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A n n u a l
R e p o r t



 **TAKASBANK**

Financial Highlights

(TL millions)	2003*	2002*	2001	2000	1999
Total Assets	277,030,320	210,754,593	132,828,647	55,719,296	31,969,618
Shareholders' Equity	119,385,159	70,225,524	38,902,326	19,221,173	8,779,771
Paid-up Capital	60,000,000	60,000,000	33,540,000	16,300,000	7,850,000
Profit Before Tax	74,882,170	69,740,807	61,036,539	28,066,494	15,546,932
Net Profit	50,308,275	46,681,916	40,783,059	18,819,534	9,960,702
Interest & Portfolio Revenue	59,263,235	53,847,495	59,175,592	20,066,174	14,415,862

(US dollars)**	2003	2002	2001	2000	1999
Total Assets	198,469,246	128,941,244	92,269,861	82,944,625	59,192,254
Shareholders' Equity	85,529,564	42,964,504	27,023,630	28,612,942	16,255,885
Paid-up Capital	42,985,023	36,708,451	23,298,672	24,264,438	14,534,399
Profit Before Tax	53,646,864	42,667,950	42,399,235	41,780,227	28,785,391
Net Profit	36,041,706	28,560,347	28,330,087	28,015,056	18,442,397
Interest & Portfolio Revenue	42,457,192	32,944,302	41,106,522	29,870,824	26,691,197

Financial Ratios

	2003	2002	2001	2000	1999
Profit Before Tax / Total Assets	0.27	0.33	0.46	0.50	0.49
Equity / Total Assets	0.43	0.33	0.29	0.34	0.27
Profit Before Tax / Shareholders' Equity	0.63	0.99	1.57	1.46	1.77
Net Profit / Shareholders' Equity	0.42	0.66	1.05	0.98	1.13

Employees

	2003	2002	2001	2000	1999
Number of Employees	226	230	233	243	235

* In the 2002 and 2003 statements, historical values are used to compare with previous years; in the calculation of tax liabilities, the financial statements reflecting historical values are used as a basis.

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

31/12/1999	:	TL	540,098
31/12/2000	:	TL	671,765
31/12/2001	:	TL	1,439,567
31/12/2002	:	TL	1,634,501
31/12/2003	:	TL	1,395,835



Traditional handicrafts constitute a cultural link between the past and the future of many societies. This link allows for cultural communication between generations and forms the basis required for the continuity of social values.

Through its activities, Takasbank links money and capital markets and provides efficient flow of funds and effective communication within markets.

In this year's annual report, we have included traditional Turkish handicrafts such as ebru (paper marbling), çeşmibülbül (the eye of the nightingale - glassware with spiral decorations), carpet weaving and handcrafted tiles as our theme. These crafts are still performed today and relevant training is being provided so that future generations will carry on these traditions.

Takasbank in Brief

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

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

Settlement and custody transactions of all ISE Derivatives Market instruments are processed by Takasbank. The portfolio assets of mutual funds and investment trust companies are also kept in the custody of Takasbank. Takasbank has assumed various responsibilities regarding Private Pension Funds, which became operational in 2003 within the scope of Private Pension Savings and Investment System. The custody, settlement and other pension fund transactions in capital markets will be carried out by Takasbank. Takasbank will contribute significantly to the development of Private Pension Funds, which is sure to play a major role in the diversification of Turkish capital markets in the future.

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

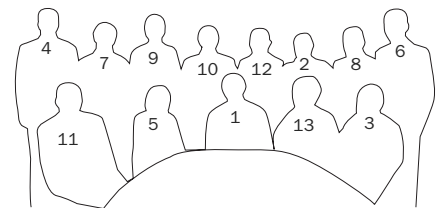
Takasbank, offering short-term cash facilities to capital market participants through securities purchasing loans and securities lending/borrowing facilities, enables money transactions to be undertaken in a transparent, fast and reliable environment between banks and brokerage houses via the Money Market,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

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

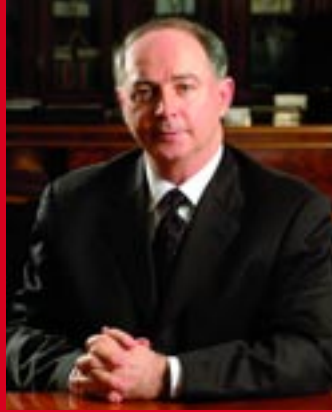
As it has been for the last six years, this year too, Takasbank is one of two banks with the highest EFT volume and is among the institutions paying the highest corporate tax in Turkey.

Board of Directors

- 1.** Osman Birsen *Chairman* **2.** Kubilay Temuçin *Deputy Chairman* **3.** Emin S. Çatana *Member, President and CEO*
4. Hüseyin Erkan *Member* **5.** Esin Akbulut *Member* **6.** Sezai Bekgöz *Member (Responsible for Internal Audit and Risk Management)* **7.** Lütfi Coşkun Özek *Member* **8.** Ekrem Kerem Korur *Member* **9.** Ekrem Nevzat Öztangut *Member*
10. Yusuf Ziya Toprak *Member* **11.** Bedii Ensari *Member*
12. İbrahim Kurban *Auditor* **13.** Berra Kılıç *Auditor*



Message from the Chairman



This year at Takasbank, we are once again continuing to strengthen our technological infrastructure as well as developing new activities and enhancing the quality of our services.

In line with our principle of providing customers with the best service at the lowest cost, Takasbank made additional reductions on commissions in order to support development within a sector recovering from the economic crisis in 2001. Total savings of TL 11 trillion in resources was rendered to the sector; it was decided that this cost-cutting measure should continue in 2004.

In line with the Capital Markets Board - ISE Surveillance Project, significant changes were made to monitor stock transactions performed by brokerage houses in the Takasbank system on a customer-by-customer basis; these changes were planned to be applied actively in the first quarter of 2004.

Law No. 4632 dealing with Private Pension Scheme Savings and Investment System and the associated regulations have given Takasbank new responsibilities regarding Private Pension Funds. Within this context, Takasbank has undertaken very critical responsibilities in the Private Pension System, which began in October 2003. These tasks include custodianship of portfolio assets, acting as an institution where participants are identified as sub-accounts of the pension company and where the balance control is performed and acting as the independent institution where the Unit Share Value is calculated for reconciliation purposes. The Private Pension Funds (PPF) Settlement, Custody and Reporting System was progressively made operational in 2003 and other work associated with the operations of the PPF are ongoing in coordination with the CMB. Takasbank will play a significant role in the operations of the Private Pension System, which will make a substantial contribution to the development of capital markets in Turkey.

Takasbank, which is called upon for consultation by capital market institutions in other emerging countries, was visited by senior executives and experts from capital markets of Jordan, Armenia and Mongolia in 2003.

In order to provide domestic and international settlement and custody services in a fully automated environment with reference data based on international standards, an electronic securities database is essential and will be launched. Having evaluated the demand coming from domestic and foreign institutions, our Bank aims to develop such a database in which securities issued in Turkey and having a secondary market will be accounted for, recorded and tracked. Accordingly, detailed securities data will be available to market participants in a timely manner. Takasbank started the project development phase for such a system in 2003. As initially planned, first outputs will be available in 2004.

On behalf of the Board of Directors, I would like to express my gratitude to our distinguished managers and diligent employees who have contributed to the success of our Bank and for making Takasbank a role model for capital market institutions in many emerging countries. Additionally, I would like to thank the management of the Capital Markets Board and the Istanbul Stock Exchange who have always encouraged us and provided close support to our endeavors.

Osman Birsan
Chairman

Senior Management

Emin S. Çatana
President and CEO



Ahmet Çakırsoy
Executive Vice President



Nezir Bakır
Executive Vice President



Yusuf Çiçek
Executive Vice President



Şevket Yaşöz
Head of the Board of Internal Auditors



Message from the President and CEO

In the first half of 2003, the US military operation in Iraq was on the agenda in Turkey as it was in many other countries. Although the possible effects of this strike on our economy led to prolonging arguments, what feared did not occur and the Turkish economy continued to improve significantly.

During the year, the targets of the economic program regarding inflation and interest rates were met to a large extent; exports and industrial production increased significantly while the ISE Stock Market set new records both in terms of index value and transaction volume in the last quarter of the year. Despite the drop in exchange rates, the increase of exports and foreign exchange income led to a revival in the economy. The credit agreement signed with the US in September 2003, positive news coming from the IMF, upgradings from rating institutions and the decreases in inflation directed investors toward the capital markets again.

As of the end of 2003, 27.4 million stock certificates and 3.4 million mutual fund participation certificates from 613 institutions using Takasbank custody services were deposited in fungible custody and 1.6 million stock certificates have been deposited in non-fungible custody. As of year-end, the total number of accounts for private pension companies reached 22,205; of those, 13,726 possessed a balance.

In parallel with the overall fall in interest rates, the average interest rate of Takasbank overnight loans decreased to 30.27% in 2003 from 54.7% in the previous year. In spite of this, with the increase in average credit volume, interest income of securities purchasing loans increased by 20% in 2003 compared to the previous year, to reach TL 2.6 trillion. The upsurge in the ISE Stock Market transaction volume and index value that began in September 2003 led to an increase also in the number of securities borrowing/lending transactions; the total number of demand for securities borrowing/lending facilities reached 1,882. The average daily volume of Takasbank loans increased by 65% in 2003 as compared to 2002 and reached TL 6.5 trillion.

In accordance with the task assigned to Takasbank by the Capital Markets Board (CMB), work associated with the Stocks Borrowing/Lending Market to be established under the Takasbank roof, was initiated within the year. This market aims to ensure that the stocks borrowing/lending bids and offers of banks and brokerage houses are met in a transparent environment.

Due to the negative effects of the decline in interest rates and new income tax regulation, Takasbank Money Market transaction volume decreased to TL 133 quadrillion, with a drop of 14.7% compared to the previous year. The project for remote access to the Takasbank Money Market has been completed to a large extent and is now ready for testing. This project will permit an important increase in the efficiency and transaction volume of the Takasbank Money Market. The private pension system, which became actively operational at the end of the year, will also positively affect the Takasbank Money Market.

Despite critical decreases in the interest rates of money market instruments and fixed income securities, the share of treasury income within Takasbank's total income increased and reached a high of 65.6%.

In November 2003, Takasbank was elected as the chairperson of the ISIN Review Task Force that was established within ANNA, of which National Numbering Agency Institutions from 65 countries worldwide are members.

Some significant projects, completed and in operation in 2003 within the scope of technological infrastructure development activities include; the private pension funds automation project which will enable completion, surveillance and supervision of transactions concerning private pension funds to be undertaken by Takasbank; the Takas-Net project which is the Internet version of the Alo-Takas system; the automation project for the automatic generation of ISIN codes for stocks and other securities; and the automation project which will facilitate the calculation of stock settlement risk with various methods and the related supervision and surveillance processes.

In all of its endeavors, Takasbank receives enormous support and encouragement from the management of the CMB and the ISE. I would like to take this opportunity to express my gratitude to the distinguished executives of these institutions as well as to our shareholders and clients for their interest and trust they have placed in Takasbank. I would also like to thank our distinguished staff for providing Takasbank with new successes day after day through their unstinting efforts.



Emin S. Çatana
President and CEO





Carpet Weaving

Carpet weaving is a handicraft that has been performed in Anatolia since ancient times. In many regions, it has become an important source of income. These handmade carpets have helped introduce Turkish cultural arts to the rest of the world.



Operations in 2003

CUSTODY OPERATIONS

Custody operations cover the safekeeping of capital market instruments and protection of them against fraud, counterfeit operations, theft and abuse; while enabling the relevant securities transactions to be conducted in a book entry form. This system assures that custody operations are performed in a fast and secure manner. At Takasbank, securities deposited are insured against these risks.

Within the framework of custody services, all information concerning shares of companies listed on the ISE are updated in line with announcements of the issuing companies and letters of authorization issued by the Capital Markets Board for additional public offerings, as well as the courts' prohibition of payment notifications and annulment decisions. Services including the exercise of pre-emptive rights pertaining to stocks under custody, collection of dividends, conversion and replacement of coupons are also provided. By the end of 2003, the number of institutions receiving Takasbank services reached 613.

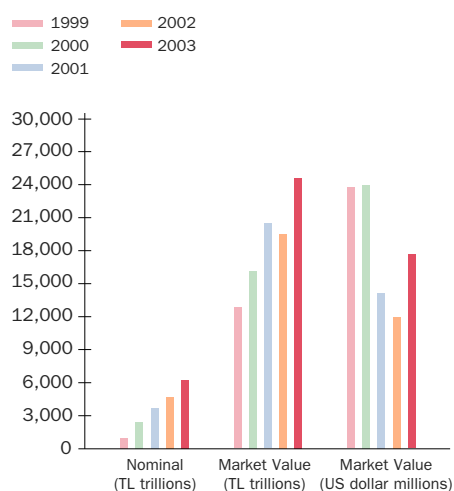
As of December 31, 2003, 27.4 million stock certificates, 88.4 billion shares and 3.4 million mutual fund participation certificates with a total nominal value of TL 5,380 quadrillion have been deposited in Takasbank's fungible custody; 1.6 million stock certificates with a total nominal value of TL 766 trillion have been deposited in non-fungible custody.

Customer Name-based Custody System

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

At the end of 2002, the number of open accounts was 2,074,932; in 2003, this figure increased by 7% to reach 2,230,487. However, as a result of the closing of some accounts by brokerage houses during their year-end audits, the number of open accounts as of December 31, 2003 stood at 2,077,683 with 1,106,751 showing a balance.

Custody Balance



By the end of 2003, the number of institutions receiving Takasbank services reached 613.

Operations in 2003 / continued

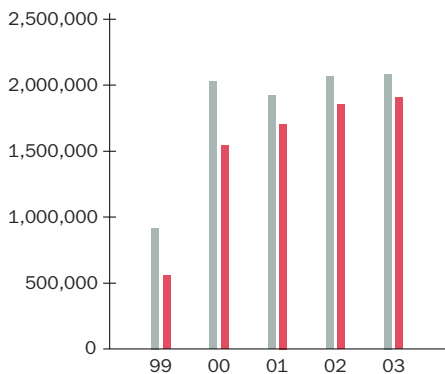
In 2003, the process of assigning registration numbers to accounts held at Takasbank and forwarding of unique registration numbers and passwords to investors via express postal service continued. During the year, 62,000 of these letters were sent by post. As of December 31, 2003, 91% of the accounts were converted to customer name-based accounts and 171,785 accounts for which identity data had not been forwarded by the brokerage houses within the stipulated time period were suspended. As a result of the identity data sent by the brokerage houses, the number of investors increased by 4% compared to the end of 2002 and totaled 1,676,302 as of December 31, 2003. The graph showing the work carried out in converting the accounts opened at Takasbank to account holders' names in accordance with Customer Name-based Custody System is provided below.

As of November 2003, private pension fund participants have been able to monitor their fund shares in their accounts from the accounts opened in their names at Takasbank. As of December 31, 2003, the total number of accounts for private pension companies reached 22,205 with 13,726 having a balance.

Since August 2003, the services provided for investors via Alo-Takas interactive voice response system such as checking balance, applying and removing blockage can be accessed over the Internet. In 2003, the Alo-Takas phone number (0212 444 74 74) received an average of 2,100 calls weekly.

Coverage of the Customer Name-Based Custody System
(in number of accounts)

— Accounts Transferred to Customer Name — Open Accounts



CLEARING AND SETTLEMENT OPERATIONS

Global developments and trends in other clearing and settlement systems are constantly monitored and improvements of existing systems have continued without interruption in order to finalize the clearing and settlement transactions in a fast, efficient and reliable environment.

In 2003, Takasbank continued its activities to provide a fully automated transaction and information flow between the Capital Markets Board, the Istanbul Stock Exchange, the Central Bank of Turkey and brokerage houses operating in the market.

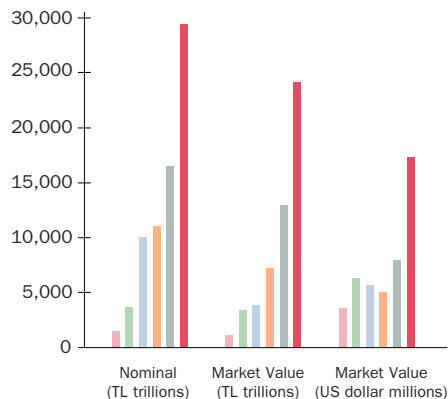
Stock Settlement Operations

In the ISE Stock Market settlement system, 112 brokerage houses are direct members of the organized market settlement system, while settlement transactions of 18 banks, 72 pension funds, 292 mutual funds and investment trust companies and 22 asset management companies, which are linked to the organized market settlement system, have also been handled.

In 2003, the total trading volume realized at the ISE Stock Market was TL 146.19 quadrillion. As a result of the multi-lateral netting system, one of the most important features determining the efficiency of the clearing and settlement system, TL 13.73 quadrillion worth of cash settlements (9.39%) and TL 39.65 quadrillion of securities settlements in market value (27.12%) were carried out.

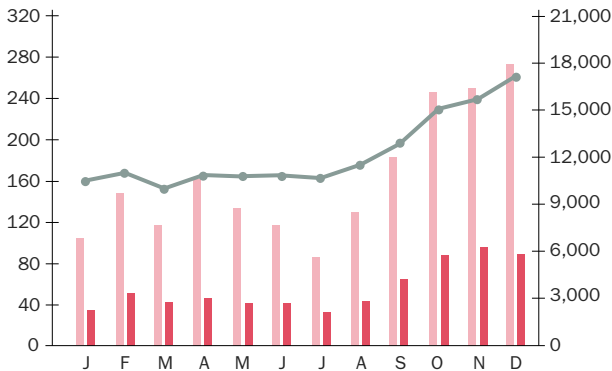
Government Bonds & Bills Custody Balance

— 1998 — 2000 — 2002
— 1999 — 2001 — 2003



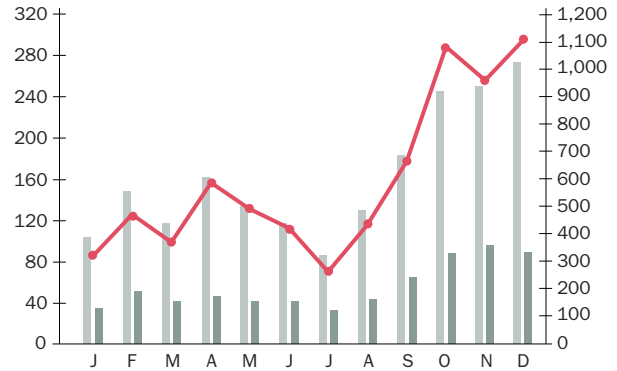
ISE Stock Market in 2003 - ISE National-100 and Settlement Volume
(TL trillions)

Net Market Value of Stocks Settled
Net Cash Settlement Volume
ISE-100



ISE Stock Market in 2003 - Stock Exchange Transaction and Settlement Volume
(TL trillions)

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



The total value of the defaults experienced in the system also decreased by 3.79% in 2003 over figures from the previous year.

The usage of the Conditional Transfer System launched in October 2001, wherein securities and cash transfers between the members can be carried out simultaneously within the principle of Delivery versus Payment (DvP), increased steadily in 2003 as in the previous year. The share of the transfer operations carried out through the conditional transfer system within total transfers in the last quarter of 2003 reached 53.19% in Turkish lira terms where it was 40.4% in the last quarter of 2002.

In 2003, securities with a total market value of TL 23.78 quadrillion and cash transfer in the sum of TL 24.42 quadrillion were the subject of conditional transfer operations; out of this, transactions totaling TL 660.33 trillion were realized as Stock Exchange Settlement Linked DvP Transfers.

The CMB-ISE Surveillance Project and its corresponding software and testing procedures were completed to a large extent in 2003. This system allows monitoring of stock transactions performed by brokerage houses in the Takasbank system on a customer basis as well as settlement transactions and the transfer of securities between members. The relevant changes will be implemented in the first quarter of 2004.

As a result of the revisions made on the Takasbank settlement system under the Surveillance Project and

in addition to the netting operation carried out on a brokerage house basis, another netting will be performed based on the customer account numbers specified in the orders that are sent to ISE by the brokerage houses. Thus customers' detailed obligations/receivables records will be generated automatically in the Takasbank system. In this way, wherein the brokerage houses do not need to send any information to Takasbank system on the day of settlement, Takasbank will finalize settlement transactions with the approval of auto-generated records using customer account numbers on the contracts. The entire fulfillment of obligations and distribution of receivables will be completed by Straight Through Processing - STP.

Also, as for security transfer transactions between members, the securities transactions carried out among the account pools of the brokerage houses in the existing system will be enabled to be carried out among the customer accounts. For free transfer transactions, the brokerage house that carries out the transfer will be required to specify the customer account number of the counterparty on the transfer order. Once the transfer order is defined in the system, the customer account number of the counterparty will be verified; if the customer account number specified on the order and the name and surname information match those in the Takasbank system, stocks will be transferred from the customer account making the transfer to the customer account of the counterparty. In case customer information specified on the transfer order and those in the system do not match, the



Ebru

Ebru (marbling) literally means 'painting to produce a marble-like appearance.' This Turkish art form is a time-honored technique born in Central Asia that arrived in Anatolia via Iran and the Silk Road.



