

# Annual Report 2002



## İş Finansal Kiralama A.Ş.

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# Financial Highlights

(TL billions)	2002*	2001*
TOTAL ASSETS	371.658	256.311
LEASING PORTFOLIO, NET	229.487	160.232
SHAREHOLDERS' EQUITY	30.463	24.535
PROFIT AFTER TAX	5.988	-45.278
(US\$ thousands)	2002	2001
TOTAL ASSETS	227.383	156.813
LEASING PORTFOLIO, NET	140.402	98.031
SHAREHOLDERS' EQUITY	18.637	15.010
PROFIT AFTER TAX	3.663	-27.701
Exchange rate (TL/US\$)	1.634.501	1.634.501

\*Currency-Billions of Turkish Lira in equivalent purchasing power at December 31, 2002.

## Message from the Chairman

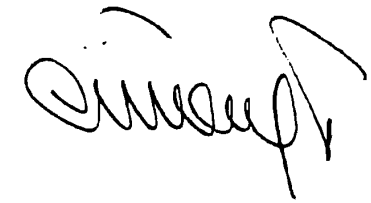
We offer our customers every projection and investment and we steadily advance towards the future.

The year 2002 was a year in which İş Leasing and the leasing sector developed positively. İş Leasing registered growth in comparison with 2001 and broadened its transaction volume. The leasing sector has been directly affected by the nation's economy and showed a trend towards greater stability and growth in 2002 over the previous year. The success achieved in activating the economic program on a national level and in ensuring important economic balance was reflected in the leasing sector as a trend towards growth. Outside the country, leasing's share in private sector investments is around 32% but this share is 6-7% in Turkey. This also says that there is clearly a large potential for leasing in Turkey. This data related to leasing's potential, in addition to the growth trend in 2002, indicates that the leasing sector has quite a shining future.

The leasing sector with its important growth potential is the scene of various developments related to technological infrastructure and the reorganization of the legal infrastructure. The

services banks give via the internet in particular have put on the agenda similar approaches to service in the leasing sector and have brought about technological investment in line with online service requests. The product, developed as a result of this investment, entered service in 2002 on İş Leasing's web site.

We believe and have confidence in Turkey's future and in the development of Turkey and its continuing growth. Given this vision we offer our customers every projection and investment and we steadily advance towards the future. I believe that we will reach our goals with our understanding of how our work should be conducted as we take customer satisfaction as our primary goal. I want to offer my thanks to all our partners, managers and workers who have contributed to İş Leasing's success.



Cüneyt Demren  
Chairman of the Board

mission

## mission

Fully support customers in their investment decisions with our experienced staff and efficient financial services.

## vision

Be a leading institution with our creative project approach, quality of services and financial reliability, creating added value to our customers in all their projects.

vision

Strategy

## strategy

- Improve our market share;
- Develop customised services to meet customers' needs;
- Increase our market penetration all over the country.

# Message from the General Manager

İş Leasing continues to grow and develop in a consistent way.

İş Leasing completed a successful year in 2002, in spite of negative economic conditions in Turkey and the world over the last few years, and it achieved its growth and development goals.

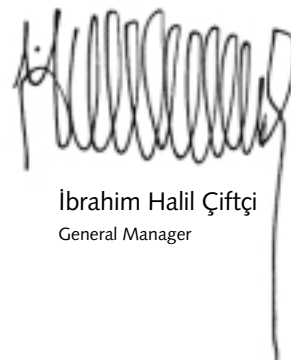
In 2002 investments in Turkey increased in speed because of the seriousness given to structural reform and a fall in inflation over the previous year so the leasing sector began to grow again.

In tandem with the developments experienced in the sector the year 2002 was a very profitable and successful year for our company and it achieved the highest transaction volume in recent years.

Looking briefly at the economic indicators for 2002 for our company, let us address the developments noted in comparison with previous years: İş Leasing in 2002 increased its transaction volume by 100% over the previous year and reached a total of \$136 million. In terms of transaction volume in 2002 İş Leasing was the most successful leasing company in the sector as it increased its share

the most and now has 10,3% of it. İş Leasing has put its signature on many firsts ever since its inception and it continues to be an investor's trustable business partner because of its experienced staff, experience in the sector, the partnership that it offers in finding solutions and special designs. İş Leasing continues its activities in order to retain its leadership as a transparent company open to the public, provide services in the financial leasing sector to many more investors, develop its services and distribute throughout the country advances on the road to stable growth and development.

İş Leasing's increasingly successful trend, its concept of customer oriented service, its dynamic work style that is open to development and the importance of its expert team are magnificent. Because of this, I want to thank our people who brought İş Leasing's philosophy to life, added value to İş Leasing and played an important role in our success and to all our business partners, local and international, who have supported us.



İbrahim Halil Çiftçi  
General Manager



## İş Leasing in Brief

With its prestigious name, strong customers and new leasing philosophy, İş Leasing has been the leading institution in the sector.

In 1988, İş Leasing was established as a partnership of the International Finance Corporation (IFC), Societé Generale and İşbank. This partnership continued until 1995, when IFC and Societé Generale transferred their shares to İşbank. So from this date, the İşbank Group owned the entire capital of İş Leasing. The latest milestone in İş Leasing's partnership structure was the offering of its shares to the public in March 2000.

İş Leasing continues its dynamism and development through its publicly owned, strong structure.

İş Leasing is the leading institution in its sector with a prestigious name, strong customer portfolio and the new service philosophy it brought to Turkey's business sector.

İş Leasing's existing shareholder structure as follows:

Shareholders	Share (%)
Türkiye İş Bankası (İşbank)	35.3
Türkiye Sınai Kalkınma Bankası	30.1
Camiş Sigorta	2.6
Nemtaş Nemrut Liman İşletmeleri	2.6
Public-owned	29.4

## Board of Directors



Standing from left to right;

T. Yavuz İşbakan (Member), Özgün Çınar (Member), Hamdi Selçuk Tuğrul (Member), Rabia İmer (Auditor),  
G. Yusuf Başlamışlı (Member), Selen Hepdoğan (Auditor),

Sitting from left to right;

Kayhan Söyler (Member), İbrahim Halil Çiftçi (General Manager), Ali Cüneyt Demren (Chairman of the Board),  
Kemal Ağanoglu (Vice Chairman).

## Türkiye İş Bankası

Since 1924 İşbank has carried out its historic commitment and mission to develop the Turkish banking system and provide financial sources for industry. Once İşbank was founded by Mustafa Kemal Atatürk, it began to play an important role both as a creditor and a direct equity investor for Turkey's economy. Paralleling its stable growth in assets and profitability, İşbank became a technological leader in financial services, not

only in Turkey but also abroad. İşbank relocated its headquarters from Ankara to İstanbul in order to strengthen its position in the financial and business world. The new head office complex, İş Towers, made it possible to assemble all of the bank's departments and many subsidiary companies in one place and also launch an ambitious arts and culture program in the Towers' concert hall and art gallery

Innovation in banking services continued to drive İşbank forward. The Bank launched Turkey's first WAP banking application including monetary transactions in a 128-bit secure mode and Kasamatik, an online cash deposit machine. The Call Centre of İşbank also continues to operate thoroughly 24 hours a day. İşbank now handles 53% of transactions through alternative service distribution channels.

İşbank, in partnership with Telecom Italia Group, submitted the winning bid for the first GSM 1800 license. İş-Tim launched service of the new mobile telephone network, Aria, in March 2001 and aims to achieve nationwide coverage within five years.

İşbank, in partnership with the Doğan Group, acquired 51% Petrol Ofisi A.Ş. (POAŞ), in July, giving control of a national wide chain of more than 4,500 gas stations.

## Türkiye Sınai Kalkınma Bankası

In 1950, to determine the structural needs of Turkish industry, TSKB – Türkiye Sınai Kalkınma Bankası (Industrial Development Bank of Turkey) was founded. Today, the Bank is one of the few banks in the Turkish financial system, which can borrow long-term at the international financial markets without the Turkish Treasury's guarantee.

During its 50 years history, the Bank has encouraged the financing of new technology, acted as an intermediary for new financial instruments, offered equity shares either directly or via associated institutions to foreign investors, assisted the realization of the privatisation program including advisory services to potential foreign

investors regarding the program and has always acted as a bridge between Turkey and the global financial markets.

It has recently had a merger with Sınai Yatırım Bankası (Industrial Investment Bank) which was founded under the leadership of İşbank in 1963. The mission of the Sınai Yatırım Bankası was to meet medium and long-term financing requirements of private enterprises. Having facilitated a number of firsts in especially manufacturing and financial sectors, Türkiye Sınai Kalkınma Bankası has been going on playing an active role in every stage of Turkey's economic development.

