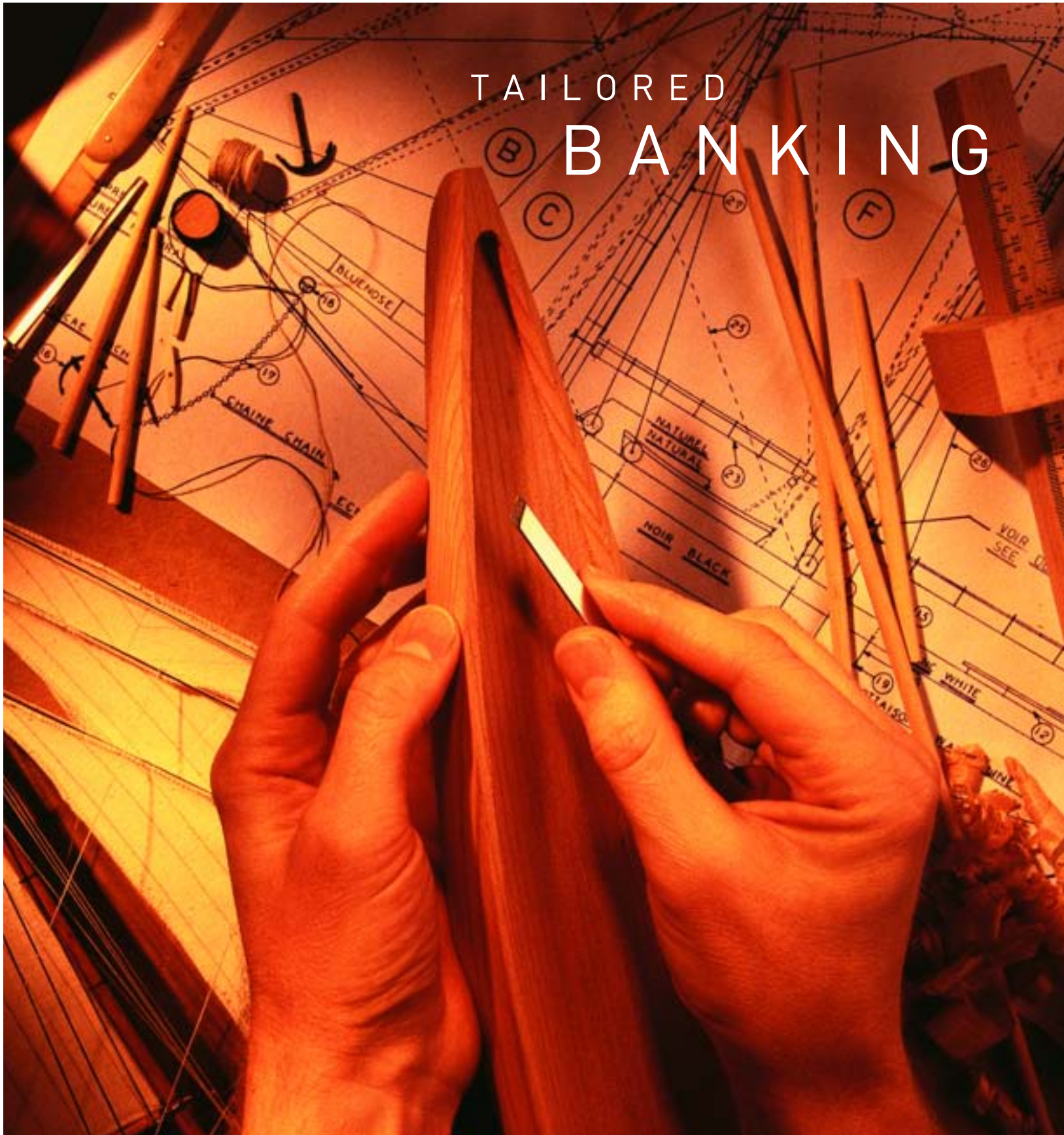


20 03
ANNUAL
REPORT



TAILORED
BANKING



_C BANK'S NAME IS IDENTIFIED WITH
CUSTOMIZED AND CREATIVE
SOLUTIONS

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_EFFICIENCY QUALITY FLEXIBILITY EXPERIENCE FINANCIAL STRENGTH

_Tailored banking

C Bank is a solid Turkish bank that serves its customers with “**tailored banking**” solutions and products in the merchant and investment banking areas.

As a name identified with productivity, effectiveness, quality, commitment to ethical values and innovativeness, C Bank, at the end of its first year of operation, has already positioned itself as a preferred business partner not just in Turkey but in international markets as well.

A business philosophy that is mindful of sustainable growth and gives as much importance to risk-return balances as it does to profitability, makes C Bank an outstanding institution focused on the future.

C Bank provides full-service corporate banking, investment banking, securities trading, leasing and commercial banking—all delivered in a highly personalized approach by our expert team whose members reach customers with a high degree of flexibility as they provide them with handmade service.

_A restructured bank

C Bank was born in December 2002 when C Factoring, a member of the C Group of Companies, purchased a 90% share in Toprak Investment Bank from the Savings Deposit Insurance Fund of the BRSA, the banking authority of Turkey. **C Group is a banking network with presence in 8 countries.**

After being acquired, the Bank underwent a thorough restructuring, and its name was changed to C Kredi ve Kalkınma Bankası (C Credit and Development Bank).

_Our mission

C Bank’s mission is to serve the corporate clients in their commercial and investment activities with the highest quality financial services in Turkey by means of its strong capital structure, expert and continuously improving staff and strong infrastructure using all tools of technology.

_An experienced and committed shareholder with a strong financial structure

C Bank commenced operations at a time when the Turkish economy and the banking industry were going through a period of fundamental changes, such as restructuring, recapitalization and consolidation of the banks in the sector.

