

annual report 2003



ALBARAKA TÜRK



Chairman's Letter

I am immensely delighted to present to you the 19th Annual Report of Albaraka Turkish Finance House (ALBARAKA TURK) for the year ended 31st December 2003.

In a politically and socially more stable environment following the November 2002 General Elections, in year 2003, Turkey achieved what one can describe as a remarkable economic performance on many fronts, including a substantial reduction in the inflation rate, a reasonably high private sector-driven economic growth and appreciation of Turkish Lira against hard currencies. Domestic financial markets were also remarkably stable, providing an additional incentive for the real economy to resume its normal course of activity, following the severe Financial Crisis of the year 2001.

Pursuant to the positive and encouraging developments in the Turkish economy, it is my pleasure to mention that 2003 has proved to be a successful year for ALBARAKA TURK in various aspects. We were able to achieve a 37 percent (in US Dollar terms) growth in deposit funds whilst expanding our fund utilization by around 72 percent. As a result of our firm commitment to risk diversification, we further expanded our corporate and retail customer base, thus distributing our credit exposure in a more even and balanced manner.

We continued our rationally planned branch expansion policy also during 2003, opening five additional branches, whilst having plans for some new branches in year 2004.

With the purpose of strengthening our capital base further, in 2003, we more than doubled our paid-up capital, raising it from 41 trillion TL to 88 trillion TL. As our business activity expands, we have plans to raise our capital further in year 2004.

ALBARAKA TURK has recorded an after-tax profit of around 17.9 trillion TL, after making a full legal provisioning of 30.2 trillion TL for the loans in arrears stemming largely from the Financial Crisis of the year 2001. By provisioning and accelerated effort in recollection, we were able to reduce the ratio of such loans to outstanding funds used, from around 22 percent in the previous year to less than 5 percent by the end of 2003.

In closing, I definitely look forward to another year of further growth and profitability, and wish that the year 2004 would bring new opportunities and success to Turkey and ALBARAKA TURK.

With my profound regards,

Abdullatif Omar GHURAB
Chairman



ALBARAKA TURK

annual report
2003



Abdullatif Omar GHURAB
Chairman

General Manager's Letter

We welcomed the year 2004 with the increasing competition pressure caused by globalisation, especially on banking and financial sectors. Along with this competition pressure, we also have to take Turkey's ongoing condition into account. Turkey is a country where high inflation had almost been "institutionalized" for the last 25-30 years. The stabilization program that had been put into practice some three years ago and carried out with determination by the current government in 2003, resulted in important gains on the inflation problem.

It is a well known fact by the countries which had the same experience, that the passing process of high inflation levels to low inflation levels causes some "short-term adjustment problems". Swiftly dropping profit margins, inadequate local demand, and in short terms, rigid cost structure are some of these facts that can be encountered during the adjustment process. The sectors that are effected most by this process are banking and financing sectors. We can see that similar adjustment problems are effective in Turkey and what had been lived in the last few years had dropped the profitability levels in the banking sector.

We, being Albaraka Turkish Finance House, had a profitable and prosperous year on our esteemed clients', investors' and workers', in short on the great "Albaraka Family" in 2003. Keeping the balance between profitability and growth, we not only enhanced our business volume, but also increased our profitability.

In 2003, the funds we had collected through current and participation accounts had increased by 37% on USD basis, reaching over 720 million USD by the end of March, 2004. Our finance support to industrial and commercial establishments continued on, getting even stronger, and as a result of our approach in balancing the risks, more new clients had been welcomed to our customers' portfolio.

Our current level in retail banking, which we had accepted as a strategic tendency in the year 2002, had strengthened our hopes and expectations to reach a further point in the future.

Technology is also a must on which we cannot make any concession. In 2003, we had completed and presented to our customers, on a 24 hours a day, 7 days a week basis, our Alternative Distribution Channels Project, consisting of retail and corporate internet, telephony banking and ATM.

One of our prime characteristics as ALBARAKA TURK, is to have a strong financial structure. In accordance with this, in 2003 our actually paid up capital had been increased from 41 billion TRL, with a 115% rise, to 88 billion TRL. We will continue to increase our capital subsequent to our enhancing business volume in 2004.

As another way to strengthen our financial structure, we made a provisioning of approximately 30,2 billion TRL of our profit of 2003, the negative effects of the 2001 crises had all been eliminated, resulting with fulfilling our commitments to Banking Regulation and Supervision Agency one year earlier than programmed.

We continued to enhance our branch network in 2003, with 5 new branches in various parts of Istanbul. Keeping true to our careful manner in choosing the number of branches and their locations, we will continue to widen our network by opening new branches in economically the most active areas of Turkish geography in 2004.



ALBARAKA TURK

annual report
2003



Dr. Adnan BÜYÜKDENİZ
General Manager

Basically, banking and financing is nothing but the management of risks. We had witnessed people and institutions going bankrupt or leaving the sector in Turkey and all round the world, in recent times. This taught us that, in the world of banking and financing, nothing is "untouchable". We, as Albaraka Turkish Finance House, will continue our initiative on prudent risk management in the future, as we had done in the past.

Yes, our aim is to meet our clients' current and future demands in the best possible way in the swiftly changing world and to serve them with "zero error" service quality they definitely deserve.

Keeping true to values and principles now and in the future as we did in the past, that do make us Albaraka Turkish Finance House,

And playing our part of the role at best as Albaraka Turkish Finance House for a prosperous and respected Turkey.

Wishing you a successful and prosperous 2004 year,

Yours faithfully,

Dr. Adnan BÜYÜKDENİZ
General Manager



ALBARAKA TURK

annual report

2003

Turkish Economy

In the year 2003, we observed some important affirmative developments having taken place. The most significant one among these developments is getting under control of the high-rated inflation which had become permanent for years. At the end of the year 2001, the inflation ratio realized at the rate 80%, then dropped down to 30% at the end of 2002, and then was extracted down to a rate of 25,6% at the end of year 2003. This situation was a very important and positive progress for Turkish economy.

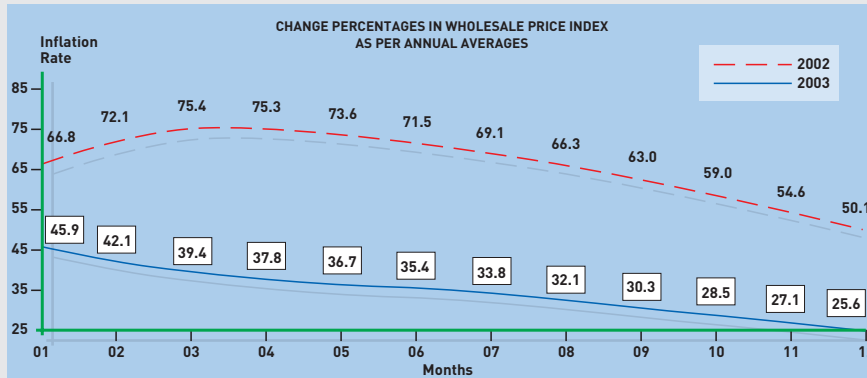


Figure 1. Monthly inflation rates within 2003.

Source: www.tcmb.gov.tr

Successfully applied monetary and fiscal policies were the essential factors that enabled the inflation to be taken under control. In 2002 Central Bank of Turkish Republic limited the money supply to the rate of 35%, and within this frame pulled the inflation rate down to 30%. In 2003, it was aimed to take the inflation rate down to 20% by limiting money supply to 25%.

Another positive development arising in the Turkish economy was the acceleration of the growth in line with inflation rate decrease. The GNP of the country, which was USD 181.7 billion at the year 2002, after a 5% growth, has become about USD 238 billion due to the decrease in USD/TRL exchange rate. The per capita income has reached the level of USD 3,366.