## Camiş Sigorta Hizmetleri

Camiş Sigorta is an İşbank Group company founded in 1990. As an agent for Anadolu Sigorta, another İşbank Group company, it deals with all types of insurance underwriting activities.

## Nemtaş Nemrut Liman İşletmeleri

Nemtaş is a port management and transportation company, based in Aliğa, İzmir. Sea and land transportation, warehouse operations, related brokerage services, shipping line operations and customs clearance services are the main areas of the company's business.

## Shares Open to Public

The latest change in the shareholding structure of İş Leasing was the offering of 29.4% its shares to the public in March 2000. İş Leasing strengthened its structure through its share offering on the İstanbul Stock Exchange and it continues to be the leader in the Turkish financial services sector as a transparent institution open to the public.

# Leasing Sector

The leasing sector is not independent of the national economy and has been seriously affected by the economic crisis and fluctuations in the market in recent years.

Following negotiations and the signing of the stand-by agreement with the IMF after the economic crisis in 1999, a more consistent start was made in year 2000. This, combined with increased confidence in the program, helped the transaction volume in the leasing sector recover from 1999 onwards and reach the level of previous years. However, delays in implementing the IMF's program throughout the year caused domestic and foreign investors to lose their confidence. This resulted in one of the most severe crises in Turkey's history at the beginning of 2001, and the country had to live with an economy shrinking by 8.5%.

Despite these circumstances, consistency in continuing with the program helped there to be significant steps taken and the IMF's providing increased support for our stability program at the beginning of 2002.

Turkey had a much more stable growth period in 2002 because of lessons learned in previous

situations and rapid growth. Such growth in the leasing sector resulted in increased investments because the government established economic equilibrium and followed a consistent program.

And as a result of this, Turkey left the year 2002 behind with positive economic indicators, and the leasing sector also grew by 79% in transaction volume over the previous year.

Though Turkey's growth potential in the leasing sector in Turkey depends on economic stability, it is very promising. Leasing's share in private investments in the international markets is around 30%; this ratio is no more than 6-7% in Turkey.

The data are good examples for showing the previously mentioned potential of the leasing sector in the country.

Only large-scale companies used leasing as an alternative financing tool in the first years of leasing in Turkey, but it is now being used widely by middle and even small size firms. The legal framework for leasing in Turkey was first drawn up in the Financial Leasing Law issued in 1985, and then through further legislation.

# İş Leasing in the Sector

The year 2002 was a profitable and successful year and İş Leasing achieved its highest volume of business in recent years. In this success the role played by in managerial and operational activities directed in achieving İş Leasing's goals and activating its strategy is important. The seriousness given to structural reforms and the fall in inflation resulted in speed being given to investments in 2002 and the leasing sector once again entered a growth trend. İş Leasing succeeded in uniting this speed with its own synergy to become the company with the fastest growing market share in 2002.

In tandem with changing conditions İş Leasing continues its strategies that parallel changing conditions and policies successfully implemented in 2002. It broadened its business volume; (in terms of portfolio value per capita personnel) it became one of the most profitable companies in the sector; and the support of intelligent investment projects has continued to contribute to the Turkish economy and investors through its customer-oriented services.

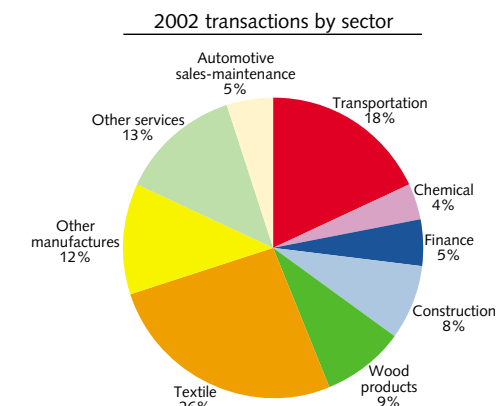
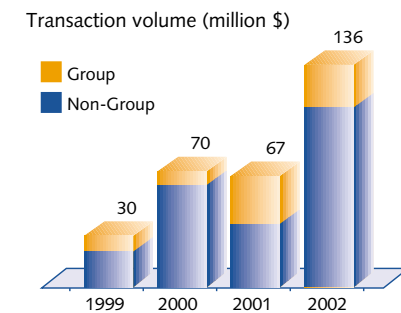
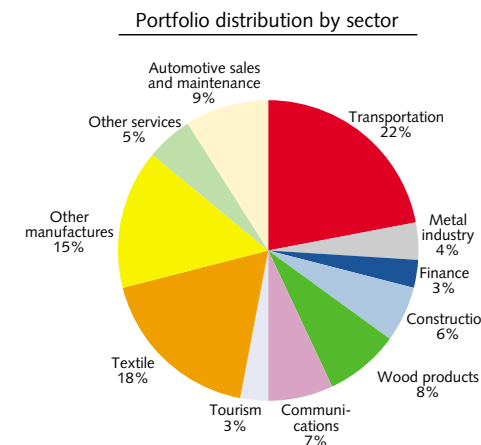
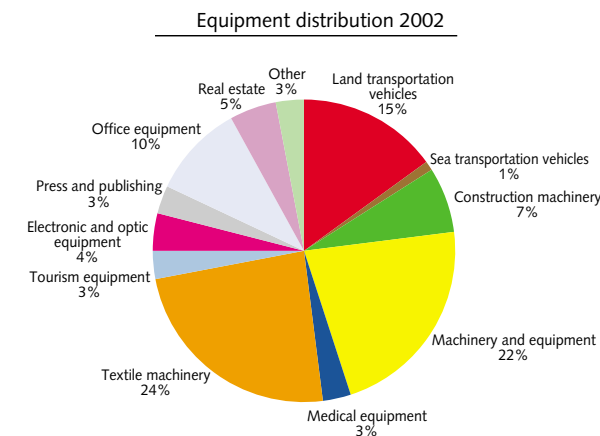
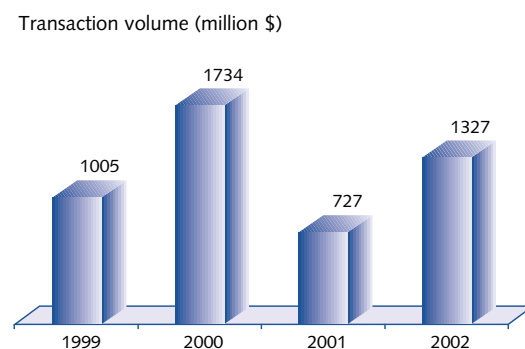
İş Leasing has been contributing financially to an important part of the Turkish economy and has played an active role in carrying out investments with its founder and main shareholder, İşbank, the biggest private sector bank in the country.

İş Leasing has employed successful marketing policies and enjoyed the close support of İşbank's branches to continue serving its customers and offering a homogeneous risk policy.

The high quality customer portfolio approach has been identified as the major principle in the crediting procedure and has been followed successfully throughout the year.

It has grown faster than developments in Turkey and become the pioneer in the leasing sector, creating appropriate sources of funding and effectively using its funds, experience and potential in project financing.

İş Leasing strengthened its technological infrastructure through investments made in software. It has enabled customers to access their accounts through the interactive menus on İş Leasing's web site. The policy to create a portfolio with receivables of high quality and support for project financing has been among the major principles achieved during the year.





# Review of Operations

Through interactive leasing services presented on the web, customers can easily follow up on procedures.

## e-İşleasing

As a result of the technological investments made by İş Leasing, customers began to benefit from İş Leasing's online leasing services. Interactive leasing services offered from the İş Leasing's web site that was renewed in 2002 allows customers to see their own accounts. Using a code, customers can see their accounts in order to determine what debts they may have incurred recently and can send instructions for however much they want to pay from whichever bank they prefer. Additionally customers file online requests for offers and follow the progress of this offer.

As for signed contracts, one can find all the information concerned with the contract (history, amount, sales date, name of seller, transaction period, etc.) even the time schedule related to the leasing transaction. The interactive leasing web site also includes the interactive leasing system insurance related to the concerned equipment and debt/account extras for account including details and agreements like the daily account situation or a brief history.

## Marketing

The core of İş Leasing's marketing strategy consists of providing long-term financing for investment projects that expand, modernize or enhance manufacturing plants supported by modern technology and that increase product diversification and quality. Strong and stable companies that have been an important part of İşbank's extensive database are the main components of the company's operating strategy. Evaluating the information coming from the

database and a series of managerial meetings lead the way to the decisions agreed upon in this regard.

