



**VAKIFBANK
INTERNATIONAL AG**

ANNUAL REPORT 2003

ANNUAL REPORT

For the year ended December 31, 2003



VAKIFBANK INTERNATIONAL AG

VAKIFBANK INTERNATIONAL AKTIENGESELLSCHAFT

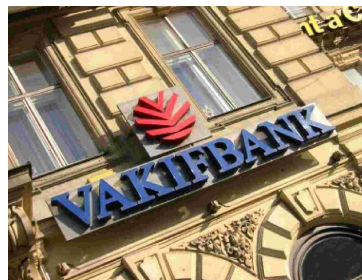
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MEMBER OF THE SUPERVISORY BOARD

A. Ahmet KACAR
Chairman

Yusuf YEŞİLIRMAK
Deputy - Chairman

Hüseyin DURMAZ
Member of the Supervisory Board

Tanju YÜKSEL
Member of the Supervisory Board

E. Tosun KARAY
Member of the Supervisory Board

Kerim KARAKAYA
Member of the Supervisory Board

Emine GÖKALP
Member of the Supervisory Board

MEMBER OF THE EXECUTIVE BOARD

Selçuk GÖZÜAK
Chairman

Vedat PAKDİL
Member of the Board

Metin YILDIRIM
Member of the Board

HEADS OF THE DEPARTMENTS

Birgül DENLİ
Correspondent Banking & International Finance

Kurt FÖRSTER
Credit Department

Mag. Friedrich HAMMER
Treasury

Eva HEIN
Accounting

Alfred MANDL
Internal Audit

Uğur YEŞİL
Trade Services & Operations

BRANCH VIENNA

Muhsin SAĞLAM
Manager

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BRANCH FRANKFURT

Onur YILMAZ
Manager

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60329 Frankfurt am Main-Germany
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BUSINESS ACTIVITIES AND SHAREHOLDERS OF THE BANK

VakıfBank International AG was established on July 23, 1999 and received full bank licence by the Austrian Ministry of Finance on August 4, 1999. Shareholders are Türkiye Vakıflar Bankası T.A.O. Ankara (90%) and the pension fund of Türkiye Vakıflar Bankası T.A.O. (10%).

VakıfBank International AG sees its core activity in providing support to Austrian and Turkish companies to improve and enlarge the mutual trading relations, based on the experience, the know how, the financial capability and the international reputation of its parent company. VakıfBank International AG is strongly committed to provide a positive contribution to intensify trade and investment activities.

VakıfBank International AG is offering trade related banking services (L/C, documentary business, guarantees, transfers), the financing of commercial cross border transactions (loans, forfaiting and discounting of L/C) and loans to Austrian and Turkish exporters and importers.

Geographically, VakıfBank International AG is concentrating on Turkey, EU and Central and Eastern Europe. We established Frankfurt Branch in 2002 to expand our business in Germany.

VakıfBank International AG is also offering all traditional banking services e.g. account maintenance for private and corporate clients, savings accounts, remittances, retail and commercial loans.

A special service offered by VakıfBank International AG is a prompt and easy handling of money transfer from Austria to Turkey backed by an online link to VakıfBank Ankara.

T. Vakıflar Bankası T.A.O., Ankara was founded in 1954. T. Vakıflar Bankası T.A.O. is currently number 3 of the banks directly or indirectly controlled by the Republic of Turkey. The branch network consists of about 300 units in Turkey, a branch in New York and a participation in Banque de Bosphore in Paris.

The shareholders of T. Vakıflar Bankası T.A.O., Ankara are:

General Directorate of Public Foundations	55%
Affiliated Foundations	20%
Pension Fund of Türkiye Vakıflar Bankası T.A.O.	25%

The General Directorate of Public Foundations “GDF” was established in 1924 to administer and regulate existing and future Turkish charitable foundations as a state entity directly reporting to the Prime Minister. GDF is a separate legal entity and has its own budget. GDF owns the cultural heritage of the Republic of Turkey, like museums, mosques and historic buildings.

The Affiliated Foundations are charity organisations, which have been established for the welfare of the general public during the Ottoman Empire. These foundations are also administered by General Directorate of Public Foundations.

Pension Fund of Türkiye Vakıflar Bankası T.A.O. substitutes the mandatory social security coverage provided by Social Insurance Institution for the Bank’s employees and it is mandatory for all of the Bank’s employees to become members of the Pension Fund.

KEY FIGURES OF THE FINANCIAL YEAR 2003

(in mill. EUR)

	2003	2002
Balance Sheet	190,5	144,3
Claims against Customers	37,6	23,3
Claims against Credit Institutions	62,9	35,3
Liabilities to Credit Institutions	98,9	77,2
Liabilities to Customers	61,8	38,0
- hereof: Saving Deposits	34,8	25,0
Net Interest Income	6,3	5,7
Operating Earnings	7,4	7,1
Operating Expenditures	3,8	3,2
Operating Result	3,5	4,0
Result of Ordinary Business Operation	3,3	4,7
Annual Surplus	2,2	3,1
Equity Resources	27,9	25,7
Statutory Minimum Equity	6,3	5,1

SITUATION REPORT FOR THE FINANCIAL YEAR 2003

Similar to the previous year, 2003 was characterized by a continuous weak economy, with a slow recovery in Europe but an accelerating economic performance in the United States of America. Japan also signaled signs of recovery after a decade of recession. Growth rates of the other Asian countries could partly improve their already high levels.

