

We are well-equipped



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FROM DENIZBANK TO THE DFS GROUP

The DFS GROUP provides customers with service that is comparable to the
BEST INTERNATIONAL FINANCIAL GROUPS.

A history to be proud of

DenizBank was originally established as a state-owned bank in 1938 primarily for the purpose of financing the newly emerging Turkish maritime industry. Following many years of success, DenizBank became one of the foremost names in the Turkish banking industry, earning a well-deserved reputation for excellent service. In 1992, after a decision by the government to merge some state-owned banks, DenizBank joined with Emlakbank. In 1997, DenizBank left this union and was privatized as a separate entity. At that time the Bank possessed no significant assets with the exception of a small number of branch offices that had been inactive since 1992. Operations commenced again in September after Zorlu Holding acquired DenizBank from the Privatization Administration early in 1997.

Growing from a single bank to a financial services group

Encouraged by its strong capitalization and good financial standing, DenizBank was able to take advantage of rapid developments in the banking industry and acquired a number of branches from SDIF-controlled banks, as well as several financial companies including Tarihbank, which merged into DenizBank by the end of 2002. In keeping with its vision and strategy, the “DenizBank Financial Services Group (DFS Group)” was formed along the lines of a financial supermarket by offering a wide range of financial services under one roof.

In addition to DenizBank, the DFS Group has ten domestic and three international financial subsidiaries, a financial services branch in Dortmund, Germany, as well as an overseas banking unit in

Bahrain and in Turkish Republic of Northern Cyprus. These are namely: DenizYatırım Securities, EkspresInvest, Deniz Investment Trust, DenizPortfolio Management, TarihYatırım Securities, DenizLeasing, DenizFactoring, Anadolu Kredi Kartı (AKK), Intertech and DenizDestek on the domestic side, and DenizBank AG, DenizBank Moscow and EuroDeniz Off-Shore Bank on the international side.

With major operations, financial control, and accounting functions centralized, the DFS Group has successfully transformed DenizBank’s branch offices into marketing centers thereby optimizing the number of employees and improving operational efficiency.

In adherence to the highest ethical business practices and corporate governance principles, the DFS Group has created sustainable, multi-faceted relationships with corporate and retail clients focusing on small and medium-size establishments, exporters, private companies, and individuals. The Group strives for excellence in its core business areas by utilizing a carefully developed branch network that employs the latest technology along with alternative distribution channels. Drawing on the collective wisdom of its management team, coupled with prudent business practices, the DFS Group provides customers with service that is comparable to the best international financial groups.

Supported by its strong shareholder base and successful financial performance, the DFS Group aims to become one of the leading financial services groups in Turkey and take a firm foothold in the EU through its subsidiaries.

THE DENIZBANK FINANCIAL SERVICES GROUP

Commercial Banking

DenizBank
DenizBank AG
DenizBank Moscow
EuroDeniz Off-shore Bank

Investment Banking and Brokerage

DenizYatırım Securities
EkspresInvest
TarişYatırım Securities
Deniz Investment Trust
DenizPortfolio Management

Leasing and Factoring

DenizLeasing
DenizFactoring

Services

Anadolu Kredi Kartı
Intertech
DenizDestek

Consolidated Financial Highlights – The DFS Group

Inflation Adjusted	2003		2002	
	US\$ millions	TL billions	US\$ millions	TL billions
Government Securities (TR)*	917	1,277,790	1,095	1,525,867
Government Securities (US & European)*	439	611,928	52	72,172
Loans, net	1,361	1,895,938	976	1,359,336
Equity Participations	9	12,262	8	10,998
Fixed Assets, net	58	80,452	62	86,483
Total Assets	4,023	5,605,184	3,132	4,363,775
Deposits	2,710	3,776,144	2,502	3,486,397
Demand	535	745,326	464	646,734
Time	2,020	2,814,665	1,894	2,638,689
Interbank	155	216,153	144	200,974
Funds Borrowed from Banks	784	1,092,831	212	295,155
Net Worth	394	548,955	327	456,105
Paid-in Capital	145	202,000	145	202,000
L/Cs & L/Gs	1,304	1,817,351	807	1,124,679
Interest Income		673,191		622,973
Interest Expense		(450,895)		(428,814)
Net Interest Income after Provisions		194,313		142,098
Non-Interest Income		231,708		175,741
Non-Interest Expense		(229,706)		(193,280)
Net Income		98,943		63,222
Number of Branches		170		164
Number of Staff		3,609		2,967
Capital Adequacy Ratio		18.3%		18.8%
ROE (on net profit in real terms)		25%		18%

* Securities portfolio totals are evaluated at market prices.



We have built an organizational structure across the entire DFS Group that is CAPABLE OF
ACHIEVING SUSTAINABLE GROWTH AND PROFITABILITY.

MESSAGE FROM THE PRESIDENT
MESSAGE FROM THE PRESIDENT

2003 was an eventful and successful year for us. While we were busy expanding the scope of our financial services, we concluded the inclusion of a number of subsidiaries in the Group that complemented our core banking business and we stepped into international markets via two wholly-owned banks in Austria and the Russian Federation. We are now virtually present in all contemporary financial services including commercial and investment banking, leasing, and factoring and we have a number of service providers primarily catering to the needs of financial service companies. We are no longer one single bank, but rather three banks located in three different countries. All this was achieved within a relatively short period of time, while never diverging from the prudent banking principles we established from our very first day in business. Today, the DFS Group is the most dynamic financial group in the Turkish banking industry, with great potential for further growth and strong fundamentals even in EU countries. We owe our success to a combination of factors such as our adherence to prudent banking policies, special attention to risk management principles, the backing of strong shareholders, the right marketing approach, and efficient operations in all areas of the financial services business.

According to European rankings as announced in the January 2004 issue of The Banker, DenizBank has been ranked number one in southern Europe and fifth throughout Europe in terms of rapid, sustainable growth. In Turkey, DenizBank ranks seventh among top private commercial banks with regard to total assets, total deposits, non-cash loans, and shareholders' equity. The Bank also ranks eighth in terms of cash loans and number of personnel.

DenizBank has consistently maintained its strong capitalization over the years. The Capital Adequacy Ratio stood at 18.3% at the end of 2003. Moreover, with a 6% tangible free capital ratio, DenizBank is among the top four Turkish banks.

We have built an organizational structure across the entire DFS Group that is capable of achieving sustainable growth and profitability. Our funding and operational costs are among the lowest in the banking industry and we have made a strong commitment to maintain our position in this respect. As we serve an ever expanding customer base, we have optimized our costs and developed the most efficient means of reaching customers and

performing operations. We have achieved a “non-interest expenses-to-total assets” ratio of 2.5%, equal to almost half of the banking industry’s average. Additionally, non-interest expenses of DenizBank are fully covered by commissions and fees, as well as the gain from the demand deposit base. In fact, DenizBank’s main strategy has been to increase fee and commission income from banking services, and the low cost funding base, i.e. “risk-free income”, in an environment of decreasing inflation and profit margins. Our conservative credit allocation and meticulous risk management processes have enabled us to maintain strong corporate and consumer credit portfolios where the “non-performing loan ratios” are significantly below the industry averages (5% of total loans), and were fully provisioned by the end of 2003.

In 2003, DenizBank increased both market share and penetration while carefully controlling its asset risk. Business volume expanded in all business areas thanks to our 170 branches nationwide. At the same time, we sought to broaden our presence in Internet and telephone banking. The number of corporate and individual customers has increased, along with the number of credit cards, after the launch of the highly successful BonusCard in cooperation with Garanti Bank.

In 2003, more than half of our profit was realized from core banking activities (retail, commercial and corporate banking transactions) while operational income from risk bearing treasury activities decreased. DenizBank stands well-equipped and prepared for the upcoming period of declining yields from such activities. Concurrently, the DenizBank Treasury Marketing Unit (TMU) has increased its activities of treasury products marketing to corporate and retail clients while enhancing its fee and commission income.

As we included new investment companies in the Group, we strengthened our stance in capital market activities, especially in corporate finance and international sales. Our brokerage and investment companies serve a wide investor base comprised of both domestic individual investors as well as international institutional investors. I am pleased to state that DenizYatırım Securities, taken together with EkspresInvest, has the highest market share and is number one in terms of business volume according to ISE results announced for 2003. In addition to the management of DenizBank’s mutual funds and the portfolio of Deniz Investment Trust, DenizPortfolio Management has set its sight on the management of corporate investment portfolios as well as the assets of private pension companies.

Our leasing and factoring companies posted very favorable results in 2003, both in terms of volume



and profitability and ranked in the higher echelons of their respective business sectors. Reaping the benefits of the synergy it created with the export businesses within Zorlu Holding, our factoring subsidiary, DenizFactoring, achieved remarkable results in export factoring and ranked among the top factoring companies in Turkey. DenizLeasing achieved a four-fold increase in business volume thanks to the cooperation it developed with DenizBank branch offices in entering new markets across the country.

AKK, our credit card issuing and acquiring subsidiary, introduced another new product in 2003, the web-based e-collector, to facilitate the installment sales of member merchants. Intertech was busy developing new banking software applications during 2003. These software packages will be used first by DenizBank and then be made available for other banking institutions.

As the economies of Turkey and the world improve, relieved from the burdens of coping with challenging times, we look ahead with optimism and aim for sustainable growth in all our core business areas. The internal synergy we created by forming the DFS Group as well as the synergy that naturally evolved out of the excellent relationship between the DFS Group and our shareholders--the Zorlu Holding Group--guarantee our success for the future.

On behalf of the Board of Directors, I would like to thank our shareholders, our parent organization--Zorlu Holding, our clientele, our correspondents, and last but not least, our dedicated and competent staff throughout the entire DFS Group, all of whom worked together to help generate results benchmarked by much of the competition.

Hakan Ateş
President and CEO



Zorlu Holding

ZORLU HOLDING HAS 21 LARGE-SCALE DOMESTIC AND INTERNATIONAL INDUSTRIAL CONCERNS and three energy plants that provide EMPLOYMENT FOR 22,000 PEOPLE.

ZORLU HOLDING

ZORLU HOLDING

The history of Zorlu Holding goes back to the early 1950s when it was established as a home-based producer of textiles. It later grew into a dynamic group of industrial companies that have earned global recognition for high quality. Zorlu Holding is now one of the largest and most extensive industrial conglomerates in Turkey. With a total of 65 companies, international Zorlu Holding has 21 large-scale industrial concerns and three energy plants that provide employment for 22,000 people. In 2003, Zorlu Holding companies realized a total turnover of US\$ 2.4 billion and an export volume of US\$ 1.7 billion.

Currently, Zorlu Holding concentrates on four major business areas:

- Home textiles and polyester yarn
- Electronics, consumer durables, and information technology
- Financial services
- Energy production



Having steadily grown in the area of home textiles during the 1980s, the TAÇ brand of the Zorlu Holding Textiles Group has become the leading brand in the Turkish home textiles industry. In 1994, the Holding acquired Vestel Electronics and in 1996 began operations in the energy sector through Zorlu Energy. The Holding further increased the number of companies under its management by venturing into the financial services sector in 1997 with the acquisition of DenizBank.

From 2000 to 2003, the Holding had exports totaling US\$ 870 million, US\$ 885 million, US\$ 1.3 billion, and US\$ 1.7 billion, respectively.

Home Textiles and Polyester Yarn

Operations in the home textiles sector have developed rapidly over the course of time prompting Zorlu Holding to enter international markets. Currently, the Holding has a total of 13 textile plants, located in Turkey, France, South Africa the USA, Iran, and Turkmenistan.

The Home Textiles Group has several manufacturing subsidiaries abroad. Bel-Air in France, Zorlu MFG Co. LLC in the USA and Korteks Africa, in South Africa produce curtain material and cotton-based home textiles as end-products.

The Home Textiles Group has investments in home textiles in both domestic and overseas markets, large-scale plants, and high quality products. Moreover, it is aiming to further strengthen its presence in international markets with the addition of retail stores. The Group plans to introduce new competitive brands to world markets during this decade.

Electronics, Consumer Durables, and Information Technology

Vestel Electronics, a publicly listed company, is the flagship company in the Electronics, Consumer Durables, and IT Group. The Group is comprised of a total of 16 companies: 5 domestic and 11 overseas.

Vestel Electronics has marketing subsidiaries in major European countries, including Germany,





France, Spain, Italy, the Netherlands, Luxembourg, and the U.K., as well as in Hong Kong. It also has a manufacturing subsidiary in Russia. In addition, Vestel Electronics has three R&D subsidiaries, located in San Diego, California in the USA, Bristol in the UK, and in Taiwan. Vestel-Russia in Alexandrov, Russia, is the manufacturing subsidiary of Vestel Electronics producing TV sets for the Russian market. Vestel has penetrated deep into the television market in Europe with a market share of 25%, while 90% of its electronics production is exported. It alone was the largest Turkish exporter in 2002. Vestel Electronics' ratings from both Moody's and FitchRatings are higher than the sovereign rating of Turkey.

Vestel Electronics was the first manufacturer in Turkey to produce 100 Hz television sets, Flat TVs, the TV-DVD Player Combi, Web TV, Web Phone, Personal Recorder Televisions, Digital TVs, Plasma and LCD TVs. In 2003, Vestel Electronics established a "high-end TV plant" in Vestel City, Manisa, an industrial town in Western Turkey.

Vestel White Goods, located in Vestel City, accommodates a number of large-scale plants. These include a refrigerator plant with 20% domestic market share, an air-conditioner plant with 30% domestic market share, and a newly established washing machine plant. In addition, a dishwasher plant is currently under construction. Vestel White Goods has a planned annual export volume of US\$ 300 million.

Another important company operating within the Electronics, Consumer Durables, and IT Group is Vestel Communications, a leading producer of personal computers, digital and analog satellite receivers, DVBs and DVDs. This Company has the largest surface-mounted assembly operation in the country and a planned annual export volume of US\$ 350 million.

In 2003, the export revenue of the Group reached US\$ 1.4 billion. Of this, 80% went to EU countries, while the balance was exported to Eastern Europe, North and South Africa, the USA, Russia, the Balkan States, Australia, the Middle East, and the Turkic Republics.

Energy Production

Zorlu Energy is a quoted company, and currently 30% of its shares are publicly traded on the Istanbul Stock Exchange. Producing electricity and steam at the same time, the Company was originally established to meet the energy requirements of the Group companies. Zorlu Energy is now serving 240 industrial concerns in the three regions where it operates power plants. Two of these are combined cycle power plants in Bursa and Ankara and a co-generation power plant in Lüleburgaz. The Company has an installed capacity to generate 211 MW of electricity and 150 tons of steam per hour.

Another energy sector-related company within Zorlu Holding is Zorlu O&M, established in 2000 to provide operational and maintenance services to both Zorlu Energy and non-Zorlu Holding companies. It is the first and only Turkish company of its kind operating in this highly technical field.

Zorlu Industrial and Power Plants was established in 2000 to develop, implement and provide financial support to industrial and power plant projects. The other energy-related companies in Zorlu Holding are Zorlu Petrogas, Zorlu Electric, and Zorlu Naturalgas.

Key Financial and Operational Figures (US\$ millions)

	2003	2002	2001
Home Textiles Group			
Total assets	1,490	1,400	1,317
Net sales	550	500	500
Exports	255	225	215
Imports	135	180	117
Total foreign trade volume	390	405	332
Electronics, Consumer Durables, and IT Group			
Total assets	1,250	991	
Net sales	1,700	1,300	1,118
Exports	1,400	1,100	670
Imports	1,000	800	517
Total foreign trade volume	2,400	1,900	1,187
Energy Group			
Total assets	295	168	105
Net sales	110	87	83
Imports	16	42	-
Installed capacity (MW)	211	211	156
Power generated (kWh millions)	1,404	1,174	1,157
Steam generated (tons thousands)	462	496	462

Financial and Operational Highlights of Zorlu Holding

Total employment: 22,000

Total covered production area: 1,700,000 square meters

Foreign Trade (US\$ millions)

	2003	2002	2001
Total exports	1,655	1,325	885
Total imports	1,135	980	634
Total foreign trade volume	2,790	2,305	1,519



Review of Operations in 2003

Commercial Banking

Investment Banking and Brokerage

Leasing and Factoring

Services

Aiming toward mutually beneficial relationships with its corporate customers, DENIZBANK
HAS BEEN SUCCESSFUL IN CREATING A LOYAL AND SATISFIED CLIENTELE.



COMMERCIAL BANKING

DENIZBANK

DENIZBANK AT A GLANCE

DenizBank currently has 170 branches nationwide. In 2003, the total consolidated assets of the Bank reached US\$ 4,023 million, an increase of 28% over the 2002 figure of US\$ 3,132 million. By the end of the year, the Bank's net worth stood at US\$ 394 million, recording an increase of 20% over the US\$ 327 million posted in 2002. The capital adequacy ratio of DenizBank was as high as 18.3%, with its free capital ratio, one of the best in the Turkish banking system, standing at 6%.

CORPORATE CREDITS

Credit Allocation Policies

DenizBank consistently adheres to prudent banking practices and principles when selecting credit customers. As a result, the Bank has built a broad-based credit portfolio composed of creditworthy companies from across all segments of the economy. All major economic sectors benefit from DenizBank's credit facilities that range from short-term cash credits that finance working capital requirements to the more specialized sector-specific credit packages. With the acquisition and subsequent merger with Tarihbank, DenizBank has started to support the agricultural sector, which was Tarihbank's traditional area of involvement. DenizBank's Corporate Credits and Marketing Divisions offer corporate customers contemporary banking products and services that go far beyond mere credit facilities. Aiming toward mutually beneficial relationships with its corporate customers, DenizBank has been successful in creating a loyal and satisfied clientele.

The quality of DenizBank's credit portfolio is improving continuously even with the rapid development of the customer base through the acquisition of new branches from SDIF-banks. Utmost care is given to include those companies in the portfolio that best comply with the Bank's credit policies.

International Trade Finance

DenizBank prioritizes financing of international trade transactions and has developed credit packages tailored to meet the requirements of customers involved in exports and/or imports. Service and product packages include tools that facilitate





international transactions as well as those that provide financing when needed at conditions comparable to international terms and standards. The extensive correspondent bank network of DenizBank, which covers most regions of the world, is largely instrumental in addressing ever-increasing customer needs.

Credit Portfolio

Despite difficult market conditions that ruled out all segments of the economy in the past years, DenizBank, thanks to its well-calculated risk-taking principles and centralized screening and decision-making processes, continued to serve its customers without any hindrances. Excellent customer relationships were maintained consistently, strengthening ties and helping to build a solid and stable customer base.