An important factor that has allowed İş Leasing to stay ahead of its competitors is that the commitments made at the beginning of the relationship are kept and honored at all times. It is a well known fact that no matter how much the economy fluctuates, İş Leasing never allows a customer to confront unpleasant surprises during the term of the lease agreement.

İş Leasing also differentiates itself through expanded use of the Internet as a marketing instrument. Branch offices have their place on the Internet, quotations are given via Internet and the web site enables İşbank branches to act as on-line marketing outlets of the company and also offers information about the activities and transactions.

## Credits

Taking decisions about granting credits is always a fast and safe procedure in İş Leasing.

A study is initiated for companies applying for credits, and branches of İşbank provide online information flow from all over the country. The results of this procedure, developed as a part of the high quality customer and service approach, form the basis for the following evaluation procedure. The analysis produced by this evaluation are examined by İş Leasing's expert staff and sent to top management for approval.

## Operations

New technological infrastructure investments ensure that operational activities like purchasing, incentives and customs are performed faster and more easily at İş Leasing. Besides this infrastructure, another significant factor is the experienced staff with its professional performance and its principle of accepted continuous and high quality service approach. Following promptly completed procedures, goods requested by İş Leasing's customers are delivered in the fastest possible way and the leasing operation is achieved. In order to improve the quality of service and customer satisfaction, operational procedures are being revised in the light of customer requests.

## Leasing Portfolio

İş Leasing has many customers from various sectors, ensuring a homogenous dispersion of its portfolio structure. İşbank customers or customers who have been referred to İş Leasing constitute the majority of the portfolio. İşbank evaluates the potential and financial positions for leasing transactions upon the request of İş Leasing and the branch gathers information about the feasibility of a project and potential customers. Thus, İş Leasing gets a much more problem-free customer portfolio that is maintained and served at costs that are kept to a bare minimum. The deep communications network between İş Leasing, İşbank, the branch and the head office leads to tailor-made products and services offered to the clientele.

The usage of information provided by İşbank gives a cost and timing advantage, however, the credit decision is made independently by İş leasing.

## Fund Management

İş Leasing's good reputation among international creditors has put the company in a strong position both in the international and the national business environment. Thus the company is able to fund its operations not just through its parent bank and domestic banks but also through a large number of international banks. Even with the negative effects from the Turkish economy's unstable conditions, the company has never wavered with regard to funding.

İş Leasing is always able to sustain favorably priced long-term funding in both Turkish lira and foreign currency in order to achieve long-term leasing transactions with advantageous terms and conditions for the customers.

## Human Resources

Strategic Human Resources Management, based on the development of human resource policies, has been a dynamic subject in İş Leasing. HR implementations such as recruitment and selection processes, organizing employee relations, performance management and appraisal systems and career planning for employees are held by professionals in the HR department. The qualified workforce and well-developed infrastructure have contributed to the success of the company.

## Training

Training is an inevitable activity in today's business world. The company believes that a progressive and proactive organization depends on skilled and trained members and utilizing ever developing information and communications technologies. To take advantage of new technology and new ways of doing business, İş Leasing employees are encouraged to attend local and/or international training courses.

## Executive Management



Standing from left to right;

Dilek Sezer (Marketing Group Manager), Mehmet Sevinç (Marketing Manager), Murat Ruben (Legal Counselor),  
Tanya Karakaşlı (Operations Manager), Onan Keleş (Finance Manager), Neslihan Oruç (Accounting Manager),

Sitting from left to right;

Nida Çetin (Assistant General Manager), İbrahim Halil Çiftçi (General Manager),  
Orhan Erdoğan (Assistant General Manager).

## İş Finansal Kiralama Anonim Şirketi Anonim Şirketi

## Consolidated Financial Statements as of December 31, 2001, and 2002

## Together With Auditor's Report

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of  
İş Genel Finansal Kiralama Anonim Şirketi :

We have audited the accompanying consolidated balance sheet of İş Genel Finansal Kiralama Anonim Şirketi (a Turkish corporation – the Company) and its subsidiary as of December 31, 2002 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of Turkish Lira as of December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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.

The consolidated financial statements of the Company for the year ended December 31, 2001 were audited by other auditors who have ceased operations and whose report dated February 8, 2002 expressed an unqualified opinion on those consolidated statements.

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the consolidated financial position of İş Genel Finansal Kiralama Anonim Şirketi and its subsidiary as of December 31, 2002 and the consolidated results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.



February 7, 2003  
Istanbul, Turkey

**İŞ GENEL FİNANSAL KİRALAMA ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEETS – AS AT DECEMBER 31, 2002**  
(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

<b>ASSETS</b>	<b>Notes</b>	<b>2002</b>	<b>2001</b>
Cash and cash equivalents	4	<b>50,947</b>	42,308
Investment securities	5	<b>15,098</b>	14,813
Minimum lease payments receivable, net	6	<b>229,487</b>	160,232
Receivables from lease payments outstanding	6	<b>8,509</b>	15,979
Equipment to be leased	7	<b>7,508</b>	2,439
Property and equipment	8	<b>1,746</b>	2,068
Other assets	9	<b>57,230</b>	13,916
Deferred tax asset	11	<b>1,133</b>	4,556
<b>Total assets</b>		<b><u>371,658</u></b>	<b><u>256,311</u></b>

**İŞ GENEL FİNANSAL KİRALAMA ANONİM ŞİRKETİ**  
**CONSOLIDATED BALANCE SHEETS – AS AT DECEMBER 31, 2002**  
(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>2002</b>	<b>2001</b>
<b>Liabilities</b>			
Funds borrowed	10	<b>323,364</b>	217,583
Trade payables		<b>10,930</b>	8,316
Advances from customers		<b>5,430</b>	4,973
Other liabilities		<b>303</b>	904
Income taxes payable	11	<b>1,168</b>	-
<b>Total liabilities</b>		<b><u>341,195</u></b>	<b><u>231,776</u></b>
<b>Equity</b>			
Share capital issued	12	<b>52,322</b>	48,647
Foreign currency translation differences		<b>98</b>	158
Legal reserves and accumulated deficit	13	<b>(21,957)</b>	(24,270)
<b>Total equity</b>		<b><u>30,463</u></b>	<b><u>24,535</u></b>
<b>Total liabilities and equity</b>		<b><u>371,658</u></b>	<b><u>256,311</u></b>

**İŞ GENEL FİNANSAL KİRALAMA ANONİM ŞİRKETİ**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	Notes	2002	2001
Income from financial leases			
- Interest		20,545	21,238
- Foreign exchange gain		39,008	176,351
<b>Total income from financial leases</b>		<b>59,553</b>	<b>197,589</b>
Financial income (expenses)	16	(38,631)	(187,822)
Salaries and employee benefits	17	(1,954)	(2,574)
Marketing, general and administrative expenses	18	(2,946)	(2,985)
Provision for possible lease receivables losses	6	(5,781)	(34,018)
Depreciation	8	(555)	(568)
Other income (expenses)	19	3,300	4,423
<b>Income (loss) from operating activities before income tax and monetary loss</b>		<b>12,986</b>	<b>(25,955)</b>
Income tax	11	(3,662)	4,719
Monetary loss		(3,336)	(24,042)
<b>Net profit (loss)</b>		<b>5,988</b>	<b>(45,278)</b>
<b>Earnings/(loss) per share (in full TL)</b>	14	<b>299</b>	<b>(2,663)</b>

**İŞ GENEL FİNANSAL KİRALAMA ANONİM ŞİRKETİ**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	Share capital	Adjustment to share capital	Share premium	Foreign currency translation differences	Legal reserves and accumulated profits/(deficit)	Total
<b>At January 1, 2001</b>	8,500	18,407	18,023	-	24,725	69,655
Issue of share capital	8,500	13,240	(18,023)	-	(3,717)	-
Foreign currency translation adjustment	-	-	-	158	-	158
Net loss for the year	-	-	-	-	(45,278)	(45,278)
<b>At December 31, 2001</b>	<b>17,000</b>	<b>31,647</b>	<b>-</b>	<b>158</b>	<b>(24,270)</b>	<b>24,535</b>
Issue of share capital	3,000	675	-	-	(3,675)	-
Foreign currency translation adjustment	-	-	-	(60)	-	(60)
Net profit for the year	-	-	-	-	5,988	5,988
<b>At December 31, 2002</b>	<b>20,000</b>	<b>32,322</b>	<b>-</b>	<b>98</b>	<b>(21,957)</b>	<b>30,463</b>