Another change in Turkish economy in this year was the significant revaluation of Turkish Lira against major currencies, especially against US Dollar which has devalued dramatically in international money markets. The US Dollar exchange rate of 1,634,500 TRL at the end of the year 2002 was 1,395,835 TRL at the end of the year 2003. The rise in value of Turkish Lira has generally been appreciated by economic agents, but export sector which perceived this change as a big threat.

The ability of Central Bank to control money markets has been improved. Central Bank FX reserve which has an important role in stabilization of the currency rates in large fluctuations, has increased. The reserve amount has risen to USD 33,6 billion this year from USD 26,7 billion amount of last year.



ALBARAKA TURK

annual report
2003

Turkish Economy

The year 2003 has become a record-breaking year in foreign trade area for Turkey. Foreign Trade volume reflecting the economic boom has risen to USD 103 billion as of November composed of USD 42.3 billion export, and USD 60.6 billion import.

Years	Import (Billion \$)	Export (Billion \$)	Balance of Payments (Billion \$)	Foreign Trade	
				Volume (Billion \$)	Export Coverage Rate (%)
1999	40,7	26,6	-14,10	67,3	65,4
2000	54,5	27,8	-26,70	82,3	51,0
2001	41,4	31,3	-10,10	72,7	75,6
2002	51,5	36,0	-15,50	87,5	69,9
2003	69,3	47,2	-22,10	116,6	68,1

Table-1: Foreign Trade Indicators of Last Five Years in Turkey

Increase of export volume despite the decrease in exchange rate, can be explained by the improving efficiency of Turkish economy, and decrease of production costs. The increase of import volume in line with the export volume indicates the rise of the purchasing power of Turkish nation. Balance of payments showed a deficit for USD 22,1 billion and export coverage rate was about 68% which was nearly same as the last year.

The boom of economy revealed itself by the increase in export of industrial products. As the end of November 2003, with its USD 35,6 billion export volume, the industrial products had the biggest share within the total exports, and the highest portion belonged to the textile and automotive sectors. At the same time, export volume of agriculture and mining sectors were USD 4,6 billion, and USD 1,8 billion respectively. 66% of total exports of Turkey was made to the OECD countries, while EU countries had the highest share, again, with the rate of 52%, among which Germany took the first place, as traditional.

These improvements in the economy had attracted the attention of international rating agencies. For example, S&P, which reduced the rating of Turkey first form B+ to B, and then to C in February 2001, raised it to B+ again on 16 November 2003.

Turkish government has made some regulations to encourage the growth of economy in 2003. First of these regulations was the decision of getting rid of 6 zeros from national currency, which was a result previous inflationary periods, and that has been causing accounting problems.

World Economy

Due to the intervention of US troops into Iraq with the alliance forces, the world economy made a pessimistic start to 2003. But with the war lasting shorter than expected, the reduction of geopolitical risks and a turn of optimistic expectations, it showed a good performance throughout the rest of the year. Thus, the global growth rate at the end of the year 2003 has been realised at 3,2%.

The U.S. economy growth was anticipated to be stood at around 4% with the hike in the trust of consumers and investors after the Iraq War, tax reductions resulting in the increase of net consumer income, higher yields and the movement in the war industry by the end of 2003. On the other hand, the budget deficit reaching USD 374 billion, current deficit by the end of September reaching USD 407 billion and the high movement of petroleum prices (One barrel price in 2002 was USD 25 while in 2003, it became USD 28,5) were important notices that warned the United States of America, which had a deep impact on the global economy.

Compared to this high growth rate in American Economy, 2003 was not a good year for the Euro Zone in terms of economic growth. The cumulative gross national domestic product growth rate for the Euro Zone as for September 2003 had been 1,5%, while in Germany this rate had been realised as at 0,9%. Along with this small rated growth numbers, the risk of deflation, weak consumer trust, raising budget deficits, high unemployment rates and over-valued of Euro currency caused negative anticipations within the Euro Zone.

The Japanese economy performed a higher growth in respect with the growth of the last year. The raise in the U.S.A. lined industry exports was one of the main reasons for this. While the exports were quite strong, a drop, although a small one, had been recognized in the unemployment rate (5,2%). But the deflationist tendency could not yet be stopped. The continuity of the deflation risk on long terms, high public debt and the unsolved problems in the banking sector had been the negative signs of the Japanese economy.

The growth, hindered by the SARS, continued in the Asian countries. A growth rate of 2,3% is anticipated for the Asian countries' economies by the end of the year 2003. China, playing the role of the leadership in Asian economy, showed a quite successful performance in exports, with a 9% growth by the end of the year. China's keeping its currency at low values grants the country a benefit on exports, but it also causes a risk on long term conditions.

On the Latin American side, Brasil hadn't encountered any problems, with the help of the credits provided by the IMF. While the dynamism in the economic activities of Mexico and Chile continued to have a positive effect on the Latin American Economy, Argentina, burdened by debts for a long time, declared that she will not be able to pay most of these debts to her international financiers. The news had a very strong negative effect on the expectations. Considering all these facts, the growth rate in the Latin American Economy is envisaged to be 1,1% in the year 2003.

In early 2003, developed financial markets were seen to follow a low-interest rate policy. FED, ECB and the Bank of England had cut their interest rates in June. But in November, the Bank of England raised its short term interest rates by 0,25%. At the end of July, three month USD LIBOR was 1,11%. In the following months, it took a constant rise and, by the end of November, reached 1,17%. Long term interest



ALBARAKA TURK

annual report

2003

World Economy



ALBARAKA TURK

annual report

2003

rates, that showed some drop after the Iraq war's end, also took a rise in the second half of the year supported with the movement tendencies seen in the market. In the U.S.A., interest rates of ten year treasury issues, had risen to 4,42% by the end of August, from 3,28% seen at the end of June, followed by a drop to 4,07% by the end of December.

Euro, that had a striking rise in value by the end of last year, continued its ascend this year. The EUR/USD rate of 1,063 in January, rose to 1,166 in the middle of the year. The reasons for this ascend are U.S.A.'s wish at keeping her currency value low because of the high trade deficit and the continuity of floating FX rate policy in the G7 countries. In the second half of the year, EUR/USD rate continued to rise, finally closing at 1,261 at the end of the year. The loss of USD's value against EUR, was also realised against JPY. But the appreciation of JPY was stopped by the interventions of the Bank of Japan to the money markets.

The Iraq war's lasting shorter than expected, positive expectations about the world economy, recovery of the insurance sector, and the performance of info-technology sector caused increase in the stock markets. With the Japanese and American firms showing higher benefit rate performances than expected in the last quarter of the year, Dow Jones, NASDAQ, and Nikkei indexes achieved an important ascend, while the stock markets in the EURO zone was negatively effected by the problems in European economy budgets and the inflation's resulting in a higher value than foreseen.

With the drop in the interest rates of devoloped countries, a rise in the net fund transfers to devoloping countries by the private sector were seen in 2003. The situation contributed to the drop of the borrowing costs in the devoloping countries. While the net capital flow were heavily on direct foreign investments, portfolio investments showed a negative course. On regional basis, most of the net capital income were directed to the developing Asian economy, and the capital outcome was concentrated in the Middle East regional.

ALBARAKA TURK in Brief

Albaraka Turkish Finance House, shortly ALBARAKA TURK is the first interest-free finance house in Turkey. It had completed its establishment by the year 1984 and started operating by the beginning of the year 1985. The operations of ALBARAKA TURK is subject to common Bank's Act Nr.4389. ALBARAKA TURK has been initiated by Albaraka Banking Group, one of the most prominent groups in the Middle East, Islamic Development Bank (IDB) and a local industrial group having served the Turkish economy for more than a half of a century. In the present shareholding structure the foreign shareholders hold 84.67 percent and the local shareholders hold 15.33 percent of the shares respectively. The shareholding structure of ALBARAKA TURK itself is the very guarantee of confidence and high standing.