During 2003, DenizBank continued to monitor its credit portfolio attentively, evaluating the impact of the past crises on customers' financial positions. Those customers with ailing financial positions and with no potential to improve were excluded from the portfolio on an amicable basis without problems. New customers were taken on during the year to replace those excluded and as a result, the number of corporate credit customers reached 10,000.

Restructuring of the Corporate Banking Departments

In an effort to meet the requirements of an expanding branch network and the additional workload brought about by this expansion, DenizBank has separated its Corporate Banking Division into Corporate Marketing and Corporate Credits Divisions, each reporting to different assistant general managers.

Six separate credit allocation units were created and branches reporting to these units were designated on the basis of branch locations. The number and quality of the staff in these new units have been increased along with enhanced decision support systems to prepare for the anticipated arrival of additional work.

Within the restructuring program, Financial Analysis and Market Investigation Units were also transformed into separate departments - doubling the support given to the Credit Allocation Departments. The new Corporate Credits Division has boosted efficiency and has formed a more dynamic synergy between functional and support units.

In 2003, taking the first step in segmenting the corporate customer portfolio, the Commercial Credits Department was established within the Corporate Credits Division in order to prioritize and serve companies having an annual sales turnover up to US\$ 5 million. Furthermore, in early 2004, the Small Business Credits Department was formed to serve small-scale companies having an annual sales turnover of maximum US\$ 2 million. This segmentation will help develop tailored products addressing the specific requirements of companies with different business volumes.

Credit Scoring Systems

The commercial credit scoring system in place at DenizBank is an expert model built upon the vast experience of the credit staff. This model reflects DenizBank's unique credit culture and has so far proved to be an excellent system that foresees problem loans in advance thus providing support to credit decisions made by senior credit officers. Pricing, collaterals and follow-up systems were developed based on scoring system outcomes, making the most of the credit scores assigned to each customer at each allocation. The scoring system also helps the credit officers monitor risk as well as

the profitability of the customer portfolio. Branches, regional directorates and economic sectors can be analyzed, evaluated and compared with one another in terms of risk.

An international consultant firm was contracted to develop DenizBank's small business credit scoring model that will be used in the newly established Small Business Credits Department. Furthermore, the same consultants were also contracted to test the existing expert-based commercial credit scoring model and revise the model, if necessary, to make it conform to Basel II requirements.

Project Finance

Structured and project finance products complement the corporate banking services available at DenizBank. These products are provided to customers through US Eximbank, Hermes, ERG and some of the world's other export credit agencies with which DenizBank cooperates. With facilities obtained from these international institutions at favorable terms and ample limits, DenizBank can extend long-term investment and project credits to its customers.

Composition of Loans by Business Sector (TL billions)

Sectors	2003	
	TL billions	%
Construction - Glass - Soil	754,648	23
Textile - Leather	465,434	14
Metal - Machining	429,943	13
Consumer Durables	276,096	8
Foodstuff	270,700	8
Electronics - IT	233,598	7
Tourism - Transportation	212,327	6
Finance	200,632	6
Petroleum Products	103,754	3
Printing - Media	76,529	2
Other	332,118	10
Total	3,355,779	100



CORPORATE MARKETING

Whereas many of DenizBank's branches were only recently incorporated into the existing structure, 2003 saw the branch network strengthened in terms of staff, systems, and customer segmentation. DenizBank reaped the benefits of its efforts in expanding and restructuring its branch network and was rewarded last year with a substantial increase in business volume. The new branches brought in new customers, which in turn, resulted in substantial growth, particularly in credit and deposit volumes.

In 2003, DenizBank vigorously launched corporate marketing activities and laid the foundations for a new marketing approach that was specifically designed to meet the needs of customers in diverse segments. The CRM project initiated in this respect formed the basis of DenizBank's interactive customer-focused marketing approach. Changes were made in the organizational setup and workflow to provide the basis for better customer interface, as well as to increase efficiency in sales.

The number of corporate customers utilizing loans from DenizBank increased from 7,000 in 2002 to 10,000 in 2003. Counting the clients served by products other than loans, the total number of corporate and commercial customers exceeded 20,000. The project development team operating within the Corporate Marketing Division provided significant support with innovative credit schemes to the sales teams in both the head office as well as the branches.

Special projects were initiated in the maritime industry, with large-scale projects implemented for shipbuilding. In the agricultural business, special lending schemes were developed, which created a considerable increase in profitability. Additionally, numerous other customized lending schemes were launched, catering to the needs of diverse business segments following thorough industry analyses and evaluations. These new schemes helped to increase efficiency for the Bank while boosting customer satisfaction with industry-specific products. Within this framework, plans for 2004 call for special gold exporting companies to be analyzed and gold credit facilities offered according to the export structure of each company.

In 2003, the Cash Management Department introduced the Cash Card as a new cash management tool, enabling credit sales on a secure platform and creating an alternative instrument to post-dated checks. The Cash Card is an electronic banking tool similar to a regular credit card, though it is used by corporate customers for purchases from their suppliers. With the Cash Card, DenizBank seized

the opportunity of becoming actively involved in the cash collection cycle of its clients. This and other electronic banking products introduced to corporate banking have provided significant savings in operational costs for the Bank, while at the same time facilitating the daily purchasing operations of its corporate customers. The branch offices, relieved from their manual operational burdens, were now able to focus more on customer relations, thus helping to boost sales.

The past year also marked a significant progress in DenizBank's corporate Internet Banking. About 20% of all corporate customers utilized this medium effectively, facilitating further operational cost savings for the entire Bank.

The CRM project will continue to be implemented in the years ahead. Likewise, more extensive use of electronic banking products and customer-focused marketing activities, geared according to customer needs and requirements, will boost both sales efficiency as well as profitability.

RETAIL BANKING

Credit Cards

In 2003, there was an enormous increase in the amount of DenizBank credit card users, improving its market share significantly compared to that of the previous year.

DenizBank credit cards are now processed through the general workflow system, which served to increase the pace of operations and approvals. The online computerized system put an end to paperwork and manual filing.

Performances of DenizBank Credit Cards

	2003	2002
Number of Credit Cards	620,074	270,908
Market Share	3.23%	1.22%
Credit Card Turnover (TL billions)	54,085	49,286
Market Share	1.38%	0.76%

Bonus Card

Bonus Card is the first multi-branded chip based credit card in Turkey, offering both installments and cash back rewards. Following an agreement with Bonus Card, DenizBank reviewed the entire portfolio of its existing credit cardholders in an effort to develop further potential for this product and started issuing Bonus Cards to its customers. Seasonal campaigns and additional support activities increased the number of DenizBank Bonus Cards in a very short period of time. By the end of December 2003, the

number of DenizBank Bonus Card holders had grown to 308,346. Delivering the best available service to cardholders, DenizBank is continuously conducting research for improving its technological infrastructure and enhancing its current card processing systems.

With the synergy DenizBank has created with Garanti Bank, the number of Bonus Card member stores is constantly increasing. Developing the quality of service and enlarging the Bonus Card network will be among DenizBank's major marketing targets for 2004. Other ambitious goals for 2004 include having one million credits cards in active use, reaching the equivalent of US\$ 137 million in Turkish lira turnover, and enlisting 150,000 Bonus Card member stores by the end of the year.

Cooperation with clubs and associations

DenizBank continued to issue affinity cards in cooperation with various clubs and associations. Last year, the Bank issued credit cards for members of the Darüşşafaka Sports Club, the Adana Equestrian Club, and the Izmir Tennis Club. The card for the latter, like the Bank's previous affinity cards, serves the dual purpose of being both a credit card as well as an identity card for the Club's 2,000 members. Various similar projects are in the pipeline for approval and an affinity card for Taç Sports Club is due to be implemented in early 2004.

Consumer and Small Business Loans

The volume of consumer and small business loans increased significantly in 2003, mainly due to the expanding branch network and deeper penetration provided by a segment-focused marketing approach. Consumer loans increased to TL 54 trillion in 2003, up from TL 17 trillion the previous year. Meanwhile, small business loans increased from TL 13 trillion in 2002 to TL 28 trillion in 2003.

The Bank is targeting further sizeable increases in loans in 2004, anticipating consumer loans to reach TL 100 trillion and small business loans to hit the TL 50 trillion mark.

Overdraft Facility

DenizBank raised the number of customers having an overdraft account in 2003, substantially exceeding one of its primary goals for the year. There were a total of 42,530 overdraft customers in 2003, up from 19,714 the previous year. These customers had a total overdraft balance of TL 21 trillion, a significant increase over the TL 3 trillion figure as at the end of 2002. The expansion of the Bank's overdraft facility volume was further enhanced by salary and private school tuition payment agreements.

DENIZBANK customers can now interactively use the INTERNET BRANCH, ATMS, and
the CONTACT CENTER for their investment transactions.



Automatic Payment Orders

One of the key strategies set forth by the Bank in 2003 to expand its customer base was to increase the number of customers having automatic payment orders. This target was successfully met as those customers increased from 15,900 in 2002 to 27,500 in 2003.

Mutual Funds

Realizing that mutual funds are one of the most important instruments for raising commission revenues in a low inflation economic environment, DenizBank utilized this medium as a prime marketing tool in 2003. Consequently, by the end of last year, the mutual fund volume rose considerably to TL 232 trillion, up from the figure of TL 77 trillion in 2002. The Bank has set for itself an even more aggressive target for 2004, hoping for a total mutual fund volume of TL 750 trillion by the end of the year.

Western Union

In 2003, DenizBank executed 38,979 inbound/outbound money transfer transactions, totaling US\$ 24.6 million. As a growing agent in the market, DenizBank anticipates further increasing its market share in 2004.

Alternative Distribution Channels

The number and scope of services delivered through DenizBank's alternative distribution channels are increasing daily. DenizBank customers can now interactively use the Internet Branch, ATMs, Kiosks and the Contact Center for their investment transactions. Through these channels they can buy and sell mutual funds, government bonds, and treasury bills. Customers can also change foreign currency and buy prepaid GSM cards through alternative distribution channels.

Inspired by DenizBank's innovative vision, the Alternative Distribution Channels Project Group has been planning to pioneer an implementation process that would open up new avenues in the Turkish banking sector. In addition to applications through branches and the web site, by the first quarter of 2004, customers will be able to apply and register online for Internet banking services by simply calling the Contact Center.

Cognizant of continuously evolving customer requirements and expectations, the management of the Alternative Distribution Channels team initiated another innovative move in the Turkish banking sector - a flexible dashboard in DenizBank branches named "ŞubeTech." This application is built on the same infrastructure as the Contact Center and the Internet Branch. In this application, customer information (personal data and account statement) recorded in different databases and legacy systems is

combined and displayed in a single interface to tellers and marketing personnel in the branches.

The constantly changing face of banking is forcing the Alternative Distribution Channels management to introduce consistent and user-friendly applications, make access to banking services easier and more reachable from around the world, and deliver account and market data on a real-time online basis. As a side benefit, information obtained in alternative distribution channels facilitates CRM applications and cross-selling activities.

@çıkDeniz Internet Branch

First installed in 1999, DenizBank's Internet Branch @çıkDeniz has capabilities for modular transactions and information search facilities. Through this innovative medium, the Bank's customers can now conduct virtually all banking and investment transactions. These include such transactions as making utility payments and money transfers, placing direct debit orders via credit cards, merging of accounts, enabling the upgrading, canceling, and resizing of stock orders, as well as communicating with the Contact Center personnel.



In 2003, Bank customers conducted 1,442,886 transactions through the Internet Branch, an increase of 136% over the 2002 figure.

Contact Center

DenizBank has assigned a special team of personnel in the Contact Center to handle all incoming customer complaints and suggestions, which is known as "The Customers First" team that works in cooperation with the related department in the head office. They record all data received from calling customers, such as requests, suggestions, complaints, etc. This information is then recorded in a database, with follow up and appropriate replies within preset time limits. This team is also responsible for replying directly to the customers, providing them with the relevant response and information from the particular Bank departments.

In 2004, DenizYatırım Securities will begin guiding equity investors to make transactions via the Contact Center. This way DenizYatırım Securities will be able to provide a more concentrated focus on VIP customers. The highly trained Contact Center staff is proficient in handling equity transactions. Furthermore, the number of staff is large enough to efficiently handle the transactions of a large number of investors in a timely manner.

In 2003, the number of incoming calls at the Contact Center increased to 1,150,000, a figure 65% higher than that of 2002. Meanwhile, the number of outgoing calls totaled 800,000, a growth of 75% over that of the previous year.

ATMs and Kiosks

ATMs serve customers for their petty cash needs and are largely instrumental in salary disbursements. In 2003, approximately 40,000 employees of 510 companies received TL 153 trillion in cash as salaries from DenizBank ATMs. In addition to DenizBank Internet Banking users, in-branch and off-site banking kiosks allow also debit or credit cardholders to sign in with their cards' passwords.

FINANCIAL INSTITUTIONS

Due to the expansion of its distribution network and its successful marketing strategies, DenizBank's market presence in corporate banking and international trade finance transactions was strengthened with an upward trend. To cope with increased domestic and overseas business volume, ties with international financial institutions and major market players were broadened. During the year, the number and volume of trade finance transactions increased substantially, due largely to the much wider acceptance and rising reputation of DenizBank in global banking environments. As a result, the number of DenizBank's correspondent banks from various countries also grew substantially. DenizBank added 150 new names into its list of correspondent banks, reaching 743 by the end of the year.

In 2003, total export-import transactions handled by DenizBank generated a business volume of US\$ 3.4 billion.

DenizBank places special emphasis in acting as an intermediary institution in medium and long-term capital good imports for its corporate customers. To achieve its mission, DenizBank increased the number and amount of Export Credit Agency (ECA) insured facilities secured from various European banks. In 2003, DenizBank continued to cooperate with such institutions as Hermes, ERG, ÖKB, OND, NCM and Sace. Meanwhile, utilization of the GSM 102-103 credit facilities offered by CCC of the US Department of Agriculture also expanded in 2003.

In October 2003, DenizBank finalized a one-year syndicated loan facility for US\$ 135 million. The initial mandate was to raise US\$ 75 million, but due to high demand in international markets for DenizBank risk, the deal was closed with an 85% over-subscription rate. With eight arrangers, a total of 28 prominent banks from 15 countries participated in this facility, and the funds were utilized for the pre-financing requirements of DenizBank's exporting clientele.

In 2004, in addition to the renewal of this facility, the Financial Institutions Division will continue raising funds through bilateral trade finance transactions with correspondents in order to accommodate the needs of its clients. As an alternative method of raising funds from international markets, DenizBank is considering an asset-backed securitization facility.

SERVING MORE THAN 15 TURKISH BANKS , DenizBank achieved a volume of US\$ 3.3 million in cash shipments, placing the Bank in ONE OF THE TOP POSITIONS in Turkey .

TREASURY

DenizBank took advantage of the Turkish economy's leap forward in 2003 by boosting its credits and deposits and also by expanding its treasury operations and client business in this area. Trade in foreign exchange, incorporating both spot and forward transactions, increased by 90%, reaching US\$ 13.3 billion. Turkey's rising foreign trade volume in 2003, as well as the increase in the number of customers in foreign trade, due largely to the expansion of the Bank's branch network with acquisitions, was certainly instrumental in this upward trend.

Likewise, trading volume in government securities also expanded at the considerable rate of 338%, to TL 3,700 trillion, mainly due to a more active treasury marketing strategy pursued during 2003. As a part of this strategy, the Treasury Marketing Unit assigned experienced customer representatives in major cities throughout Turkey to closely assist customers in their investment decisions. The strategy was successful and trading transactions yielded a substantial increase in fee and commission income, up by 228%. This contributed significantly to the Bank's overall profitability and raised the market share in client business along with the hopes for the sustainability of such profits in the coming years. Generating non-interest income through treasury operations is essential for all banks, given the projections for shrinking margins in a declining inflation environment to single digits by 2005 at the latest.

Observing a lack of effective services in the area of cash shipments, DenizBank concentrated on this new business line in 2003. Serving more than 15 Turkish banks, DenizBank achieved a volume of US\$ 3.3 million in cash shipments, placing the Bank in one of the top positions in Turkey.

DenizBank was also a major player in the increasingly popular Eurobond market in 2003. Foreign exchange deposits were no longer the preferred instrument for investors during 2003. This was due primarily to the prevailing uncertainty in exchange rates because of the floating exchange rate system where the depreciation of the Turkish lira could easily decouple from inflation, plus the low yield in the interest rate. Thus, investors were



DENIZBANK was designated as the settlement and clearing bank of the Istanbul Gold Exchange, which has US\$ 5 BILLION IN ANNUAL TRANSACTION VOLUME through 51 authorized banks and financial institutions.



attracted by Eurobonds, especially those issued by the Turkish Treasury. Anticipating the demand for Eurobonds, DenizBank was able to increase its trading volume in these instruments by US\$ 1.6 billion, up 75% over the previous year.

After observing that emerging markets would likely become the next stop for global private funds, the Bank's Treasury Division, together with its Economic Research Department, devoted extensive efforts to high-yield emerging markets. As the yields in developed economies hit historical lows, these countries attracted new customers in search of high-yield sovereign debt across the world. Consequently, the trading volume of such instruments increased considerably.

As usual, managing market risks was a priority for the Treasury Division. In this respect, the proprietary desk engaged in well-designed derivatives to hedge the Bank's Eurobond and domestic bond portfolio against price volatility, while improving the yield of these instruments at the same time. In 2003, the volume of derivatives traded reached US\$ 250 million. Similarly, the Bank prioritized risk control in its domestic T-bill portfolio by focusing mostly on the floating rate notes, a defensive mechanism designed to hedge against an unexpected increase in inflation expectations and short-term interest rates, while at the same time providing a lucrative risk premium in their auctions. The Bank's foreign currency denominated bond portfolio was also well diversified, with a significant part of it devoted to G7 Treasury Bonds.

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

The audit and internal control system at DenizBank is an integral part of the management process and provides a secure, fault-free environment for all banking transactions in compliance with regulations and the Bank's own internal policies.

The mission of the audit and internal control system is to help realize the Bank's goals and long-term strategic targets while assembling a reliable financial and management reporting system. Towards this end, a strong audit culture has been developed at all levels of the Bank.

The audit and internal control system, independent of management, is comprised of the Internal Auditing Committee, the Internal Control Center, and the Risk Management Division. These bodies report directly to the Board of Directors to ensure their independence - an inseparable principle of the internal control mechanism.