**İŞ GENEL FİNANSAL KİRALAMA ANONİM ŞİRKETİ**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

	2002	2001
OPERATING ACTIVITIES:		
Net consolidated income/(loss)	5,988	(45,278)
Adjustments for:		
Unrealized foreign exchange (gain)/loss, net	68,553	20,914
Depreciation	555	568
Provision for possible lease receivables losses	5,781	34,018
Provision for retirement pay	119	223
Deferred taxation	2,647	(5,120)
Current taxation	1,015	401
Net decrease in minimum lease payments receivable, net	(69,255)	(16,087)
Net (increase)/decrease in receivables from lease payments outstanding	1,689	(26,450)
Net (increase)/decrease in other assets	(43,314)	1,205
Net (increase)/decrease in trade payables and advances from customers	3,071	(659)
Net (increase) in other liabilities	(597)	217
Net (increase)/decrease in equipments to be leased	(5,069)	16,166
Income taxes paid	(54)	(8,376)
<b>Net cash used in operating activities</b>	<b>(28,871)</b>	<b>(28,258)</b>
INVESTING ACTIVITIES:		
Purchase of investments	(17,015)	(10,047)
Proceeds from investments	12,764	-
Purchase of property and equipment	(493)	(2,101)
Disposal of property and equipment	260	2,575
<b>Net cash used in investing activities</b>	<b>(4,484)</b>	<b>(9,573)</b>
FINANCING ACTIVITIES:		
Proceeds from short-term debt	30	16
Proceeds from long-term and current portion of long-term debt	51,670	26,221
Repayment of short-term debt	(16)	(42)
Repayment of current portion of long-term debt and transfer to short-term debt	(9,690)	(112,482)
<b>Net cash provided by / (used in) financing activities</b>	<b>41,994</b>	<b>(86,287)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,639	(124,118)
Cash and cash equivalents at beginning of year	42,308	166,426
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>50,947</b>	<b>42,308</b>
Supplemental disclosures of cash flows information		
a) The cash paid by the Company for interest during 2002 and 2001	14,224	33,752
b) The cash received by the company for interest during 2002 and 2001	35,300	63,744

**İŞ GENEL FİNANSAL KİRALAMA ANONİM ŞİRKETİ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2002**

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2002)

**1. CORPORATE INFORMATION**

İş Genel Finansal Kiralama Anonim Şirketi (a Turkish corporation - İş Leasing) was incorporated on February 8, 1988, to operate in Turkey under the provisions of the Turkish financial leasing law number 3226 and started leasing operations at the end of July 1988. The head office of the İş Leasing is located at İş Kuleleri Kule 2 Kat: 10 80620 4. Levent- İstanbul/Turkey.

The consolidated subsidiary, Karya Trading Ltd (Karya) was established on June 23, 1999 and was incorporated in Jersey. The ownership of İş Leasing in Karya Trading Ltd. is 99%, corresponding to TL 35,022 as of December 31, 2002 and 2001, at historical figures.

For the purposes of the consolidated financial statements İş Leasing and its consolidated subsidiary Karya, are collectively referred to as the "Company".

The consolidated financial statements of the Company are authorized for issue by the senior management on February 7, 2003. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The ultimate parent enterprise of the Company is Türkiye İş Bankası Anonim Şirketi (İş Bankası).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. The consolidated financial statements have been prepared on an historical cost convention except for the measurement at fair value of investments.

The Company (except Karya which maintains its books of accounts and prepared its financial statements in its local currency and in accordance with the statutory requirements in the country of incorporation in which it operate) which is incorporated in Turkey, maintains its books of account and prepares its statutory financial statements in accordance with provisions of the Turkish Commercial Code, the Financial Leasing Law and the tax legislations. The accompanying consolidated financial statements are based on the statutory financial statements of the Company and presented in Turkish Lira (TL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments primarily relate to the restatement for the changes in the general purchasing power of Turkish Lira, accounting for leasing transactions, deferred taxation and accounting for financial instruments in accordance with International Accounting Standard (IAS) 39 - Financial Instruments : Recognition and Measurement.

### Reclassifications on 2001 Financials

The Company has made certain reclassifications in the consolidated financial statements as of December 31, 2001 to be consistent with the current year presentation. Such reclassifications are made on cash an cash equivalents, receivables and other assets.

### Measurement Currency, Reporting Currency and Translation Methodology

Measurement currency of the Company (except Karya, operating in Jersey, whose measurement currency has been determined to be US\$) is TL. The restatement for the changes in the general purchasing power of TL as of December 31, 2002 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of December 31, 2002, the three years cumulative rate has been 227% (2001 - 308%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such indices and conversion factors as of the end of the three years period ended December 31, 2002 are given below:

Dates	Index	Conversion Factors
December 31, 2000	2,626.0	2.467
December 31, 2001	4,951.7	1.308
December 31, 2002	6,478.8	1.000

The main guidelines for the above mentioned restatement are as follows :

- the consolidated financial statements of prior year, including monetary assets and liabilities reported therein, which were previously prepared in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2002.
- monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2002 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions, dividends reinvested, and transfers from statutory retained earnings to share capital from the date they were contributed.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity (except for the statutory revaluation adjustment which is eliminated) are restated by applying the relevant conversion factors.
- the effect of general inflation on the net monetary position is included in the statement of income as monetary gain (loss).
- all items in the statement of income are restated by applying relevant conversion factors with the exception of depreciation, gain or loss on disposal of fixed assets (which have been calculated based on the restated gross book values and accumulated depreciation/amortization) and the provision for bad debt which is already expressed in terms of the monetary unit current at December 31, 2002.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

### Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income.

Foreign currency translation rates used by the Company as of respective year-ends are as follows :

Dates	EUR / TL (full)	USD / TL (full)
December 31, 2000	618,561	671,765
December 31, 2001	1,268,115	1,439,567
December 31, 2002	1,703,477	1,634,501

The assets and liabilities of foreign subsidiary are translated at the rate of exchange ruling at the balance sheet date. The income statement of foreign subsidiary is also translated at year-end exchange rate, which is considered as a proxy to restate such income statement amounts at year-end purchasing power of TL. Differences resulting from the deviation between the inflation rate and the appreciation of foreign currency against the Turkish Lira related to equity accounts of the consolidated subsidiary were taken to shareholders' equity as a translation gain (loss).

### Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary drawn up to 31 December each year.

The principles of consolidation followed in the preparation of the accompanying consolidated financial statements are as follows:

- The balance sheet and statement of income of the consolidated subsidiary are consolidated on a line-by-line basis, and the carrying value of investments held by İş Leasing is eliminated against the related shareholders' equity accounts,
- All significant intercompany transactions and balances between consolidated companies have been eliminated,
- For the purpose of consolidation, the US\$ financial statements of Karya have been translated to Turkish lira.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the related assets as follows :

	Years
Buildings	50
Machinery and office equipments	5
Furniture, fixtures and vehicles	5
Leasehold improvements	5

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognized in the income statement.

### Investments

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. The Company maintains available-for-sale securities portfolio.

Available-for-sale securities are subsequently carried at fair value. Gains or losses on remeasurement to fair value are recognized in income.

Interest earned on available for sale investments is reported as interest income. Dividends received are included in dividend income

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. Available for-sale securities include debt securities primarily Eurobonds and share certificates.

### Recognition and Derecognition of Financial Instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Company commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 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.

### Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash at banks and on hand and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

### Operating Leases - As Lessee

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term.

### Finance Lease

The Company presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognised immediately as expenses.

### Provisions for Possible Lease Receivable Losses

Based upon its evaluation, management estimates the total credit risk provision that it believes is adequate to cover uncollectable amounts in the Company's lease receivable portfolio. If there is objective evidence that the Company will not be able to collect all amounts due according to original contractual terms of the lease; such receivables are considered impaired. The amount of the loss is measured as the difference between the receivables carrying amount and the expected future cash flows discounted at the lease receivable's original effective interest rate or as the difference between the carrying value of the lease receivable and the fair value of collateral, if the receivable is collateralized and foreclosure is probable. Impairment and uncollectability are measured and recognized individually for lease receivables that are individually significant, and on a portfolio basis for group of similar lease receivables that are not individually identified as impaired. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a receivable is deemed uncollectable or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the amount of a receivable.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for possible lease receivable losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

### Funds Borrowed

Funds borrowed are initially recognized at cost. After initial recognition, all interest liabilities are subsequently measured at amortized cost using effective yield method, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the income statement when the liability is derecognized or impaired as well as through the amortization process. Borrowing costs are expensed as incurred.

### Employee Termination Benefits

In accordance with existing social legislation, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 1,260 and TL 978 at December 31, 2002 and 2001, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. Such amounts are recognized in the financial statements as earned. The total reserve amounting to TL 273 and TL 269 as of December 31, 2002 and 2001 represents the estimated amount of liability required in accordance with IAS 19 (revised 1998) - Employee Benefits.

### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### Income and Expense Recognition

All income and expense items are recognized on the accrual basis.

### Income Tax

Tax expense/ (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

At each balance sheet date, the Company reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset to the extent that it has become that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### Uses of Estimates

The preparation of the 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 balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

### 3. SEGMENT INFORMATION

The Company conducts the majority of its business activities in the following business segments :

#### Year ended December 31,2002:

	Leasing	Finance	Eliminations	Company
Income from financial leases	59,553	-	-	59,553
Provision for possible lease receivable losses	(5,781)	-	-	(5,781)
Financial income (expenses)	(39,091)	127	333	(38,631)
Other income (expenses)	3,507	(121)	(86)	3,300
General and administrative expenses-including salaries and employee benefits and depreciation	(5,496)	(45)	86	(5,455)
<b>Profit loss from operating activities</b>	<b>12,692</b>	<b>(39)</b>	<b>333</b>	<b>12,986</b>
Income tax	(3,662)	-	-	(3,662)
Monetary gain/loss	(3,003)	-	(333)	(3,336)
<b>Net profit (loss)</b>	<b>6,027</b>	<b>(39)</b>	<b>-</b>	<b>5,988</b>

Other segment information				
Segment assets	318,288	185,427	(132,057)	371,658
<b>Total assets</b>	<b>318,288</b>	<b>185,427</b>	<b>(132,057)</b>	<b>371,658</b>
Segment liabilities	288,179	184,956	(131,940)	341,195
<b>Total liabilities</b>	<b>288,179</b>	<b>184,956</b>	<b>(131,940)</b>	<b>341,195</b>
Capital expenditures				
Tangible fixed assets	493	-	-	493
Depreciation	555	-	-	555

#### Year ended December 31,2001:

Income from financial leases	197,589	-	-	197,589
Provision for possible lease receivable losses	(34,018)	-	-	(34,018)
Financial income (expenses)	(192,243)	(815)	5,236	(187,822)
Other income (expenses)	4,456	(33)	-	4,423
General and administrative expenses-including salaries and employee benefits and depreciation	(6,123)	(4)	-	(6,127)
<b>Profit / (loss) from operating activities</b>	<b>(30,339)</b>	<b>(852)</b>	<b>5,236</b>	<b>(25,955)</b>
Income tax	4,719	-	-	4,719
Monetary Loss	(18,806)	-	(5,236)	(24,042)
<b>Net profit (loss)</b>	<b>(44,426)</b>	<b>(852)</b>	<b>-</b>	<b>(45,278)</b>

#### Other segment information

Segment assets	254,158	182,652	(180,499)	256,311
<b>Total assets</b>	<b>254,158</b>	<b>182,652</b>	<b>(180,499)</b>	<b>256,311</b>
Segment liabilities	230,077	182,062	(180,363)	231,776
<b>Total liabilities</b>	<b>230,077</b>	<b>182,062</b>	<b>(180,363)</b>	<b>231,776</b>
Capital expenditures				
Tangible fixed assets	2,101	-	-	2,101
Depreciation	568	-	-	568

#### 4. CASH AND CASH EQUIVALENTS

	2002				
	Demand Deposits	Time Deposits	Total	Maturity	Interest Rate (%)
Turkish lira deposits	203	3,655	3,858	January 2, 2003	43.5
Foreign currency deposits	22,097	24,992	47,089	January 3- January 24, 2003	1.50-4.85
<b>Total</b>	<b>22,300</b>	<b>28,647</b>	<b>50,947</b>		
	2001				
	Demand Deposits	Time Deposits	Total	Maturity	Interest Rate (%)
Turkish lira deposits	334	12,039	12,373	January 1 - March 12, 2002	60.5-62
Foreign currency deposits	9,496	20,439	29,935	January 3- January 30, 2002	3.75-6
<b>Total</b>	<b>9,830</b>	<b>32,478</b>	<b>42,308</b>		

As of December 31, 2002, TL 180 (2001 - TL 277) of total TL deposits and TL 12,328 (2001 - TL 9,338) of total foreign currency deposits consist of accounts at İş Bankası A.Ş.

#### 5. INVESTMENT SECURITIES

Securities available-for-sale	2002	2001
Debt Securities		
- Foreign currency denominated treasury bills	-	9,539
- Eurobond issued by the Turkish government	9,155	-
Equity Instruments	5,943	5,274
- Listed	43	76
- Unlisted	5,900	5,198
<b>Total</b>	<b>15,098</b>	<b>14,813</b>

As of December 31, 2002 and 2001, listed equity instruments amounting to TL 43 and TL 76, respectively are reflected at market values determined using the closing sales price at year-ends.

As of December 31, 2002, unlisted equity instruments amounting to TL 5,900 (2001 - TL 5,198) consist of shares of İş Yatırım Menkul Değerler A.Ş. and İş Risk Sermayesi Yatırım Ortaklığı A.Ş., which are stated at restated cost.

Interest foreign currency denominated debt securities are stated at fair value. The effective interest rate of such securities are 6.37%.

#### 6. LEASE RECEIVABLES

##### a) Minimum Lease Payments Receivable

	2002	2001
Gross investment in finance lease receivable		
Not later than one year	150,297	104,202
Later than one year and not later than five years	125,519	110,120
<b>Minimum lease payments receivable, gross</b>	<b>275,816</b>	<b>214,322</b>
Less: Unearned interest income	(39,260)	(42,594)
<b>Net investment in finance leases</b>	<b>236,556</b>	<b>171,728</b>
Less: Reserve for impairment	(7,069)	(11,496)
<b>Minimum lease payments receivable, net</b>	<b>229,487</b>	<b>160,232</b>
Net investment in finance leases may be analyzed as follows:		
Not later than one year	124,292	84,176
Later than one year and not later than five years	112,264	87,552
<b>Total</b>	<b>236,556</b>	<b>171,728</b>

As of December 31, 2002 the effective interest rates of minimum lease receivable denominated all in foreign currency are 13.28% for US\$ and 13.09% for EUR (2001 - 15.39% for US\$ and 15.32% for EUR), respectively.

As of December 31, 2002, the Company obtained mortgages amounting to TL 175,046 (2001 - TL 135,735, in historical terms), letter of guarantees amounting to TL 6,667 (2001 - TL 9,162, in historical terms), bank guarantees amounting to TL 6,872 and cash blockages amounting to TL 6,156 (2001 - TL 2,901, in historical terms) from certain lease customers in relation to minimum lease payments receivables and receivables from lease payments outstanding.

##### b) Receivables from lease payments outstanding

	2002	2001
Receivables from lease payments outstanding	31,195	47,667
Less: Reserve for impairment	(22,686)	(31,688)
<b>Minimum lease payments receivable, net</b>	<b>8,509</b>	<b>15,979</b>

##### c) Movements in the total reserve for impairment for lease receivables

	2002	2001
Reserve at the beginning of the year	43,184	31,900
Provision for impairment	5,781	26,008
Monetary gain	(19,210)	(14,724)
<b>Reserve at the end of the year</b>	<b>29,755</b>	<b>43,184</b>

#### 7. EQUIPMENT TO BE LEASED

The Company purchases machinery and equipment from foreign and domestic vendors in relation to the financial lease agreements signed in the current year for projects in progress of its customers, which will be completed in the subsequent year. As of December 31, 2002 and 2001, the equipment to be leased balance includes cost of the equipment to be leased as described above together with related expenses.

#### 8. PROPERTY AND EQUIPMENT

	Building	Vehicles & Machinery	Furniture and Fixtures	Leasehold Improvements	Total
<b>At January 1, 2002, net of accumulated depreciation</b>	260	208	646	954	2,068
Additions	-	68	145	280	493
Disposals	(260)	-	-	-	(260)
Depreciation charge for the year	-	(103)	(180)	(272)	(555)
<b>At December 31, 2002, net of accumulated depreciation</b>	<b>-</b>	<b>173</b>	<b>611</b>	<b>962</b>	<b>1,746</b>
At December 31, 2001					
Cost	272	407	2,601	1,143	4,423
Accumulated depreciation	(12)	(199)	(1,955)	(189)	(2,355)
<b>Net carrying amount</b>	<b>260</b>	<b>208</b>	<b>646</b>	<b>954</b>	<b>2,068</b>
<b>At December 31, 2002</b>					
Cost	-	475	2,584	1,423	4,482
Accumulated depreciation	-	(302)	(1,973)	(461)	(2,736)
<b>Net carrying amount</b>	<b>-</b>	<b>173</b>	<b>611</b>	<b>962</b>	<b>1,746</b>

#### 9. OTHER ASSETS

	2002	2001
Loans receivable from related parties	50,334 (*)	-
Advances given to suppliers	4,521	297
Value Added Taxes receivable	1,246	532
Prepaid withholding tax over interest income on time deposits	-	7,249
Prepaid insurance and credit commission expenses	497	1,375
Assets held for resale	467	3,712
Other short-term receivables	165	751
<b>Total</b>	<b>57,230</b>	<b>13,916</b>

(\*) This amount represents loan amounting U.S. Dollars 30,000,000 provided by Karya to a related party (Cam-İş Yatırım Holding A.Ş.). Income accrual amounting to TL 1,299 is also included in the loan amount. The loan bears an interest rate of 9% and the maturity of the loan is 2005.



