Finans Finansal Kiralama Anonim Şirketi

Consolidated Financial Statements
Together With
Report of Independent Auditors
December 31, 2003

FİNANS FİNANSAL KİRALAMA ANONİM ŞİRKETİ

TABLE OF CONTENTS

To the Board of Directors of
Finans Finansal Kiralama Anonim Şirketi :

We have audited the accompanying consolidated balance sheet of Finans Finansal Kiralama Anonim Şirketi (the Company - a Turkish corporation) and its subsidiary (collectively referred to as, "the Group") as of December 31, 2003 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of Turkish Lira as of December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

March 5, 2004
Istanbul, Turkey

Finans Finansal Kiralama Anonim Şirketi

CONSOLIDATED BALANCE SHEET
As at December 31, 2003
(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	Notes	2003	2002
ASSETS			
Cash and cash equivalents	4	**28,870,436**	20,333,523
Minimum lease payments receivable	5	**165,482,796**	174,037,272
Receivables from lease payments outstanding	6	**7,939,995**	11,689,605
Premium receivables	7	**26,564,348**	11,881,558
Investments available for sale	8	**8,733,899**	5,410,212
Investments in associates	10	**8,766,320**	9,454,289
Equipment to be leased	11	**9,328,385**	3,372,076
Deferred acquisition costs	12	**8,239,730**	5,448,417
Furniture and equipment	13	**3,497,372**	2,860,641
Intangible assets	14	**6,735,809**	15,710,764
Other assets	15	**1,278,899**	2,934,983
Deferred tax assets	20	**540,549**	524,380
Total assets		**275,978,538**	263,657,720
LIABILITIES AND EQUITY			
Funds borrowed	16	**96,925,972**	136,059,481
Trade payables		**18,090,369**	7,294,637
Advances from customers		**2,331,568**	3,880,794
Due to insurance and reinsurance companies	17	**7,852,195**	5,335,827
Insurance technical reserves	18	**29,964,673**	12,283,442
Deferred commission income		**2,876,476**	1,563,902
Other liabilities and provisions	19	**3,329,822**	3,800,370
Income taxes payable	20	**3,712,965**	190,096
Deferred tax liability	20	**458,764**	13,386,969
Total liabilities		**165,542,804**	183,795,518
Minority Interest		**6,546,055**	-
Equity			
Share capital issued	21	**100,183,389**	99,121,682
Share premium	9	**1,018,342**	1,018,342
Legal reserves	21	**9,874,052**	9,874,052
Accumulated deficit	21	**(7,186,104)**	(30,151,874)
Total equity		**103,889,679**	79,862,202
Total liabilities and equity		**275,978,538**	263,657,720

The accompanying policies and explanatory notes on pages 6 through 43 form an integral part of the consolidated financial statements.

Finans Finansal Kiralama Anonim Şirketi

CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2003
(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	Notes	2003	2002
Income from financial leases			
Interest		**36,378,295**	29,151,170
Foreign exchange (loss)/gain		**(318,545)**	36,912,240
Total income from financial leases		**36,059,750**	66,063,410
Insurance technical income	25	**35,489,825**	-
Insurance technical expense	25	**(26,932,490)**	-
Net insurance technical income		**8,557,335**	-
Financial income/(expenses)	26	**5,423,577**	(22,441,234)
Provision for possible lease receivable losses	5, 6	**(2,539,495)**	(3,029,234)
Income after financial income/(expenses), net and provision for possible lease receivable losses		**47,501,167**	40,592,942
Other operating income	28	**3,360,093**	3,583,500
Marketing, general and administrative expenses		**(5,781,753)**	(4,009,076)
Salaries and employee benefits	27	**(8,443,813)**	(2,508,375)
Depreciation, amortization and impairment	13, 14	**(10,301,381)**	(1,413,762)
Profit from operating activities		**26,334,313**	36,245,229
Loss from associates	10	**(1,465,322)**	(2,337,103)
Profit from operating activities before income tax and monetary loss and minority interest		**24,868,991**	33,908,126
Income taxes	20	**8,107,832**	(6,444,474)
Monetary loss		**(8,485,974)**	(16,053,661)
Net profit from ordinary activities		**24,490,849**	11,409,991
Minority interest		**(463,372)**	-
Net profit		**24,027,477**	11,409,991
Weighted average number of shares		**14,755,021,000**	14,755,021,000
Basic and diluted earnings (loss) per share in full TL	23	**1,628**	773

The accompanying policies and explanatory notes on pages 6 through 43 form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2003
(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	Share Capital (Note 21)	Adjustment to Share Capital	Share Premium (Note 9)	Legal Reserves	Accumulated Deficit	Total
At January 1, 2002	15,000,000	82,303,215	-	9,874,052	(41,561,865)	65,615,402
Issue of share capital	1,439,445	379,022	1,018,342	-	-	2,836,809
Net profit for the year	-	-	-	-	11,409,991	11,409,991
At December 31, 2002	16,439,445	82,682,237	1,018,342	9,874,052	(30,151,874)	79,862,202
Issue of share capital	**1,038,852**	**22,855**	**-**	**-**	**(1,061,707)**	**-**
Net profit for the year	-	-	-	**-**	**24,027,477**	**24,027,477**
At December 31, 2003	**17,478,297**	**82,705,092**	**1,018,342**	**9,874,052**	**(7,186,104)**	**103,889,679**

The accompanying policies and explanatory notes on pages 6 through 43 form an integral part of the consolidated financial statements.

