



ANNUAL
REPORT
2003



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Inside the cover:

The photographs used in this annual report are images of equipment and documents that bear witness to the different stages of Ziraat Bank's corporate history.

These and hundreds of other similar objects are kept in the Ziraat Bank Museum in Ankara, where they provide a unique overview of our one hundred and forty years in banking.

Our museum also houses a priceless collection of art consisting of works acquired as a result of the Bank's ongoing acquisition program since the early years of the Turkish Republic.

The visual detail on the cover of this year's annual report is taken from an award that the Bank received at the 1937 Salonika Exposition and depicts working people, villagers, and farmers.

140 years

Strong roots reaching back 140 years are the most important guarantee of our future growth.

In 1863, Mithat Pasha, who was then the Ottoman governor of the city of Nis and would become a reforming grand vizier a decade later, spearheaded the formation of what were referred to as “Homeland Funds”, special-purpose funds set up with state guarantees and subject to state oversight that were intended to provide financing to support agricultural activities. These Homeland Funds were Turkey’s first agricultural credit institutions and the foundations on which T.C. Ziraat Bankası A.Ş. (The Agricultural Bank of the Republic of Turkey-Ziraat Bank) was erected a hundred and forty years ago.

In the years since then, Ziraat Bank has expanded the original mission of the Homeland Funds to provide credit to farmers and redefined it as that of providing modern banking services to all segments of society. Today, the Bank is a strong financial institution commanding international respect.



Portrait of Mithat Pasha, founder of Ziraat Bank (oil on canvas).

The history of Ziraat Bank is coeval with that of Turkey as a nation and country. Founded in the last days of the Ottoman Empire and surviving its demise, the Bank experienced all the difficulties of the Turkish War of Independence and played a key role in the economic reconstruction, growth, and development efforts of its successor, the newly-born Republic of Turkey.

An unrivalled national market presence and reach and the confidence that it enjoys are what make Ziraat Bank so strong. Throughout its corporate history, the Bank has enjoyed a high degree of prestige in international markets, where its risk ratings are identical to those of the Republic of Turkey itself.

Serving more than 10 million customers in the retail, corporate, commercial, and agricultural banking, Ziraat Bank is Turkey's biggest bank with total assets amounting to TL 46.5 quadrillion as of year-end 2003. In a league table published by *The Banker*, Ziraat Bank ranked 69th among Europe's biggest banks and 141st worldwide.

The grain spike in our corporate logo represents the agriculture-based roots of the Bank's advanced economic structure today, its productivity, and the continued importance of agriculture to the Turkish economy. "T.C.", the Turkish abbreviation for "Republic of Turkey", reflects the public-owned identity of the Bank and the source of its strength.

Ziraat Bank is the oldest, most respected, and best-established trademark in Turkey today. The Bank's strong roots are the most important guarantee of its future.



One of the original "Homeland Funds" used between 1807 and 1888.

Principal Financial Indicators and Ratios ^{(1), (2)}

	2003	2002
Total Assets	46,467	42,479
Liquid Assets	6,167	5,005
Marketable Securities Portfolio	31,278	28,788
Credits & Loans (net)	5,596	4,895
Deposits	34,188	32,360
Shareholders' Equity (including profit)	5,968	4,293
Interest Income	10,590	13,336
Interest Expenses	7,069	9,652
Pre-tax Profit	2,601	1,479
Net Profit	1,667	815

(1) Based on independently audited financial statements prepared in accordance with IFRS.

(2) All amounts are expressed in the equivalent purchasing power of the Turkish lira as at 31 December 2003 in Trillion TL.

Ziraat Bank ratings as of April 2004

Standard & Poor's	Foreign currency credit	B+/B
	Certificates of deposit	B+B
	Outlook	Positive
Fitch	Foreign currency	B+/B
	National currency	BBB+
	Outlook	Stable
Moody's	Bank deposits	B3/NP
	Financial strength	E+
	Outlook	Positive

Corporate Brief

1,131 national branches

9 international branches

24 regional departments

25 financial and services subsidiaries

21,794 employees

Ziraat Bank is the flagship company of a group of financial and services companies.

The broad subsidiary structure that the Bank has in addition to its extensive branch network enables it to provide the complete range of integrated financial products and services from leasing to portfolio management and from private pensions to investment vehicles.

International subsidiaries

Ziraat Bank International AG > Germany < Banking

Turkish Ziraat Bank Bosnia DD > Bosnia-Herzegovina < Banking

Ziraat Bank (Moscow) CJSC > Russian Federation < Banking

Kazakhstan-Ziraat International Bank > Kazakhstan < Banking

Uzbekistan-Turkish Bank (UT Bank) > Uzbekistan < Banking

Turkmen Turkish Commercial Bank (TTC Bank) > Turkmenistan < Banking

Azerbaijan Türkiye Şahimdar Kommersiya Bank > Azerbaijan < Banking

Banque du Bosphore > France < Banking

Ziraat Bank has the most extensive international network of any Turkish bank.

Banking subsidiaries in eight different countries and a network of nine overseas branches enable the Bank to reach global markets effectively and increase its competitive strength in them.

Domestic subsidiaries

Başak Sigorta A.Ş. Insurance

Başak Emeklilik A.Ş. Private pensions

Ziraat Finansal Kiralama A.Ş. Financial leasing

Ziraat Yatırım A.Ş. Investment and brokerage services

Ziraat Portföy Yönetimi A.Ş. Portfolio management

Bileşim Ziraat-Halk Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.
Alternative delivery channels and payment systems service provider

FİNTEK A.Ş. Technology service provider

Arab-Turkish Bank Banking

Further information on the subsidiaries of Ziraat Bank is given on page 46 of this annual report.

Chairman's Message



With the new millennium, our country also embarked upon a new era, a period in which extremely important efforts are being made not only to resolve economic problems but also to achieve a governmental structure that is transparent and responsible to society.

Dear Ziraat Bank correspondents, customers, employees, and business partners:

We are proud and happy to be celebrating our 140th year of operation.

Ziraat Bank's nearly a century and a half of experience and the historical heritage that this embodies are the reason why we, just like everyone else who serves this Bank, embrace our work with great devotion. In the course of a hundred and forty years, our Bank has been witness to momentous changes in Turkey and the world ranging from the decline and fall of the Ottoman Empire to the World War I and the Turkish War of Independence and from the Great Depression to the restructuring and liberalization of the Turkish economy in the course of the last two decades.

Ziraat Bank is a bank that once served Mustafa Kemal Atatürk, the founder of the Turkish Republic. It is also a bank that has, in the years since the day it was founded, served millions of farmers, villagers, tradesmen, artisans, merchants, and industrialists in every aspect of banking.

Over the years our Bank has undertaken many different duties in the process of Turkey's economic development and has also made important contributions to the country's social security system as well. Ziraat Bank even performs the functions of a central bank in parts of the country where the Central Bank of Turkey does not have a physical presence.

Transformation

The new millennium also marked an important turning-point for our country as all segments of society focused their attentions on the struggle to achieve the economic stability that is so desired by everyone. Extremely important efforts are being made not only to resolve economic problems but also to achieve a governmental structure that is transparent and responsible to society.

The progress and results that Turkey achieved in 2003 are encouraging indeed. Public authorities have launched a far-reaching and determined program, unlike anything hitherto ever witnessed, to bring the national economy and the structure of the state up to the levels prevailing in developed countries.

Chairman's Message

Our duty is to transform Ziraat Bank into a trademark that serves as a guide and a model. The comprehensive and deep-seated transformation project that we are undertaking will fundamentally alter the nature and identity of public-sector banking in our country.

Indeed the efforts made so far have already begun to have a beneficial impact on a variety of aspects of our country's economic and social life: the 2003 results of the economic stabilization program exceeded not only targets but also expectations while crucial reforms aimed at improving social life, human rights, and the legal system were enacted into law and put into effect.

All of these efforts have also had an important impact on our country's international reputation and stature. On the economic front, Turkey's risk premiums plummeted to historically low levels while international rating agencies one after the other raised the country's credit-worthiness.

On the diplomatic front our country has also achieved a number of highly important successes. The country went unscathed by the war in Iraq and its economy suffered nothing on account of developments taking place right on its doorstep. The steadfast and consistent policy pursued over the years with respect to Cyprus is now making it possible for us to make our case rightfully and persuasively heard in the international arena. All of these developments have also had the effect of bringing Turkey much closer to the European Union and much important progress has been made towards our country's EU accession. Expectations that a date for the start of accession negotiations will be given in December 2004 are stronger and more pervasive now than ever.

Public sector banking

In the economic context that we have summarized briefly so far, the banking industry has been changing as well. The era of transparent, genuine banking has at last begun in our country. The players in our sector have at last come to realize that the days of making money simply from interest are over. The banks that managed to survive Turkey's recent economic crises are all engaged in a tremendous effort to develop and apply their business strategies according to the dictates of real banking.

This is a process in which public-sector banks are also taking part and have begun to change as well. As a result of far-reaching efforts in recent years, our country's public-sector banks have all achieved administrative autonomy and have been thoroughly restructured so as to conduct all their activities in line with private-sector notions of effectiveness and productivity.

Our own bank has shouldered important responsibilities during this restructuring of public-sector banking. The first of these was our takeover of Emlak Bank, essentially a savings and loan association that got into financial difficulties when it strayed too far from its core mission. All the requirements of this complex acquisition were quickly carried out without causing any interruptions in the service being given to the millions of customers of both banks.

Ziraat Bank: Our duty, our strength, and our future

Our duty is to transform Ziraat Bank into an exemplary, global trademark.

Another important duty that underlies this one is to change widely-held perceptions about public-sector banking in our country and to make public-sector banking both effective and productive.

Possessing the most extensive financial services platform in Turkey, Ziraat Bank today is able to reach everyone everywhere in the country. At the same time, the Bank also enjoys an enviably high degree of credibility in international markets.

Ziraat Bank's name is synonymous with "trust" in an industry where confidence and reliability are of the utmost importance. In all of the economic upheavals through which our country has struggled in recent years, our Bank was a safe haven to which people entrusted their assets and sometimes hastened to take refuge.

We possess the oldest, the most respected, and the best-established trademark in Turkey. This is a precious building-block that is essential to the complete fulfillment of our duty. Our strong roots do ensure our future growth.

Our huge customer base, our human resources, and our professional team are the most crucial assets we possess to guarantee our Bank's growth and to take it even further.

We look upon the future with confidence.

Yours sincerely,



M. Zeki Sayın
Chairman

Board of Directors

1 M. Zeki SAYIN

Chairman

2 Prof. İlhan ULUDAĞ

Vice Chairman

3 Can Akın ÇAĞLARExecutive Member of the Board,
General Manager, CEO**4 Erol BERKTAŞ**Executive Member of the Board
Treasury, International Relations and Subsidiaries**5 Nurzahit KESKİN**Executive Member of the Board
Administration and Operations**6 Murat ULUS**Executive Member of the Board
Loans**7 Mehmet MUMCUOĞLU**Executive Member of the Board
Risk Management and Control**8 Dr. Mustafa ÜNAL**

Member of the Board

9 Osman ARIOĞLU

Member of the Board

10 E. Süha ÇAYKÖYLÜ

Member of the Board

11 Burhanettin AKTAŞ

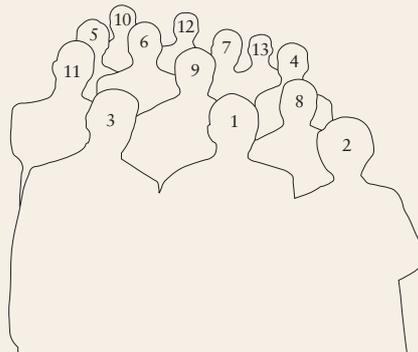
Member of the Board

12 Abdullah YALÇIN

Auditor

13 Süleyman SAYGI

Auditor





General Manager's Message



Our long-range transformation strategy, whose goal is to turn the biggest and most widespread bank in our country into an institution that is both productive and profitable, began to harvest its results at the financial and operational levels in 2003.

Performance

Ziraat Bank performed successfully in 2003.

Our long-range transformation strategy, whose goal is to turn the biggest and most widespread bank in our country into an institution that is both productive and profitable, began to harvest its results at the financial and operational levels in 2003.

Total assets in 2003 reached TL 46.5 quadrillion: a real (above-inflation) year-on increase of 9.4%. During the same period, total savings entrusted to us by our millions of depositors were up 5.7% and our total deposits were worth TL 34.2 quadrillion. Total placements were up 14.3% year-on and amounted to TL 5.6 quadrillion.

As a result of all its operations in 2003, our Bank posted a net profit of TL 1,667 trillion. As of year-end 2003, our total equity was worth TL 6 quadrillion.

A private-sector approach to banking

With the onset of the 2000s, the Turkish economy became embroiled in a deep and pervasive crisis that wrought havoc at the macroeconomic level, causing severe damage to the country's banking industry and resulting in a widespread loss of public confidence in both the system and bankers in general. Many private-sector banks responded to this crisis by undergoing a rapid metamorphosis. In the case of the banks whose capital was owned or controlled by the state, the need for them to be managed by taking a private-sector approach was almost universally acknowledged.

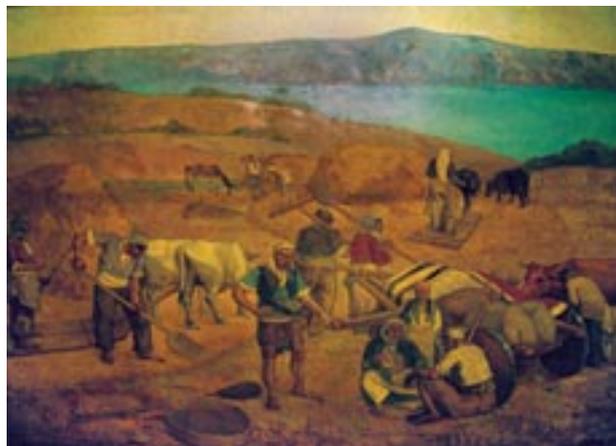
The outcome of these developments was the passage, on 25 November 2000, of Statute 4603, a law that laid the groundwork for a complete overhaul of the Turkish banking sector and also called for the restructuring and privatization of publicly-owned banks.

General Manager's Message

Ziraat Bank quickly fulfilled all the requirements of the law and embarked upon the task of carrying out the most radical transformation in its entire corporate history. The financial restructuring entailed in this transformation has now been completed while efforts to finalize the restructuring of the Bank's operations are continuing at full speed.

Our Bank is no longer a State Economic Enterprise. It has become a joint-stock company whose structural and operational characteristics are those of a private-sector concern but whose capital happens to be state-owned. This change in the Bank's legal status has made it possible for private-sector approaches to management and operations to become the mainstay at Ziraat Bank.

That change has also laid the foundations for our continued success.



"Harvest", oil painting (4.5 x 3 m) commissioned of artist Ibrahım Çallı by Ziraat Bank in 1928.