Operations in 2003 / continued

Transfer Transactions in 2003

(TL trillions)

Months	Total Transfer	Free of Payment Transfer	Conditional Transfer	Conditional Transfer / Total Transfer (%)
J-F	5,415	3,062	2,352	43.45
M-A	6,626	3,766	2,860	43.16
M-J	5,918	3,374	2,544	42.99
J-A	5,569	2,783	2,786	50.03
S-O	14,822	8,100	6,722	45.35
N-D	12,263	5,741	6,522	53.19

counterparty will be required to approve the transfer order so that the transfer can be carried out. Transactions not approved by the counterparty will not be performed.

As for the orders in conditional transfer transactions; counterparty that will transfer the securities is not required to specify/designate the customer account number. However, in that case, the counterparty expecting the securities is required to put customer account number into the system in order to finalize transfers.

Projects to be carried out in relation to stocks settlement transactions in 2004:

- **Pre-Matching:** Regarding conditional transfer transactions used in the existing system, design and software work required to automate pre-matching transactions and to change the matching process to be completed from the trade date until the evening of one day after the date of the trade (T+1) at the latest, in response to the demands from brokerage houses and custodian banks, are scheduled to start in 2004.
- **Netting in Conditional Transfer:** Design and software work, regarding the changes to allow bilateral netting on securities and cash for the conditional transfer transactions defined in the Bank system that aim to decreasing the funding costs and cash transactions of the brokerage houses, are scheduled to start in 2004.
- **Settlement in the Dematerialized System:** Analyses regarding the settlement transactions in the dematerialized system, launched by the Central Registry Institution in the second half of 2003 within the framework of the transition to the dematerialized system project, have been completed to a great extent.

In this regard, modifications that will enable settlement transactions to be seamlessly carried out in the dematerialized system once the Central Registry Institution starts operating as the dematerialized depository institution are scheduled to be completed by the end of 2004.

Bonds and Bills Settlement Operations

In 2003, total trading volume on the ISE Bonds and Bills Market Outright Sales and Purchases Market and the Repo-Reverse Repo Market reached TL 1,252.76 quadrillion. Cash settlement transactions in the Takasbank system, as a result of multi-lateral netting, amounted to TL 157.53 quadrillion while securities settlement transactions achieved a market value of TL 655.06 quadrillion. Additionally, through the multi-lateral netting of the trading of government FX-denominated domestic debt securities worth Euro 111.89 million and US\$ 453.5 million, cash settlements totaling Euro 111.71 million and US\$ 425.99 million were finalized through correspondent banks.

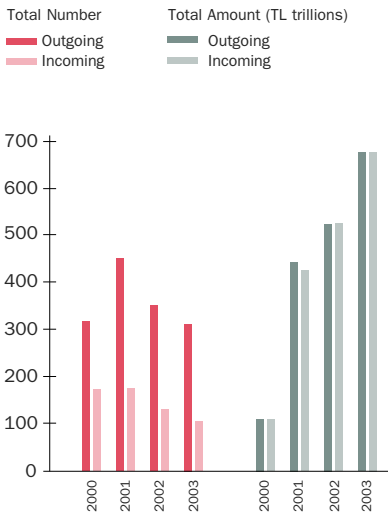
Redemption related automation programs designed to enable faster and more efficient fixed income security operations, became operational in February 2003.

The analysis study on the Fixed Income Securities Customer Based Custody Project, which began in 2002, was accelerated. The project aims to increase investor security in terms of the custody of fixed income securities and to keep fixed income securities in the customer sub-accounts to be opened in relation to the banks and brokerage houses.

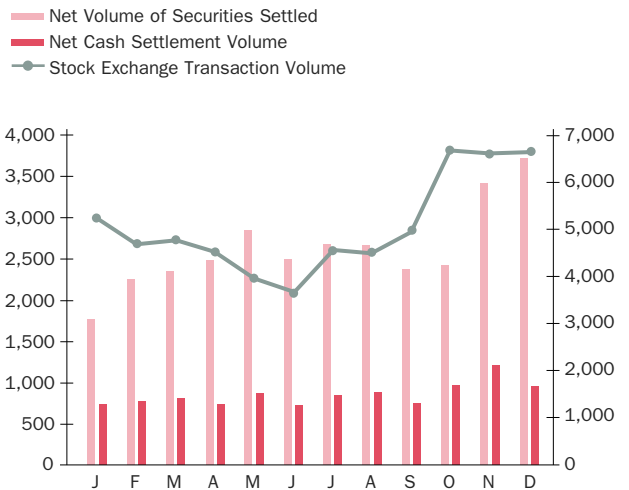
	Stock Exchange Transaction Volume	S&C Cash Settlement	S&C Securities Settlement
TL (trillions)	1,252,766.59	157,532.74	655,062.70
US\$ (millions)	453.50	425.99	438.71
Euro (millions)	111.89	111.71	113.79

Operations in 2003 / continued

Total Amount and Number of Outgoing/Incoming Cash Messages



Government Securities Stock Exchange and Settlement Volumes in 2003 (TL trillions)



Number and Nominal Values of Bids Submitted over Takasbank



In 2003, total trading volume on the ISE Bonds and Bills Market Outright Sales and Purchases Market and the Repo-Reverse Repo Market and cash and securities settlement transactions performed by the Takasbank as a result of multi-lateral netting are shown in the graphs above.

Private Pension Funds

Under the Private Pension System, which was launched on October 27, 2003 in Turkey, Takasbank has undertaken a very important function both as the custodian of portfolio assets and as the institution where participation certificates of investment trust companies are kept in a dematerialized form on a per customer basis. Moreover, unit share values announced by fund establishers are also calculated by Takasbank for reconciliation purposes. The Private Pension Funds (PPF) Settlement, Custody and Reporting System was made operational progressively in 2003. In this regard, the following innovations were performed on the Takasbank system:

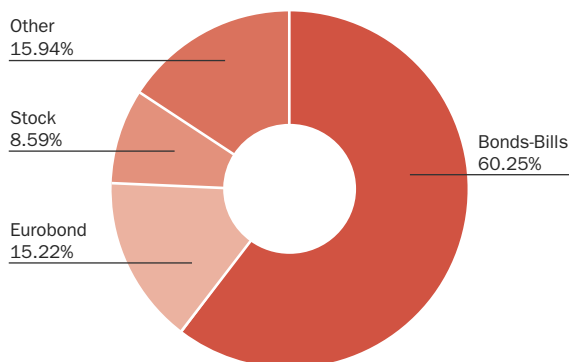
1. Modifications enabling receipt of automated MERNIS ID information instead of ID photocopies, which were required to be sent to Takasbank, were completed and became operational to decrease pension companies' cost and to enable operational efficiency.
2. Software controlling the number of transactions and counter members regarding securities that are subject to contracts made for Private Pension Funds in the ISE became operational.

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

3. Necessary arrangements in the Alo-Takas and Takas-Net systems were carried out and became operational, providing participants with a balance control facility.
4. Details of assets in the fund portfolio that are kept outside Takasbank were added to notification formats and information about the entire debit/credit records and PPF assets began to be maintained within the system. Portfolio and unit share values began to be calculated at Takasbank for reconciliation purposes.
5. PPF data were provided to the CMB and data dissemination companies in order to inform the public.

The improvements to the operational structure of the PPF system continue in cooperation with the CMB. Applications regarding portfolio management control and cash transfers will be initiated in 2004. All data produced at Takasbank are transferred daily to the CMB Supervision System in an electronic file format. Foreign security and eurobond settlement/custody services are currently provided for 26 private pension funds.

As of December 31, 2003, the value of the fund assets of 72 PPFs established by eleven pension companies reached TL 42.7 trillion. Fund portfolio distribution is as follows:



CREDITS AND TAKASBANK MONEY MARKET

General

When allocating limits to ISE members, Takasbank conducts financial analyses based on their constantly updated independently audited three-year financial statements. Within the framework of market

investigation, further information is gathered on these institutions regarding their trading volume, custody balances, customer-based custody accounts and default situations; brokerage houses are also checked for previously unpaid checks and bills. At the end of 2003, there were a total of 152 members, of which 113 were brokerage houses, 30 deposit-taking banks and nine non-deposit-taking banks, to which credit limits were assigned through Takasbank's credit allocation system. Securities purchasing loans have been granted to 62 members and securities lending/borrowing facilities have been approved for 90 members; 140 members have conducted transactions on the Takasbank Money Market.

Also, in response to the demands from brokerage houses, work on the quota setting was completed in May. It became operational in order to accept stocks other than those included in the ISE-100 Index as a guarantee for the securities lending/borrowing facility and to determine the maximum limit for each stock being accepted as a guarantee. Takasbank sets quota values monthly for all stocks in the ISE National Market and brokerage houses that want to use securities purchasing loans or securities lending/borrowing facilities are able to give all stocks in the ISE National Market as a guarantee, restricted by specified quotas.

Securities Purchasing Loans

Although the recession following successive economic crises in 2000 and 2001 and the effects of the ensuing devaluation tended to wane following renewed optimism in the markets after the general election in November 2002, economic activity was once again slowed down in the first months of 2003. This naturally had an adverse impact on the ISE Stock Market pulling down the indices and transaction volume. In parallel to the Stock Market index and transaction volume, which demonstrated level movement until September 2003, the volume of Takasbank securities purchasing loans showed no significant increases or decreases.

Following optimistic news of the credit agreement with the US in September 2003, the rating increases from the IMF and rating institutions together with the falling inflation rate and the anticipation that the decline would be ongoing, both the transaction volume and the Stock Market indices increased. This in turn was reflected as an increase in the number of Takasbank loans and loan volume. In 2003, the daily average volume of securities purchasing loans increased by 65% compared to the previous year to reach TL 6.5 trillion.



Glassmaking

The history of glassmaking in Turkey goes back to old Anatolian civilizations.

During the Seljuk Empire, various forms of colored 'stained' glass were developed. "Geşmibülbül" and Beykoz work are among the techniques that still survive today from those times.



Operations in 2003 / continued

In parallel with the gradual fall in overall interest rates in 2003, overnight interest rates charged by Takasbank, 54.7% in 2002 and 49.01% in January 2003, were reduced to 30.27% in December; the annual average was calculated at 40.90%. Despite the fall in interest rates, with the increase in the average placement volume, the interest income on securities purchasing loans increased by 20% compared to the previous year, to reach TL 2.6 trillion. The volume of Intra-Day Securities Purchasing Loans, available particularly for daily cash requirements of brokerage houses, was TL 79.3 trillion in 2003.

Securities Lending/Borrowing Facility

The upsurge in transaction volume and index figures in the ISE Stock Market, which started in September 2003, was reflected as a considerable rise in Takasbank Securities Lending/Borrowing transactions. Takasbank was able to meet 1,882 securities lending/borrowing facility requests from 72 participating institutions.

In 2003, 103 different stocks, representing a total of 33.3 billion stock certificates, were subject to the securities lending/borrowing facility; market value of these stocks on the dates that transactions were concluded was TL 121.8 trillion. Compared to the previous year, the increase in the number of stocks subject to securities lending/borrowing was 18% while the increase in their market value was calculated at 9%.

Although no commission was charged to borrowing brokerage houses, the commission paid to lending brokerage houses increased by 15% compared to 2002 and totaled TL 97.8 billion.

System development work was completed and made operational in September 2003 to include the stock lending of mutual fund and investment trust companies in the valuation operation of the fund and investment trust companies portfolio.

In accordance with the task given to Takasbank by the fourth article of the Capital Markets Board's Decree Serial V, number 65, the work associated with the Stocks Borrowing/Lending Market to be established under the roof of Takasbank, was initiated. This market was established to ensure that stocks borrowing/lending bids and offers of the brokerage houses are met in a transparent environment. In this system, Takasbank will function as an intermediary institution to finalize settlement within the scope of received guarantees and transactions realized. Information related to executed transactions and the pending bids and offers will be publicized instantly via data dissemination screens.

Takasbank Money Market

In 2003, Takasbank Money Market continued to function as a bridge between the money and capital markets, a role that grows in importance every year. In 2003, the Central Bank of Turkey gradually reduced overnight borrowing interest rates, applied in the Interbank Money Market, from 44% to 26% paralleling drops achieved in inflation. As a result of reductions made on short-term interest rates by the Central Bank, financial institutions, to a great extent, directed their investment portfolios to Government Domestic Debt Securities (GDDs).

The transaction volume in the Takasbank Money Market, which has developed steadily since its inception, decreased by 14.7% compared to the previous year, to total TL 133 quadrillion. This decline was due to the adverse impact of interest reductions and the new income tax application, which commenced in July 2002. In US dollar terms, the

In accordance with the task assigned to Takasbank by the Capital Markets Board (CMB), work associated with the Stocks Borrowing/Lending Market to be established under the Takasbank roof, was initiated within the year. This market aims to ensure that the stocks borrowing/lending bids and offers of banks and brokerage houses are met in a transparent environment.

Operations in 2003 / continued

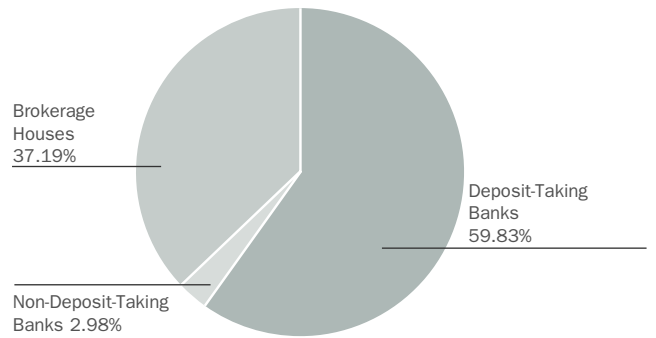
Takasbank Money Market's Lowest and Highest Values

Year	Transaction Volume (TL millions)				Number of Transactions			
	Lowest	Date	Highest	Date	Lowest	Date	Highest	Date
1999	371,000	18/01/1999	83,346,000	29/12/1999	15	22/01/1999	473	02/09/1999
2000	6,024,000	03/01/2000	247,910,000	15/12/2000	53	03/01/2000	766	13/12/2000
2001	5,872,000	09/03/2001	655,357,000	20/12/2001	54	09/03/2001	805	06/06/2001
2002	141,246,000	21/02/2002	803,839,000	29/05/2002	184	28/10/2002	787	20/02/2002
2003	32,689,000	10/02/2003	806,243,000	15/04/2003	54	24/11/2003	423	03/01/2003

transaction volume decreased by 16.4% from US\$ 105.5 billion to US\$ 88.3 billion. In parallel with this development, the daily average transaction volume decreased from TL 617 trillion to TL 532 trillion, while the number of transactions dropped from 139,000 to 80,000 as the average value of a transaction decreased to TL 1.1 trillion. In 2003, a total of two new members, including one bank and one brokerage house, started transactions in the Takasbank Money Market.

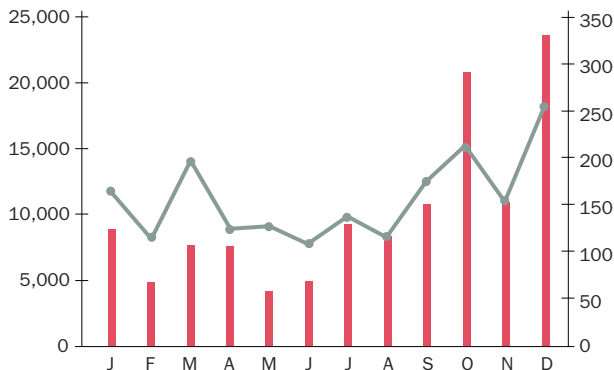
The software development stage of the remote access project, which began during 2003 in the Takasbank Money Market, was completed by the IT Department; the program is now ready for testing. When this project becomes operational, it is expected that both efficiency and transaction volume in the Takasbank Money Market will increase. The positive effects of the private pension system, which started up at the end of the year, are expected to be more evident in 2004.

Takasbank Money Market Breakdown of Transaction Volume



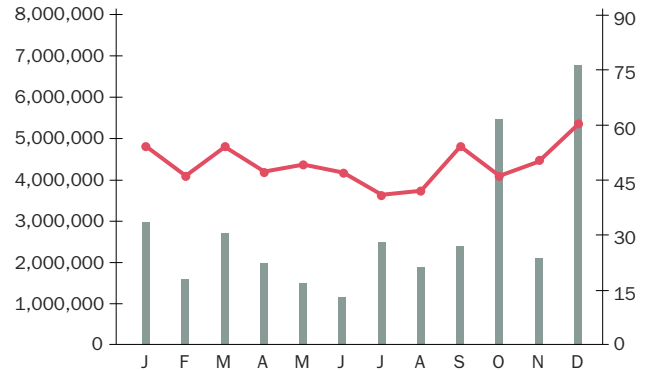
Market Value of Securities Lending / Borrowing Transactions and Number of Transactions

— Market Value (TL billions)
— Number of Transactions



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

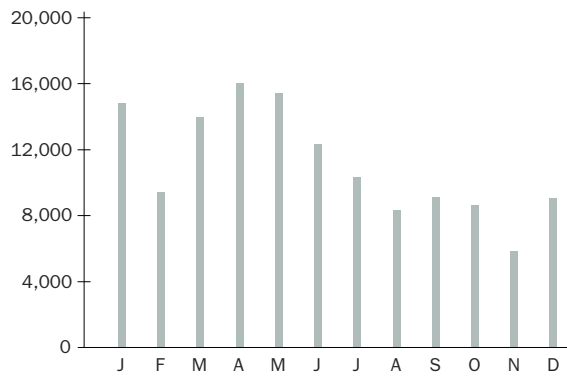
— Number of Stocks (000)
— Types of Stocks



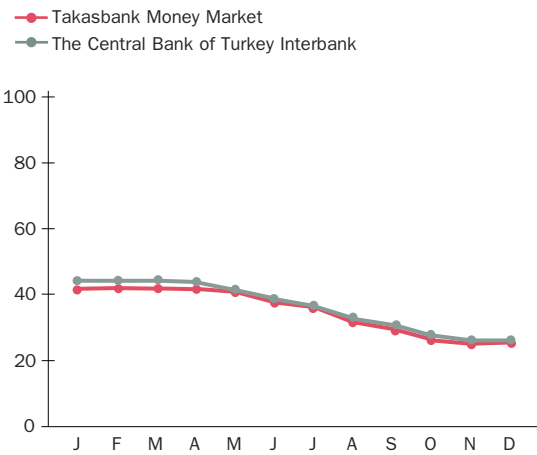
Takasbank Money Market Transaction Volume

Year	Number of Work Days	Total Transaction Volume		Daily Average		Number of Transactions	
		TL Millions	US\$ Millions	TL Millions	US\$ Millions	Total	Daily Average
1999	248	9,723,998,500	22,340.00	39,209,671	90.08	90,729	366
2000	252	31,983,213,500	50,627.42	126,917,514	200.90	129,412	514
2001	251	95,278,273,500	75,992.11	379,594,715	302.76	163,437	651
2002	253	156,020,472,000	105,547.92	616,681,708	417.19	138,627	548
2003	250	133,016,800,000	88,271.99	532,067,200	353.09	80,356	321

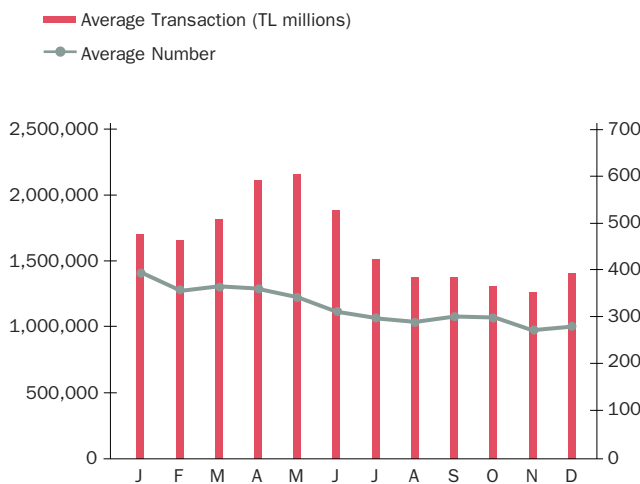
Takasbank Money Market Transaction Volume (TL trillions)



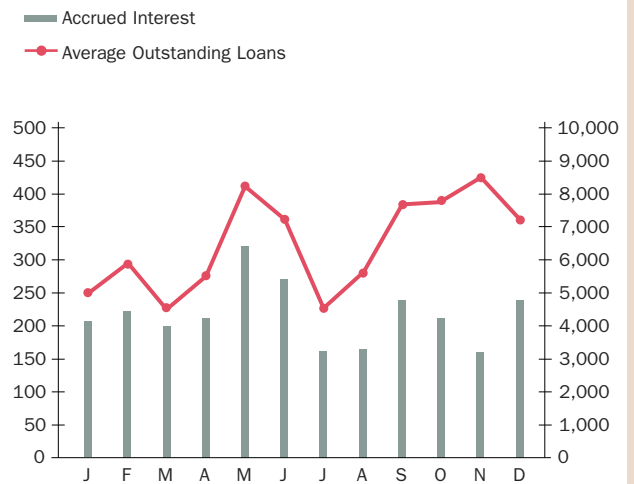
Daily Average of Interest Rates (%)



Takasbank Money Market Transaction Averages



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





Tiles

The Seljuks brought the art of tile making to Anatolia. Between the 14th and 19th centuries, Turkish tiles, produced in Kütahya, İznik, and Çanakkale, were renowned and prized for their beautiful and unique appearance.