The interest level was at its lowest in 2003 favored by expansive monetary policies of National Banks and moderate inflationary developments. The situation in the labor market and budget consolidation problems remained causing concern particularly in the U.S.A. and the leading European economies.

For Turkey, the year 2003 was characterized by profound positive developments. The advantages of a one party government were important for achieving a sustainable macroeconomic stabilization, a decline in inflation, exchange rate stability and an on-going fiscal consolidation.

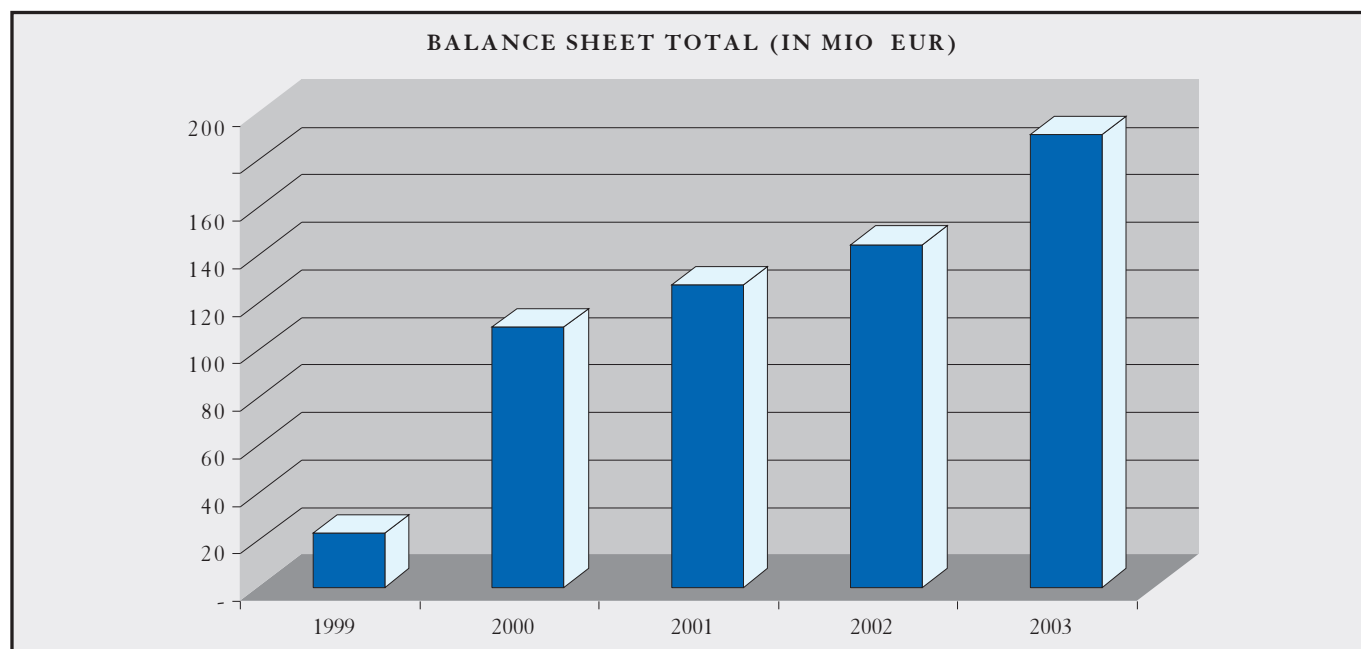
Although at the beginning of the year the possible effects of the war in Iraq caused some uncertainties on Turkish economy, thereafter all indicators pointed to a rapid recovery. The GDP grew by 5 %, the inflation rate dropped to 18 % this year from above 30 % in 2002. The international financial community recognized these successful developments by upgrading long-term foreign and local currency ratings of the Republic of Turkey to 'B+' from 'B' with a 'stable' outlook. Parallel to this achievement, the main Turkish Banks including Türkiye Vakıflar Bankası T.A.O, our parent company, were upgraded to 'B+'.

Basic reforms in the legislation contributed to economic and politic stability and progress in the direction of reaching an agreement in the Cyprus issue affected positively Turkey's possible accession status for European Union Membership.