CASH FLOW STATEMENT
For the year ended December 31, 2003
(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	2003	2002
Cash flows from operating activities		
Net profit	**24,027,477**	11,409,991
Adjustments for		
Provision for deferred tax liability	**(11,906,196)**	6,444,474
Provision for current income tax	**3,798,364**	-
Depreciation, amortization and impairment	**10,301,381**	1,413,762
Provision for termination benefits	**174,203**	94,402
Provision for possible lease receivable losses	**2,539,495**	3,029,234
Loss from associates	**1,465,322**	2,337,103
Loss on disposal of an associate	-	297,357
Loss on disposal of equity instruments	-	363,917
Loss on disposal of furniture and equipment	**56,217**	81,171
Operating profit before changes in net operating assets and liabilities	**30,456,263**	25,471,411
Net decrease in receivables from lease payments outstanding	**2,413,867**	2,802,891
Net increase in premium receivables	**(14,682,790)**	-
Net increase in deferred acquisition costs	**(2,791,313)**	-
Net decrease in other assets	**1,656,084**	1,613,327
Net increase in trade payables	**10,795,732**	4,603,982
Net decrease in advances from customers	**(1,549,226)**	(1,261,410)
Net increase in due to insurance and reinsurance companies	**2,516,368**	-
Net increase in insurance technical reserves	**17,681,231**	-
Net increase in deferred commission income	**1,312,574**	-
Net decrease in other liabilities	**(468,179)**	(1,054,808)
Income taxes paid	**(190,025)**	(583,365)
Net cash provided from operating activities	**47,150,586**	31,592,028
Cash flows from investing activities		
Purchases of assets to be leased	**(91,005,896)**	(61,823,180)
Principal payments received under leases	**100,656,218**	94,014,203
Purchases of furniture and equipment	**(1,654,061)**	(294,760)
Purchases of intangible assets	**(365,313)**	-
Increase in equipment to be leased	**(5,956,309)**	(2,016,478)
Acquisition of an associate	**(781,770)**	(13,165,639)
Acquisition of a subsidiary	-	(3,809,421)
(Increase) decrease in investments available for sale	**(3,384,363)**	391,315
Decrease in time deposits	-	6,616,869
Disposal of an associate	-	15,453,588
Disposal of an equity instrument	-	4,800,384
Cash increase through acquisition of an affiliated company	-	867,347
Net cash (used in) provided from investing activities	**(2,491,494)**	41,034,228
Cash flows from (used) financing activities		
Proceeds from funds borrowed	**119,764,527**	52,037,937
Repayments of funds borrowed	**(143,612,096)**	(105,958,499)
Net cash used in financing activities	**(23,847,569)**	(53,920,562)
Minority interest	**6,546,055**	-
Effect of net foreign exchange difference and monetary loss on cash and cash equivalents	**(18,820,665)**	(23,290,308)
Net increase (decrease) in cash and cash equivalents	**8,536,913**	(4,584,614)
Cash and cash equivalents at beginning of year	**20,333,523**	24,918,137
Cash and cash equivalents at end of year	**28,870,436**	20,333,523

Cash paid by the Company for interest and the cash received as interest during the years ended December 31, 2003 and 2002 were as follows :

Interest paid	**7,621,044**	11,014,221
Interest received	**47,141,703**	31,520,373

The accompanying policies and explanatory notes on pages 6 through 43 form an integral part of the consolidated financial statements.

1. CORPORATE INFORMATION

General

Finans Finansal Kiralama Anonim Şirketi (a Turkish Joint Stock Company - the Company) was established in İstanbul in March 1990, pursuant to the licence obtained from the Undersecretariat of the Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226. 12.15% (2002 – 12.1%) of the shares of the Company are listed on Istanbul Stock Exchange. The address of the registered office of the Company is Nispetiye Caddesi, Akmerkez B Kulesi, Kat : 10 80610 Etiler, Istanbul - Turkey.

The Company has a branch operating in Atatürk Havalimanı Free Trade Zone.

On September 4, 2002, the Company has legally merged with Finans Deniz Finansal Kiralama Anonim Şirketi (Finans Deniz Finansal Kiralama), an associated company, by acquiring 100% of shares of this company and Finans Deniz Finansal Kiralama was dissolved as of the same date.