Internal Auditing Committee

The Internal Auditing Committee, headed by a Committee Chairperson, is made up of 32 internal auditors. The internal audit function relies heavily on past experience and the accumulation of knowledge. The Committee functions in such a way as to foresee potential problem areas that might cause losses for the Bank, and also helps to prevent any such occurrences. Within the scope of the internal audit system, the efficiency and profitability of the unit under audit is also assessed as well as the reliability, timeliness, and integrity of the data produced by the unit. Compliance with regulations and the Bank's policies are also put under scrutiny.

Throughout 2003, compliance audits were performed as planned in all branches, important regional divisions, financial subsidiaries, and certain head office departments of the Bank. The Internal Audit Department also performed operational risk assessment surveys and ratings for these units.

Internal Control Center

During 2003, the Internal Control Center continued internal control activities in an effort to reduce operational risks, develop tools to manage credit risks, and improve processes in the head office departments and branches. Paralleling the growing organizational structure of the Bank, the Internal Control Center increased the number of its staff from 41 in 2002 to 52 in 2003.

IT Internal Control Unit

Support was provided to related task forces working on improving the Bank's workflow and process securities. Working in cooperation with the IT Department in areas such as disaster recovery, project management, security patches, Internet banking, physical and password security, and implementing various mandatory technological updates (e.g. migration to MS 2003, etc.), this Unit played a guiding role in creating a highly secure IT environment for the Bank. During the year, the IT Internal Control Unit provided training to the IT staff on the basics of IT security.

Financial Control Unit

The Financial Control Unit is responsible for the reliability of the data reflected in the Bank's balance sheet and the income statement. While ensuring the correctness of the data flowing from 170 branches and the head office units, the Unit cooperates closely with the Risk Management and Management Reporting Departments.

The overall risk management strategy of DENIZBANK is to achieve the TARGETED PROFITABILITY LEVELS WITH MINIMUM BANKING RISKS.

Branches Internal Control Unit

Branches Internal Control Unit carries out its activities on-site by visiting branch offices. The Unit performed a total of 433 branch controls in 2003. As a result of these controls, the Unit provided recommendations to improve various processes within the branches and established ways to increase cooperation between the branches and the head office. The Branches Internal Control Unit ensures that all branches follow the Bank's internal policy guidelines and legal regulations in their operations.

Treasury Internal Control Unit

The scope of this Unit's operations was expanded in 2003 to include the controlling of fund management operations carried out by the branches and the related head office department. The restructuring enabled a more effective means of supervising the overall daily management of funds at the Bank.

Retail Banking Internal Control Unit

The Retail Banking Unit is responsible for the preparation of weekly reports on retail loans, credit cards, credit approvals, and guarantees. The Unit also provides support and recommendation to relevant units for the development of new products. During the year, the Unit not only reviewed the processes within the Internet Banking Unit and the Call Center, but also advised these units on possible improvements.

Corporate Credits Control and Follow-up Unit

This Unit is responsible for control activities on corporate credit allocation and monitoring processes and compliance to credit limits, internal regulations, and legal requirements. The Unit also warns branch offices for possible non-performing loans and helps them in solving problematic cases.

Centralized Operations Internal Control Unit

Centralized Operations Internal Control Unit ensures that export, import, and corporate and retail loan transactions handled by the centralized operations unit are accurately processed. It also controls the compliance of these transactions with the internal procedures and legal regulations.



Reconciliation Unit

This Unit reconciles and controls the account balances with correspondent banks.

Risk Management

DenizBank's Risk Management Division incorporates three departments. These are the Management Reporting, Branch Reporting, and Risk Management Departments.

Management Reporting Department

The basic task of this Department is to provide essential information to upper level management and the Board of Directors. Additionally, the Department performs overall cost and return analysis and calculates income margins as well as the profitability of the departments and products. For this purpose, financial statements of the Bank and its subsidiaries are consolidated and a comparative analysis with other banks is performed. The Department prepares these reports on a daily, weekly, monthly, quarterly and yearly basis, depending on their nature and coverage, while creating a comprehensive database enabling profitability analysis for each product.

The Management Reporting Department also coordinates with other departments of the Bank in the consolidated budget preparation process, and ensures that budget estimates are accurately and reasonably made. It also provides the Departments with comparative data and an analysis of the previous year's results.

Branch Reporting Department

The Branch Reporting Department performs analyses of cost and return for each branch and regional directorate of the Bank and publishes the reports on the Intranet for related managers to evaluate.

The Department is also responsible for helping the branch offices to prepare their annual budgets and ensure that the budget targets are met. Budget realization and branch productivity reports are prepared monthly to help branches develop strategies.

Risk Management Department

After recent financial crises in Turkey and in many countries around the globe, risk management techniques started to gain importance within the banking industry.

The mission of Risk Management Department at DenizBank is to ensure that the Bank will have the sufficient shareholders' equity and financial strength to carry on with its operations under any kind of market environment, including a very severe financial crisis.

To achieve this, the maximum loss that may be tolerated is strictly limited according to the following criteria:

- The Bank will never put more than half of its current shareholders' equity at risk - including credit, market and operational risks.
- The Bank will be able to maintain its operations without any need for fresh capital injection under any market scenario and will always achieve more than minimum capital adequacy ratio even at the peak of a financial crisis.

Limits for each product and each type of risk are calculated taking these criteria into account. Therefore, total exposure to risks never exceeds the amount set by the Bank.

The overall risk management strategy of DenizBank is to achieve the targeted profitability levels with minimum banking risks. Following this strategy, DenizBank's Risk Management Department adopts the globally accepted and widely implemented VAR analysis in assessing market risks. The VAR analysis basically calculates the highest financial loss that may come about by maintaining on the balance sheet a certain level of investment securities as a result of price fluctuations in markets. DenizBank's VAR simulation is based on 1 to 10 days of holding periods with a confidence level of 99%. Globally accepted methods are used in these calculations, such as parametric testing, as well as historical and Monte Carlo simulation techniques. Depending on the nature of the financial instruments in the investment portfolio, a combination of these techniques is applied.

In order to test the reliability of the VAR analysis, back testing is performed on the database maintained by the Management Reporting Department. Stress tests and case studies, critical instruments in risk management, are frequently implemented, aiming at measuring the effect of various market circumstances on the portfolio.

VAR analysis is performed on a product basis in order to assess the risk and return associated with each product, while return on capital is calculated as RARORAC (Risk Adjusted Return on Risk Adjusted Capital). Calculating the level of risk and return for each product is essential for the management to allocate the Bank's resources in the most cost-effective way.

The Risk Management Department performs the required studies for the adaptation of the BASEL II criteria set forth by the Bank for International

REVIEW OF OPERATIONS



Settlements (BIS). For this purpose, the development of operational and credit risk management tools are in progress. The Department also prepares the standard market risk reports, as required by the banking law. A weekly report of the Bank's FX position, a monthly market risk analysis report, and a quarterly report of the consolidated market risk of the Bank and its subsidiaries are prepared and presented to the Banking Regulation and Supervision Agency (BRSA). Assessment of operational, credit, and market risks in such a comprehensive manner enables the RARORAC analysis to be more accurate.

In 2003, in order to make the Bank's budget preparation process more effective and productive in terms of time, the Department aided the development of a computerized budgeting system, and prepared the 2004 budget using this web-based application. Branch, regional, and head office units, therefore, fully participated in establishing the 2004 budget targets. During the year, the Risk Management Department also continued to use the Riskman Reporting Software developed by Interitech.

The outcomes of risk analysis and management reports are presented to the Board of Directors and the Executive Committee to help them determine risk-taking limits, develop risk management strategies, and supervise other major issues. Results of policy implementation are evaluated and recommendations are made by these top-level management bodies to improve decision-making systems in place at the Bank.

OPERATIONS

Since its establishment, DenizBank has carried out all operations - from the simple and routine to the most complex and sophisticated - in a centralized manner. Keeping pace with advances in technology and their applications in banking operations, DenizBank has developed centralized operations systems similar to the ones used at many highly developed banking environments throughout the world.

The flexible structure of centralized operations enables and allows for an increasing business volume in retail and corporate banking activities, while fully ensuring the smooth functioning of all transactions without error or delay.

In 2003, the Operations Division was divided into two departments - the Head Office Operations Department and the Branch Operations and Projects Department.

Head Office Operations Department

Treasury and Financial Institutions Operations Unit

The Treasury and Financial Institutions Operations Unit performs the operations and accounting of the transactions executed by the Treasury Division, ensures that EFT and SWIFT systems operate without interruption, and controls the activities of the related Divisions and Banknote Processing Unit in regions across Turkey.

Treasury-related Operations

EFT Transactions

During the year 2003, straight through processing of the incoming EFT transactions has been implemented and batch delivery of outgoing EFT transactions was utilized.

There was a significant improvement in the EFT emergency system, which enabled the transfer of each EFT transaction individually and created account entries automatically in case the Banking Application System failed to operate.

SWIFT Transactions

DenizBank's Banking Application System and SWIFT integration was achieved in 2003, thus facilitating operational efficiency. At the first stage, Customer Transfer SWIFT messages are formed automatically by the Banking Application System. The target is to implement this to all other types of SWIFT messages.

Banknote Processing Unit

In the year 2003, banknote trading agreements were signed with the Bank's various correspondents and direct cash delivery to overseas locations was initialized.

Financial Institutions-related Operations

Correspondent Operations

DenizBank started to use the web sites of its correspondent banks more effectively and established correspondence relationship with 150 new banks in 2003.

Eurobond Transactions

DenizBank started to perform securities transactions through the account opened at Euroclear.

Investment Banking Operations Unit

The Investment Banking Operations Unit manages all the Bank's marketable securities transactions, their accounting and reporting, and is responsible for building concurrent organizations and systems that assist these operations.

Accounting

The General Accounting Department carries out as its routine tasks, tax and social security payments, procurements, and all third party payments as well as all centralized services provided to the branches and head office departments. Following the centralization of all accounting functions, tax and other legal liability operations have been added to the functions of this Department.

The External Reporting Unit within the General Accounting Department prepares regular reports for the BRSA, the Central Bank and the Turkish Bankers Association in a totally computerized environment. The General Accounting Department, working in close cooperation with the IT Department, has succeeded in reducing the workload needed to prepare reports required by the governing bodies. This result was achieved due to the superb IT infrastructure of the Bank.

Marketable Securities-related Operations

Stock Exchange Operations

Operations, accounting, and reporting of the Treasury Division's Stock Exchange transactions, payment and settlement responsibilities fall within the duties of the Investment Banking Operations Unit. All these undertakings are performed in cooperation with the Treasury Division.

Turkish Central Bank Operations

Treasury auctions, open market transactions, and similar other operations are conducted by the Investment Banking Operations Unit. Related settlement, accounting, and reporting duties are also performed by the Unit.

Information Technology

During 2003, DenizBank's IT Department completed some key projects, including the following:

- Converting the IT infrastructures of the newly-acquired Tarıřbank branches (completed in January of 2003)
- The Bahrain Branch was connected to the main IT system (February 2003)
- Processing of Batch EFT and money transfers started via DenizBank's Internet Branch (March 2003)
- The new workflow application system enabled credit card applications to be answered in two days and made ready for issuing (September 2003)
- The Germany Branch was connected to the main IT system (December 2003)

The IT Department initiated the Data Warehouse Project in April 2003 and the CRM Project in October 2003 to reinforce the Bank's customer-oriented service approach.

In 2003, DENIZBANK continued its STRATEGIC MOVE TO BECOME ONE OF THE LEADING BANKS in Turkey, increasing the number of its branches to 170 and the number of its employees to 3,300.

Branch Operations and Projects Department

This department is comprised of two units: the Project and Quality Management Unit and the Operations Unit.

Project and Quality Management Unit

A Projects Management Committee was established for the coordination of all Bank projects in progress in order to allow an effective management of these projects and calculation of their risks and ROI ratios.

Under the Workflow and Documentation Management System, five new processes were started. Productivity achieved in this way was about 85%. With the Document Management System, all existing customer documents were transferred to an electronic environment, allowing productivity increase in all operations such as approvals and signature verification.

Operations Unit

The Corporate Centralized Operations Unit was re-structured into the Foreign Trade Unit and the Credit Unit to better process the increasing number of transactions. The purpose was to provide customers with even more specialized and faster services, the multiplied number of transactions coming from an increased number of branches notwithstanding.

To address the growing business needs of branches, "the branch support line" was established to facilitate internal communications and to find instantaneous solutions to possible inquiries via the call center infrastructure. For the purpose of preventing duplicate transactions and delivering better service in a shorter period of time, system integration was achieved in foreign trade and swift transactions resulting in a decrease of 25% in processing times. Some of the transactions conducted at the branches were moved to central operations to allow the branches to gain more time for their marketing activities.



With the new software implemented in the check clearing system, higher volumes were achieved. In 2003, DenizBank was ranked 6th among banks automatically processing checks. Western Union's system was activated on the Internet at all branches, increasing the speed and quality of services as well as providing a significant amount of cost savings.

ADMINISTRATIVE SERVICES

Human Resources and Training

In 2003, DenizBank continued its strategic move to become one of the leading banks in Turkey, increasing the number of its branches to 170 and the number of its employees to 3,300.

To meet the requirements of the broadening corporate and individual customer portfolios and the branch network, the head office departments were re-structured and strengthened with the recruitment of experienced bankers. Fulfilling its mission for training qualified employees for the banking industry, during 2003, a three-month "Management Trainee (MT) Program" was organized for 64 new recruits and an "Assistant Internal Auditor Training Program" for 12 participants. Additionally, a "Transfer to the Career Group" program was organized for employees working at back-office functions and secretarial positions whereby their career plans were reviewed and their motivations increased.

In 2003, DenizBank organized 650 training programs to enhance the knowledge and skills of its employees on technical issues, to support their personal developments and help them adapt to the corporate culture and procedures of the Bank. In 2003, 10,150 employees participated in the training programs, which totaled 95,000 hours.

"Orientation and On-the-job Training Programs" were organized to enable the newly acquired Tarıřbank branches to quickly adapt to DenizBank's corporate culture and systems. A friendly atmosphere was created to develop synergy and make the new employees feel comfortable from the very first day. The new branches were re-structured to serve as DenizBank in a very short period of time.

"Technology Training Programs" were promptly provided to all new branches in order to upgrade them to the same level of technological competence and achieve a certain level of service quality.

Having the responsibility of representing the banking industry in the Board of Directors of the Bankers Association of Turkey, DenizBank will continue

employing one of the most qualified staff in the industry with 70% of its personnel possessing university degrees and having an average banking experience of seven years.

Real Estate Management

To accommodate the increasing business volume and the newly established units within the Bank, in 2003, an additional office building with 8,000 square meter-space was rented and equipped for operations in only two months. The new building was outfitted as an operational center where all operational units were moved. Additionally, the main branch was refurbished.

Under the new corporate identity scheme, 40 branches were repaired and renewed. In 2004, the renovation of 80 more branches is planned.

Advertising and Public Relations

As part of the internal communications activities, top-level executives from the DFS Group were gathered in several meetings during the year to share ideas and develop a common vision for the future of the Group. Additionally, to become familiar with Zorlu Holding's activities and to create operational synergies, DenizBank executives visited some of the Group's industrial companies during the year.

DenizBank sponsored numerous cultural and artistic activities during 2003, some of which included the "Risk Management Conference" organized at the Intercontinental Hotel in January and the "Ninth International Eskiřehir Festival" in October. Puppet master Haluk Yüce organized two shows in Istanbul in April for students of schools cooperating with DenizBank.

After publishing several important cultural books in coffee-table book format in the previous years, in 2003, DenizBank published another book entitled "Istanbul – From Antiquity to Present-day". This book is an important contribution to the history of Istanbul, not only giving historical information but also shedding light on some of the long-forgotten interesting events the city confronted with during its fabulous past.

Several meetings were organized with customers in different regions where executives of the Bank had the chance to discuss current issues directly with customers. These meetings helped to strengthen customer relations.



DENIZBANK AG

Established in 1996 by the former Esbank of Turkey, Esbank AG in Vienna offered comprehensive foreign trade finance and payment services to a large client base in Europe and Turkey. This was done through four local branches in Austria - three in Vienna and one in Bregenz. DenizBank entered the Eurozone banking market by acquiring Esbank AG in August 2002 for a sum of Euro 26 million. Subsequent to acquisition, the name of the Bank was changed to DenizBank AG at the beginning of 2003. DenizBank AG will help to create additional synergies between Zorlu Holding's international subsidiaries and foreign trade companies.

DenizBank AG opened its first branch outside Austria in Frankfurt - the financial center of Germany - in July 2003. With the inauguration of the Linz Branch in August 2003, the number of DenizBank AG branches in Austria increased to five.

DenizBank will cooperate closely with its subsidiary in Austria to offer any support needed as new frontiers are discovered in Europe. Backed by strong shareholder support, the Bank plans to expand its activities in the Eurozone through new branches in Frankfurt and other cities in Germany. DenizBank AG will continue to act as an intermediary to foreign trade transactions of Turkish companies in Eurozone countries, delivering forfaiting and foreign currency payment services. Other services of the Bank include small business loans, alternative savings programs, credit cards, money transfers, and various insurance products. In December 2003, DenizBank AG broadened its product range and started marketing treasury products. Currently, the Bank has 4,100 active customers.

DenizBank AG is also involved in project finance facilities. Two of the energy plants built with credit lines from the Bank are currently in operation. Other project finance credits are directed to tourism investments in Turkey.

At the end of 2003, DenizBank AG had a balance sheet footing of Euro 342 million, shareholders' equity of Euro 25.9 million, year-end profit before tax of Euro 4.3 million, and a capital adequacy ratio of 27.6%. Above all, it has highly qualified and experienced staff.

DenizBank AG is a member of the Austrian Deposit Insurance Fund, the International Forfaiting Association, the Austrian Banks and Bankers' Association and the Austrian-Turkish Business Association.

DENIZBANK MOSCOW

DenizBank acquired İktisat Bank Moscow at the beginning of 2003. Subsequent to the acquisition, the name of the Bank was changed to DenizBank Moscow. Also, its capital was increased from US\$ 1.7 million to US\$ 8 million, with shares distributed among DenizBank AG and DenizBank A.Ş., which currently own 51% and 49% of the share capital of the Bank, respectively. As a result, the Bank's shareholders' equity increased from US\$ 2 million to US\$ 11.6 million with a capital adequacy ratio of 43.3%.

DenizBank Moscow was acquired with a vision to create a commercial bank, which would serve as a full financial services provider primarily to Turkish-Russian businesses. Not limited to this segment, the Bank will also serve small and medium-size businesses of Russian origin in the commercial banking sphere.