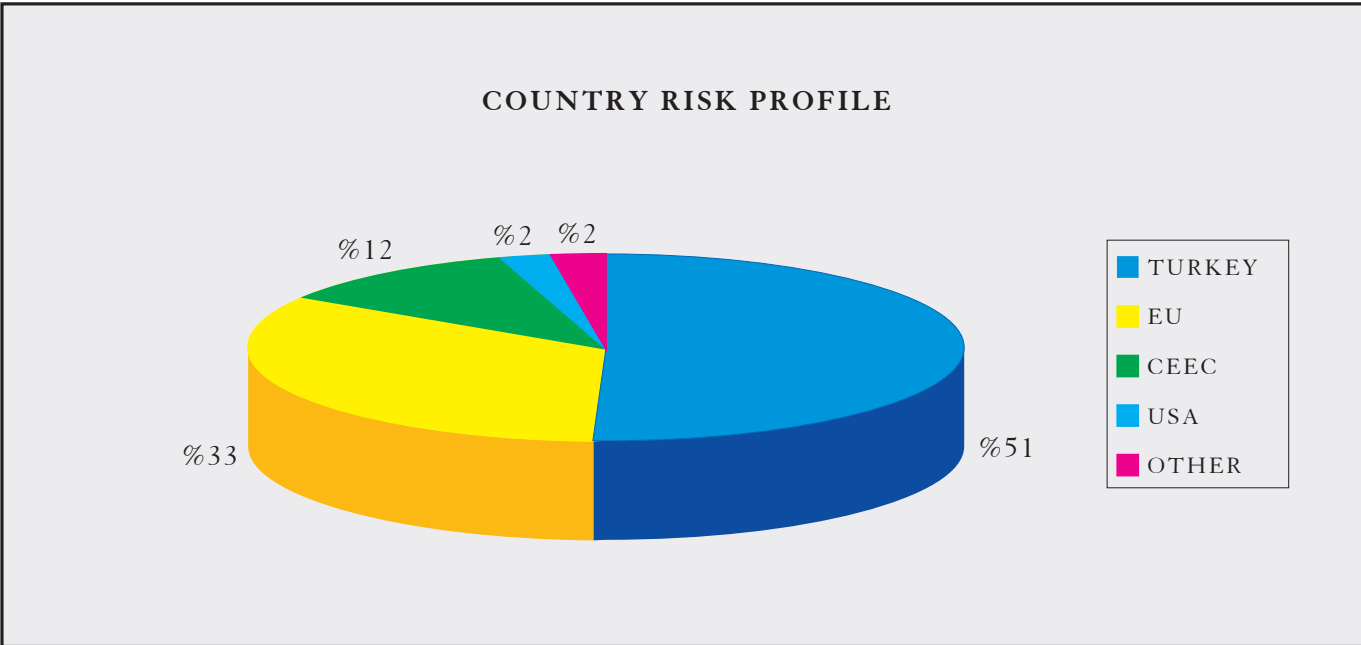
BUSINESS ACTIVITIES

The balance sheet total reached EUR 190 million at the end of 2003 showing an increase of 32 % compared to 2002.

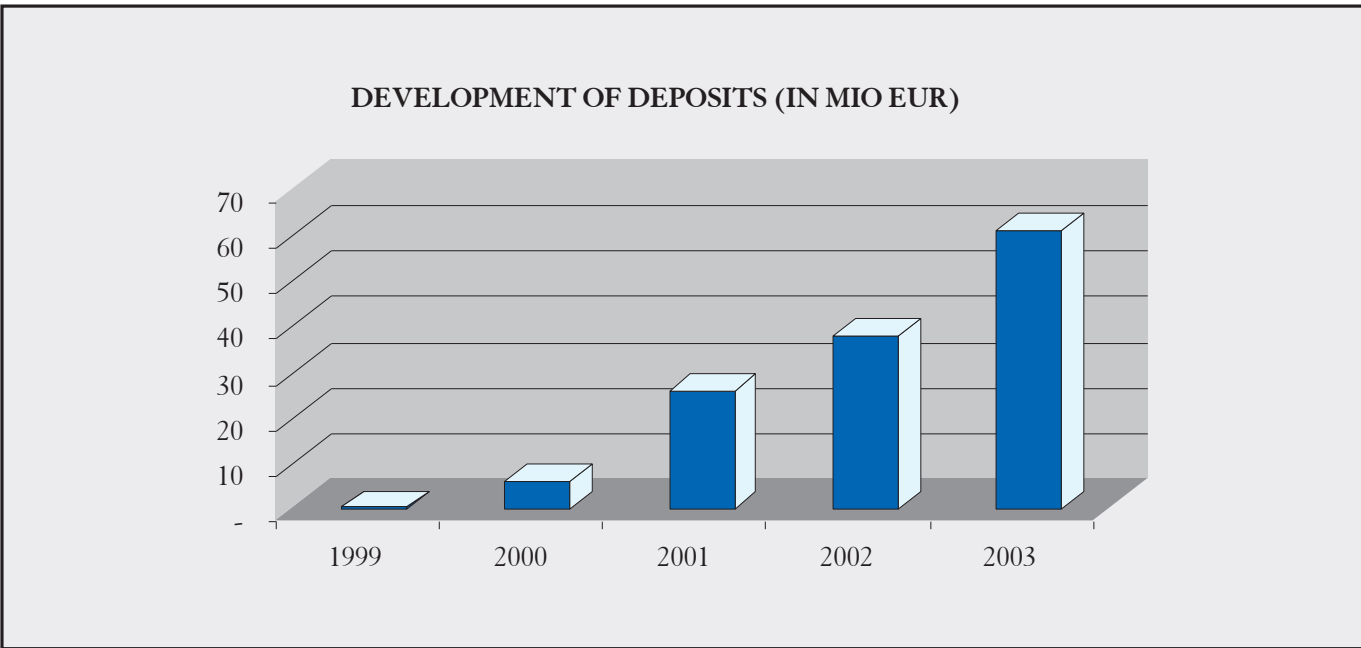
This resulted from the increase of forfeiting activities as well as from an intensified commitment in syndicated loans in Turkey and Central & Eastern European countries, among others, in the banking, electricity and airlines sector. Our engagements in the bonds market remained unchanged.



By diversification of the country risk structure, the portion of Turkish assets in our portfolio was reduced to 51 % from 56 % in 2003.