At December 31, 2003, the subsidiary included in consolidation is Finans Sigorta A.Ş. (Finans Sigorta) which is registered in Istanbul, Turkey, on March 30, 2001. Finans Sigorta operates in all types of property and casualty insurance and reinsurance business.

On April 28, 2003, Finans Gayrimenkul Yatırım Ortaklığı A.Ş., an associated company, changed status and became a corporation operating exempt from the Capital Market Law and as of the same date, the commercial title of the Company was changed as Finans Gayrimenkul Geliştirme İnşaat ve Yatırım A.Ş. (Finans Gayrimenkul).

The consolidated financial statements of the Company are authorized for issue by the Management on March 5, 2004. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue. The parent of the Company is Finansbank Anonim Şirketi, and ultimate parents of the Company are Fiba Holding Anonim Şirketi and Fina Holding Anonim Şirketi.

Nature of Activities of the Company and its Consolidated Subsidiary

For the purpose of the consolidated financial statements, the Company and its consolidated subsidiary are referred to as the Group.

The operations of the Company and its subsidiary consist of all types of financial leasing and property and casualty insurance and reinsurance business, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the IASB and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASC that remain in effect. The consolidated financial statements have been prepared on an historical cost convention, except for the measurement at fair value of available for sale financial assets.

The Company and its subsidiary which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards promulgated by the Turkish Capital Market Board, Turkish Commercial Code and Tax Legislation, Financial Leasing Law and the Uniform Chart of Financial Statements specified by the Undersecretariat of Treasury for Insurance and Reinsurance Companies, Turkish Commercial Code and Tax Legislation, respectively. The consolidated financial statements have been prepared from statutory financial statements of the Company and its subsidiary and presented in accordance with IFRS in Turkish Lira (TL) with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of :

- accounting for financial leases
- restatement for the changes in the general purchasing power of TL,
- consolidation of a subsidiary and equity accounting for investments in associates,
- accounting for unearned premium reserve on insurance policy basis and deferral of policy acquisition costs,
- accounting for incurred but not reported claims,
- recognition of deferred tax on temporary differences,
- recognition and measurement of financial instruments.

Change in Accounting Estimate

In accordance with regulations of Turkish Undersecretariat of Treasury for Insurance and Reinsurance Companies, insurance companies are required to set a reserve for earthquake claims. This is the reserve set for 15 years beginning from 1993 to compensate the future earthquake damage risks. This allowance covers the residual amount of earthquake premiums produced within engineering and fire insurance policies after one third of such premiums are deducted for commission and other expenses and is reflected in each year's income statement. The revenues of funds held for earthquake reserve are also accounted within this allowance. The claims that are paid for damage and compensation as a result of the guarantees given for earthquake are deducted from allowance for earthquake claims.

During 2003, based on the recent experiences of the insurance industry, it was understood that the losses incurred due to earthquake damages are not directly correlated with the earthquake reserves provided. Therefore, the management of the consolidated subsidiary decided to reverse earthquake reserves provided in the past and account for such reserve as undistributable retained earnings.

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Currency

Measurement currency of the Company and its consolidated subsidiary is TL. The restatement for the changes in the general purchasing power of TL as of December 31, 2003 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated 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. One characteristic that necessitates the application of IAS 29 is a cumulative three years inflation rate approaching or exceeding 100%. As of December 31, 2003, the three years cumulative rate has been 181.1% (2002 - 227%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics.

Such indices and conversion factors as of the end of the three year period ended December 31, 2003 are given below:

Dates	Index	Conversion Factors
December 31, 2001	4,951.7	1.4908
December 31, 2002	6,478.8	1.1394
December 31, 2003	7,382.1	1.0000

The main guidelines for the above mentioned restatement are as follows :

- the consolidated financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2003.

- monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2003 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.

- the inflation adjusted share capital was derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings to share capital from the date they were contributed.

- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity (except for the statutory revaluation adjustment which is eliminated) are restated by applying the relevant conversion factors.

- the effect of general inflation on the net monetary position is included in the income statement as monetary loss.

- all items in the consolidated income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets and loss from associates (which have been calculated based on the restated gross book values and accumulated depreciation-amortization).

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary drawn up to December 31, 2003.

Subsidiary is consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements of the Group include the Company and its subsidiary, which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively, except where the minority shareholders, who are nominee shareholders, do not exercise their minority rights.

Intercompany balances and transactions are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The purchase method of accounting is used for acquired businesses. Subsidiaries acquired or disposed of during the year is included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Finans Sigorta has been consolidated to the financial statements of the Company as of December 31, 2003 and December 31, 2002 and its shareholding percentage is 51.5% and 99.6%, respectively.