Ever increasing commercial and investment relations between Turkey and Russia provide a unique opportunity for DenizBank Moscow to become a large commercial bank providing credit, non-credit, and trade finance products to entrepreneurs doing business in Russia. The Bank gives the opportunity to act as a first check-point for the clients of DenizBank in Turkey, which are either currently active in business in Russia or intend to do so.

In addition to its core business line of commercial banking, DenizBank Moscow became an active player in the Russian foreign exchange and money markets, as well as in fixed-income securities trading and investments.

EURODENİZ OFF-SHORE BANK

DenizBank acquired EuroDeniz Off-shore Bank Limited, established in the Turkish Republic of Northern Cyprus, from the Savings Deposit Insurance Fund in the beginning of 2002. The Bank is licensed to undertake all commercial banking transactions.

At the end of 2003, EuroDeniz Off-shore Bank had a balance sheet total of US\$ 222 million and a shareholders' equity of US\$ 4.9 million.

INVESTMENT BANKING AND BROKERAGE

DENİZYATIRIM SECURITIES

Backed with both the support and trust reflected by its parent DenizBank, DenizYatırım Securities took advantage of developments that prevailed in capital markets throughout 2003. Following in the footsteps of DenizBank and pursuing wise, well-calculated, yet dynamic strategies, DenizYatırım Securities turned times of crisis into times of opportunity.

As in the previous year, 2003 was also one of growth for DenizYatırım Securities. Having one of the widest coverages across Turkey, DenizYatırım Securities provides security trading service with 160 trading rooms in 91 of DenizBank's 170 branches. Trades are executed by 23 DenizYatırım Securities floor traders and backed by the Istanbul Stock Exchange's (ISE) advance EX-API system. EX-API is a remote trading system built by the ISE that allows brokerage houses to execute orders from virtually anywhere in Turkey without the need of a floor trader. DenizYatırım Securities has the largest EX-API network in Turkey, thus offering one of the fastest trading services for its clients.

Results for 2003 placed DenizYatırım Securities among the top players in the market. With 250 high caliber employees working all across Turkey, DenizYatırım Securities looks even more promising for 2004.

The acquisition of Ege Portfolio Management Company by DenizYatırım Securities was one of the foremost corporate finance transactions in 2003.

Domestic Markets

DenizYatırım Securities continued to meet its goal of being among Turkey's leading brokerage houses in terms of equity trading market share. It ranked second among all brokerage houses in 2003 with a market share of 4.7%. Equity trading volume increased to US\$ 9.1 billion by the end of 2003 with a total customer portfolio size of US\$ 400 million, compared to US\$ 266 million the previous year. This business volume was achieved through 91 agents across the country. At the end of 2003, the number of investment accounts stood at 37,829.

Corporate Finance

In 2003, the Corporate Finance Department at DenizYatırım Securities concentrated on mergers, acquisitions, and project evaluation. Advisory

In a marketplace where 80% of all mutual funds are B-type funds, DENIZBANK'S B-TYPE

LIQUID FUND WAS PLACED fifth among 44 funds in 2003.

services were provided to DenizBank in its strategy of mergers and acquisitions as well as the Company's own acquisition of Ege Portfolio Management. This company, a wholly-owned subsidiary of DenizYatırım Securities, was renamed Deniz Portfolio Management after acquisition.

The market conditions did not allow too many IPOs in 2003. A few small companies floated their shares creating limited room in the IPO market. Although there were no large IPOs in 2003, it is expected that the year 2004 will offer a more promising environment for companies planning to go public. DenizYatırım Securities has already signed mandates as lead manager for several major IPO schemes, including the IPO of Fenerbahçe football club.

Quality Comes First

Three years ago, DenizYatırım Securities implemented the ISO 9000 Quality Management System and has improved its standards ever since. AOQC Moody International performed two audits during this period and confirmed DenizYatırım Securities' ISO 9001-2000 revision.

EKSPRESINVEST

EkspresInvest joined the DFS Group at the end of 2002 and started out by targeting primarily foreign institutional investors as its customers. After the professional core staff was employed in the first quarter of 2003, taking advantage of the synergy generated by DenizBank's activities abroad, the Company boosted its market share considerably. The growth trend continued increasingly in the following months.

The Research Team examines market developments closely through regular analysis of political and economic events and shares their reports with existing and potential customers. Periodical industry and micro level analyses are performed on publicly

traded companies that conform to the strictest investment criteria international investors look for. The findings are disseminated to the international investors community across the globe in an easily readable report format and in a timely manner.

The Sales Team visits its customers abroad frequently exchanging ideas and sharing opinions. Through daily telephone conversations, marketing activities continue strengthening the Team's relationships with existing customers while trying to spot new ones. Emphasizing customer satisfaction, high-quality capital market services and providing information in the most rapid and explicit way will point out EkspresInvest as an essential address for foreign investors in Turkey.

TARİŞYATIRIM SECURITIES

Located in İzmir, TarışYatırım Securities was originally established as a subsidiary of Tarışbank in 1997 to handle the brokerage activities of its parent bank. With the acquisition of Tarışbank by DenizBank in 2002, TarışYatırım Securities became a member of the DFS Group.

Equity trading volume of TarışYatırım Securities reached TL 172 trillion in 2003, having a 0.12% share in the stock market. With an investment portfolio size of TL 8 trillion, the Company currently has 1,546 customers, of whom 1,474 are active. DenizBank's support will enable TarışYatırım Securities to play a key role in the newly established Futures Market in İzmir.

DENIZPORTFOLIO MANAGEMENT

In May 2003, DenizYatırım Securities acquired Ege Portfolio Management and changed its name to DenizPortfolio Management. This acquisition will not only contribute to the volume of DenizYatırım Securities' domestic brokerage business but will also help it focus on the pension fund activities, a new development for Turkish capital markets.

DenizPortfolio Management targets serving Turkey's top performing mutual funds and investment portfolios. In 2003, the market value of the funds under management reached US\$ 170 million, increasing substantially from US\$ 50 million the previous year. The number of investors more than doubled, from 13,500 in 2002 to 27,200 in 2003. The value of investment portfolios under management also grew rapidly and dramatically from US\$ 3 million in 2002 to US\$ 20 million in 2003.

In 2003, the market share of the funds under management rose to 1.2%, up from 0.8% in 2002. This success is not only due to performance, but is also a result of the support extended by DenizBank. In addition to the branch offices, mutual fund certificates can be traded through DenizBank ATMs 24 hours a day allowing investors to benefit from investment services all over the country regardless of time.

All DenizBank mutual funds were among the top performers within their respective categories and all were designed to address the various risk-taking and income expectation attitudes of investors. In a marketplace where 80% of all mutual funds are B-type funds, DenizBank's B-type Liquid Fund was placed fifth among 44 funds in 2003.

Performances of mutual funds should be evaluated with a long-term perspective rather than making daily, monthly, or even yearly analysis. Since the

beginning of 2000 all DenizBank mutual funds managed by DenizPortfolio Management ranked in the highest echelon of their respective groups. For example, A-type Equity Fund, when assessed in terms of yield since 2000, ranked third among all equity funds. Similarly A-type Composite Fund also ranked third and A-type Variable Fund placed 14th. Meanwhile, the B-type Variable Fund ranked second, the B-type Bonds and Bills Fund placed fourth, and most importantly, B-type Liquid Fund came in first.

The Research Department within DenizPortfolio Management primarily serves mutual fund managers, portfolio traders, equity investors, and domestic clients of DenizYatırım Securities by issuing daily and monthly research reports that incorporate recommendations. Additionally, it serves the needs of the Group companies with reports reflecting the latest economic and financial developments, prospects, and forecasts.

During the year, the Research Department prepared 90 company reports, nine industry reports, and made 28 company visits. The number of clients benefiting from research services increased to 12,700 by the end of 2003, up from 6,727 at the beginning of the year.



As a result of its **SUCCESSFUL PERFORMANCE** with regard to exports, **DENIZFACTORING** obtained **GENEROUS CASH CREDIT LIMITS** from its correspondents abroad.

LEASING AND FACTORING

DENIZLEASING

Since commencing operations in December 1997 as a member of the DFS Group, DenizLeasing's operating strategy has been to pursue controlled growth, emphasizing customer service as well as offering competitive rates. Conforming to the DFS Group's strategic plan, DenizLeasing has focused on its core business of leasing resting on the powerful synergy created within the Group. It has deliberately not sought to expand rapidly in uncertain times.

DenizLeasing's customer portfolio consists of small to medium-size businesses in Turkey. It primarily leases machine tools, manufacturing equipment, processing, printing and material handling equipment, computers, telecommunications equipment, construction equipment, healthcare diagnostic and treatment equipment, metalworking equipment, furniture and fixtures, trucks, and trailers. Notwithstanding the industry or equipment leased, DenizLeasing offers attractive financing schemes meeting the most stringent requirements of its customers.

The success of DenizLeasing is based on the Company's continuing ability to provide specialist knowledge, to demonstrate a clear understanding of client requirements, and to focus on financial performance allied to customer objectives. Its focus on fostering relationships provides a stable platform that customers can rely on despite all the challenges and complexities of the fiscal, legal, and regulatory environment.

DenizLeasing provides short to medium-term financing denominated in both FX and Turkish lira in an effort to avoid foreign currency open positions and maturity mismatches. To raise FX funding facilities, DenizLeasing has built strong relations with



international creditors and suppliers, thanks to its superb financial position and the good reputation of Zorlu Holding in international markets. Consistent with its long-term objective of expanding and diversifying its funding sources, a new deal with LBBW Bank in 2003 enabled DenizLeasing to use ECA covered financing without a local bank guarantee in its "medium and long-term transactions." A major portion of these transactions involve large industrial projects.

DenizLeasing achieved a leasing volume of US\$ 52 million in 2003, a substantial increase over 2002's figure of US\$ 15.5 million. It targets a leasing volume of US\$ 100 million by the end of 2004. Total assets increased from US\$ 16.8 million in 2002 to US\$ 59.7 million in 2003. Total shareholders' equity increased from US\$ 1.8 million the previous year to US\$ 7.4 million in 2003.

2003 was once again a year in which DenizLeasing took great strides toward its vision of becoming a major player in the Turkish leasing industry. 2004 brings with it a measure of uncertainty as the economy stabilizes and begins to grow again. However, DenizLeasing's solid performance this past year and the excitement generated by its entry into new markets through DenizBank's 170 branches gives a genuine sense of optimism about 2004.

DENIZFACTORING

DenizFactoring was established in 1998 with a paid-in capital of TL 1 trillion. By 2003, the total paid-in capital had risen to TL 10,4 trillion. Zorlu Holding is the largest shareholder of DenizFactoring, owning 97.56% of its equity.

In May 2000, DenizFactoring became a member of the Turkish Factoring Association and in September 2001, it was accepted as a member of FCI, the largest factoring chain in the world. Following its membership in this highly respected international organization, DenizFactoring enhanced its service quality and had an opportunity to expand its

international business volume. The Company was represented at this year's FCI meeting in Berlin, Germany, by its top-level officers.

Following well-calculated strategies, DenizFactoring preferred international business over domestic business during Turkey's economically difficult years. Encouraged by positive developments and optimism that surrounded markets during 2003, total turnover increased to US\$ 374 million, whereas domestic turnover was US\$ 230 million. This volume ranked DenizFactoring in fifth place among factoring companies in Turkey in terms of domestic business.

The Company ranked among top three in terms of export factoring turnover of US\$ 144 million in 2003. As a result of its successful performance with regard to exports, DenizFactoring obtained generous cash credit limits from its correspondents abroad. Added to this financial strength, the positive climate that arose in 2002 has been sustained intensively in Turkish markets throughout 2003. In light of these opportunities, a new and more intensive marketing strategy with a firm customer focus has been implemented. Parallel with this strategy, DenizFactoring's organizational structure has been improved and enlarged. After recruiting 11 new employees, DenizFactoring now has a valuable team of 28 employees.

Coupled with the additional synergy generated by the expanded branch network of DenizBank, DenizFactoring will once again emphasize domestic business in 2004. Export factoring will continue to be a preferred tool over traditional L/Cs because of the guarantee, financing, and collection services it provides to the exporters. DenizFactoring aims at keeping pace with the upward momentum it gained in 2002 and 2003, and will reach an export turnover of US\$ 175 million and a domestic turnover of US\$ 350 million by the end of 2004.

Serving a total of 10 banks and financial institutions, AKK IS THE TPP
BUSINESS LEADER IN TURKEY.

SERVICES

ANADOLU KREDİ KARTI (AKK)

Established in 1976, Anadolu Kredi Kartı (AKK) was Turkey's first credit card processing company. It pioneered the development of the credit card market in Turkey. Shares of AKK were transferred to the SDIF in 1999 following its parent bank's acquisition by the same organization. At the end of 2001, DenizBank purchased AKK shares from the SDIF, making it part of the DFS Group.

AKK received the ISO 9002 Quality Certificate in 1998 and is now a leading company in the highly competitive payment systems sector. It has achieved many firsts in its history, some of which include:

- First acquiring services in Turkey through an agreement with EuroCard in Belgium (in 1976)
- Turkey's first domestic credit card 'PAKKART' (issued in 1978)
- Turkey's first international credit card 'AKK EuroCard' (issued in May 1984)
- Became the first Turkish member of EuroCard (1986), issuing the first international credit card under its license in July of the same year
- Started offering credit card services to banks and became Turkey's first TPP (Third Party Processing) Company
- Became the first company to securitize credit card receivables (1991)
- Appointed exclusive agent in Turkey to acquire JCB cards (1993)
- Became the first company to obtain the certification to acquire and issue EMV chip cards in Turkey (2001)



Under acquiring services, AKK accepts domestic and international debit and credit cards (VISA, MasterCard, JCB and Diners) with 14 branches and three cash offices. AKK is one of the major players in the acquiring business, especially in international cards. Since its establishment, AKK has had a place each year among the top three banks in Turkey in terms of international acquiring volume.

In 2002, AKK launched NETPOS as a new product to enable secure payments to merchants for their e-commerce transactions. This was followed up in 2003 with the introduction of another new product, the web-based e-collector, created to provide a solution to its merchants and corporate customers who accept incurring or installment payment transactions. Additionally, AKK's website "www.akk.com.tr" was opened and GSM POS infrastructure was completed this year.

AKK offers a full package of services in both TPP issuing and TPP acquiring businesses. Serving a total of 10 banks and financial institutions, AKK is the TPP business leader in Turkey. Credit card operations are outsourced in TPP services, with the sole exception of marketing and product management. In 2003, AKK completed the necessary procedures for physical and information security and consequently received the Visa Vendor Certification.

In addition to its card related services, AKK has been an A-rated IATA travel agent since 1985. In 2003, revenue from ticket and hotel sales reached TL 8.7 trillion.

INTERTECH

Intertech was established in 1991 to provide IT services to the finance industry, especially to the banking sector. It has operated since 2002 under the DFS Group, a member of Zorlu Holding. Following the international vision of Zorlu Holding, Intertech started marketing activities abroad and made plans to grow carrying its domestic market experience and know-how to the international arena in 2004.

In 2003, Intertech completed the Q-Risk - Risk Management Software Package and implemented it first at DenizBank. It also started to develop Q-Logistics - Fixtures and Procurement Follow-up Application. Intertech completed and launched the Data Warehouse Project, adding it to its product range by the end of the year.

In order to serve its corporate customers better, Intertech made a joint software development contract with a finance company and plans to launch its Interest-free Banking Package to the banking industry as a unique product before the end of 2004.

In order to meet the growing needs of service businesses in the area of training, Intertech enlarged the scope of its training, department in 2003. In 2004, it plans to organize more training programs. For service businesses, Intertech will become one of the most preferred training companies in Turkey within the next few years.

DENIZDESTEK

DenizDestek, established in 1997, provides car rental service with a fleet of 187 vehicles. As of December 31, 2003, total assets reached TL 2,6 trillion, shareholders' equity TL 1,9 trillion, and net profit after tax TL 332 billion.



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DENİZBANK ANONİM ŞİRKETİ

**Consolidated Financial Statements
As of 31 December 2003 Together With Report of Independent
Auditors**

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Denizbank Anonim Şirketi:

We have audited the accompanying consolidated balance sheet of Denizbank Anonim Şirketi ("the Bank" - a Turkish Corporation) as of 31 December 2003 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, all expressed in the equivalent purchasing of Turkish Lira (TL) at 31 December 2003. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We did not audit the fully consolidated financial statements of Denizbank Wien AG, Euro Deniz Off Shore, Denizbank Moscow CJSC and Ekspres Yatırım Menkul Değerler A.Ş. whose statements reflect, respectively, total assets of 10.3%, 5.3%, 0.5%, and 0.2% of the consolidated totals. Those statements (except for the unaudited statements of Denizbank Wien AG and Euro Deniz Off Shore) were audited by other auditors whose reports thereon have been furnished to us, and to our opinion, in so far as it relates to the amounts included for these subsidiaries are based solely on the reports of other auditors.

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.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Denizbank Anonim Şirketi as of 31 December 2003 and the consolidated results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

29 January 2004
İstanbul, Turkey

Kapital Yeminli Mali Müşavirlik A.Ş.
Correspondent Firm of RSM International
Engagement Partner
Lokman Ketenci

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2003 AND 2002

(Currency-In billions of Turkish Lira in equivalent purchasing power of TL at 31 December 2003)

	Notes	2003	2002
ASSETS			
Cash and due from banks and Central Bank	3	260,482	185,580
Placements with banks and Central Bank	4	772,618	444,445
Other money market placements	5	228,112	200,893
Reserve deposits at Central Bank	6	182,055	197,951
Investments in securities	7	2,125,459	1,828,632
Originated loans and advances, net	8	1,895,938	1,359,336
Accrued income	9, 21	17,545	9,243
Investments in unconsolidated subsidiaries	10	12,262	10,998
Goodwill, net	13	(1,566)	(497)
Premises, equipment and leasehold improvements, net	11	80,452	86,483
Deferred tax asset	17	69	16,178
Other assets	12	31,758	24,533
Total assets		5,605,184	4,363,775
LIABILITIES AND EQUITY			
Deposits	14	3,776,144	3,486,397
Other money market deposits	14	724,244	53,268
Funds borrowed	15	368,587	241,887
Accrued expense	16, 21	20,634	12,384
Deferred tax liability	17	16,363	791
Income taxes payable	17	12,596	1,397
Other liabilities and provisions	18	136,016	110,091
Total liabilities		5,054,584	3,906,215
Minority interest		1,645	1,455
Equity			
Share Capital	19	424,151	424,151
Legal reserves and accumulated deficit	20	27,106	(31,357)
Currency translation difference		(1,245)	89
Net income for the year		98,943	63,222
Total equity		548,955	456,105
Total liabilities and equity		5,605,184	4,363,775

"The accompanying policies and explanatory notes form an integral part of the consolidated financial statements."