Compared to 2002, a 60 % increase in deposits has been achieved. This successful development was based on an increase of the deposits to EUR 61 million from EUR 38 million in 2002 whereby our Frankfurt branch contributed substantially.



OWN FUNDS OF THE BANK

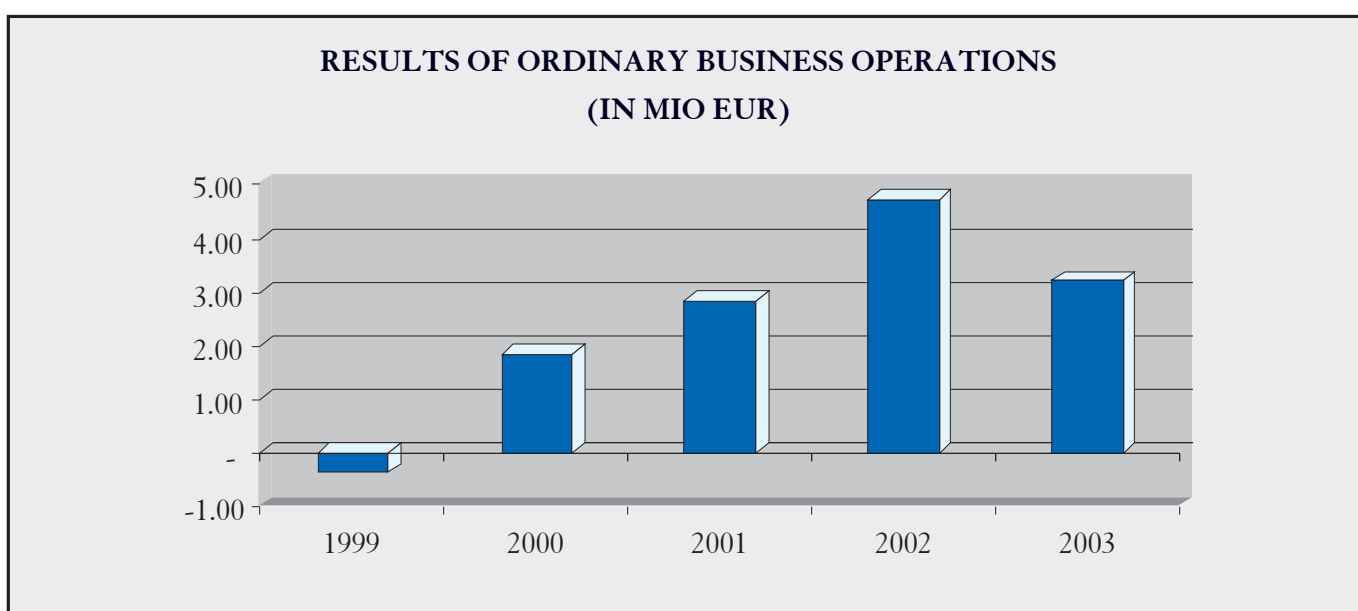
Based on the financial results of 2003, the available own funds to be taken into account according to § 23 BWG could be increased to EUR 28,7 million from EUR 25,7 million in the previous year.

EARNINGS

The net interest income increased to EUR 6.34 millions (+ 13 %), the net commissions income remained unchanged at EUR 0.8 million and the operating expenditures reached EUR 3.8 million (+ 17 %).

Operating earnings reached EUR 7.3 million, operating results amounted to EUR 3,5 million as opposed to EUR 3.9 million in 2002. Due to the problems of the Italian food company Parmalat, provisions had to be made affecting negatively this years results from ordinary operations (EUR 3.3 million) compared to 2002 (EUR 4.7 million).

The Frankfurt branch shows a loss of EUR 0,46 million although there was a significant increase in deposits from customers to approximately EUR 15 million.



OUTLOOK

Our bank will continue the successful strategy to concentrate in profitable niche markets, especially diversifying our portfolio in financing mainly Central & Eastern European and Turkish trade related transactions and aims to increase our balance sheet total to EUR 250 million by the end of 2004, by concentrating on our core business activities in close cooperation with our parent company. We expect our Frankfurt branch, which has already attributed substantially by acquiring a high number of new customers within one year to further increase its market penetration.

After the closing of the balance sheet no significant events are to be reported.

In 2003, Turkey presented a unique transformation by improving economic fundamentals and encouraging political developments. Turkey has managed to keep the negative effects of the war in Iraq and the currency crisis at a minimum. Inflation fell below year-end target, and GNP growth is likely to come to 5 %. The Turkish Lira has strengthened more than expected to below TRL/ USD 1.4 million levels from TRL /USD 1.8 million, compound interest rates have dropped and trade volume has gone up, exports to Austria rose by 13,4 % during the first ten months of the year whereas imports from Austria increased by 26,3 % in the same period.

The possibility of an entry of Turkey to the European Union will dominate the market estimate in 2004 and will boost the market even more. The accession of the first candidates to the European Union will enhance the cross border flows of goods and will create more business opportunities, where VakıfBank is expecting to participate.

REPORT OF THE SUPERVISORY BOARD

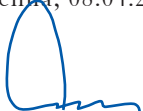
The supervisory board held 6 meetings during 2003. The supervisory board was continuously informed about the current development and the proper conduct of business by the executive board. The supervisory board accomplished its duties by passing the necessary resolutions and taking the necessary decisions.