The Bank’s new shareholders, C Group and C Factoring, make up one of the most experienced corporate groups in our country’s financial services and banking industry. The experience and knowledge of the Group make it a strong player in the corporate and commercial banking segments, giving it the ability to reach out and serve its customers.

Thanks to C Group’s commitment to its business as a shareholder and to the sensitivity that it has displayed since the Bank was acquired, C Bank today possesses a solid financial structure. As of this writing, its **paid-in capital** has reached **TL 47.5 trillion** from **TL 5.9 trillion** at the time of acquisition, and **consolidated total equity** has reached **TL 59.5 trillion**, which is approximately **USD 42.6 million**. This increase in its capitalization has made C Bank the most highly capitalized bank in its peer group.

PRESENCE IN TURKEY, THE NETHERLANDS, BELGIUM,
GERMANY, THE UK, KAZAKHSTAN, KYRGYZSTAN, AND BULGARIA



C GROUP SERVES A MULTINATIONAL PORTFOLIO OF CUSTOMERS, THROUGH 7 FINANCIAL INSTITUTIONS UNDER ITS UMBRELLA



THE OTHER MEMBERS OF C GROUP

Demir-Halk Bank (Nederland) NV

Rotterdam-based DHB Bank, the first Turkish-owned bank in the Netherlands and the EU, serves customers through its 12 branches in the Netherlands, Germany, Belgium and the United Kingdom. The Bank had total assets worth USD 2,194 million as of year-end 2003.

For more information
www.dhbbank.com

Demirbank (Bulgaria) AD

Demirbank (Bulgaria) AD is a commercial bank based in Sofia with total assets worth USD 34 million as of year-end 2003. The Bank also has an office in Varna.

For more information
www.demirbank.bg

Demir Kazakhstan Bank

Based in Alma Aty and serving customers in Kazakhstan, the Demir Kazakhstan Bank had total assets worth USD 28 million as of year-end 2003. The Bank also has an office in Atyrau.

For more information
www.demirbank.kz

Demir Kyrgyz International Bank

Being the first international bank to be set up in the Kyrgyz Republic, Demir Kyrgyz International has total assets worth USD 17 million as of year-end 2003. The Bank is based in Bishkek and also has an office in Osh.

For more information
www.demirbank.kg

C Factoring

C Factoring is a 99% shareholder of C Bank and the largest factoring company in Turkey in terms of paid-in capital of USD 43.8 million as of year-end 2003.

C Securities

C Securities gives boutique security trading services to customers with high net-worth.

FINANCIAL HIGHLIGHTS

CONSOLIDATED CAPITAL
ADEQUACY RATIO

71.4 %

INFLATION ADJUSTED
RETURN ON AVERAGE EQUITY

23.1 %

AUDITED & CONSOLIDATED FIGURES IN USD TERMS AS OF DECEMBER 31, 2003

(USD MILLION)

TOTAL ASSETS	82.1
LOANS AND LEASE RECEIVABLES	62.9
FUNDS BORROWED	21.2
TOTAL SHAREHOLDERS' EQUITY	42.6
NET PROFIT	5.9

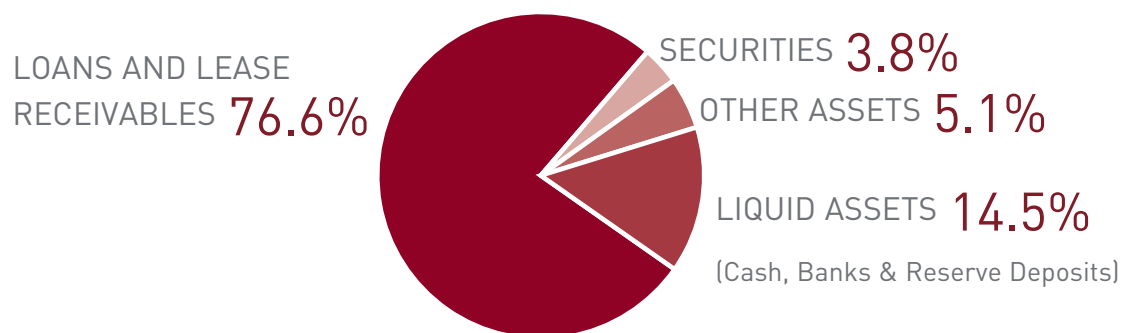
CONSOLIDATED TOTAL
SHAREHOLDERS' EQUITY

USD **42.6** MILLION

CONSOLIDATED TOTAL
ASSETS

USD **82.1** MILLION

BREAKDOWN OF CONSOLIDATED ASSETS



“WE ACHIEVED
OUTSTANDING RESULTS
IN OUR **FIRST YEAR.**”



C BANK IS ONE OF THE STRONGEST BANKS IN TURKEY BY MEANS OF CAPITAL.

Dear Customers and Correspondents,

C Bank successfully completed its first year in the Turkish banking sector. 2003 has also been a year of restructuring for the Bank while continuing with the regular activities and service to our customers. We have significantly increased our paid-in capital during the year, while our operational income gradually increased to reach TL 9 trillion at the end of the year. **As of year-end 2003, we are ranked among the top banks in Turkey in terms of capital adequacy, with a consolidated ratio of 71.4%.**

We targeted C Bank's position in the Turkish banking system in line with our experience in the sector, and the wisdom and capabilities of C Group. C Bank provides proficient and high quality service in merchant banking. Our aim is neither to expand our customer portfolio, risking our asset quality by focusing on companies of lower scale, nor to offer all services to any company or individual, but to provide competitive quality service and financing to sector-leading large companies with a sound financial structure for their trade and investment activities, and to consolidate these services in the wholesale banking area.

The software we have developed on information technology, one of the major components of the Bank's infrastructure, was approved as a "new technology" project for the banking sector by TÜBİTAK and the World Bank. Both institutions provided financial support amounting to USD 900,000, half of which was a donation. Our customers and correspondents may observe the positive effects of our new technological infrastructure, which is to be implemented by April 2004. As C Bank, we will also benefit from customer satisfaction and reduced operational costs. Starting in the second half of 2004, we will also start selling this software to institutions abroad.

