees	Country of incorporation	Total assets	Statutory share capital
Domestic Branch	-	-			
Foreign representation	-	-	1-		
			2-		
			3-		
Foreign branch	-	-	1-	-	-
			2-		
			3-		
Off-shore banking region branches	-	-	1-	-	-
			2-		
			3-		

XI. INFORMATION THAT SHOULD BE DISCLOSED RELATED TO SUBSEQUENT EVENTS

1. At the Board of Directors meeting of the Bank on 31 January 2003, in accordance with the 28th Article of the 14th Communiqué related to AAR, the Bank decided unanimously to eliminate prior period losses in the 31 December 2002 balance sheet from net income for the year ended 31 December 2002, extraordinary reserves, legal reserves and capital reserves due to inflation adjustment of equity items in its financial statements at 31 January 2003.
2. There are no significant changes in the foreign exchange rates after the balance sheet date, which may affect the users of the financial statements for the analysis of the Bank's financial position.

F- OTHER EXPLANATIONS AND FOOTNOTES

I. OTHER EXPLANATIONS RELATED TO BANK'S OPERATING AREA

1. At 31 December 2002, under the trading securities account, the Bank has government bonds and treasury bills amounting to TL 3,254 billion, TL 1,020 billion of which is government bonds and the remaining TL 2,233 billion is treasury bills, which belong to problem brokerage firms. In addition, under the Reverse Repo Transactions Receivables account the Bank has investment securities purchased under commitments to resell amounting to TL 2,173 billion which belong to problem brokerage firms. The securities which belong to problem brokerage firms are recorded in accordance with the related legislation. The credit accounts used for these securities are Miscellaneous Payables. The increase in the fair values of these government bonds and treasury bills amounting to TL 517 billion and the income accrual of the reverse repo transactions amounting to TL 2 billion, which is calculated based on the difference between the sale and repurchase prices, are recorded under miscellaneous payables without recognising the amounts in the income statement.

2. The Bank, in accordance with the Communiqué 15 on the Accounting Application Regulation - Preparation of Consolidated Financial Statements, Accounting for Subsidiaries, Associates and Joint Ventures Standard, is not required to prepare consolidated financial statements.

II. EXPLANATION ADDED FOR CONVENIENCE TRANSLATION INTO ENGLISH

The effects of differences between accounting principles and standards set out by regulations in conformity with the 13th Article of the Banking Act No. 4389, accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Accounting Standards ("IAS") have not been quantified in these financial statements. Accordingly, these financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IAS.

G- EXPLANATIONS ON AUDIT REPORT

The financial statements as at and for the year ended 31 December 2002 have been audited by Bařaran Nas Serbest Muhasebeci ve Mali Mũřavirlik A.ř. (a member of PricewaterhouseCoopers), and in the auditor's report dated 5 February 2003, it is stated that the financial statements present fairly, in all material respects, the financial position of the Bank at 31 December 2002 and the result of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by the regulations in conformity with Article 13 of the Banking Act.

Management Staff

Emin S. atana, *President and CEO*

Nezir Bakır, *Executive Vice President*

Ahmet akırsoy, *Executive Vice President*

Yusuf iek, *Executive Vice President*

Őevket YaŐöz, *Executive Vice President*

Tolga Somuncuođlu, *Custody Manager*

Arzu Öztürk, *Systems Development Manager*

Ender Aybulus, *Software and Hardware Manager*

Mustafa Őentürk, *Personnel and Training Manager*

Mehmet Günel, *Credits and Money Market Manager*

Tanju Günel, *Operations Manager*

İbrahim Samancı, *Accounting Manager*

Cahit Girgin, *Legal Affairs Manager*

Gülcan Tok, *Administrative Affairs and Purchasing Manager*

Suat Sevand, *Treasury Manager*

EŐref Hatipođlu, *Security Services Manager*

The photographs used in this annual report have been taken during a concert by TRT Istanbul Radio Turkish Folk Music Choir and Musicians at Istanbul Radio. We would like to thank TRT Istanbul Radio for their contributions.



TAKASBANK ISE Settlement and Custody Bank Inc.

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