TOPRAK YATIRIM BANKASI
ANONİM ŞİRKETİ

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002

To the Board of Directors of
Toprak Yatırım Bankası A.Ş.

<u>İstanbul</u>

OPINION OF INDEPENDENT AUDITORS

1. We have audited the accompanying consolidated balance sheet of Toprak Yatırım Bankası A.Ş. (the "Bank") as of 31 December 2002, and the related statements of income, shareholder's equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of Turkish Lira as at 31 December 2002. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2002 and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

4. Without qualifying our opinion we draw your attention to the following points:

- Based upon the decision made by "the Banking Regulation and Supervision Agency ("BRSA")" the management and all shares of the Bank's previous main shareholder Toprakbank A.Ş. were transferred to the "Saving Deposit Insurance Fund" (the "SDIF") in accordance with Article 14 item 3 and 4 of the Banks Act. Subsequently, the SDIF sold the Bank's shares to C Faktoring A.Ş. (formerly Elit Finans Faktoring Hizmetleri A.Ş.), on 1 November 2002.

- Subsequent to the share transfer and the balance sheet date, the Bank's paid up capital increased from TL 5,930 Billion (not inflation indexed) to TL 45,000 Billion (not inflation indexed) and this increase was registered in the Trade Registry Gazette dated 21 January 2003, based upon approval of the BRSA on 30 December 2002. TL 37,070 Billion (not inflation indexed) of this increase was in cash and the remaining TL 2,000 Billion (not inflation indexed) was transferred from the general reserves. In addition, under the new ownership the Bank's title was changed to C Kredi ve Kalkınma Bankası A.Ş. (C Bank) and this change was registered in the Trade Registry Gazette dated 27 January 2003.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member of Firm **DELOITTE TOUCHE TOHMATSU**

İstanbul, 10 January 2003

TOPRAK YATIRIM BANKASI A.Ş.

BALANCE SHEETS
AS AT 31 DECEMBER 2002 AND 2001

ASSETS	Note	2002 TL Billion	2001 TL Billion
BALANCES WITH THE CENTRAL BANK	4	17	10
BALANCES WITH BANKS	5	28,381	25
INTERBANK FUNDS SOLD		2,103	6,060
SECURITIES PORTFOLIO (NET)			
-Available for sale	6	3,106	3,387
LOANS (NET)	7	3,314	3,435
LEASING RECEIVABLES (NET)	7	192	203
PREMISES AND EQUIPMENT (NET)	8	1,093	773
OTHER ASSETS	9	9	65
TOTAL ASSETS		**38,215**	**13,958**

TopYtBIFRS02

TOPRAK YATIRIM BANKASI A.Ş.

BALANCE SHEETS
AS AT 31 DECEMBER 2002 AND 2001

LIABILITIES	Note	2002 TL Billion	2001 TL Billion
INTERBANK FUNDS BORROWED	10	18	18
OTHER BORROWINGS	10	33	1,266
TAXES AND DUES PAYABLE		52	460
CORPORATE TAX	11	129	1,104
SUNDRY CREDITORS	12	-	65
PROVISIONS	13	97	13
OTHER LIABILITIES	14	27,588	31
DEFERRED TAX LIABILITY (NET)	11	105	-
TOTAL LIABILITIES		28,022	2,957
SHAREHOLDERS' EQUITY			
Share Capital	15	22,939	22,939
Legal Reserves		807	503
Fair Value Adjustments Reserve		(8)	-
Accumulated Loss		(13,545)	(12,441)
TOTAL SHAREHOLDERS' EQUITY		10,193	11,001
COMMITMENTS AND CONTINGENCIES	20	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**38,215**	**13,958**

TopYtBIFRS02

TOPRAK YATIRIM BANKASI A.Ş.

STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

	Note	2002 TL Billion	2001 TL Billion
INTEREST INCOME			
Interest on loans		261	4,030
Interest on interbank funds sold		2,644	2,895
Interest on securities portfolio		1,160	1,603
Interest received from banks		25	878
Other interest received		1	94
		4,091	9,500
INTEREST EXPENSE			
Interest on deposits		(1)	(5)
Interest on interbank funds borrowed		(294)	(649)
Interest on borrowings		-	(648)
		(295)	(1,302)
NET INTEREST INCOME		3,796	8,198
Provision for loan losses		(688)	(883)
NET INTEREST INCOME AFTER PROVISIONS		3,108	7,315
OTHER OPERATING INCOME	16	1,181	2,673
OTHER OPERATING EXPENSES	17	(2,118)	(3,988)
INCOME BEFORE MONETARY LOSS		2,171	6,000
MONETARY LOSS		(2,315)	(7,798)
LOSS BEFORE TAXATION		(144)	(1,798)
TAXATION	11	(561)	(1,870)
NET LOSS		(705)	(3,668)

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

TOPRAK YATIRIM BANKASI A.Ş.

STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

	Share Capital TL Billion	Legal Reserves TL Billion	Fair Value Adjustments Reserve TL Billion	Accumulated Loss TL Billion	Total TL Billion
Balance as of 31 December 2000	21,867	326	-	(7,035)	15,158
Cash Increase in Capital	1,072	-	-	-	1,072
Transfers to Reserves	-	177	-	(177)	-
Dividends Paid	-	-	-	(1,561)	(1,561)
Loss for the Year	-	-	-	(3,668)	(3,668)
Balance as of 31 December 2001	22,939	503	-	(12,441)	11,001
Cash Increase in Capital	-	-	-	-	-
Transfers to Reserves	-	304	-	(304)	-
Fair Value Adjustment for Securities	-	-	(8)	-	(8)
Dividends Paid	-	-	-	(95)	(95)
Loss for the year	-	-	-	(705)	(705)
Balance as of 31 December 2002	22,939	807	(8)	(13,545)	10,193

TOPRAK YATIRIM BANKASI A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

	2002 TL Billion	2001 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the year	(705)	(3,668)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	282	309
Increase / (decrease) in provisions for loan losses	688	883
Monetary effect on provisions for loan losses	(353)	-
Increase / (decrease) in retirement pay provisions	84	6
Increase / (decrease) in deferred taxes	105	(691)
Increase in taxes and dues	(1,283)	321
Net cash (used in) operating activities	(1,182)	(2,840)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) / decrease in marketable securities	281	4,443
(Increase) / decrease in loans and financial leases	(203)	5,160
(Additions) to tangible fixed assets	(602)	11
(Increase) / decrease in accrued interest and other assets	55	202
Net cash (used in) investing activities	(469)	9,816
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (decrease) in revaluation reserves	(8)	-
Increase / (decrease) in borrowings	(1,233)	(5,051)
Increase / (decrease) in accrued expenses and other liabilities	27,393	(196)
Increase in paid-up capital	-	1,379
Dividends paid	(95)	(1,561)
Net cash provided from financing activities	26,057	(5,429)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,406	1,547
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	6,095	4,548
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30,501	6,095

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

1. ACTIVITIES OF THE BANK

Toprak Yatırım Bankası A.Ş. (the “Bank”) was incorporated in Turkey in 1999. Since then it has functioned as an investment bank. The Bank is located in Istanbul. The Bank does not have branches and is not licensed to collect deposits.

The number of personnel as at 31 December 2002 is 24 working for the Bank.

C Faktoring A.Ş. (formerly Elit Finans Faktoring Hizmetleri A.Ş.) has bought 89.92% of the Bank’shares on 1 November 2002. Previously, the Bank was under the management of the “Saving Deposit Insurance Fund” (the “SDIF”). Based upon the decision made by “the Banking Regulation and Supervision Agency (“BRSA”)” number 538 on 30 November 2001 which was published in the Official Gazette number 24600 on 1 December 2001, the management and all shares of the Bank’s previous main shareholder Toprakbank A.Ş., except its rights on dividends, were transferred to the SDIF in accordance with Article 14 item 3 and 4 of the Banks Act.

Subsequent to the share transfer (SDIF to C Faktoring A.Ş) and the balance sheet date, the Bank’s paid up capital increased from TL 5,930 Billion (not inflation indexed) to TL 45,000 Billion (not inflation indexed) and this increase was registered in the Trade Registry Gazette dated 21 January 2003, based upon the approval of the BRSA on 30 December 2002. TL 37,070 Billion (not inflation indexed) of this increase was in cash and the remaining TL 2,000 Billion (not inflation indexed) was transferred from the general reserves.