We have the adequate capital, infrastructure, expert personnel and correspondent network to provide the services mentioned above. Moreover, we do not have the obstacle of unnecessary cost items during this process. Our structure is plain and efficient, which places us in a different position from other banks in the sector. Our commission income covers most of our operational expenses, and we aim for this figure to further grow in 2004, enabling us to be even more selective in granting loans and creating assets.

In 2003, we also restructured our investment banking activities. We provide consultancy, brokerage and public offering services. The volume of consultancy and brokerage transactions for privatization projects was over USD 100 million in 2003. Additionally, we commenced security-trading services through our subsidiary "C Securities".

Our outlook for 2004 is even more optimistic. Turkey is recovering from the wounds of the past in every field, while the banking sector is restructuring. During this process, C Bank will continue to successfully distinguish its place in the sectoral competition with the same strategy: the Bank will maintain its selective approach and enhance its brokerage and consultancy activities. **We will also increase our assets in 2004; nevertheless, we aim to keep our capital adequacy ratio over 20%.**

Thank you for choosing C Bank as your business partner.



Hasan Akçakayalıoğlu
Chairman of the Board of Directors



FAST RECOVERY BY MACROECONOMIC AND POLITICAL STABILITY, AND WELL-MANAGED ECONOMIC PROGRAM SUPPORTED BY IMF

Turkey embarked upon 2003 with a new government and fraught with the political and economic risks implicit in the possibility of hostilities with its neighbor, Iraq. After some political and economic volatility that stemmed from inexperience, the government managed to restore order through coherent policy implementation with the result that, from an economic point of view, the year turned out to be better than most people could have hoped, much less expected.

Macroeconomic indicators all reveal a picture of rapid improvement that has been nourished by stability on the political front, by the unexpectedly quick end to the fighting in Iraq, and by policies that are in harmony with the IMF-backed stabilization program.

While Q4 growth in GNP in 2003 was 7.2%, the figure for the whole year works out to 5.9%. In terms of current prices, GNP last year was worth TL 356.7 quadrillion while per capita national income was up to USD 3,383.

The impact of stocks on the growth in industrial output continues, though it is less important than it was in 2002. While a weak recovery in investments was observed, domestic demand was still unable to recover as much as might have been hoped because unemployment, which surged in the wake of the country's economic crises, had not yet truly begun to subside.

Thanks to plummeting interest rates and accompanied by stable exchange rates, the total amount of public debt in the consolidated budget was down for the first time in many years; the ratio of total indebtedness to national income slipped ten points from 89% to 79%; and the target of a non-interest surplus equal to at least 6.5% of the national income was achieved. From the standpoint of budget performance, the government has certainly been successful.

On the balance of payments front, the year was a healthy one as well. The current accounts deficit, at about USD 6.8 billion, is equal to 2.8% of the national

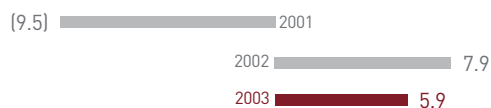
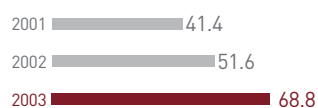
income. 2003 was a year in which there was explosive growth in Turkey's foreign trade; both imports and exports were up some 30%. Foreign investment inflows amounted to USD 5.7 billion.

Arguably the most important development of all, however, was the progress made in 2003 in the direction of pulling down Turkey's chronically high inflation, which has been its most intractable problem for years. **As of year-end, the 12-month rise in consumer prices was 18.4%—a shade under the 20% target that had been set.** The biggest contributors to this performance were stable movements in exchange rates, continuing weak domestic demand, and the government's adherence to budget discipline and its successful management of expectations as to that adherence. **The CPI target set for 2004 is 12%.**

Turkey's financial markets responded favorably to both macroeconomic and political stability. Interest rates on the government's internal borrowing, which shot up as high as 55-60% while the fighting was going on in Iraq, diminished abruptly and fell to 25% toward the end of the year. Responding to expectations in the improvement about inflation, the Turkish Central Bank (TCMB) pulled back overnight borrowing rates from 44% at year-end 2002 to 26% in a series of phased movements.

A surge in capital inflows after the end of the Iraq fighting exerted downward pressure on the value of the US dollar in the country's foreign currency markets. TCMB found it necessary to intervene at times when there was too much volatility in the exchange rate and bought up about ten billion dollars' worth. The year-on increase in the TL/USD exchange rate as measured in consumer prices, however, was still a hefty 12%.

Turkey was one of three countries (the other two were Brazil and Russia) that exhibited the best performance in 2003 in tapping international credit markets. **The country's eurobonds generated yields of more than 40% on a yearly basis.**

_GROWTH RATE (%)**_IMPORTS (USD billion)****_EXPORTS (USD billion)****_THE OUTLOOK FOR 2004**

2004 is turning out to be a year whose political agenda is as crowded as its economic one. Local elections held in March showed that the party in power was just as strong as ever, signaling that political stability is likely to continue in the years ahead. Negotiations over the Cyprus issue continue and results are expected in May. Most important of all, in December the EU will decide whether or not to give Turkey a date for the start of its full membership negotiations.

The economic recovery is expected to continue in 2004, with economic growth pegged at about 5% again for the year. Domestic demand has at last begun to respond to collapsing interest rates and a strong Turkish lira with respect to other currencies, even if only weakly, and rapid rises in consumer credit utilization were to be observed in the first few months. Nevertheless, household income is still depressed in real terms, and it is thought that this effect is unlikely to continue inasmuch as employment is not increasing rapidly enough to support it.