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Currency-In billions of Turkish Lira in equivalent purchasing power of TL t 31 December 2003)



	Notes	2003	2002
Interest Income			
Interest on loans		251,639	238,243
Interest on investment securities		313,992	301,856
Interest on deposits in banks		91,415	72,596
Other		16,145	10,278
Total interest income		673,191	622,973
Interest Expense			
Interest on deposits		(425,133)	(408,667)
Interest on funds borrowed		(22,026)	(17,908)
Other		(3,736)	(2,239)
Total interest expense		(450,895)	(428,814)
Net interest income		222,296	194,159
Provision for possible loan losses	8	(27,983)	(52,061)
Foreign exchange loss, net		38,497	(70,816)
Net interest (expense)/income after provision for possible loan losses and foreign exchange loss		232,810	71,282
Other operating income			
Fees and commission received		96,916	67,608
Income from equity investments		-	1
Trading income		96,295	178,948
Total other operating income		193,211	246,557
Other operating expense			
Fees and commission paid		(26,326)	(20,646)
Trading expense		(11,312)	(33,095)
Salaries and employee benefits		(85,291)	(57,908)
General and administrative expenses		(26,230)	(12,836)
Depreciation and amortization		(22,473)	(16,727)
Taxes other than on income		(20,360)	(24,557)
Rent expense		(17,335)	(13,397)
Other (expense)/income, net		(20,379)	(14,114)
Total other operating expense		(229,706)	(193,280)
Income before taxation, minority interest and loss on net monetary position		196,315	124,559
Taxation charge			
Current	17	(15,565)	(1,281)
Deferred	17	(30,774)	13,551
Net taxation charge		(46,339)	12,270
Net (loss)/income before minority interest and loss on net monetary position		149,976	136,829
Minority interest		(214)	376
Net (loss)/income before loss on net monetary position		149,762	137,205
Loss on net monetary position		(50,819)	(73,983)
Net income		98,943	63,222

"The accompanying policies and explanatory notes form an integral part of the consolidated financial statements."

DENİZBANK ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Currency-In billions of Turkish Lira in equivalent purchasing power of TL at 31 December 2003)

	Share Capital	Legal Reserves	Retained Earnings	Total
Balances at 31 December 2001	323,037	4,953	(19,283)	308,707
Prior year consolidation effect	-	-	(1,165)	(1,165)
Cash increase in share capital	83,416	-	-	83,416
Gain on sale of investment transferred to share capital	17,698	-	(17,698)	-
Addition to legal reserves (consolidated entities)	-	441	-	441
Addition to retained earnings (consolidated entities)	-	-	(2,108)	(2,108)
Effect of merger with Milli Aydın Bankası T.A.Ş. (Tarişbank) transferred to reserves	-	-	3,504	3,504
Currency translation differences	-	-	88	88
Net income for 2002	-	-	63,222	63,222
Balances at 31 December 2002	424,151	5,394	26,560	456,105
Addition to legal reserves (consolidated entities)		1,092	(1,092)	-
Effect of translation of foreign currency consolidated entities			(4,759)	(4,759)
Change in currency translation differences			(1,334)	(1,334)
Net income for 2003			98,943	98,943
	424,151	6,486	118,318	548,955

"The accompanying policies and explanatory notes form an integral part of the consolidated financial statements."

DENİZBANK ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

(Currency-In billions of Turkish Lira in equivalent purchasing power of TL at 31 December 2003)



	31 December 2003	31 December 2002
Cash flows from operating activities		
Net income	98,943	63,222
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for possible loan losses	27,983	52,061
Depreciation and amortization	22,473	16,726
Provision for retirement pay liability	1,708	4,294
(Increase)/decrease in accrued interest receivable and other assets	(15,528)	153,362
Increase in accrued expense and other liabilities	32,467	45,626
Increase/(decrease) in current and deferred taxes payable	42,880	(33,524)
Decrease/(increase) in reserve deposits	15,896	(51,284)
Net cash provided by operating activities	226,822	250,483
Cash flows from investing activities		
Increase in marketable security portfolio	(296,827)	(630,998)
Increase in loans	(564,585)	(807,144)
Additions to property, plant and equipments (net)	(16,442)	(51,905)
Increase in investments	(1,264)	(3,805)
(Increase)/decrease in placements with banks	(355,392)	3,204
Minority interest and other consolidation effects	(4,834)	786
Net cash (used in) investing activities	(1,239,344)	(1,489,862)
Cash flows from financing activities		
Increase in deposits	289,748	1,299,814
Increase/(decrease) in funds borrowed from banks and interbank	797,676	(48,432)
Increase in share capital	-	101,115
Net cash provided from financing activities	1,087,424	1,352,497
Net increase in cash and due from banks	74,902	113,118
Cash and due from banks at beginning of year	185,580	72,462
Cash and due from banks at end of year	260,482	185,580

"The accompanying policies and explanatory notes form an integral part of the consolidated financial statements."

DENİZBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2003 AND 2002

(Currency-In Billions of TL in equivalent purchasing power at 31 December 2003 unless otherwise stated)

1. CORPORATE INFORMATION

General

Denizbank Anonim Şirketi ("the Bank"), was established by the Directorate of Privatization of the Turkish Republic on 18 September 1996, in accordance with the decision number 96/8532 taken by the Council of Ministers. The Bank was privatized on 20 March 1997 as a commercial bank and started its operations on 25 August 1997 after obtaining the necessary banking permissions from the Treasury and the Central Bank of Turkey. The registered office address of the Bank is located at Büyükdere Caddesi No.106 Esentepe İstanbul. The parent and the ultimate parent of the Bank is Zorlu Holding A.Ş.

Nature of Activities of the Bank/Group

For the purpose of the consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The operations of the Group consist of banking and securities trading, portfolio management and investment consultancy. The Bank's activities include wholesale, retail and internet banking services, international transactions and securities trading. As of 31 December 2003 the Bank had 167 (2002 - 164) branches. The Bank is a member of the Zorlu Group of companies, which is one of the largest conglomerate groups in Turkey.

As of 31 December 2003, the number of personnel of the Banking Group is 3,609 (31 December 2002- 2,967).

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB, 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 a historical cost convention except for the measurement at fair value of trading securities.

The Bank and its subsidiaries which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Banking Law, accounting standards promulgated by the Turkish Capital Market Board, Turkish Commercial Code and Tax Legislation. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS in Turkish Lira (TL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of Turkish Lira (respective local currencies) deferred taxation, employee termination benefits and trading securities.

Changes in Accounting Policies

The Group adopted IAS 39-Financial Instruments: Recognition and Measurement and IAS 19-Employee Benefits in 2001. The financial effects of adopting IAS 39 and IAS 19 were reported in financial statements starting from 2001.

Measurement Currency, Reporting Currency and Translation Methodology

Measurement Currency, Reporting Currency and Translation Methodology for the Bank and Its Subsidiaries, Which Operate in Turkey:

Measurement currency of the Bank and its subsidiaries, which operate in Turkey, is Turkish Lira (TL). The restatement for the changes in the general purchasing power of TL as of 31 December 2003 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 31 December 2003, the three-year cumulative rate has been 181% (31 December 2002-227%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such index and conversion factors as of the end of the three-year period ended 31 December 2003 are given below:

Dates	Index	Conversion Factors
31 December 2001	4,951.7	1.491
31 December 2002	6,478.8	1.139
31 December 2003	7,382.1	1.000

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

- the financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at 31 December 2003.
- monetary assets and liabilities reported in the consolidated balance sheet as of 31 December 2003 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, transfers from statutory retained earnings and income from sale of investments and property transferred 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.
- items in the statements of income are restated by applying appropriate average conversion factors except for depreciation, amortization, gain or loss on disposal of non-monetary assets (which have been calculated based on the restated gross book values and accumulate depreciation/amortization).

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 Group could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

DENİZBANK ANONİM ŞİRKETİ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2003 AND 2002

(Currency-In Billions of TL in equivalent purchasing power at 31 December 2003 unless otherwise stated)

Measurement and Reporting Currencies of Foreign Subsidiaries:

2003		
	Local Currency	Measurement Currency
Denizbank Wien AG	Euro	Euro
Euro Deniz Off-Shore	TL	USD
CJSC Denizbank Moscow	Ruble	USD

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries drawn up to 31 December 2003 and 31 December 2002.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements of the Group include the Bank and its subsidiaries, which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The subsidiaries included in consolidation and their shareholding percentages at 31 December 2003 and 31 December 2002 are as follows:

Company name	Nature of Activities	Country of Incorporation	Direct/Indirect Ownership (%)		Currency	Share Capital	
			2003	2002		2003 Amount	2002 Amount
Denizbank Wien AG (*)	Banking	Austria	99.99	99.99	EUR	6,831,262	EUR 6,831,262
Euro Deniz Off Shore	Banking	Cyprus	99.88	99.88	USD	500,000	USD 500,000
Ekspres Yatırım	Securities Investment	Turkey	78.01	78.01	TL	7,766	TL 7,766
Tariş Yatırım	Securities Investment	Turkey	99.99	99.99	TL	5,984	TL 5,984
Deniz Yatırım	Securities Investment	Turkey	99.97	99.97	TL	10,704	TL 6,528
Denizbank Moscow CJSC (**)	Banking	Russia	100.00	-	USD	8,368,772	-

(*) The name of the Company has been changed to Denizbank Wien A.G. on 26 March 2003 (formerly Esbank Wien A.G.).

(**) The name of the Company has been changed to Denizbank Moscow CJSC on 6 October 2003 (formerly İktisat Moscow CJSC).

During 2003, the share capital of Deniz Yatırım has been increased in cash in the amount of TL 3,946 and through transfer from retained earnings in the amount of TL 230.

The purchase method of accounting is used for acquired businesses. Subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

During January 2003, in accordance with the share transfer agreement between the Bank and Saving Insurance Deposit Fund the Bank purchased from Fund 100% of the shares of CJSC İktisat Bank (Moscow), a bank located in Moscow. In line with the resolution of the Banking Regulation and Supervision Agency on 17 February 2003, the Bank obtained permission to purchase the shares of CJSC İktisat Bank- Moscow in accordance with Banking Law Article 12(1).

The initial share capital of CJSC İktisat Bank- Moscow (53,984,000 RUR) has been increased to 246,498,000 RUR by the Board of Directors meeting dated 10 September 2003 number 90. The increased amount was paid in cash by the Bank and Denizbank Wien A.G. in the amounts of 66,789,220 RUR and 125,713,980 RUR, respectively.

During November 2002, in accordance with the share transfer agreement between the Bank and the Savings Deposit Insurance Fund the Bank purchased from the Fund 78.01% of the shares in Ekspres Yatırım Menkul Değerler A.Ş. a securities exchange firm engaged in the sale/purchase of securities, portfolio management and investment consultancy.

During February 2002, in accordance with the share transfer agreement between the Bank and the Savings Deposit Insurance Fund the Bank purchased from the Fund 99.88% of the shares of Euro Deniz Off Shore, a bank located in Cyprus.

During September 2002, in accordance with the share transfer agreement between the Bank and the Savings Deposit Insurance Fund the Bank purchased from the Fund 99.99% of the shares of Esbank Wien AG, a bank located in Austria.

On 27 December 2002 the Bank acquired 100% of the shares Tarıřbank Milli Aydın Bankası T.A.Ş. (taken over by the State Deposit Insurance Fund) in accordance with the approval of the Banking Regulation and Supervision Agency. In connection with this purchase the Bank also acquired 100% of the share of Tarıř Yatırım Menkul Değerler A.Ş. (a former subsidiary of Tarıřbank Milli Aydın Bankası T.A.Ş.), a securities exchange firm engaged in the sale/purchase of securities, portfolio management and investment consultancy.

Subsidiaries unconsolidated (Destek Oto Kiralama ve Temizlik Anonim Şirketi, Anadolu Kredi Kartı Turizm ve Ticaret A.Ş.-AKK, Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. and Deniz Portföy Yönetimi A.Ş.) because of immateriality are carried at restated less any impairment in value other than temporary.

Investments in Securities

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. The Group maintains three separate securities portfolio, as follows:

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Trading securities

Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exist. After initial recognition, trading securities are remeasured at fair value based on quoted bid prices. All related realized and unrealized gains or losses are recognized in trading income.

Held-to-maturity securities

Investment securities with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

Held-to-maturity investments are carried at amortized cost using the effective yield method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held-to-maturity securities is reported as interest income.

Sale and Repurchase Agreements

The Group enters into short-term sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement, continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio which they are part of. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

Originated Loans and Advances to Customers

Loans and advances originated by the Group by providing money to the borrower are classified as originated loans and are carried at amortized cost less any amounts written-off and specific and general provisions. All loans and advances are recognized when cash is advanced to borrowers.

Allowance for Possible Loan Losses

Based upon its evaluation of credits granted, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in the Group's loan and receivable portfolio and losses under guarantees and commitments. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to original contractual terms of the loan; such loans are considered impaired and classified as "loans in arrears". The amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and the fair value of collateral, if the loan is collateralized and foreclosure is probable.

Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

The Group ceases to accrue interest on those loans that are classified as “loans in arrears” and for which the recoverable amount is determined primarily in reference to fair value of collateral.

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 loan is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a loan. Recoveries of loans written off in earlier period are included in income.

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 loan losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is amortized on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortization and any impairment in value.

Premises and Equipment

Premises and equipment are carried at restated cost less depreciation computed on a similar basis using the straight-line method. The depreciation and amortization rates, which approximate the estimated economic useful lives of related assets, are as follows:

Buildings	2%
Equipment, furniture and motor vehicles	20%
Leased assets	20%
Leasehold improvement and pre-operating expense	9-20%

Leasehold improvements are depreciated by the straight-line method over the lease period.

Using an option granted by the Turkish tax laws and regulations, the Bank has revalued, in the statutory books of account, its property, plant and equipment (excluding land and current year acquisitions) and the related accumulated depreciation as of each year end by using the rates and procedures prescribed by the related legislation. Such revaluation rates were 28.5% and 59% for the fiscal years as of 31 December 2003 and 31 December 2002, respectively. In the statutory financial statements, the related increases in the net book value of assets are included under shareholders' equity as revaluation surplus. The Bank may use the revaluation fund to issue free capital shares to existing shareholders. However, if the revaluation surplus is included in an account other than the revaluation surplus account, such amount is subject to tax. In the statutory books of account depreciation is provided on the revalued amounts (except for the net revaluation applicable to buildings) and such depreciation is deductible in the computation of income subject to corporation tax. All entries related to such revaluation which were recorded in the Bank's statutory books of account have been eliminated in the accompanying financial statements as part of the restatement process. A full year's depreciation is provided in the year in which an asset was brought into operations except for the motor vehicles which are depreciated on a monthly basis.

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The carrying values of premises 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 or cash-generating units are written down to their recoverable amount. The recoverable amount of premises and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement.

Deposits and funds borrowed

Deposits and 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.

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 income statement.

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

Dates	USD/TL (full)
December 31, 2001	1,446,638
December 31, 2002	1,639,745
December 31, 2003	1,393,278

The assets and liabilities of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are translated at a yearly average exchange rate, which is considered as a proxy to restate such income statement amounts at year-end purchasing power of TL. The resulting differences were taken to shareholders' equity as currency translation differences reserve.

On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction and restated thereafter.

Provisions

Provisions are recognized when the Group 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.

Leases

The Group as Lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Reserve for Retirement Pay

Under the provisions of Turkish Labor Law, the Group is required to make certain lump-sum payments to employees whose employment ceases due to retirement or due to reasons other than misconduct or resignation. Such payments are determined on the basis of an agreed formula and are subject to certain upper limits per year of service and are recognized in the accompanying financial statements as accrued.

In the accompanying financial statements as of 31 December 2003 and 2002, in accordance with revised IAS 19 (Employee Benefits), the Bank has reflected a liability based upon estimated inflation rates and factors derived using the Bank's experience of personnel terminating their service and being eligible to receive retirement pay and discounted by using an appropriate discount rate. The consolidated entities other than the Bank did not adopt IAS 19-Employee Benefits and reflected full liability instead of discounting as per provisions of the standard. This application would not have a significant impact on the accompanying consolidated financial statements.

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 liabilities are recognized for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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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:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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.

Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. These derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value.

Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Related Parties

Related 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 financial and operating decisions. The Bank is controlled by Zorlu Holding which owns 99.99% of the Bank's ordinary shares. For the purpose of these financial statements companies having common shareholders are also referred to as related parties.

Income and Expense Recognition

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment (and trading) securities and accrued discount and premium on treasury bills and other discounted instruments.

Commission income and fee for various banking services are recorded as income when collected. Dividends are recognized when the shareholders' right to receive the payments is established.

Offsetting Financial Instruments

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 liability simultaneously.

Recognition and Derecognition of Financial Instruments

The Group 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 Group 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 financial asset. The Group 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 expires.

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with central banks, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

Use of Estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts in the financial statements. Amounts subject to significant estimates and assumptions are items such as the allowance for credit losses, employee termination benefits and the fair value of financial instruments. Actual results could differ from those estimates.

Fiduciary Assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

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3. CASH AND DUE FROM BANKS AND CENTRAL BANK

Cash and due from banks as of 31 December 2003 and 2002 are comprised of:

	2003	2002
Cash and checks at banks:		
- Turkish Lira	14,852	12,040
- Foreign currency	121,534	45,022
Due from banks: (demand)		
- Turkish Lira	751	67,770
- Foreign currency	91,934	19,292
Balances with Central Bank:		
- Turkish Lira	22,535	39,699
- Foreign currency	8,876	1,757
	260,482	185,580

Balances with Central Bank comprise funds deposited for liquidity requirements as per Turkish Banking Regulations in the amount of TL 22,535 and TL 59 (Turkish Lira and foreign currency). The remaining TL 8,817 represent the consolidated subsidiaries' foreign currency balances with the Central Bank of the country they are incorporated in.

4. PLACEMENTS WITH BANKS AND CENTRAL BANK

	2003	2002
Placement with banks:		
- Turkish Lira	247,057	24,661
- Foreign currency	467,870	356,231
Balances with Central Bank:		
- Turkish Lira	-	-
- Foreign currency	57,691	63,553
	772,618	444,445

As of 31 December 2003, placements with banks comprised foreign currency placements earning interest between 0.95% and 4.10% (31 December 2002: 1.3% and 4.3%) and Turkish Lira placements earning interest between 26% and 26.75% (31 December 2002: 36% and 48%) per annum. Foreign currency balances were comprised mainly of USD and EUR.