Ziraat Bank quickly fulfilled all the requirements of the law and embarked upon the task of carrying out the most radical transformation in its entire history. The financial restructuring entailed in this transformation has now been completed while efforts to finalize the restructuring of the Bank's operations are continuing at full speed.

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A giant in the banking market

Ziraat Bank is the biggest player and market-maker in the Turkish banking sector.

As of year-end 2003, our Bank controlled approximately 20% of the sector's aggregate assets and 23% of the system's deposits. These numbers and our position further reinforce our Bank's standing as a market-maker. The strength represented by Ziraat Bank also defines the heavy professional responsibility that we bear as bankers. That responsibility however is not limited to the obligations that we have towards our depositors: far more than those, we also bear macroeconomic, sectoral, and social responsibilities that are incumbent upon us as a result of the nature and the dimensions of the financial assets that we represent.

In that respect, our sole aim is to make the right decision and to perform the duties of a leader whose decisions serve as examples for the market. So long as we conduct all our corporate activities in light of this simple truth, we will continue to be a bank that deserves and enjoys the admiration and confidence of society as a whole.

Costs and competitive strength

Today the Turkish economy is rapidly emerging from the great economic crisis that beset it at the beginning of the 2000s. In the last two years, the economy has returned to the path of economic growth and positive results have been achieved in quite a few structural issues, the most important of course being the country's chronic inflation.

Nearly every sector from mining to shipping has embarked upon a process of sustainable growth. A nationwide backlog of deferred capital investment holds out the promise of great potential for the banking industry while the anticipated expansion in household consumption demonstrates the worth of the importance that our own Bank has given to the retail banking market.

General Manager's Message

We are fully aware of the need to improve our competitive strength in an economy that is on the threshold of rapid, sustainable growth. We are also aware of the detrimental impact that a conventional public-sector approach to management can have on our competitive strength. As a part of the radical transformation that we are going through, we are busy making the fine adjustments that are needed in our cost curve. The organizational activities related to this have largely been completed.

In order to make our competitive strength sustainable and also to create a high-quality income base, we will continue to rapidly modernize our technological infrastructure and make additional improvements in our cost curve. Many different projects are now in progress throughout the Bank as elements of this planned and concentrated effort. We expect that many of these projects will be completed during 2004.

Being global and integrated

Ziraat Bank has a presence in every locality in Turkey where commercial and/or industrial activities are being carried out.

No other bank in Turkey comes even close to having a reach of these dimensions and we have begun taking advantage of this presence in order to sell more products and services to even more customers. We are determined to increase our effectiveness in other branches of banking while also remaining committed to our basic mission of being a cost-effective source of agricultural credit. The areas in which we envision future growth are retail banking as well as corporate and commercial banking. During 2004 we will be offering a large number of products and services carefully designed to meet customers' needs in these business lines. The impetus that this will add to our existing activities will enable us to take advantage of our uncontested market size in new areas of business.

Our ultimate goal is to make Ziraat Bank a global bank with the muscle that it needs to create a high degree of added value. Our existing international banking subsidiaries are already bringing us a degree closer to this goal while our financial services companies, which are active in Turkey and serving a broad customer base, give us the ability to provide integrated financial services.

When we have combined our global and integrated service capabilities with our extensive reach and customer base numbering in the tens of millions, Ziraat Bank will begin to transform the true value of its 140-year-old trademark into solid performance results and added value.

2004

2004 will be a watershed year for Ziraat Bank. New products and services designed as a result of lengthy and careful preparation will greatly diversify the Bank's product line. The innovations that we are making in our service platform will transform the Bank into an effective, responsive, and modern financial institution capable of satisfying its customers' needs with high-quality financial products and services of every kind.

In the medium term immediately ahead of us, we shall be witnessing a process in which competition not only increases but also becomes global.

In this process we foresee that three factors will be crucial determinants of success:

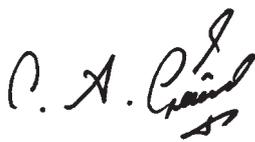
- Reach
- Costs
- Quality

Among these three factors, there is one in which Ziraat Bank already enjoys a position that is uncontested: its national reach, which is to say its ability to serve customers quite literally everywhere in the country. A network of 1,131 branches and 1,462 ATMs make our Bank the most widely recognized trademark in the national market. When our ongoing information technology transformation project is completed, both our costs and our service quality will embark upon a process of unprecedentedly rapid improvement and development.

In the transformation process that Ziraat Bank is now undergoing, the exemplary and dedicated efforts of our 21,794 employees are a source of great pride to us all.

Our faith in our country, in our people, and in our entrepreneurs is complete. So long as the Turkish people retain their hardworking and enterprising spirit, Ziraat Bank will continue to be the author of ever new successes in national and international markets and to remain the leader for years to come. In closing, I extend my thanks to all the Turkish people for having had confidence in us for so many years and to everyone who has chosen to work with us.

Yours sincerely,



Can Akın Çağlar

Executive Member of the Board, General Manager, CEO

Executive Committee



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1 Can Akın Çağlar

Executive Member of the Board,
General Manager, CEO

Born in 1962, Can Akın Çağlar graduated from the Faculty of Economics of İstanbul University after which he received his Master's degree in Money and Banking from the same university. He completed a second master's degree in banking and finance at Boston University in the United States. In 1985 Mr Çağlar became a sworn bank auditor for the Undersecretariat of Treasury. In 1997 he joined Egebank as an assistant general manager and later became general manager of that bank's brokerage firm, Ege Yatırım Menkul Değerler. In 1998 he began serving as general manager of a private finance house. Can Akın Çağlar joined Ziraat Bank in 2003.

2 Erol Berktaş

Executive Member of the Board

Born in 1959, Erol Berktaş is a graduate of the Faculty of Engineering of Middle East Technical University. He holds master's degree from the Institute of Banking of Marmara University. Between 1986 and 1999 he served in various management capacities at Garanti Bank in such areas as automation, correspondent banking, international relations, authorized branches, funds management planning, planning and budget, and credit marketing. Mr Berktaş served as an accounting, financial control, and risk management manager for a multinational firm and joined Ziraat Bank in 2003.

3 Murat Ulus

Executive Member of the Board

Born in 1965, Murat Ulus is a graduate of the Faculty of Political Sciences of Ankara University. He holds a master's degree in financial economics from Boston University in the United States. Between 1987 and 1995 he served as a sworn bank auditor for the Undersecretariat of Treasury and as an assistant general manager for Egebank in 1995-1996. In 1996 he took part in the formation of Asya Finans Kurumu, a private finance house, serving as its chief executive officer until 2000. Between 2001 and 2003 he was a vice president of Okur Ulusal Pazarlama Satış ve Dağıtım Hizmetleri. Mr Ulus joined Ziraat Bank in 2003.

4 Mehmet Mumcuoğlu

Executive Member of the Board

Born in 1952, Mehmet Mumcuoğlu is a graduate of the Faculty of Business Administration of İstanbul University. He started out in professional life as a sworn bank auditor for Akbank after which he served in various capacities as inspector, assistant branch manager, personnel manager, and head of the board of inspectors at Akbank and Dışbank. He served in a variety of management and consultancy positions with a number of private-sector companies and joined Ziraat Bank in 2003.

5 Nurzahit Keskin

Executive Member of the Board

Born in 1962, Nurzahit Keskin is a graduate of the Afyon Faculty of Economic and Administrative Sciences of Anadolu University and received a master's degree in international banking from the Institute of Banking and Insurance of Marmara University. Mr Keskin worked as an instructor at Marmara University for a time after which he entered the private sector, serving as an independent auditor and management consultant for a multinational company and as a senior-level human resources manager for a number of national and multinational firms. Lastly he was in Manchester University for his PhD and joined Ziraat Bank in 2003.

Senior Management

1 Can Akın ÇAĞLAR

Executive Member of the Board,
General Manager, CEO

2 Erol BERKTAŞ

Executive Member of the Board

3 Murat ULUS

Executive Member of the Board

4 Mehmet MUMCUOĞLU

Executive Member of the Board

5 Nurzahit KESKİN

Executive Member of the Board

6 Atilla ÇETİNER

Assistant General Manager
Correspondent Banking and International
Relations-Subsidiaries

7 Aysun YOLTAR

Assistant General Manager
Financial Control and Planning

8 Cem ÖZŞEN (not present in the photograph)

Assistant General Manager
Treasury Management

9 Dr. Muzaffer ŞAHİN

Assistant General Manager
Corporate, Commercial, and Retail Loans &
Non-Performing Loans

10 Emin ÇUBIKCI

Assistant General Manager
Agricultural Loans

11 H. Suphi KABADAYI

Assistant General Manager
Operations

12 Lütfi Coşkun ÖZEK

Assistant General Manager
Retail Banking

13 Mustafa NAZLIOĞLU

Assistant General Manager
Balance Sheet Consolidation and External
Reporting, Risk Management and Internal Audit

14 Senih BOYACIGİL

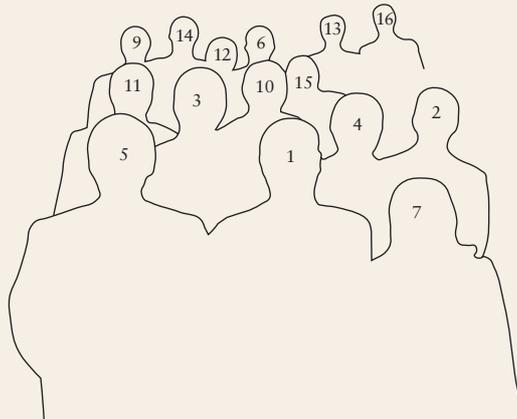
Assistant General Manager
Commercial and Agricultural Banking

15 Şeref AKSAÇ

Assistant General Manager
Organization & Human Resources

16 Yusuf BİLMEZ

Assistant General Manager
Services





Developments in the Turkish Economy

The Iraq operation and difficulties in developing fiscal policies for the period ahead had an adverse impact on the Turkish economy during the first quarter of 2003 insofar as these developments fostered a climate of uncertainty.

With the end of the operation in Iraq in April however, the negative effects of the conflict proved to be short-lived and a successful budget performance on the part of the government significantly reduced the uncertainties that beset markets. Improvements in the economy's underpinnings, the return of a climate of confidence, and the ability of the public sector to lengthen the tenures on its obligations to the IMF significantly improved the likelihood that the government's macroeconomic targets would in fact be achieved.



Stained glass (9 x 14 m) by Corvaja Bazzi of Milan in Ziraat Bank's headquarters.

Developments on the monetary front

During 2003 the government adhered to its effective use of the base money as a nominal anchor and interest rates as a tool of monetary policy under an overarching regime of floating exchange rates.

The indicator targets set in the monetary program for the money supply and net international reserves performance criteria and for net domestic reserves were successfully met in April, June, September, and December.

The upper limit of the money supply as of year-end 2003 had been set at TL 14,900 trillion while the lower limit of net international reserves as of the same date was supposed to be USD -2 billion. The actual figures were TL 14,657 trillion and USD -536 million respectively, both of which were within the performance criteria. Net internal assets in December stood at TL 25,997, also below the upper limit of TL 28,400 trillion that had been set for that indicator.

Until March 2003, the Turkish lira appreciated modestly against the US dollar and with the outbreak of hostilities in Iraq, fluctuations in the exchange rate reflected developments in the progress of the war. When the fighting was over, the exchange rate again resumed its decline from its TL 1,640,000 level at the beginning of the year. After September however there was renewed pressure on exchange rates as the oversupply in foreign exchange began to dry up with banks going into the market and purchasing foreign currency to correct their balance sheets before the end of the year. Despite this however, the USD exchange rate continued to slip in favor of the Turkish lira and it reached the TL 1,390,000 level by the end of the year.

On 20 March 2003 the late liquidity window lending interest rate was lowered five points to 56% as part of an effort to further bolster the stability of financial markets and reduce the impact of the Iraq operation on them. In the months that followed, short-term interest rates were also lowered in response to a reduction in external factors, improved inflation expectations, market interest rates, exchange rate movements, and developments in demand. The rate on overnight borrowing was lowered from 44% to 26%. At the same time, the prime lending rate went from 51% to 31%, the weekly lending rate from 44% to 26%, and the late liquidity window lending rate from 56% to 36%.

Developments in general price levels

Uncertainties created by the Iraq operation resulted in increased costs stemming from higher international crude oil prices and developments in exchange rates. A surge in agricultural commodity and food prices and public-sector “price adjustments” caused the ongoing decline in inflation in the first quarter of 2003 to stumble.

Developments in the Turkish Economy

With the end of the hostilities, the climate of confidence quickly returned to the economy. The appreciation of the Turkish lira against other currencies after June combined with contractions in real wages and increases in productivity had a salutary effect on cost structures. A slowdown in the observed rises in foods and agricultural commodities, an adherence to public-sector pricing policies in line with inflation targets, and an absence of any significant pressure from domestic demand also played an important role in the decline in inflation.

Consumer price inflation was the lowest recorded in 26 years. The year-on increases in WPI and CPI prices were 13.9% and 18.4% respectively.

Consolidated budget and domestic debt

On the basis of 2003-year budget performance figures, consolidated budget expenditures amounted to TL 140 quadrillion of which transfer expenditures accounted for a 67.4% share followed in turn by personnel expenditures at 21.5%.

Consolidated budget revenues on the other hand amounted to TL 100.2 quadrillion, of which 84.1% consisted of tax revenues. Although the overall budget deficit was TL 39.8 quadrillion, the non-interest surplus for the year was TL 18.8 quadrillion.

The total stock of public debt in the consolidated budget rose to USD 202.7 billion in 2003. The total stock of domestic debt also increased 29.7% over the same period and reached TL 194.4 quadrillion.

Foreign trade

Turkey's foreign trade continued to grow in 2003. In 2002 the country's total export sales amounted to USD 36.1 billion. During the twelve months that followed, they rose 30.5% to USD 47.1 billion. At the same time, exports at year-end 2003 amounted to USD 68.8 billion, a year-on increase of 33.5% over their 2002-year level of USD 51.6 billion.

Growth and GNP

In 2003 the Turkish economy grew 5.9% in real terms. GNP for the year was worth TL 356.7 quadrillion in terms of current prices.

Developments in the Banking Sector

As it embarks upon 2004, the Turkish banking sector looks competitive, growth-focused, and ready to play according to the new rules of the game. In the years ahead, there will be many important opportunities for the Turkish banking sector to grow, become deeper, and equip itself for global competition.

At year-end 2002 there were 54 banks in the Turkish banking sector, including those that had been taken over by the Savings Deposit Insurance Fund (SDIF), of which 40 were deposit banks and 14 were development and investment banks. A year later, this number was down to 50, the result of four deposit banks having dropped out of the system.

As of year-end 2003 the number of banks still under SDIF supervision was two. On July 3rd the Banking Regulation and Supervision Agency revoked İmar Bank's banking license.