A 6.5% non-interest surplus target in the consolidated budget has again been set for 2004. The government avowedly will continue with its tight-budget policies to support its inflation targets. A couple of privatizations that failed to take place last year could also have a positive impact on budget performance this year if they should materialize.

The mild impairment in the balance of payments is not viewed as being enough to upset the prevailing stability in exchange rates. Projections put 2004's current accounts deficit at around USD 7-8 billion. Both imports and exports look set to continue increasing, though the growth in 2004 is quite unlikely to be as strong as it was in 2003. **Finally, favorable developments in Turkey's progress concerning EU membership could stimulate foreign investment inflows toward the end of the year.**

On the inflation front, expectations are quite sanguine and it is believed that, in the absence of any severe external shock, the yearlong rise in the CPI will be even less than the targeted 12%. The legal framework for the introduction of the "New Turkish Lira" at the end of 2004 is in place, and it looks as if we are about to embark on a period of single-digit inflation at long last.

Stability continues to reign in the country's financial markets. Responding to the favorable performance in inflation, the TCMB pulled down the prime rate two more times, further reducing overnight borrowing rates from 26% to 22%. One-year bonds are now fetching yields of 23%. The USD/TL exchange rate, which was about 1,400,000 at the beginning of the year, has slipped still more to 1,320,000. Although the TCMB has bought up more than USD 3 billion, the foreign currency market remains calm and flat; real interest rates are still high enough to make the Turkish lira an attractive currency.

To sum up, developments in resolving the Cyprus issue and Turkey's EU progress are likely to be as closely watched by economic circles in 2004 as by political and diplomatic ones. In the case of privatization, one area in which it was not very successful in 2003, the government now looks more determined. So long as tight-budget policies are adhered to and no major external shocks are experienced, we anticipate that 2004 is going to be another year in which we will see stable financial markets and an economic environment in which inflation subsides, the national debt becomes less, and economic growth is around 4-5%.

REMARKABLE PERFORMANCE AND HIGH PROFITABILITY



WE ARE DELIGHTED TO REPORT THAT WE HAVE MUCH TO SHARE WITH OUR STAKEHOLDERS AT THE END OF OUR FIRST YEAR OF OPERATION, WHICH ACTUALLY IS A PERFORMANCE OF LESS THAN 9 MONTHS IN REAL TERMS.

THE BIGGEST DRIVING FORCE OF THIS PERFORMANCE WAS THE BANK'S CORPORATE BANKING ACTIVITIES. COMMERCIAL LENDING, LEASING AND OTHER INVESTMENT BANKING ACTIVITIES ALSO GENERATED A STEADY STREAM OF INCOME ALL YEAR LONG. IN 2003, C BANK GENERATED A NET PROFIT OF USD 5.9 MILLION, ACHIEVING AN INFLATION ADJUSTED ROAE (RETURN ON AVERAGE EQUITY) RATIO OF 23.1% AND AN INFLATION ADJUSTED ROAA (RETURN ON AVERAGE ASSETS) RATIO OF 10.4%.

TAILORED BANKING IS THE HALLMARK OF C BANK, WHICH SEEKS TO EXPAND ITS BUSINESS AMONG LARGE-TO MEDIUM-SIZED COMPANIES BY PROVIDING HIGH QUALITY TRADE FINANCE, INVESTMENT BANKING, ASSET MANAGEMENT AND ADVISORY SERVICES. C BANK WILL BE MAXIMIZING ITS MANY ADVANTAGES IN ORDER TO GROW EVEN MORE IN 2004. WITH A HIGH CONSOLIDATED BIS RATIO OF 71.4%, THE BANK IS IN AN IDEAL POSITION TO INCREASE BUSINESS VOLUMES.

C BANK'S CONSOLIDATED FINANCIAL STATEMENTS FOR 2003 ARE GIVEN ON PAGE 24 OF THIS REPORT. THESE FIGURES HAVE BEEN INDEPENDENTLY AUDITED AND PRESENT THE BANK'S FINANCIAL STANDING IN SUCH A WAY AS TO ALLOW COMPARISON WITH INTERNATIONAL STANDARDS.

_BOUTIQUE CORPORATE AND COMMERCIAL BANKING

_CORPORATE BANKING

MAIN FOCUS ON TRADE FINANCE

Pursuing its goal of growing along with its customers, C Bank has given importance and priority to corporate lending since the day it first commenced operations. The Bank takes a "boutique" approach to service in dealing with its corporate and commercial customers, providing them with a diverse range of products; such as Turkish lira and foreign currency loans, leasing, letters of credit, letters of guarantee, and investment banking. The Bank has recently opened two offices in Ankara and Izmir with one representative each and no operations staff, aiming to follow up these markets and customers in the region more closely.

As of the end of its first year of operation, C Bank had made a total of USD 62.9 million cash and USD 82.2 million non-cash placements to customers active in different sectors. **Seeking to produce handmade solutions for its customers, the Bank attaches special importance to the business of trade finance in the conduct of its lending activities.**

During 2003, C Bank negotiated both import and export transactions for the firms it worked with, garnering considerable appreciation from its customers for its distinctive approach to service and speed. The Bank wrote nearly USD 110 million worth of trade finance business last year. While this figure may seem small in quantitative terms, it is an important indicator for the future since it was the result of just 9 months of operation. C Bank is determined to do much more trade finance business in parallel with the growth in its customer portfolio and to increase the revenue it derives from this segment.

C Bank has a particular approach in choosing its customers. The process starts with sectoral analysis: in-house made sector reports are examined carefully to select the sectors for the Bank's focus and strategy formation. This is followed by an investigation of the companies in the selected sectors. The final step is to determine the potential customers. The corporate customers with whom the Bank currently works the closest are engaged in the businesses of agriculture (especially olive oil), textiles, energy, tourism, shipping, transportation and construction. In 2003, almost half of the total olive oil exports of Turkey were handled by C Bank.