THE SHAREHOLDING STRUCTURE OF ALBARAKA TURKISH FINANCE HOUSE*	
Foreign Shareholders	% 84,67
Albaraka Banking Group	% 67,65
The Islamic Development Bank	% 9,83
Alharthy Family	% 4,33
Other Foreign Shareholders	% 2,86
Local Shareholders	% 15,33

*As of December 31 st, 2003

ALBARAKA TURK generates funds by means of current accounts, profit and loss participation accounts, and in return allocates these funds in the ways of retail financing, trade financing, leasing and project based profit/loss partnerships to the retail and the corporate clients as to meet their financial requirements, in so doing it provides gains for the national economy. ALBARAKA TURK is authorized as to conduct all types of national and international banking operations within the framework of interest-free banking.

ALBARAKA TURK has set up its vision as to become the regional top player in offering financial products and services between Turkey and the countries in the Gulf, Middle East and North Africa where ALBARAKA TURK's major shareholder ABG (Albaraka Banking Group) banks are operating. It is also offering fast pace, high quality and secure foreign trade (import,export and foreign exchange) intermediary services by means of its web of more than 335 correspondent banks based in more than 72 countries worldwide spreading from Singapore to the United Kingdom, from South Africa to Morocco, from Australia to Kazakhstan. ALBARAKA TURK is also becoming strong in retail banking, and sparing no effort in adding value to its shareholders, employees, clients, community and to the environment by being a universal bank. As end of 2003, it has total of 27 branches where 12 branches are located in Istanbul and 15 branches are spread around important industrial and trading centres.



ALBARAKA TURK

annual report

2003

ALBARAKA TURK in Brief

BOARD OF DIRECTORS

Chairman

Abdul Latif Omar GHURAB

Vice Chairman

Yalçın ÖNER

Member

Dr. Naji Mohyuddin NAZER

Member

Dr. Abdul Razzak KAMEL

Member

Faisal Abdulaziz AL ZAMEL

Member

Osman AKYÜZ

Member

Dr. Adnan BÜYÜKDENİZ



ALBARAKA TURK

annual report

2003

Board of Directors

GENERAL MANAGEMENT

GENERAL MANAGER	: Dr. Adnan BÜYÜKDENİZ
Assistant General Manager	: Fahrettin YAHŞI
Assistant General Manager	: Temel HAZIROĞLU
Assistant General Manager	: Bülent TABAN
Head Counsellor	: Nihat BOZ
Auditing Group	: Mitat AKTAŞ
International Division	: Dr. Hakan BEROOĞLU
Corporate Banking Division	: Hüseyin TUNÇ
Retail Banking Division	: Ömer Lütfi TAMA
Operations Division	: Mahmut Esfa EMEK
Marketing Division	: Mehmet Ali VERÇİN
Financial Affairs Division	: Ahmet OCAK
Banking Services Division	: Osman ÇELEBİ
Risk Analysis Division	: Kemal YAYLA
IT Division	: Ahmet GÜZEL
Administrative Affairs Division	: İbrahim USUL
Human Resources Division	: Erdal DERİNDERE

Services

1. Fund Generation

A- Current Accounts

These are sight deposit accounts that may be withdrawn in whole or part whenever requested by the depositor. Such accounts may be opened either in local or foreign currencies. Holders of current accounts are neither paid any profit nor any sort of money under whatever name, but only paid the principal. Holders of current accounts are being offered all types of banking services (such as money orders, transfers, collection of cheques/promissory notes etc.). Current accounts are fully underwritten by ALBARAKA TURK.

B- Profit / Loss Participation Accounts

a) Profit/Loss Participation Accounts in General

These are time deposit accounts in Turkish Lira, US Dollar and Euro currencies, and are opened on the basis of profit/loss participation whereby the funds thus collected are directly used in interest-free financing of trade and industry and the due profit shares are paid out to the account holders. Participation accounts may be opened for 30 days, 90 days, 180 days, 360 days or for longer terms.

b) Profit/Loss Participation Accounts with Periodical Payment Basis
ALBARAKA TURK added also profit/loss Participation Accounts with periodical payment basis to its product range in 2003. Our customers find the opportunity to receive higher profit shares through these accounts that may be opened for both the legal entities and individuals. These accounts are opened for 1 year term and the profit accrued on the investment, is calculated for a period of 30 days or 180 days or 360 days.

Participation Accounts can be opened at ALBARAKA TURK branches, and where our branches are not available, they can be opened through our correspondent bank branches. Also, the principal and the profit shares could be collected from the same branches by the clients. All Akbank branches currently are offering correspondent banking services nationwide. Clients residing abroad can open Participation Accounts through our below referred correspondent banks.

For Euro currency

The Bank of New York, Frankfurt	Account Nr: 0049 609710
Commerzbank AG, Frankfurt	Account Nr: 400 886 3078 01
Citibank AG, Frankfurt	Account Nr: 411/5041/016

For US Dollar

The Bank of New York, New York	Account Nr: 890-0033-150
Citibank N.A., New York	Account Nr: 36112821

The transfers for the Participation Accounts sent through the correspondent banks abroad or local are operative as of the day they are credited to the accounts. The due profit shares relating the Participation accounts are calculated every weekend at the end of each Friday working hours. The due profit shares are announced on the daily newspapers as of the beginning of each week.



ALBARAKA TURK

annual report

2003

Services

2. Fund Utilisation

A-Corporate Finance

ALBARAKA TURK, as for its founding principles which does not deal in Treasury Bills, government securities and any other similar financial instruments, from the establishment date onwards, utilizes its sources in meeting the requirements of trade and industry. In connection to this, by means of a well educated team of experts having proper experience and knowledge of trade and industry inside out, it had built a very selective credit loans portfolio, and thus was able to survive successfully from all the economic crises that had hit the local economy in the recent years. ALBARAKA TURK, in evaluating the corporate marketing and the credit loan requests is using the most advanced and universal banking techniques; by taking into account the factors of security, organization and productivity, it runs a selective process on segmental basis so as to enable risk diversification and to increase productivity.

As ALBARAKA TURK, our basic aim in the corporate banking, amid the constant change and high competition at the financial markets, is to offer our clients project-based solutions in providing them with more effective and productive financial means responding to their respective banking needs and to build long run relations with them.

The year 2003 had been a year that kept numerous positive developments for small and medium sized enterprises on fund utilisation portfolio. In 2003, a prevalent and prosperous investment model had successfully been applied on small sized enterprises. This year, by adding a great number of customers to the credit portfolio, the average investment size had been lessened resulting in a rise in the investment prosperity. This investment policy is a bringer of high assurance, mobility and prosperity. The active marketing application will be continued on the years to come.

The fund utilisation methods offered in relation to the corporate finance are as follows:

• Trade Financing

Such financing is provided to corporate customers applying to buy raw / finished or semi-finished materials, machinery and equipment for their operations. Within the principles of a contract signed between the parties involved, ALBARAKA TURK purchases the goods in cash from third parties on behalf of the customer and sells to them on credit basis.

• Financial Leasing

In accordance with the Financial Leasing Act no. 3226, ALBARAKA TURK procures movable and immovable goods and leases them. Period of the leasing contract should not be less than 4 years (for some types of goods this period may be decreased to 2 years). After collecting the installment proceeds in accordance with a pre-determined schedule between ALBARAKA TURK and its client, the ownership of the leased goods is transferred to the client at the end of the contract period.