The Company acquired 99.6% of Finans Sigorta as of November 11, 2002. On October 7, 2003 the Company disposed of 10% of its shares in Finans Sigorta to its Shareholders. In December 30, 2003, the Company partially participated in share capital increase of Finans Sigorta which resulted in a further decline in the ownership percentage at the Company by 38.1%.

At November 11, 2002, the Company acquired 33.31% of the voting shares of Finans Gayrimenkul in addition to its 10% ownership in this company.

Business Combinations

Additionally, as further explained in Note 9, as of September 4, 2002, the Company has legally merged with Finans Deniz Finansal Kiralama by acquiring 100% of shares of this company. Finans Deniz Finansal Kiralama was dissolved as of the same date. The Company has accounted for such acquisition over the fair value of identifiable assets and liabilities of Finans Deniz Finansal Kiralama as of the acquisition date.

Investments in Associates

As of December 31, 2003 and 2002, the Group's investments in Finans Leasing S.A. Romania by 40% and Finans Gayrimenkul by 43.31% are accounted for under the equity method of accounting. These are the entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group. The investments in these associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of these associates. As of December 31, 2002, the Group's investment in Finans Gayrimenkul include goodwill (net of accumulated amortisation) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of December 31, 2003, the Group's investment in Kültür Gösteri Merkezleri ve Ticaret A.Ş. by 44% has not been accounted by the equity method of accounting due to its operations being insignificant to the Company's financial statements as of that date.

Goodwill and Intangible Assets

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of subsidiaries and associates at the date of acquisition. Goodwill is amortized on a straight-line basis over its useful economic life up to a presumed maximum of 10 years. It is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is stated at cost less accumulated amortization and any impairment in value.

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

The carrying values of goodwill and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Furniture and Equipment

Furniture and equipment which consist of office machinery, furniture and fixtures and vehicles, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, which is 5 years.

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Investments Available-for-Sale

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Available for sale securities are subsequently carried at fair value. Gains or losses on remeasurement to fair value are recognized in income.

Interest earned on available for sale investments is reported as interest income. Dividends received are included in dividend income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment.

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Reverse Repurchase Transactions

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the consolidated balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in cash and cash equivalents. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

Offsetting

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

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its consolidated balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Group for monetary assets as of respective year-ends are as follows:

Dates	EUR / TL (full)	USD / TL (full)
December 31, 2001	1,268,115	1,439,567
December 31, 2002	1,703,477	1,634,501
December 31, 2003	1,745,072	1,395,835

Foreign currency translation rates used by the Group for monetary liabilities as of respective year-ends are as follows :

Dates	EUR / TL (full)	USD / TL (full)
December 31, 2001	1,274,231	1,446,510
December 31, 2002	1,711,693	1,642,384
December 31, 2003	1,753,489	1,402,567

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, cash in banks and reverse repurchase agreements with an original maturity of three months or less.

Provisions for Possible Lease Receivable Losses

Based upon its evaluation, management estimates the total credit risk provision that it believes is adequate to cover uncollectable amounts in the Group's receivable portfolio. If there is an objective evidence that the Group will not be able to collect all amounts due according to original contractual terms of the lease, such receivables are considered as impaired. The amount of the loss is measured as the difference between the lease receivable's carrying amount and the expected future cash flows discounted at the lease receivable's original effective interest rate or as the difference between the carrying value of the lease receivable and the fair value of collateral, if the receivable is collateralized and foreclosure is probable. Impairment and uncollectability are measured and recognized individually for receivables that are individually significant and on a portfolio basis for a group of similar receivables that are not individually identified as impaired. General loss reserve for minimum lease payments receivable is provided in accordance with the covenants stated in the loan agreements of funds borrowed in 1999 (See Note 16). In accordance with this agreement, the Group shall maintain at all times until maturity, a general loss reserve for minimum lease payments receivable, which shall be at least 2.5% of the Group's net lease receivables.

The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a receivable is deemed uncollectable or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for possible lease receivable losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

Provision for Possible Premium Receivable Losses

Balances of agencies and policy holders under legal follow-up and agencies and policy holders for which management identifies problems in credit worthiness are classified as doubtful receivables. Based upon its evaluation of such receivables, management estimates the total allowance that it believes is adequate to cover specific uncollectible amounts. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of income in the periods in which they become known.

Leases

The Group as Lessor

Finance Leases

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized immediately as expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as Lessee

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

Insurance Technical Reserves

Unearned Premium Reserve

Unearned premiums are those proportions of the premiums written in a year that relate to the period of risk subsequent to the balance sheet date for all policies other than life policies with more than one year of maturity. Unearned premium reserve set aside for unexpired risks has been computed on a daily pro-rated basis for the policies issued after January 1, 2003 and one twenty-fourths method for the policies issued before January 1, 2003, which assumes that premium revenues are realized on average in the middle of each month.