For C Bank, customers with solid cash flows and foreign trade volumes are the ones that have priority. In dealing with its corporate customers, the Bank provides financing for their receivables, stocks, foreign trade procurements, projects with clearly defined cash flows, and business objectives.

C Bank is also determined to meet its customers' needs for leasing, cash management, insurance and investment advisory services in the corporate banking segment, which the Bank regards as the main avenue of its future growth. Movement in this

_SUSTAINABLE GROWTH WITH BALANCED REVENUE LINES

direction will make it possible for C Bank to increase its non-interest revenues as well.

A view of banking that is based on an effective, personal and direct-marketing approach underlies the formula of C Bank's success in corporate banking. The pro-active marketing approach and program of C Bank aim also to selectively add new customers to the portfolio and deepen relations with existing customers. A system based on financial and market analysis provides a quantifiable and objective mechanism to assess the credit-worthiness of prospective customers.

The objective of C Bank is to grow in a sustainable way with balanced revenue as the economic environment becomes more hospitable in 2004. The Bank seeks balanced revenue growth weighted according to market demand and conditions.

_PROJECT FINANCE & ADVISORY SERVICES AN AREA OF EXPERTISE

C Bank will pursue growth in project finance and advisory services, an area that is one of the core competencies of investment banking. The Bank possesses all the human resources, technology and knowledge necessary to provide top-notch service in this segment.

In its first year of operation, C Bank moved quickly and made important progress in the direction of project finance and advisory services. In 2003 the Bank began providing customers in different sectors with project financing while also supplying **financing and advisory services under the government's privatization program**. The Bank was active in providing non-cash credit needed by customers taking part in government tenders and achieved a substantial volume of business in this way.

C Bank believes that the opportunities to do business in this segment of the market will also increase in 2004. Privatization is an important cornerstone of Turkey's economic stabilization program. In 2003, C Bank was one of the banks that provided the required non-cash credit facility with USD 32.5 million to Petrol Ofisi, the biggest oil distribution company of Turkey; and in the year ahead, a number of major projects involving the sale or transfer of state-owned enterprises such as Tekel, Tüpraş, Türk Telekom and Devlet Hava Meydanları will be on the agenda. While significantly increasing the depth of Turkey's capital markets in general, such projects will also make an important contribution to C Bank's business volume and commission income.

_CLOSE COOPERATION WITH INTERNATIONAL FINANCIAL INSTITUTIONS TO DEVELOP LONG TERM RELATIONS

_CORRESPONDENT BANKING GATE TO INTERNATIONAL BUSINESS

International banking is an area of business that is of great importance for C Bank. As a newly emerging bank, C Bank is aware that having credibility in international markets is a major part of its efforts to be an institution that supplies its customers with handmade banking solutions. C Bank seeks to establish and maintain mutual good relations with the strongest financial institutions in all parts of the world, particularly in countries that are trading partners with Turkey, where its customers might require solutions for their international banking needs.

C Bank continuously seeks to enhance its ability to handle international banking transactions through international relations that are constructed on the principles of mutual effectiveness, productivity and profitability. In a process in which the global economy is growing steadily stronger and increasing efforts to expand our country's share of international markets are being made, C Bank continues to develop a network of relationships capable of addressing the particular needs of its international trade customers.

C Bank currently has a network of nearly 100 correspondent banks with which it is actively engaged. As a result of its effective marketing and promotional activities with these banks in its first year of operation, C Bank has secured satisfactory lines of credit. For a bank that has only been in business for a year, this is a source of considerable pride. The volume of total export transactions

realized by the Bank in 2003 was over USD 55 million, while on the import side, approximately USD 28 million in confirmed letters of credit were routed to our correspondents.

C Bank intends to expand its relations with international financial institutions and export financing organizations, to develop even more credit relationships, and to respond even more effectively and quickly to the needs of its customers who are active in foreign trade. To accomplish this, the Bank will be focusing its efforts on developing solutions that satisfy needs and on creating project-financing opportunities. C Bank's talented team is highly knowledgeable on the subject of international banking. This is an important advantage that the Bank can exploit to increase its business volumes.

PLEASE CONTACT



_BUGRA KAYRA _ ASSISTANT MANAGER-CORRESPONDENT BANKING
Phone +90 212 290 32 25 Fax +90 212 290 32 16
E-mail bugrak@cbank.com.tr

CAPABILITY OF OFFERING ALTERNATIVE FINANCIAL INSTRUMENTS

LEASING

C Bank directly supplies the leasing services that its customers need. It has given importance and priority to this business segment since the day it opened its doors, especially for the new equipment for production and financing of ships and other transportation vehicles.

As a rapidly growing economy with high potential, the Turkish market for leasing services is significant and capable of substantial growth. Leasing is widely recognized in all parts of the economy, but especially in the production sectors, as an effective financing tool and alternative to classical financing methods. In its first year of operation, C Bank wrote 14 leasing contracts, mainly in the businesses of textile, construction and transportation. The majority of these contracts were for capital goods.



FACTORING

Although C Factoring is a different entity, due to the nature of the product, C Bank and C Factoring use the synergy in both ways to increase customer loyalty. Taking a synergistic approach in domestic trade and export factoring services that it offers through its principal shareholder C Factoring, the Bank wrote USD 45 million worth of business in 2003. This is an important success in its first year of operation as well as a significant indicator of an as yet untapped potential.

Shaped by its approach to handmade banking, C Bank's factoring services are distinguished by their quality, speed and competitive pricing.

RISK MANAGEMENT AND AUDIT PROCESS A KEY ELEMENT OF C BANK'S
CORPORATE CULTURE

_TRANSPARENT RISK MANAGEMENT AND INTERNAL
CONTROL PROCESS



RISK MANAGEMENT & INTERNAL CONTROL

Risk management and internal audit concepts and practices are developing very fast, not just in Turkey but also worldwide. Recent developments in Turkey are driven by the IMF and BRSA, the latter of which has introduced important regulations for audit standards and reserve requirements.