The industry-wide trend towards fewer branches also continued. At year-end 2002 there were 6,103 branches in existence: a year later, this was down to 5,963. The total number of personnel on the other hand was up from 121,660 to 123,243 during the same period.

2003 was a year in which the banking system returned to the path of growth, however cautiously and slowly. The sector's financial structure began to improve in April and this prompted banks to resume lending to the real sector once again. Total credit and loans extended by deposit banks in the twelve months to 31 December 2003 rose 54.5% in nominal terms and 30.5% in real terms. The biggest contributor to this increase was in TL commercial credit, which increased 82.2% in 2003 from TL 17.4 quadrillion to 31.7 quadrillion. The ratio of loans to deposits, which was 24.8% at year-end 2002, was up to 33.2% by the end of December 2003.

During the same twelve-month period, consumer loans were up an astonishing 197.5% in nominal terms (151.3% in real terms) and amounted to TL 8.6 quadrillion. Banks' total credit card receivables reached TL 6.6 quadrillion by year-end, registering nominal and real increases of 60.5% and 35.5% respectively.

Banks' non-performing loans in 2003 were down 13.6% as compared with what they were in 2002 and amounted to TL 8.8 quadrillion. The ratio of NPL to total loans, which was 27.5% in 2002, was also down to 16.6% in 2003.

Finally a look at the structure of the sector's funding shows that total deposits (including banks' deposits), which amounted to TL 133.3 quadrillion in 2002, increased 12.6% in 2003 and reached TL 150.1 quadrillion in value.

One Hundred and Forty Years of Milestones...



1863 On November 20th, Mithat Pasha sets up in the town of Pirot (Serbia) the first of the “Homeland Funds” that would become the foundations of today’s Ziraat Bank.

1867 A law governing the Homeland Funds is promulgated. This is the first law concerning a regulated credit system in Turkey.

1883 The Homeland Funds are replaced by “Benefit Funds”.

1888 On August 28th the governing statute of Ziraat Bank goes into effect. The Bank’s headquarters become operational on September 17th.

1916 On March 23rd, Parliament passes the Ziraat Bank Law.

1919 Funds borrowed from Ziraat Bank are used to equip soldiers and cover the expenses of units of the National Independence Army formed during the War of Independence.

1920 With the opening of the Turkish Grand National Assembly in Ankara on April 23rd, the Ankara branch of Ziraat Bank is put in charge of the administration of all branches and “Funds” everywhere in territories subject to the writ of the Turkish parliament.

1922 The İzmir organization is brought under the control of Ankara on September 9th followed later by the İstanbul organization. As of October 23rd, the Bank has established uniform national control.

1924 Under this year’s budget act, Ziraat Bank loses its status as a state agency and is turned into a joint-stock company.

1981 The Ziraat Bank Museum is opened in the Bank’s headquarters building in Ankara. This is the first bank museum in Turkey.

1988 Euromoney magazine ranks Ziraat Bank 452nd in “Top 500 banks equities” list.

1989 The Bank opens its “Banking School” to train the qualified personnel that it needs to conduct its business.



1990 The Bank joins the SWIFT system. The private agricultural loan, retail banking, and bank card departments are set up. “Self-Service Banking” is introduced.

1993 Ziraat Bank’s foreign subsidiaries are set up and commence operations: Ziraat Bank Moscow, Kazkommerts Ziraat International Bank (KZI Bank), Turkmen Turkish Commercial Bank (TTC Bank), and Uzbekistan Turkish Bank (UT Bank).

1999 The number of Ziraat Bank subsidiaries reaches 21. The Bank’s Skopje branch opens for business.

2000 Under Statute 4603 passed by Parliament on November 15th, Ziraat Bank is reorganized as a joint-stock company.

2001 Under the government’s program to restructure the public-owned banking system, T.C. Ziraat Bank embarks upon a thorough-going transformation process. In the wake of Turkey’s economic crisis, all public-owned banks are made subject to the oversight of a common board of directors. The Bank’s organizational structure is completely overhauled to bring it into line with modern banking concepts and the dictates of international competition. Marketing notions are added to the Bank’s existing operations-focused approach.

2003 M. Zeki Sayın is appointed chairman of the Common Board of Public Banks while Can Akın Çağlar is appointed general manager of Ziraat Bank. The Bank continues to make important progress in the transformation project that will ensure its future growth.

In 2003, Ziraat Bank continued to make important progress in the transformation project that will ensure its future growth.

Outlooks and Strategies

Ziraat Bank is the biggest bank in Turkey.

A trademark synonymous with trustworthiness and a national reach are the two most important building blocks of the Bank's future growth.

For a hundred and forty years Ziraat Bank has stood by Turkish agriculture and the Turkish farmer. Today it is in the midst of preparations for bold and innovative projects in the businesses of retail, corporate, commercial, and agricultural banking.

As part of its great transformation project, Ziraat Bank is undergoing sweeping changes in every aspect on a scale not hitherto witnessed in the Turkish banking industry. Central to the Bank's complete overhaul of its organizational structure is the establishment of a marketing unit. With this change, the Bank has adopted a business and marketing philosophy that views customer-focused service at the focal point of every corporate action and is constantly mindful of quality.



Stamp commemorating Ziraat Bank's 140th year.

State-of-the-art, individualized service for different target groups...

In banking today, service quality, price, and speed are the most important determinants of competitive strength.

In today's competitive environment, it is very important that banking products and services be easily accessible to the public. With a total of 1,140 branches, 1,131 of them in Turkey and 9 abroad, Ziraat Bank enjoys a degree of accessibility unmatched by any other bank in Turkey.

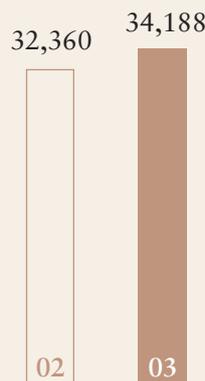
The Bank makes use of this huge network to provide a rich array of products to more than 10 million customers in every segment of the society. Ziraat Bank's goal is to make the services that it offers such a broad customer base more convenient, more effective, and more price competitive.

To accomplish this, the Bank is seeking to rapidly transform its physical service network and technological infrastructure into a more customer-friendly environment. In line with this goal, a large number of projects are currently in progress throughout the Bank aimed at making its products and services more accessible and easier to use. Under a bank-wide reorganization project whose aim is to improve service quality and speed, task processes have been redesigned while physical restructuring has also begun in order to accommodate our new business models.

The first results of these efforts were achieved in 2003 when the Bank's centralized structure was reorganized along the lines of 24 regional headquarters. Each regional headquarter has been made completely responsible for the results achieved in its own territory and already we have begun seeing measurable improvements in market presence, effectiveness, and productivity.

Total Deposits

TL Trillion



Outlooks and Strategies

A branch segmentation project aimed at more effectively implementing the Bank's customer-focused service philosophy was also completed last year.

Preparations being carried out for the new banking applications project were also completed in 2003 and the first pilot implementation was launched at the İstanbul-Levent Branch's office on the Ayazağa campus of İstanbul Technical University in December. The project is scheduled to be extended throughout the entire Bank by August 2004.

Ziraat Bank is committed to expanding its service network with the addition of alternative delivery channels and e-banking applications. Work is currently in progress on rationalizing the existing network of 1,462 off-branch ATMs. The Bank plans a phased expansion of its existing network of machines with new acquisitions while also enhancing the network's existing functions.

The Bank is now moving all its operational processes onto a new service platform that will be employing state-of-the-art information technology in its operations. The utmost attention is currently being given to efforts to bring about revolutionary changes in the Bank's technological infrastructure. In addition to updating the Bank's main data-processing backbone, a variety of projects are currently under way in such areas as internet banking, telephone banking, and similar alternative delivery channels that are demanded by customers today. As these projects come on stream, they will make it easier to turn Ziraat Bank into a bank providing the broadest possible range of customers with high-quality products and services while maximizing its sales efficiency and minimizing its cost base.

This complex restructuring process is expected to play a crucial role in raising customer satisfaction, an issue to which not enough attention was given by public-sector banks in the past. At the same time, it will also assist the process of the Bank's reestablishing its relations with the real sector, which shrank because of the economic crises experienced in the last few years, and putting them on a sounder and deeper footing.

At the service of corporates...

In the course of its long history, Ziraat Bank has made many important contributions to Turkey's economic development on many different levels. Today the Bank continues to play an active role in our country's economic development and growth by supplying products and services to many different segments of society.

Known as the bank of the agricultural sector, the great transformation that Ziraat Bank is undergoing aims to turn the Bank into an institution that gives equal attention to serving all sectors of the economy.

Long known as the bank of the agricultural sector, the great transformation that Ziraat Bank is undergoing aims to turn the Bank into an institution that gives equal attention to serving all sectors of the economy. The branch segmentation project that was completed last year will make it easier for the Bank to provide different categories of customers with integrated services tailored according to their exact needs.

As part of its transformation project, the Bank began diversifying and developing its relations with its corporate and commercial customers in 2003.

Seeking to provide service to a broader range of market segments, Ziraat Bank signed cooperation agreements with 135 chambers of commerce in 2003 under the Bank's revamped marketing campaign. Activities related to these agreements will continue at an increasing pace in 2004 and are expected to contribute significant momentum to the Bank's marketing efforts.

Ziraat Bank is also determined to become an effective player in financing Turkey's foreign trade, which has been growing steadily over the last two years. The Bank has both the economic muscle and the international credibility needed for it to provide financing services for a significant share of our country's imports and exports.

Serving corporate customers and supplying cash management products are two other business lines that Ziraat Bank plans to expand into and increase its business volumes in the near term.

Outlooks and Strategies

Ziraat Bank has both the economic muscle and the international credibility needed for it to provide financing services for a significant share of Turkey's imports and exports.



Golden tray and sickle used in the opening ceremony for Ziraat Bank's headquarters building.

Supporting the farmer...

Agricultural banking is Ziraat Bank's expertise. Since it was founded in 1863, the Bank has always stood by the farmer and supported the country's agriculture, undertaking and fulfilling the difficult and sometimes onerous duties incumbent upon it as a result of its mission throughout its corporate history. Our country's agricultural sector has had to contend with many tangible and economic hardships in the course of the last few decades. In many respects these difficulties are the natural consequences of a country progressing from an agricultural economy to an industrialized economy and they make the Bank's supporting the agricultural sector, which remains an important element of its corporate mission, even more crucial than ever.

As the Bank undergoes its restructuring, its view of the agricultural sector is changing as well. Some of the activities undertaken during 2003 were aimed at offering existing and potential agricultural customers other banking products and services along with traditional agricultural loans and in this way to serve them better in line with the principles of profitability and productivity. Two other important points of which the Bank is mindful as it undertakes these activities are to create added value for its customers through informational and technological support while also increasing the Bank's effectiveness in the agricultural sector.

The volume of the Bank's non-performing agricultural loans contracted significantly as a result of increased lending last year combined with a thorough-going restructuring of its loan portfolio.

The limit on lending to individual farmers, which is targeted principally at small farms, was increased from TL 15 billion to TL 20 billion during 2003 and the rules were also changed to allow farmers who have the production capacity to qualify them for project-based operating loans to take advantage of these loans as well. We also introduced fixed-interest spot agricultural loans with terms of between 1 and 120 days to meet the short-term cash requirements of agricultural enterprises.

As a result of the social and economic responsibility that Ziraat Bank bears towards the agricultural sector as an extension of the government's agricultural policies, the Bank entered into agreements with 200,000 farmers in 2002 and 2003 in which loans worth a total of TL 600 trillion were restructured. The Bank continues to handle proceedings under the Agricultural Reform Implementation Project (ARIP) inaugurated by the Ministry of Agriculture and Rural Affairs in 2000.

Outlooks and Strategies

Ziraat Bank is currently working on developing a branch specialization model with a view to providing better service to the agricultural sector. When this project is completed, the Bank's branches in farming regions will be better structured and equipped to satisfy the particular needs of farmers for financial support.

The Bank will continue to support Turkish agriculture, providing our country's farmers and villagers with all the banking products and services that they require through the channels that best suit their needs. Ziraat Bank's 140 years of experience in the agricultural sector ensures that the Bank will continue to perform its mission.

At the service of retired people...

Ziraat Bank provides banking services for nearly five million people whose pensions are paid by the state in Turkey. This is a heavy burden of social responsibility and the Bank is restructuring its activities in this area in order to take them even further while also providing every pensioner with the cheerful, efficient, and rapid service to which they are naturally entitled.

In addition to its social security responsibilities, Ziraat Bank also fulfills a number of missions given to it by the government such as the "over-65 payments" made to a million people and the tuition and accommodation support provided to 360,000 students every month.

For the retired segment, the most important transactions the Bank performs are making pension payments and processing the tax-rebate applications that pensioners submit. When the banking products that these people purchase are taken into account they easily constitute a tremendous operational volume for the Bank. About half of the Bank's pensioners have now received and make use of ATM cards, greatly speeding up transactions for them and significantly reducing the Bank's workload.

Work is in progress on developing more electronic banking options to better serve the needs of retired people. When these projects become operational, they will also substantially reduce the Bank's operational workloads and costs.

At the service of individuals...

The Bank's extensive reach and access to millions of people in every walk of life make retail banking a natural avenue of growth for Ziraat Bank to pursue.

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Pursuing its restructuring with a private-sector mentality and vision, Ziraat Bank has developed an extensive line of retail banking products from credit cards to consumer loans. The Bank's goal is not only to increase its retail banking service quality but also to be able to serve customers with a broader and more diversified panoply of products that generate high cross-sale opportunities and range from personal insurance services to pension products.

2003 was a year in which the volume of Ziraat Bank's consumer loans grew. In view of the favorable developments taking place at the macroeconomic level as well as the market demand they were generating, Ziraat Bank introduced new products and diversified its consumer loans.

The Bank has redefined and expanded the scope of its retail banking customer profile in light of favorable economic developments, lower interest rates, and demand in such a way as to encompass every segment of society.

Within the framework of the Bank's restructuring and on the basis of its principle of decentralized management, retail loan evaluations and disbursements have been delegated to the regional headquarters taking their individual lending competencies into account. Ziraat Bank has completely overhauled its consumer loan policy based on principles of effective credit and risk management in compliance with international standards.

Outlooks and Strategies

2003 was a year in which the volume of Ziraat Bank's consumer loans grew substantially. In view of the favorable developments taking place at the macroeconomic level as well as the market demand they were generating, the Bank introduced new products and diversified its consumer loans.



Brass door plate from Ziraat Bank's Safranbolu branch.

Despite the considerable increase in the volume of the Bank's consumer loans, there was a substantial decrease in the net volume of its non-performing loans. This is a remarkable development and one that the Bank can take pride in. Ziraat Bank's non-performing loans ratio in consumer loans continues to remain below the sectoral average.