• Profit/Loss Participation

Such instrument is operated to provide funds to retail and/or corporate customers in return for participating to their profit/loss which may occur from their all or particular activities or from buying/selling of a particular good. In order to provide funds to persons and enterprises in return for profit/loss participation, ALBARAKA TURK signs a "Profit-Loss Participation Investment" contract with them, and participates to profit / loss at the rate determined in the contract. The due share and the guarantees to be received by ALBARAKA TURK relating to the profit/loss participation would be indicated very clearly in the referred contract.

• Trading on Documents Against Goods

In accordance with the ICC terms and current regulations on foreign exchange regime, ALBARAKA TURK can buy documents representing import goods against cash in order to resell to the party using the funds on deferred payment basis at a higher price based on a contract signed between ALBARAKA TURK and the party using the funds.

• Documentary Credits

ALBARAKA TURK renders such all documentary credit transactions of its clients as issuing letters of guarantee in favour of domestic or foreign authorities, import letters of credit, adding confirmation to export letters of credit, accepting avalisation. All such services are rendered to the customers within the framework of the Banking Law, the related regulations and the corporate banking principles.

B- Retail Finance

This is such a facility where ALBARAKA TURK pays sellers for the goods or services on behalf of buyers by debiting the buyer subsequently. Such funds are available only for retail use by real persons and not for any business purposes and corporate customers. This instrument includes:

- Housing Finance
- Vehicle Finance
- Consumer Finance

ALBARAKA TURK made a strategic and considerable move in the area of retail banking in 2003. This facility has been utilized to 8,000 retail customers and an approximate volume around USD.100.000.000.- is reached, and thus ALBARAKA TURK gained a 2% share from the Turkish Market. Making use of certain campaigns conducted together with some leading producer and distributor companies, ALBARAKA TURK played a great role in housing and automotive sectors.

3. International Services

ALBARAKA TURK, just like the other conventional banks, is authorized to render all types of intermediary and consultancy services on foreign trade and foreign exchange. All types of import payment methods and procedures such as letters of credit, cash against documents, cash against goods, cash payments, acceptance credits and transit trade are carried out within the framework of international banking rules and practices by highly qualified and experienced staff using the most advanced banking means and opting only for client satisfaction.

ALBARAKA TURK is also assertive in export services, as this trade is vital to the Turkish economy. ALBARAKA TURK is offering intermediary and consultancy services for all types of export operations. It has a widespread international correspondent banking network. ALBARAKA TURK is one of the very few Turkish banks adding confirmation to the export letters of credit issued through Afro-Asian region, especially such countries like Algeria, Yemen, and Sudan. ALBARAKA TURK's major shareholder ABG (Albaraka Banking Group)'s banks are operating in a very wide geography including North Africa and the Middle East. These include Banque Al Baraka d'Algerie in Algeria, B.E.S.T Bank in Tunisia, Egyptian Saudi Finance Bank in Egypt, Jordan Islamic Bank in Jordan, Al Baraka Bank Lebanon in Lebanon, Albaraka Islamic Bank and Al Amin Bank in Bahrain and Albaraka Bank Ltd. in South Africa. All the referred banks provide a formidable synergy to Albaraka Turkish Finance House in foreign trade.



ALBARAKA TURK

annual report

2003

Services

ALBARAKA TURK offers fast, high quality and secure foreign trade (export and import) and international banking services through its network of more than 335 correspondent banks in more than 72 countries, ranging from, Singapore to United Kingdom, South Africa to China, Australia to Kazakhstan and including renowned banks on its list such as The Bank of New York, Citibank NA, Commerzbank AG, Banca Intesa SpA, UniCredito Italiano SpA, Societe Generale, Lloyds TSB Bank plc.

4. Other Services

A- Credit Cards

ALBARAKA TURK credit cards are used in many areas as many as in 220 countries. On the other hand, as another area of credit cards, we are offering POS services for the members through ABATPOS possessing POS terminal. ALBARAKA TURK became a member of Interbank Card Centre in 2003, thus usage of ALBARAKA TURK credit cards will be made available at every ATM of member banks within the country.

B-Alternative Distribution Channels

Technological developments, clients' willingness for faster and easier services have driven the financial services beyond the physical bank branches. Alternative distribution channels (ATM, Internet, Call Centre) allowing the banking services to be extended beyond the traditional brick-n-mortar branches are also used at our Institution. Soon such other alternative distribution channels as WAP banking, SMS and telephony banking will be implemented for the use of our customers efficiently.

At our individual Internet branch, our clients are able to take advantage of non-stop services for the 365 days a year and 24 hours a day without coming up to our branches. Benefiting from the easiness and comfort of our internet branch every customer may gain access to such services as checking their available balance and recent movements, EFT, transfers, foreign currency buying/selling, credit card payments, opening participation account, cheque operations, payment orders, paying bills.

C- Other services

- Issuing of cheques
- Rendering services for collection of cheques and bills
- Buying / selling of foreign currencies
- Domestic / international transfers
- Automatic payment services
- Insurance services
- Safe deposit boxes

Activities

Fund Collection

During the year 2003, funds collected by ALBARAKA TURK under "current accounts" and "profit/loss participation accounts" have shown around 15.38% increase in Turkish Lira terms. As of the end of 2003, the total funds collected by ALBARAKA TURK have reached 963.79 trillion Turkish Liras. Foreign currency accounts constitute about 74.2% of these funds. Current accounts have raised by 50.36% reaching to 201.988 billion Turkish Liras. Share of current accounts in total funds has also raised from 16% to 21%. Profit and loss participation funds reaching 761.8 trillion Turkish Lira, increased 8.67% compared to the previous year.

ALBARAKA TÜRK's fund collection activities are being run through:

a) Main Branch, Karaköy, Kadıköy, Bakırköy, Bayrampaşa, Fatih, Ümraniye, Sultanhamam, İkitelli, Besyuzevler, Pendik, Merter, Beylikdüzü, and Bağcılar in İstanbul; and Siteler, Ankara, and Ostim branches of Ankara, in addition to İzmir, Bursa, Konya, Konya-Sanayi, Kayseri, Adana, Gaziantep, Samsun, Malatya, Kahramanmaraş, İzmit, Adapazarı, Antalya and Balıkesir branches.

- b) Akbank branches nationwide
c) Correspondent banks abroad

(Million TRL)	2003		2002		Change	
	TRL	USD equivalent	TRL	USD equivalent	TRL	USD equivalent
Local Currency Deposits	248,441,250	177,584,882	114,989,186	69,521,878	116.06 %	155.44 %
Current Accounts	56,934,551	40,696,606	31,982,988	19,336,752	78.02 %	110.46 %
Participation Accounts	191,506,699	136,888,276	83,006,198	50,185,126	130.71 %	172.77 %
Foreign Currency Deposits	715,345,784	511,326,507	720,360,175	435,526,103	-0.70 %	17.40 %
Current Accounts	145,052,968	103,683,322	102,350,008	61,880,295	41.72 %	67.55 %
Participation Accounts	570,292,816	407,643,185	618,010,167	373,645,808	-7.72 %	9.10 %
USD Accounts	358,218,439	256,053,209	436,675,921	264,012,044	-17.97 %	-3.01 %
EUR Accounts	212,074,377	151,589,976	181,334,246	109,633,764	19.95 %	38.27 %
TOTAL DEPOSITS	963,787,034	688,911,389	835,349,361	505,047,981	15.38 %	36.41 %

Table 1. Collected Funds (million TRL)

1\$=1.654.000 TRL (2002)
1\$=1.399.000 TRL (2003)

Fund Utilization

ALBARAKA TURK has continued its fund utilization activities by running parallel with the economic revival experienced in all sectors in 2003. Such collected funds have been relatively utilized in financing those projects contributing to Turkish economy directly. ALBARAKA TURK, by allocating all its funds under management to the most productive sectors within the economy, rather chose direct means of contributing to the National economy. Throughout the year 2003, ALBARAKA TURK not only concentrated on Trade Financing, but also mobilized a considerable portion of its own sources for financial leasing projects.