At C Bank, the process got started immediately after the acquisition of Toprak Investment Bank. The Bank's organizational structure, models, staffing and processes were overhauled and, as per BRSA directives, the risk management and internal audit functions now report directly to the Board of Directors.

As a general policy of C Bank, its risk management and internal control process is transparent to its creditors.

In 2003, C Bank mainly focused on the following areas under the supervision of Mr. Theodor Joseph Bark (Board Member):

C Bank monitors and controls its risks according to BASEL principles in **three main areas** in line with its main ethical principles and the policies and limits of the Board of C Bank.

1_CREDIT RISK MANAGEMENT PROCESS

→ The Credit Committee is established. Credit approval authority is only given to the Board and Credit Committee in line with the Banking Law and generally accepted banking customs.

→ Segregation of duties: Credit marketing and risk analysis & follow-up departments are established independently.

→ Limits for concentration risks such as sector, country and customer concentration are set.

→ To minimize the subjectivity of the credit granting process, a **rating system** is developed and implemented. Every new client is rated through this system and every 6 months all clients in the portfolio are evaluated based on their financial statements.

→ Codes of ethics are written and C Bank management is prohibited by the Board to grant credit to certain customers and to customers that operate in certain business areas in line with FATF recommendations.

2_MARKET RISK MANAGEMENT PROCESS

→ The total investment limit in marketable securities is **limited to 15% of the total assets** of C Bank by the Board. As of 31 December 2003, the total securities portfolio is 3.8% of the total assets.

→ The Board has set conservative foreign exchange position limits in line with BRSA regulations. As of 31 December 2003, **the total long foreign currency position was 2.7%** of shareholders' equity.

→ Conservative stop loss limits and take profit limits are set by the Board for daily trading activities of the Treasury Department.

→ In case of a market crisis, treasury control authority is also given to ALCO.

→ Daily Treasury government bond trading limits are announced by the internal control department and monitored and reported by the Risk Management Group.

→ The Rating Based Liquidity Risk is measured by the Risk Management Department and reported to ALCO and the Board.

→ Sensitivity analysis and scenario analysis are performed periodically by the Risk Management Department.

→ The ultimate purpose of the Board and the upper management of the Bank is zero maturity mismatch, and the performance as of 31 December 2003 is presented in Note 23 of the annual audit report.

_BOARD OF AUDITORS

C Bank established its Board of Auditors after the acquisition. The Board of Auditors acts as a supervisory committee for all risk management and internal control functions. Also they perform scheduled or unexpected audits of all departments and subsidiaries of C Bank.

The Board of Auditors is the keystone of the quality assurance of all banking transactions in C Bank and its financial subsidiaries.

3 OPERATIONAL RISK MANAGEMENT PROCESS

The Internal Control Department performs daily system-based control of all transactions on a real time basis and physical control of all entries on the following business day.

The Internal Control Department writes workflows and procedures for core business processes.

The system access rights of all the Bank employees are given by the Internal Control Department.

Periodic reviews of subsidiaries are performed.

In order to minimize the losses from uncontrollable operational risks, C Bank is insured under the Bankers' Blanket Bond policy.

HIGH-QUALIFIED STAFF SUPPORTED BY DEVELOPED TECHNOLOGY

HUMAN RESOURCES & TECHNOLOGY OUR CORE CAPITAL

Each of the 48 people employed by C Bank is equipped with the ability to provide customers with service and financial solutions of the highest quality.

C Bank encourages teamwork in all its corporate activities. At the same time, of course, great value is also placed in personal initiative and creativity, both of which are rewarded. Experience teaches that the best and most suitable results are always achieved by competent and resourceful people who work as a team.

Job commitment and task concentration at C Bank are quite high. The Bank regards this fact as a vital and precious resource fueling the company's success.

From the beginning, C Bank has been investing significant amounts of time, resources and effort into enriching the professional skills of its staff, developing their abilities to relate to customers, and encouraging leadership among them. During 2003, professional training programs based on the principle of always focusing on customer needs were outsourced, and employees were given an average of 7 days of training time.

C BİLİŞİM ENABLING THE TECHNOLOGY IN C BANK

In order to maximize the usage of technology in the infrastructure and operations, C Bank decided to carry out IT research and development activities through a separate organization, C Bilişim. As a key technology partner, C Bilişim was established in May 2003. The primary focus of the company is to introduce and implement cutting-edge information technology solutions for the business units of C Bank.

C Bilişim is structured by a development team of 7 in order to customize the Core Banking System (CBS) according to C Bank's requirements. Implementation of this project was financially supported by TÜBİTAK (a government founded research and development center) and TİDEB (Department of Investment Incentives of the Turkish Government). Customization of the application was completed in less than six months. Modules of the software have been tested successfully by business units, and the project evaluation has been approved by TÜBİTAK. The system is to be in service on 5 April 2004.

C Bilişim joined the Oracle Partner Network to get the latest products and IT solutions.

Application of C Bilişim was recently accepted by Technokent, an environment established by ITU (Istanbul Technical University) in order to financially support software companies by exempting from income taxes and to provide research and development facilities located on the campus.

In early February, C Bilişim introduced the application CINT to launch banking services over the internet. The Demir Kyrgyz International Bank decided to present the existing banking services to the internet by using CINT. Application is intended to be in service in April 2004.

Apart from developing software, C Bilişim organized the activities to improve the network infrastructure. The X.25-based communication network in the EFT and SWIFT systems is changed into IP-based protocols.