During 2004, Ziraat Bank will continue to diversify its retail banking products and services and increase its activities in this line of business. The Bank will be introducing a wide range of new loan products in 2004 including vacation loans, education loans, marriage loans, home-ownership loans, and repair and rehab loans. This product diversification will contribute to the Bank's strategy of selling more products to more individuals by creating cross-sale opportunities while also spreading its risk exposure over a broader base.

The Bank offers its customers both VISA and MasterCard credit cards under the heading of its retail banking activities. As of year-end 2003, the Bank had more than a million credit card customers on its books.

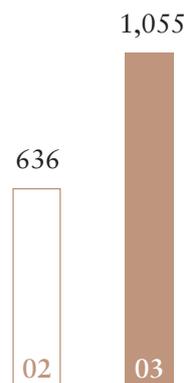
Ziraat Bank's Customer Services Line is accessible on 444-0-000 (Ankara and İstanbul) and 444-0-434 elsewhere. Our call center employs up-to-date IVR technology to serve our retail banking customers.

The Bank is currently working on a number of credit card, merchants, and POS network projects as part of its goal of expanding into retail sales and payment systems.

Ziraat Bank's capitalization, experience, and mission all give it the structure necessary to serve the needs of every segment of society.

Consumer Loans

TL Trillion



Outlooks and Strategies

A sound financing and resource structure...

Ziraat Bank's treasury trading strategy in 2003 produced results that were highly successful not only from the standpoint of the Bank but from that of markets as well. A substantial market share in deposits, treasury, and capital market products, superior risk management practices in trading, and the importance given to service quality all resulted in the Bank's achieving high transaction volumes in capital and money markets.

Treasury management requires that the use of liquid assets such as foreign currencies, Turkish liras, and marketable securities be optimized in light of economic developments taking place in domestic and international markets so as to increase both productivity and profitability and that the interaction among these assets be rationalized. In line with this, the Bank's Treasury Management Unit is responsible for all treasury-related operations including the management of liquidity and balance-sheet risks, setting interest rate and exchange rate policies, and providing centralized fund management and investment vehicle services for all of the Bank's branches.

Ziraat Bank's Treasury Management Unit is supported by a team of experienced specialists and by a highly effective technological infrastructure. It has successfully become the biggest player in the domestic sales market thanks to the effective pricing and superior service that it offers in different products targeted at different customer groups.

During 2003, the Bank gave considerable importance to foreign currency trading in light of its liquidity management and risk management policies.

In pursuit of global success...

Ziraat Bank is one of the best-known Turkish banks in international markets today. From the standpoints of the volume of the assets at its disposal, its profitability, and its rapid growth, the Bank has taken its place in both European and worldwide league tables.

The Bank has an extensive network of correspondent relationships that go back many decades in some cases and are nourished by mutual trust and profitability. Ziraat Bank is one of the first choices of nearly every foreign bank seeking to do business in Turkey. During 2003, the Bank made important progress in the direction of deepening and developing its relationships with its business partners around the world.

Ziraat Bank's Treasury Management Unit is supported by a team of experienced specialists and by a highly effective technological infrastructure. It has successfully become the biggest player in the domestic sales market thanks to the effective pricing and superior service that it offers in different products targeted at different customer groups.

Just as it has the biggest branch network in Turkey, Ziraat Bank has the most extensive international network of any Turkish bank with nine overseas branches and one representative office that support its participation in international banking and finance market activities. Through its branches—four in the Turkish Republic of Northern Cyprus, one each in New York, London, Sofia, Skopje, and Tbilisi—and its Rotterdam office, the Bank handles retail and corporate banking transactions for customers and correspondents around the world.

The New York and London branches concentrate on trade finance, foreign exchange, money markets, and forfaiting while the Sofia and Skopje branches focus more on other aspects of banking, particularly on retail banking.

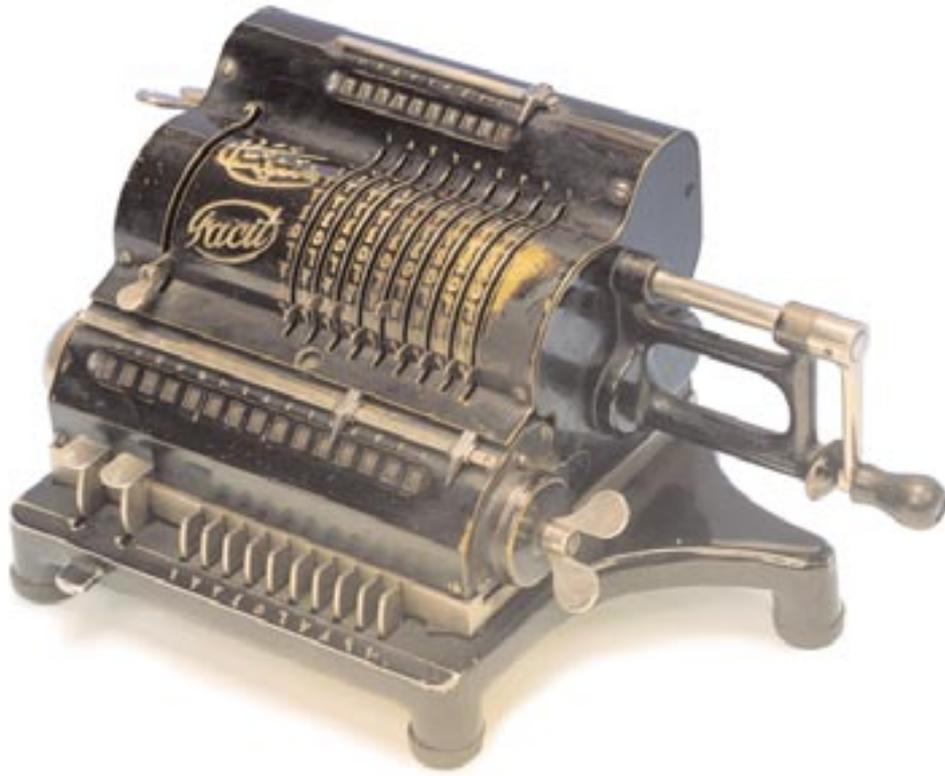
Ziraat Bank is a member of the Western Union network, an international money-transfer platform that makes it possible for the Bank's customers to transfer funds quickly from any branch anywhere in the country to almost any place in the world.

Managing risk...

The economic crises of November 2000 and February 2001 taught the Turkish banking sector the need to take genuine measures to accurately assess and control their exposure to liquidity, exchange rate, credit, and operational risks.

Outlooks and Strategies

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“Facit” adding machines like this one were once the mainstays of Ziraat Bank’s technological infrastructure.

Ziraat Bank pioneered efforts in Turkey to establish, apply, and develop the concepts of an infrastructure for risk management. The Bank continues to play an active and effective role in such efforts.

In July 2003, the duties and functions of the Bank's existing Risk Management Unit were augmented with the addition of a desk responsible for managing its exposure to operational risk. The unit now has three departments individually responsible for managing market, credit, and operational risks.

In the area of risk management, Ziraat Bank's goal is to be the most effective institution in the financial services industry within the framework of an objective, independent, transparent, and coherent approach as well as proper timing by making use of methods and techniques conforming to international standards.

Analyses of the Bank's capital adequacy are being made on the basis of Basel II rules. Employing both the existing capital adequacy rules and the draft (Basel II) rules, stress tests are performed and the impact of various historical and hypothetical scenarios on the Bank's capital adequacy is measured in the event that any of them should materialize.

The Bank's goal is to make risk management, which is the key to sustainable growth, an inherent part of all of its business processes and to ensure that risk management is applied effectively throughout the entire organization.

High-quality human resources...

As of year-end 2002, the Bank had 22,099 people on its payroll. A year later, this number was down to 21,794.

Ensuring the job satisfaction, expertise, and skills of its employees is the basic commitment of Ziraat Bank towards its human resources. This is at the same time the only way that the Bank will be able to employ high-quality human resources throughout its organization.

During 2003, Ziraat Bank organized 1,876 training programs for its personnel, providing training for a total of 48,687 people. The per-person training time last year was nearly 19 hours.

Outlooks and Strategies

• Ziraat Bank Banking School

The Ziraat Bank Banking School, which first opened its doors on 9 October 1989, undertakes the mission of training bankers capable of adapting to developments in the banking system and of enhancing the Bank's ability to compete with other institutions.

To date, a total of 1,041 people have graduated from this school, which provides a level of education equivalent to a master's degree. Six hundred four of these graduates are currently in the Bank's employ and 437 of them are working in the private sector in other capacities.

The Ziraat Bank Banking School has embarked upon its 13th academic year in January 2004 with a new organization that has been revamped to better meet the changing conditions and needs of today's world. A hundred and fifty candidates who successfully passed the entrance examination will be admitted this year.

Through its banking school, Ziraat Bank will continue not only to satisfy its own needs for trained human resources but also to turn out people who are competent bankers, who are committed to ethical values, and who are familiar with modern banking practices.

Contributing to sports, the arts, and society...

The fundamental point of departure of Ziraat Bank's sensitivity towards and contributions to sports, the arts, and culture is a spirit of social solidarity. The ongoing support that the Bank provides for such activities reflects its sense of responsibility towards endeavors in these areas.

The Bank regards its mission in such undertakings as one of ensuring that the value it adds to sports, the arts, and society is an enduring one while also doing its part in passing our national values on to future generations. To accomplish this, the Bank involved itself in a number of socially-oriented projects throughout 2003.

• The Ziraat Bank Art Collection and Art Galleries

The number of original works in the Bank's collection of paintings has reached 1,732, making it one of the richest such collections in Turkey today. The Ziraat Bank Art Collection continues to be enriched each year with new acquisitions made from current exhibitions.

In the area of risk management, Ziraat Bank's goal is to be the most effective institution in the financial services industry within the framework of an objective, independent, transparent, and coherent approach as well as proper timing by making use of methods and techniques conforming to international standards.

Ziraat Bank has four art galleries, two in Ankara and one each in İstanbul and Safranbolu, and also an exhibition hall in Samsun. The Bank makes these venues available to artists, who are allowed to exhibit their work for up to three weeks at a time. Ziraat Bank's Art Galleries are popular with art lovers and about 50,000 visitors passed through their doors during 2003.

“Homage to Old Masters”, an exhibition of forty works selected from the Bank's permanent collection was held at the Mithatpaşa Gallery in Ankara between 20 November and 12 December 2003.

To celebrate the 80th, 140th, and 163rd anniversaries of the founding of the Republic of Turkey, our Bank, and PTT respectively last year, a stamp exhibition was held at the Bank's Mithatpaşa Gallery, a commemorative postage stamp and first day cover were released, and a special National Lottery ticket was also issued for the year's November 19th drawing.

- **The Ziraat Bank Cinema**

The Bank's cinema, which is located in its Mithatpaşa Exhibition Center, played host to nearly a hundred thousand movie-goers during 2003.

Outlooks and Strategies

Ensuring the job satisfaction, expertise, and skills of its employees is the basic commitment of Ziraat Bank towards its human resources. This is at the same time the only way that the Bank will be able to employ high-quality human resources throughout its organization.



Examples of Ziraat Bank passbooks and checks.

- **The Ziraat Bank Museum**

The Ziraat Bank Museum is the first private museum in Turkey to be devoted to banking. The museum's collections provide a unique overview of the commercial, economic, political, cultural, artistic, and educational changes that the banking system in Turkey has undergone over the last one hundred and forty years and they include many objects of great historical value and importance in the history of banking in our country.

The museum, which is open to the public, is also used as a drama workshop for university students and is frequently visited by school students on field trips. In 2003, the Bank opened a permanent stand at the Atatürk Mausoleum at which some of the objects from the museum's collection are on display.

- **Other activities**

During 2003 the Bank sponsored a large number of publications both in Turkey and abroad as part of its ongoing sponsorship and promotional program. These activities are conducted on a programmed basis in order to enhance the recognition and visibility of the Bank's trademark in both national and international markets.

Ziraat Bank Subsidiaries

It is Ziraat Bank's policy to acquire stakes in companies in order to provide universal and modern financial services to customers in Turkey and abroad in the best and most profitable way possible in accordance with the following principles:

- A new subsidiary should create new synergies with the Bank.
- The acquisition should make it possible for existing subsidiaries to more effectively accomplish their aims.
- The acquisition should help the national subsidiaries in which the Bank has a controlling stake to become the leader of the sector in which they are engaged.



First place medal and certificate received by Ziraat Bank at the 1937 Salonika Exposition.

ZİRAAT BANK INTERNATIONAL AG

With EUR 108 million in paid-in capital and more than EUR 145 million in equity, Ziraat Bank International AG is in the front ranks of Turkish-owned banks active in the European Union today. The Bank serves customers in the areas of corporate, commercial, and retail banking and it is particularly active in supplying cash and non-cash credit to corporate and commercial customers to finance trade between Turkey and European Union countries.

While the Bank's branches in Berlin, Hamburg, Hanover, Duisburg, Cologne, Frankfurt, Stuttgart, and Munich concentrate mainly on retail banking at present, during 2003 efforts focused on increasing the volume of cash and non-cash credit used in trade financing with the result that the Bank wrote more than twice as much business in this area in the second half of the year as it did in the first.

Ziraat Bank International AG posted a profit of EUR 1.4 million as a result of its operations in 2003.

TURKISH ZIRAAT BANK BOSNIA dd

Turkish Ziraat Bank Bosnia dd, which is incorporated under the laws of Bosnia-Herzegovina, commenced operations in 1997 and is the first bank in that country to be financed entirely with foreign capital. The Bank, which is capitalized in the amount of KM 25 million, is a wholly-owned subsidiary of Ziraat Bank and the first foreign bank in which it controls a 100% stake.

Turkish Ziraat Bank Bosnia dd provides customers with the full range of modern banking services from three locations in Sarajevo. As the first Bank in Bosnia-Herzegovina to provide credit card services, Turkish Ziraat Bank Bosnia dd offers its customers VISA, MasterCard, and Maestro bank cards.

Among the other services that the Bank offers are rapid money transfers through Western Union and an advanced internet banking branch. As of year-end 2003, the Bank had assets worth KM 59 million, loans on its books worth KM 22.5 million, deposits worth KM 21 million, and a gross profit of KM 1.3 million.

ZİRAAT BANK (MOSCOW) CJSC

Ziraat Bank (Moscow) CJSC, which is incorporated under the laws of the Russian Federation, commenced operations in 1993. Ziraat Bank controls a 99.22% stake in the Bank. Operating out of a single branch in Moscow, the Bank offers its customers a rich array of products and services. In 2003 the Bank's assets were worth USD 13.3 million and its equity amounted to USD 2.6 million.

Ziraat Bank Subsidiaries

KAZAKHSTAN-ZIRAAT INTERNATIONAL BANK

Located in Almaty, the fastest-growing of the Turkic republics, Kazakhstan-Ziraat International Bank had assets worth USD 21.5 million in 2003.