Operations in 2003 / continued

TREASURY

Total Revenue Compared to Treasury Revenue

(TL millions)

Year	Total Revenue	Fund Management Revenue	Share of Fund Management Revenue in Total (%)
1999	21,657,239	12,457,255	57.5
2000	36,719,187	16,101,469	43.9
2001	82,654,720	51,714,509	62.6
2002	84,547,220	51,622,265	61.1
2003	90,343,406	59,247,217	65.6

As far as the banking industry was concerned and contrary to initial expectations, 2003 was a year when optimism in the economy nourished, annual inflation and nominal interest rates dropped rapidly and the exchange rates decreased considerably starting from the first half of the year. Despite the Iraq crisis, the subsequent war and speculative activities, which had a limited effect on market trends, the decline in both interest rates and exchange rates persisted in 2003.

This outcome was the result of optimistic expectations in the markets generated by the single-party government, the determination to actualize the IMF sponsored economic program and the willingness to achieve program targets without any compromises. Moreover, the markets appreciated the resolute efforts of the Central Bank of Turkey following a successful and deliberate interest rate policy aimed to cure inflation and of the other state economic institutions that have a role in the implementation of the economic program.

Although interest rates of fixed income securities decreased to a great extent, there has not been a decrease in the ratio of Takasbank treasury revenue within total revenue; on the contrary, the ratio reached a high of 65.6% at the end of 2003.

Despite the ongoing military action close to Turkey's borders and the economic and political tension experienced in global economies, the Takasbank Treasury Department, throughout the year, sustained its view that interest rates would drop and fundamental economic indicators would do better. Average maturity of the Bank's investment portfolio was structured accordingly.

As in previous years, the main objective of Takasbank's Treasury Department is the effective management of all money market instruments and risks associated with them. With expertise and vast market experience, the Department continues to ensure diversity of financial instruments, avoiding maturity mismatches, and managing risks while maintaining liquidity at an optimal level and striving to achieve its profitability targets.

In general, 2003 has been a period in which Takasbank increased its profit and performance in the banking sector and made efficient use of its resources.

INTERNATIONAL SERVICES

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

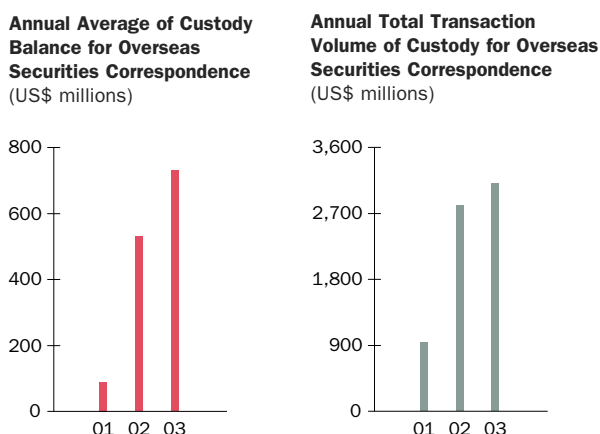
Overseas Settlement and Custody Services for Domestic Institutions

With securities and cash accounts utilized at the international Central Securities Depository institution Euroclear, Takasbank provides settlement and custody services to financial institutions in Turkey. By the end of 2003, these included a total of 57 institutions; nine brokerage houses, 13 banks, two pension companies, one asset management company, 26 pension funds and six mutual funds.

Operations in 2003 / continued

In 2003, the average value of securities (eurobonds, depository certificates and foreign stocks), kept in custody abroad reached US\$ 730 million. The total value of the securities for which settlement services were provided during the year totaled US\$ 3.1 billion. The settlement and custody service abroad also entail the handling of corporate actions related to the securities. Services are provided for dividend payments of stocks and principal and interest payments for eurobonds, foreign T-bills and bonds. Also, while the agendas and resolutions of the Annual Shareholder Meetings are communicated to the institution concerned, voting on behalf of the shareholder institution in the Annual Shareholder Meeting can be exercised by proxy.

Volume of Transaction and Custody Balance for Overseas Transactions



Domestic Settlement and Custody Services for Foreign Institutions

Takasbank also provides domestic settlement and custody services in Turkey to foreign financial institutions. The nominal value of fixed income securities that foreign institutions have deposited at Takasbank as of the end of 2003 was US\$ 70 million, while the market value of stocks was TL 3.5 trillion.

Overseas Transactions Automation Project

The analysis study of the automation project was completed during the year, allowing for the full automation of settlement and custody services provided to domestic and foreign financial institutions. The automation system, currently under development to integrate with the SWIFT system, is scheduled to be operational in 2004.

INTERNATIONAL RELATIONS

Association of Global Custodians Questionnaire 2003

The questionnaire developed by the Association of Global Custodians is responded to by 112 central clearing and custody institutions from 77 countries each year. In 2003, Takasbank again completed the AGC Questionnaire; it is available on the Internet at their website (www.takasbank.com.tr).

Relations with the Capital Markets of the Region

Takasbank is an institution to which countries in its geographical region refer to for assistance. During 2003, Takasbank hosted senior executives and experts from the stock markets of Jordan, Armenia and Mongolia.

ACTIVITIES RELATED TO INTERNATIONAL STANDARDS

ISO TC68/SC4 Activities

Takasbank represents Turkey on behalf of the Turkish Standards Institute (TSE) at the International Standards Organization on the ISO TC68/SC4 Committee, which is responsible for developing international standards for securities and associated financial instruments. The annual ISO TC68/SC4 Committee meeting of 2003 that Takasbank also attended was held in Charleston, South Carolina in the USA between September 29-30, 2003.

Securities National Market Practice Group

The Securities National Market Practice Group-Turkey (NMPG-Turkey) was established to follow-up on standards concerning securities and other financial instruments under the scope of the ISO TC68/SC4 Committee. It also contributes to the development of standards and implementation of these standards in Turkey. Takasbank chairs the NMPG-Turkey; members are from the Central Bank of Turkey, the Turkish Bankers Association, the Association of Capital Markets Intermediary Institutions of Turkey, custodian banks, commercial banks and brokerage houses. In 2003, the NMPG-Turkey continuing its activities and the work on the IBAN (International Bank Account Number) standard became an individual practice group subject within the Turkish Bankers Association. Takasbank also participated in the IBAN Practice Group.

With securities and cash accounts utilized at the international Central Securities Depository institution Euroclear, Takasbank provides settlement and custody services to financial institutions in Turkey.

ACTIVITIES OF NATIONAL NUMBERING AGENCY

National Numbering Agency

Takasbank is the National Numbering Agency of Turkey, authorized by the Capital Markets Board to assign ISIN codes (ISO 6166), the international standards identification numbers and the CFI (ISO 10962) codes, which are the securities classification codes, to the securities and other financial instruments issued in Turkey. In 2003, ISIN codes were assigned to 63 stocks, 108 government bonds and treasury bills and 46 mutual funds. Moreover, 18 ISIN codes were assigned to ISE futures contracts and two ISIN codes for TL/FX parity.

ANNA (Association of National Numbering Agencies) Activities

ANNA is the international organization with over 65 members worldwide. National Numbering Agencies can become a member of ANNA. Takasbank attended the Annual General Meeting of ANNA that was held in Warsaw between May 22-23, 2003.

In November 2003, the ANNA General Assembly appointed Takasbank to chair of the ISIN Review Practice Group, which has been established within ANNA. Apart from Takasbank, the London Stock Exchange (England), Standard & Poors Cusip Service Bureau (USA), Ufficio Italiano dei Cambi (Italy), Clearstream, Euroclear, Telekurs (Switzerland), Euronext Brussels (Belgium), the Canadian Depository for Securities (Canada) and Wertpapier-Mitteilungen (Germany), were also represented in this task force.

The ANNA Service Bureau (ASB), operated by Standard & Poor's and Telekurs, collects the ISIN codes and associated data records from the National Numbering Agencies on the Internet and disseminates this data to global financial markets. Takasbank is on the ASB Board of Directors, representing the ANNA General Assembly. Takasbank forwards all ISIN codes it assigns along with basic data concerning securities to the ASB system via the Internet on a daily basis.

Electronic Securities Database Project

Full automation in securities services will only be possible through the implementation of international standards and access to securities data on electronic medium. Takasbank aims to provide

market players with an electronic securities database, with priority placed on those securities that have been issued and have a secondary market in Turkey. The project is scheduled to be operational in 2004.

HUMAN RESOURCES AND TRAINING

There were 226 employees at Takasbank as of the end of 2003. Of the 140 (61%) university graduates among its workforce, one with a doctorate and 18 with a master's degrees. Takasbank provides incentives to its employees to participate in graduate and post-graduate programs; all other employees are encouraged to achieve higher levels of education.

In 1998, Takasbank instated a foreign language allowance to provide an incentive to advance foreign language skills and capability; presently, 45 employees receive this allowance. Takasbank will continue making this contribution to employees embarking upon foreign language courses.

As a prerequisite for transparency and participation to the management process, an open evaluation system is implemented twice a year. The practice of awarding the Five-Year Service badge to personnel who have served for five years at Takasbank has continued as a demonstration of institutionalization and corporate culture with a view to maintaining a high level of motivation among employees.

Due to the highly specialized nature of Takasbank services, newly recruited personnel and personnel who need specialization are given intensive, high quality training. Following theoretical training, personnel newly recruited by Takasbank are assigned to alternating departments on a rotating basis where they undergo practical, on-the-job training.

All training deemed necessary, either in or out of the Bank, has been put into practice within the framework of programs developed in coordination with all units of the Bank. In 2003, a total of 209 employees participated in 80 training programs for a total of 3,818 training hours; per-capita yearly training was realized at 17 hours.

At least one instructor representing Takasbank has been sent as a contribution to training and promotional activities offered by the Capital Markets Board, the Association of Capital Market Intermediary Institutions of Turkey, Fatih University, Istanbul Bilgi University, Hacettepe University, Istanbul Lawyers Association and Garanti Bank.

SYSTEM DEVELOPMENT AND SOFTWARE

Some significant projects were completed and launched in 2003:

- The Pension Fund Automation system, which enables completion, surveillance and supervision of transactions concerning pension funds to be undertaken by Takasbank, was completed.
- Takas-Net, which is the Internet version of the Alo-Takas system, was made available for the investors.
- The system using a method wherein ID information is acquired from MERNIS by sending the citizenship number, or citizenship numbers are acquired by sending the ID information, was made operational, enabling private pension companies to automatically receive customer ID information from Takasbank.
- The computerization process for automatically generating ISIN codes for stocks and other securities was completed and made operational.
- Reports and data used to improve the supervision and audit activities of the Capital Markets Board were set up and made operational.
- The project for enabling connection passwords used by members for all kinds of inter-account transfer/EFT transactions at Takasbank to be generated at members' offices was made operational.
- The automation project for enabling the calculation, supervision and monitoring of stock settlement risks with various methods was completed and made operational.
- The inventory system enabling the follow-up of Takasbank inventory, a fully automated accounting system and the automation of the barcode system were completed and made operational.
- Improvements and revisions for follow-up and reporting screens used by members regarding the Derivatives Market were completed and made operational.
- Revisions concerning Treasury Back Office transactions were completed and made operational.
- Revisions enabling automated redemption of bonds and FX-denominated securities were completed and made operational.
- Changes in legislation regarding repo and rediscount transactions were reflected in Takasbank transactions.
- Brokerage House Blockage Collateral System was converted into a parametric collaterals system with stock settlement revisions on a project basis.

Projects in the testing stage whose analysis and programming work have been completed during the year are:

- The CMB-ISE Supervision Project, including the functions used to enhance market supervision and audit activities, carried out in cooperation with CMB and ISE.
- User screens and interface work enabling integration of the SWIFT system with the transactions of Takasbank.
- Infrastructure work concerning the Customer Based Custody for Government Bonds and Bills transactions.

Significant projects whose analysis and software development stages are currently ongoing at the end of the year are as follows:

- Developments to the Pension Companies Surveillance System.
- Work enabling the transition to the Customer-Based Custody for Government Bonds and Bills Transactions; the technical infrastructure has already been set up.
- Technical infrastructure and automation work carried out in cooperation with the Central Registry Institution.
- Integration of FX-denominated Settlement and the SWIFT System.
- Work on the implementation of IBAN in the Turkish banking system.
- Revisions to the Conditional Transfer system for stocks (i.e. asset to asset) and preparation of additional offers for the market in response to user requirements and demands.
- Project to generate an Electronic Securities Database.
- Takasbank Money Market Remote Access Project enabling members to perform Takasbank Money Market transactions, enter orders and follow up at their own offices.
- Work to remove six zeros from the Turkish currency.
- Deployment of Takasbank and member software on the web environment.
- Automation process carried out with the Izmir Derivatives Exchange Inc.

LEGAL AFFAIRS

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

The Legal Affairs Department makes calculations concerning payments to be made from the Special Fund to the customers of bankrupt brokerage institutions in accordance with lists forwarded by the Bankruptcy Directorates. They then send the calculated figures to the relevant Bankruptcy Directorates.

In addition to agreements to which the Bank is a party, Agreements Concerning the Customer Instructions Forwarded to Takasbank via Facsimile and written commitments relating to Instructions for Cash, Securities, Letters of Guarantee, Conditional Transfers and EFT Transfer Transactions are examined for content and are safeguarded at the Legal Affairs Department. These contracts and written commitments are defined in the banking system; the relevant operational units of brokerage institutions, investment trust companies and mutual funds, authorized to undertake transactions with Takasbank are identified.

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

ADMINISTRATIVE AFFAIRS AND PROCUREMENT

The Administrative Affairs and Procurement Department provides many types of services and logistic support functions to all units of Takasbank.

While keeping up with the latest technological developments, the Department aims at increasing employees' workplace satisfaction and motivation by assuring that these advancements are adapted. All its services are undertaken with an advanced social awareness and with maximum care for the natural environment.

The Administrative Services, Procurement, Transportation, Communications and Archives, Insurance and Technical Services Units within the Department work to best satisfy the needs of the users within the Bank and customers outside.

The Communications and Archives Unit disseminates and archives all incoming documents in an electronic environment. The Insurance Unit, operating as an Aksigorta Authorized Agent, secures Takasbank's risk as well as other clients' risk in different insurance categories. A total of 293 insurance policies were drawn up in 2003 under insurance agency activities.

BOARD OF INTERNAL AUDITORS

As part of the internal audit work that continues uninterruptedly throughout the year, the Board of Internal Auditors carries out its activities in harmony with the Risk Management Group and the Internal Control Center. The entire internal control and risk management process within the Bank is coordinated by a specifically designated member of the Board of Directors to ensure that any risk that may arise during the normal course of settlement, custody and banking operations, are monitored and controlled effectively.

Operations in 2003 / continued

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

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

RISK MANAGEMENT GROUP

A series of regulations have been put in place by the Banking Regulation and Supervision Agency (BRSA) in parallel with the international developments concerning banks' internal audit and risk management systems. In 2002 and within the framework of these legal arrangements, a Risk Management Group, made up of the Senior Risk Committee reporting directly to the Board of Directors with subordinate Risk Committee, Market and Credit Risk Committee and Operational Risk Committee, was formed at Takasbank.

At the end of 2002, the Risk Management Group at Takasbank prepared the Risk Assessment Matrix and Risk Assessment Report, pursuant to Article 43 of the Regulation on the Banks' Internal Audit and Risk Management Systems promulgated by the BRSA, published in the Official Gazette No. 24312 on February 8, 2001. According to this article, the work started in the second half of 2002 to prepare the Takasbank Emergency Plan was completed in 2003 and proved to be proficient in the comprehensive tests that were performed on March 15, 2003 with the participation of 80 employees. The Board of Directors approved Takasbank Emergency Plan and the Risk Assessment Report for the Year 2002; a report on the results was submitted by the Senior Risk Committee.

The Communiqué No. BDDK.RYGTD.5.2842 promulgated by the BRSA on March 6, 2003, stated that all banks should prepare a written risk assessment as their interim reports according to the regulations specified as of June 30, 2003. A commission formed by the Board of Directors has prepared Takasbank's Interim Risk Assessment Report and its appendix entitled Risk Assessment Matrix in accordance with the specified procedure. Pursuant to the Communiqué (45/c) entitled Notification Responsibilities of the Banks on the Arrangements of their Internal Audit and Risk Management Systems, the Risk Assessment Report prepared by Takasbank as of June 30, 2003, was sent to the BRSA Head of Risk Management and Supervision Techniques after the approval by the Board of Directors.

The committees under the Risk Management Group continue activities such as determining risk management policies and establishing implementation procedures, identification, measurement, monitoring, investigation, confirmation and control of risks in coordination with other relevant units.

INTERNAL CONTROL CENTER

An Internal Control Center directly reporting to the Board of Directors was set up pursuant to the provisions of the Regulation on the Banks' Internal Audit and Risk Management Systems promulgated by the BRSA, published in the Official Gazette No. 24312 on February 8, 2001.

With the audits performed by the Internal Control Center, all of the operational activities of the Bank, mainly the information systems are monitored and controlled according to the generally accepted auditing principles, which were approved by the Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA).

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

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

FINANCIAL STATEMENTS AND
AUDITORS' REPORT AT 31 DECEMBER 2003



TAKASBANK

**İMKB TAKAS VE SAKLAMA BANKASI A.Ş.
INDEPENDENTLY AUDITED FINANCIAL STATEMENTS AND NOTES TO
THE FINANCIAL STATEMENTS TO BE PUBLICLY ANNOUNCED
FOR THE YEAR FROM 1 JANUARY 2003 TO 31 DECEMBER 2003**

The accompanying reporting package prepared in accordance with Communiqué Number 17 "Financial Statements, Explanations and Notes to the Financial Statements to be Publicly Announced" consists of the following sections:

Financial Statements

Explanations and Notes to the Financial Statements

- Section One - General Information
- Section Two - Accounting Policies
- Section Three - Notes to the Financial Structure
- Section Four - Notes to the Financial Statements
- Section Five - Explanations for the Independent Auditors' Report
- Section Six - Other Explanations and Notes

Standalone (unconsolidated) financial statements, explanations and notes to the financial statements have been prepared according to the Accounting Practices Regulation and related communiques and in compliance with the Bank's records and are stated at the purchasing power of TL as at 31 December 2003 in TL Billion, unless otherwise stated. The accompanying financial statements have been audited by the independent auditors.