## 10. FUNDS BORROWED

	2002			2001		
	Original Amount	TL Equivalent	Interest Rate (%)	Original Amount	TL Equivalent	Interest Rate (%)
i) Current portion of long-term funds borrowed						
TL	30	30	-	16	16	-
US\$	50,734,982	82,926	3.16-6.60	34,640,576	65,226	3.24-10.50
EUR	25,204,902	42,936	3.40-9.76	10,742,796	17,819	4.65-10.20
				DEM	1,797,541	5.20-8.92
ii) Medium and long-term funds borrowed						
US\$	74,777,834	122,225	3.16-6.60	44,809,273	84,375	3.24-10.50
EUR	44,172,777	75,247	3.40-9.76	DEM	1,244,730	5.20-8.92
	-	-	-	EUR	28,677,473	4.65-10.20
		<u>323,364</u>			<u>217,583</u>	

The repayment plan of long-term funds borrowed from banks as of December 31, 2002 and 2001, is as follows :

Year	2002			Total TL Equivalent
	TL	US\$	EUR	
2003	30	50,734,982	25,204,902	125,892
2004	-	43,965,280	36,633,902	134,266
2005	-	30,656,154	3,728,135	56,458
2006	-	78,200	2,344,957	4,122
2007 and onwards	-	78,200	1,465,783	2,626
	<u>30</u>	<u>125,512,816</u>	<u>69,377,679</u>	<u>323,364</u>

Year	2001				Total TL Equivalent
	TL	US\$	DEM	EUR	
2002	16	34,640,576	1,797,541	10,742,796	84,585
2003	-	29,321,030	491,702	13,124,948	77,398
2004	-	14,909,958	301,211	12,960,116	49,827
2005	-	578,286	301,211	1,463,105	3,772
2006 and onwards	-	-	150,606	1,129,304	2,001
	<u>16</u>	<u>79,449,850</u>	<u>3,042,271</u>	<u>39,420,269</u>	<u>217,583</u>

As of December 31, 2002 and 2001, maximum maturity of the long-term funds borrowed is 2009 and 2006, respectively. All fund borrowed bear floating interest rates.

## 11. TAXATION ON INCOME

The Company is subject to taxation in accordance with the tax procedures and the legislation effective in the countries in which the Company operate.

In Turkey the effective corporate tax rate including the fund levied is 33%. Items exempted from corporation tax (except dividends collected) are subject to income tax at the effective rate of 11% or 19.8%. In case of dividend distributions in the form of cash, depending on public or privately owned status of the entity, 5% or 15% income tax (plus 10% additional fund) is calculated over that portion of the distributed amount which is subject to 33% corporation tax and paid to tax authorities on behalf of shareholders.

In Turkey, tax regulations do not provide a procedure for final agreement of tax assessments. Tax returns are filed within four months after the end of the year to which they relate to and tax authorities may examine the accounting records and revise assessments within five years.

In accordance with the advance tax payment regulation in Turkey, entities are required to file temporary tax returns quarterly and pay 25% of their quarterly earnings which is offset from the final tax liability computed on the current year's operating results. Accordingly, the taxation charge computed is not equal to the final tax liability appearing on the balance sheet.

The total provision for taxation applicable to net income is different than the amount computed applying the statutory tax rate to income before taxation since certain expenses are not tax deductible and İŞ Leasing benefits from the investment allowance of 100% which takes the form of a deduction from taxable income for the purpose of corporation tax calculation. However, income tax is computed for such deduction at 19.8%.

In Turkey, the tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Components of income tax expense for the years ended December 31, 2002 and 2001 are:

	2002	2001
<b>Consolidated income statement</b>		
<b>Current income tax</b>		
Current income tax charge	1,015	401
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	2,647	(5,120)
Income tax expense reported in consolidated income statement	<u>3,662</u>	<u>(4,719)</u>

During the year, İŞ Leasing has made advance tax payments amounting to TL 48 (2001 - TL 7,556). As of December 31, 2002, TL 48 (2001 - TL 309) of such prepaid taxes have been netted off with taxes payable on income.

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended December 31, 2002 and 2001 was as follows:

	2002	2001
Net profit/loss from ordinary activities before income tax and after monetary loss	<u>9,650</u>	<u>(49,997)</u>
At effective statutory income tax rate of 19.8%	1,911	-
Income not subject to tax	(890)	(604)
Expenditure not allowable for income tax purposes	3,726	3,645
Other, mainly restatement	(1,085)	(7,760)
Income tax	<u>3,662</u>	<u>(4,719)</u>

As of December 31, 2001, since İŞ Leasing incurred losses in its statutory tax base, İŞ Leasing is exempt from any corporate tax charges, however İŞ Leasing is subject to income withholding tax on tax deductible gain on sale of real estate at a rate of 11%, including fund levies.

## Deferred income tax

	Balance Sheet	
	2002	2001
Deferred income tax liabilities		
Finance lease income accrual	694	1,141
Effect of restatement of property and equipment and intangibles	162	583
Time deposits income accrual	5	51
Gross deferred income tax liabilities	<u>861</u>	<u>1,775</u>
Deferred income tax assets		
Accounting for finance leases	(1,844)	(4,479)
Government bond valuation difference	(96)	-
Post-employment benefits	(54)	(54)
Reserve for impairment	-	(1,798)
Gross deferred income tax assets	<u>(1,994)</u>	<u>(6,331)</u>
Net deferred income tax asset	<u>(1,133)</u>	<u>(4,556)</u>

Tax effect of temporary differences is measured at the rate of 19.8% considering that those differences will be reversed in the following years and İŞ Leasing will not be subject to corporation tax due to investment incentive exemption amount carried forward to the following periods. As of December 31, 2002, İŞ Leasing has unused statutory investment allowances of TL 62,154 (2001 - TL 48,286) both in historic terms which can be carried forward indefinitely according to the current tax legislation.

Movement of net deferred tax liability/ (asset) can be presented as follows:

	2002	2001
At January 1	(4,556)	(1,125)
Deferred income tax recognized in consolidated income statement	2,647	(5,120)
Monetary gain	776	1,689
At December 31	<u>(1,133)</u>	<u>(4,556)</u>

## 12. SHARE CAPITAL

	2002	2001
Number of common shares, TL1,000, par value		
Authorized, issued and outstanding	<u>20,000,000,000</u>	<u>17,000,000,000</u>

As of December 31, 2002 and 2001, the Company's historical subscribed and issued share capital was TL 20,000 and TL 17,000, respectively.

As of December 31, 2002 and 2001, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

Shareholders	2001		2000	
	Amount	Ownership Percentage (%)	Amount	Ownership Percentage (%)
İş Bankası	7,059	35.29	6,000	35.29
Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)	6,000	30.00	3,000	17.65
Public Shares	5,883	29.41	5,000	29.41
Sınai Yatırım Bankası A.O. (SYKB)	-	-	2,100	12.35
Camış Sigorta A.Ş.	529	2.65	450	2.65
Nemtaş Nemrut Liman İşletmeleri A.Ş. (Nemtaş)	529	2.65	450	2.65
	<u>20,000</u>	<u>100.00</u>	<u>17,000</u>	<u>100.00</u>
Effect of restatement	32,322	-	31,647	-
	<u>52,322</u>	<u>100.00</u>	<u>48,647</u>	<u>100.00</u>

Board of directors and audit committee are selected from the candidates suggested by A-type shares.

On April 2002, the historical paid-in share capital of the Company has been increased by TL 3,000 (through transfer from gain on sale of property). On July 2001, the historical paid-in share capital of the Company has been increased by TL 2,250 (through transfer from accumulated profits) and TL 6,250 (through transfer from share premium) reaching TL 17,000 paid-in share capital.

As of December 31, 2000, share premium of TL 18,023 (TL 6,250-historical) represented capital paid-in excess of par values, and attributable to initial public offering of the shares. This amount was included in share capital in 2001.