As of 31 December 2003, placements with banks include accrued interest income on banks of TL 518 (31 December 2002: TL 209) and on placements with Central Bank of TL 23 (31 December 2002: TL 28).

5. OTHER MONEY MARKET PLACEMENTS

	2003	2002
Interbank placements	158,748	188,993
Funds lent under reverse repurchase agreements	62,807	22
Placements at İstanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (İstanbul Stock Exchange Clearing and Custody Incorporation)	6,557	11,878
	228,112	200,893

As of 31 December 2003 interest rates of interbank placements were 25.5% and 35% (31 December 2002: 43% and 45.3%), maturing between 1 January 2004 and 7 January 2004 (31 December 2002-2 January 2003 and 24 January 2003).

6. RESERVE DEPOSITS

Reserve deposits with Central Bank as of 31 December 2003 and 2002 comprised:

		2003	2002
Reserve deposits	Turkish Lira	32,803	29,417
	Foreign currency	149,252	168,534
		182,055	197,951

As of 31 December 2003, reserve deposits include accrued interest income on reserve deposits at Central Bank of TL 3,118 (31 December 2002: TL 3,130).

According to the regulations of the Central Bank of Turkish Republic (the Central Bank), banks are obliged to reserve a certain portion of their deposits other than interbank deposits. Such reserves are deposited with the Central Bank.

As of 31 December 2003 and 2002, reserve deposit rates applicable for Turkish Lira deposits were 6% and 11% for foreign currency deposits.

As of 31 December 2003, the interest rates applied for Turkish Lira and foreign currency reserve deposits are 16% and 0.41%-0.76% (for USD and EURO) (31 December 2002-25% and 0.55%), respectively.

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7. INVESTMENTS IN SECURITIES

Investments in securities as of 31 December 2003 is as follows:

	Effective average Interest Rate (%)	2003
Trading securities		
Debt Instruments:		
Government bonds and treasury bills (TL)	26.83	666,657
Foreign currency indexed government bonds	-	-
Turkish government Eurobonds (FC)	6.60	227,536
Turkish private sector bonds (FC)	5.41	2,935
Turkish private sector Eurobonds (FC)	5.56	11,849
Common stocks	-	232,736
Total trading portfolio		1,141,713
Available-for-sale securities		
Debt Instruments:		
Foreign currency government bonds and treasury bills (*)	4.38	683,995
Common stocks	-	3,005
		687,000
Held-to-maturity securities		
Debt Instruments:		
Government bonds (TL)	26.83	41,702
Foreign currency government bonds	5.01	58,365
Foreign currency indexed government bonds	4.13	56,827
Foreign government Eurobonds (FC)	4.32	32,887
Foreign private sector bonds (FC)	3.10	106,965
Total investment/guarantee portfolio		296,746
Total securities portfolio		2,125,459

(*) The balance comprises the following foreign currency government bonds:

Description	Maturity	Balance
US 2004	15.01.2004	313,387
US 2004	04.01.2004	34,754
	Total	348,141

Foreign currency government bonds and treasury bills included in available for sale securities comprise US Government bonds in the amount of 320,376,806 USD (TL equivalent of 446,374) Italian Government bonds in the amount of 4,347,987 EURO (TL equivalent of 7,641) and German government bonds in the amount of 22,277,290 EURO (TL equivalent of 39,151).

Investments in securities as of 31 December 2002 is as follows:

	Effective average Interest Rate (%)	2002
Trading securities		
Debt Instruments:		
Government bonds and treasury bills (TL)	48.37	464,117
Foreign currency indexed government bonds	9.00	18,468
Turkish government Eurobonds (FC)	9.93	458,627
Turkish private sector bonds (FC)	12.27	13,065
Turkish private sector Eurobonds (FC)	12.27	10,141
Foreign government bonds (FC)	7.61	15,779
Common stocks		227,587
Total trading portfolio		1,207,784
Available-for-sale securities		
Debt Instruments:		
Foreign currency government bonds and treasury bills	7.46	345,269
Common stocks		3,006
		348,275
Held-to-maturity securities		
Debt Instruments:		
Government bonds (TL)	48.37	103,601
Foreign currency government bonds	7.46	41,876
Foreign currency indexed government bonds	4.33	74,441
Foreign government Eurobonds (FC)	7.61	52,655
Foreign private sector bonds (FC)	-	-
Total investment/guarantee portfolio		272,573
Total securities portfolio		1,828,632

As of 31 December 2003, Turkish Lira government bonds and treasury bills of the Bank classified as trading securities with a carrying value of TL 666,657 (31 December 2002-TL 465,255) were stated at market values quoted at the Istanbul Stock Exchange at year-end. As of 31 December 2003, Turkish Lira government bonds and treasury bills classified as trading securities included securities given as collateral under repurchase agreements amounting to TL 93,127 (31 December 2002- TL 44,656).

As of 31 December 2003, Turkish government bonds classified as held-to-maturity securities with a carrying value of TL 41,702 (31 December 2002-TL 103,601) were stated at amortized cost.

Foreign currency government bonds classified in available for sale securities with a carrying value of TL 683,995 (31 December 2002-TL 345,269) were stated at amortized cost due to volatility of their respective market prices.

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Foreign currency government bonds, foreign government Eurobonds and foreign private sector bonds (pertaining to the portfolio of a consolidated subsidiary, Denizbank Wien AG-formerly Esbank Wien AG) classified as held-to-maturity securities were stated at acquisition costs of EUR 100,826,872 (equivalent to TL 177,201) and accrued interest of EUR 2,761,394 (equivalent to TL 4,853), total value of EUR 103,588,266 (equivalent to TL 182,054).

As of 31 December 2002, foreign currency indexed government bonds classified as trading securities with a carrying value of TL 18,468 were stated at unit market prices declared by the Central Bank at year-end.

Foreign currency indexed government bonds classified as held-to-maturity portfolio with a carrying value of TL 56,827 (31 December 2002-TL 74,441) were valued by the average exchange rate of USD for the last ten days declared by the Treasury.

Turkish government Eurobonds, Turkish private sector bonds, Turkish private sector Eurobonds and foreign government bonds classified as trading portfolio with a carrying value of TL 242,320 (31 December 2002-497,612) were stated at market prices plus coupon interest payment.

As of 31 December 2003, the Turkish Lira treasury bills and government bonds earned interest between 23.27% and 36.5% (31 December 2002: 36.5% and 70.95%) per annum.

Turkish government Eurobonds earned interest between 3.68% and 8.47% (31 December 2002: 5.75% and 13.94%) per annum. Turkish private sector bonds and Eurobonds denominated in USD and EURO, earned interest between 5.41% and 9.97% per annum (31 December 2002- 5.72% and 12.75% per annum). Foreign government bonds consisted of USD denominated government bonds earning interest between 3.35% and 7.05% per annum (31 December 2002- 9.58% and 9.60% per annum).

As of 31 December 2003, common stocks are composed of securities traded on the Istanbul Stock Exchange and are stated at market prices. The difference between cost and market value of TL 31,735 (31 December 2002-TL 64,748) is taken to capital market gains in the accompanying statement of income. Common stocks in the trading portfolio included foreign shares (pertaining to the portfolio of consolidated subsidiary, Denizbank Wien AG) with acquisition cost of EUR 9,588 (equivalent to TL 17).

As of 31 December 2003 and 31 December 2002, 34.5% interest of the Bank in Zorlu Enerji was classified as trading securities, rather than accounted for under the equity method based on the intent of the Bank to trade those shares rather than for long-term investment purposes.

As of 31 December 2003 securities given as collateral for borrowings comprised:

* Nominal value EURO 6,633,642 private sector bonds at Denizbank Wien AG (formerly Esbank Wien AG).

Unlisted equity securities classified as available for sale securities represent the Group's equity holdings in Çukurova Holding A.Ş., shares of which are not publicly traded. Consequently, they are reflected at restated cost, as a reliable estimate of their fair values could not be made.

Legal Requirements

As of 31 December 2003, government bonds and treasury bills with nominal value of TL 67,705 and USD 82,800,000 and carrying value of TL 77,373 and USD 83,281,190 (TL 116,034), respectively are kept in the Central Bank for liquidity requirements and as collateral for the interbank and foreign currency market transactions. Additionally treasury bills and government bonds with nominal value of TL 118,843 and book value of TL 116,278 are kept in Istanbul Stock Exchange Clearing and Custody Incorporation as a guarantee for stock exchange and money market operations.

Liquidity Requirements

Communiqués issued by the Central Bank of Turkey require that banks maintain minimum ratios of deposits with the Central Bank of Turkey and government bonds in their portfolio against their liabilities. Such liquidity requirements were as follows

Type of Liability	Liquidity Requirement
- Turkish Lira deposits other than local inter-bank deposits, repo and shareholders' equity	4% (min) government securities
- Foreign currency deposits other than local interbank deposits, repo and shareholders' equity	1% (min) government securities
- Qualifying Turkish Lira liabilities other than deposits	4% (min) government securities
- Qualifying foreign currency liabilities other than deposits	1% (min) government securities

8. ORIGINATED LOANS AND ADVANCES

Originated loans and advances as of 31 December 2003 and 31 December 2002 comprised:

	2003	2002
Short-term loans:		
Turkish Lira	694,311	355,247
Foreign currency	605,275	614,106
Foreign currency indexed	115,921	169,070
	1,415,507	1,138,423
Medium and long-term loans:		
Turkish Lira	31,720	4,030
Foreign currency	448,359	219,490
Foreign currency indexed	-	2,046
	480,079	225,566
Total performing loans	1,895,586	1,363,989
Non-performing loans	94,256	71,699
Less: Loan allowances	(93,904)	(76,352)
Total loans, net	1,895,938	1,359,336

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As of 31 December 2003 and 31 December 2002, the maturities of short-term loans are less than one year and the range of interest rates applied is as follows:

- for short-term Turkish Lira Eximbank loans: between 28% and 45% (31 December 2002: 34% and 51%)
- for other Turkish Lira loans: between 24% and 50% (31 December 2002: 47% and 110%),
- for various foreign currency Eximbank loans: between Libor + 0.5% and Libor + 2.5% (31 December 2002: Libor + 0.5% and Libor + 5.5%),
- for other foreign currency loans: between 3% and 8% (31 December 2002: 10% and 12%),
- for foreign currency indexed loans: between 4% and 10% (31 December 2002: 6% and 12%),
- for foreign and foreign currency indexed loans for medium-term loans: between 5% and 10% (31 December 2002: 6% and 13%).

Movement in the provision for loan losses during the year ended 31 December 2003 and 31 December 2002 were as follows:

	2003	2002
Balance at beginning of the year	76,352	31,786
Additional provision during the year	37,300	52,061
Recoveries	(10,405)	(3,724)
Monetary gain/(loss) effect	(9,343)	(3,771)
Balance at end of the period/year	93,904	76,352

9. ACCRUED INCOME

Accrued income is comprised of the following:

	2003	2002
Accrued income is comprised of the following:		
Accrued income on derivative contracts (Note 21)	17,213	8,998
Other accrued income	332	245
	17,545	9,243

10. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

The breakdown of investments in unconsolidated subsidiaries is comprised of the following:

	2003		2002	
	Participation Percentage (%)	Participation Amount	Participation Percentage (%)	Participation Amount
Destek Oto Kiralama ve Temizlik Anonim Şirketi	98.40	31	98.40	31
Anadolu Kredi Kartı Turizm ve Ticaret A.Ş.	99.98	7,157	99.98	7,157
Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	100.00	4,083	100.00	3,810
Deniz Portföy Yönetimi A.Ş.	98.00	991	-	-
		12,262		10,998

During 2003, Deniz Yatırım (99.7% owned by the Bank) acquired 98.49% shares of Ege Portföy A.Ş., a company engaged in portfolio management. The name of the company has been changed to Deniz Portföy A.Ş. on August 2003.

During January 2002, in accordance with the share transfer agreement between the Bank and the Savings Deposit Insurance Fund the Bank acquired 99.98% of the shares of Anadolu Kredi Kartı Turizm ve Ticaret A.Ş., an unlisted company specialized in domestic and international credit card operations and tourism agencies.

During July 2002, in accordance with the share transfer agreement between the Bank and the Savings Deposit Insurance Fund the Bank acquired 99.99% of the shares of Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. an unlisted company specialized in data processing services.

Destek Oto Kiralama ve Temizlik Anonim Şirketi is principally engaged in the provision of administrative services.

Based on the immateriality of operating results on the Banking Group's financial statements, consolidation is not applied for these subsidiaries in the accompanying financial statements.

11. PREMISES AND EQUIPMENT

The breakdown of property and equipment for the years ended 31 December 2003 and 31 December 2002 were as follows:

	2003	2002
Restated Cost		
Buildings	39,595	39,228
Leasehold improvement	16,338	24,825
Vehicles	7,500	6,758
Leased assets	41,847	40,301
Furniture, fixture, equipment and others	29,550	34,226
	134,830	145,338
Less: Accumulated Depreciation	(54,378)	(58,855)
Net Book Value	80,452	86,483

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12. OTHER ASSETS

	2003	2002
Prepaid taxes	2,538	3,760
Prepaid expenses	4,037	1,544
Pre-operating expenses, net	10,045	2,876
Fixed asset to be sold	2,393	4,722
Deposits and guarantees given	1,752	4,852
Advances given	694	607
Stationary inventory	851	842
Remittances received	5,764	1,692
Receivables from legal expenses	848	626
Receivables from credit card customers	1,180	1,060
Other	1,656	1,952
	31,758	24,533

Fixed assets to be sold represent collateralized properties acquired by the Bank from the debtors in the course of its lending activities. Such properties have been valued at current prices. The valuation was carried out by values normally employed by the Bank for routine valuations of the property of loan customers offered as security.

13. GOODWILL

Positive and negative goodwill (net) is summarized below:

	2003	2002
Positive/(negative) goodwill, net	(1,566)	(497)

The goodwill arising from the acquisition of Denizbank Wien A.G., Ekspres Yatırım, Eurodeniz Offshore, Tarih Yatırım and Denizbank CJSC Moscow is amortized on a straight-line basis over the useful economic lives which are presumed to be 10 years.

14. DEPOSITS

The breakdown of deposits as of 31 December 2003 and 31 December 2002 were as follows:

	2003		2002	
	Demand	Time	Demand	Time
Customer deposits	745,326	2,814,665	646,734	2,638,689
Deposits from other banks	35,706	180,447	42,266	158,708
	781,032	2,995,112	689,000	2,797,397
Total deposits	3,776,144		3,486,397	

Maturities of time deposits are less than one year. As of 31 December 2003 interest rates applied to Turkish Lira deposits vary between 23% and 28% (31 December 2002: 43% and 46%) for time and between 0% and 5% (31 December 2002: 0% and 5%) for demand deposits. As of 31 December 2003 interest rates applied for foreign currency deposits vary between 1.5% and 4.5% (31 December 2002: 1% and 5%) for USD and EURO time deposits and 0% (31 December 2002: 0%) for USD and EURO demand deposits.

Money market deposits:

	2003	2002
Obligations under repurchase agreements:		
- Due to customers	647,988	43,852
Interbank deposits	69,724	-
Other money market deposits	6,532	9,416
	724,244	53,268

Effective weighted average interest rate of Turkish Lira repurchase agreements is 26.79% (31 December 2002: 38 and 49.5%).

Effective weighted average interest rate of foreign currency repurchase agreements is 1.31% (31 December 2002: --).

As of 31 December 2003, average interest rate of interbank deposits was 2.08% for foreign currency deposits maturing between 2 January 2004-27 February 2004.

As of 31 December 2003, average interest on interbank deposits was ranging between 25.5%-25.7% for Turkish Lira deposits maturing between 2 January 2004-6 January 2004.

As of 31 December 2003, average interest on other money market deposits at İMKB Takas ve Saklama Bankası A.Ş. (Istanbul Stock Exchange Clearing and Custody Incorporation) were ranging between 25.5%- 26.3% for Turkish Lira deposits maturing on 2 January 2004.

15. FUNDS BORROWED

The breakdown of funds borrowed from banks as of 31 December 2003 and 31 December 2002 comprised:

	2003	2002
Turkish Lira funds borrowed		
- Eximbank	34,218	17,030
Foreign currency funds borrowed		
- Eximbank	29,880	12,018
- Other banks	292,831	199,345
- Subordinated loan	11,658	13,494
	368,587	241,887

Funds were borrowed from the Export Import Bank (Eximbank) of Turkey by the Bank to finance certain export loans given to customers, with maturity up to six months.

Other foreign currency funds borrowed include funds obtained from various foreign banks with the interest rates varying between 1.16% and 4.10% (31 December 2002:- 0.9% and 5.6%).

On 16 October 2003, the Bank obtained a syndication loan of 135,000,000 USD (equivalent to 188,093 TL) bearing an interest rate of Libor+0.85% maturing in one year to be used for the Bank's general funding requirements for various banking transactions.

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16. ACCRUED EXPENSE

Accrued expense consists of the following:

	2003	2002
Unrealized losses on derivative contracts	12,737	8,256
Accrual for deposit insurance fund	1,116	1,829
Other accrued expenses	6,781	2,299
	20,634	12,384

17. TAXATION ON INCOME

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

As of 31 December 2002, in Turkey the effective corporate tax rate including the fund levied was 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 accordance with the new Tax Law No. 4842 published in the Official Gazette dated 26 April 2003, the effective corporate tax rate is set at 30%, and the 10% surcharge over the corporation tax has been cancelled as applicable to profits reported for 2003 and onwards. The corporation taxes will be paid in a single installment within the period the corporation tax return must be filed. Accordingly, the effective corporation tax base was 30% as of 31 December 2003 for the Parent Bank and other consolidated subsidiaries incorporated in Turkey.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries 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.

The rate of advance (prepaid) Corporation Tax payable on quarterly profits has been increased from 25% to 30% as from 30 June 2003. As from 1 January 2004, the balance of the corporation tax after deduction of the taxes prepaid quarterly will be paid in one installment by 30 April, the last date for the submission of the annual declaration for corporation tax. This regulation will be applicable to the Corporation Tax declaration to be given for calendar year 2003.

Fiscal losses that are reported in the corporation tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

Turkish Tax Procedural Law does not include a procedure for final agreement of tax assessments. Tax returns must be filed within four months of the year and may be examined, together with their underlying accounting records, by the tax authorities who may revise tax computations within five years.