In the year 2003, the funds have been utilized in trade financing by 89.27%, in financial leasing by 7.95% and in profit and loss sharing projects by 2.74%. Similar to previous years priority was given to participation deposit funds in fund utilization rather than shareholder's equity.



ALBARAKA TURK

annual report
2003

Activities

a) Trade Financing

Trade Finance placements have been increased by 58.38% in the year 2003, constituting 89.27% of the total funds.

b) Financial Leasing

Leasing transactions have been increased by 22.60% in the year 2003, constituting 7.95% of the total funds.

c) Profit and Loss Sharing Projects

The profit and loss sharing projects realized in the year 2003, constitute 2,74% of the total funds.

d) Retail Finance

In order to supply finance for personal needs, special emphasis has been given to retail finance in the year 2003. We have employed this instrument for individual clients in 2003, which has reached a satisfactory level and will continue its growth trend in the future.

(Milion TRL)	2003		2002		Change	
	TRL	USD equivalent	TRL	USD equivalent	TRL	USD equivalent
Trade Financing	592,298,908	423,373,058	373,984,100	226,108,888	58.38 %	87.24 %
Financial Leasing	52,784,625	37,730,254	43,052,973	26,029,609	22.60 %	44.95 %
Profit/Loss Participation	18,212,283	13,018,072	39,002,160	23,580,508	-53.30 %	-44.79 %
Other	194,112	138,751	200,006	120,923	-2.95 %	14.74 %
TOTAL	663,489,928	474,260,135	456,239,239	275,839,928	45.43 %	71.93 %

Table 2. Funds utilised (million TRL)

1\$=1.654.000 TRL (2002)
1\$=1.399.000 TRL (2003)

International Banking Services

Also in the year 2003 ALBARAKA TURK has rendered a wide range of international banking services to its clients. As of December 31, it was maintaining 44 accounts with foreign banks in 10 different currencies. By the end of the year 2003 the number of the correspondent banks abroad has reached 335. The international banking activities of Albaraka would be summarized hereunder:

	2003	2002	Change(%)
Export	182,807	159,901	14.32%
Import	344,706	277,247	24.33%
Invisible Transactions	312,454	229,814	35.95%

Table 3. International Banking Volume (thousands USD)

**ALBARAKA TURK ÖZEL FİNANS KURUMU ANONİM ŞİRKETİ
INDEPENDENT AUDITORS' REPORT AS OF DECEMBER 31, 2003**

To Board of Directors of Albaraka Türk Özel Finans Kurumu Anonim Şirketi:

We have audited the balance sheet of Albaraka Türk Özel Finans Kurumu Anonim Şirketi as of December 31, 2003 and the related statement of income for the period then ended. These financial statements are the responsibility of the Institution's management. Our responsibility as independent auditors is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards, which were determined under the provisions of Banking Law Number 4389. These standards require that the audit should be planned and performed to obtain reasonable assurance as to 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.

We have audited the financial statements of the Institution as of December 31, 2002 and expressed a qualified opinion in the report dated March 10, 2003, for the reason that the current expertise values of the collaterals taken for loans in arrears are not considered in the reserve calculation and for not providing reserves for loans in arrears that is attributable to the participation accounts, for a legal case and tax cases. The financial impact of the mentioned matters above has been reflected on the financial statements as of December 31, 2003 by either providing reserves or making payments during the current year.

In our opinion, except for the effect of the matters discussed in paragraph three above on the current year statement of income, the accompanying financial statements are presented fairly, in all material respects, the financial position of Albaraka Türk Özel Finans Kurumu A.Ş. at December 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with the related accounting principles and standards discussed in detail in Note 1 and generally accepted by Special Finance Houses. The specified accounting principles and standards are determined in compliance with the principles and standards that are, to the extent possible, based on Article 13 of the Banking Law, considering that the Special Finance Houses are not subject to the "Accounting Application Regulations" based on Article 13 named as "Accounting and Recording Systems" of the Banking Law 4389 and related communiqués as indicated in the letter dated October 17, 2002 and numbered BDDK.DZM. 2/13-1-11856.

Additional paragraph for convenience translation to English:

The above mentioned accounting principles differ from International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board. The effects of the differences between these accounting principles and accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in the countries of users of the financial statements and IFRS.

Güney Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

An Affiliated Firm of Ernst & Young International

Esra Peri, SMMM

March 19, 2003

Istanbul, Turkey



ALBARAKA TURK

annual report

2003

Independent Auditors' Report

ALBARAKA TURK ÖZEL FİNANS KURUMU A.Ş.
BALANCE SHEET AS OF DECEMBER 31, 2003 and 2002
 Currency – Billions of Turkish Lira unless otherwise indicated

ASSETS

	CURRENT PERIOD 31/12/2003	PRIOR PERIOD 31/12/2002
I- CASH	23,035	20,253
A. Cash in TL	5,535	2,987
B. Cash in Foreign Currency	17,500	13,884
C. Others	-	3,382
II- BANKS	79,612	96,432
A. Central Bank	11,416	6,038
B. Other Banks	68,196	90,394
1) Local Banks	39,861	44,737
2) Foreign Banks	28,335	45,657
III- CENTRAL BANK RESERVE DEPOSITS [Note 2]	82,116	78,873
IV- FUNDS USED [Note 3]	610,705	413,188
A. Short Term	539,775	185,941
B. Medium and Long Term	70,930	227,247
V- FINANCE LEASE RECEIVABLES [Net]	52,785	43,051
A. Financial Lease Receivables	191,621	162,594
B. Unearned Financial Lease Income	(138,836)	(119,543)
VI- LOANS IN ARREARS [Net]	33,123	99,038
A. Loans in Follow-up	69,945	143,054
B. Specific Reserve Provided (-)	(36,822)	(44,016)
VII- PROFIT SHARE ACCRUALS AND DISCOUNTS	16,727	11,830
A. Profit Share Accruals	800	3,339
B. Profit Share Discounts	15,927	8,491
VIII- VARIOUS RECEIVABLES	2,197	1,946
A. Receivables from Banking Services	661	874
B. Prepaid Taxes	530	-
C. Other	1,006	1,072
IX- INVESTMENTS	30,336	-
X- FIXED ASSETS [Net]	265,201	216,667
A. Movables	14,307	9,239
B. Immovable	28,245	20,348
C. Capitalized Expenses	930	625
D. Fixed Assets under Financial Leasing	439,511	320,851
E. Accumulated Depreciation (-)	(212,395)	(107,015)
F. Reserve for Financial Leasing Assets (-)	(16,991)	(37,387)
G. Assets Held for Sale	11,594	10,006
XI- OTHER ASSETS [Note 4]	3,763	4,858
TOTAL ASSETS	1,199,600	986,136

The accompanying notes are an integral part of these balance sheets.