In calculating the provision for unearned premiums, reinsurance commissions are deferred with the same rates used in unearned premium calculation and included in current year unearned premium reserve.

Outstanding Claims / IBNR Reserves

Outstanding claims reserve represents the estimate of the total reported costs of notified claims on an individual case basis at the end of the year, as well as the corresponding handling costs. A provision for claims incurred but not reported (IBNR) is also established.

Commissions and Deferred Acquisition Costs

The direct and indirect costs and commission expenses incurred in acquiring the unearned portion of premiums are recorded in the balance sheet under deferred acquisition costs and recognized in the profit and loss account on the same basis as the premiums to which they relate.

Reinsurance

Reinsurance ceded is business which has been ceded to insurance companies outside the Group and comprises amounts which relate to the direct non-life business.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds Borrowed

Funds borrowed are initially recognized at cost. After initial recognition, all interest liabilities are subsequently measured at amortized cost using effective yield method, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the income statement when the liability is derecognized or impaired as well as through the amortization process. Borrowing costs are expensed as incurred.

Trade Payables

Trade payables are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Employee Termination Benefits

In accordance with existing social legislation, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

As of December 31, 2003 and 2002, the Group has provided reserve for the estimated amount of such liability based on accumulated periods of service at the balance sheet date on the basis of 30 days' pay, per year of service limited to a maximum of TL 1,389 (2002 - TL 1,260 in historic terms).

Revenue Recognition

Premium Income

Premium income represents premiums on policies written during the period / year, net of premium ceded to reinsurer firms and by the reserve for unearned premiums that are calculated on a daily pro-rated basis. Premiums are recorded as income at the date of policy issuance except for the life branch for which premiums are recorded as income when they become due.

Commission Income and Expense

The commission expense related with the written policies by agents and commission income obtained from reinsurers for the premiums ceded are recorded into consolidated income statement on accrual basis. Commission income from reinsurers is determined according to the reinsurer agreements.

Claims

Claims incurred comprise all claims occurring during the year, together with their related expertise expenses, and any adjustments to claims outstanding from the previous year offset against the portion attributed to the reinsurer firms. When applicable, deductions are made for estimated salvage and recoveries.

Interest

Interest income and expense which are classified in financial income and expense, are recognized in the consolidated income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment securities and accrued discount and premium on treasury bills and other discounted instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Dividends are recognized when the shareholders' right to receive the payments is established.

Income Tax

Tax expense / (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences:

- except where the deferred income tax liability arises from goodwill amortization or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS 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 balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

3. SEGMENT INFORMATION

Segment information is prepared on the business segment basis.

The Group conducts its business activities in the leasing and insurance areas.

Year ended December 31,2003:

	Leasing	Insurance	Eliminations	Group
Income from financial leases	**36,059,750**	**-**	**-**	**36,059,750**
Net insurance technical income	**-**	**8,311,002**	**246,333**	**8,557,335**
Financial income	**3,125,206**	**2,298,371**	**-**	**5,423,577**
Provision for possible lease receivable losses	**(2,539,495)**	**-**		**(2,539,495)**
Other operating income	**3,575,195**	**31,231**	**(246,333)**	**3,360,093**
Other total operating expense	**(17,309,974)**	**(7,216,973)**	**-**	**(24,526,947)**
Profit from operating activities	**22,910,682**	**3,423,631**	**-**	**26,334,313**
Loss from associates	**(1,465,322)**	**-**	**-**	**(1,465,322)**
Income taxes	**8,773,735**	**(665,903)**	**-**	**8,107,832**
Monetary loss	**(6,683,649)**	**(1,802,325)**	**-**	**(8,485,974)**
Minority interest	**-**	**-**	**-**	**(463,372)**
Net profit	**23,535,446**	**955,403**	**-**	**24,027,477**
Other segment information				
Segment assets	**211,245,554**	**56,277,981**	**(311,317)**	**267,212,218**
Investments in associates	**8,766,320**	**-**		**8,766,320**
Total assets	**220,011,874**	**56,277,981**	**(311,317)**	**275,978,538**
Segment liabilities	**123,073,159**	**42,780,962**	**(311,317)**	**165,542,804**
Total liabilities	**123,073,159**	**42,780,962**	**(311,317)**	**165,542,804**

As of December 31, 2002 :