Law No. 5024 approved on 17 December 2003 and published in the Official Gazette No. 25332 on 30 December 2003 contained a number of changes and additions have been made in Turkish Tax Laws and Regulations, Income Tax Law and Corporation Tax Law effective from 1 January 2004.

In accordance with these changes the non-monetary items in the statutory tax financial statements of Turkish companies have to be adjusted for the effects of inflation on the basis of the rules stated in the Law as of the end of each temporary tax period. The statutory tax financial statements have to be adjusted in for the effects of inflation in the event the cumulative inflation rate over the last three fiscal periods exceeds 100% (including the current year fiscal period) and exceeds 10% in the current fiscal period. If these two conditions do not simultaneously apply, there is no requirement to adjust the financial statements for the effects of inflation, as inflation is considered to cease. However, the Council of Ministers is authorized to reduce the 100% ceiling to 35% or increase it to its limit; or else increase the 10% threshold to 25% or be reducing it back to its regulatory limit.

The Law first applies to the statutory financial statements to be prepared as of the temporary tax payment period on 31 March 2004 and for this to apply; the statutory tax financial statement of the entities at 31 December 2003 must be adjusted in accordance with the provisions of this Law. Under the temporary article 25/(g) added to Turkish Tax Law Regulation No. 213 with this Law, the retained earnings or deficit as of 31 December 2003 derived by deducting from the restated assets total, the restated total of the equity items, consisting of restated share capital restated share premium issued, cancelled capital will not be taxable and will not be treated as tax exempt carry forward tax losses.

Differences between the tax bases of the non-monetary items and their IFRS basis, mainly arising from inflationary restatements, hitherto temporary differences will be henceforth treated as permanent differences, after the changes introduced by this Law. Therefore in the accompanying financial statements, the changes in the deferred taxes arising from changes made in the Tax Law have been included in the current year income.

Under this Law, the prior year and current year tax losses reported in the corporation tax return related to fiscal year 2003 will be included in the determination of taxable income based on their historical amounts. The inflation adjustment accounts arising from the restatement of liabilities will be subject to tax upon transfer to another account or upon their withdrawal from the company. The inflation adjustment accounts related to equity accounts may be added to share capital. This is not considered as distribution of profit.

As of 31 December 2003 and 2002, the tax charge in the accompanying statement of income includes the current and deferred tax portions as follows:

	2003	2002
Included in the statement of income:		
Current tax charge	(15,565)	(1,281)
Deferred tax (charge)/credit	(30,774)	13,551
	(46,339)	12,270
Included in the balance sheet:		
Taxation payable on income (current)	12,596	1,397
Deferred tax (asset)/liability (net)	16,294	(15,387)
	28,890	(13,990)

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As of 31 December 2003 and 2002, the deferred income tax assets and liabilities are attributable to the following items: (Deferred tax (assets)/liabilities):

	2003	2002
Source of temporary differences (deductible or taxable):		
- Valuation of securities portfolio, income accruals of forwards, loss provisions, effect of adopting IAS 39 and other reversing timing differences, net	27,719	(989)
- Property, plant and equipment restatement differences	-	362
- Equity investments restatement differences	-	1,417
- Statutory tax losses of the Bank originating in the previous periods	(11,425)	(16,177)
	16,294	(15,387)

18. OTHER LIABILITIES AND PROVISIONS

The breakdown of other liabilities and provisions is as follows:

	2003	2002
Taxes and duties payable	13,804	12,527
Financial lease payables	8,438	10,219
Reverse for employee termination benefits	3,795	5,211
Deferred commission income	-	7,837
Provisions and accrued expenses	15,193	2,919
Various payables (comprised of import cost, payment orders, blocked accounts, remittances payable and other)	94,786	71,378
Total	136,016	110,091

Employee Termination Benefits

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees 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 1.323 and TL 1.260 at 30 June 2003 and December 31, 2002 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. The actual amount paid as termination benefits are considered as tax deductible and the provisions set up to reflect the obligation related to currently employed personnel are not allowable for tax purposes. In the financial statements as of 30 June 2003 and 31 December 2002, the Group reflected a liability based upon estimated inflation rates and factors derived using the Group's experience of personnel terminating their service and being eligible to receive retirement pay and discounted by using an appropriate discount rate.

The principal actuarial assumptions used at the balance sheet dates are as follows:

	2003	2002
Discount rate	25%	33%
Expected rates of salary/limit increases	18%	25%

19. SHARE CAPITAL

As of 31 December 2003 and 2002, the issued share capital of the Bank comprised 202 million of authorized shares with a nominal value of TL 1,000,000 (full) each amounted to TL 202,000 (historical amount). The composition of the paid-in share capital and the shareholders at 31 December 2003 and 2002 is shown below:

	2003		2002	
	TL	%	TL	%
Zorlu Holding A.Ş.	201,980	99.99	201,980	99.99
Others	20	0.01	20	0.01
Total historic share capital	202,000	100.00	202,000	100.00
Add: restatement adjustment	222,151		222,151	
Restated share capital at the equivalent purchasing power of TL at 31 December 2003	424,151	100.00	424,151	100.00

In accordance with a board decision on 26 January 2002 the Bank's historic share capital was increased from TL 130,000 to TL 144,006 and further to TL 202,000 in accordance with a board decision on 19 August 2002 through transfers from the fund of gain on sale of investments of TL 14,006 and cash of TL 57,994.

20. LEGAL RESERVES AND ACCUMULATED DEFICIT

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution subject to the legal reserve requirement referred to below. Under Turkish Banking Law the Bank is required to create the following legal reserves from appropriations of earnings, which are available only in the event of liquidation or losses.

- First reserve: is appropriated out of statutory profits before tax at the rate of 5% until it reaches a maximum of 20% of the Bank's paid up capital
- Second reserve: is appropriated at the rate of 10% of all dividend distributions in excess of 5% of the share capital. This reserve is available for distribution after it exceeds 50% of the share capital.

21. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

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As of 31 December 2003 accrued income and accrued expense on outstanding forward contracts amounted to TL 17,213 and TL 12,737, respectively (net: income of TL 4,476) (31 December 2002: TL 742 income net) (See also Notes 9 and 16). Currency forwards represent commitments to purchase foreign and domestic currency including undelivered spot transactions. Transactions in foreign currency forward contracts are undertaken to reduce the Group's foreign exchange risk exposure.

The Banking Group calculated the fair values of the forward contracts by estimating a forward rate at the maturity with effective interest rates of Turkish Lira and foreign currency instruments at the reporting date which is then discounted to the reporting date by 26% (31 December 2002- 55%) which is the annual compound rate of TL instruments effective at the reporting date.

2003						
	Positive Fair Value	Negative Fair Value	Notional Amount	Up to 3 months	3-6 months	Over
Derivatives held for trading						
Forward Purchase and Sale Contracts						
a) Forward Purchase Contracts	14,445	5,556	976,154	602,180	235,647	138,327
b) Forward Sale Contracts	2,768	7,181	962,716	598,293	226,921	137,502
c) Others (options, futures, swap)	-	-	313,193	313,193	-	-
Total	17,213	12,737	2,252,063	1,513,666	462,568	275,829

2002						
	Positive Fair Value	Negative Fair Value	Notional Amount	Up to 3 months	3-6 months	Over
Derivatives held for trading						
Forward Purchase and Sale Contracts						
a) Forward Purchase Contracts	3,473	2,110	895,746	895,261	484	-
b) Forward Sale Contracts	5,525	6,146	892,769	892,389	381	-
Total	8,998	8,256	1,788,515	1,787,650	865	-

22. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the financial statements including:

	2003	2002
Letters of guarantee	975,503	670,812
Acceptance credits and import letters of credit	841,848	453,867
Other commitments and liabilities	160,036	392,878
	1,977,387	1,517,557

Management does not anticipate any material losses as a result of these commitments and contingencies. Maturity of open import letters of credit are less than one year. Letters of guarantee are, on the other hand, generally issued for indefinite terms.

Litigations

There were a number of legal proceedings outstanding filed by the Group (TL 808) or against the Group (TL 2,376, EUR 46,000 and USD 113,516) as of 31 December 2003 totaling to TL 2,614. This mainly includes matters relating to claims made in respect of loss compensations, legal proceedings for doubtful loans and other lawsuits involving personnel. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

23. 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 Group is controlled by the Zorlu Holding Group, comprised of several companies engaged in energy, electronic white furniture, telecommunication, textile, home textile, hotel management, insurance, leasing, factoring, marketable securities trading, trading and tourism and other services (Note 1).

For the purpose of these consolidated financial statements, unconsolidated subsidiaries, shareholders and companies having common shareholders 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 banking business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates.

The following balances were outstanding from related parties as of 31 December 2003 and 2002:

	2003	2002
Cash loans	29,599	103,539
Non-cash loans	260,453	245,579
Deposits	92,796	13,879
Net accrued income/(expense) on forward contracts	-	(702)
Foreign currency purchase forward contracts	-	18,203
Foreign currency sale forward contracts	-	18,683

24. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk that one party to a financial institution will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the credit worthiness of counterparties. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by limiting the duration of exposure.

Concentrations of credit risk arise when a number of counterparties are engaged in similar 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 Group's performance to developments affecting a particular industry or geographic location.

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

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As of 31 December 2003 and 2002, the concentration of the Bank's cash and non-cash loans as to industry groups is as follows:

Sectors	2003 Share (%)	2002 Share (%)
Construction, glass and soil	20.37	20.30
Textile and leather	12.77	11.99
Foodstuff	7.32	7.56
Consumer durables	7.57	7.84
Electronics and info technology	6.28	7.71
Tourism and transportation	5.70	6.93
Finance	6.78	5.26
Petroleum products	3.36	7.77
Metal and machine	11.67	4.42
Credit cards	2.71	6.35
Consumer loans (house, automobile and other)	2.21	2.19
Printing and publicity	2.64	2.13
Other	10.62	9.55
Total	100.00	100.00

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable. To mitigate the risk, the Banking Group diversifies funding sources and assets are managed with liquidity in mind, maintaining balance of cash and cash equivalents.

The table below summarizes the maturity profile of the Banking Group's major assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. As of 31 December 2003 the maturity profile is monitored by the Banking Group to ensure sufficient liquidity is maintained.

	2003					Total
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over	
ASSETS						
Cash and due from banks	260,482	-	-	-	-	260,482
Placements with banks and other money market placements	792,258	136,019	30,454	18,236	23,763	1,000,730
Reserve deposits	151,174	21,514	6,131	3,236	-	182,055
Investments	437,321	109,320	214,148	318,834	1,045,836	2,125,459
Originated loans and advances, net	550,912	272,558	295,480	305,165	471,823	1,895,938
Accrued income	17,545	-	-	-	-	17,545
	2,209,692	539,411	546,213	645,471	1,541,422	5,482,209

LIABILITIES

Deposits	2,600,988	560,049	224,718	221,500	168,889	3,776,144
Other money market deposits	724,244	-	-	-	-	724,244
Funds borrowed	61,349	36,703	227,989	30,889	11,657	368,587
Accrued expense	16,139	4,495	-	-	-	20,634
Taxation on income	-	12,596	-	-	-	12,596
	3,402,720	613,843	452,707	252,389	180,546	4,902,205
Net liquidity gap	(1,193,028)	(74,432)	93,506	393,082	1,360,876	580,004

	2002					Total
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over	
ASSETS						
Cash and due from banks	185,580	-	-	-	-	185,580
Placements with banks and other money market placements	644,768	570	-	-	-	645,338
Reserve deposits	141,958	44,732	7,167	2,836	1,258	197,951
Investments	90,932	64,597	43,191	552,588	1,077,324	1,828,632
Originated loans and advances, net	340,625	121,784	108,112	718,085	70,730	1,359,336
Accrued income	9,243	-	-	-	-	9,243
	1,413,106	231,683	158,470	1,273,509	1,149,312	4,226,080

LIABILITIES

Deposits	2,135,338	1,202,152	88,529	43,601	16,777	3,486,397
Other money market deposits	53,268	-	-	-	-	53,268
Funds borrowed	120,971	27,922	90,544	2,450	-	241,887
Accrued expense	12,384	-	-	-	-	12,384
Taxation on income	-	1,397	-	-	-	1,397
	2,321,961	1,231,471	179,073	46,051	16,777	3,795,333
Net liquidity gap	(908,855)	(999,788)	(20,603)	1,227,458	1,132,535	430,747

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Currency Risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of directors sets limit on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to foreign currency exchange rate risk at 31 December 2003 and 2002, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

	2003						
	TL	USD	EUR	JPY	CHF	OTHER	TOTAL
Assets							
Cash and due from banks	38,138	151,257	59,629	915	43	10,500	260,482
Placements with banks and other money market placements	382,204	333,151	282,922	85	-	2,368	1,000,730
Reserve deposits	32,803	118,299	30,858	-	-	95	182,055
Investments	944,100	905,896	268,262	-	-	7,201	2,125,459
Originated loans and advances	726,031	661,441	491,623	8,992	2,066	5,785	1,895,938
Accrued income	3,608	1,338	10,957	1,595	39	8	17,545
Unconsolidated subsidiaries	12,262	-	-	-	-	-	12,262
Goodwill, net	(1,566)	-	-	-	-	-	(1,566)
Premises, equipment and leasehold improvements, net	77,875	96	2,304	-	-	177	80,452
Deferred tax asset	-	-	69	-	-	-	69
Other assets	22,951	5,435	2,762	3	-	607	31,758
Total Assets	2,238,406	2,176,913	1,149,386	11,590	2,148	26,741	5,605,184
Liabilities							
Deposits	1,286,574	1,475,251	958,780	10,246	3,609	41,684	3,776,144
Other money market deposits	213,081	449,752	61,411	-	-	-	724,244
Funds borrowed	34,220	306,504	27,863	-	-	-	368,587
Accrued expense	2,875	7,562	5,227	3,713	3	1,254	20,634
Deferred tax liability	16,228	-	-	-	-	135	16,363
Taxation on income	12,596	-	-	-	-	-	12,596
Other liabilities	102,916	26,822	5,835	60	-	383	136,016
Minority interest	1,645	-	-	-	-	-	1,645
Total shareholders' equity	548,955	-	-	-	-	-	548,955
Total liabilities and shareholders' equity	2,219,090	2,265,891	1,059,116	14,019	3,612	43,456	5,605,184
Currency swaps	(22,953)	71,527	(57,383)	811	472	29,031	21,505
Net exposure	(3,637)	(17,451)	32,887	(1,618)	(992)	12,316	21,505

	2002						
	TL	USD	EUR	JPY	CHF	OTHER	TOTAL
Assets							
Cash and due from banks	119,507	37,975	26,573	8	382	1,135	185,580
Placements with banks and other money market placements	224,392	195,868	214,011	40	267	10,760	645,338
Reserve deposits	29,416	134,237	34,298	-	-	-	197,951
Investments	796,425	685,974	322,282	22,596	-	1,355	1,828,632
Originated loans and advances	430,973	547,673	380,677	-	-	13	1,359,336
Accrued income	7,088	2,155	-	-	-	-	9,243
Unconsolidated subsidiaries	10,998	-	-	-	-	-	10,998
Goodwill, net	(497)	--	-	-	-	-	(497)
Premises, equipment and leasehold improvements, net	84,401	788	1,294	-	-	-	86,483
Deferred tax asset	16,178	-	-	-	-	-	16,178
Other assets	21,780	883	1,870	-	-	-	24,533
Total Assets	1,740,661	1,605,553	981,005	22,644	649	13,263	4,363,775
Liabilities							
Deposits	1,151,846	1,527,810	793,422	64	3,066	10,189	3,486,397
Other money market deposits	53,268	-	-	-	-	-	53,268
Funds borrowed	17,029	191,021	33,021	6	16	794	241,887
Accrued expense	10,520	1,864	-	-	-	-	12,384
Deferred tax liability	791	-	-	-	-	-	791
Taxation on income	133	-	1,264	-	-	-	1,397
Other liabilities	96,687	1,394	12,010	-	-	-	110,091
Minority interest	180	-	1,275	-	-	-	1,455
Total shareholders' equity	456,105	-	-	-	-	-	456,105
Total liabilities and shareholders' equity	1,786,559	1,722,089	840,992	70	3,082	10,983	4,363,775
Currency swaps	31,723	114,002	(131,949)	(23,294)	2,058	8,203	743
Net exposure	(14,175)	(2,534)	8,064	(720)	(375)	10,483	743

DENİZBANK ANONİM ŞİRKETİ
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Interest Rate Risk

The Banking Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Board of Directors sets limit on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily and also the duration of the securities portfolio. The effective average interest rate by major currencies for monetary financial instruments as of 31 December 2003 and 2002 is summarized at the following tables:

	2003				
	USD (%)	EUR (%)	JPY (%)	CHF (%)	OTHER (%)
Assets					
Placements with banks	1.27	2.32	-	-	2.75
Investments	6.20	5.20	-	-	-
Originated loans and advances	6.64	6.85	-	-	4.36
Liabilities					
Deposits	3.18	3.57	-	1.94	4.05
Funds borrowed	2.04	4.00	-	-	-

	2002				
	USD (%)	EUR (%)	JPY (%)	CHF (%)	OTHER (%)
Assets					
Placements with banks	1.53	3.30	-	-	6.20
Investments	8.70	8.33	3.50	-	-
Originated loans and advances	7.70	5.90	-	-	-
Liabilities					
Deposits	3.36	4.15	-	1.79	2.45
Funds borrowed	3.85	3.70	-	-	-

Capital Adequacy

To monitor its capital the Bank uses ratios established by the Bank for International Settlements (BIS). These ratios measure capital adequacy (minimum 8% as required by BIS) by comparing the Bank's eligible capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risks. As of 31 December 2003 the Parent Bank's BIS Capital Ratio based on the unconsolidated financial statements is 18.30% (31 December 2002-18.81%) computed as follows:

BIS Capital Ratio (31.12.2003)		Billion TL	
		Nominal Amount	Risk Weighted Amount
Balance Sheet Assets			
	Cash and due from banks and placements with banks	965,791	138,869
	Reserve deposits	181,960	-
	Investments	1,917,646	453,134
	Originated loans and advances, net	1,521,315	1,294,874
	Accrued income	18,317	-
	Unconsolidated subsidiaries	69,509	153,107
	Premises, equipment and leasehold improvements (net)	75,613	59,650
	Deferred tax asset	-	-
	Other assets	28,826	19,444
	TOTAL	4,778,977	2,119,078
Off-Balance Sheet Positions			
	Commitments and Contingencies	1,912,377	467,496
	Derivatives	1,205,560	8,405
	TOTAL	3,117,937	475,901
Total Risk-Weighted Assets			2,594,979
Capital			
	Core Capital	542,554	
	Capital Base	475,010	
BIS Capital Ratios (%)			18.30

BIS Capital Ratio (31.12.2002)

		Billion TL	
		Nominal Amount	Risk Weighted Amount
Balance Sheet Assets	Cash and due from banks and placements with banks	729,011	121,361
	Reserve deposits	197,951	-
	Investments	1,706,833	399,165
	Originated loans and advances, net	994,044	901,142
	Accrued income	9,432	-
	Unconsolidated subsidiaries	71,052	159,763
	Premises, equipment and leasehold improvements (net)	82,734	65,204
	Deferred tax asset	16,178	-
	Other assets	23,281	27,336
	TOTAL	3,830,516	1,673,971
Off-Balance Sheet Positions	Commitments and Contingencies	1,268,634	425,296
	Derivatives	1,703,291	4,872
	TOTAL	2,971,925	430,168
Total Risk-Weighted Assets			2,104,139
Capital	Core Capital	456,454	
	Capital Base	395,862	
BIS Capital Ratios (%)			18.81

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The following table summarizes the carrying values and fair values of those financial assets and financial liabilities not presented on the consolidated balance sheet at their fair values:

	2003		2002	
	Carrying value	Fair value	Carrying value	Fair value
Financial Assets				
Cash and due from banks	260,482	260,482	185,580	185,583
Placements with banks and other money market placements	1,000,730	1,000,730	645,338	645,330
Reserve deposits at the Central Bank	182,055	182,055	197,951	197,951
Portfolio held-to-maturity	296,746	296,746	272,573	272,573
Portfolio available for sale	683,995	683,995	345,269	345,269
Originated loans and advances, net	1,895,938	1,895,938	1,359,336	1,358,272
Financial Liabilities				
Deposits	3,776,144	3,776,144	3,486,397	3,485,655
Other money market deposits	724,244	724,244	53,268	53,268
Funds borrowed	368,587	368,587	241,887	241,854

DENİZBANK ANONİM ŞİRKETİ
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The following methods and assumptions were used to estimate the fair value of financial instrument for which it is practicable to estimate that value;

The fair values of due from banks and short-term bank placements are considered to be their carrying amount due to their short-term nature. The estimated fair values of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

The fair values of originated loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. Loans and advances are carried net of specific and other provision for impairment.