27 January 2004

Sezai Bekgöz
Board of Directors'
Member Responsible
for Internal Audit

Emin Çatana
General Manager

Ahmet Çakırsoy
Assistant General
Manager

H. İbrahim Samancı
Accounting Manager

To the Board of Directors of
İMKB Takas ve Saklama Bankası A.Ş.
İstanbul

**İMKB TAKAS VE SAKLAMA BANKASI A.Ş.
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR 1 JANUARY - 31 DECEMBER 2003**

1. We have audited the accompanying balance sheet of İMKB Takas ve Saklama Bankası A.Ş. ("the Bank") at 31 December 2003 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Bank as of 31 December 2002 have been audited by other auditors whose report expressed an unqualified opinion. The other auditors' report has been furnished to us, and our report, insofar as it relates to the opening balances for the current year, is based solely on the report of such other auditors.
2. We conducted our audit in accordance with the Uniform Chart of Accounts of Banks, accounting standards and the independent audit principles in conformity with the Banks Act No. 4389. Those principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İMKB Takas ve Saklama Bankası A.Ş. at 31 December 2003 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by the regulations in conformity with Article 13 of the Banks Act.
4. Additional paragraph for English translation:
The accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to review the accompanying financial statements are those generally accepted and applied in Turkey.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of **DELOITTE TOUCHE TOHMATSU**

İstanbul, 27 January 2004



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Partner

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.
INFLATION ADJUSTED BALANCE SHEET

BILLION TURKISH LIRA							
ASSETS	Disc.	Independently Audited CURRENT PERIOD			Independently Audited PRIOR PERIOD		
		(31/12/2003)			(31/12/2002)		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	(4.1.1)	1,966	33	1,999	2,317	51	2,368
1.1. Cash		6	-	6	3	-	3
1.2. Foreign currency		-	-	-	-	-	-
1.3. Balances with the Central Bank of Turkey		1,960	33	1,993	2,314	51	2,365
II. TRADING SECURITIES (Net)	(4.1.2)	2,923	-	2,923	3,707	-	3,707
2.1. Public sector debt securities		2,923	-	2,923	3,707	-	3,707
2.1.1. Government bonds		1,608	-	1,608	1,162	-	1,162
2.1.2. Treasury bills		1,315	-	1,315	2,545	-	2,545
2.1.3. Other		-	-	-	-	-	-
2.2. Share certificates		-	-	-	-	-	-
2.3. Other marketable securities		-	-	-	-	-	-
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(4.1.3)	45,120	5,758	50,878	-	7,826	7,826
3.1. Due from banks		45,120	5,758	50,878	-	7,826	7,826
3.1.1. Domestic banks		45,120	568	45,688	-	65	65
3.1.2. Foreign banks		-	5,190	5,190	-	7,761	7,761
3.2. Other financial institutions		-	-	-	-	-	-
IV. MONEY MARKET TRANSACTIONS	(4.1.4)	81,678	-	81,678	132,940	-	132,940
4.1. Interbank money market placements		80,000	-	80,000	130,464	-	130,464
4.2. Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3. Receivables from reverse repurchase agreements		1,678	-	1,678	2,476	-	2,476
V. SECURITIES AVAILABLE FOR SALE (Net)	(4.1.5)	205	-	205	59	-	59
5.1. Share certificates		-	-	-	-	-	-
5.2. Other marketable securities		205	-	205	59	-	59
VI. LOANS	(4.1.6)	6,369	-	6,369	8,889	-	8,889
6.1. Short-term		6,369	-	6,369	8,889	-	8,889
6.2. Medium and long-term		-	-	-	-	-	-
6.3. Loans under follow-up		-	-	-	-	-	-
6.4. Specific provisions (-)		-	-	-	-	-	-
VII. FACTORING RECEIVABLES	(4.1.7)	-	-	-	-	-	-
VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)	(4.1.8)	74,277	-	74,277	44,367	-	44,367
8.1. Public sector debt securities		74,277	-	74,277	44,367	-	44,367
8.1.1. Government bonds		74,277	-	74,277	9,241	-	9,241
8.1.2. Treasury bills		-	-	-	35,126	-	35,126
8.1.3. Other		-	-	-	-	-	-
8.2. Other securities		-	-	-	-	-	-
IX. ASSOCIATES (Net)	(4.1.9)	-	-	-	-	-	-
9.1. Financial associates		-	-	-	-	-	-
9.2. Non-Financial associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	(4.1.10)	2,457	-	2,457	1,120	-	1,120
10.1. Financial subsidiaries		2,457	-	2,457	1,120	-	1,120
10.2. Non-Financial subsidiaries		-	-	-	-	-	-
XI. OTHER INVESTMENTS (Net)	(4.1.11)	-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(4.1.12)	-	-	-	-	-	-
12.1. Gross finance lease receivables		-	-	-	-	-	-
12.2. Unearned income (-)		-	-	-	-	-	-
XIII. RESERVE DEPOSITS		2,214	14	2,228	2,059	104	2,163
XIV. SUNDRY DEBTORS	(4.1.13)	1,963	-	1,963	1,600	-	1,600
XV. ACCRUED INTEREST AND INCOME RECEIVABLE	(4.1.14)	23,262	1	23,263	10,335	-	10,335
15.1. Loans		5	-	5	13	-	13
15.2. Securities		21,709	-	21,709	9,716	-	9,716
15.3. Other		1,548	1	1,549	606	-	606
XVI. PROPERTY AND EQUIPMENT (Net)	(4.1.15)	12,127	-	12,127	13,585	-	13,585
16.1. Book value		23,747	-	23,747	22,814	-	22,814
16.2. Accumulated Depreciation (-)		(11,620)	-	(11,620)	(9,229)	-	(9,229)
XVII. INTANGIBLE ASSETS (Net)	(4.1.16)	464	-	464	569	-	569
17.1. Goodwill		-	-	-	-	-	-
17.2. Other		1,297	-	1,297	1,255	-	1,255
17.3. Accumulated Amortisation (-)		(833)	-	(833)	(686)	-	(686)
XVIII. OTHER ASSETS	(4.1.17)	18,659	-	18,659	15,130	-	15,130
TOTAL ASSETS		273,684	5,806	279,490	236,677	7,981	244,658

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

INFLATION ADJUSTED BALANCE SHEET

BILLION TURKISH LIRA							
LIABILITIES	Disc.	Independently Audited CURRENT PERIOD			Independently Audited PRIOR PERIOD		
		(31/12/2003)			(31/12/2002)		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(4.2.1)	-	-	-	-	-	-
1.1. Interbank deposits		-	-	-	-	-	-
1.2. Savings deposits		-	-	-	-	-	-
1.3. Public sector deposits		-	-	-	-	-	-
1.4. Commercial deposits		-	-	-	-	-	-
1.5. Other institutions deposits		-	-	-	-	-	-
1.6. Foreign currency deposits		-	-	-	-	-	-
1.7. Precious metals deposits		-	-	-	-	-	-
II. INTERBANK MONEY MARKET	(4.2.2)	-	-	-	-	-	-
2.1. Interbank money market takings		-	-	-	-	-	-
2.2. Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3. Funds provided under repurchase agreements		-	-	-	-	-	-
III. BORROWINGS	(4.2.3)	-	-	-	-	-	-
3.1. Borrowings from the Central Bank of Turkey		-	-	-	-	-	-
3.2. Other borrowings		-	-	-	-	-	-
3.2.1. Domestic banks and institutions		-	-	-	-	-	-
3.2.2. Foreign banks, institutions and funds		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)	(4.2.4)	-	-	-	-	-	-
4.1. Bills		-	-	-	-	-	-
4.2. Asset backed securities		-	-	-	-	-	-
4.3. Bonds		-	-	-	-	-	-
V. FUNDS	(4.2.5)	-	-	-	-	-	-
VI. SUNDRY CREDITORS	(4.2.6)	8,001	5,170	13,171	10,659	7,400	18,059
VII. OTHER LIABILITIES	(4.2.7)	65,873	7	65,880	56,039	8	56,047
VIII. TAXES AND OTHER DUTIES PAYABLE	(4.2.8)	3,279	-	3,279	6,147	-	6,147
IX. FACTORING PAYABLES	(4.2.9)	-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(4.2.10)	-	-	-	-	-	-
10.1. Finance Leasing Payables		-	-	-	-	-	-
10.2. Deferred finance leasing expenses (-)		-	-	-	-	-	-
XI. ACCRUED INTEREST AND EXPENSES PAYABLE	(4.2.11)	51	-	51	296	-	296
11.1. Deposits		-	-	-	-	-	-
11.2. Borrowings		-	-	-	-	-	-
11.3. Repurchase agreements		-	-	-	-	-	-
11.4. Other		51	-	51	296	-	296
XII. PROVISIONS	(4.2.12)	25,155	-	25,155	26,383	-	26,383
12.1. General loan loss provisions		275	-	275	-	-	-
12.2. Reserve for employee termination benefits		107	-	107	109	-	109
12.3. Provisions for corporate income taxes		24,773	-	24,773	26,274	-	26,274
12.4. Insurance technical reserves (Net)		-	-	-	-	-	-
12.5. Other provisions		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(4.2.12)	-	-	-	-	-	-
XIV. MINORITY INTEREST	(4.2.20)	-	-	-	-	-	-
XV. SHAREHOLDERS' EQUITY	(4.2.13)	171,954	-	171,954	137,726	-	137,726
15.1. Paid-in capital		60,000	-	60,000	60,000	-	60,000
15.2. Supplementary capital		77,726	-	77,726	101,503	-	101,503
15.2.1. Share premium	(4.2.14)	-	-	-	-	-	-
15.2.2. Share cancellation profits		-	-	-	-	-	-
15.2.3. Marketable securities value increase fund	(4.2.15)	-	-	-	-	-	-
15.2.4. Revaluation fund	(4.2.16)	-	-	-	-	-	-
15.2.5. Value increase in revaluation fund	(4.2.17)	-	-	-	-	-	-
15.2.6. Other capital reserves		-	-	-	-	-	-
15.2.7. Inflation adjustment to share capital		77,726	-	77,726	101,503	-	101,503
15.3. Profit reserves		-	-	-	18,238	-	18,238
15.3.1. Legal reserves	(4.2.18)	-	-	-	14,570	-	14,570
15.3.2. Statutory reserves		-	-	-	-	-	-
15.3.3. Extraordinary reserves	(4.2.19)	-	-	-	3,668	-	3,668
15.3.4. Other profit reserves		-	-	-	-	-	-
15.4. Profit or loss		34,228	-	34,228	(42,015)	-	(42,015)
15.4.1. Prior years' income/losses		-	-	-	(69,140)	-	(69,140)
15.4.2. Current year income/loss		34,228	-	34,228	27,125	-	27,125
TOTAL LIABILITIES		274,313	5,177	279,490	237,250	7,408	244,658

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.
INFLATION ADJUSTED INCOME STATEMENT

BILLION TURKISH LIRA			
INCOME AND EXPENSES	Disc.	Independently Audited	Independently Audited
		CURRENT PERIOD (01/01/2003-31/12/2003)	PRIOR PERIOD (01/01/2002-31/12/2002)
I. INTEREST INCOME	(4.3.1)	60,584	69,719
1.1. Interest on loans		2,701	2,846
1.1.1. Interest on TL loans		2,701	2,846
1.1.1.1. Short-term loans		2,701	2,846
1.1.1.2. Medium and long-term loans		-	-
1.1.2. Interest on foreign currency loans		-	-
1.1.2.1. Short-term loans		-	-
1.1.2.2. Medium and long-term loans		-	-
1.1.3. Interest on loans under follow-up		-	-
1.1.4. Premiums received from Resource Utilisation Support Fund		-	-
1.2. Interest received from reserve deposits		249	272
1.3. Interest received from banks		5,746	1,090
1.3.1. The Central Bank of Turkey		-	-
1.3.2. Domestic banks		5,696	795
1.3.3. Foreign banks		50	295
1.4. Interest received from money market transactions		19,463	49,624
1.5. Interest received from securities portfolio		32,407	15,836
1.5.1. Trading securities		-	-
1.5.2. Available-for-sale securities		-	-
1.5.3. Held-to-maturity securities		32,407	15,836
1.6. Other interest income		18	51
II. INTEREST EXPENSE	(4.3.2)	(1)	(13)
2.1. Interest on deposits		-	-
2.1.1. Interbank deposits		-	-
2.1.2. Savings deposits		-	-
2.1.3. Public sector deposits		-	-
2.1.4. Commercial deposits		-	-
2.1.5. Other institutions deposits		-	-
2.1.6. Foreign currency deposits		-	-
2.1.7. Precious metals deposits		-	-
2.2. Interest on money market transactions		-	-
2.3. Interest on funds borrowed		(1)	(13)
2.3.1. The Central Bank of Turkey		-	-
2.3.2. Domestic banks		(1)	(13)
2.3.3. Foreign banks		-	-
2.3.4. Other financial institutions		-	-
2.4. Interest on securities issued		-	-
2.5. Other interest expenses		-	-
III. NET INTEREST INCOME (I - II)		60,583	69,706
IV. NET FEES AND COMMISSIONS INCOME		4,293	6,899
4.1. Fees and commissions received		5,444	8,105
4.1.1. Cash loans		-	-
4.1.2. Non-cash loans		5,444	8,105
4.1.3. Other		-	-
4.2. Fees and commissions paid		(1,151)	(1,206)
4.2.1. Cash loans		-	-
4.2.2. Non-cash loans		(100)	(109)
4.2.3. Other		(1,051)	(1,097)
V. DIVIDEND INCOME		-	-
5.1. Trading securities		-	-
5.2. Available-for-sale securities		-	-
VI. NET TRADING INCOME/LOSS		2,726	(613)
6.1. Securities trading gains/(losses) (Net)		2,817	-
6.2. Foreign exchange gains/losses (Net)		(91)	(613)
VII. PROFIT/LOSS FROM HELD-TO-MATURITY INVESTMENT SECURITIES	(4.3.3)	-	-
VIII. OTHER OPERATING INCOME	(4.3.4)	25,488	32,827
IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		93,090	108,819
X. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(4.3.5)	(275)	-
XI. OTHER OPERATING EXPENSES (-)	(4.3.6)	(17,034)	(21,436)
XII. NET OPERATING INCOME (IX-X-XI)		75,781	87,383
XIII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES	(4.3.7)	-	-
XIV. NET MONETARY POSITION GAIN/LOSS		(16,780)	(30,109)
XV. INCOME BEFORE TAXES (XII+XIII+XIV)		59,001	57,274
XVI. PROVISION FOR TAXES ON INCOME (-)		(24,773)	(29,692)
XVII. NET OPERATING INCOME/EXPENSE AFTER TAXES (XIV-XV)		34,228	27,582
XVIII. EXTRAORDINARY INCOME/EXPENSE AFTER TAXES		-	(457)
18.1. Extraordinary net income/expense before taxes		-	(457)
18.1.1. Extraordinary income		-	-
18.1.2. Extraordinary expense (-)		-	(457)
18.2. Provision for taxes on extraordinary income		-	-
XIX. NET PROFIT/LOSSES (XVII+XVIII)	(4.3.8)	34,228	27,125

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INFLATION ADJUSTED OFF-BALANCE SHEET COMMITMENTS

BILLION TURKISH LIRA							
		Independently Audited			Independently Audited		
		CURRENT PERIOD			PRIOR PERIOD		
		(31/12/2003)			(31/12/2002)		
		TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS	486,787	-	486,787	885,168	-	885,168
I.	GUARANTEES AND SURETIES	(4.4.1), (4.4.5)	-	486,787	885,014	-	885,014
1.1.	Letters of guarantee	-	-	-	-	-	-
1.1.1.	Guarantees subject to State Tender Law	-	-	-	-	-	-
1.1.2.	Guarantees given for foreign trade operations	-	-	-	-	-	-
1.1.3.	Other letters of guarantee	-	-	-	-	-	-
1.2.	Bank acceptances	-	-	-	-	-	-
1.2.1.	Import letter of acceptance	-	-	-	-	-	-
1.2.2.	Other bank acceptances	-	-	-	-	-	-
1.3.	Letters of credit	-	-	-	-	-	-
1.3.1.	Documentary letters of credit	-	-	-	-	-	-
1.3.2.	Other letters of credit	-	-	-	-	-	-
1.4.	Prefinancing given as guarantee	-	-	-	-	-	-
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2.	Other endorsements	-	-	-	-	-	-
1.6.	Securities underwriting guarantees	-	-	-	-	-	-
1.7.	Other guarantees given	486,787	-	486,787	885,014	-	885,014
1.8.	Other sureties given	-	-	-	-	-	-
II.	COMMITMENTS	-	-	-	154	-	154
2.1.	Irrevocable commitments	-	-	-	154	-	154
2.1.1.	Asset purchase commitments	-	-	-	-	-	-
2.1.2.	Deposit purchase and sales commitments	-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and subsidiaries	-	-	-	-	-	-
2.1.4.	Loan granting commitments	-	-	-	-	-	-
2.1.5.	Securities intermediary commitments	-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7.	Commitments for credit card limits	-	-	-	-	-	-
2.1.8.	Other irrevocable commitments	-	-	-	154	-	154
2.2.	Revocable commitments	-	-	-	-	-	-
2.2.1.	Revocable loan granting commitments	-	-	-	-	-	-
2.2.2.	Other revocable commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	-
3.1.	Forward foreign currency buy/sell transactions	-	-	-	-	-	-
3.1.1.	Forward foreign currency transactions-buy	-	-	-	-	-	-
3.1.2.	Forward foreign currency transactions-sell	-	-	-	-	-	-
3.2.	Swap transactions related to foreign currency and interest rates	-	-	-	-	-	-
3.2.1.	Foreign currency swap-buy	-	-	-	-	-	-
3.2.2.	Foreign currency swap-sell	-	-	-	-	-	-
3.2.3.	Interest rate swaps-buy	-	-	-	-	-	-
3.2.4.	Interest rate swaps-sell	-	-	-	-	-	-
3.3.	Foreign currency and interest rate options	-	-	-	-	-	-
3.3.1.	Foreign currency options-buy	-	-	-	-	-	-
3.3.2.	Foreign currency options-sell	-	-	-	-	-	-
3.3.3.	Interest rate options-buy	-	-	-	-	-	-
3.3.4.	Interest rate options-sell	-	-	-	-	-	-
3.4.	Foreign currency futures	-	-	-	-	-	-
3.4.1.	Foreign currency futures-buy	-	-	-	-	-	-
3.4.2.	Foreign currency futures-sell	-	-	-	-	-	-
3.5.	Interest rate futures	-	-	-	-	-	-
3.5.1.	Interest rate futures-buy	-	-	-	-	-	-
3.5.2.	Interest rate futures-sell	-	-	-	-	-	-
3.6.	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGED SECURITIES (IV+V)	10,410,685	91,207	10,501,892	8,965,118	133,704	9,098,822
IV.	ITEMS HELD IN CUSTODY	8,117,957	-	8,117,957	5,299,743	-	5,299,743
4.1.	Customer assets under custody	62	-	62	200	-	200
4.2.	Securities held in custody	8,116,395	-	8,116,395	5,297,834	-	5,297,834
4.3.	Checks received for collection	-	-	-	-	-	-
4.4.	Commercial notes received for collection	-	-	-	-	-	-
4.5.	Other assets received for collection	-	-	-	-	-	-
4.6.	Assets received for public offerings	-	-	-	-	-	-
4.7.	Other items under custody	1,500	-	1,500	1,709	-	1,709
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGED ITEMS	2,292,728	91,207	2,383,935	3,665,375	133,704	3,799,079
5.1.	Marketable securities	2,261,549	90,290	2,351,839	3,627,206	132,480	3,759,686
5.2.	Guarantee notes	1	-	1	-	-	-
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	-	-	-	-	-	-
5.6.	Other pledged items	31,177	-	31,177	38,014	-	38,014
5.7.	Pledged items-depository	1	917	918	155	1,224	1,379
TOTAL OFF-BALANCE SHEET COMMITMENTS		10,897,472	91,207	10,988,679	9,850,286	133,704	9,983,990

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INFLATION ADJUSTED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY	Disclosure	Paid-in Capital	Inflation Adjustment to Share Capital	Share Premium	Share Certificate Cancellation	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Value Prior period Net Income/ (Loss)	Revaluation Fund	Revaluation Fund	Increase Fund	Marketable Securities Value Increase Fund	Total
Independently Audited																
PRIOR PERIOD																
(01/01/2002-31/12/2002)																
1.	Balances at the beginning of period	33,540	95,129	-	-	10,535	-	2,791	-	17,527	(36,366)	-	-	-	-	123,136
2.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Net income for the year	-	-	-	-	-	-	-	-	27,125	(17,801)	-	-	-	-	27,125
4.	Dividends	-	-	-	-	-	-	-	-	-	(87,746)	-	-	-	-	(17,801)
5.	Transfers to legal reserves	26,460	6,374	-	-	4,035	-	877	-	-	-	-	-	-	-	-
6.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	5,266	-	-	-	-	5,266
8.	Other	-	-	-	-	-	-	-	-	(17,527)	17,527	-	-	-	-	-
9.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Ending balances (1-2-3-4+5-6+7-8+9)	60,000	101,503	-	-	14,570	-	3,668	-	27,125	(69,140)	-	-	-	-	137,726
Independently Audited																
CURRENT PERIOD																
(01/01/2003-31/12/2003)																
1.	Balances at beginning of period	60,000	101,503	-	-	14,570	-	3,668	-	27,125	(69,140)	-	-	-	-	137,726
2.	Increase in the period:															
2.1.	Available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	Net fair value gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1.	Cash flow/hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.	Net fair value gains/losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Transferred Amounts:															
5.1.	Available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Transfers to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1.	Cash flow/hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2.	Transfers to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	Transfers to assets	-	-	-	-	-	-	-	-	34,228	-	-	-	-	-	34,228
7.1.	Net current year income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Other	-	(23,777)	-	-	(14,570)	-	(3,668)	-	(27,125)	69,140	-	-	-	-	-
	Ending balances (1-2-3-4+5-6+7-8-9+10-11)	60,000	77,726	-	-	-	-	-	-	34,228	-	-	-	-	-	171,954

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

INFLATION ADJUSTED STATEMENT OF CASH FLOWS

BILLION TURKISH LIRA			
		Independently Audited	Independently Audited
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2003-31/12/2003)	(01/01/2002-31/12/2002)
		Disc.	
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1.	Operating profit before changes in operating assets and liabilities (+)		
		22,662	28,862
1.1.1.	Interest received (+)	37,321	68,439
1.1.2.	Interest paid (-)	-1	13
1.1.3.	Dividends received (+)	-	-
1.1.4.	Fees and commissions received(+)	4,293	8,105
1.1.5.	Other income (+)	28,307	-
1.1.6.	Collections from previously written-off loans and other receivables (+)	-	-
1.1.7.	Payments to personnel and service suppliers (-)	-	11,329
1.1.8.	Taxes paid (-)	-	33,612
1.1.9.	Extraordinary items (+/-)	-	(457)
1.1.10.	Other (+/-)	(4.6.1) (47,258)	(2,271)
1.2.	Changes in operating assets and liabilities	(47,395)	30,882
1.2.1.	Net increase (decrease) in trading securities (+/-)	784	(710)
1.2.2.	Net increase (decrease) in due from banks and other financial institutions (+/-)	(48,403)	(809)
1.2.3.	Net increase (decrease) decrease in loans	2,520	(3,908)
1.2.4.	Net increase (decrease) in other assets (+/-)	(3,958)	3,161
1.2.5.	Net increase (decrease) in bank deposits (+/-)	-	-
1.2.6.	Net increase (decrease) in other deposits (+/-)	-	-
1.2.7.	Net increase (decrease) in borrowings (+/-)	-	-
1.2.8.	Net increase (decrease) in matured payables (+/-)	-	-
1.2.9.	Net increase (decrease) in other liabilities (+/-)	(4.6.1) 1,662	33,148
I.	Net cash provided from banking operations (+/-)	(24,733)	59,744
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities (+/-)	(32,157)	(33,611)
2.1.	Cash paid for purchase of investments, associates and subsidiaries (-)	(4.6.2) (1,337)	-
2.2.	Cash obtained from sale of investments, associates and subsidiaries (+)	(4.6.3) -	-
2.3.	Fixed assets purchases (-)	(780)	4,864
2.4.	Fixed assets sales (+)	16	28
2.5.	Cash paid for purchase of investments available for sale (-)	(146)	59
2.6.	Cash obtained from sale of investments available for sale (+)	-	-
2.7.	Cash paid for purchase of investment securities (-)	(85,028)	28,716
2.8.	Cash obtained from sale of investment securities (+)	55,118	-
2.9.	Extraordinary items (+/-)	-	-
2.10.	Other (+/-)	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash provided from financing activities (+/-)	-	(17,845)
3.1.	Cash obtained from borrowings and securities issued (+)	-	-
3.2.	Cash used for repayment of borrowings and securities issued (-)	-	-
3.3.	Capital increase (+)	-	-
3.4.	Dividends paid (-)	-	17,801
3.5.	Payments for finance leases (-)	-	44
3.6.	Extraordinary items (+/-)	-	-
3.7.	Other (+/-)	-	-
IV.	Effect of change in foreign exchange rates on cash and cash equivalents	(4.6.1) (91)	-
V.	Net increase in cash and cash equivalents (I+II+III+IV)	(56,981)	8,288
VI.	Cash and cash equivalents at beginning of the year (+)	140,658	132,370
VII.	Cash and cash equivalents at end of the year (V+VI)	83,677	140,658

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****AT 31 DECEMBER 2003**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2003)

SECTION ONE**GENERAL INFORMATION****1.1 Organization And Activities Of The Bank**

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

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

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

1.2. Bank's Own Risk Group

The Bank's main shareholder is Istanbul Stock Exchange.