	Leasing	Insurance	Eliminations	Group
Income from financial leases	66,063,410	-	-	66,063,410
Net insurance technical income	-	-	-	-
Financial income	(22,441,234)	-	-	(22,441,234)
Provision for possible lease receivable losses	(3,029,234)	-	-	(3,029,234)
Other operating income	3,583,500	-	-	3,583,500
Other total operating expense	(7,931,213)	-	-	(7,931,213)
Profit from operating activities	**36,245,229**	**-**	**-**	**36,245,229**
Loss from associates	(2,337,103)	-	-	(2,337,103)
Income taxes	(6,444,474)	-	-	(6,444,474)
Monetary loss	(16,053,661)	-	-	(16,053,661)
Net profit	**11,409,991**	**-**	**-**	**11,409,991**
Other segment information				
Segment assets	228,239,882	26,320,426	(356,877)	254,203,431
Investments in associates	9,454,289	-	-	9,454,289

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Total assets	**237,694,171**	**26,320,426**	**(356,877)**	**263,657,720**
Segment liabilities	163,043,868	21,108,527	(356,877)	183,795,518
Total liabilities	**163,043,868**	**21,108,527**	**(356,877)**	**183,795,518**

Transactions between the business segments are on normal commercial terms and conditions. Those transactions are eliminated in consolidation.

4. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows :

	2003	2002
Cash on hand	**222,188**	21,786
Funds lent under reverse repurchase agreements	**-**	1,258,097
Cash at banks	**28,648,248**	19,053,640
Cash and cash equivalents in the balance sheet and cash flow statements	**28,870,436**	20,333,523

As of December 31, 2003 and 2002, interest range of deposits is as follows :

	2003				2002			
	Amount		**Effective interest rate**		Amount		Effective interest rate	
	Turkish Lira	**Foreign currency**	**Turkish Lira**	**Foreign currency**	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Bank accounts	**28,448,269**	**199,979**	**20.60%-28.00%**	**1.00%-2.88%**	5,749,790	13,303,850	43% - 45.5%	2 - 2.5%
Funds lent under reverse repurchase agreements	-	-	-	-	1,258,097	-	35% - 43%	-
Total	**28,448,269**	**199,979**			7,007,887	13,303,850		

Finans Sigorta makes credit card collections through deposits in banks. The collections are blocked in banks for a time period of 31 to 45 days in exchange for the collection service. As of December 31, 2003, the Company has blocked TL demand deposit account in the amount of TL 2,440,339(2002 - TL 512,375) in various banks for the credit card collections.

5. MINIMUM LEASE PAYMENTS RECEIVABLE

Gross investment in finance leases receivable :

	2003	2002
Not later than one year	**122,614,635**	131,090,685
Later than one year and not later than five years	**88,598,887**	93,139,788
Minimum lease payments receivable, gross	**211,213,522**	224,230,473
Less: Unearned interest income	**(40,985,953)**	(44,352,582)
Net investment in finance leases	**170,227,569**	179,877,891
Less: Specific reserve for impairment	**(501,625)**	(1,367,602)
Less: General loss reserve for minimum lease payments receivable	**(4,243,148)**	(4,473,017)

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Minimum lease payments receivable, net	**165,482,796**	174,037,272

Specific reserve for impairment, general loss reserve and reserve for receivables from lease payments outstanding, all together, represent the Company's provision for possible lease receivable losses.

5. MINIMUM LEASE PAYMENTS RECEIVABLE (continued)

Net investment in finance leases may be analyzed as follows:

	2003	2002
Not later than one year	**93,188,526**	98,631,724
Later than one year and not later than five years	**77,039,043**	81,246,167
	170,227,569	179,877,891

As of December 31, 2003 and 2002, TL 125,656,125 and TL 170,679,649 of gross lease receivables are denominated in foreign currency (mainly U.S. Dollars and Euro) and the effective interest rates range between 7% and 15% for U.S. Dollars and for Euro (2002- 10% and 30%), and 30% and 60% for TL (2002 - 45% and 60%).

Movement in the specific reserve for impairment:

	2003	2002
Reserve at the beginning of year	**1,367,602**	2,220,360
Provision for impairment	**300,387**	603,571
Recoveries	**(999,019) (*)**	(981,068)
Provision net of recoveries	**(698,632)**	(377,497)
Monetary gain	**(167,345)**	(475,261)
Reserve at end of year	**501,625**	1,367,602

(*) Recoveries amounting to TL 737,986 represent transfer to provision for receivables from lease payments outstanding.