The fair values of investments held-to-maturity assets is based on amortized cost using the effective yield method, less any provision for impairment.

The fair value of deposits and borrowings with no stated maturity, which includes non-interest bearing deposits, is the amount payable on demand.

The estimated fair value of fixed interest bearing deposits and other borrowings without quoted prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

26. SEGMENT REPORTING

a) Segment reporting by business division:

	2003		
	Banking	Securities	Consolidated
Net interest income	218,370	3,926	222,296
Less: Provision for possible loan losses	(27,983)	-	(27,983)
Less: Foreign exchange losses/(gains), net	38,497		38,497
	228,884	3,926	232,810
Non-interest income	165,709	27,502	193,211
Non interest expense	(202,045)	(27,661)	(229,706)
Income before taxation, minority interest and loss on net monetary position	192,548	3,767	196,315
Unallocated expenses:			
Taxation (charge)/credit	-	-	(46,339)
Minority interest	-	-	(214)
Loss on net monetary position	-	-	(50,819)
Net income	-	-	98,943

	2002		
	Banking	Securities	Consolidated
Net interest income	173,604	20,555	194,159
Less: Provision for possible loan losses	(51,223)	(838)	(52,061)
Less: Foreign exchange losses/(gains), net	(70,914)	98	(70,816)
	51,467	19,815	71,282
Non-interest income	181,757	64,800	246,557
Non interest expense	(126,175)	(67,105)	(193,280)
Income before taxation, minority interest and loss on net monetary position	107,049	17,510	124,559
Unallocated expenses:			
Taxation (charge)/credit	-	-	12,270
Minority interest	-	-	376
Loss on net monetary position	-	-	(73,983)
Net income	-	-	63,222

b) Segment reporting by geographical location:

Geographical Location	Total Net Interest Income					
	After Provisions and Foreign Exchange Loss		Total Assets		Total Liabilities	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Turkey	173,635	55,704	4,871,042	3,858,318	4,310,704	3,388,557
European Union Countries	12,408	9,610	600,404	444,114	560,135	399,966
Non-European Union Countries	46,767	5,968	339,232	134,518	321,484	124,209
	232,810	71,282	5,810,678	4,436,950	5,192,323	3,912,732
Eliminations	-	-	(205,494)	(73,175)	(137,739)	(6,517)
Net Total	232,810	71,282	5,605,184	4,363,775	5,054,584	3,906,215



Management, Organization and Directory

Board of Directors

Executive Management

Organizational Chart

Directory

BOARD OF DIRECTORS

1 DR. VEYSİ SEVİĞ / Chairman

Dr. Seviğ is currently lecturing on finance at Istanbul University and at B.R.A. in Brussels.

2 CEM BODUR / Vice Chairman

Mr. Bodur serves as a Member of the Board of Directors at Vestel Electronics.

3 HAKAN ATEŞ / Member, President and CEO

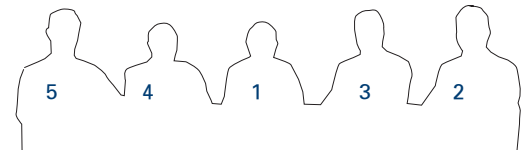
Mr. Ateş has been the President and Chief Executive Officer of DenizBank since June 1997. Previously, he established Garanti Bank-Moscow, where he served as the President and CEO until May 1997.

4 M. TINAZ TİTİZ / Member

Mr. Titiz has been active in the Turkish Parliament and has served as Minister of State, Minister of Culture and Minister of Tourism. He also lectured at Middle East Technical University between 1991 and 1995.

5 CAN TAŞPULAT / Member

Mr. Taşpulat has been the Executive Vice President in charge of financial and legal affairs at DenizBank since 1997. Previously, he was the Executive Vice President responsible for Operations at Interbank.



Mersin Serbest Bölge Branch

Alaybeyoğlu Cad. Parkur İş
Merkezi Zemin Kat F Adası 1/1
33020 Mersin
Tel : 0 324 237 27 00
Fax: 0 324 237 01 25

İSKENDERUN**İskenderun Branch**

Maraşal Çakmak Cad.
Modern Çarşı İş Hanı
No: 10 31200 İskenderun
Tel : 0 326 613 62 83
Fax: 0 326 614 62 48

İSTANBUL**Aksaray Branch**

Ordu Cad. No: 300
34093 Aksaray/İstanbul
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Fax: 0 212 513 90 10

Altın Borsası Branch

Rıhtım Cad. No:231
Karaköy/İstanbul
Tel : 0 212 244 17 01
Fax: 0 212 244 17 32

Altıyol Branch

Söğütlüçeşme Cad. No: 29
34714 Kadıköy/İstanbul
Tel : 0 216 347 61 13
Fax: 0 216 348 34 19

Altunizade Branch

Nuh Kuyusu Cad. No: 92/1
34662 Altunizade-Üsküdar/İstanbul
Tel : 0 216 651 15 11
Fax: 0 216 310 58 18

Ataköy Branch

5. Kısım Güney Çarşısı No: 4
34158 Ataköy/İstanbul
Tel : 0 212 560 71 70
Fax: 0 212 560 72 16

Atatürk Havalimanı Serbest Bölgesi Branch

Atatürk Havalimanı Serbest
Bölgesi No: 81/81 34149
Bakırköy/İstanbul
Tel : 0 212 465 01 08
Fax: 0 212 465 01 51

Atrium Branch

Ataköy 9.10. Kısım Atrium Çarşısı
Bodrum Kat No: 35 34156
Ataköy/İstanbul
Tel : 0 212 661 64 84
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Avcılar Branch

Cihangir Mah.
Gülistan Sok. No: 1
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Ayazağa Branch

Ayazağa Mah. Dereboyu Sok.
No: 13/2 34396 Şişli/İstanbul
Tel : 0 212 289 90 40
Fax: 0 212 289 90 47

Bağcılar Branch

İstanbul Cad. No: 21
34200 Bağcılar/İstanbul
Tel : 0 212 634 50 53
Fax: 0 212 634 50 70

Bahçelievler Branch

Eski Londra Asfaltı Ömür Sitesi
A Blok No: 2 34196
Bahçelievler/İstanbul
Tel : 0 212 556 41 80
Fax: 0 212 556 35 67

Bakırköy Branch

İncirli Cad. No: 90
34740 Bakırköy/İstanbul
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Bayrampaşa Branch

Abdi İpekçi Cad. No: 100
34030 Bayrampaşa/İstanbul
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Bebek Branch

Cevdet Paşa Cad. No: 3/A
34342 Bebek/İstanbul
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Beşyüzevler Branch

Cevatpaşa Mah. Eski Edirne
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Beylikdüzü Branch

Beylikdüzü Sanayi Sitesi No: 363
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Beyoğlu Branch

İstiklal Cad. No: 91
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Çağlayan Branch

Vatan Cad. No: 10
34403 Kağıthane/İstanbul
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Çarşı Bakırköy Branch

Zeytinlik Mah. Yakut Sok. No: 8
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Çarşı İkitelli Branch

Atatürk Mah. İkitelli Cad.
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Çarşı Kartal Branch

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Dudullu Branch

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Elmadağ Branch

Cumhuriyet Cad. No: 20
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Etiler Branch

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Fatih Branch

Hocaüveys Mah. Akdeniz Cad.
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Fındıkzade Branch

Kızılelma Cad. No: 6
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Güneşli Branch

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Güngören Branch

Sanayi Mah. Samsun Sok.
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Hadımköy Branch

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Hadımköy Gişeler Mevkii
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Harbiye Branch

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İkitelli Branch

İkitelli Organize Sanayi Bölgesi
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İstanbul Gaziosmanpaşa Branch

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Kadıköy Branch

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Karaköy Branch

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Kartal Branch

E 5 Yan Yol Kartal İş Merkezi
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Kavacık Branch

TEM Otoyolu Kavşağı
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Kazasker Branch

Şemsettin Günaltay Cad.
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Kızıltoprak Branch

Kalamış Cad. Oğul Apt. No: 10/1
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Fax: 0 216 336 56 20

Kozyatağı Branch

Halk Sok. Golden Plaza C Blok
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Levent Branch

Büyükdere Cad. Büyükdere Plaza
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34330 Levent/İstanbul
Tel : 0 212 324 19 30
Fax: 0 212 324 19 49

1. Levent Branch

Levent Cad. No:17
1. Levent/İstanbul
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4. Levent Branch

Eski Büyükdere Cad. No: 21/1
34416 4. Levent/İstanbul
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Maltepe Branch

Bağdat Cad. Güney İş Merkezi
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Maslak Branch

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Megacenter Branch

Megacenter Kocatepe Mah.
12. Sok. C Blok No: 430 34045
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Merter Branch

Keresteciler Sitesi Fatih Cad.
Ceviz Sok. No: 22/1
34169 Merter/İstanbul
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Nişantaşı Branch

Vali Konağı Cad. No: 115
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Nuruosmaniye Branch

Nuruosmaniye Cad. No: 90/92
34110 Cağaloğlu-Eminönü/İstanbul
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Pendik Branch

Batı Mah. Ankara Cad. No: 82
34890 Pendik/İstanbul
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Perpa Branch

Perpa Tic. Merkezi B Blok Kat: 4-5
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Toptan Gıda Merkezi
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Sefaköy Branch

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Suadiye Branch

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Sultanhamam Branch

Hobyar Mah. Yeni Camii Cad.
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Mahmut Bey Yolu Meriç Sok.
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Zeytinburnu Branch

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Zincirlikuyu Branch

Büyükdere Cad. No: 106
34394 Esentepe/İstanbul
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İZMİR**Alsancak Branch**

Ali Çetinkaya Bulvarı No: 13/A
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Bergama Branch

Ertuğrul Mah. Cumhuriyet Cad.
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Bornova Branch

Mustafa Kemal Cad. 553 Sok.
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Fax: 0 232 374 38 69

Bornova Tahsilat Ofisi

Fevzi Çakmak Cad. No: 24/A
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Ege Serbest Bölge Branch

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Hatay İzmir Branch

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35280 Hatay/İzmir
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İşikkent Branch

Ayakkabıcılar Sitesi
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Tel : 0 232 436 33 86
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İzmir Branch

Gaziosmanpaşa Bulvarı No: 12
35210 Pasaport/İzmir
Tel : 0 232 445 12 50
Fax: 0 232 446 50 51

İzmir Gıda Çarşısı Branch

1202/2 Sok. No: 60
35110 Yenişehir/İzmir
Tel : 0 232 469 75 85
Fax: 0 232 449 64 85

Karabağlar İzmir Branch

Yeşillik Cad. No: 391/B
35400 Karabağlar/İzmir
Tel : 0 232 237 90 90
Fax: 0 232 264 71 37

Karşıyaka Branch

1690 Sok. No: 48-A
35600 Karşıyaka/İzmir
Tel : 0 232 368 69 29
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Liman Alsancak Branch

Atatürk Cad. Afa İşhanı No: 402
35220 Alsancak/İzmir
Tel : 0 232 421 41 24
Fax: 0 232 464 27 82

Menemen Branch

Kasımpaşa Mah. Ertuğrul Cad.
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Mimar Kemalettin Branch

Mimar Kemalettin Cad. No: 87
Çankaya/İzmir
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Ödemiş Branch

Akıncılar Mah. Gazi Cad. No: 32
35750 Ödemiş/İzmir
Tel : 0 232 544 51 17
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Tire Branch

Yeni Mah. Atatürk Cad. No: 12
35900 Tire/İzmir
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Torbalı Branch

Erdoğan Tekirli Cad. No: 1/2
35860 Torbalı/İzmir
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KAHRAMANMARAŞ**Kahramanmaraş Branch**

Trabzon Cad. Seçkin Apt. Altı
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KARABÜK**Karabük Branch**

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KAYSERİ**Kayseri Branch**

Millet Cad. No: 22
38040 MelikGazi/Kayseri
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KIRKLARELİ**Lüleburgaz Sanayi Branch**

ZorluLinen Fabrikası Yanı
Büyükkarıştıran Kasabası
Tayyare Meydanı Mevkii
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KOCAELİ**Gebze Branch**

İsmetpaşa Cad. Hacı Halil Mah.
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İzmit Branch

Ömer Ağa Mah. Demiryolu Cad.
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KONYA**Konya Branch**

Musalla Bağları Mah. Belh Cad.
No: 10 42060 Selçuklu/Konya
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Konya Yeni Töptancılar Branch

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Karatay/Konya
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KÜTAHYA**Kütahya Branch**

Cumhuriyet Bulvarı Akdemirler
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Tel : 0 274 226 36 50
Fax: 0 274 226 36 57

MALATYA**Malatya Branch**

İnönü Cad. No: 58
44100 Malatya
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Fax: 0 422 324 36 96

MANİSA**Akhisar Branch**

Tahir Ün Cad. No: 47
45200 Akhisar/Manisa
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Alaşehir Branch

Sakine Evren Cad. No:29/1
Alaşehir/Manisa
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Manisa Branch

Mustafa Kemal Paşa Cad. No: 12
45020 Manisa
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Manisa Tahsilat Ofisi

Cumhuriyet Bulvarı No: 33
45030 Manisa
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Salihli Branch

Mithatpaşa Cad. No: 101
45300 Salihli/Manisa
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MUĞLA**Bodrum Branch**

Kıbrıs Şehitleri Cad. No: 325
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Çarşı Bodrum Branch

Atatürk Cad. No: 4
48400 Bodrum/Muğla
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Fax: 0 252 316 65 46

Fethiye Branch

Atatürk Cad. Çavdar İşhanı No: 1
48300 Fethiye/Muğla
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Marmaris Branch

Tepe Mah. Ulusal Egemenlik Cad.
61. Sok No: 19/A 48700
Marmaris/Muğla
Tel : 0 252 412 09 69
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Milas Branch

Hacıilyas Mah. Kadiağa Cad.
No: 41 Milas/Muğla
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Ortaca Branch

Garaj Karşısı Yeni Sok. No: 4/A
48600 Ortaca/Muğla
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NEVŞEHİR**Nevşehir Branch**

Atatürk Bulvarı No: 98
50100 Nevşehir
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ORDU**Ordu Branch**

19 Eylül Meydanı No: 8
52000 Ordu
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SAKARYA**Adapazarı Branch**

Soğanpazarı No: 52
54040 Adapazarı/Sakarya
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Fax: 0 264 274 41 33

SAMSUN**Samsun Branch**

Gazi Cad. Göncü İşhanı No: 1
55070 Samsun
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SIVAS**Sivas Branch**

İstasyon Cad. Kongre Binası
Karşısı No: 3 58000 Sivas
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ŞANLIURFA**Şanlıurfa Branch**

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Şanlıurfa Tahsilat Ofisi

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ŞIRNAK**Silopi Branch**

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TEKİRDAĞ**Çorlu Orion Branch**

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TRABZON**Trabzon Branch**

Maraş Cad. Zorlu Grand Otel Yanı
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UŞAK**Uşak Branch**

İsmet Paşa Cad. No: 31/B
64100 Uşak
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VAN**Van Branch**

Cumhuriyet Cad. No: 50-52
65100 Van
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ZONGULDAK**Karadeniz Ereğli Branch**

Müftü Mah. Yukarı Sok. No: 16
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Zonguldak Branch

Gazipaşa Cad. No: 20
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REGIONAL OFFICES**Mediterranean Regional Office**

Yüksekalan Mah. Ali Çetinkaya Cad.
No: 7/B 07040 Antalya
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Çukurova Regional Office

Atatürk Cad. Sular Plaza İş
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Aegean Regional Office

Şehit Fethibey Cad. No: 116 K: 3
35210 Pasaport/Izmir
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Fax: 0 232 483 42 30

Central Anatolia Regional Office

Cinnah Cad. No: 84
Çankaya/Ankara
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**İstanbul 1. Corporate Marketing
Regional Office**

Büyükdere Cad. No: 106
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**İstanbul 2. Corporate Marketing
Regional Office**

Büyükdere Cad. No: 106
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**İstanbul 3. Corporate Marketing
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Deniz Investment Trust

Büyükdere Cad. No: 106 Kat: 15
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TarişYatırım Securities

Şair Eşref Bulvarı No: 16
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DenizLeasing

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DenizFactoring

Rıhtım Cad. No: 26
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