1.3. Other Information**1.3.1. Name Of The Bank**

İMKB Takas ve Saklama Bankası A.Ş.

1.3.2. Address, Telephone And Fax Numbers Of The Head Office

Adress : Şişli Merkez Mah. Abide-i Hürriyet Cad.
Mecidiyeköy yolu Sok. No: 286 34381 Şişli/İstanbul

Telephone: (0 212) 315 25 25

Fax : (0 212) 315 25 26

1.3.3. Internet Address And E-Mail Address

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

1.3.4. Reporting Period

1 January – 31 December 2003

1.3.5. Reporting Currency

Unless otherwise stated, all amounts are expressed in Billion of Turkish Lira (TL).

SECTION TWO

ACCOUNTING POLICIES

2.1. Presentation Of Financial Statements

As prescribed in the 13th Article of the Banks Act No. 4389, banks maintain their books of account and prepare their statutory financial statements in accordance with the Accounting Practices Regulation, current uniform chart of accounts, balance sheet, statement of income and related legislation in conformity with the basis and methods determined by the Banking Regulation and Supervision Agency ("BRSA"). The Bank maintains its financial statements, and the books of account on which the financial statements are based, in conformity with the above Article, Turkish Commercial Code and Tax Legislation.

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

The Bank was established as İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, and subsequently was converted into an non-deposit taking bank on 8 August 1995 with the decision of the Council of Ministers as published in official Gazette dated 23 March 1995 and No. 22236. An opinion was obtained from BRSA at 17 January 2003 as to whether the capital entries before 8 August 1995 would be taken into consideration regarding the inflation adjustments on the financial statements in accordance with APR 14 principles.

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

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

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****AT 31 DECEMBER 2003**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2003)

2.2. Accounting Policies

The principal accounting policies used in the preparation of the accompanying financial statements are as follows:

2.2.1. Accounting Principles

The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira as of the balance sheet date, for the purpose of fair presentation as prescribed in APR, Communiqué Number 14 (Accounting Standard Related to Preparation of Financial Statements in Hyperinflationary Periods). Those adjustments and reclassifications have not been recorded to Bank's statutory books of account maintained in accordance with the accounting practices in Turkey.

2.2.2. Inflation Accounting

The accompanying financial statements have been adjusted in accordance with APR, Communiqué 14 requirements that the financial statements must be stated in terms of the measuring unit current at the balance sheet date. The principles related to inflation accounting are stated in 4.9 "Information and Disclosures Related to Inflation Accounting".

According to APR, Communiqué 14, one of the criteria used to classify an economy as hyperinflationary is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate as at the balance sheet date is 181% based on the countrywide wholesale price index announced by the Turkish State Institute of Statistics. APR, Communiqué 14 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The corresponding figures for previous periods are restated in the same terms. Indexation adjustments were calculated by using wholesale price indices published by BRSA and the Turkish State Institute of Statistics.

The principal adjustments related with inflation accounting are as follows:

- Financial statements are restated at the current purchasing power of money in accordance with APR, Communiqué 14. All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI).
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received and paid in money.
- Non-monetary assets and liabilities and the components of shareholders' equity are restated by applying, to the initial acquisition cost and any accumulated depreciation, the relevant conversion factors reflecting the increase in the WPI from the date of acquisition or initial recording to the balance sheet date. Revaluations made on any other basis in the statutory records are eliminated.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the Bank's net monetary position is included in the statement of income as monetary gain or loss.

2.2.3. Affiliates And Subsidiaries

a. In the statutory books of account the Bank values its affiliates and subsidiaries at cost plus the nominal value of bonus shares received from invested companies converting their revaluation reserves to share capital. Revaluation surpluses arising from the nominal value of shares received in the statutory records are eliminated in accordance with inflation accounting principles. Investments in affiliates and subsidiaries have been expressed at their indexed purchase values.

b. There are no foreign currency affiliates.

c. There is no foreign exchange income/loss on valuing foreign affiliates at the year end rates.

d. Foreign exchange gains and losses are not capitalized on affiliates and subsidiaries.

There is no value increase from the investments abroad. Accordingly, no foreign currency differences recorded under the shareholders' equity.

2.2.4. Explanation On Forward Transactions, Options And Derivative Instruments

The Bank has no embedded derivative instruments. The Bank has no derivative instruments used for hedging purposes as stated in APR, Communiqué 1 "Accounting of Financial Instruments".

2.2.5. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Otherwise, no assets and liabilities are offset in the balance sheet.

2.2.6. Interest Income And Expense

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis. When the Bank management estimates and judges that the collection becomes doubtful, then the interest income is not recognized until the collection is made. All income and expense items are restated in equivalent purchasing power at the balance sheet date. The Bank does not have any foreign currency indexed loans.

2.2.7. Fee And Commission Income And Expenses

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

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

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****AT 31 DECEMBER 2003**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2003)

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

2.2.8. Trading Securities

Trading securities are initially recognized at cost, which includes transaction costs. Trading securities which are traded on the stock exchange markets are subsequently measured at fair value based on the quoted prices, whereas trading securities which are not traded are measured by the prices declared by the CB. As explained in detail in Section 6.1: "Other Explanations and Notes", the realized gains and losses and related interest income/expense accruals of the trading securities are recorded in related income statement accounts, unless the securities belong to problematic securities intermediary members.

2.2.9. Sales And Repurchase Agreements And Securities Lending Transactions

At 31 December 2003, the Bank has no securities sold subject to repurchase agreements.

Funds given against securities purchased under agreements to resell amount to TL 1,678 Billion and are accounted under "Receivables From Reverse Repo Transactions" on the balance sheet. The difference between purchase and resale price determined by these repurchase agreements is accrued over the life of repurchase agreements. The interest income accrual calculated is disclosed under other liabilities as a liability when the repurchase agreements are related to problematic securities intermediary members, as described in detail in Section " 6.1 Other Explanations and Notes".

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

2.2.10. Investment Securities Held-To-Maturity, Securities Available-For-Sale And Originated Loans And Receivables

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. Originated loans and receivables are the financial assets which are created by lending money, rendering services or delivery of goods and those are not trading or available-for-sale financial assets. Available-for-sale assets are those that are not originated loans and receivables or held-to-maturity assets or trading assets. Held-to-maturity investments, available-for-sale assets and originated loans and receivables are initially recorded at cost and they are classified under those accounts at the time of their acquisitions.

The Bank's portfolio of held-to-maturity investment securities consist of government bonds denominated in Turkish Lira.

Held-to-maturity investment securities are accounted for at their amortised cost; determined using the effective interest rate method; and net of the provision for diminution in value.

Originated loans and receivables are financial assets generated for supplying money, good and service to debtors. Originated loans and receivables are accounted for at their cost and determined using the effective interest rate method. Expenses incurred related to the assets taken as collateral for loans granted are not accepted as a part of the cost and not reflected to income statement.

2.2.11. Originated Loans And Receivables And Specific Provisions

The Bank extends loans in order to provide funds for securities intermediary firms. The Bank provides general loan loss provision, according to the 11th Article of the Banking Act No. 4389 and the "Communique Related to Principles and Procedures on Determining the Classification of Loans and Other Receivables with Required Reserves to be Made" published in the Official Gazette dated 30 June 2001, No. 24448. There is no specific provision required due to their uncollectibilities for other receivables and for loans granted as per the evaluation and estimations of the Bank's management in line with the regulation.

2.2.12. Goodwill And Other Intangible Assets

The Bank has no goodwill as at 31 December 2003 in the accompanying unconsolidated financial statements.

Other intangible assets carried at historical cost less accumulated amortization and provision for impairment are restated to the equivalent purchasing power at 31 December 2003.

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

The Bank does not expect material changes in the estimation of useful lives, depreciation methods or residual value's that may have a significant impact as at 31 December 2003 or future periods.

2.2.13. Fixed Assets

Property and equipment, carried at historical cost less accumulated depreciation and provision for impairment, are restated to the equivalent purchasing power at 31 December 2003. Depreciation is calculated on the restated amounts of property and equipment using the straight-line method. The expected useful lives are stated below:

Buildings	50 years
Machinery, Furniture, Fixtures and Vehicles	5 years

The Bank revalues its fixed assets and their related accumulated depreciation with the revaluation coefficients declared by the Ministry of Finance in its statutory books. The difference originating from revaluation is credited to Revaluation Fund account which is subsequently allowed to be incorporated into capital. Additions to revaluation fund are not taxable and the depreciation expenses over revalued fixed assets may be deducted from the tax base. However, buildings are depreciated over the historical cost, not over the revalued balances. Land is neither depreciated nor revalued. Revaluation rate declared as at 31 December 2003 is 28.5%. Revaluation fund existing in the Bank's statutory books has been eliminated from the inflation-adjusted financial statements. The revaluations of fixed assets as per the prevailing taxation legislation are eliminated from the accompanying financial statements in accordance with the principles of inflation accounting.

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2.2.14. Leasing Transactions

The Bank enters into leasing transactions as lessee. The assets acquired under financial leases are accounted under fixed assets by using the lower of discounted total lease payments or market value and the corresponding entries in the liability section are recorded as financial lease payables. The financing costs of leasing transactions are spread over leasing period by calculating a constant periodic rate of return. Assets acquired under financial leases are depreciated over their useful lives and impairment provision is made if necessary. Leasing payments are deducted from leasing payables.

The Bank did not terminate any finance lease agreements before lease periods expired as at 31 December 2003. The Bank does not engage in finance leasing transactions as lessor.

2.2.15. Provisions And Contingent Liabilities

Provisions and contingent liabilities are accounted for in accordance with APR, Communiqué 8 "Standard for Provisions, Contingent Liabilities and Contingent Assets".

As at the balance sheet date, the Bank does not have any contingent liability as a result of past events that can be measured reliably.

As of the balance sheet date, as per the internal legal department of the Bank, there are 11 continuing cases against the Bank. Ten of them are related with the retaking and the delivery of common stocks. The remaining case is filed against the Bank related with the retirement pay provision and indemnity provision. In the current period, there are two continuing cases filed by the Bank.

2.2.16. Obligations Related To Employee Rights

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

The Bank has made provision for the liabilities arising from short-term employee rights and notice pay and entitled employment termination benefits of the employees as at 31 December 2003.

The five-year simple arithmetical average of actual payment rates which is the basis for provision for liabilities arising from employment termination benefits and notice pay is 4% for employee termination benefit and 1% for notice pay.

As at 31 December 2003, the Bank has no employees with fixed period employment contracts, with expiry date of more than 12 months starting from the balance sheet date.

As at 31 December 2003, the İMKB Takas ve Saklama Bankası Guarantee Fund (the "Fund"), in which 28 of the Bank's 226 employees participate, is established in order to pay to the Bank any probable deficit or charge or abuse which might be due by the members. The Bank has no liabilities to the Fund.

2.2.17. Taxes

Required provisions are made based on the current period operations of the Bank for Income and Corporate Taxes. TL 24,773 Billion tax provision has been made as at 31 December 2003.

2.2.18. Additional Explanations On Borrowings

The Bank accounts for borrowing instruments as per APR, Communiqué 1. For accounting and valuation of borrowing instruments and any liabilities representing borrowing instruments hedging techniques are not applied.

The Bank has not issued any convertible bonds. The Bank has not also issued any borrowing instruments.

2.2.19. Paid-In Capital And Stocks

The Bank has not issued any shares and therefore has not realised any share issue expenses.

As of the date of this report, the Bank has not announced any earnings per share subsequent to the balance sheet date.

2.2.20. Avalized Drafts And Acceptances

The Bank has no avalized drafts and acceptances. The Bank does not have any avalized drafts and acceptances as a liability against any assets.

2.2.21. Government Grants

As of 31 December 2003, the Bank has no government grants.

2.2.22. Segmental Reporting

Since APR, Communiqué 17 requires operational segment reporting as from 1 January 2004, no explanation was made for the current period.

2.2.23. ISE Guarantee Fund

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

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****AT 31 DECEMBER 2003**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2003)

SECTION THREE**NOTES TO THE FINANCIAL STRUCTURE****3.1. Strategy Of Using Financial Instruments And Explanations On Foreign Currency Transactions**

In the current period, the Bank has utilized its resources in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. Maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in interbank money markets. The most significant financing resource is the shareholders' equity of the Bank. The other resources consist of the short-term placements of the clients with the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

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

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

The Bank has no available-for-sale foreign currency equity instruments. In order to hedge interest rate risk arising from fixed or floating rate instruments, the Bank prefers short-term transactions.

The Bank hedges exchange rate risk arising from foreign currency denominated transactions by offsetting foreign currency liabilities with foreign currency assets.

The Bank has no investments in foreign entities.

3.2. Capital Adequacy

The capital adequacy ratio calculated based on the inflation adjusted financial statements of the Bank is 403.77% as of 31 December 2003. Capital adequacy is calculated in accordance with Banking Law by taking risk weighted assets, commitments and, non cash loans according to their collateral groups. The bank uses the standart method in determining the capital adequacy ratio.

Capital adequacy ratio:

	Risk Weights			
	0%	20%	50%	100%
Risk Weighted Assets, Liabilities and Non-Cash Loans				
Balance Sheet Items (Net)	104,252	50,487	2,378	18,906
Cash and Cash Equivalents	6	-	-	-
Due From Banks	1,993	46,295	-	4,583
Interbank Money Market Placements	80,000	-	-	-
Receivables From Reverse Repo Transactions	1,678	-	-	-
Reserve Requirements	2,228	-	-	-
Special Finance Companies	-	-	-	-
Loans	33	2,248	-	4,088
Loans Under Follow-up (Net)	-	-	-	-
Subsidiaries, Associates and Sec. Available-for-Sale	-	-	-	-
Sundry Debtors	1	1,944	-	18
Securities Held-to-Maturity (Net)	-	-	-	-
Advances For Assets Acquired by Financial Leasing	-	-	-	-
Financial Lease Receivables	-	-	-	-
Leased Assets (Net)	-	-	2,378	-
Fixed Assets (Net)	-	-	-	9,749
Other Assets	18,313	-	-	468
Off-Balance Sheet Items	467,151	19,496	-	1,694
Guarantees and Sureties	466,883	18,213	-	1,691
Commitments	-	-	-	-
Other Off-Balance Sheet Items	-	-	-	-
Transactions Related with Derivative Financial Instruments	-	-	-	-
Interest and Income Accruals	268	1,283	-	3
Not Risk Weighted Accounts	-	-	-	-
Total Risk Weighted Assets	571,403	69,983	2,378	20,600
			Bank	
			31.12.2003	31.12.2002
Total Risk Weighted Assets (*)			41,911	42,269
Shareholders' Equity			169,225	136,190
Shareholders' Equity/Total Risk Weighted Assets (CAR (%))			403.77	322.20

(*) Market risk included in the total risk weighted assets is TL 6,125 Billion as at 31 December 2003.

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	31.12.2003	31.12.2002
CORE CAPITAL		
Paid-in Capital		
Nominal Capital	60,000	60,000
Capital Commitments (-)	-	-
Share Premium	-	-
Legal Reserves	-	14,570
First Legal Reserve (Turkish Commercial Code 466/1)	-	12,522
Second Legal Reserve (Turkish Commercial Code 466/2)	-	2,048
Other Legal Reserve per Special Legislation	-	-
Inflation adjustment to share capital	77,726	101,503
Statutes Reserves	-	-
Extraordinary Reserves	-	3,668
Reserves Allocated by the General Assembly	-	3,668
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Share Capital Exchange Differences	-	-
Profit	34,228	27,125
Current Period Profit	34,228	27,125
Prior Years' Profits	-	-
Loss (-)	-	(69,140)
Current Period Loss	-	-
Prior Years' Losses	-	(69,140)
Total Core Capital	171,954	137,726
SUPPLEMENTARY CAPITAL	-	-
Revaluation Fund	-	-
Furniture, Fixture and Vehicles	-	-
Buildings	-	-
Gain on Sale of Associates, Subsidiaries and Buildings to be Transferred to Share Capital	-	-
Revaluation Fund of Leasehold Improvements	-	-
Increase in Revaluation Fund	-	-
Foreign Exchange Differences	-	-
General Reserves	275	-
Free Reserves for Possible Losses	-	-
Subordinated Loans	-	-
Marketable Securities and Investment Securities Value Increase Fund	-	-
Associates and Subsidiaries	-	-
Investments Held-to-Maturity	-	-
Investments Available-for-Sale	-	-
Instruments Regarding Structured Position	-	-
Total Supplementary Capital	275	-
TIER III CAPITAL	-	-
CAPITAL	172,229	137,726
DEDUCTIONS FROM THE CAPITAL	(3,004)	(1,536)
Investments in financial companies whose main activities are money and capital markets, insurance and that operate with licenses provided in accordance with special laws.	(2,662)	(1,179)
Leasehold Improvements	-	(6)
Start up Costs	-	-
Prepaid Expenses	(342)	(351)
The negative Difference Between the Market Values and the Carrying Amounts for Investments, Subsidiaries, Other Investments and Fixed Assets	-	-
Subordinated Loans Given to Other Banks Operating in Turkey	-	-
Goodwill (Net)	-	-
Capitalized expenses	-	-
Total Shareholders' Equity	169,225	136,190

3.3. Credit Risk

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

The credit limits are determined according to the types of the loans of the Bank. The credit limits are determined as cash and non-cash limits by taking into consideration the types of loans. The loans given are classified as (1-12) month, (12-24) month or (24+) month maturities, and the Bank extends short-term loans for a maximum of 1 month. The loans of the Bank aim to fund the liquidity needs of securities intermediary institutions. Since the Bank guarantees securities lending operations when a security is not returned by the borrower, and payments and collections in the Takasbank money market, which is similar to interbank money market; these transactions are followed under non-cash loan items. In addition, the Bank also extends loans to its employees in accordance with the legislation. The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Financial statements for the loans extended are examined as per the regulation of Capital Market Board ("CMB"). The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors.

The Bank has no forward and option contracts or any other similar agreements.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short-term, there is no specific need to enter into any transaction to minimize or terminate its credit exposure.

The Bank has no defaulted non-cash loans, restructured loans or long-term commitments.

The Bank has no banking and lending activities in foreign countries.

The proportion of the largest 100 cash loan balances in the total cash loan portfolio of the Bank is 100%.

The proportion of the largest 100 non-cash loan balances in the total non-cash loan portfolio of the Bank is 100%.

The proportion of the largest 100 cash and non-cash loan balances in the total loans and off balance sheet non-cash loans is 100%.

The Bank calculates general provisions for credit risk and receives liquid collaterals.