Licensed to perform the full range of banking transactions, Kazakhstan-Ziraat International Bank is particularly specialized in international trade finance. Taking an ever greater share in financing trade between Kazakhstan and Turkey and with other countries, the Bank's cash loan portfolio in 2003 increased 366% year-on while its non-cash credit portfolio grew 306% over the same period. Kazakhstan-Ziraat International Bank booked a net profit worth close to half a million dollars as a result of its activities in 2003.

UZBEKISTAN-TURKISH BANK (UT-BANK)

Uzbekistan-Turkish Bank (UT-Bank) was founded in Tashkent in 1993 as a jointly-owned subsidiary of Ziraat Bank and AT Pakhta Bank in which each controls an equal stake. UT-Bank is licensed to perform the full range of banking transactions and also has an extensive correspondent network as well. With capitalization amounting to over USD 5 million, in 2003 the Bank's assets increased 12%, its equity 11%, its loans 137%, and its deposits 23%.

TURKMEN TURKISH COMMERCIAL BANK (TTC-BANK)

Founded in 1993, Turkmen Turkish Commercial Bank (TTC-Bank) is a jointly-owned subsidiary of Dayhanbank, one of the biggest public-owned banks in Turkmenistan and of Ziraat Bank in which each controls an equal stake. Offering the complete range of banking services, the Bank has been playing an important role in strengthening the economic and commercial ties between the two countries since its inception. As of year-end 2003, the Bank's paid-in capital amounted to USD 5 million and it had assets worth a total of USD 16.6 million.

AZERBAIJAN TÜRKİYE SEHİMDAR KOMMERSİYA BANK

Azer-Türk Bank is a jointly-owned subsidiary of Ziraat Bank and Agrar Senaye Bank (Azerbaijan), in which Ziraat Bank controls a 46% stake. Founded in 1995, the Bank's capitalization amounts to USD 2.2 million. A commercial bank, Azer-Türk Bank's goal is to become one of the foremost institutions active in financing Azerbaijan's international trade.

BANQUE DU BOSPHORE

Serving customers since 1991, Banque du Bosphore is the first Turkish bank incorporated in France. Ziraat Bank controls a 26% share of the Bank's capital.

The Bank is licensed to perform the complete range of banking transactions. Banque du Bosphore plays an active role in financing international trade between Turkey and EU countries and is particularly specialized in the importation of goods into Turkey. As of year-end 2003, Banque du Bosphore's assets were worth EUR 113.7 million and the Bank had posted a net profit of EUR 1.7 million.

BAŞAK SİGORTA A.Ş.

Founded in 1959, Başak Sigorta is a well-established, respected, and pioneering insurance company that is active all over the country through an extensive network of agents. Başak Sigorta is highly regarded for its innovative products, approach to service, and conscientiousness concerning the payment of damages and it is widely recognized as a model by others. In addition to making use of Ziraat Bank's extensive branch network, the Company also has deep and enduring relationships with its agents.

In 2003 Başak Sigorta generated TL 239.7 trillion in premiums and posted a technical profit of TL 5.1 trillion. During the year the Company paid out a total of TL 149.8 trillion as compensation in all branches (including life segment).

BAŞAK EMEKLİLİK A.Ş.

2003 was a year of transformation and restructuring for Başak Emeklilik, Ziraat Bank's private pension company. In order to operate under the private pension system launched in Turkey in October 2003, the articles of incorporation of Başak Hayat Sigorta, the Bank's life insurance subsidiary, were amended and the Company's name was changed to Başak Emeklilik.

Başak Emeklilik received its license to operate in the private pension branch on 1 August 2003. The Company has set up five private pension mutual funds that will serve as the basis for its operations in the sector and it began selling private pension products on December 1st of the same year.

Başak Emeklilik generated a total of TL 67,070 billion in premiums during 2003 and posted a technical profit of TL 12,228 billion of which TL 11,618 billion was in life insurance and TL 610 billion was in non-life insurance. The Company's yearly profit in 2003 amounted to TL 21,224 billion.

Başak Emeklilik is determined to continue growing in the private pension segment by taking advantage of its extensive agency network and the cross-sale opportunities arising from its association with Ziraat Bank.

Ziraat Bank Subsidiaries

ZİRAAT FİNANSAL KİRALAMA A.Ş.

Ziraat Finansal Kiralama is a leasing company founded in 1991 in which Ziraat Bank controls a 50% stake. The Company operates out of its headquarters in İstanbul with a team of 37 to provide leasing services to finance the acquisition of capital goods of every kind.

Ziraat Finansal Kiralama is ready and able to work with clients in every sector. During 2003 the Company completed its restructuring and accelerated its marketing activities in order to strengthen its market presence. The Company concluded USD 15.4 million worth of new leasing business in 2003. Ziraat Finansal Kiralama's paid-in capital is TL 20 trillion. As of year-end 2003, its assets were worth close to TL 63 trillion.

ZİRAAT YATIRIM MENKUL DEĞERLER A.Ş.

Founded in 1997, Ziraat Yatırım Menkul Değerler is Ziraat Bank's brokerage house whose strong capital structure, team of experts, superior technological infrastructure, diversity of products and services, corporate structure, and strict adherence to the requirements of law in its operations give it a distinguished place among brokerage houses in Turkey. Ziraat Yatırım operates out of its head office and four branches as well through Ziraat Bank branches located all over Turkey acting as its agents. The Company's extensive reach was further broadened in 2003 with the launching of its internet branch.

The total volume of the Company's stock market trading reached TL 892.9 trillion in 2003, a year in which Ziraat Yatırım also handled TL 15,379 trillion in repo and reverse-repo transactions on and off the İstanbul Stock Exchange and made outright sales amounting to TL 2,761 trillion. During 2003, the Company served a total of 18,884 investors, a 13% increase over the 16,643 in its portfolio in 2002.

ZİRAAT PORTFÖY YÖNETİMİ A.Ş.

Ziraat Portföy Yönetimi is a portfolio management company set up in late 2002 in which Ziraat Bank controls a 50% stake. The Company's capitalization amounts to TL 1.5 trillion.

Ziraat Portföy Yönetimi is responsible for managing the five mutual funds set up by Ziraat Bank as well as the five private pension funds belonging to Başak Emeklilik. The total value of all the portfolios under the Company's management is TL 1.2 quadrillion, a figure that gives it a 6.97% market share of the sector and puts it in sixth place among Turkey's biggest portfolio management companies.

BİLEŞİM ZİRAAT-HALK ALTERNATİF DAĞITIM KANALLARI VE ÖDEME SİSTEMLERİ A.Ş.

Bileşim was originally an İstanbul-based third party processor company (TPP) about card payment system that was founded in June 1998. With the acquisition of Halk Bank's credit card operations, the Company's name was changed to Bileşim Ziraat-Halk Alternatif Dağıtım Kanalları ve Ödeme Sistemleri on 1 November 2002 to reflect its expansion into the areas of alternative delivery channels and payment systems. With its new partnership structure, the Company now carries out all alternative delivery channel and payment systems operations for both Ziraat Bank and Halk Bank.

Bileşim's mission is to design, implement, and develop alternative delivery channels and payment systems in line with the aims of the companies it serves and with the needs of the market.

The Company provides credit card, bank card, merchant, and ATM management and call center services to Ziraat Bank, Halk Bank, and Turkish Ziraat Bank Bosnia. Bileşim is at the service of 7% of all the credit cards and 26% of all the bank cards currently issued in Turkey and also manages 15% of the country's installed ATMs.

Bileşim is currently working on a project to turn all of Ziraat Bank's existing bank cards into ISO-compliant Maestro cards. It is also working on a number of other projects related to the Bank's ATMs, call center, and website.

FİNTEK A.Ş.

FİNTEK is a jointly-owned subsidiary of Ziraat Bank and Halk Bank that provides both banks with the data-processing, software and applications development, operations, and support services that they need.

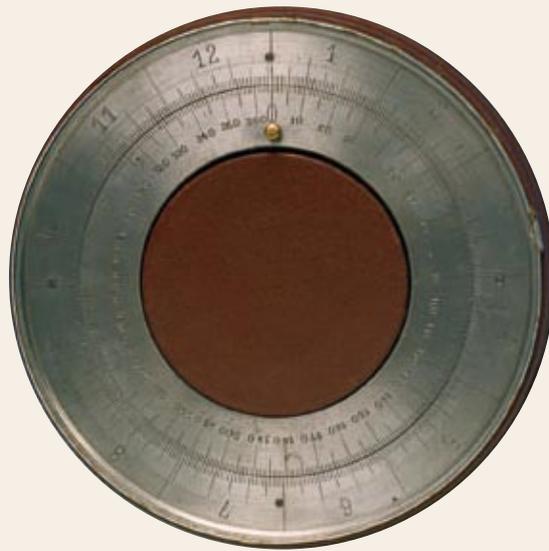
During 2003 the Company worked intensively on various aspects of the Fin@rt project, whose aim is to develop the basic banking software that will operate on a centralized platform as well as the infrastructure that will enable both banks to successfully compete with privately-owned banks.

FİNTEK's other activities in 2003 included transferring all bank card applications to a centralized platform, winding up the "Savings Encouragement Fund" accounts, paying off the accounts belonging to İmar Bank depositors, readying the Bank's internet banking infrastructure, and setting up the Bank's intranet portal.

ARAB-TURKISH BANK

Founded in 1977 as a joint venture of Turkish and Arab financial institutions, Arab-Turkish Bank provides the full range of banking products and services. The Bank is especially active in trade finance thanks to its strong correspondent relationships and business experience in the international arena, particularly in Arab countries. The Bank's paid-in capital amounts to TL 20 trillion. As of year-end 2003, the Bank had assets worth TL 296.6 trillion. Ziraat Bank controls a 15 % stake in Arab-Turkish Bank.

Independent Auditors' Report



Metal calendar

Deloitte.

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TO THE BOARD OF DIRECTORS OF
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
ANKARA

INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its subsidiaries as of 31 December 2003 and the related consolidated statements of income, changes in shareholders' equity and cash flows 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.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its subsidiaries as of 31 December 2003, and the results of their operations and their cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Ankara, 07 April 2004

Denetim Serbest Mali Müşavirlik A.Ş.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.
Member Firm of DELOITTE TOUCHE TOHMATSU

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2003 AND 2002**

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2003 in Billion TL (note 2))

ASSETS	Note	31 December 2003 TL Billion	31 December 2002 TL Billion
Liquid Assets	4	386,182	377,742
Balances with the Central Bank	5a	645,786	362,462
Balances with Banks	6	2,480,559	3,089,237
Interbank Funds Sold		2,654,468	1,175,114
Securities Portfolio - Net	7	31,278,289	28,788,013
Reserve Deposits at the Central Bank	5b	1,692,150	1,787,140
Loans - Net	8	5,596,405	4,894,752
Available for Sale Participations - Net	9	190,885	203,654
Premises & Equipment - Net	10	720,026	731,827
Sundry Debtors & Other Assets	11	761,043	823,032
Deferred Tax Assets	20	61,452	246,157
Goodwill - Net		-	-
TOTAL ASSETS		46,467,245	42,479,130

The accompanying notes form an integral part of these financial statements.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2003 AND 2002**

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2003 in Billion TL (note 2))

LIABILITIES	Note	31 December 2003 TL Billion	31 December 2002 TL Billion
Deposits	12	34,188,237	32,359,727
Obligations to Repurchase Securities		410,979	525,854
Borrowings	13	17,580	177,429
Interbank Funds Borrowed	14	793,979	735,643
Corporation Taxes Payable	20	276,055	270,021
Taxes & Dues Payable	15	105,379	125,042
Provisions	16	382,057	373,224
Securities Issued	17	-	23
Funds	18	3,542,599	3,124,939
Sundry Creditors & Other Liabilities	19	722,890	453,544
		40,439,755	38,145,446
Minority Interest		59,732	40,505
SHAREHOLDERS' EQUITY			
Capital		7,965,933	7,965,933
Legal Reserves		2,287,870	2,282,967
Increase in Value of Securities Available for Sale		20,706	-
Accumulated (Loss)		(4,306,751)	(5,955,721)
		5,967,758	4,293,179
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		46,467,245	42,479,130

The accompanying notes form an integral part of these financial statements.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED
31 DECEMBER 2003 AND 2002

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2003 in Billion TL (note 2))

	Note	31 December 2003 TL Billion	31 December 2002 TL Billion
INTEREST INCOME			
Interest on Loans		758,626	1,011,668
Interest on Bank Balances		375,106	171,247
Interest on Interbank Funds		771,467	177,065
Interest on Securities Portfolio		8,666,947	11,622,179
Other Interest Income		18,297	354,095
		10,590,443	13,336,254
INTEREST EXPENSE (-)			
Interest on Deposits		(6,824,878)	(9,224,413)
Interest on Borrowings		(19,244)	(26,399)
Interest on Interbank Funds		(224,864)	(386,125)
Other Interest Expenses		(329)	(14,995)
		(7,069,315)	(9,651,932)
NET INTEREST INCOME		3,521,128	3,684,322
Provision for Loan Losses (-)		(51,257)	(156,957)
Net Interest Income After Provisions		3,469,871	3,527,365
OTHER OPERATING INCOME	21	1,678,152	956,920
OTHER OPERATING EXPENSES (-)	22	(2,096,039)	(2,027,933)
PROFIT BEFORE TAXATION		3,051,984	2,456,352
Taxation (-)	20	(934,430)	(664,007)
NET MONETARY LOSS (-)		(455,462)	(972,165)
MINORITY INTEREST		4,413	(5,568)
NET PROFIT FOR THE PERIOD		1,666,505	814,612

The accompanying notes form an integral part of these financial statements.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.**CASH FLOW STATEMENTS FOR THE PERIODS ENDED 31 DECEMBER 2003 AND 2002**

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2003 in Billion TL (note 2))

	31 December 2003 TL Billion	31 December 2002 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit for the Period	1,666,505	814,612
Adjustments to Reconcile Net Profit to Net Cash Flows		
From Operating Activities:		
Depreciation	45,267	46,208
Retirement Pay Provision and Other Provisions	8,833	94,984
Loan Loss Provision	51,257	156,957
Changes in Operating Assets and Liabilities:		
Reserve Deposits	94,990	(24,906)
Loans	(752,909)	1,839,882
Other Assets	61,989	(174,573)
Deposits	1,828,510	970,402
Taxes	(13,629)	86,291
Deferred Taxes	184,705	240,828
Other Liabilities	212,806	(1,640,957)
NET CASH GENERATED BY OPERATING ACTIVITIES	3,388,324	2,409,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	12,769	(17,448)
Marketable Securities	(2,490,276)	(1,479,844)
Purchases of Premises & Equipment - Net	(33,466)	(28,883)
NET CASH (USED IN) INVESTING ACTIVITIES	(2,510,973)	(1,526,175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings -Net	(159,849)	(21,445)
Dividends Paid	-	(624,192)
Securities Issued	(23)	(148,476)
Funds	417,660	(678,309)
Minority Interest	19,227	3,258
Conversion Effect of Foreign Participations	(5,231)	-
Other	13,305	(5,338)
NET CASH GENERATED BY/(USED IN) FINANCING ACTIVITIES	285,089	(1,474,502)
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	1,162,440	(590,949)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5,004,555	5,595,504
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	6,166,995	5,004,555

The accompanying notes form an integral part of these financial statements.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE PERIODS
31 DECEMBER 2003 AND 2002

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2003 in Billion TL (note 2))

	Paid-In Capital TL Billion	Legal Reserves TL Billion	Accumulated (Losses) TL Billion	Increase in Value Of Securities Available for Sale TL Billion	Total TL Billion
As of 1 January 2002	7,965,933	2,183,344	(6,041,180)	-	4,108,097
Transfers	-	99,623	(99,623)	-	-
Dividends Paid	-	-	(624,192)	-	(624,192)
Increase in Capital of Participations	-	-	(5,338)	-	(5,338)
Net Profit for the Year	-	-	814,612	-	814,612
As of 31 December 2002	7,965,933	2,282,967	(5,955,721)	-	4,293,179
Transfers	-	9,137	(9,137)	-	-
Conversion Effect of Foreign Participation	-	(4,234)	(997)	-	(5,231)
Increase in Value of Securities Available for Sale	-	-	-	20,706	20,706
Increase in Capital of Participations	-	-	(7,401)	-	(7,401)
Net Profit for the Year	-	-	1,666,505	-	1,666,505
As of 31 December 2003	7,965,933	2,287,870	(4,306,751)	20,706	5,967,758

The accompanying notes form an integral part of these financial statements.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIODS ENDED
31 DECEMBER 2003 AND 2002

1. ACTIVITIES OF THE BANK

The establishment of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. is based on Homeland Funds founded in 1863. In 1883, Homeland Funds were replaced with Benefit Funds. The Bank was officially established by reorganisation of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and as an intermediary for agricultural operations. The Bank which was given the authority to perform all banking activities has its head office located in Ankara and all shares of the Bank belong to the Turkish Treasury.