The external auditors, Deloitte & Touche GmbH, Vienna examined the annual balance sheet and the report of the executive board and gave their unqualified opinion thereon.

The annual statement of accounts 2003, drawn up by the executive board, was examined by the elected committee (§ 92 AKTG) and endorsed by the supervisory board, which is thus final under § 125 (2) AKTG.

The supervisory board agrees to the presented proposal of profit distribution and thanks the management and the staff for the performance achieved.

Vienna, 08.04.2004


Yusuf YEŞİLİRMAK

Deputy Chairman of the Supervisory Board

AUDITOR'S OPINION

Pursuant to the final result of the audit of the financial statement as of December 31, 2003 of

VakıfBank International AG

Vienna

we are now in a position to give an unqualified opinion as follows:

“As the result of our audit we certify that the accounting records and the financial statements comply with the legal regulations.

The financial statements give a true and fair view of the company's assets, the liabilities, financial position and profit or loss is in conformity with generally accepted accounting principles. The management report corresponds with the financial statements.”

The following auditor's report and financial statements were prepared for use in Austria. As such, the accompanying financial statements utilize accounting principles, procedures and reporting practices generally accepted in Austria and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Austria. The standards, procedures and practices utilized to audit such financial statements are those generally accepted and applied in Austria.”

Vienna, 12.03.2004

Deloitte & Touche GmbH
Wirtschaftsprüfungs- und Steuer-
beratungsgesellschaft

Univ. Doz. / M.Mag. Dr. Philip G. ...
Chartered accountant

Dr. Peter Bitzyk
Chartered accountant



VAKIFBANK INTERNATIONAL AG
FINANCIAL STATEMENTS FOR
THE YEARS ENDED DECEMBER 31, 2003
PROFIT AND LOSS ACCOUNT 2003



NOTES TO THE BALANCE SHEET AND
TO THE PROFIT AND LOSS ACCOUNT

BALANCE SHEET FOR THE YEARS ENDED 31 DECEMBER, 2003

ASSETS	31.12.2003		31.12.2002	
	EURO	EURO	EURO	EURO
1. Cash and Balance with the Central Bank		3.039.559,41		2.842.059,54
2. Debt instruments issued by public bodies and bills of exchange which are eligible for refinancing with the Central Bank		15.367.255,67		15.477.820,455
3. Claims against Credit Institutions				
a) due on a daily basis	21.903.030,68		7.778.415,77	
b) other claims	<u>40.990.311,59</u>	62.893.342,27	<u>27.475.923,42</u>	35.254.339,19
4. Claims against Customers		37.649.160,95		23.280.386,20
5. Financial Bonds and other fixed income securities				
a) bonds issued by public issuers	35.660.920,09		38.777.732,32	
b) bonds issued by other issuers	<u>29.648.538,17</u>	65.309.458,26	<u>23.621.629,08</u>	62.399.361,40
6. Investments		2.020,00		70,00
7. Intangible Fixed Assets		192.874,69		195.714,89
8. Tangible Assets hereof land and buildings used by the credit institution in the course of its own business EUR 469.664,04 (2002:549 T EUR)		668.776,65		764.775,38
9. Other Assets		5.276.212,17		4.071.630,44
10. Deferred Items		96.080,47		10.840,07
		190.494.740,54		144.296.997,56
off balance sheet items				
1. Foreign Assets		165.129.305,31		121.296.252,80

LIABILITIES AND SHAREHOLDER'S EQUITY	31.12.2003		31.12.2002	
	EURO	EURO	EURO	EURO
1. Liabilities to Credit Institutions				
a) repayable on demand	5.083.335,83		7.637.558,13	
b) with agreed maturity dates or period of notice	<u>93.843.940,77</u>	98.927.276,60	<u>69.606.200,35</u>	77.243.758,48
2. Liabilities to Customers				
a) saving deposits				
aa) with agreed maturity dates	34.837.529,79		24.956.057,58	
b) other liabilities				
ba) repayable on demand	12.493.053,86		1.291.144,82	
bb) with agreed maturity dates	<u>14.476.051,23</u>	61.806.634,88	<u>11.803.670,68</u>	38.050.873,08
3. Other Liabilities				1.550.423,76
4. Deferred Items		1.015.457,12		34.519,18
5. Provisions		133.217,34		
a) provisions for severance payments	57.623,45		71.578,46	
b) provisions for taxes	0,00		914.700,00	
c) other provisions	<u>458.873,85</u>	516.497,30	<u>510.224,58</u>	1.496.503,04
6. Subscribed Capital		16.000.000,00		16.000.000,00
7. Capital Reserves				
Free capital reserves		4.000.000,00		4.000.000,00
8. Profit Reserves				
a) statutory reserve		454.200,00		343.200,00
b) other reserves		4.453.601,17		0,00
9. Liability reserve (§ 23 Abs. 6 BWG)		1.199.961,73		1.029.368,16
10. Net Profit		1.932.957,01		4.453.601,17
11. Tax free reserves				
IFB 1999	0,00		39.813,30	
IFB 2000	<u>54.937,39</u>	54.937,39	<u>54.937,39</u>	94.750,69
		190.494.740,54		144.296.997,56
1. Contingent liability		8.516.508,72		6.039.982,16
2. Credit risk		11.500.089,02		3.372.339,14
3. Own funds to be taken into account according to § 23		27.902.782,61		25.725.205,13
4. Basis for computation of own funds according to § 22		6.322.950,60		5.070.142,63
5. Liabilities abroad		53.966.465,81		50.906.643,16