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Information according to geographical concentration:

	Assets	Liabilities	Non-cash loans	Equity Investments	Net profit
31.12.2003					
Domestic	274,300	279,490	486,787	2,662	34,178
European Union Countries	597	-	-	-	-
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	4,593	-	-	-	50
Other Countries	-	-	-	-	-
Unallocated Assets /liabilities**	-	-	-	-	-
Total	279,490	279,490	486,787	2,662	34,228
31.12.2002					
Domestic	235,778	106,932	885,014	1,120	26,830
European Union Countries	80	-	-	-	3
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	7,680	-	-	-	292
Other Countries	-	-	-	-	-
Unallocated Assets /liabilities**	-	-	-	-	-
Total	243,538	106,932	885,014	1,120	27,125

* OECD Countries other than EU countries, USA and Canada

**Unallocated assets/liabilities that could not be distributed consistently.

Sector concentrations on for cash loans

	31.12.2003				31.12.2002			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	6,368	99,98	-	-	8,889	100	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	6,368	99.98	-	-	8,889	100	-	-
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	1	0.02	-	-	-	-	-	-
Total	6,369	100	-	-	8,889	100	-	-

3.4. Market Risk

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

The management of the Bank continuously monitors the Bank's portfolio distribution by maturity and by instruments. The transactions of the treasury are done with the approval and instructions of the senior management and the fund management strategy, if deemed necessary due to the changes in the markets, is revised by the senior management. The realized transactions are followed and controlled by the Internal Control Unit and Risk Management Group, which are reporting directly to the Board of Directors.

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

Table Related with The Market Risk:

	Amount
Capital to be Employed for Interest Rate Risk – Standard Method	490
Capital to be Employed for General Market Risk	490
Capital to be Employed for Specific Risk	-
Capital to be Employed for Options Subject to Interest Rate Risk	-
Capital to be Employed for Common Stock Position Risk – Standard Method	-
Capital to be Employed for General Market Risk	-
Capital to be Employed for Specific Risk	-
Capital to be Employed for Options Subject to Common Stock Position Risk	-
Capital to be Employed for Currency Risk – Standard Method	-
Capital Liability	-
Capital to be Employed for Options Subject to Currency Risk	-
Total Value-at-risk (VAR)-Internal Model	-
Total Capital to be Employed for Market Risk	490
Amount Subject to Market Risk	6,125

3.5. Currency Risk

The Bank is subject to the reserve and liquidity requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Futures Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of banks and brokerage firms except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-week periods in ratios designated in blocked and average accounts of the Central Bank of Turkey ("CB"). The foreign currency amounts, kept due to the reserve and liquidity requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities and the Bank is not exposed to currency risk since the currency risk ratio is close to 1. Therefore, the Board of Directors of the Bank has not set limits for positions, which are followed on a daily basis.

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Since the Bank is not exposed to foreign currency risk, there are no derivatives used to hedge the risks associated with foreign currency debt instruments and net foreign currency investments.

The Bank's foreign currency risk management strategy is to use asset liability method in order to avoid the foreign currency risk of foreign currency denominated assets and liabilities.

The Bank's spot foreign exchange bid rates as of the date of the financial statements and five working days prior to that date:

	US Dolar	EURO
At 31 December 2003	1,395,835	1,745,072
At 30 December 2003	1,407,678	1,757,204
At 29 December 2003	1,407,555	1,752,688
At 26 December 2003	1,412,533	1,759,028
At 25 December 2003	1,420,989	1,763,448
At 24 December 2003	1,424,043	1,766,525

The simple arithmetical average of the Bank's foreign exchange bid rates for the last thirty days is TL 1,428,461 for 1 US dollar, TL 1,753,337 for 1 EURO.

Information on Currency Risk of the Bank

	EURO	USD	Yen	Other FC	Total
31.12.2003					
Assets					
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	-	33	-	-	33
Due From Banks and Other Financial Institutions	333	5,423	-	2	5,758
Trading Securities	-	-	-	-	-
Investment Securities Available-for-Sale	-	-	-	-	-
Loans	-	-	-	-	-
Investments in Subsidiaries and Associates	-	-	-	-	-
Investment Securities Held-to-Maturity	-	-	-	-	-
Property and Equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other Assets	-	1	-	-	1
Total Assets	333	5,457	-	2	5,792
Liabilities					
Bank Deposits	-	-	-	-	-
Foreign Currency Deposits	-	-	-	-	-
Funds Provided From Other Financial Institutions	-	-	-	-	-
Securities Issued	-	-	-	-	-
Sundry Creditors	(298)	(4,879)	-	-	(5,177)
Other Liabilities	-	-	-	-	0
Total liabilities	(298)	(4,879)	-	-	(5,177)
Net On-Balance Sheet Position	35	578	-	2	615
Net Off-Balance Sheet Position	-	-	-	-	-
Financial Derivative Assets	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-
Non-Cash Loans	-	-	-	-	-

	EURO	USD	Yen	Other FC	Total
31.12.2002					
Total Assets	15	7,965	-	1	7,981
Total Liabilities	(6)	(7,402)	-	-	(7,408)
Net On-Balance Sheet Position	9	563	-	1	573
Net Off-Balance Sheet Position	-	-	-	-	-
Non-cash loans	-	-	-	-	-

3.6. Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured on a monthly basis.

The Bank is utilizing the funds, excluding the long-term assets, from its equity and sundry creditors and other liabilities on placements, trading securities, interbank money markets and securities lending. For this reason, the fluctuations in the market interest rates affect the Bank's financial position and cash flows. If the inflation rate and interest rate are in line with the estimations of the CB, no decrease or increase is expected in the interest income. The Board of Directors has no limitations on changes in daily interest rates.

The Bank is exposed to interest rate risk arising from the effect of interest rate fluctuations on interest sensitive assets and liabilities. These risks are managed by the balancing of interest rate sensitive assets and liabilities. The strategy applied is based on the estimation of changes in TL interest rates, when a decline in interest rates is expected long-term instruments are used, when an increase is expected, short-term instruments are used in order to maintain optimum maturity distribution. The Bank does not purchase any marketable securities other than Treasury Bills and Government Bonds in the marketable security portfolio and the maturities of these securities is between 1 month and 12 months. Through the application of these strategies, interest rate risk is minimized. This fact will have a positive effect on the net income and shareholders' equity of the Bank in the following periods.

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Information related to the interest rate mismatch of the Bank:

"Interest rate sensitivity of assets, liabilities and off-balance sheet items":

31.12.2003	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 Year and Over	Demand	Total
Assets							
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	1,999	1,999
Due from banks and other financial institutions (*)	86,870	35,000	10,000	-	-	686	132,556
Trading Securities		963	680	1,280			2,923
Investment Securities Available-for-Sale	-	-	-	-	-	205	205
Loans	6,368	1	-	-	-	-	6,369
Investment Securities Held-to-Maturity	1,279	11,550	24,557	36,891	-	-	74,277
Other Assets (**)	4,429	5,620	7,386	8,056	-	35,670	61,161
Total assets	98,946	53,134	42,623	46,227	-	38,560	279,490
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Sundry Creditors	(4,015)	-	-	-	-	(9,156)	(13,171)
Securities Issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions	-	-	-	-	-	(65,880)	(65,880)
Other Liabilities	-	-	-	-	-	(200,439)	(200,439)
Total Liabilities	(4,015)	-	-	-	-	(275,475)	(279,490)
On-Balance Sheet Interest Sensitivity Gap	94,931	53,134	42,623	46,227	-	(236,915)	-
Off-Balance Sheet Interest Sensitivity Gap							
Total Interest Sensitivity gap	94,931	53,134	42,623	46,227	-	(236,915)	-

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

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

31.12.2002	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 Year and Over	Demand	Total
Assets							
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	2,368	2,368
Due from Banks and Other Financial Institutions (*)	140,595	-	-	-	-	171	140,766
Trading Securities	325	71	1,090	2,221	-	-	3,707
Investment Securities Available-for-Sale	-	-	-	-	-	59	59
Loans	8,889	-	-	-	-	-	8,889
Investment Securities Held-to-Maturity	10,950	5,562	6,247	21,608	-	-	44,367
Other Assets (**)	6,529	1,935	1,755	2,279	-	32,004	44,502
Total Assets	167,288	7,568	9,092	26,108	-	34,602	244,658
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Sundry Creditors	(4,365)	-	-	-	-	(13,694)	(18,059)
Securities Issued	-	-	-	-	-	-	-
Funds provided from Other Financial Institutions	-	-	-	-	-	(56,047)	(56,047)
Other Liabilities	-	-	-	-	-	(170,552)	(170,552)
Total Liabilities	(4,365)	-	-	-	-	(240,293)	(244,658)
On-Balance Sheet Interest Sensitivity Gap	162,923	7,568	9,092	26,108	-	(205,691)	-
Off-Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
Total Interest Sensitivity Gap	162,923	7,568	9,092	26,108	-	(205,691)	-

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

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

Average interest rates applied to monetary financial instruments:

31.12.2003	EURO %	USD %	Yen %	TL %
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	19.00
Due From Banks and Other Financial Institutions	-	1.00	-	28.09
Trading Securities	-	-	-	52.87
Investment Securities Available-for-Sale	-	-	-	-
Loans	-	-	-	30.13
Investment Securities Held-to-Maturity	-	-	-	52.87
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Sundry Creditors	-	-	-	28.09
Securities Issued	-	-	-	-
Funds Provided from Other Financial Institutions	-	-	-	28.09

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31.12.2002	EURO	USD	Yen	TL
	%	%	%	%
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	25.00
Due From Banks and Other Financial Institutions	-	1.55	-	64.30
Trading Securities	-	-	-	62.50
Investment Securities Available-for-Sale	-	-	-	-
Loans	-	-	-	54.70
Investment Securities Held-to-Maturity	-	-	-	70.50
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Sundry Creditors	-	-	-	64.30
Securities Issued	-	-	-	-
Funds Provided from Other Financial Institutions	-	-	-	64.30

3.7. Liquidity Risk

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

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

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity need is met by its own resources.

The Bank's cash flows are utilized in short-term investments and public sector debt securities depending upon its equity and the funds of cash collaterals obtained due to the amounts remaining in the unrestricted accounts of the members, stock exchange money market, derivative instruments market, securities trading loan and securities lending operations. There is no need for maintaining liquidity by overnight or one-week placements in interbank money market.

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

Presentation of assets and liabilities according to their outstanding maturities:

	Demand (*)	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 Year and over	Total
31.12.2003						
Assets						
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	1,999	-	-	-	-	1,999
Due from Banks and Other Financial Institutions (**)	87,556	35,000	10,000	-	-	132,556
Trading Securities	-	963	680	1,280	-	2,923
Investment Securities						
Available-for-Sale	205	-	-	-	-	205
Loans	6,368	1	-	-	-	6,369
Investment Securities						
Held-to-Maturity	1,279	11,550	24,557	36,891	-	74,277
Other Assets (***)	3,782	6,267	25,699	8,056	-	61,161
Total Assets	101,189	53,781	60,936	46,227	-	279,490
Liabilities						
Bank Deposits	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-
Funds Provided from Other						
Financial instruments	(65,880)	-	-	-	-	(65,880)
Securities Issued	-	-	-	-	-	-
Sundry Creditors	(13,171)	-	-	-	-	(13,171)
Other Liabilities	(3,340)	-	(24,773)	-	-	(200,439)
Total Liabilities	(82,391)	-	(24,773)	-	-	(279,490)
Net Liquidity Gap	18,798	53,781	36,163	46,227	-	-
31.12.2002						
Total Assets	171,485	7,568	23,852	26,108	-	244,658
Total Liabilities	(80,659)	(6,221)	(26,274)	-	-	(244,658)
Net Liquidity Gap	90,826	1,347	(2,422)	26,108	-	-

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

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

(***) "Other assets" line includes Overdue Loans (net), Subsidiaries, Reserve Deposits, Sundry Creditors, Interest and Other Income Accruals, Tangible Fixed Assets, Intangible Fixed Assets and Other Assets. Overdue Loans (net), Subsidiaries, Tangible Fixed Assets, Intangible Fixed Assets and Prepaid Expenses and Stationery Stock in Other Assets are not disclosed according to their remaining maturity but included in the total column.

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3.8. Presentation Of Assets And Liabilities With Their Fair Values

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

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

	Book Value		Fair value	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Financial Assets	207,038	185,528	237,359	195,231
Due From Banks and Other Financial Institutions	132,556	141,102	133,854	141,102
Investment Securities Available-for-Sale	205	59	205	59
Investment Securities Held-to-Maturity	74,277	44,367	103,300	54,070
Financial Liabilities	13,171	18,059	13,171	18,059
Interbank Money Market Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Provided From Other Financial Institutions	-	-	-	-
Securities Issued	-	-	-	-
Sundry Creditors	13,171	18,059	13,171	18,059

3.9. Activities Carried Out On Behalf And Account Of Third Parties

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

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

The Bank has no fiduciary transactions.

3.10. Operational Segments

The Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities such as private banking, private customer current accounts, deposits, credit and ATM cards, consumer loans.

In the Bank, fund transfers, current accounts, deposits, overdrafts, loans and other credit facilities, forward transactions and options and other similar derivative products facilities do not exist as in corporate banking.

The Bank does not deal in trading in financial instruments, fund management, structured financial instruments, leasing, merger and acquisition advisory services as in non-deposit taking banking.

The Bank has no activities in corporate finance transactions and activities in the IT sector including computer services.

Information related to principles applied on operational segments of balance sheet items:

According to APR, Communiqué 17 operational segment reporting is enacted from 1 January 2004.

Operational segments more than 10% of the Bank's total assets:

According to APR, Communiqué 17 operational segment reporting is enacted from 1 January 2004.

At the recognition and presentation of the revenue generated by transactions with other Departments, internal transfers and the Bank's main principles on pricing of these transfers and any changes:

According to APR, Communiqué 17 operational segment reporting is enacted from 1 January 2004.

Economical, financial and political factors that would effect operational segments:

According to APR, Communiqué 17 operational segment reporting is enacted from 1 January 2004.

Table of operational segment of balance sheet items:

According to APR, Communiqué 17 operational segment reporting is enacted from 1 January 2004.

SECTION FOUR

NOTES TO THE FINANCIAL STATEMENTS

4.1. Information And Disclosures Related To Assets

4.1.1. Information Related To The Account Of The Central Bank Of Turkey

	31.12.2003	31.12.2002
Unrestricted Amount	1,993	2,365
Restricted Amount	-	-
Total	1,993	2,365

4.1.2. Information Related To The Trading Securities

4.1.2.1. Trading securities given as collateral or blocked:

The Bank has no trading securities given as guarantee/blocked at 31 December 2003 and 2002.

4.1.2.2. Trading securities subject to repurchase agreements:

The Bank has no trading securities subject to repo transactions at 31 December 2003 and 2002.

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4.1.3. Information Related To The Placements With Foreign Banks

	Unrestricted Amount		Restricted Amount	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
EU Countries	597	80	-	-
USA, Canada	4,593	7,681	-	-
OECD Countries*	-	-	-	-
Off-Shore Regions	-	-	-	-
Other	-	-	-	-
Total	5,190	7,761	-	-

(*) OECD countries other than European Union countries, USA and Canada

4.1.4. Information Related To The Reverse Repo Transactions

	31.12.2003		31.12.2002	
	TL	FC	TL	FC
From Domestic Transactions	1,678	-	2,476	-
Central Bank of Turkey	-	-	-	-
Banks	1,678	-	2,476	-
Brokerage Firms	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-
From Foreign Transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Brokerage Firms	-	-	-	-
Other Financial Institutions	-	-	-	-
Other Institutions	-	-	-	-
Real Persons	-	-	-	-

4.1.5. Information Related To The Available-For-Sale Assets**4.1.5.1. Types of available-for-sale assets:**

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

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

	31.12.2003	31.12.2002
Debt Securities	-	-
Quoted on a Stock Exchange	-	-
Not Quoted	-	-
Share Certificates	205	59
Quoted on a Stock Exchange	-	-
Not Quoted	205	59
Impairment Provision (-)	-	-
Total	205	59

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

At 31 December 2003 and 2002, the Bank has no available-for-sale securities given as collateral.

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

At 31 December 2003 and 2002, the Bank has no available-for-sale securities given as guarantee/blocked.

4.1.5.5. Available-for-sale securities subject to repo transactions:

At 31 December 2003 and 2002, the Bank has no available-for-sale securities subject to repo transactions.

4.1.6. Information Related To Loans

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

	31.12.2003		31.12.2002	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	4,775	199,366	7,740	623,758
Corporate Shareholders	4,775	199,366	7,740	623,758
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	1	-	-	-

4.1.6.2. Standard loans and other receivables, loans and other receivables closely monitored and rescheduled loans and receivables:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Non-Specialization Loans	6,369	-	-	-
Discount and Purchase Bills	-	-	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Loans to Financial Sector	6,368	-	-	-
International Loans	-	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Precious Metals Loans	-	-	-	-
Other	1	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

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4.1.6.3. Loans according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans	6,369	-	-	-
Non-Specialization Loans	6,369	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	-	-	-	-
Non-Specialization Loans	-	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

4.1.6.4. Information on consumer loans:

The Bank has no consumer loans at 31 December 2003 and 2002.

4.1.6.5. Loans according to type of borrowers:

	31.12.2003	31.12.2002
Public	-	-
Private	6,369	8,889

4.1.6.6. Domestic and foreign loans:

	31.12.2003	31.12.2002
Domestic Loans	6,369	8,889
Foreign Loans	-	-

4.1.6.7. Loans granted to subsidiaries and affiliates:

There are no loans given to subsidiaries and affiliates.

4.1.6.8. Specific provisions provided against loans:

There are no special provisions for the loans.

4.1.6.9. Information on loans and other receivables included in loans under follow up accounts (Net):**4.1.6.9.1. Information on loans and other receivables restructured or rescheduled under follow-up accounts**

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

4.1.6.9.2. Movement of loans and other receivables under follow up accounts

The Bank has no loans and other receivables under follow up accounts.

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4.1.8.3.2. Investment securities held-to-maturity given as collateral or blocked

	31.12.2003		31.12.2002	
	TL	FC	TL	FC
Share Certificates	-	-	-	-
Bonds and Similar Investment Securities	74,277	-	44,367	-
Other	-	-	-	-

4.1.8.3.3. Held-to-maturity securities subject to repo transactions

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

4.1.8.3.4. Held-to-maturity securities for structured position

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

4.1.9. Information On Affiliates (Net)**4.1.9.1. Information on affiliates:****4.1.9.1.1. Information on affiliates**

At 31 December 2003 and 2002, the Bank has no affiliates.

4.1.9.1.2. Information on affiliates according to the order in 4.1.9.1.1.

At 31 December 2003 and 2002, the Bank has no affiliates.

4.1.9.1.3. Shareholders and other members of the group, which have joint voting and control power together with the parent and/or other members of the financial group

At 31 December 2003 and 2002, the Bank has no shareholders and other members of the group, which have joint voting and control power together with the parent and/or other members of the financial group.

4.1.10. Information On Subsidiaries (Net)**4.1.10.1. Information on subsidiaries:**

Although the Bank's share in Merkezi Kayıt Kuruluşu A.Ş. is 65%, the Bank has not consolidated this subsidiary since its voting right is 2/7 and it has no control power according to the Articles of Association. The subsidiary is carried at inflation adjusted cost amounting to TL 2,457 Billion in the financial statements.

4.1.10.2.1. Information on subsidiaries

	31.12.2003	31.12.2002
Balance At The Beginning Of The Period	1,120	1,120
Movements During The Period	1,337	-
Purchases	1,337	-
Bonus Shares	-	-
Dividends From Current Year Income	-	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provision	-	-
Balance At The End of the Period	2,457	1,120
Capital Commitments	-	-
Share Percentage At The End of the Period (%)	65	65

4.1.10.2.2. Valuation of subsidiaries

	31.12.2003	31.12.2002
At Cost	2,457	1,120
At Fair Value	-	-
Equity Method	-	-

4.1.10.2.3. Sectoral information of subsidiaries and the related historical carrying amounts in the legal books

Subsidiaries	31.12.2003	31.12.2002
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Investments	1,947	649

4.1.10.2.4. Subsidiaries quoted on stock exchange

At 31 December 2003 and 2002, the Bank has no subsidiaries quoted on stock exchange.

4.1.10.2.5. Information on subsidiaries

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

Although the bank holds the 65% of Merkez Kayıt Kuruluşu A.Ş., its effective voting right is 29% according to the Articles of Association.

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Information on investments as presented in table:

Total Assets	Shareholder' Equity	Total Fixed Assets	Interest Income	Securities Portfolio	Income from Marketable 31.12.2003 Profit/Loss	31.12.2002 Profit/Loss	Fair Value
1,745(*)	1,634(*)	277(*)	331(*)	33(*)	(1,554)(*)	14(*)	-

(*): These figures are quoted from the unaudited and non-inflation unadjusted financial statements as at 31 December 2003 and 31 December 2002.

4.1.10.2.6. Subsidiaries sold in the current period

The Bank has no subsidiaries sold in the current period.

4.1.10.2.7. Subsidiaries purchased in the current period

During the current period the Bank did not purchase any subsidiaries. The increase in subsidiary is the Bank's participation to subsidiary's capital increase.

4.1.11. Information Related to Other Investments**4.1.11.1. The commitments of the Bank relating to joint ventures apart from other commitments, capital commitments or its share of capital commitments with other venturers, its share in capital commitments of joint ventures in other companies:**

The Bank has no joint ventures.

4.1.11.2. Information on joint ventures:

The Bank has no joint ventures.

4.1.11.3. The information regarding the Bank's joint ventures in its non consolidated financial statements if the Bank does not prepare consolidated financial statements since is not a parent company:

The Bank has no joint ventures.

4.1.12. Information on Finance Lease Receivables (Net)**4.1.12.1. Presentation of remaining maturities of net investments in finance leases:**

At 31 December 2003 and 2002, the Bank has no finance lease receivables.