The Bank holds direct and indirect equity participations in companies mainly operating in the financial and insurance sectors. The Bank's consolidated equity participations are listed in note 2. The Bank and its consolidated subsidiaries are hereinafter referred to as "the Group". All the adjusted assets and liabilities of the Bank and its consolidated subsidiaries have been included in the accompanying consolidated financial statements of the Group. The consolidated income and expenses include all the income and expenses of the Group companies. Equity and income belonging to other third party shareholders are presented as "Minority Interest".

2. BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The main accounting policies used in the preparation of the financial statements are presented below:

Presentation of Financial Statements

The Bank maintains its books of account in Turkish Lira and prepares its statutory financial statements in accordance with the reporting requirements of Banking Law, the Uniform Chart of Accounts issued in accordance with Banking Law, Turkish Commercial Practice and Tax Legislation. The Bank's equity participations maintain their books of account and prepare their statutory financial statements in accordance with regulations prevailing in their area of specialization, Commercial Practice and Tax Regulations. 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, for the purpose of fair presentation in accordance with statements of International Accounting Standards (IAS) issued by the International Accounting Standards Board.

The statutory records are maintained under the historical cost basis of accounting, without regard either to changes in the general level of prices or to increases in specific prices of assets held, except to the extent that property, plant and equipment may be revalued annually.

In the accompanying consolidated financial statements, restatement adjustments have been made to compensate the effect of changes in the general purchasing power of Turkish Lira, as of the balance sheet date, in accordance with International Accounting Standard No: 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

Inflation Accounting

In the accompanying consolidated financial statements, restatement adjustments have been made to compensate the effect of changes in the general purchasing power of Turkish Lira, as of the balance sheet date, in accordance with International Accounting Standard No: 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

It is required that IAS 29 should be applied on financial tables of January 1, 1990 and the following periods. One characteristic that leads to the classification of an economy as hyperinflationary, necessitating the application of IAS 29 restatement, is a cumulative three year inflation rate approaching or exceeding 100%. Such rate was 181% for the three years ended 31 December 2003, based on the Wholesale Price Index (WPI) announced by the Turkish State Institute of Statistics. IAS 29 requires that the primary financial statements prepared in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. The restatement has been calculated by means of conversion factors based on the Turkish countrywide WPI published by the State Institute of Statistics.

Such indices and conversion factors used to restate the accompanying financial statements were as follows:

	Index	Conversion Factor
31 December 2000	2,626.0	2.8112
31 December 2001	4,951.7	1.4908
31 December 2002	6,478.8	1.1394
31 December 2003	7,382.1	1.0000

The comparative rates of change in the Turkish Lira exchange rate against the US Dollar and the rate of general price inflation in Turkey according to the WPI are set out below:

Year:	2003	2002	2001	2000	1999
Currency Deflation US\$	(14.6)%	13.5%	114.3%	24.4%	72.7%
WPI Inflation	13.9%	30.8%	88.5%	32.7%	62.9%

The main guidelines for the restatement are as follows.

- 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 wholesale price index). Corresponding figures for previous periods are similarly restated.
- 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 or paid in money.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIODS ENDED

31 DECEMBER 2003 AND 2002

- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and the components of shareholders' equity are restated by applying the relevant conversion factors reflecting the increase in the wholesale price index 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 Group's net monetary position is included in the statements of income as monetary gain or loss.

Consolidation

The financial statements of the entities listed below have been consolidated with those of the Bank in the accompanying financial statements. The method of consolidation is set out in note 3. The ownership percentages, listed below, comprise the total of the Bank's direct and indirect holdings. The entities controlled by the Bank:

Subsidiary	Sector	Türkiye Cumhuriyeti Ziraat Bankası Ownership %	
		31 December 2003	31 December 2002
Ziraat International A.G. (Germany)	Banking	100.00	100.00
Başak Sigorta A.Ş. (Turkey)	Insurance	56.67	56.67
Ziraat Finansal Kiralama A.Ş. (Turkey)	Leasing	55.67	55.67

The Bank's investment other than those stated above, in which the right to vote is greater than 20%, but not more than 50%, is accounted using the equity method:

Equity Participation	Sector	Türkiye Cumhuriyeti Ziraat Bankası Ownership %	
		31 December 2003	31 December 2002
Banque du Bosphore (France)	Banking	26.00	26.00

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the accompanying financial statements are as follows:

3.1 Accounting Convention

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards. Effect has been given in the financial statements to adjustments and reclassifications, which have not been entered in the general books of account of the Bank, and its equity participations maintained in conformity with accounting practices prevailing in Turkey as set out in note 2.

3.2 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except for fees and commissions for various banking services rendered, dividends from equity participations and interest income from overdue loans, which are recognized as income when received. All income and expense items are restated in equivalent purchasing power at the balance sheet date.

3.3 Provisions for Loan Losses

The Bank makes provision for loan losses and losses under guarantees and commitments as a result of the evaluation of the current status of loans given. These provisions are reviewed periodically, and as adjustments become necessary, they are reported in the statement of income in the period in which they become known.

Gains or losses arising from foreign currency transactions are reflected in the statement of income as realized during the course of the year. Foreign currency assets and liabilities have been translated into Turkish lira at the rates prevailing at the balance sheet date. All exchange gains and losses arising on settlement and conversion of foreign currency items are included in the statement of income.

3.5 Securities Portfolio

The Bank's securities portfolio primarily represents Government bonds and Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices. The cost of foreign currency denominated securities is translated at period-end exchange rates.

Securities are impaired if their carrying amounts are greater than their estimated recoverable amounts. The Group assesses at each balance sheet date whether there is any objective evidence that they may be impaired. If any such evidence exists, the Group estimates the recoverable amount of that asset or group of assets and recognise impairment losses in net profit or loss for the period.

Interest earned for holding securities are included in interest income. All gains or losses on sale of trading securities, and on investment securities if such transactions occur, are accounted for in the statement of income for the period. The Group designates its securities portfolio in accordance with IAS 39 as follows:

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIODS ENDED
31 DECEMBER 2003 AND 2002

Securities held for trading

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measurable. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise.

Securities held to maturity

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and are presented with their discounted values. Gains or losses on held to maturity securities are included in net profit or loss for the period.

Securities available for sale

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at amortised cost. Gains or losses on available for sale securities are included in net profit or loss for the period in which they arise and any differences between their discounted values and fair values are followed under equity.

Investments in equity instruments that do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, are accounted for at cost. Securities that do not have a fixed maturity are measured at cost.

3.6 Equity Participations

In the accompanying financial statements, equity participations are accounted as securities available for sale, in accordance with IAS 39, and are accounted for using the policy set out in note 3.5 above. In cases where there is evidence of permanent impairment in value, recorded amounts are reduced by a provision for such impairment, charged to the statement of income.

3.7 Premises and Equipment

Property, plant and equipment are carried at restated cost and depreciated on a straight-line basis. The depreciation and amortization rates for property, plant and equipment, which approximate the economic useful lives of the assets, are as follows:

Buildings	2%
Vehicles, furniture and office equipment	20%
Leasehold improvements	20% or lease term

3.8 Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of (i) the sales price of the asset (less any selling costs); (ii) the present value of the cash flows which are expected to arise from future use of the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Management of the Group believes that there is no indication of internal or external factors implying any impairment of corporate assets.

3.9 Provisions for Employee Termination Benefits

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") effective from 01 January 1999 has been applied in the accompanying financial statements, where the retirement payment to be received in the future is discounted to its value as of the balance sheet date using the net of an estimated inflation rate and an appropriate discount rate, including the following:

- An expected inflation rate and an appropriate discount rate are determined, the net of these being the real discount rate. This real discount rate is used to discount future retirement obligations to their present value at the balance sheet date.
- The anticipated rate of forfeitures is considered.

3.10 Taxation and Deferred Taxes

Taxes on income for the year comprise of current tax and the change in deferred taxes. The Group accounts for current and deferred taxation on the results for the period, in accordance with IAS 12 (Revised).

Provision is made in the financial statements for the Group's estimated liability to Turkish corporation tax on its results for the year. The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

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Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income. Taxation on income to be paid can be netted off against prepaid taxes, as they are related. Similarly, deferred tax assets and liabilities can be netted off.

3.11 Securities under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Securities sold with agreements to repurchase ("Repos") are retained in the balance sheet and the corresponding obligation to the counter party is included separately under liabilities. The net gain or loss on such transactions is accrued over the period to maturity.

3.12 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.13 Use of Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

3.14 Fair Value of Financial Assets and Liabilities

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate market value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Group could realise in a current market exchange.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

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

Financial Assets

Deposits with Central Bank and banks: The fair value of such assets is considered to approximate the carrying values due to their short-term nature.

Marketable securities: The fair value of securities including treasury bills, government bonds, shares and investment funds are estimated using quoted or published market prices wherever applicable.

Loans: The major portion of the loans are short-term and have interest rates that are subject to fluctuation in accordance with prevailing interest rates in the market. Management believes that the risk factors embedded in the entry value of interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair valuation of loans.

Financial Liabilities

Deposits and borrowings: The fair values of deposits and borrowings from banks are considered to approximate their respective carrying values due to their short term nature.

Securities under resale and repurchase transactions: The fair value is considered to approximate the carrying values due to their short-term nature.

Off balance sheet items: The Bank's off-balance sheet financial instruments also include swap contracts as at the balance sheet date. All gains and losses on these instruments as of balance sheet date are included in the statement of income.

The fair values of balances denominated in foreign currencies, which are translated at relevant exchange rates, along with related accrued interests are estimated to be their fair values.

Balances with banks, loans, contingent liabilities such as letters of guarantee, letters of credit and derivative instruments such as forward transactions, swaps etc. are significant financial instruments which would have negative effects on the financial structure of the Bank, if the counter party failed to comply with the terms and conditions of the agreement.

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Financial instruments that potentially subject the Bank to significant concentration of credit risk consist principally of balances with banks, loans, deposits, borrowings and off balance sheet commitments and contingencies such as letters of guarantee and letters of credit. The Bank's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

3.15 Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank and the consolidated companies are as explained in note 2. Adjustments are made to eliminate intercompany interest income and expense, intercompany receivables and payables and intercompany equity investments.

Entities in which the Bank, directly or indirectly, has above 50% shareholding or above 50% interest of voting rights or otherwise has power to exercise control over operations, and which affect the Bank's financial statements materially, have been fully consolidated. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. In cases where the consolidated entities are not 100% owned, the shareholders' equity and net income which belong to third party shareholders are separately disclosed as minority interest.

An associate is an enterprise over which the Bank is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. Enterprises in which the Bank has significant influence with 20% to 50% ownership or interest of voting rights but does not have a power to control operations would be accounted under the equity method.

Other equity participations in which the Bank has less than 20% ownership or interest in voting rights, and those entities in which the shareholding is above 20% but the effect of consolidation or the equity method would be small, are accounted for at cost.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank and other members of the Group.

3.16 Risk Management

Through its normal operations, the Group is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. Responsibility for the management of these risks rests with the Board of Directors, which delegates the operational responsibility to the Bank's general management and appropriate sub-committees.

Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. The Group is exposed to an inevitable degree of mismatch between the maturities of its assets and liabilities.

In order to manage this risk, the Bank measures and manages its cash flow commitments on a daily basis, and maintains liquid assets which it judges sufficient to meet its commitments from any particular source.

Credit risk

Credit risk arises where the possibility exists of a counterparty defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorised at Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey.

The day-to-day management of credit risk is devolved to individual business units, which perform regular appraisals of counterparty credit quantitative information.

Market risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts, will have an adverse financial impact. The primary risks within the Group's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Bank's balance sheet is denominated in currencies other than the Turkish Lira (principally the US dollar and Euro-zone currencies).

The Group's management of its exposure to market risk is performed through the Asset and Liability Committee comprising members of senior management, and through limits on the positions which can be taken by the Group's treasury and securities trading divisions.

Operational risk

Operational risk arises from the potential for financial loss or reputational damage as a result of inadequate systems (including systems breakdown), errors, poor management, breaches of internal controls, fraud or external events. The Bank's business units manage this risk through appropriate risk controls and loss mitigation actions.

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4. LIQUID ASSETS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Cash - Turkish Lira	300,140	277,503
Cash - Foreign Currency	86,002	100,212
Other	40	27
TOTAL	386,182	377,742

5. BALANCES WITH AND RESERVE DEPOSITS AT THE CENTRAL BANK

a) Balances with the Central Bank:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Demand Deposits - Turkish Lira	645,786	362,420
Demand Deposits - Foreign Currency	-	42
TOTAL	645,786	362,462

b) Reserve Deposits

Reserve Deposits - Turkish Lira	756,772	636,784
Reserve Deposits - Foreign Currency	935,378	1,150,356
TOTAL	1,692,150	1,787,140

Under the Turkish Central Bank regulations, Banks are required to deposit with the Central Bank a proportion of all domestic liabilities.