In addition, under the new ownership the Bank’s title was changed to C Kredi ve Kalkınma Bankası A.Ş. (C Bank) and this change was registered in the Trade Registry Gazette dated 27 January 2003.

2. BASIS OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

Basis of Presentation of Financial Statements:

The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Banking Law, commercial practice and tax regulations.

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

Basis of Presentation of Financial Statements: (cont'd)

The accompanying financial statements are based on the statutory records, which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment as discussed in note 3) with adjustments and reclassifications for the purposes of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

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

Inflation Accounting

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

IFRS 29 became applicable to financial statements in 1990. One characteristic that necessitates the application of IFRS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey exceeded 227% for the three years ended 31 December 2002, based on the wholesale price index announced by the Turkish State Institute of Statistics. IFRS 29 requires that financial statements be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods be restated in the same terms by applying a general price index. The restatement adjustments are based on the nationwide wholesale price index ("WPI") published by Turkish State Institute of Statistics (1994=100).

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

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

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

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

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

Inflation Accounting (cont'd)

The principal adjustments are as follows:

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Accounting Convention

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

3.2 Income and Expense Recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Foreign Currency Items

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

Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates.

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

3.4 Securities Portfolio

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

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

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

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

Securities available for sale:

Available-for-sale securities are those that the Bank does not classify as held-to-maturity or held-for-trading. The Bank is free to classify these assets to either category in the future. Revaluation gain is calculated by internal rate of return and gains on available for sale securities are included in net profit for the period in which they arise. The difference between IRR revaluation and market price is recorded under shareholder equity either as gain or loss depending on market fluctuations.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Premises and Equipment

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

Premises and equipment are depreciated on a straight-line basis using rates, which write off the assets over their expected useful lives. The main depreciation rates used are:

Vehicles	20%
Furniture and Fittings	20%
Leasehold and Leasehold Improvements	25%

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

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

3.6 Retirement Pay Provision

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

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

3.7 Loan Loss Provisions

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

3. ACCOUNTING POLICIES (cont'd)

3.7 Loan Loss Provisions (cont'd)

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

3.8 Taxation and Deferred Taxes

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

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

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

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

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

3. ACCOUNTING POLICIES (cont'd)

3.9 Related Parties

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

3.10 Finance and Operating Leases

The Bank as Lessor

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

The Bank as Lessee

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

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

3. ACCOUNTING POLICIES (cont'd)

3.11 Fair Values of Financial Instruments

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

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

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

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

3. ACCOUNTING POLICIES (cont'd)

3.11 Fair Values of Financial Instruments (cont'd)

Gains or losses on financial assets or liabilities held for trading are included in net profit or loss for the period in which they arise. The difference between amortised cost and market price is recorded under shareholder equity either as gain or loss depending on market fluctuations. For those financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in net profit or loss when the financial asset or liability is derecognized or impaired, as well as through the amortization process.

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

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

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

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

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

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

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

3.12 Risk Management

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

3. ACCOUNTING POLICIES (cont'd)

3.12 Risk Management (cont'd)

Liquidity risk

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

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

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

Credit risk

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

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

Market risk

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

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

Operational risk

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

3. ACCOUNTING POLICIES (cont'd)

3.13 Cash and Cash Equivalent Items

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

3.14 Use of Estimates

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

3.15 Impairment

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

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

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

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

3.16 Offsetting

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

4. BALANCES WITH THE CENTRAL BANK

	2002 TL Billion	2001 TL Billion
Demand deposits – TL	17	6
Demand deposits – FC	-	4
	17	10

5. BALANCES WITH BANKS

	2002 TL Billion	2001 TL Billion
Domestic Banks		
Demand deposits – Turkish Lira	1	5
Time deposits – Turkish Lira	1,008	-
Demand deposits – Foreign currency (*)	24,729	13
	25,738	18
Banks Abroad		
Demand deposits – Foreign currency	427	7
Time deposits – Foreign currency	2,215	-
Accrued Interest	1	-
	2,643	7
	28,381	25

(*) TL 24,518 Billion (15,000,000 US $) of demand deposits- foreign currency is the paid capital commitment of new shareholder.

Interest rate for TL time deposit is 43.5%, whereas interest rate for foreign currency time deposit is 3% as of 31 December 2002. Both of the time deposits have maturity of 2 January 2003. There is no time deposit as at 31 December 2001.