4.1.12.2. The information on net investments in finance leases:

At 31 December 2003 and 2002, the Bank has no finance lease receivables.

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

The Bank has no investments with finance lease agreements.

4.1.13. Information on Receivables Arising from Forward Sales of Assets Included in Sundry Debtors

As at 31 December 2003 and 2002, there are no receivables arising from forward sales of assets included in sundry debtors.

4.1.14. Information On Accrued Interest And Income Receivables

4.1.14.1. Information on accrued interest and income receivables:

Accrued interest and other income receivables	31.12.2003		31.12.2002	
	TL	FC	TL	FC
Interest Receivables	-	-	-	-
Interest Accruals	5	-	13	-
Loan Commissions and Other Income Receivables	-	-	-	-
Loan Commissions and Other Income Accruals	-	-	-	-

4.1.14.2. Information on other accrued interest and income receivables:

Other accrued interest and income	31.12.2003		31.12.2002	
	TL	FC	TL	FC
Trading securities	716	-	589	-
Investment Securities Available-for-Sale	-	-	-	-
Investment Securities Held-to-Maturity	20,993	-	9,127	-
Interest Accruals of Reverse Repo Transactions	1	-	2	-
Interest Accruals of Reserve Deposits	209	-	230	-
Income Accruals of Financial Derivative Instruments	-	-	-	-
Interest and Income Accruals	-	-	-	-
Foreign Exchange Gains	-	-	-	-
Income Accruals of Finance Leases	-	-	-	-
Other	1,338	1	374	-

4.1.15. Information On Fixed Assets (Net)

	Land and Leased Fixed Buildings	Assets	Vehicles	Other Tangible Fixed Assets	Total
31.12.2002:					
Cost	10,137	7,595	942	3,536	22,210
Accumulated Depreciation (-)	(2,447)	(3,742)	(241)	(1,963)	(8,393)
Net Book Value	7,690	3,853	701	1,573	13,817
31.12.2003					
Net Book Value At The Beginning Of The Period	7,690	3,853	701	1,573	13,817
Additions	680	-	-	37	717
Disposals (-)	-	-	-	(16)	(16)
Impairment Charge	-	-	-	-	-
Depreciation (-)	-	(1,475)	(173)	(743)	(2,391)
Currency Translation Differences Resulting From Foreign Investments	-	-	-	-	-
Closing Net Book Value	8,370	2,378	528	851	12,127

As at 31 December 2002, the net book value of the building is determined by the appraisers as TL 6,750 Billion and its restated amount of it at 31 December 2003 purchasing power is TL 7,690 Billion. The Bank had reappraised its building as of 31 December 2003 and the net book value is determined as TL 8,370 Billion as per the new appraisal report.

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

4.1.15.1.1. The indications and conditions for recording or reversal of impairment

As at 31 December 2002, the net book value of the building is determined by the appraisers as TL 7,690 Billion. The Bank had reappraised its building as of 31 December 2003 and the net book value is determined as TL 8,370 Billion. In order to reduce the value of the building to expertise value, TL 2,233 Billion impairment is provided as of 31 December 2002. As of the balance sheet date, the necessary impairment amount for the building is TL 1,612 Billion. Since the previous period's impairment amount is more than the current periods amount, provision expense amounting to TL 621 Billion is reversed.

4.1.15.1.2. The amount of impairment recorded or reversed in the financial statements

As of the balance sheet date, the amount of impairment reversed for the building is TL 621 Billion.

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

At 31 December 2003 and 2002, the Bank has no impairment for a single real estate property if it is material for the financial statements as a whole.

4.1.16. Information On Intangible Assets (Net)

4.1.16.1. Useful lives and amortisation rates used:

Intangible assets are amortised over five years.

4.1.16.2. Amortisation methods used:

The intangible fixed assets are amortized principally on a straight line basis which amortize the assets over their expected useful lives

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

	Beginning of The Period	End of The Period
Cost	1,255	1,297
Accumulated Amortisation	(686)	(833)

4.1.16.4. Movement of cost and accumulated amortisation for the period:

	Current Period
Beginning Balance	569
Internally Generated Amounts	63
Additions due to Mergers, Transfers and Acquisitions	-
Unused and Disposed Items	(21)
Increases or Decreases in the Revaluation Fund	-
Impairment Charges	-
Reversal of Impairment Charges	-
Amortisation Expenses (-)	(147)
Currency Translation Differences Arising From Foreign Investments	-
Other Differences In Book Values	-
Period End Balance	464

4.1.16.5. The net book value, description and the remaining amortisation period of any material individual intangible asset in the financial statements:

At 31 December 2003 and 2002, the Bank has no single intangible asset which is material in the financial statements as a whole.

4.1.16.6. Information on intangible assets which have been acquired with government incentives and initially recognized at fair value:

At 31 December 2003 and 2002, the Bank has no assets which were acquired with government incentives.

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

At 31 December 2003 and 2002, the Bank has no assets which were acquired with government incentives.

4.1.16.8. Information on the net book value of intangible assets with restricted use or pledged At 31 December 2003 and 2002, there are no intangible assets with restricted use or pledged:

The information on commitments given for the acquisition of intangible assets

4.1.16.9. At 31 December 2003 and 2002, the Bank has no commitments given for the acquisition of intangible assets:

At 31 December 2003 and 2002, the Bank has no commitments given for the acquisition of intangible assets.

4.1.16.10. Information on intangible assets that are revalued:

At 31 December 2003 and 2002, the Bank has no intangible assets that are revalued.

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

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

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

At 31 December 2003 and 2002, the Bank has no goodwill.

4.1.16.13. Information on the goodwill:

At 31 December 2003 and 2002, the Bank has no goodwill.

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

At 31 December 2003 and 2002, the Bank has no goodwill.

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

At 31 December 2003 and 2002, the Bank has no negative goodwill.

4.1.17. Information Related To Other Assets

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

The components of prepaid expenses account are insurance expense, repair and maintenance agreements, monthly membership payments and subscription expenses.

The temporary tax calculated for the year 2003 according to Tax Procedure Law is recorded in the prepaid tax account.

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

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

4.2. Information And Disclosures Related To Liabilities:

4.2.1. Information Related To Maturity Structure of Deposits

Since the Bank is a non-deposit taking bank it does not accept deposits.

4.2.1.1. Maturity structure of the deposits (31.12.2003):

Since the Bank is a non-deposit taking bank it does not accept deposits.

Information of maturity structure of the deposits (31.12.2002):

Since the Bank is a non-deposit taking bank it does not accept deposits.

4.2.1.2. Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund:

Since the Bank is a non-deposit taking bank it does not accept deposits.

4.2.1.3. Information about the saving deposits of Turkish branches of if covered by insurance in the country of the foreign bank:

Since the Bank is an non-deposit taking bank it does not accept deposits.

4.2.1.4. Saving deposits, which are not under the guarantee of deposit insurance fund:

Since the Bank is an non-deposit taking bank it does not accept deposits.

4.2.2. Information Related To Funds Provided from Repurchase Agreement Transactions

At 31 December 2003 and 2002, the Bank has no funds provided from repurchase agreement transactions.

4.2.3. Information Related To Borrowings

4.2.3.1. Information on borrowings:

At 31 December 2003 and 2002, the Bank has no borrowings.

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

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

4.2.4. Information Related To Securities Issued

4.2.4.1. Information related to securities issued within the current period:

As at 31 December 2003, the Bank has no securities issued.

4.2.4.2. Information related to marketable securities issued within the prior period:

As at 31 December 2002 , the Bank has no securities issued.

4.2.4.3. Information on convertible bonds:

At 31 December 2003 and 2002, the Bank has no convertible bonds.

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4.2.4.4. Explanation on maturity structure, interest structure and currency type of marketable securities issued:**4.2.4.4.1. Current Period**

At 31 December 2003, the Bank has no securities issued.

4.2.4.4.2. Prior Period

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

4.2.5. Information Related To Funds Used**4.2.5.1. Current Period:**

As at 31 December 2003, the Bank has no funds used

4.2.5.2. Prior Period:

As at 31 December 2002, the Bank has no funds used.

4.2.6. Information Related To Sundry Creditors

	31.12.2003	31.12.2002
Cash Collateral Received	11,552	15,478
Unrestricted Member and Special Purpose Accounts	1,248	2,025
Blocked Money (Balances Obtained for CMB Trading Screens)	-	-
Other Sundry Creditors	371	556

The cash collaterals taken are composed of cash guarantees from the members to make transactions on Stock Exchange Money Market, Cash Credits, Securities Lending Operations and Futures Market.

4.2.7. The Description And Amounts For Items, Which Constitute At Least 20% Of Other Liabilities If Other Liabilities Exceed 10% Of Total Assets, Excluding Off-Balance Sheet Commitments

	31.12.2003	31.12.2002
ISE Guarantee Fund-Share Certificates	24,576	20,591
ISE Guarantee Fund-Bonds	38,451	32,280
Other	2,853	3,176

4.2.8. Information Related To Taxes And Other Dues Payable**4.2.8.1. Information on taxes payable:**

	31.12.2003	31.12.2002
Corporate Taxes Payable	-	-
Taxation of Securities	2,569	5,396
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	242	278
Foreign Exchange Tax	-	-
Value Added Tax Payable	5	-
Other	291	324

4.2.8.2. Information on other dues:

	31.12.2003	31.12.2002
Social Security Premiums-Employee	65	57
Social Security Premiums-Employer	93	81
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	5	3
Unemployment Insurance-Employer	9	8
Other	-	-

4.2.9. Information Related To Factoring Payables

At 31 December 2003 and 2002, the Bank has no factoring payables.

4.2.10. Information Related To Financial Leasing

4.2.10.1. General information about important terms of the leasing contracts, including criteria used to determine contingent installments of financial lease contracts, existing conditions for renewals and purchase options, and any restrictions in the contract bringing material liabilities to the bank:

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

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

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

4.2.10.3. Liabilities incurred due to financial leasing agreements:

There are no liabilities incurred due to financial leasing agreements.

4.2.10.4. Explanations and disclosures on operating leases:

Archive building have been let and as at the balance sheet date the Bank recorded TL 26 Billion as rent expenses.

4.2.10.5. Explanations on contractual conditions and special terms for the lessee and the lessor related to sale and lease back transactions:

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

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4.2.11. Information Related To Accrued Interest and Expenses Payables

	31.12.2003		31.12.2002	
	TL	FC	TL	FC
Accrued Interest on Deposits	-	-	-	-
Accrued Interest on Borrowings	-	-	-	-
Accrued Interest on Bonds	-	-	-	-
Accrued Interest on Repurchase Agreement Transactions	-	-	-	-
Accrued Interest on Financial Derivative Instruments	-	-	-	-
Accrued Interest and Expense	-	-	-	-
Foreign Exchange Losses Accrued	-	-	-	-
Other Interest and Expense Accruals	51	-	296	-

4.2.12. Information Related To General Provisions And Subordinated Loans**4.2.12.1. Information on general provisions:**

	31.12.2003	31.12.2002
General Provisions	275	-
Provisions for I. Group Loans and Other Receivables	257	-
Provisions for II. Group Loans and Other Receivables	-	-
Provisions for Non Cash Loans	18	-
Other	-	-

4.2.12.2. Information on retirement pay provision and notification indemnity:

	5 PP	4 PP	3 PP	2 PP	Prior Period	Current Period
Actual payments of employee termination benefits	72	33	86	26	52	45
Reserve for employee termination benefits and notification indemnity	1,906	2,429	2,992	2,806	3,192	3,387
Actual payment ratio	4%	1%	3%	1%	2%	1%
Ratio of reserve for employee termination benefits and notification indemnity	-	-	-	6%	3%	4%
Possible reserve for employee termination benefits and notification indemnity	-	-	-	169	109	107

4.2.12.3. Liabilities resulting from retirement benefits:**4.2.12.3.1. Liabilities for retirement foundations established in accordance with "Social Security Institution"**

The Bank has no retirement foundations established in accordance with "Social Security Institution" as of the balance sheet date.

4.2.12.3.2. All kinds of liabilities for pension funds and foundations that provide benefits for the employees after retirement

The Bank has no pension funds or foundations that provide benefits for the employees after retirement as of the balance sheet date.

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

There is no payment date expected by the Bank.

4.2.12.5. Information on provisions for possible risks:

There are no provisions for possible risks at 31 December 2003.

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

The Bank has no subordinated loans in the current period at 31 December 2003.

4.2.12.7. Information on subordinated loans:

The Bank has no subordinated loans in the current period at 31 December 2003.

4.2.13. Information On Shareholders' Equity

4.2.13.1. Presentation of paid-in capital:

	31.12.2003	31.12.2002
Common stock	60,000	60,000
Preferred stock	-	-

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

The registered capital system is not used in the Bank.

4.2.13.3. Information on share capital increases and their sources; other information on increased capital in current period:

The Bank has no capital increase in the current period.

4.2.13.4. Information on share capital increases from revaluation funds:

The Bank has no share capital increases from revaluation funds in the current period.

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

The Bank has no capital commitments until the end of the fiscal year and the subsequent interim period.

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

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

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4.2.13.7. Summary information about privileges given to shares representing the capital:

At 31 December 2003, the Bank has privileged common stocks with a nominal value of TL 200 Million. These privileged stocks that belong to ISE, give the shareholders the right to be presented with more members in the Board of Directors.

4.2.14. Common Stock Issue Premiums, Shares And Equity Instruments

	31.12.2003	31.12.2002
Number of Shares (Thousand)	599,998	599,998
Preferred Stock (Thousand)	2	2
Common Stock Issue Premium	-	-
Common Stock Cancellation Profit	-	-
Other Equity Instruments	-	-
Total common stock issue	600,000	600,000

4.2.15. Information Related To Marketable Securities Value Increase Fund**4.2.15.1. Information on marketable securities value increase fund:**

At 31 December 2003, there is no marketable securities value increase fund

4.2.15.2. Information on the presentation of foreign exchange gains arising from foreign currency affiliates, subsidiaries and available-for-sale securities in the financial statements:

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

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

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

4.2.16. Information Related To Revaluation Fund

	31.12.2003		31.12.2002	
	TL	FC	TL	FC
Properties – Movables	852	-	446	-
Properties – Immovables	4,785	-	2,713	-
Gain on sale of properties and investments transferable to paid in capital	-	-	-	-
Revaluation fund of tangible assets	2	-	-	-

The above revaluation funds are accounted for under the Bank's legal books, and are eliminated in the accompanying financial statements as per the inflation accounting adjustments.

4.2.17. Information Related To Revaluation Fund

The Bank applies revaluation on fixed assets (including related depreciations) under legal books by using the rates and procedures published by the Ministry of Finance. Revaluation fund accumulated under shareholders' equity that is allowed to be transferred to capital is exempt from all types of taxes and revaluation fund on fixed assets depreciation is a deductible item on tax calculation. Buildings are depreciated over their initial cost amounts. Land and land improvements are not subject to revaluation and depreciation. Applied revaluation coefficients for 2003, 2002 and 2001 are 28.5%, 59% and 53.2% respectively. Revaluation funds accumulated under shareholders' equity in accordance with Turkish Tax Legislation is eliminated from accompanying financial statements as per inflation accounting principles.

4.2.18. Information Related To Legal Reserves

	31.12.2003	31.12.2002
First Legal Reserves	-	12,522
Second Legal Reserves	-	2,048
Other Legal Reserves Allocated per Special Legislation	-	-

As at 31 December 2003, legal reserves under the Bank's legal accounts eliminated while netting off the prior year's losses.

4.2.19. Information Related To Extraordinary Reserves

	31.12.2003	31.12.2002
Reserves allocated by the General Assembly	-	3,668
Retained Earnings	-	-
Accumulated Losses	-	-
Translation Reserve for Foreign Currency Share Capital	-	-

As at 31 December 2003, extraordinary reserves under the Bank's legal accounts eliminated while netting off the prior year's losses.

4.2.20. Information Related To Minority Interest

4.2.20.1. Information on minority interest:

There is no minority interest in the stand alone financial statements of The Bank.

4.2.20.2. Information on shareholders having more than 10% shareholding:

Name/ Commercial title	Share Amounts (*)	Share Percentage	Paid-in capital	Unpaid portion
ISE	14,370	23.95%	14,370	-

(*) Nominal Amount

40.45% of the remaining 76.05% of the shares belongs to banks, 35.60% belongs to securities intermediary institutions.

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4.3. Information And Disclosures Related To Income Statement**4.3.1. Interest Income Received****4.3.1.1. Information on interest income received from affiliates and subsidiaries:**

There is no interest income received from affiliates and subsidiaries in the current year.

4.3.1.2. Information on financial leasing income:

There is no financial leasing income in the current year.

4.3.1.3. Interest received from reverse repo transactions:

There is no interest received from reverse repo transactions in the current year.

4.3.1.4. Information on interest from the factoring receivables:

There is no interest from the factoring receivables in the current year.

4.3.2. Interest Expenses Given**4.3.2.1. Information on interest expenses given to affiliates and subsidiaries:**

There are no interest expenses given to affiliates and subsidiaries in the current year.

4.3.2.2. Information on financial leasing expenses:

There are no financial leasing expenses in the current year.

4.3.2.3. Interest expenses on deposits by original opening maturities:

There are no interest expenses on deposits in the current year.

4.3.2.4. Interest expenses given to repo transactions:

There is no interest expenses given to repurchase agreement transactions in the current year.

4.3.2.5. Information on interest on factoring transactions:

There is no interest expense given to factoring transactions.

4.3.3. Net Income/Losses From Investment Securities

There are no income/losses from investment securities.

4.3.4. Information Related To Other Operating Income

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

Extraordinary income resulting from extraordinary transactions and the nature and the quantity of these extraordinary transactions:

As at the balance sheet date, the Bank has not generated any extraordinary income resulting from extraordinary transactions.

4.3.5. Provision Expenses Related To Loans And Other Receivables Of The Bank

	31.12.2003	31.12.2002
Specific Provisions for Loans and Other Receivables	-	-
Unsecured	-	-
Other Groups	-	-
General Loan Loss Provision Expenses	275	-
Diminution in value of Marketable Securities	-	-
Impairment Provision Expenses	-	-
Other	-	-

4.3.6. Information Related To Other Operating Expenses

4.3.6.1. Information related to other operating expenses:

	31.12.2003	31.12.2002
Personnel expenses	10,829	11,329
Reserve for Employee Termination Benefits	11	2
Bank Pension Fund and Retirement Foundation Deficit Provision	-	-
Depreciation Expenses of Fixed Assets	2,391	2,485
Amortisation Expenses of Intangible Assets	147	117
Other Operating Expenses	2,934	4,874
Maintenance Expenses	55	83
Advertisement expenses	52	362
Other expenses	2,827	4,429
Loss on Sales of Assets	-	7
Operational Leasing Expenses	26	44
Other	696	2,578
Total	17,034	21,436

4.3.6.2. The nature and amount of expenses due to extraordinary items and tax effect of extraordinary items:

There are no expenses due to extraordinary items in the current year.

4.3.6.3.1. The income statement item in which goodwill amortization is included

The Bank has no goodwill.

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4.3.6.3.2. *A statement whether the negative goodwill, if any, is determined in accordance with principles identified in article 16 of the accounting standard on the Accounting for Mergers Takeovers of Banks and Acquisitions of Entities by Banks, the timing and amount of anticipated expenses and losses, the periods in which the negative goodwill will be recognized as income, and the income statement items in which this income is recorded*

The Bank has no negative goodwill.

4.3.7. Income And Expenses From Affiliates And Subsidiaries

4.3.7.1. The profit and losses from subsidiaries and affiliates:

There is no profit and loss from subsidiaries and affiliates.

4.3.7.2. The profit or loss from affiliates accounted for under the equity method:

The Bank has no affiliates that is using equity method.

4.3.7.3. Income or expenses arising from the transaction with the Bank's own group:

The information on transactions with Bank's own risk group is given in section 4.8. "Information and Disclosures Related to Bank's Own risk Group".

4.3.8. Information Related To Net Income/Loss For The Period

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

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

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

There are no changes in the accounting estimates.

4.3.8.3. Minority share of profit and loss:

There is no profit and loss from minority interest.

4.3.9. Nature And Amount Of Changes In Accounting Estimates, Which Materially Affect The Current Period And Are Expected To Affect The Following Periods

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

4.4. Information And Disclosures Related To Off-Balance Sheet Items

4.4.1. Information Related To Off-Balance Sheet Items

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

4.4.1.1.1. *Contingent liabilities arising from joint ventures and share in contingent liabilities together with other venturers*

The Bank has no joint ventures.

4.4.1.1.2. *Share in contingent liabilities of joint venture*

The Bank has no joint ventures.

4.4.1.1.3. *Bank's contingent liabilities arising from its responsibility due to the liabilities of other venturers in joint ventures*

The Bank has no joint ventures.

4.4.1.2. *Accounting for contingent assets and liabilities, disclosure in the financial statements and possibility of realization of contingent liabilities:*

The Bank does not have contingent assets and liabilities.

i. For contingent assets, if the probability of the occurrence is virtually certain, this asset will be accounted for, but if the probability of the occurrence is high, it is disclosed in the footnotes.