6. BALANCES WITH BANKS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Domestic Banks		
Demand Deposits - Turkish Lira	1,270	2,988
Demand Deposits - Foreign Currency	21,002	3,647
Time Deposits - Turkish Lira	250,873	223
Time Deposits - Foreign Currency	202,827	13,139
	475,972	19,997
Banks Abroad		
Demand Deposits - Turkish Lira	6,433	1,586
Demand Deposits - Foreign Currency	124,354	234,252
Time Deposits - Foreign Currency	1,873,532	2,831,590
	2,004,319	3,067,428
Interest Accrual	268	1,812
TOTAL	2,480,559	3,089,237

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7. SECURITIES PORTFOLIO - Net

The securities portfolio can be summarised as follows:

	31 December 2003 TL Billion	31 December 2002 TL Billion
<i>a) Trading Portfolio</i>		
Securities in Foreign Currency	2,791,650	2,010,199
Treasury Bills and Government Bonds	4,313,442	64,831
Investment Funds Participation Certificates	1,639	2,389
Gold	2,897	4,490
Equity Shares	618	583
Other	200	13,680
Repurchase Agreements	2,629	-
Provision for Diminution in Value of Securities	(76)	(714)
Interest Accruals	555,625	104,382
	<u>7,668,624</u>	<u>2,199,840</u>
<i>b) Securities Available For Sale</i>		
Government Bonds and Treasury Bills	611,153	-
Other	670,277	370,409
Interest Accrual	34,786	3,332
	<u>1,316,216</u>	<u>373,741</u>
<i>c) Securities Held to Maturity</i>		
	31 December 2003 TL Billion	31 December 2002 TL Billion
Securities in Foreign Currency	2,669,284	4,446,881
Treasury Bills and Government Bonds	16,949,177	16,197,599
Repurchase Agreements	291,762	527,226
Other	1,648	2,254
Interest Accrual	2,381,578	5,040,472
	<u>22,293,449</u>	<u>26,214,432</u>
TOTAL	<u>31,278,289</u>	<u>28,788,013</u>
Government Bonds and Treasury Bills	22,165,534	16,698,065
Accrued Interest	2,861,271	5,043,786
Less: Provision for Diminution in Value	-	(46)
Total Book Value	<u>25,026,805</u>	<u>21,741,805</u>
Fair Value of Above Securities	<u>25,028,768</u>	<u>21,741,805</u>

Government bonds and treasury bills mature between 1 January 2004 and 18 December 2013. TL 139,300 Billion (USD 100,000 Thousand) of securities is kept as guarantee for İstanbul Stock Exchange transactions, TL 475,669 Billion (USD 253,024 Thousand, EUR 70,040 Thousand, TL 1 Billion) for Interbank transactions repo guarantees, TL 914,887 Billion (TL 650,000 Billion, USD 190,156 Thousand) for liquidity guarantee, TL 1,460,292 Billion (EUR 159,390 Thousand, USD 631,667 Thousand, TL 300,000 Billion) Foreign Currency Transactions guarantee.

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8. LOANS - Net

	31 December 2003 TL Billion	31 December 2002 TL Billion
SHORT TERM LOANS		
Guaranteed Export Loans	13,689	14,652
Guaranteed Other Loans	507,028	201,327
Non-Guaranteed Other Loans	548,154	393,845
Agricultural Loans (Bank Sourced)	212,474	103,969
Agricultural Loans (Fund Sourced)	177,575	168,727
Agricultural Credit Co-Operative Loans (Bank Sourced)	21,952	79,238
Agricultural Credit Sales Co-Operative Loans (Fund Sourced)	877,269	676,868
Rescheduled Loans	1,123	46,757
Non Cash Loans Turned To Cash	85	119
Discount and Debenture Notes	-	16
Loans Given to Financial Sector	577,761	586,434
	2,937,110	2,271,952
MEDIUM AND LONG TERM LOANS		
Guaranteed Other Investment and Operating Loans	-	41,109
Non Guaranteed Other Investment and Operating Loans	19,420	18,755
Guaranteed Other Loans	134,758	22,162
Non-Guaranteed Other Loans	21,781	97,317
Agricultural Loans (Bank Sourced)	8,799	18,356
Agricultural Loans (Fund Sourced)	100,407	95,289
Housing Loans (Bank Sourced)	22,836	42,706
Housing Loans (Fund Sourced)	461,494	460,866
Agricultural Credit Co-Operative Loans (Bank Sourced)	3,347	7,009
Agricultural Credit Co-Operative Loans (Fund Sourced)	20	22
Agricultural Sales Co-Operative Loans (Fund Sourced)	1,805,588	1,571,130
Discount and Debenture Notes	-	23,423
Rescheduled Loans	528	5,193
	2,578,978	2,403,337
OVERDUE LOANS	456,190	624,531
Interest Accruals on Loans	67,708	144,155
TOTAL LOANS	6,039,986	5,443,975
Less: Provision for Loan Losses (Special Provision)	(387,806)	(485,949)
Less: Provision for Loan Losses (General Provision)	(55,775)	(63,274)
TOTAL PROVISION FOR LOAN LOSSES	(443,581)	(549,223)
TOTAL LOANS - Net	5,596,405	4,894,752

Loans can be analysed by currency as follows:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Turkish Lira Loans		
Short Term	2,317,590	1,671,706
Medium & Long Term	2,518,824	2,241,753
Foreign Currency Loans		
Short Term	619,520	600,246
Medium & Long Term	60,154	161,584
Overdue Loans	456,190	624,531
TOTAL LOANS	5,972,278	5,299,820
Provision for Loan Losses	(443,581)	(549,223)
	5,528,697	4,750,597
Interest Accruals	67,708	144,155
TOTAL LOANS - Net	5,596,405	4,894,752

As of 31.12.2003, the general provision for agricultural loans amounts to TL 25,000 Billion.

TL 522,544 Billion of loans given to the financial sector consist of loans granted to Eximbank amounting to EUR 297,055 Thousand. The loans, which mature between January, February, March, April and June 2004, are renewed continuously by agreement unless Eximbank declares it will repay the loan.

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A summary of the sectoral spread of commercial loans as of 31 December 2003 and 2002 is as follows:

Sector	As of 31 December 2003		As of 31 December 2002	
	Cash Loans %	Non-Cash Loans %	Cash Loans %	Non-Cash Loans %
Energy	-	8.96	0.01	18.32
Services	70.09	42.62	44.10	38.57
Manufacturing	19.59	32.86	40.24	26.98
Construction	6.32	12.82	5.41	11.57
Textile	4.00	2.74	10.24	4.56
	100.00	100.00	100.00	100.00

A summary of the sectoral spread of agricultural loans as of 31 December 2003 and 2002 is as follows:

Sector	31 December 2003 Agricultural Loans %	31 December 2002 Agricultural Loans %
Vegetal Production	38.99	41.98
Stockbreeding	56.85	50.33
Agricultural Tools	3.37	7.12
Water Products	0.79	0.57
Total	100.00	100.00

The Bank has applied the following average interest rates for the stated loan types during 2003:

Loan Types	2003 Interest Rates %
<i>Agricultural Loans:</i>	
Agricultural Loans Given to Small Scale Industries	39.00
Agricultural Loans Given to Production with Agreements	39.00
Agricultural Loans Given to Large Scale Industries	39.00
Agricultural Loans Given to Farming Industries	39.00
<i>Commercial Loans:</i>	
Short Term Commercial Loans (Simple)	39.00
Short Term Commercial Loans (Compound)	45.08
Penalty Interest	54.60
<i>Annual Consumer Loans (Annual Compound):</i>	
Vehicle	51.76
Consumer	53.96

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9. AVAILABLE FOR SALE PARTICIPATIONS - NET

	31 December 2003		31 December 2002	
	Participation Rate %	Indexed Value TL Billion	Participation Rate %	Indexed Value TL Billion
Banks				
İMKB Tak. ve Sakl. Bank A.Ş.	4.86	8,237	4.86	8,237
T.C. Merkez Bankası A.Ş.	19.18	1,771	19.18	1,771
T. Vakıflar Bankası T.A.O.	<1	808	<1	808
T. Ticaret Bankası	<1	468	<1	468
Uzbekistan Turkish Bank (USD)	50.00	5,634	50.00	6,684
Turkmen Turkish Commercial Bank (USD)	50.00	3,482	50.00	4,689
Azerbaycan Türkiye Birge Şahimdar K. Bank (USD)	50.00	1,794	50.00	2,336
Ziraatbank (Moscow) CJSC	100.00	10,443	99.23	14,038
Turkish Ziraat Bank Bosnia D.D. (DEM)	100.00	23,160	100.00	25,917
Kazakhstan Ziraat Int. Bank (USD)	98.08	23,337	100.00	11,420
Banque Du Bosphore (Eur)	26.00	9,816	26.00	10,648
Arap Türk Bankası	15.00	26,159	15.00	26,159
T. Kazakhstan Int. Bank (Tenge)	-	-	91.88	19,400
T. Bağcılar Bankası	<1	-	<1	24
Other Financial Institutions				
Bileşim Ziraat Halk ADK ve Ödeme Sist. A.Ş.	55.00	3,479	55.00	3,576
Ziraat Yatırım Menkul Değerler A.Ş.	98.60	24,960	98.60	24,095
Bankalararası Kart Merkezi	17.98	1,838	17.98	1,838
Fintek Fin. Tekn. Hizm. A.Ş.	38.00	873	38.00	466
Kredi Kayıt Bürosu A.Ş.	9.09	1,862	9.09	1,862
Ziraat Portföy Yönetimi A.Ş.	50.00	977	50.00	714
Insurance				
Milli Reasürans T.A.Ş.	2.5	6,389	2.5	3,549
AXA Oyak Sigorta A.Ş.	19.77	23,926	19.65	23,449
Başak Hayat Sigorta A.Ş.	79.00	33,593	79.00	21,622
Başak İnam Sigorta A.Ş.	49.00	577	49.00	661
Manufacturing				
Mensa Mensucat San. ve Tic. A.Ş.	<1	39	<1	18
Mepa Merkez. Pazarlama A.Ş.	<1	3	-	-
Service				
Başak Depoculuk A.Ş.	99.99	9,478	99.99	8,163
Antalya Meyve Sebze Pazar A.Ş.	30.00	377	30.00	377
TOTAL		223,480		222,989
Increase of value		789		1,062
Diminution in value of participations		(33,384)		(20,397)
TOTAL		190,885		203,654

The term "available for sale" was introduced by IAS 39 (applicable from 1 January 2001) as standard terminology, and does not indicate that the Group has any current intention of selling participations. Increase of value as of 2003 results from the foreign currency valuation of participations denominated in foreign currency.

10. PREMISES & EQUIPMENT - Net

	31 December 2003 TL Billion	31 December 2002 TL Billion
Land	48,191	64,069
Buildings	1,111,835	1,057,478
Furniture & Fixtures	293,627	357,845
Vehicles	24,341	14,051
Leasehold Improvements	26,746	22,761
Construction in Progress	6,569	6,430
Other Fixed Assets	75,543	86,756
Accumulated Depreciation (-)	(866,826)	(877,563)
TOTAL - Net	720,026	731,827

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11. SUNDRY DEBTORS & OTHER ASSETS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Advances Given	6,987	15,806
Prepaid Expenses	3,084	7,093
Other	301,173	82,503
Total Other Assets	311,244	105,402
Receivables from Banking Services	116,398	153,091
Receivables from Insurance Premiums	79,820	70,776
Other	253,581	493,763
Total Sundry Debtors	449,799	717,630
Total Sundry Debtors and Other Assets	761,043	823,032

12. DEPOSITS

	Demand TL Billion	Time TL Billion	31 December 2003 Total
TL Deposits			
Saving	1,268,890	13,745,645	15,014,535
Official, Commercial and Other Institutions	4,383,592	5,517,559	9,901,151
Banks	6,064	-	6,064
Foreign Currency Deposits			
Saving	1,125,217	5,954,455	7,079,672
Official, Commercial and Other Institutions	642,935	926,653	1,569,588
Banks	34,109	234,064	268,173
Interest Accrual	-	349,054	349,054
TOTAL	7,460,807	26,727,430	34,188,237

	Demand TL Billion	Time TL Billion	31 December 2002 Total
TL Deposits			
Saving	716,620	13,044,725	13,761,345
Official, Commercial and Other Institutions	2,732,074	4,808,858	7,540,932
Banks	5,408	387	5,795
Foreign Currency Deposits			
Saving	1,268,393	6,728,456	7,996,849
Official, Commercial and Other Institutions	919,372	1,366,281	2,285,653
Banks	26,340	260,739	287,079
Interest Accrual	-	482,074	482,074
TOTAL	5,668,207	26,691,520	32,359,727

During 2003, the interest rates the Bank applied for the deposits in terms of maturity are as follows:

	Interest Rates of Deposits (%)
Demand	3.00%
Between 32-44 days	34.96%
Between 45-60 days	34.96%
Between 61-89 days	34.96%
Between 90-119 days	35.01%
Between 120-179 days	35.01%
Between 180-364 days	35.01%

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During 2003, the amounts of saving and official, commercial and other institutions deposits are as follows:

	Saving Deposits	Official, Commercial and Other Institutions Deposits
0-1 Billion	1,182,838	263,936
1-10 Billion	6,894,335	2,887,842
10-50 Billion	6,125,126	1,571,594
50-100 Billion	1,831,108	822,795
More than 100 Billion	6,060,800	6,198,809
TOTAL	22,094,207	11,744,976

13. BORROWINGS

Loans used from banks and other institutions are presented below:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Loans Borrowed from Domestic Banks - Turkish Lira	5,794	16,858
Loans Borrowed from Domestic Banks - Foreign Currency	10,688	155,370
Loans Borrowed from Abroad - Foreign Currency	712	34
Interest Accrual	386	5,167
Total	17,580	177,429

14. INTERBANK FUNDS BORROWED

Interbank funds borrowed consist of TL 793,979 Billion with maturities in January 2004 and interest rates between 0.5% and 1.13%.

15. TAXES AND DUES PAYABLE

	31 December 2003 TL Billion	31 December 2002 TL Billion
Banking and Insurance Transaction Tax	10,911	6,937
Income Tax on Capital Gains	73,530	99,425
Other	20,938	18,680
TOTAL	105,379	125,042

16. PROVISIONS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Retirement Pay Provision	192,983	176,206
Technical Reserves for Insurance	144,086	134,908
Other	44,988	62,110
TOTAL	382,057	373,224

Lump sum payments are made to all employees who retire from the Group or whose employment is terminated as a result of resignation and for reasons other than misconduct. Except in the Bank, the amount payable is 30 days gross pay for each year of service. The rate of pay ruling at 31 December 2003 is subject to a maximum of TL 1,389,950,000 per month. The upper limit was raised to TL 1,485,430,000 per month as at 01 January 2004. In the Bank, the amount payable depends on position and years of service, as defined in T.C. Emekli Sandığı rules.