6. SECURITIES PORTFOLIO (NET)

	2002 TL Billion	2001 TL Billion
Available for Sale		
Government bonds	68	2,918
Treasury bills	2,767	-
Investment funds	-	262
	2,835	3,180
Less: Diminution in value of securities portfolio	-	(14)
Accrued Interest	271	221
	3,106	3,387

6. SECURITIES PORTFOLIO (NET) (cont'd)

Estimated fair values for Government bonds and Treasury bills that are traded on a stock exchange were calculated based on the prices quoted on the İstanbul Stock Exchange.

The fair values of Government bonds and Treasury bills that are quoted on the stock exchange have been compared with their book values and unrealized gains on them as follows:

	2002 TL Billion	2001 TL Billion
Treasury bills and Government bonds	2,835	2,929
Accrued interest	271	143
Diminution in value at 31 December	-	-
Total book value	3,106	3,072
Fair value of above securities	3,106	3,072

The blocked securities kept in the Central Bank, the Istanbul Stock Exchange, İMKB Takas ve Saklama Bankası A.Ş. (stock exchange settlement bank) and in Bayındırbank for the purposes of trading guarantee on interbank, bond, repurchase and reverse repurchase markets and collateral for guarantee letters used as at 31 December 2002 amounted to TL 3,106 Billion (2001: TL 3,072 Billion).

Maturity analysis of government bonds, treasury bills on cost basis as of 31 December 2002:

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 12 months	Total
TL Government Bonds	-	68	-	-	-	68
TL Treasury Bills	-	-	667		2,100	2,767
Total	-	68	667	-	2,100	**2,835**

Government Bonds:

DESCRIPTION	MATURITY	NOMINAL VALUE	COST VALUE	CLASSIFICATION OF FINANCIAL
		TL	TL	ASSET
TRB050303T17	5-Mar-2003	100,000,000,000	68,327,000,000	Available For Sale

Treasury Bills:

DESCRIPTION	MATURITY	NOMINAL VALUE	COST VALUE	CLASSIFICATION OF FINANCIAL
		TL	TL	ASSET
TRT090403T12	9-Apr-2003	1,000,000,000,000	666,588,520,710	Available For Sale
TRT110804T13	11-Aug-2004	2,000,000,000,000	2,100,000,000,000	Available For Sale

7. LOANS (NET)

	2002 TL Billion	2001 TL Billion
SHORT TERM LOANS		
Other secured loans	3,028	2,046
OVERDUE LOANS	1,218	667
TOTAL LOANS	4,246	2,713
Less: Provisions		
Specific loan loss provisions	(1,218)	(883)
General loan loss provisions	-	(25)
TOTAL PROVISIONS	(1,218)	(908)
Accrued Interest	286	1,630
TOTAL LOANS (NET)	3,314	3,435

Total loan portfolio consists of other secured loans in Turkish Lira, which amounts TL 3,024 Billion (2001: TL 2,046 Billion).

The Bank mainly extends short-term loans to customers with maturities within one year. Interest rates charged for loans varied between 46.5% and 76% for Turkish Lira loans (2001: interest rates vary between 58% and 200%).

Loans can be analyzed by sector as follows:

Sector	2002 %	2001 %
Pharmaceutical	-	11
Electrical devices	-	4
Construction	31	40
Financial sector	45	-
Manufacturing	23	-
Computer software distribution	-	2
Real Estate	-	26
Other	1	17
	100	100

The Bank also has a permission to perform leasing transactions and has a leasing receivable from one customer, net amount of TL 192 Billion as of balance sheet date.

7. LOANS (NET) (cont'd)

The following mortgage has been taken as collateral for cash loans of TL 1,030 Billion (including TL 280 Billion realized accrued interest) extended to a loan customer.

Location of the Property	Degree of Assigned Right	TL Billion
Ankara, Çankaya	1st degree	2,200
Ankara, Çankaya	2nd degree	1,800
		4,000

Movements in the provision for loan losses are as follows:

	2002 TL Billion	2001 TL Billion
Provision For Cash Loans:		
As at 1 January	(883)	-
Charge for the year	(688)	(883)
Provision released	-	-
Monetary effect	353	-
As at 31 December	(1,218)	(883)

8. PREMISES AND EQUIPMENT (NET)

	2002 TL Billion	2001 TL Billion
Building	581	-
Office equipment and vehicles	609	632
Furniture and fittings	9	9
Leasehold improvements	150	150
Other tangible assets	652	608
Financial leases	89	89
	2,090	1,488
Less: Accumulated depreciation	(997)	(715)
Premises and equipment (net)	1,093	773

The building is obtained from EGS Gayrimenkul A.Ş. in return of TL 500 Billion loan (building is bought at TL 492 Billion at auction; above figure includes the VAT).