The Bank does not have any contingency asset.

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

4.4.1.2.1. *Monetary effects of contingent assets and liabilities*

The Bank has no contingent assets or liabilities.

4.4.1.2.2. *Expected realization date of contingent assets and liabilities*

The Bank has no contingent assets or liabilities.

4.4.2. Explanation Related To Derivative Financial Instruments

The Bank has no derivative financial instruments as at 31 December 2003.

4.4.3. Information Related To Off-Balance Sheet Items

4.4.3.1. *Types and Amounts of Irrevocable Loan Commitments:*

The Bank has no irrevocable loan commitments.

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4.4.3.2. Probable losses and obligations arising from off-balance sheet items including the items listed below:**4.4.3.2.1. Non-cash loans including guarantees, banker's acceptances, letters of credit and other financial guarantees:**

The Bank plays an intermediary role between the buyer and the seller in the stock exchange money market and provides guarantees to cover non-payment of debts; and follows such risks in this market under non-cash loan accounts. Limits are set for the members for stock exchange money market transactions and there is continuous liability for collateral of these limits. This collateral is kept in the Bank as times of loan limits determined according to the extent, which they can be sold. The non-cash loan amount of the Bank is TL 486,787 Billion at 31 December 2003. The total value of collaterals received is TL 2,025,713 Billion (Cash, public sector debt securities, letters of guarantee and market value of common stocks).

4.4.3.2.2. Long standing guarantees, temporary guarantees, sureties and similar transactions

The Bank has no long standing guarantees, temporary guarantees, sureties or similar transactions.

4.4.4. Segmental Information Related To Off-Balance Sheet Items

According to APR, Communiqué 17 operational segment reporting is to be disclosed as from 1 January 2004.

4.4.5. Total Non-Cash Loans**4.4.5.1 Total amount of non-cash loans:**

	31.12.2003	31.12.2002
Guarantees Given to Companies for Obtaining Cash Loans	-	-
With Maturity of 1 Year or Less Than 1 Year	-	-
With Maturity of More Than 1 Year	-	-
Other Non-Cash Loans	486,787	885,014
Total	486,787	885,014

4.4.5.2 Restrictions on fixed assets such as lien and mortgages, capital expenditures and commitments for fixed asset acquisitions:

None.

4.4.6. Information Related To Services Delivered In The Name And Account Of Others

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

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

4.4.7. Brief Information Related To Rating Carried Out By International Rating Firms

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

4.4.8. Risk Concentration

4.4.8.1. Sectoral risk concentrations of non-cash loans:

	31.12.2003				31.12.2002			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	486,787	100	-	-	885,014	100	-	-
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	486,787	100	-	-	885,014	100	-	-

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4.4.8.2. Information related to first and second group non-cash loans:

	1. Group		2. Group	
	TL	FC	TL	FC
Non-cash Loans				
Letters of Guarantee	-	-	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Other Commitments and Contingencies	486,787	-	-	-

4.5. Information And Disclosures Related To Shareholders' Equity**4.5.1. Information on Adjustments Arising From The Application Of The Standard On Accounting For Financial Instruments In The Current Period****4.5.1.1. Information on the increase arising from the fair valuation of securities available-for-sale:**

Apart from the financial instruments for hedging, profit or loss arising from the valuation of available for-sale assets at fair value are realized under shareholders' equity. As at the balance sheet date, the Bank does not recognize any profit or loss under shareholders' equity because of the fair valuation of available-for-sale securities.

4.5.1.2. Information on increases in the cash flow hedges:

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

4.5.1.2.1. Beginning and ending cash flow hedges and their reconciliation

There are no cash flow hedge transactions.

4.5.1.2.2. Information on the amount of profit or loss arising from cash flow hedges relating to a financial derivative or non-derivative financial instrument which is included in shareholders' equity

There are no cash flow hedge transactions.

4.5.1.2.3. Reconciliation between beginning and ending balances for foreign currency differences

There are no cash flow hedge transactions.

4.5.2. Information Related To Adjustments Arising From The Application Of The Accounting Standard On Accounting For Financial Instruments In The Current Period

4.5.2.1. Information on available-for-sale investments:

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

There is no amount of gains or losses arising from the fair valuation(excluding hedging instruments) which is recorded in equity.

4.5.2.2. Information on cash flow hedges:

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

There are no cash flow hedge transactions.

4.5.3. Information About Dividends

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

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

4.5.3.2. Net dividend per share proposed after balance sheet date:

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

4.5.4. Amounts Transferred To Legal Reserves

There is no amount transferred to legal reserves from retained earnings in the current year.

4.5.5. Information About Share Issues

For all shareholder classes; any rights, privileges and restrictions including dividend restrictions and redemption of shares:

There are no rights, privileges, or restrictions on dividends and redemption of shares for any shareholder classes.

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4.6. Information And Disclosures Related To Statement Of Cash Flows**4.6.1. Explanations About Other Cash Flows Items And The Effect of Changes In Foreign Exchange Rates In Cash And Cash Equivalents**

The "Other" balance under "Operating profit before changes in operating assets and liabilities" amounting to TL 47,258 Billion consists of items such as fees and commissions expense, other operating income, other operating expense excluding payroll expenses.

The "Net increase/(decrease) in other liabilities" balance under "Changes in operating assets and liabilities" amounting to TL 1,662 Billion consists of changes in other external resources where ISE Guarantee Fund is recorded, sundry creditors, other liabilities and taxes and other duties payable.

The effect of changes in the foreign currency rates on cash and cash equivalents is reflected on net foreign exchange gains/(losses). The foreign exchange gains/losses balance mentioned above is included in "IV.The Effect of Changes in the Foreign Currency Rates on Cash and Cash Equivalents" item of the cash flows statement.

4.6.2. Information About Cash Flows From Acquisition Of Affiliates, Subsidiaries, And Other Investments

	31.12.2003	31.12.2002
Cash and Cash Equivalents on Acquired Investment	-	-
Loans	-	-
Other Assets	-	-
Deposits Matured	-	-
Other Laibilities	-	-
Goodwill	-	-
Cash Payments on Acquisitions	1,337	-
Forreign Currency Gains	-	-
Acquisition Cost	-	-
Cash and Cash Equivalents on Subsidiaries Acquired	-	-
Cash Outflows from Acquisitions	1,337	-

4.6.3. Information About Disposal Of Affiliates, Subsidiaries, And Other Investments

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

4.6.4. Information Related To Cash And Cash Equivalents At The Beginning Of The Period

Items included in cash and cash equivalents and accounting policy used to determine cash and cash equivalents, effect of changes in accounting policies and reconciliation of cash and cash equivalents between the statement of cash flows and the balance sheet:

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

Information on cash and cash equivalents at the beginning of the period:

	01.01.2003	01.01.2002
Cash	2,540	2,197
Cash and Foreign Currency	3	5
Demand Deposits at Banks	2,537	2,192
Cash Equivalents	138,118	130,173
Interbank Money Markets	130,464	117,775
Time Deposits at Banks	7,654	12,398
Total Cash and Cash Equivalents	140,658	132,370

Information on cash and cash equivalents at the end of the period:

	31.12.2003	31.12.2002
Cash	1,999	2,540
Cash and Foreign Currency	6	3
Demand Deposits at Banks	1,993	2,537
Cash Equivalents	81,678	138,118
Interbank Money Markets	81,678	130,464
Time Deposits at Banks	-	7,654
Total Cash and Cash Equivalents	83,677	140,658

4.6.5. Amount And Nature Of Cash And Cash Equivalents Of The Bank That Are Not Freely Useable Due To Legal Restrictions Or Other Reasons

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

4.6.6. Additional Information Related To Financial Position And Liquidity Of The Bank

4.6.6.1. Any unused financial facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities:

There are not any unused financial facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

4.6.6.2. Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank:

The cash flows needed to run ordinary operations of the Bank are monitored on a daily basis. Cash flows showing an increase in the operational capacity of the Bank is evaluated within the same context.

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- 4.7. Information And Disclosures Related To Accounting For Bank Mergers And Transfers And Acquisitions**
- 4.7.1. For All Business Combinations Including Takeovers, the Name and Type of Merging Entities, Accounting Policy Used to Account for the Business Combination, Effective Date of the Merger And Discontinued Operations**
- The Bank has not realized any merger transactions.
- 4.7.2. Information On Acquisitions**
- 4.7.2.1. Explanation about the period acquisitions realized:**
- The Bank had no acquisition during the period.
- 4.7.2.2. Net book value of provisions provided on each acquisition:**
- The Bank had no acquisition during the period.
- 4.7.2.3. For an acquisition, reasons if fair value of assets and liabilities or acquisition value can not be measured reliably at the date of acquisition and information on any corrections done, if any, on the temporarily estimated fair values:**
- The Bank had no acquisition during the period.
- 4.7.3. For Mergers and Takeovers, Information Disclosed In The Financial Statements Of The Period In Which The Transaction Occurs**
- 4.7.3.1. Description and number of shares issued, share exchanges, and share percentage for each shareholder:**
- No acquisition or takeover is realized in the current period.
- 4.7.3.2. Amounts of assets and liabilities that have been allocated to the merger by each bank:**
- No acquisition or takeover is realized in the current period.
- 4.7.3.3. Pre-merger or takeover sales revenue, other operating income, extraordinary income and expenses, and net profit or losses which are included in the financial statements prepared subsequent to merger or takeover:**
- No acquisition or takeover is realized in the current period.
- 4.7.4. Information On Bank Mergers After The Balance Sheet Date But Before The Financial Statements Are Approved For Issue Or Reasons If An Explanation Cannot Be Provided**
- The Bank has not realized any merger and/or takeover transactions after the balance sheet date.

4.8. Information And Disclosures Related To Bank's Own Risk Group

4.8.1. Information On The Volume Of Transactions Related To The Bank's Own Risk Group, Outstanding Loan And Deposit Transactions And Income And Expenses Of The Period

4.8.1.1. Current Period (31.12.2003):

Bank's Own Risk Group (*)	Affiliates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Others Included in the Same Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other Receivables	-	-	-	-	-	-
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Interest and Commission Income Received	-	-	2,455	-	-	-

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

4.8.1.2. Prior Period (31.12.2002):

Bank's Own Risk Group (*)	Affiliates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Others Included in the Same Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables	-	-	-	-	-	-
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Interest and Commission Income Received	-	-	2,328	-	-	-

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

4.8.1.3. Information on deposit held by Bank's own risk group:

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

4.8.1.4. Information on forward, option and other similar agreements made with Bank's own risk group:

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

4.8.2. Information Related To Bank's Own Risk Group

4.8.2.1. Regardless of the existence of any transactions between the parties, Bank's relations with the Bank's own risk group and with the entities controlled by the Bank:

There are not any entities in The Bank's risk group controlled by The Bank.

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4.8.2.2. In addition to the relations, types of the transactions, their amount and their share in total volume, the amounts of major balances and their proportion in the total, pricing policy and other issues:

There are not any entities in The Bank's own risk group controlled by The Bank.

	Risk Group	Total	Share
Balances with Banks(*)	63,027	132,556	47.55%
Cash Loans	-	6,369	0%
Non Cash Loans	-	486,787	0%
Deposits	-	-	0%
Borrowings	-	-	0%

(*) TL 63,027 Million amount seen in the "Balances with Banks" section is the amount of ISE Guarantee Fund. This fund has been established by ISE in order to prevent the delays in the settlement transactions. It is accounted under the "Receivables from Interbank Money Markets" in assets side and "Other Liabilities" accounts in liabilities side. Accordingly, it is classified as "Balances with Banks" in the table above.

4.8.2.3. Except for the instances that require separate explanations about their effects in the financial statements, information for similar transactions:

There are not any entities in the Bank's own risk group controlled by the Bank.

4.8.2.4. Transactions accounted for under the equity method:

There is no transaction accounted for under the equity method.

4.8.2.5. Trading of property and other assets, services performed, agency agreements, leasing contracts, transferring the know-how, licensing dealings, financing (including loans and cash capital and capital in kind contributions), guarantees, commitments and management agreements:

Information on financing, guarantees and commitments are presented in note 4.8.2.2.

4.9. Information And Disclosures Related To Inflation Accounting

4.9.1. Explanation Related To The Adjustments Made In The Accompanying Financial Statements To Compensate For The Effect Of Changes In The General Purchasing Power Of Turkish Lira As Of The Balance Sheet Date

In the accompanying financial statements, adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of the balance sheet date.

4.9.2. Explanation Related To The Cost Basis Applied Before The Financial Statements Are Adjusted For Inflation

The accompanying financial statements, apart from the revaluation on fixed assets, are prepared based on the historic costs in the statutory records. Amounts of revaluation in the statutory records are eliminated in the accompanying financial statements as per the principles of inflation accounting.

4.9.3. Explanation About Conversion Factors Used To Restate The Accompanying Financial Statements, And The Wholesale Price Index Used To Restate The Financial Statements And The Level Of The Index As At The Balance Sheet Date And Movements In The Last Two Years

The cumulative three-year inflation rate as at the balance sheet date is 181% based on the countrywide wholesale price index announced by the Turkish State Institute of Statistics. Indexation adjustments were calculated by using wholesale price indices published by the Banking Regulation and Supervision Agency (BRSA) and the Turkish State Institute of Statistics.

Such index and conversion factors used to restate the accompanying financial statements as of the end of each period to the balance sheet date are given below:

Date	Price Index	Conversion Factor
31 Aralık 2000	2,626.0	2.8111
31 Aralık 2001	4,951.7	1.4908
31 Aralık 2002	6,478.8	1.1394
31 Aralık 2003	7,382.1	1.0000

4.9.4. Adjustments To Non-Monetary Items

Non-monetary items are restated by multiplying initial acquisition costs with factors that are derived by dividing the current year end index with the index at the initial acquisition date of the non-monetary item and deducting accumulated depreciation calculated from the restated amounts and allowances provided for impairment losses, if any.

4.9.5. Explanation Related With The Useful Lives, Depreciation Calculations Made According To The Related Regulations And The Restated Amounts Of Depreciable Assets, Together With Explanation About The Existence Of Any Appraisal Reports For Determination Of Fair Value Of Such Assets

The Bank determines the expected useful lives of the assets that are subject to depreciation as 50 and 5 years for buildings and other fixed assets, respectively. The Bank reviews the expected useful lives of its depreciable assets periodically.

Depreciation is calculated on the inflation adjusted assets by using the depreciation method applied in the Bank's statutory records.

Annual depreciation rates applied by the Bank are as follows:

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

The Bank contracted TSKB Gayrimenkul Ekspertiz to carry out a valuation as of 30 June 2003 with regard to the determination of the fair value of its headquarters building located in Şişli. The expertise company stated by the letter dated 16 December 2003 that there has been no change in the fair value of the building since 30 June 2003. Based on the opinion of the expertise company, the value of the building is determined as TL 8,370 Billion and the restated value of the building has brought to expertise value by decreasing TL 1,338 Billion.

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4.9.6. Explanation Related With Legal Reserves And Paid-in-Capital That Is Calculated According To The Regulations Of The Turkish Commercial Code And The Bank's Articles Of Association

In the Board of Directors meeting dated 31 January 2003 No:106/1, the accumulated losses of balance sheet as at 31 December 2002 are decided to be offset at 31 December 2003 against, in the order of, the net profit of 2002, extraordinary reserves, legal reserves and capital reserves arising from the inflation adjustment, as per the Article 28 of Communiqué Number 14. TL 69,140 Billion of accumulated losses has been offset as of 31 December 2003.

Paid-in nominal capital in the legal books of the Bank is TL 60,000 Billion and capital reserves arising from the inflation adjustment is TL 101,503 Billion as of the balance sheet date. As referred to in the above paragraph, after the offsetting against accumulated losses the remaining capital reserve is TL 77,726 Billion.

Legal reserves per statutory records are TL 5,869 Billion where as the inflation adjusted legal reserves of the Bank are TL 14,570 Billion as of the balance sheet date. This reserve has been offset against the accumulated losses.

Inflation adjusted extraordinary reserves of TL 3,668 Billion, which is TL 1,195 Billion per Bank's statutory records, have been offset against the accumulated losses.

4.9.7. Purchasing Power Gain Or Loss From Monetary Items, Interest And Foreign Currency Income Or Expenses Related To The Net Monetary Position Gain (Loss) From The Funds Borrowed Or Received For Items That Were Deducted From The Net Monetary Gain (Loss) And Disclosed Separately In The Income Statement

There is no purchasing power gain or loss from monetary items, interest and foreign currency income or expenses related to the net monetary position gain (loss) from the funds borrowed or received for items that were deducted from the net monetary gain (loss) and disclosed separately in the income statement.

4.9.8. Information Whether The Previous Period Financial Statements Have Been Audited:

Financial statements of the Bank for the year ended 31 December 2002 were audited by Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member Firm of Pricewaterhouse Coopers) and unqualified opinion was issued.

4.9.9. Explanation About Retained Earnings/(Accumulated Losses) Until The Beginning Of The First Period For Which Financial Statements Were Adjusted For Inflation, Previous Year Income (Loss) Calculated By Deducting Inflation Adjusted Total Liabilities And Shareholders' Equity From Total Assets

There are no retained earnings/(accumulated losses) balance resulting from balance sheet equalization as a consequence of the first time application of inflation accounting.

As at the balance sheet date, TL 46,682 Billion prior year profit in the statutory records is restated and after the offset of the accumulated losses, it became zero.

4.9.10. Explanation Related With Income And Expenses That Accrued During The Period And Expenses Incurred And Income Generated Throughout The Period, Or The Fact That There Are No Objective Criteria Which Confirm The Existence Of Seasonality Or Equal Distribution In The Income And Expense Transactions

There are no objective criteria which confirm the existence of seasonality or equal distribution in the income and expenses for income and expenses that accrued during the period and expenses incurred and income generated throughout the period.

4.10. Information And Disclosures Related To The Domestic, Foreign Offshore Branches And Foreign Representations Of The Bank

The Bank has no domestic, foreign or offshore branches. The number of employees of the Bank at 31 December 2003 is 226.

	Number	No Of Employees	Country of Incorporation	Total Assets	Statutory share capital
Domestic Branch	1	226			
Foreign Representation	-	-	-		
Foreign Branch	-	-	-	-	-
Off-share Banking Region Branches	-	-	-	-	-

4.11. Information and Disclosures Related To Subsequent Events

4.11.1. Information And Disclosure Related To Subsequent Events And Effects On Financial Statements

There is no incomplete transactions related to the subsequent events after the balance sheet date.

4.11.2. Significant Changes In The Foreign Exchange Rates After The Balance Sheet Date Which May Affect The Users Of The Financial Statements During The Analysis Of The Financial Position And Affect The Bank's Foreign Operations

There are no significant changes in foreign exchange rates after the balance sheet date until the date of this report.

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SECTION FIVE**EXPLANATIONS FOR THE INDEPENDENT AUDITORS' REPORT****5.1. Independent Auditors' Report**

Financial statements as at 31 December 2003 have been independently audited by DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik A.Ş. ("Member Firm of Deloitte Touche Tohmatsu").

The independent auditors' report is presented at the beginning of the financial statements and related notes. The Bank, in accordance with the Communiqué Number 15 "Preparation of Consolidated Financial Statements, Accounting for Subsidiaries, Associates and Joint Ventures", has no obligation to prepare concolidated financial statements.

SECTION SIX**OTHER EXPLANATIONS AND NOTES****6.1. Other Explanations And Notes**

At 31 December 2003, under the trading securities account, the Bank has government bonds and treasury bills amounting to TL 2,923 Billion, TL 1,608 Billion of which is government bonds and the remaining TL 1,315 Billion is treasury bills, which belong to problematic brokerage firms. In addition, under the Reverse Repo Transactions Receivables account the Bank has investment securities purchased under commitments to resell amounting to TL 1,678 Billion which belong to problematic brokerage firms. The securities which belong to problematic brokerage firms are recorded in accordance with the related legislation. The corresponding accounts used for these securities under liabilities are sundry creditors. The increase in the fair values of these government bonds and treasury bills amounting to TL 716 Billion and the income accrual of the reverse repo transactions amounting to TL 1 Billion, which is calculated based on the difference between the sale and repurchase prices, are recorded under other liabilities without recognizing the amounts in the income statement.

The increase or decrease in values of trading securities that belong to the problematic brokerage firms are not recognized in the income statement.

Senior Management

Emin S. Çatana, *President and CEO*

Nezir Bakır, *Executive Vice President*

Ahmet Çakırsoy, *Executive Vice President*

Yusuf Çiçek, *Executive Vice President*

Şevket Yaşöz, *Head of the Board of Internal Auditors*



From left to right in the front row:

Suat Sevand Treasury Manager, Arzu Öztürk Systems Development Manager,

Cahit Girgin Legal Affairs Manager

From left to right in the rear row:

Mehmet Günal Credits and Money Market Manager, İbrahim Samancı Accounting Manager,

Ender Aybulus Software and Hardware Manager, Gülcan Tok Administrative Affairs and Purchasing Manager,

Tolga Somuncuoğlu Custody Manager, Eşref Hatipoğlu Security Services Manager,

Tanju Günel Operations Manager, Mustafa Şentürk Personnel and Training Manager (not in the picture).

TAKASBANK

ISE Settlement and Custody Bank Inc.

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