PROFIT AND LOSS STATEMENT FOR THE YEAR 2003

	31.12.2003		31.12.2002	
	EURO	EURO	EURO	EURO
1. Interest and similar income hereof fixed interest securities EUR 4.608.819,54		10.261.133,44		9.346.634,07
2. Interest and similar expenditures		-3.920.677,78		-3.665.488,97
I. NET INTEREST INCOME		6.340.455,66		5.681.145,10
3. Earnings from commissions		906.406,17		845.362,28
4. Expenditures from commissions		-92.113,21		-45.311,51
5. Earnings from financial transactions		42.722,30		225.568,51
6. Other operating earnings		156.469,96		399.716,97
II. OPERATING EARNINGS		7.353.940,88		7.106.481,35
7. General administrative expenses				
a) Personnel expenses				
aa) Salaries	-1.636.829,29		-1.283.181,01	
bb) Expenses for statutory social security and payroll related contributions	-398.618,81		-242.334,76	
cc) increase in severance payment provision	-38.149,71		-22.749,43	
dd) Retirement provision	-18.897,44		-18.383,48	
ee) Other expenses	-7.119,71	-2.099.614,96	-51.186,41	-1.617.835,09
b) Other administrative expenses		-1.463.157,64		-1.359.210,01
8. Depreciation for intangible and tangible assets		-195.311,34		-163.476,46
9. Other operating expenses		-49.148,41		-12.526,52
III. OPERATING EXPENDITURES		-3.807.232,35		-3.153.048,08
IV. OPERATING RESULT		3.546.708,53		3.953.433,27
10. Allocation to provisions of claim		-2.008.204,95		517.681,02
11. Liquidation/Allocation to securities		1.747.851,01		260.623,44
V. RESULT OF ORDINARY BUSINESS OPERATION		3.286.354,59		4.731.737,73
12. Income tax		-1.108.982,85		-1.610.952,71
13. Other taxes		-2.634,46		-6.088,67
VI. ANNUAL SURPLUS		2.174.737,28		3.114.696,35
14. Changes in reserves				
a) Liability reserve § 23 Abs 6 BWG	-170.593,57		-331.880,79	
b) Profit reserves	-111.000,00		-201.412,22	
c) Tax free reserves	39.813,30	-241.780,27	0,00	-533.293,01
VII. ANNUAL PROFIT		1.932.957,01		2.581.403,34
15. Profit carried forward		0,00		1.872.197,83
VIII. NET PROFIT		1.932.957,01		4.453.601,17

DEVELOPMENT OF FIXED ASSETS

Appendix III/1

	Acquisition cost as of 31.12. 2003		Additions		Disposal		Reclassifications		Acquisition cost as of 31.12. 2003		Appreciation accumulated Depreciation/ as of 31.12.2003		Book value as of 31.12.2003		Depreciation current period	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Financial Investments																
a) Securities																
aa) Issued by public borrowers	15,187,160.00	0.00	249,400.00	0.00	247,600.00	15,185,360.00	40,735.90 ¹⁾	81,065.667	15,266,425.67	15,230,220.45	2,647.09 ²⁾					
bb) Issued by other borrowers	37,746,169.21	25,580,070.00	24,355,131.87	0.00	38,971,107.34	185,728.91 ¹⁾	268,017.57	39,239,124.91	37,977,063.49	26,780.26 ²⁾						
	52,933,329.21	25,580,070.00	24,604,531.87	0.00	54,156,467.34	226,464.81	349,083.24	54,505,550.58	53,207,283.94	29,427.35						
II. Shares and other non-fixed interest securities	70.00	1,950.00	0.00	0.00	2,020.00	0.00	0.00	2,020.00	70.00	0.00						
III. Intangible non current assets																
a) Rights and licences	159,097.77	34,701.55	0.00	0.00	193,799.32	70,164.63	123,634.69	110,912.92	21,979.78							
b) Start up costs	117,687.04	14,000.00	0.00	0.00	131,687.04	62,447.04	69,240.00	84,801.97	29,561.97							
	276,784.81	48,701.55	0.00	0.00	325,486.36	132,611.67	192,874.69	195,714.89	51,541.75							
IV. Tangible fixed assets																
a) Leasehold improvements	855,516.72	4,008.08	0.00	0.00	839,524.80	345,291.74	494,233.06	576,605.99	86,381.01							
b) Furniture and equipment	277,763.20	17,093.85	0.00	0.00	294,857.05	140,383.19	154,473.86	188,169.39	50,789.38							
c) Vehicles	0.00	25,587.16	0.00	0.00	25,587.16	5,517.43	20,069.73	0.00	5,517.43							
d) Low value assets	0.00	1,081.77	1,081.77	0.00	0.00	0.00	0.00	0.00	1,081.77							
	1,113,279.92	47,770.86	1,081.77	0.00	1,159,696.01	491,192.36	668,776.65	764,775.38	143,769.59							

1) Appreciation of discount on a pro rata basis of securities valued as financial investment according § 56(3) ABA

2) Depreciation of premium on a pro rata basis of securities valued as financial investment according § 56(2) ABA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2003

General regulations

The annual accounts of VAKIFBANK INTERNATIONAL AG were prepared for the financial year 2003 in observance of the principles of orderly bookkeeping and the general standard which requires a true and fair view of the assets, financial and revenue position of the company to be given. The balancing, valuation and reporting of the individual items in the annual accounts have been undertaken in accordance with the rules laid down in the Austrian Commercial Code and in accordance with the rules of the Austrian Banking Act in the latest version.