Under the definitions contained in International Accounting Standard No: 19 (revised), "Employee Benefits" the Turkish retirement pay system is an unfunded defined benefit scheme. Consequently, IAS 19 requires that a provision be built up for employees' accrued entitlement as calculated actuarially.

In the accompanying financial statements the provision has been made on an estimated basis in compliance with International Accounting Standard No 19.

IAS 19 (revised), came into effect for accounting periods beginning on or after 1 January 1999, and accordingly has been applied in the accompanying financial statements. The main change arising from applying the revised standard is that the future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as the net of an expected inflation rate and an appropriate discount rate. Actuarial calculations are not available for the Group's accrued liability

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but for the purposes of these financial statements a calculation has been prepared, assuming a real discount rate of 6% (the net of inflation of 25% and a discount rate of 18%).

Technical reserves for insurance arise from Başak Sigorta A.Ş. and consist of deferred income, unknown damages, life mathematical, dividend and earthquake reserves.

17. SECURITIES ISSUED

	31 December 2003 TL Billion	31 December 2002 TL Billion
Bonds - Foreign Currency	-	21
Interest Accrual	-	2
TOTAL	-	23

18. FUNDS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Government Incentive and Price Stabilization Fund	2,731,220	2,414,221
Short Term Funds	421,912	301,943
Donation Loan Fund to Agricultural Village Development Co-operatives	35,379	42,277
Other	354,088	366,498
TOTAL	3,542,599	3,124,939

A Council of Ministers decision dated 13 October 1988 numbered 88/13384 established a Government Incentive and Price Stabilization Fund. Loans are issued from the Government Incentive and Price Stabilization Fund by means of the Bank to Agricultural Sales Co-operatives Unions, for crop purchases, to subsidize various agricultural products, to protect producers against price movements and to develop the export of agricultural products. A commission of 0.5% is being collected when the loan is issued for loans given after 01 July 2000.

The balance of the Government Incentive and Price Stabilization Fund as of 31 December 2003 can be analysed as follows:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Principal Amount of Fund Loans, Due to The Treasury	1,113,521	1,055,771
Interest Earned on the Related Loans, Due to the Treasury	1,604,072	1,243,646
Commission Receivable Due to the Bank	(819)	(243)
Principal Amount Received from Treasury, Not Yet Given to Unions	14,446	115,047
	2,731,220	2,414,221

The Bank acts only as an intermediary in issuance of the loans and is therefore not exposed to losses from any failure in collecting the loans.

19. SUNDRY CREDITORS & OTHER LIABILITIES

	31 December 2003 TL Billion	31 December 2002 TL Billion
Blocked Money	163,709	186,103
Payment Orders	21,729	26,845
Unearned Income	5,346	16,371
Defence Industry Support Fund	7,915	10,087
Government Incentive & Price Stabilization Fund	2,387	1,693
Insurance & Reinsurance Depos	1,725	2,324
Insurance & Reinsurance Current Accounts	6,099	19,177
Advances to be Netted off	271,837	-
Other	242,143	190,944
TOTAL	722,890	453,544

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20. TAXATION

Corporate Tax

The Group is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year.

Corporation tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (the funds contribution was abolished for 2003).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for resident companies in Turkey receiving dividends from resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed.

Tax Computations Based on Inflation Adjusted Balances

In 2003 and previous years, profit for the period on which taxation was being calculated, used to be uninflated balances except for the effect of the annual revaluation of the fixed assets and the depreciation calculated thereon. The Law 5024 published in the Official Gazette of 30 December 2003 numbered 25332 requires the application of inflation accounting in 2004 and the following periods provided that the inflation rate reaches the limits set out by the Law. Methods for inflation accounting in accordance with the tax legislation do not differ materially from the methods of IAS 29 "Financial Reporting in Inflationary Economies". It is voluntary for tax payers to comply with inflation accounting for the first quarterly temporary tax computation of 2004.

Deferred Tax

The Group calculates deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with IFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with IFRS. Timing differences are calculated on differences between the values of fixed assets (excluding land), intangible assets, inventory and prepaid expenses in the legal books and the inflation adjusted financial statements and on the discount of receivables, retirement pay provision and investment incentives.

Due to the increase in the tax rate to 33% taking place in 2004, 30% has been taken into account in the calculation of deferred taxes. For investment incentives transferred from 2001, deferred taxes have been calculated using 13.2%.

In previous years, deferred taxes were being calculated on differences between the inflation adjusted net book value of fixed assets and the nominal net book value in the legal books. Due to the Law 5024 published in the Official Gazette of 30.12.2003, it has become mandatory to eliminate the effect of inflation arising from the previous periods and to continue with such inflation adjustments in 2004 and the following periods, provided that the inflation rate is higher than the limits set out in the Law. Therefore, some of the temporary timing differences arising from differences due to the inflation adjustments on fixed assets in accordance with International Financial Reporting Standards will no longer be created. Hence, the calculation of deferred taxes on fixed assets will only arise from the usage of alternate depreciation rates in legal books and financial statements prepared in accordance with IFRS and from other unique cases. Therefore, in the accompanying financial statements, deferred taxes calculated on differences between the historic and inflated values of fixed assets have been reversed in 2003.

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a. Income Statement:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Corporation Taxes & Funds	749,725	537,965
Deferred Tax	184,705	126,042
TOTAL	934,430	664,007

b. Balance Sheet: Corporation Taxes Payable

	31 December 2003 TL Billion	31 December 2002 TL Billion
Corporation Taxes & Funds - Net	276,055	270,021

Deferred tax on temporary differences as of 31 December 2003 is presented below:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Bank		
Restatement of Premises & Equipment	-	36,606
Loan Loss Provisions	(2,395)	(217,967)
Retirement Pay Provision	(57,288)	(57,391)
Deferred Tax (Asset)	(59,683)	(238,752)
Consolidated Subsidiaries		
Restatement of Premises & Equipment	-	1,611
Retirement Pay Provision	(548)	(730)
Provision for Doubtful Receivables	-	(34)
Marketable Securities Income Accrual	(212)	(123)
Capital Lease Adjustment	332	(232)
Pro Rata Adjustment of Technical Reserves	(953)	(7,251)
Other	(388)	(646)
	(1,769)	(7,405)
Total Deferred Tax (Asset)	(61,452)	(246,157)

21. OTHER OPERATING INCOME

	31 December 2003 TL Billion	31 December 2002 TL Billion
Insurance Sector Income	567,303	109,387
Fees & Commissions	288,102	378,119
Dividend Income	560	22,765
Securities Trading Gains - Net	547,355	122,319
Foreign Currency Gains - Net	40,693	74,077
Other	234,139	250,253
TOTAL	1,678,152	956,920

22. OTHER OPERATING EXPENSES

	31 December 2003 TL Billion	31 December 2002 TL Billion
Insurance Sector Expenses	508,824	76,779
Personnel Expenses	681,772	856,498
Taxes & Dues Other than on Income	87,617	81,007
Savings Deposit Insurance Fund Premiums	125,362	206,074
Other Provisions	29,713	137,209
Depreciation Expense	45,267	46,208
Commissions and Fees	43,631	69,569
Other	573,853	554,589
TOTAL	2,096,039	2,027,933

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23. COMMITMENTS & CONTINGENCIES

As of 31 December 2003 The Bank's commitments and contingencies are as follows:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Letters of Guarantee	878,965	960,662
Acceptance Loans	1,120	24,928
Letters of Credit	580,998	872,304
Swap & Forward Agreements	929,784	276,806
	2,390,867	2,134,700

24. FOREIGN EXCHANGE POSITION

The Group's (as of 31 December 2003, Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and Ziraat International A.G.'s) foreign exchange position is presented below:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Total Assets Denominated in Foreign Currency	10,270,056	12,137,385
Total Liabilities Denominated in Foreign Currency	(10,231,861)	(12,093,642)
Net Foreign Currency Position	38,195	43,743
<i>Off Balance Sheet Instruments:</i>		
Forward to Buy Agreements	55,407	164
Forward to Sell Agreements	(55,474)	(165)
Swap to Buy Agreements	412,163	133,878
Swap to Sell Agreements	(406,740)	(133,878)
Swap Interest Agreements	-	8,721
Net Foreign Currency Position After Off Balance Sheet Instruments	43,551	52,463

25. MATURITY ANALYSIS OF ASSETS & LIABILITIES

The maturity analysis for selected balance sheet items as of 31 December 2003 is as follows:

	Up to 1 Month TL Billion	1-3 Months TL Billion	3-12 Months TL Billion	12 + Months TL Billion	TOTAL
ASSETS					
Liquid Assets & Banks	3,448,271	22,038	42,218	-	3,512,527
Interbank Transactions	2,654,468	-	-	-	2,654,468
Securities Subject to Repo Agreements	-	-	-	291,762	291,762
Marketable Securities - Net	3,113,813	127,389	4,048,907	23,696,418	30,986,527
Reserve Deposits	1,692,150	-	-	-	1,692,150
Loans - Net	1,950,720	243,249	1,070,464	2,331,972	5,596,405
Investments - Net	193	-	-	190,692	190,885
TOTAL	12,859,615	392,676	5,161,589	26,510,844	44,924,724
LIABILITIES					
Deposits	11,866,692	17,982,536	4,266,527	72,482	34,188,237
Liabilities due to Repo Transactions	410,979	-	-	-	410,979
Interbank Funds Borrowed	793,979	-	-	-	793,979
Borrowings	3,072	1,060	13,175	273	17,580
Funds	760,145	-	643,064	2,139,390	3,542,599
TOTAL	13,834,867	17,983,596	4,922,766	2,212,145	38,953,374

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The maturity analysis for selected balance sheet items as of 31 December 2002 is as follows:

	Up to 1 Month TL Billion	1-3 Months TL Billion	3-12 Months TL Billion	12 + Months TL Billion	TOTAL
ASSETS					
Liquid Assets & Banks	3,682,304	97,193	49,944	-	3,829,441
Interbank Transactions	1,175,114	-	-	-	1,175,114
Securities Subject to Repo Agreements	-	-	-	527,226	527,226
Marketable Securities - Net	5,268,211	32,433	2,506,598	20,453,545	28,260,787
Reserve Deposits	1,787,140	-	-	-	1,787,140
Loans - Net	2,661,210	475,329	783,272	974,941	4,894,752
Investments - Net	179	-	-	203,475	203,654
TOTAL	14,574,158	604,955	3,339,814	22,159,187	40,678,114
LIABILITIES					
Deposits	18,974,928	7,914,352	4,241,959	1,228,488	32,359,727
Liabilities Due to Repo Transactions	525,854	-	-	-	525,854
Interbank Funds Borrowed	735,643	-	-	-	735,643
Borrowings	12,532	-	16,527	148,370	177,429
Funds	-	-	-	3,124,939	3,124,939
Securities Issued	-	-	-	23	23
TOTAL	20,248,957	7,914,352	4,258,486	4,501,820	36,923,615

26. SEGMENTAL INFORMATION

As of 31 December 2003	Banking TL Billion	Other Financial Institutions TL Billion	Insurance TL Billion	Consol. Eliminations	Total TL Billion
Interest Income	10,573,268	144	20,436	(3,405)	10,590,443
Interest Expense	(7,071,970)	-	(269)	2,924	(7,069,315)
Net Interest Income	3,501,298	144	20,167	(481)	3,521,128
Provision for Loan Losses	(51,257)	-	-	-	(51,257)
Other Interest Income	1,094,936	18,665	573,237	(8,686)	1,678,152
Other Interest Expense	(1,595,585)	(6,465)	(536,528)	42,539	(2,096,039)
Net Interest Income/(Expense)	(500,649)	12,200	36,709	33,853	(417,887)
Profit Before Taxation and Monetary Loss	2,949,392	12,344	56,876	33,372	3,051,984
As of 31 December 2002	Banking TL Billion	Other Financial Institutions TL Billion	Insurance TL Billion	Consol. Eliminations	Total TL Billion
Interest Income	13,298,566	7,193	34,858	(4,363)	13,336,254
Interest Expense	(9,647,863)	(7,008)	-	2,939	(9,651,932)
Net Interest Income	3,650,703	185	34,858	(1,424)	3,684,322
Provision for Loan Losses	(156,957)	-	-	-	(156,957)
Other Interest Income	787,486	14,831	159,029	(4,426)	956,920
Other Interest Expense	(1,888,771)	(10,349)	(134,663)	5,850	(2,027,933)
Net Interest Income/(Expense)	(1,101,285)	4,482	24,366	1,424	(1,071,013)
Profit Before Taxation and Monetary Loss	2,392,461	4,667	59,224	-	2,456,352

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27. POST BALANCE SHEET EVENTS

a) The held to maturity portfolio of the Bank consists of Public Sector Debenture Notes given to the Bank as a result of special duty losses incurred in the past. In accordance with the suggestions of the Undersecretariat of Treasury and the approval of the management of the Bank, securities held in such portfolio may be subject to early redemptions and/or may get exchanged with other securities. Within this framework, TL 458,015 Billion of Debenture Notes amongst those amounting to TL 916,029 Billion with a value date of 22 January 2003 and a maturity of 15 October 2008, have been subject to early redemption by the Treasury in January 2004 and such security has been exchanged with a security having a value date of 21 January 2004 and a maturity of 15 October 2008. Furthermore, for the coupon payments of such notes as of 21 January 2004 amounting to TL 437,588 Billion, cash payments amounting to TL 218,794 Billion have been made by the Treasury and securities amounting to TL 218,794 Billion with a value date of 21 January 2004 and a maturity of 15 October 2008 have been given for the remaining balance.

b) In accordance with paragraph 3 of Article 14 of the Banking Law No. 4389 protocols governing the payment of the savings deposits within the framework of the Decree of the Council of Ministers dated 29.12.2003 marked 2003/6668 held by T. İmar Bankası T.A.Ş. whose licence to perform banking operations and to collect deposits was cancelled, were signed on 7 January 2004 between the Undersecretariat of Treasury, Central Bank of the Republic of Turkey and T.C. Ziraat Bankası A.Ş. and on 14 January 2004 between T.C. Ziraat Bankası A.Ş. and the Savings Deposit Insurance Fund. The necessary data involving the payments to be made to the depositors of T. İmar Bankası T.A.Ş. was submitted to the Bank on 14 January 2004. In order to cover payments to be made for demand deposits amounting to TL 2,641,725 Billion, cash payments were made to the Bank amounting to TL 1,384,000 Billion and Public Sector Debenture notes with a nominal value of TL 1,257,725 Billion (TRT 130707T19) were given. Furthermore, in order to cover payments to be made for time deposits, Public Sector Debenture Notes with a nominal value of TL 4,883,085 Billion having maturities of 2004, 2005, 2006 and 2007 were given to the Bank. In accordance with the protocol between the Bank and the Savings Deposit Insurance Fund, funds required to make the payments to the depositors of T. İmar Bankası T.A.Ş. are being paid to the Bank and hence, such payments do not generate an additional liability to the Bank.

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