## 13. LEGAL RESERVES AND ACCUMULATED PROFITS

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The legal and general reserves of the Company as at the indicated dates were as follows (in historical terms):

	2002	2001
Legal reserves	608	608
General reserves	5,628	9,014

The statutory general reserve and profit are available for distribution subject to reserve requirement referred to above.

## 14. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2002.

There is no dilution of shares.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

The following reflects the income and data used in the basic earnings per share computations:

	2002	2001
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	5,988	(45,278)
Weighted average number of ordinary shares (in billions)	20,000	17,000

## 15. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by İş Bankası and TSKB, which own 35.29% and 30% of ordinary shares, respectively. For the purpose of these financial statements, shareholders of the Company and related companies of İş Bankası are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the course of conducting its business, the Company conducted various business transactions with related parties on commercial terms and at rates which approximate market rates.

A summary of the major transactions and balances with related parties during the related periods were as follows:

### Minimum Lease Payments Receivable

	2002	2001
İş Bankası	4,609	12,257
İş-Tim Telekomünikasyon Hizmetleri A.Ş. (İş-Tim)	8,008	11,505
Gemport Gemlik Liman İşletmeleri A.Ş.	19,062	5,814
Petrol Ofisi A.Ş.	2,258	2,379
Milli Reasürans T.A.Ş.	246	2,479
İş Koray Gayrimenkul Yatırım Ortaklığı A.Ş. (İş Koray)	4,638	749
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	1,728	786
Others	1,922	1,882
	<u>42,471</u>	<u>37,851</u>

### Funds borrowed

	Bank Borrowings		Interest Expenses	
	2002	2001	2002	2001
İş Bankası (including foreign branches)	144,280	189,223	10,001	18,124
TSKB	-	-	168	-

### Leasing Income

	2002	2001
İş Bankası	547	1,669
Milli Reasürans T.A.Ş.	175	560
İş Yatırım Menkul Değerler A.Ş.	-	182
İş Tim	952	216
Petrol Ofisi A.Ş.	392	318
Gemport Gemlik Liman İşletmeleri A.Ş.	863	421
İş Koray	252	203
Anadolu Anonim Türk Sigorta A.Ş.	147	39
Others	604	304
	<u>3,932</u>	<u>3,912</u>

### Interest Income

	2002	2001
İş Bankası	1,764	28,151
İş Yatırım	2	1,263
SYKB	-	9,566
	<u>1,766</u>	<u>38,980</u>

## Director's Remuneration

In year 2002, the total amount of salaries or other fringe benefits paid to the Company's members of Board of Directors general manager, and assistant general managers amount to TL 542,178 (2001 - TL 702,516).

## Other Transactions

As of December 31, 2002, advances given to suppliers and assets in progress include TL 1,531 (2001 - TL 1,040) of equipment cost and other charges paid to suppliers to be leased to İş Bankası and some of its affiliates.

Insurance transactions of the Company's customers are made generally with an affiliated company of İş Bankası (Anadolu Anonim Türk Sigorta A.Ş.) and in this connection the Company obtained TL 368 (2001 - TL 381) commission income from those transactions.

During 2002 and 2001, the Company paid rent amounting to TL 880 (2001 - TL 806) to İş Gayrimenkul Yatırım Ortaklığı A.Ş.

During 2002 and 2001, dividend income from related parties amounted to TL 715 (2001 - TL 736).

## 16. FINANCIAL INCOME (EXPENSES)

	2002	2001
Interest income from loans given	3,694	756
Interest income on time deposits with banks and government securities	5,377	71,966
Foreign exchange gain	7,422	7,237
Total Financial Income	<u>16,493</u>	<u>79,959</u>
Foreign exchange loss	(37,967)	(235,280)
Interest expense on funds borrowed	(16,459)	(31,485)
Other financial expenses	(698)	(1,016)
Total Financial Expenses	<u>(55,124)</u>	<u>(267,781)</u>
Financial Income (Expenses)-net	<u>(38,631)</u>	<u>(187,822)</u>

## 17. SALARIES AND EMPLOYEE BENEFITS

	2002	2001
<b>Staff costs</b>		
Wages and salaries	1,525	1,964
Provision for employee termination benefits	119	223
Cost of defined contribution plan (employers' share of social security premiums)	150	180
Other fringe benefits	160	207
	<u>1,954</u>	<u>2,574</u>

In 2002, the average number of employees is 40 (2001 - 44).

## 18. MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

	2002	2001
Office expenses	1,124	1,342
Non-tax deductible expenses	302	523
Consultancy expenses	148	273
Advertisement expenses	50	161
Tax and duties	346	25
Notary expenses	351	154
Other	625	507
	<u>2,946</u>	<u>2,985</u>

## 19. OTHER INCOME (EXPENSES)

	2002	2001
Dividend income	715	736
Notary public commission income charged to lessees	990	597
Insurance commission income	368	381
Gain on sale of property	737	1,567
Rent income	175	127
Other income	315	1,015
Total Other Income	<u>3,300</u>	<u>4,423</u>

## 20. CONTINGENCIES AND COMMITMENTS

a) Letters of guarantee given to customs authorities and banks as of December 31, 2002 amounted to TL 65,318 (2001 - TL 9,830) (all in historical Turkish lira).

b) As of December 31, 2002, the Company has given guarantees in the amount of US\$ 66 million and EURO 24 million (2001 - US\$ 81 million and EURO 29 million) to banks on behalf of Karya Trading Ltd. for the bank borrowings.

c) As of December 31, 2002, the lawsuits opened against the Company amounts to TL95 (2001-160) and expense accrual amounting to TL 29 (2001 - TL 160) is booked to the accompanying consolidated financial statements.

## 21. FINANCIAL RISK MANAGEMENT

### Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

The concentration of the Company's minimum lease payments receivable on industry groups is as follows:

	2002	2001
Automotive	1,652	8,492
Communication	-	7,531
Textile	48,537	16,023
Chemical	17,257	-
Financial Services	1,606	22,432
Wood products	67,882	-
Construction	24,991	17,626
Transportation	19,047	19,228
Others	48,515	68,900
	<u>229,487</u>	<u>160,232</u>

## Liquidity Risk

The Company's policy is to match cash outflow mainly arising from repayments of the funds borrowed and cash inflow mainly arising from lease receivables maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Company.

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
<b>As at December 31, 2002</b>							
<b>Assets</b>							
Cash and cash equivalents	50,947	-	-	-	-	-	50,947
Investment securities	-	-	-	-	9,155	5,943	15,098
Minimum lease payments receivable, net	6,725	24,795	29,739	55,964	112,264	-	229,487
Receivables from lease payments outstanding	8,398	27	49	35	-	-	8,509
Equipment to be leased	7,508	-	-	-	-	-	7,508
Property and equipment	-	-	-	-	-	1,746	1,746
Other assets	6,431	-	-	-	50,332	467	57,230
Deferred tax asset	-	-	-	-	1,133	-	1,133
<b>Total assets</b>	<b>80,009</b>	<b>24,822</b>	<b>29,788</b>	<b>55,999</b>	<b>172,884</b>	<b>8,156</b>	<b>371,658</b>
<b>Liabilities</b>							
Funds borrowed from banks	1,299	2,733	74,841	47,019	196,660	812	323,364
Trade payables	7,022	181	-	2,102	1,625	-	10,930
Advances from customers	5,430	-	-	-	-	-	5,430
Other liabilities	30	-	-	-	-	273	303
Income tax payable	-	-	1,168	-	-	-	1,168
<b>Total liabilities</b>	<b>13,781</b>	<b>2,914</b>	<b>76,009</b>	<b>49,121</b>	<b>198,285</b>	<b>1,085</b>	<b>341,195</b>
<b>Net liquidity gap</b>	<b>66,228</b>	<b>21,908</b>	<b>(46,221)</b>	<b>6,878</b>	<b>(25,401)</b>	<b>7,071</b>	<b>30,463</b>
<b>As at December 31, 2001</b>							
<b>Assets</b>							
Cash and cash equivalents	37,740	4,568	-	-	-	-	42,308
Investment securities	-	-	-	9,539	-	5,274	14,813
Minimum lease payments receivable, net	480	16,251	19,944	36,003	87,554	-	160,232
Receivables from lease payments outstanding	15,853	75	13	26	12	-	15,979
Equipment to be leased	2,439	-	-	-	-	-	2,439
Property and equipment	-	-	-	-	-	2,068	2,068
Other assets	2,955	-	7,249	-	-	3,712	13,916
Deferred tax asset	-	-	-	-	4,556	-	4,556
<b>Total assets</b>	<b>59,467</b>	<b>20,894</b>	<b>27,206</b>	<b>45,568</b>	<b>92,122</b>	<b>11,054</b>	<b>256,311</b>
<b>Liabilities</b>							
Funds borrowed from banks	1,411	3,757	37,995	41,422	132,998	-	217,583
Trade payables	6,908	179	-	596	633	-	8,316
Advances from customers	4,973	-	-	-	-	-	4,973
Other liabilities	635	-	-	-	-	269	904
Income taxes payable	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>13,927</b>	<b>3,936</b>	<b>37,995</b>	<b>42,018</b>	<b>133,631</b>	<b>269</b>	<b>231,776</b>
<b>Net liquidity gap</b>	<b>45,540</b>	<b>16,958</b>	<b>(10,789)</b>	<b>3,550</b>	<b>(41,509)</b>	<b>10,785</b>	<b>24,535</b>

## Currency Risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. The foreign currency position is managed according to the expectations in the markets and within the limits defined by the senior management.