Balancing and valuation methods

Balance sheet and income statement were prepared according to appendix 2 to § 43 BWG. Items, which have not been showing a balance whether in the previous year nor in the current year, are not included. During the preparation of the financial statements the principle of completeness was taken into consideration and the continuation of the bank was assumed. The valuation of each asset was made according to the valuation principle.

Due to the principle of careness only realised profits were included and all risks and expected losses as per the yearend were taken into consideration.

Foreign currencies were exchanged according to § 58/1 BWG with medium exchange rates.

Name and Headquarter of the parent company

The consolidated financial statements have been prepared by Türkiye Vakıflar Bankası T.A.O., Atatürk Bulvarı No: 207 Kavaklıdere 06680 Ankara, Turkey.

Assets

Securities which are available for sale were reported at their acquisition costs or valued at the lowest value principle (the strict form of the principle of lower of cost or market). Securites held to maturity were valued according to § 56/2 BWG or according to § 56/3 BWG.

All securities mentioned are fixed interest rate bearing domestic and foreign securities. Security trading portfolio ("Wertpapierhandelsbuch") is not available.

The participation investment was valued at acquisition costs. Tangible fixed assets were valued at the acquisition or production costs, reduced by planned amounts of linear depreciation.

Tangible fixed assets	Years
Tangible fixed assets	5-10
Investments in premises	10
Furniture and Fixture	10
Office machines and EDP equipments	4
Vehicles	5

Low value fixed assets (§ 13 ITA) were amortised during the year of acquisition and are show in the activity of fixed assets schedule in the columns additions, items disposed and amortization of the current year.

Liabilities

Provisions for severance payments were calculated due to financial mathematical principles considering retirement age as 56,5 (women) or 61,5 years (men) and a calculating interest rate of 4 %. In the financial year 2003 the calculation rate was 4 %. All risks recognizable at the date of preparation of the financial statement, together with the contingent liabilities, were taken into account in the amount of the other provisions according to the principle of reasonable business appraisal.

Other provisions were set up mainly for vacation, consultancy and auditing costs.

Development of fixed asset items and of annual depreciation are shown in the activity of fixed assets schedule (Appendix III/1)

Capital stock

The capital stock is amounting to Euro 16 Mio. with 1 Euro nominal value for each. Shareholders are Türkiye Vakıflar Bankası T.A.O., Atatürk Bulvarı No:207 Kavaklıdere Ankara, Turkey with 14,40 Mio. shares and Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, Atatürk Bulvarı No: 87/7 Kavaklıdere Ankara, Turkey with 1,60 Mio. shares.

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

Schedule of period of maturity (§ 64/1 Z 4 BWG)

Accounts receivable with maturity are listed below with following period of time:

	Accounts receivable			
	Financial institutions		Others	
	31.12.2003 in EUR	31.12.2002 in T EUR	31.12.2003 in EUR	31.12.2002 in T EUR
up to 3 months	5.751.147,28	5.450	1.978.378,70	3.450
more than 3 months up to 1 year	20.918.793,49	15.126	12.941.806,26	1.709
more than 1 year up to 5 years	14.320.367,03	6.899	24.438.162,43	18.121
more than 5 years	0,00		0,00	0
TOTAL	40.990.311,59	27.475	36.358.347,39	23.280

The total amount of assets which are presented in foreign currency amounted to EUR 42.093.307,56 (previous year (PY) EUR 20,85 Mio.)

Liabilities included amounts with the following terms of maturity (total period of maturity):

	Liabilities			
	Financial institutions		Others	
	31.12.2003 in EUR	31.12.2002 in T EUR	31.12.2003 in EUR	31.12.2002 in T EUR
up to 3 months	79.968.643,86	64.606	5.090.279,30	14.605
more than 3 months up to 1 year	13.875.296,91	5.000	24.399.922,12	12.002
more than 1 year up to 5 years	0,00	0	17.727.582,65	7.981
more than 5 years	0,00	0	2.095.796,95	2.172
TOTAL	93.843.940,77	69.606	49.313.581,02	36.760

The total amount of liabilities which are presented in foreign currency amounted to EUR 28.447.912,22 (PY EUR 8,93 Mio.).

Securities and other fixed interest bearing securities

Securities and other fixed interest bearing securities increased from EUR 77,87 Mio. to EUR 80,68 Mio. as per end of the year. EUR 5,57 Mio. of them are maturing in the year 2004.

At the balance sheet date our securities amounting to EUR 54,16 Mio. (PY EUR 52,93 Mio.) had been valued at acquisition costs which were handled as securities held to maturity according to § 56/1 BWG.

The difference between higher acquisition costs and repayment amount of securities which is classified as financial instruments are amortized during the period until maturity date due to § 56/2 second sentence of BWG. In the year 2003 amortization remained unchanged with EUR 0,03 Mio. (PY EUR 0,03 Mio.).