Movement in general loss reserve for minimum lease payments receivable :

	2003	2002
Reserve at the beginning of year	**4,473,017**	4,186,114
Provision for general loss reserve	**317,466**	1,273,604
Monetary gain	**(547,335)**	(986,701)
General loss reserve at end of year	**4,243,148**	4,473,017

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

6. RECEIVABLES FROM LEASE PAYMENTS OUTSTANDING

	2003	2002
Receivables from lease payments outstanding	**22,717,483**	25,131,350
Less: Specific reserve for impairment	**(14,777,488)**	(13,441,745)
Receivables from lease payments outstanding, net	**7,939,995**	11,689,605

Movements in the specific reserve for impairment :

	2003	2002
Reserve at the beginning of the year	**13,441,745**	14,063,514
Provision for impairment	**5,153,812**	2,422,092
Recoveries	**(2,233,151)**	(288,965)
Provision net of recoveries	**2,920,661**	2,133,127
Monetary gain	**(1,584,918)**	(2,754,896)
Reserve at end of year	**14,777,488**	13,441,745

Specific reserve for impairment is included within the Group's total provision for possible lease receivable losses. As of December 31, 2003, the Group's total provision for possible lease receivable losses including general loss provision is TL 5,771,665 (2002 - TL 4,299,267) at gross amount and charged to consolidated income statement. As of December 31, 2003, recovery for such impairment loss is TL 3,232,170 (2002 - TL 1,270,033). As of December 31, 2003, the Group's total reserve for impairment, including general loss reserve, is TL 19,522,261 (2002 - TL 19,282,364). This total loss reserve is shown net off outstanding lease receivables and minimum lease payments receivable on the consolidated balance sheet.

7. PREMIUMS RECEIVABLE

	2003			2002		
	Foreign Currency	**Turkish Lira**	**Total**	Foreign Currency	Turkish Lira	Total
Agencies	**1,908,344**	**24,370,292**	**26,278,636**	1,549,140	9,937,117	11,486,257
Policyholders	**20,836**	**264,876**	**285,712**	-	395,301	395,301
	1,929,180	**24,635,168**	**26,564,348**	1,549,140	10,332,418	11,881,558

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

8. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale consist of the following :

	2003		2002	
	Amount	**Effective Interest rate**	Amount	Effective Interest rate
Available for sale securities at fair value				
Debt instruments				
Turkish treasury bills	**6,588,819**	**28.80%-58.15%**	3,605,002	54.33% - 48.97%
	6,588,819		3,605,002	
Others				
Common stocks	**-**		85,833	-
Equity instruments - listed	**2,093,999**		1,615,776	-
	2,093,999		1,701,609	
Total available for sale securities at fair value	**8,682,818**		5,306,611	
Available for sale securities at cost				
Equity instruments - unlisted	**51,081**		103,601	-
Total available for sale securities at cost	**51,081**		103,601	
Total available for sale securities	**8,733,899**		5,410,212	

Available for sale securities at cost represent the Group's equity holdings in the companies, shares of which are not publicly traded. Consequently they are reflected at restated cost less reserve for impairment, since a reliable estimate of their fair values could not be made.

The list of participations at affiliated companies which are included in equity instruments is as follows :

	2003		2002	
	Amount	**Participation %**	Amount	Participation %
Equity instruments – listed				
Gima Gıda ve İhtiyaç Maddeleri T.A.Ş.	**2,093,999**	**2**	1,615,776	2
	2,093,999		1,615,776	
Equity instruments - unlisted				
Fiba Alışveriş Merkezleri Geliştirme A.Ş.	**-**	**-**	52,466	1
Finans Yatırım Menkul Değerler A.Ş.	**51,081**	**Less than 1**	49,850	Less than 1
Fiba Faktoring Hizmetleri A.Ş.	**-**	**-**	1,285	Less than 1

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	51,081	103,601

In order to protect the interests of policyholders, under Insurance Supervision Law 7397, the insurance companies are obliged to deposit investments in a blocked account with a state bank and to mortgage fixed assets in favor of the Undersecretariat of Treasury.

As of February 28, 2004, the amount of such guarantees (computed over direct premiums earned in 2003) to be set aside is computed as TL 11,176,556 and as of the same date, the guarantees of the Company as security for policyholders amount to TL 11,176,556.

9. INVESTMENTS IN SUBSIDIARIES

Acquisition

i) On November 11, 2002, the Company acquired 99.6% of the voting shares of Finans Sigorta, an unlisted company based in Turkey operating in all types of property and casualty insurance and reinsurance business. Finans Sigorta is established on March 30, 2001 and started its operations on May 5, 2002. Due to the insignifance of the operations of Finans Sigorta during the period between November 11, 2002 and December 31, 2002 to the financial statements of the Company, the Company has accounted for the acquisition of Finans Sigorta as at December 31, 2002. Accordingly, the Group's consolidated income statement for the year ended December 31, 2002, does not include results of the operations of Finans Sigorta.