9. OTHER ASSETS

	2002 TL Billion	2001 TL Billion
Prepaid expenses	2	8
Prepaid taxes	3	24
Other	4	33
	9	65

10 BORROWINGS

	2002 TL Billion	2001 TL Billion
Interbank Funds Borrowed:		
Domestic banks – Turkish Lira	18	-
Domestic banks – Foreign currency	-	18
Accrued interest	>1	-
	18	18
Other Borrowings:		
Borrowings from Istanbul Stock Exchange Money Market	33	1,259
Accrued interest	>1	7
	33	1,266

Other borrowings in TL, comprise borrowings from Istanbul Stock Exchange Money Market which bear interest rate 41.4% and mature on 2 January 2003 (2001: between 52% and 55%).

The borrowing from domestic banks does not bear interest because it is obtained for Social Security premium payments (2001:12% for foreign currency loans).

11. TAXATION

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

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

11. TAXATION (cont'd)

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

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

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

a) Balance Sheet: Taxes and funds payable

	2002 TL Billion	2001 TL Billion
Corporate taxes and funds	456	2,236
Prepaid taxes	(327)	(1,132)
	129	1,104
Deferred tax liability	105	-

b) Income Statement:

	2002 TL Billion	2001 TL Billion
Current income tax	456	2,236
Deferred tax charge/(benefit)	105	(366)
	561	1,870

<u>Temporary differences subject to deferred tax :</u>

	2002 TL Billion	2001 TL Billion
Restatement of fixed assets	349	272
Retirement pay provision	(97)	(13)
Leasing adjustment	192	203
General loan loss provision	-	(25)
Additional loan loss provision	-	(461)
Unearned Revenue from Leasing	(3)	-
Fixed asset leasing adjustment	(120)	-
	321	(24)

11. TAXATION (cont'd):

Components of deferred tax (asset) / liability :

	2002 TL Billion	2001 TL Billion
On restatement of fixed assets	115	91
Retirement pay provision	(32)	(4)
Leasing adjustment	63	65
General loan loss provision	-	(8)
Additional loan loss provision	-	(152)
Unearned Revenue from Leasing	(1)	-
Fixed asset leasing adjustment	(40)	-
	105	(8)
Allowance for deferred taxes(-)	-	8
	105	-

Movement of deferred tax (asset) / liability:

	2002 TL Billion	2001 TL Billion
Opening balance at 1 January	-	691
Monetary gain/loss	-	(326)
Taxation benefit on deferred tax		(365)
Taxation charge on deferred tax	105	(8)
Closing balance at 31 December	105	(8)
Allowance for deferred taxes(-)	-	8
	105	-

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

Reconciliation of Taxation	2002 TL Billion	2001 TL Billion
Loss before Taxation, after Monetary Loss	(144)	(1,798)
Tax at the domestic income tax rate of 33%	(48)	(593)
Tax effect of restatement of non monetary items per IFRS 29	564	2,441
Tax effect expenses that are not deductible in determining taxable income	45	22
Taxation per Income Statement	561	1,870

12. SUNDRY CREDITORS

	2002 TL Billion	2001 TL Billion
Payables to compulsory Government Funds	-	5
Payables to customers	-	60
	-	65

13. PROVISIONS

	2002 TL Billion	2001 TL Billion
PROVISION FOR RETIREMENT		
At 1 January	10	8
Provision for the year	84	1
Indexation effect (net)	3	4
At 31 December	97	13

Retirement Pay Provision:

Lump sum payments are made to all employees who retire from the Bank or whose employment is terminated for reasons other than misconduct. The amount payable is 30 days gross pay for each year of eligible service. The rate of pay that is ruling at 31 December 2002 is subject to a maximum of TL 1,260,150,000 per month. The upper limit was raised to TL 1,323,950,000 per month on 1 January 2003 (2001: TL 1,279,641,000 per month, expressed in 2002 prices).