ALBARAKA TURK ÖZEL FİNANS KURUMU A.Ş.
BALANCE SHEET AS OF DECEMBER 31, 2003 and 2002
 Currency – Billions of Turkish Lira unless otherwise indicated

LIABILITIES

	CURRENT PERIOD	PRIOR PERIOD
	31/12/2003	31/12/2002
I - FUNDS COLLECTED	[Note 5] 963,788	835,349
A. Current Accounts	201,988	134,333
B. Participation Accounts	761,800	701,016
II - PROFIT SHARE PAYABLES	-	12,082
III - DUTIES, FEES & TAXES PAYABLE	[Note 6] 3,623	2,081
IV - VARIOUS PAYABLES	14,854	9,033
A. Cash Guarantees Received	7,044	3,210
B. Customer Expenses Received	-	-
C. Payables to Vendors	-	-
D. Cash Collaterals	260	63
E. Other	7,550	5,760
V - RESERVES	6,600	4,207
A. Retirement Pay Liability	1,861	1,445
B. General Reserve for Possible Loan Losses	4,092	2,449
C. Other Reserves	647	313
VI - OTHER LIABILITIES	[Note 7] 5,518	8,086
VII - SHAREHOLDERS' EQUITY	187,343	113,266
A. Paid in Capital	88,000	41,000
1) Nominal Capital	88,000	41,000
2) Unpaid Capital (-)	-	-
B. Legal Reserves	2,277	2,277
1) Class I and II Legal Reserves	2,277	2,277
2) Other Legal Reserves	-	-
C. Reserve for Possible Losses	2,744	2,744
D. Revaluation Fund	[Note 8] 101,477	66,618
E. Gain on Sale of Fixed Assets to be Used in Share Capital Increase	2,111	11,925
F. Loss	(9,266)	(11,298)
1) Current Period Loss	-	-
2) Accumulated Deficit	(9,266)	(11,298)
VIII - NET INCOME	17,874	2,032
A. Current Period Income	17,874	1,078
B. Retained Earnings	-	954
TOTAL LIABILITIES	1,199,600	986,136
OFF BALANCE SHEET COMMITMENTS		
I - LETTERS OF GUARANTEE	56,440	46,167
II - LETTERS OF CREDIT	39,215	43,608
III - ACCEPTANCE CREDITS	10,489	6,166
IV - PROMISES	15,380	16,336
TOTAL	121,524	112,277

The accompanying notes are an integral part of these balance sheets.



ALBARAKA TURK

annual report

2003

Balance Sheet

ALBARAKA TURK ÖZEL FİNANS KURUMU A.Ş.
STATEMENT OF INCOME AS OF DECEMBER 31, 2003 and 2002
 Currency – Billions of Turkish Lira unless otherwise indicated

	CURRENT PERIOD 31/12/2003	PRIOR PERIOD 31/12/2002
I - PROFIT SHARE INCOME	133,795	83,812
A. Profit Share Income From Local Currency Funds Used	68,418	44,461
1) Trade Finance Funds	50,786	32,890
2) Profit / Loss Sharing Funds	-	274
3) Financial Leasing Funds	5,998	10,213
4) Retail Finance Funds	11,634	1,084
5) Special Funds	-	-
B. Profit Share Income From Foreign Currency Funds Used	55,997	34,070
1) Trade Finance Funds	23,436	14,460
2) Profit / Loss Sharing Funds	3,239	21
3) Financial Leasing Funds	27,197	19,227
4) Retail Finance Funds	2,025	245
5) Special Funds	100	117
C. Other Profit Shares	9,380	5,281
II - PROFIT SHARE EXPENSE	84,551	49,692
A. Profit Shares Paid To Local Currency Participation Accounts	42,194	23,151
1) Trade Finance and Retail Finance Funds	39,807	21,029
2) Profit / Loss Sharing Funds	-	-
3) Financial Leasing Funds	2,387	2,122
4) Special Funds	-	-
B. Profit Shares Paid To Foreign Currency Participation Accounts	42,357	26,541
1) Trade Finance and Retail Finance Funds	19,281	11,496
2) Profit / Loss Sharing Funds	2,591	16
3) Financial Leasing Funds	20,392	14,935
4) Special Funds	93	94
III - NET PROFIT SHARE INCOME [I - II]	49,244	34,120
IV - OTHER INCOME	124,709	203,998
A. Fees and Commissions Received	14,163	7,848
1) Non-cash Funds	1,228	1,142
2) Other	12,935	6,706
B. Foreign Exchange Gains	[Note 9] 21,124	133,554
C. From Other Operations	[Note 10] 89,422	62,586
V - OTHER EXPENSES	156,079	237,030
A. Fees and Commissions Paid	979	1,830
1) Non-cash Funds	29	365
2) Other	950	1,465
B. Foreign Exchange Losses	[Note 11] 9,220	150,222
C. Staff Expenses	13,602	9,072
D. Rent Expenses	1,278	1,008
E. Depreciation Expenses	77,334	50,969
F. Taxes and Funds	3,808	1,923
G. Provisions For Doubtful Receivables	30,255	6,832
H. Other Provisions	766	205
I. Provision For Retirement Pay Liability	416	317
J. Other Expenses	[Note 12] 18,421	14,652
VI - NET OTHER INCOME / (EXPENSE) [IV - V]	(31,370)	(33,042)
VII - INCOME / (LOSS) BEFORE TAX [III + VI]	17,874	1,078
VIII - TAX PROVISION	-	-
IX - NET INCOME [VII - VIII]	17,874	1,078

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
(TL Billion)

1- Explanations of the Basic Accounting Principles Applied by the Institution:

Since the Institution is a Special Finance House, it is not subject to the provisions of the "Accounting Application Regulations" (AAR) based on Article 13 named as "Accounting and Recording System" of the Banking Law 4389 published at Official Gazette dated June 22, 2002 and numbered 24793 and related communiqués and related explanations as it is stated in the letter of the Banking Regulation and Supervision Agency (BRSA) dated October 17, 2002 and numbered BDDK.DZM. 2/13-1-11856.

Accordingly, the Institution maintains its books of account and prepares its financials statements in Turkish Lira in accordance with the Turkish Commercial Code, Banking Law and tax regulations. The accompanying financial statements are prepared in accordance with the accounting policies and standards that comprise both special accounts or accounting principles suitable for Special Finance Houses and accounting principles based on the article 13 of the Banking Law 4389, to the extent possible. The accompanying financial statements are prepared on an historical cost basis and those financial statements as of December 31, 2003 and 2002 do not reflect the restatement for the changes in the general purchasing power of the Turkish Lira.

Certain reclassifications were made in the accompanying December 31, 2002 financial statements to be consistent with the current year financial statements.

(a) Fixed Assets And Depreciation:

Fixed assets are reflected at historical or revalued cost at the balance sheet date. Straight-line method is used for fixed assets at rates in accordance with Tax Law. For fixed assets under financial leases, straight-line and double declining method is used. The annual rates used, which approximate rates based on the estimated economic lives of the related fixed assets are as follows:

	December 31, 2003 (%)	December 31, 2002 (%)
Movables		
Safe Box	20	20
Office Equipments	20	20
Furniture, Fixture	20	20
Motor Vehicles	20	20
Financial Lease Movables	20 - 40	20 - 40
Immovable		
Immovable of the Institution	2	2
Financial Lease Immovable	4	4
Leasehold Improvements	Lease period	Lease period

Pro-rata method suggested by tax regulations, is used for motor vehicles of the Institution and for other fixed assets; depreciation is calculated for the full year. The institution has revalued its and fixed assets both subject to financial leasing and under its own use by 28.5% and the increment was recorded to "Revaluation Funds" account under the equity.



ALBARAKA TURK

annual report
2003

Notes to the Financial Statements

The Institution does not record depreciation for fixed assets held for sale. The Institution has reflected the gain from sale of fixed assets held for sale amounting to TL 1,687 in "Gain on Sale of Fixed Assets to be Used in Share Capital Increase" account under the equity such amount will be added to share capital, based on the temporary article 29 of Corporate Tax.

(b) Foreign Currency Transactions:

Gains and losses arising from foreign currency transactions are reflected in the income statements as realized during the course of the year. Foreign currency assets and liabilities at period-end have been translated into Turkish lira at period-end foreign exchange rates, the effects of which are also recorded in the income statements as foreign exchange gain or loss. As of December 31, 2003, the prevailing USD exchange purchase rate used by the Institution is TL 1,399,000 (Full TL).