The concentrations of assets and liabilities are as follows:

	Turkish Lira	US\$	EUR	CHF	Total
<b>As at December 31, 2002</b>					
<b>Assets</b>					
Cash and cash equivalents	3,858	27,052	19,930	107	50,947
Investment securities	5,944	9,154	-	-	15,098
Minimum lease payments receivable, net	1,895	128,027	99,261	304	229,487
Receivables from lease payments outstanding	5,146	1,573	1,790	-	8,509
Equipment to be leased	498	3,442	3,568	-	7,508
Property and equipment	1,746	-	-	-	1,746
Other assets	2,566	50,934	3,688	42	57,230
Deferred tax asset	1,133	-	-	-	1,133
<b>Total assets</b>	<b>22,786</b>	<b>220,182</b>	<b>128,237</b>	<b>453</b>	<b>371,658</b>
<b>Liabilities</b>					
Funds borrowed	30	205,151	118,183	-	323,364
Trade payables	2,099	1,830	7,001	-	10,930
Advances from customers	1,137	2,321	1,972	-	5,430
Other liabilities	303	-	-	-	303
Income taxes payable	1,168	-	-	-	1,168
<b>Total liabilities</b>	<b>4,737</b>	<b>209,302</b>	<b>127,156</b>	<b>-</b>	<b>341,195</b>
<b>Net on-balance sheet position</b>	<b>18,049</b>	<b>10,880</b>	<b>1,081</b>	<b>453</b>	<b>30,463</b>

	Turkish Lira	US\$	EUR	CHF	DEM	Total
<b>As at December 31, 2001</b>						
<b>Assets</b>						
Cash and cash equivalents	12,373	21,264	2,301	-	6,370	42,308
Investment securities	5,274	9,539	-	-	-	14,813
Minimum lease payments receivable- net	4,422	104,926	50,884	-	-	160,232
Receivables from lease payments outstanding	5,923	7,499	2,442	115	-	15,979
Equipment to be leased	346	1,497	596	-	-	2,439
Property and equipment	2,068	-	-	-	-	2,068
Other assets	13,648	268	-	-	-	13,916
Deferred tax asset	4,556	-	-	-	-	4,556
<b>Total assets</b>	<b>48,610</b>	<b>144,993</b>	<b>56,223</b>	<b>115</b>	<b>6,370</b>	<b>256,311</b>
<b>Liabilities</b>						
Funds borrowed	16	149,601	65,386	-	2,580	217,583
Trade payables	4,177	1,073	2,082	-	984	8,316
Advances from customers	1,088	2,379	1,506	-	-	4,973
Other liabilities	904	-	-	-	-	904
Income taxes payable	-	-	-	-	-	-
<b>Total liabilities</b>	<b>6,185</b>	<b>153,053</b>	<b>68,974</b>	<b>-</b>	<b>3,564</b>	<b>231,776</b>
<b>Net on-balance sheet position</b>	<b>42,425</b>	<b>(8,060)</b>	<b>(12,751)</b>	<b>115</b>	<b>2,806</b>	<b>24,535</b>

## Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The tables below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>As at December 31, 2002</b>								
<b>Assets</b>								
Cash and cash equivalents	28,647	-	-	-	-	-	22,300	50,947
Investment securities	-	-	-	-	9,155	-	5,943	15,098
Minimum lease payments receivable, net	6,725	24,795	29,739	55,964	112,264	-	-	229,487
Receivables from lease payments outstanding	8,509	-	-	-	-	-	-	8,509
Equipment to be leased	-	-	-	-	-	-	7,508	7,508
Property and equipment	-	-	-	-	-	-	1,746	1,746
Other assets	-	-	-	-	50,334	-	6,896	57,230
Deferred tax asset	-	-	-	-	-	-	1,133	1,133
<b>Total assets</b>	<b>43,881</b>	<b>24,795</b>	<b>29,739</b>	<b>55,964</b>	<b>171,753</b>	<b>-</b>	<b>45,526</b>	<b>371,658</b>
<b>Liabilities</b>								
Funds borrowed	9,649	47,437	206,830	802	58,646	-	-	323,364
Trade payables	-	-	-	-	-	-	10,930	10,930
Advances from customers	-	-	-	-	-	-	5,430	5,430
Other liabilities	-	-	-	-	-	-	303	303
Income taxes payable	-	-	-	-	-	-	1,168	1,168
<b>Total liabilities</b>	<b>9,649</b>	<b>47,437</b>	<b>206,830</b>	<b>802</b>	<b>58,646</b>	<b>-</b>	<b>17,831</b>	<b>341,195</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>34,232</b>	<b>(22,642)</b>	<b>(177,091)</b>	<b>55,162</b>	<b>113,107</b>	<b>-</b>	<b>27,695</b>	<b>30,463</b>

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>As at December 31, 2001</b>								
<b>Assets</b>								
Cash and cash equivalents	27,909	4,569	-	-	-	-	9,830	42,308
Investment securities	-	-	-	9,539	-	-	5,274	14,813
Minimum lease payments receivable, net	480	16,251	19,944	36,003	87,554	-	-	160,232
Receivables from lease payments outstanding	15,979	-	-	-	-	-	-	15,979
Equipment to be leased	-	-	-	-	-	-	2,439	2,439
Property and equipment	-	-	-	-	-	-	2,068	2,068
Other assets	-	-	-	-	-	-	13,916	13,916
Deferred tax asset	-	-	-	-	-	-	4,556	4,556
<b>Total assets</b>	<b>44,368</b>	<b>20,820</b>	<b>19,944</b>	<b>45,542</b>	<b>87,554</b>	<b>-</b>	<b>38,083</b>	<b>256,311</b>
<b>Liabilities</b>								
Funds borrowed	833	13,540	192,853	-	10,357	-	-	217,583
Trade payables	-	-	-	-	-	-	8,316	8,316
Advances from customers	-	-	-	-	-	-	4,973	4,973
Other liabilities	-	-	-	-	-	-	904	904
Income taxes payable	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>833</b>	<b>13,540</b>	<b>192,853</b>	<b>-</b>	<b>10,357</b>	<b>-</b>	<b>14,193</b>	<b>231,776</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>43,535</b>	<b>7,280</b>	<b>(172,909)</b>	<b>45,542</b>	<b>77,197</b>	<b>-</b>	<b>23,890</b>	<b>24,535</b>

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison of carrying amounts and fair values of the Company's financial assets that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	2002	2001	2002	2001
Net investment in finance leases	<b>229,487</b>	160,232	<b>244,932</b>	185,574

Fair values of funds borrowed are considered to approximate their respective carrying values due to the fact that the effective interest rates on those financial liabilities represent the current effective market rates. Interest rates on those liabilities are updated frequently depending on the conditions in the market.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data. The fair values of other financial instruments are determined by using estimation techniques that include reference to the current market value of another instrument with similar characteristics or by discounting the expected future cash flows at prevailing interest rates.

The interest rates used to determine the fair values of lease contracts receivable, applied on the balance sheet date to reflect active market price quotations are as follows:

	2002	2001
<b>Currency:</b>		
Turkish Lira	<b>58%</b>	60%
EUR	<b>11%</b>	12%
USD	<b>10.5%</b>	11%

For cash and cash equivalents, receivables from lease payments outstanding, advances from customers and accounts payable carried at cost or amortised cost, fair value is estimated to approximate carrying value due to their short-term nature.

## 23. SUBSEQUENT EVENTS

a)Effective from January 1, 2003, the severance pay ceiling has been increased to TL 1,324 (million TL).

b)Subsequent to December 31, 2002, it is decided at the Board of Directors' meeting dated January 22, 2003, to change the title of İş Leasing as İş Finansal Kiralama Anonim Şirketi.