Under the definitions contained in International Financial Reporting Standard No 19, “Employee Benefits” the Turkish retirement pay system is a non-funded defined benefit scheme. Consequently IFRS 19 requires that a provision be built up for employees’ accrued entitlement as calculated actuarially.

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

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

14. OTHER LIABILITIES

	2002 TL Billion	2001 TL Billion
Shareholders capital commitment (*)	24,518	-
Payable to shareholders (**)	1,830	
Guarantees received from loan & leasing rec.	211	-
Payables to suppliers	190	2
Expense accruals	15	-
Unearned revenue from leasing	3	-
Other	821	29
	27,588	31

(*): This amount (15,000,000 US $) is given to the Bank by C Faktoring A.Ş. (Elit Finans Faktoring Hizmetleri A.Ş.) in order to be used in the capital increase. This transaction was realized in January 2003. Please also see note 21.

(**): This amount is non-interest bearing payables to C Faktoring A.Ş.

15. SHARE CAPITAL

Share capital consists of 59,304,000 shares of TL 100,000 each.

Shareholders	%	2002 Paid-Up Capital TL Billion	%	2001 Paid-Up Capital TL Billion
C Faktoring A.Ş (formerly Elit Finans Faktoring Hizmetleri A.Ş.)	90	20,628	-	-
Toprak Finansal Kiralama A.Ş.	-	-	37.5	8,594
Toprak Faktoring A.Ş.	-	-	37.5	8,594
Toprakbank A.Ş.	-	-	15	3,440
SDIF in the name of Halis Toprak	10	2,294	10	2,294
Other	<1	17	<1	17
	100	22,939	100	22,939

Components of Capital:	2002	2001
Nominal capital	5,930	5,930
Effect of inflation	17,009	17,009
	22,939	22,939

The shares of Halis Toprak, Toprak Seniteri ve Turizm İşletmeleri San. ve Tic.A.Ş. and Toprak Kağıt Sanayi A.Ş. in the shareholders table above were restricted by the 26th Ankara court of claims on 14 January 2002.

16. OTHER OPERATING INCOME

	2002 TL Billion	2001 TL Billion
Income from fees and commissions on loans	66	133
Income from banking services	8	1,030
Foreign exchange gains	77	364
Securities trading gains	896	1,013
Other	134	133
	1,181	2,673

17. OTHER OPERATING EXPENSES

	2002 TL Billion	2001 TL Billion
Personnel expenses	659	1,167
Taxes and dues paid	189	259
Securities trading losses	-	93
Depreciation and amortization	282	309
Foreign exchange losses	7	496
Rent expenses	212	232
Consultancy expense (Reuters)	176	189
Retirement pay provision	84	6
Commission expenses	44	86
Administrative expenses and other	465	1,151
	2,118	3,988

18. MATURITY ANALYSIS OF THE BALANCE SHEET

Maturities of assets and liabilities as at 31 December 2002:

	On Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Total TL Billion
ASSETS						
Balance with the Central Bank	17	-	-	-	-	17
Balances with banks	1,222	2,641	-	-	24,518	28,381
Interbank funds sold	-	2,103	-	-	-	2,103
Securities portfolio (net)	-	93	895	-	2,118	3,106
Loans (net)	750	2,564	-	-	-	3,314
Leasing receivables	-	16	32	144	-	192
Premises and equipment	1,093	-	-	-	-	1,093
Other assets	9	-	-	-	-	9
Total	3,091	7,417	927	144	26,636	38,215
LIABILITIES						
Interbank funds borrowed	-	18	-	-	-	18
Other borrowings	-	33	-	-	-	33
Taxes and dues payable	-	52	-	-	-	52
Corporate tax	-	-	-	129	-	129
Provisions	-	-	-	-	97	97
Other liabilities	217	32	32	144	27,163	27,588
Deferred tax liability	-	-	-	-	105	105
Share capital	-	-	-	-	22,939	22,939
Legal reserves	-	-	-	-	807	807
Accumulated profit/(loss)	-	-	-	-	(13,553)	(13,553)
Total	217	135	32	273	37,558	38,215

The maturity analysis for certain asset and liability items is estimated.