(c) Reserve for Possible Loan Losses:

According to the "Decree on Classification of and Providing Reserves for loans in Arrears" (Loan Loss Reserve Decree) published in the Official Gazette No: 24448 on June 30, 2001 and to the "Decree Relating to the Amendment on the Decree on Classification of and Providing Reserves for loans in Arrears" published in the Official Gazette No: 24657 on January 31, 2002, for the loan balances that are generally non-performing, the Institution has provided reserve that are under legal follow up due to the fact of uncertainty of the mortgages amount and its period of liquidation taking into consideration of the collectibility of the balances and the possible liquidation of non-cash loans. According to the Loan Loss Reserve Decree and considering the expected collectibility and possibility of liquidation of non-cash loans a reserve was also provided for these customers. Furthermore, a general reserve of 0.5% is being provided for the cash loans and other receivables and 0.1% is provided for non-cash loans.

The Institution has taken into consideration the fixed assets under financial leases that the Institution has ownership rights as a Lessor, as a collateral in reserve computation of doubtful receivables derived from financial leases; based on the letter of the BRSA dated January 9, 2003 and numbered BDDK.DZM. 2/11/12-399. In accordance with the temporary article of the same decree, distributable losses resulted from funds used from participation accounts should be reflected to the relevant accounts till December 31, 2004 in accordance with the related decree published in the Official Gazette number 24980 on December 31, 2002. Within the context of this decree, the Institution's management has reflected the full amount TL 29,170 of distributable losses as of December 31, 2002, to related accounts within the period then ended.

The Institution has revalued foreign currency Loans in Arrears and specific reserves provided for those, with the foreign currency rate of period ended because of the revaluation of foreign currency participation accounts that are the main source of those loans.

(d) Retirement Pay Liability:

The retirement pay liability amount is reflected in the accompanying financial statements for every working year within the Institution in accordance with the existing social legislation. The reserve amount reflects the liability, which is computed through considering the actual retirement payments realized for the previous years to the personnel who have the right to receive retirement payment. As of December 31, 2003 Retirement Pay Liability ceiling is TL 1,389,950,000 (full TL). (2002 - 1,260,150,000 (full TL))

(e) Financial Lease Transactions:

In the financial statements as of December 31, 1999, the Institution applied principles of accounting for financial leases and based on this application; unpaid capital payments of fixed assets subject to leasing are recorded as a contra asset under fixed assets section (provision on fixed assets), and unearned revenue account is used for profit share income. However, in the financial statements as of December 31, 2000 and 2001; the Institution did not apply the principles of accounting for financial leases and principal payments of fixed assets subject to leasing and profit share income of future periods were reflected under "Unearned Revenue".

After July 2002, The Institution had been reflecting funds used from financial leases, under "Funds used" and "Unearned Revenue" accounts, related capital payments and profit share income had followed as an off-balance sheet account and fixed assets subject to financial leasing had been reflected on the balance sheets. Beginning from June 30,2003; capital payments and profit share income to be collected has been booked on balance sheets accounts rather than off-balance sheet accounts.

In the framework of Article of Tax Law, numbered 290, for the leasing agreements signed after July 1, 2003, principles stated below are applied:

Total amount of capital payments and profit share income resulted from financial lease agreement is reflected as "Financial Lease Receivables", difference between capitalized lease receivable and present value of this receivable is reflected as Unearned Profit Share Income on the liability side of the balance sheets.

Fixed assets under leasing agreement are not classified under fixed assets section, therefore; revaluation and depreciation will not be computed and recorded at year-end.

Financial Lease Receivables are not subjected to rediscount computations.

Lessor still benefits from investment incentives resulted from investment made through leasing activities.

For the leasing contracts signed before July 1, 2003, related legislations for that period are applied.



ALBARAKA TURK

annual report
2003

Notes to the Financial Statements

(f) Profit Share Income Accruals and Discounts:

Profit Share Income

As of December 31, 2003; based on the regulation on the Establishment and Operations of Special Finance Houses published in the Official Gazette number 24529 on September 20, 2001; The Institution computes profit share accruals and discounts by using Internal Rate of Return (IRR) method for the funds used since October 2001. This method represents the rate that discounts the future cash flows of funds used amounts to the balance sheet date. These profit share accruals and discounts are reflected under "Profit Share Income Accruals and Discounts" in the accompanying financials.

Profit Share Expense

The Institution has been accounting the profit share expense, on accrual basis since October 2001. Accrued amount is classified in a sub-account under the participation accounts at the end of the periods then ended.

2) Reserve Requirements

6% of Local Currency (TL) Deposits and 11% of Foreign Currency (FC) Deposits are blocked with the Central Bank.

3) Advances

This figure comprises of the outstanding advances placed by the House. The details are:

	2003	2002
Trade Finance Funds	510,038	353,353
Profit / Loss Sharing Funds	18,212	39,002
Consumer Financing	82,261	20,632
Financial Leasing Funds	191,621	162,595
Financial Leasing Unearned Revenue (-)	(138,836)	(119,543)
Others	194	200
	663,490	456,239

4) Other Assets

	2003	2002
Temporary Accounts	3,723	4,829
Other	40	29
	3,763	4,858

5) Funds Collected

The figures comprise of TL and foreign currency current accounts and participation profit/loss accounts.

Participation profit/loss accounts are substantially different from conventional deposits with commercial banks. Participation funds are collected on the basis of "profit and loss sharing" principle. Neither the principal nor any predetermined rate of return is guaranteed to deposit-holders. Such accounts do not constitute a fixed liability for the House and can thus be regarded as quasi-capital.

The Current and participation accounts opened by real persons are subject to the security fund.

6) Duties, Fees & Taxes Payable

Liabilities accrued but not yet due.

7) Other Liabilities	2003	2002
Payment Orders	4,097	7,230
Temporary Accounts	1,421	856
Unearned Income	984	273
Other	437	583
	5,518	8,086

8) Revaluation Fund

Fixed assets were revalued upwards by 28,5 % (2002: 59 %) and the surplus arising therefrom was credited to Revaluation Reserve Fund of the House, as detailed below:

	2003	2002
Surplus from Movables	77,465	49,667
Surplus from Immovables	24,012	16,951
	101,477	66,618

9) Foreign Exchange Profit (Net)	2003	2002
Profit from Foreign Currency Translations	(4,742)	(16,957)
Income from Foreign Exchange Differences	25,548	5
Evaluation Revenue	25,939	133,265
Evaluation Losses	(30,681)	(150,222)
Profit from Foreign Currency Dealings	318	284
	21,124	(16,668)

10) Other Operational Revenues

This account includes commissions from foreign operations, non-cash facilities and communication services provided to customers, cheque book fees, advance taxes, rent and other general administrative revenues.

11) Foreign Exchange Loss

Foreign Exchange Loss consists of loss from foreign currency translations.

12) Other Operational Expenses

This account consists of the amount paid for the Tax Amnesty, Guarantee Fund for Special Finance Houses and operational expenses.