The differences between lower acquisition costs and repayment amount of securities which are classified as financial instruments are credited during the period until maturity date due to § 56/3 of BWG. In the year 2003 EUR 0,23 Mio. (PY EUR 0,26 Mio.) were credited.

Securities and other fixed interest bearing securities which are quoted and not handled as fixed assets show a difference amount between acquisition costs and market values on the balance sheet date EUR 0,69 Mio. (PY EUR 0,04 Mio.).

Securities amounting to EUR 27,99 Mio. were pledged in favour of other financial institutions, short term security pledges with financial institutions amounted to EUR 29,09 Mio. on balance sheet date. In the year before securities amounting to EUR 71,96 Mio. were pledged in favour of other financial institutions.

	Available own funds	
	31.12.2003	31.12.2002
	in EUR	in 1.000 EUR
Subscribed capital	16.000.000,00	16.000
Capital free reserves	4.000.000,00	4.000
Profit reserve	4.907.801,17	343
Liability reserve	1.199.961,73	1.029
Tax free reserve	54.937,39	95
Free capital reserve*	1.932.957,01	4.454
Intangible fixed assets	- 192.874,69	- 196
Own funds	27.902.782,61	25.725

*The executive board will present their decision at the annual meeting to transfer the profit of the financial year 2003 to free capital reserves.

in % according to § 22/2 BWG	35,62	40,59
Requirement in %	8,00	8,00

Notes to relationship to affiliated companies

Accounts receivables and liabilities are existing exclusively to our parent company, T. Vakıflar Bankası T.A.O. The assets are amounting to EUR 14,76 Mio., hereof in foreign y EUR 14,21 Mio. Liabilities are amounting to EUR 13,01 Mio. (PY EUR 20,70 Mio.), hereof in foreign currency EUR 0,84 Mio. (PY EUR 4,05 Mio.). Guarantees taken from T. Vakıflar Bankası are amounting to EUR 5,79 Mio., which are containing mainly guarantees and loan granting commitments.

Other assets

Other assets are amounting to EUR 5,3 Mio. (PY EUR 4,1 Mio.). They contain accrued interest from securities, forfeittings and loans amounting to EUR 4,3 Mio. (PY EUR 3 Mio.) and EUR 0,7 Mio. (PY EUR 0,9 Mio.) due to valuation of interest rate swaps.

Off-Balance sheet Items

Derivative Financial Instruments are amounting to EUR 14,85 Mio. (PY EUR 18,88 Mio.).

Loan granting commitments contain one irrevocable commitment to Turkish Treasury Department (Ministry of Finance of Rep. Turkey) amounting to USD 12,90 Mio. (EUR-equivalent 10,21 Mio.).

Taxes

According to § 198/9 HGB a provision for tax liabilities amounting to EUR 12.248,92 was calculated. The calculation was made with a corporation tax rate of 34 %. A provision for tax liabilities was not built as a free reserve (IFB 2000) amounting to EUR 39.813,30 is available.

Others

Liabilities due from using assets which are not mentioned in the balance sheet are amounting to EUR 165.032,16 for the financial year 2004. The total of liabilities for the following 5 years are amounting to EUR 841.664,05.

Tax free reserve of EUR 54.937,39 (PY EUR 94.750,69) consist of investment free reserve 2000 according to § 10 EstG 1988. In the financial year 2003 an amount of EUR 39.813,30 was closed as part of investment free reserve (IFB 1999) after the legally binding maintaining period was expired.

Details concerning executive bodies and staff

The average number of staff during the financial year amounted to 31 (PY 28).

The Supervisory Board was made up as follows during the year 2003:

A. Ahmet Kacar, CEO since 26.02.2003

İrfan Erciyas, CEO till 26.02.2003

Yusuf Yeşilırmak, Deputy-CEO since 17.04.2003

Hüseyin Durmaz, Deputy-CEO till 17.04.2003

Tanju Yüksel, Member

Kezban Öztürk, Member till 26.02.2003

Fusun Yazođlu, Member till 26.02.2003

Seyfi Yabaş, Member till 26.02.2003

Oruç Hamit Şükrü, Member till 26.02.2003

Kerim Karakaya, Member since 26.02.2003

E. Tosun Karay, Member since 26.02.2003

Coşkun Arık, Member till 06.10.2003

Emine Gökalp, Member since 06.10.2003

The Executive Board during the year 2003 consists of:

E. Tosun Karay, General Manager till 30.01.2003

Selçuk Gözüak, General Manager since 30.01.2003

Kurt Wiesinger, Deputy General Manager till 17.04.2003

Vedat Pakdil, Deputy General Manager since 03.01.2003

Coşkun Arık, Member till 03.01.2003

Metin Yıldırım, Member since 29.01.2003

Grants amounting to EUR 14.400,93 were given to members of the executive board, hereof EUR 3.500,00 were recorded in the books at the balance sheet date. Termination benefits to members of the Executive Board are amounting to EUR 33.408,81 and to the Head of Departments EUR 12.074,92. In the year 2003 the total amount of salaries for the members of the Executive Board amounted to EUR 336.110,18 (PY EUR 320.425,45).

Vienna, March 2004

VakıfBank International AG