WELL POSITIONED FOR GROWTH: 2004 AND BEYOND

_READY FOR THE FUTURE WITH WELL-DEFINED STRATEGY



→ WITH A TRULY AMAZING FIRST YEAR BEHIND US, WE LOOK FORWARD TO CONTINUING THE MOMENTUM IN 2004 AND BEYOND. WE SEE A TREMENDOUS OPPORTUNITY TO ENHANCE OUR CORE BANKING INITIATIVES, AND WE ARE RAPIDLY DEVELOPING PRODUCTS AND SERVICES DESIGNED TO MEET THE EVER-CHANGING NEEDS OF THE CORPORATE BUSINESS COMMUNITY. WE SEE OPPORTUNITIES TO STRENGTHEN OUR WEALTH MANAGEMENT OFFERINGS, AND WE BELIEVE THAT THE NEXT LOGICAL STEP IS TO OFFER BUSINESS CUSTOMERS THE KINDS OF PRODUCTS AND SERVICES THAT HAVE AN IMPACT BEYOND THEIR BUSINESS, SUCH AS SOPHISTICATED ADVISORY SERVICES, ASSET MANAGEMENT AND MORE.

→ INHERENT IN EVERY ASPECT OF C BANK IS THE CAPACITY TO ABSORB THE ANTICIPATED RAPID INCREASE IN BUSINESS VOLUMES. A PROFESSIONAL TEAM DEDICATED TO ITS WORK, A SUPERIOR LEVEL OF INFORMATION TECHNOLOGY AND EFFECTIVE CUSTOMER RELATIONS MANAGEMENT ARE THE FACTORS THAT PROVIDE ALL THE MOTIVATION THAT C BANK NEEDS IN ORDER TO ENSURE THAT ITS GROWTH PROCESS REMAINS CONTINUOUS, SUSTAINABLE AND ON COURSE.

→ C BANK'S GOAL IS TO BE TURKEY'S MOST PROFITABLE BANK AND THE BANK THAT OFFERS THE BEST HANDMADE BANKING SERVICE. ITS CORPORATE FLEXIBILITY, PLANNING AND IMPLEMENTATION COMPETENCIES AND DECISIVENESS WILL ENABLE C BANK TO ACHIEVE THIS GOAL AND DISTINGUISH ITSELF FROM ITS COMPETITORS.

BOARD OF DIRECTORS

HASAN AKÇAKAYALIOĞLU CHAIRMAN

Mr Akçakayalıođlu holds a bachelor's and master's degree in computer engineering from Middle East Technical University in Ankara and an MBA from Yeditepe University in İstanbul. After working with Andersen Consulting for five years he served in various managerial positions in İktisat Bankası and then Demirbank and its foreign banking subsidiaries becoming, CEO of Demirbank in 1999.

AHMET KURUTLUOĐLU VICE CHAIRMAN

Mr Kurutluođlu holds a bachelor's degree in law from İstanbul University in İstanbul and an MBA from the same institution. After serving as a legal advisor for the Employers' Union of Metalware Manufacturers and then of Dođuş İnşaat ve Ticaret, he became chief legal adviser for Dođuş Holding, a position he still holds today.

İMRE BARMANBEK MEMBER

Ms Barmanbek holds a bachelor's degree in economics and finance from Ankara University in Ankara. After serving as an accountancy expert and a tax comptroller for the Ministry of Finance, she joined the Dođan Group of Companies in 1977 and served in various managerial positions before becoming the group's CEO in 1996. She has been a director of Dođan Holding since 2002.

THEODOOR BARK MEMBER

Mr Bark holds a HBS-A from Bankers' Institute in Amsterdam. He served in various managerial positions with ABN AMRO Bank between 1962 and 2002.

CAN KARAŞIKLI BOARD MEMBER & GENERAL MANAGER

[Please see next page for the resume of Mr. Karaşıklı]

CAN KARAŞIKLI BOARD MEMBER & GENERAL MANAGER

Mr Karaşıklı holds a bachelor's degree in finance from Boğaziçi University in İstanbul. After serving in various managerial and other positions with a number of companies, he became general manager of Toprak Yatırım Bankası in 1999.

OKAN BALKÖSE ASSISTANT GENERAL MANAGER
CORPORATE & CORRESPONDENT BANKING

Mr Balköse holds a bachelor's and master's degree in industrial engineering from Bilkent University in Ankara. After serving in various managerial and other positions in a number of banks, he became general manager of Eczacıbaşı-UBP Portfolio Management in 2002.

KILIÇ ASLAN GEDİK ASSISTANT GENERAL MANAGER
CREDIT & RISK MONITORING

Mr Gedik holds a bachelor's degree in economics from İstanbul University in İstanbul. Prior to joining C Bank, he served as an auditor and then in various managerial positions with Demirbank and Halk Leasing.

ATASEL TUNCER ASSISTANT GENERAL MANAGER
HUMAN RESOURCES & INFORMATION TECHNOLOGY

Mr Tuncer holds a bachelor's degree in industrial engineering from Yıldız Technical University and an MBA from Yeditepe University, both in İstanbul. Prior to joining C Bank, he served in various managerial positions with Demirbank.

TÜRKAY TATAR DIRECTOR
TREASURY AND ASSET MANAGEMENT

Mr Tatar holds a bachelor's degree in management from Middle East Technical University in Ankara and a masters degree in law from Bilgi University in İstanbul. He served in various management and other positions with Türk Eximbank and Demirbank, becoming assistant general manager of the latter's treasury department in 1999.

MEHMET YALÇIN MANAGER
RISK MANAGEMENT AND FINANCIAL CONTROL

Mr Yalçın holds a bachelor's degree in managerial engineering from İstanbul Technical University. Prior to joining C Bank, he served in various positions with Affiliates of Andersen Worldwide and with Ernst & Young International.