18. MATURITY ANALYSIS OF THE BALANCE SHEET (cont'd)

Maturities of assets and liabilities as at 31 December 2001:

	On Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Total TL Billion
ASSETS						
Balance with the Central Bank	10	-	-	-	-	10
Balances with banks	25	-	-	-	-	25
Interbank funds sold	-	6,060	-	-	-	6,060
Securities portfolio (net)	327	-	-	3,060	-	3,387
Loans (net)	-	434	2,824	177	-	3,435
Leasing receivables	-	-	-	203	-	203
Premises and equipment	-	-	-	-	723	723
Financial leases (net)	-	-	-	-	50	50
Other assets	65	-	-	-	-	65
Total	427	6,494	2,824	3,440	773	13,958
LIABILITIES						
Interbank funds borrowed	-	18	-	-	-	18
Other borrowings	-	1,266	-	-	-	1,266
Taxes and dues payable	-	460	-	-	-	460
Corporate tax	-	-	-	1,104	-	1,104
Sundry creditors	60	5	-	-	-	65
Provisions	-	-	-	-	13	13
Other liabilities	-	31	-	-	-	31
Share capital	-	-	-	-	22,939	22,939
Legal reserves	-	-	-	-	503	503
Accumulated profit/(loss)	-	-	-	-	(12,441)	(12,441)
Total	60	1,780	-	1,104	11,014	13,958

The maturity analysis for certain asset and liability items is estimated.

19. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Related Party	2002 TL Billion	2001 TL Billion
Balances with banks	Toprakbank	-	17
Leasing receivables	Toprakbank	-	203
Other Borrowings	Toprakbank	-	18
Accounts Payable (*)	C Faktoring	26,348	-
		26,348	238

Account Name	Related Party	2002 TL Billion	2001 TL Billion
Interest on loans (**)	Toprak Bank	35	816
Income from non-cash loans	Toprak Bank / Bayındırbank	48	-
Insurance Expense	Toprak Sigorta	7	5

(*) TL 24,518 Billion (15,000,000 US $) of payable capital commitment of C Faktoring A.Ş., the rest TL 1,830 Billion is the no interest bearing payable to C Faktoring A.Ş.

(**) The amount included under this account is the interest earned from the leasing transactions with Toprakbank A.Ş.

Balances with related parties generally earn or incur interest at the same rates applied to third parties.

20. COMMITMENTS AND CONTINGENCIES

	2002 TL Billion	2001 TL Billion
Letters of guarantee (TL)	5,290	8,460
Letters of guarantee (FC)	-	58
Letters of credit (FC)	-	390
	5,290	8,908

Guarantee letters of TL 4,751 Billion, which were originally issued to Toprakbank, were received back on 31 January 2003.

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

20. COMMITMENTS AND CONTINGENCIES (cont'd)

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

	2002 TL Billion	2001 TL Billion
Total foreign currency assets	27,372	200
Total foreign currency liabilities	(27,557)	(20)
Net foreign currency position	(185)	180

21. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Bank's paid up capital increased from TL 5,930 Billion (not inflation indexed) to TL 45,000 Billion (not inflation indexed) and this increase was registered in the Trade Registry Gazette dated 21 January 2003, based upon the approval of the BRSA on 30 December 2002. TL 37,070 Billion (not inflation indexed) of this increase was in cash and the remaining TL 2,000 Billion (not inflation indexed) was transferred from the general reserves. In addition, under the new ownership the Bank's title was changed to C Kredi ve Kalkınma Bankası A.Ş. (C Bank) and this change was registered in the Trade Registry Gazette dated 27 January 2003.

After the capital increase, the new shareholders' structure of the Bank is as follows:

Shareholders	%	Paid-Up Capital TL Billion (*)
C Faktoring A.Ş (formerly Elit Finans Faktoring Hizmetleri A.Ş.)	89.92	40,466
SDIF in the name of Halis Toprak	10.00	4,500
Toprak Seniteri ve Turzim İşletmeleri A.Ş.	0.05	23
Toprak Kağıt Sanayi A.Ş.	0.02	11
Damla Cıngıllıoğlu	0.01	<1
	100	45,000

(*) The above paid up capital figures are not inflation adjusted.

Subsequent to the balance sheet date, the Bank sold part of the building (TL 145 Billion in nominal terms) obtained from EGS Gayrimenkul A.Ş. in return of TL 500 Billion loan.