ALBARAKA TURK

annual report

2003

Notes to the Financial Statements

Branch Network

Head Office

Büyükdere Cad. No: 78
34387 Mecidiyeköy/İSTANBUL
Phone: 0.212.274 9900
Telex : 27061 abrt tr - 26459 albt tr
Fax : 0.212.272 4470
0.212.275 1477

SWIFT: BTFHTRIS
e-mail:
albarakaturk@albarakaturk.com.tr
web : www.albarakaturk.com.tr

Main Branch (IST)

Büyükdere Cad.No: 78
34387 Mecidiyeköy/İSTANBUL
Phone: 0.212.274 9900
Fax : 0.212.272 4470

Bağcılar Branch (IST)

Osmangazi Cad. No: 19
34560 Bağcılar/İSTANBUL
Phone: 0.212.434 23 28
Fax : 0.212.461 55 51

Bakırköy Branch (IST)

İncirli Caddesi Başarı Sokak No:1
34140 Bakırköy/İSTANBUL
Phone: 0.212.542 0222
Fax : 0.212.542 0861

Bayrampaşa Branch (IST)

Abdi İpekçi Caddesi No: 77
34030 Bayrampaşa/İSTANBUL
Phone: 0.212.612 5220
Fax : 0.212.501 5369

Beşyüzevler Branch (IST)

Cevatpaşa Mahallesi, Eski Edirne
Asfaltı No: 349/351 34045 Beşyüzevler
Bayrampaşa/İSTANBUL
Phone: 0.212.477 6190
Fax : 0.212.477 6198

Beylikdüzü Branch (IST)

İstanbul Cad. No: 2
34500 Gürpınar/İSTANBUL
Phone: 0.212.871 00 45
Fax : 0.212.872 02 11

Fatih Branch (IST)

Macar Kardeşler Caddesi No: 44
34080 Fatih/İSTANBUL
Phone: 0.212.635 4896
Fax : 0.212.635 4895

İkitelli Branch (IST)

Organize Sanayi Bölgesi
Atatürk Caddesi No: 135
34306 İkitelli/İSTANBUL
Phone: 0.212.671 2810
Fax : 0.212.671 2794

Kadıköy Branch (IST)

Rıhtım Caddesi No: 44
34710 Kadıköy/İSTANBUL
Phone: 0.216.414 3163
Fax : 0.216.414 3168

Karaköy Branch (IST)

Karaköy Meydanı
34420 Karaköy/İSTANBUL
Phone: 0.212.252 5687
Fax : 0.212.252 5696

Merter Branch (IST)

Fatih Caddesi No: 30
34169 Merter/İSTANBUL
Phone: 0.212.637 8410
Fax : 0.212.637 8204

Pendik Branch (IST)

23 Nisan Caddesi No: 12
34890 Pendik/İSTANBUL
Phone: 0.216.483 6505
Fax : 0.216.483 6507

Sultanhamam Branch (IST)

Çelebioğlu Mahallesi
Marpuççular Sokak No: 38
34110 Eminönü/İSTANBUL
Phone: 0.212.519 6430
Fax : 0.212.519 6418

Ümraniye Branch (IST)

Alemdağ Caddesi No: 56/A
34760 Ümraniye/İSTANBUL
Phone: 0.216.443 6635
Fax : 0.216.443 2187

ANKARA Branch

Atatürk Bulvarı No:57/A
06410 Sıhhiye/ANKARA
Phone: 0.312.430 5320
Fax : 0.312.435 0980

Ostim Branch (ANK)

100. Yıl Bulvarı No: 1
06370 Ostim/ANKARA
Phone: 0.312.385 7901
Fax : 0.312.385 5349

Siteler Branch (ANK)

Karacakaya Caddesi No: 73/1
06160 Siteler/ANKARA
Phone: 0.312.353 4950
Fax : 0.312.353 4947

ADANA Branch

İnönü Caddesi No: 85 01060 ADANA
Phone: 0.322.363 1100
Fax : 0.322.363 1105

ADAPAZARI Branch

Çark Caddesi Hilmi Kayın İş Merkezi
No: 1/75 54100 ADAPAZARI
Phone: 0.264.277 9141
Fax : 0.264.278 6685

ANTALYA Branch

Eski Belediye Caddesi 2.Sokak No: 17
07100 ANTALYA
Phone: 0.242.247 4612
Fax : 0.242.243 3186

BALIKESİR Branch

Anafartalar Caddesi No: 15
10100 BALIKESİR
Phone: 0.266.243 7333
Fax : 0.266.243 5686

BURSA Branch

İnönü Caddesi No:27, 16010 BURSA
Phone: 0.224.220 9760
Fax : 0.224.220 9761

GAZİANTEP Branch

Suburcu Caddesi No: 4
27000 GAZİANTEP
Phone: 0.342.230 9168
Fax : 0.342.230 9543

İZMİR Branch

Fevzipaşa Bulvarı No: 51
35210 Konak/İZMİR
Phone: 0.232.441 2161
Fax : 0.232.425 9842

İZMİT Branch

Alemdar Caddesi No: 17
41300 KOCAELİ
Phone: 0.262.323 3772
Fax : 0.262.323 3776

KAHRAMANMARAŞ Branch

Kıbrıs Meydanı No:114
46100 KAHRAMANMARAŞ
Phone: 0.344.225 4926
Fax : 0.344.223 3591

KAYSERİ Branch

Vatan Caddesi No: 26 38040 KAYSERİ
Phone: 0.352.222 6791
Fax : 0.352.222 8257

KONYA Branch

Mevlana Caddesi No: 5 42030 KONYA
Phone: 0.332.350 1977
Fax : 0.332.350 3642

Sanayi Branch (KON)

Ankara Yolu Üzeri No:99/C
42050 KONYA
Phone: 0.332.238 2125
Fax : 0.332.238 4898

MALATYA Branch

İnönü Caddesi No: 14
44100 MALATYA
Phone: 0.422.326 0420
Fax : 0.422.326 0299

SAMSUN Branch

Cumhuriyet Meydanı 55030 SAMSUN
Phone: 0.362.435 1092
Fax : 0.362.432 9414



ALBARAKA TURK

annual report

2003

Branch Network

Albaraka Banking Group (ABG)

Albaraka Turkish Finance House

Büyükdere Caddesi No: 78
34387 Mecidiyeköy-Istanbul / TURKEY
Phone : +90.212.274 9900
Telex : (607) 27061 abrt tr 26459 albt tr
Fax : +90.212.272 4470 - 275 1477

Al Baraka Islamic Bank

P.O.Box 1882, Manama, BAHRAIN
Phone: +973.535 300 - 259 641
Telex : (490) 8220 baraka bn
Fax : +973.533 933

Al Baraka Bank Lebanon

Verdun Commercial Center, Verdun Str., Floor: 2
(P.O.Box 113) 5683 Beirut, LEBANON
Phone: +961.1.806 496 - 806 497
Fax : +961.1.790 128 - 478 4161

Beit et-Tamweel Al-Tunisi Al-Saudi (B.E.S.T. Bank)

88, Avenue Hedi Chaker, 1002 Tunis, TUNISIA
Phone: +216.71.790 000 - 860 355
Telex : (49-1) 4084 best tu
Fax : +216.71.861 011 - 780 235

Jordan Islamic Bank

P.O.Box 926225, Amman-JORDAN
Phone: +962.6.566 6325 - 567 7377
Telex : (493) 21125 islami jo
Fax : +962.6.566 6326 - 568 4755

Al Baraka Bank Ltd.

1st Floor, 134 Commercial Road,
Durban, 4001, SOUTH AFRICA
Phone: +27.31.307 2972
Fax : +27.31.305 2631

Egyptian Saudi Finance Bank

Ibrahim Nagib Str., No: 8, Garden City, Al Sabah
Tower, (P.O.Box 75, Majlis Al Shaab) Cairo, EGYPT
Phone: +202.354 6489 - 354 6208
Telex : (91) 22926 - 20623 esfbk un
Fax : +202.354 2911

Banque Al Baraka D'Algerie

Villa No.11, Rue Ahmed Kara, Site Said Hamdine
Hydra, Alger, ALGERIA
Phone: +213.21.916 450 - 693 276
Telex : 67928 baraka dz
Fax : +213.21.916 457 - 593 400

Al-Amin Bank

(P.O. Box 3190) 3rd, 4th Floor
AL BARAKA Tower, Diplomatic Area
Manama BAHRAIN
Phone: +973.1.754 0000
Fax : +973.1.753 7551



ALBARAKA TÜRK

annual report

2003

Albaraka Banking Group (ABG)