AUDITORS' **REPORT**

For the complete version
www.cbank.com.tr/ENG



■ Güney S.M.M.M. A.Ş.
Büyükdere Cad. Beytem Plaza
No: 22 K: 9-10 34381 - Şişli
İstanbul - Turkey

■ Phone : (212) 315 30 00
Fax : (212) 230 82 91
www.ey.com

To the Board of Directors of
C KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

We have audited the accompanying consolidated balance sheet of C Kredi ve Kalkınma Bankası Anonim Şirketi (the Bank - a Turkish corporation) and its subsidiaries (the Group) as of December 31, 2003 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of Turkish lira as of December 31, 2003. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

The financial statements of the Bank for the year ended December 31, 2002 were audited by other auditors whose report dated January 10, 2003, expressed an unqualified opinion on those statements.

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Group as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

February 27, 2004
Istanbul, Turkey

_C KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ
(FORMERLY NAMED TOPRAK YATIRIM BANKASI A.Ş.)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2003

(CURRENCY - IN BILLIONS OF TURKISH LIRA, IN EQUIVALENT PURCHASING POWER AT DECEMBER 31, 2003)

ASSETS	2003	2002
Cash and balances with Central Bank	16	19
Deposits with banks and other financial institutions	9,095	32,341
Other money market placements	2,764	2,397
Reserve deposits at the Central Bank	4,742	-
Investments in securities	4,313	3,539
Originated loans and advances	74,537	3,776
Minimum lease payments receivable	13,321	219
Derivative financial instrument assets	504	-
Premises and equipment	2,907	1,166
Intangible assets	631	80
Prepayments and other assets	1,767	10
Total assets	114,597	43,547
LIABILITIES AND EQUITY		
Other money market deposits	461	38
Funds borrowed	29,597	20
Derivative financial instrument liabilities	19	-
Other liabilities and provisions	24,050	31,612
Income taxes payable	568	147
Deferred tax liability	349	120
Total liabilities	55,144	31,937
Equity		
Share capital	67,617	26,128
Unrealized gains (losses)	120	(9)
Legal reserves and accumulated deficit	(8,284)	(14,509)
Total equity	59,453	11,610
Total liabilities and equity	114,597	43,547

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2003

(CURRENCY - IN BILLIONS OF TURKISH LIRA, IN EQUIVALENT PURCHASING POWER AT DECEMBER 31, 2003)

	2003	2002
Interest income		
Interest income on originated loans and advances	10,258	297
Interest on securities	1,998	1,321
Interest on deposits with banks and other financial institutions	2,656	328
Interest on other money market placements	2,475	2,712
Leasing interest income	368	-
Other interest income	83	1
Total interest income	17,838	4,659
Interest expense		
Interest on banking deposits	(1)	(1)
Interest on other money market deposits	(71)	(335)
Interest on funds borrowed	(674)	-
Other interest expense	(392)	-
Total interest expense	(1,138)	(336)
Net interest income	16,700	4,323
Provision for possible loan and lease receivable losses	(1,922)	(784)
Foreign exchange gain, net	57	80
Net interest income after foreign exchange gain and provision for possible loan and lease receivable losses	14,835	3,619
Other operating income		
Fees and commissions income on loans	2,010	84
Trading income	1,632	1,021
Other income	2,340	153
Total other operating income	5,982	1,258
Other operating expenses		
Salaries and employee benefits	(2,589)	(846)
Depreciation and amortization	(418)	(321)
Fees and commission expenses	(748)	(50)
Taxation other than on income	(1,163)	(215)
General and administrative expenses	(2,105)	(772)
Other expenses	(1,199)	(200)
Total other operating expense	(8,222)	(2,404)
Profit from operating activities before income tax and monetary loss	12,595	2,473
Income tax	(2,632)	(639)
Monetary loss	(1,746)	(2,637)
Net income (loss)	8,217	(803)

TC KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ
(FORMERLY NAMED TOPRAK YATIRIM BANKASI A.Ş.)

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2003

(CURRENCY - IN BILLIONS OF TURKISH LIRA, IN EQUIVALENT PURCHASING POWER AT DECEMBER 31, 2003)

	2003	2002
Cash flows from operating activities		
Interest received	17,440	5,875
Interest paid	(588)	(462)
Fees and commissions received	2,010	84
Trading income	1,632	1,021
Fees and commissions paid	(748)	(50)
Cash payments to employees and other parties	(2,589)	(846)
Cash received from other operating activities	1,994	375
Cash paid for other operating activities	(7,662)	(3,443)
Income taxes paid	(1,830)	(376)
Cash flows from operating activities before changes in operating assets and liabilities	9,659	2,178
Changes in operating assets and liabilities		
Net increase in originated loans and advances	(70,848)	(2,069)
Net increase reserve deposit	(4,731)	-
Net (increase)/decrease in minimum lease payments receivable	(13,039)	12
Net (increase)/decrease in other assets	21,123	(27,783)
Net increase/(decrease) in other money market deposits	423	(1,404)
Net increase (decrease) in other liabilities	(8,020)	29,584
Net cash from operating activities (1)	(65,433)	518
Cash flows from investing activities		
Purchase of available-for-sale securities	(748)	-
Proceeds from of available-for-sale securities	-	366
Purchase of premises and equipment	(8,287)	(686)
Proceeds from sale of premises and equipment	6,169	-
Purchase of intangibles	(592)	(80)
Net cash (used in) investing activities (2)	(3,458)	(400)
Cash flows from financing activities		
Proceeds from issuance of share capital	39,497	-
Proceeds from funds borrowed	29,393	(1)
Dividends paid	-	(108)
Net cash provided by financing activities (3)	68,890	(109)
Effect of net foreign exchanges difference and monetary gain (loss) on cash and cash equivalents (4)	(2)	(1)
Net increase in cash and cash equivalents (1+2+3+4)	(3)	8
Cash and cash equivalents at beginning of year	19	11
Cash and cash equivalents at end of year	16	19

CBANK

BEYBİ GİZ PLAZA KAT: 7
MEYDAN SOK. NO: 28
34398 MASLAK, İSTANBUL TURKEY
PHONE +90 212 290 32 32
FAX +90 212 290 32 13
www.cbank.com.tr