The fair value of the identifiable assets and liabilities of Finans Sigorta acquired are :

Cash and cash equivalents	2,012,738
Investments available for sale	3,605,002
Premiums receivable, net	12,171,511
Due from insurance and reinsurance companies	13,004
Deferred acquisition costs	5,448,417
Furniture and equipment	1,603,441
Intangible assets	640,100
Deferred income tax asset	524,379
Other assets	301,835
	26,320,427
Due to insurance and reinsurance companies	(5,335,827)
Insurance reserves - net of reinsurers' share	(13,849,284)
Taxation on income	(190,096)
Other liabilities and provisions	(1,735,261)
Fair value of net assets	5,209,959
Goodwill arising on acquisition	610,261
	5,820,220
Consideration :	
Costs associated with the acquisition	5,820,220
Total consideration	5,820,220

The cash outflow on acquisition is as follows

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Net cash acquired with subsidiary	2,012,738
Cash paid	(5,822,159)
Net cash outflow	(3,809,421)

In October 7, 2003 the Company disposed of 10% of shares in Finans Sigorta to its shareholders. In December 30, 2003, the Company partially participated in share capital increase of Finans Sigorta, which resulted with a decline in the ownership percentage of the Company by 38.1%.

9. INVESTMENTS IN SUBSIDIARIES (continued)

ii) On September 4, 2002, the Company legally merged with Finans Deniz Finansal Kiralama, an unlisted company based in Turkey, specialized in all types of financial leasing business, by acquiring 100% of its voting shares. Finans Deniz Finansal Kiralama was dissolved as of the same date. In connection with the acquisition, the Company issued 1,439,445,000 ordinary shares of TL one thousand each (nominal historical TL 1,439,445 restated to December 31, 2003 TL 1,818,467) Additionally, share premium at the amount of TL 1,018,342 (TL 806,089 in historical terms) resulted from such acquisition.

The fair value of the identifiable assets and liabilities of Finans Deniz Finansal Kiralama acquired are :

Cash and cash equivalents	867,347
Minimum lease payments receivables and receivables from lease payments outstanding, net	46,864,904
Investments available for sale	6,934,221
Investments in associates	15,750,945
Furniture, equipment and intangibles	318,832
Other assets	968,785
Deferred income tax asset	2,026,758
	73,731,792
Funds borrowed	(79,439,893)
Trade payables	(59,618)
Advances from customers	(310,561)
Other liabilities and provisions	(186,829)
Fair value of net assets	(6,265,109)
Goodwill arising on acquisition	9,096,365
	2,831,256

Consideration :

Shares issued, at fair value	2,831,256
Total consideration	2,831,256

iii) On November 11, 2002, the Company disposed of its 2.6% ownership, amounting to TL 5,047,379, in Endi Tüketim Malları Ticaret Sanayi A.Ş., which was acquired through the merger with Finans Deniz Finansal Kiralama and incurred loss at an amount of TL 246,995 which is accounted as other expense on the consolidated income statement.

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

10. INVESTMENTS IN ASSOCIATES

The following is a list of the investments in associates:

	2003			2002		
Entity	**Carrying Value**	**Ownership Interest**	**Group's Share of Income (Loss)**	Carrying Value	Ownership Interest	Group's Share of Income (Loss)
Finans Gayrimenkul	**7,661,106**	**43.41%**	**(1,399,21**	9,064,471	43.31%	(1,921,88
Kültür ve Gösteri Merkezleri A.Ş.	**781,770**	**44.00%**	**-**	-	-	-
Finans Leasing S.A. Romania	**323,444**	**40.00%**	**(66,103)**	389,818	40.00%	(415,223)
	8,766,320		**(1,465,32**	9,454,289		(2,337,10

Finans Leasing S.A. Romania is mainly engaged in all types of leasing operations in Romania. As of December 31, 2003 and 2002, the Company accounted its investment in Finans Leasing Romania by equity method of accounting and incurred losses at the amount of TL 66,103 and 415,223, respectively. Such losses are accounted as loss from associates on the consolidated income statement.

On January 6, 2003, the Group purchased 44% of Kültür ve Gösteri Merkezleri ve Ticaret A.Ş. for TL 781,770. Kültür ve Gösteri Merkezleri ve Ticaret A.Ş. is engaged in visual entertainment business. As of December 31, 2003, equity method of accounting has not been applied for this investment due to the operations of this company being insignificant to the Group's consolidated financial statements.

On November 18, 2002, the Company disposed its 39% investment, amounting to TL 15,750,945 in Fibabank A.Ş., which was acquired through the merger with Finans Deniz Finansal Kiralama and incurred loss at the amount of TL 297,357. Such loss is accounted within other expense on the consolidated income statement.

11. EQUIPMENT TO BE LEASED

The Group purchases machinery and equipment from foreign and domestic vendors in relation to the financial lease agreements signed in the current year for projects in progress of its customers, which will be completed in the subsequent year. As of December 31, 2003 and 2002, the equipment to be leased balance includes cost of the equipment to be leased as described above together with related expenses.

12. DEFERRED ACQUISITION COSTS

	2003	2002
Deferred general and administrative expense	**2,980,118**	3,021,099
Deferred commission expense	**5,259,612**	2,427,318
	8,239,730	5,448,417

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

13. FURNITURE AND EQUIPMENT

	Furniture and equipment	Leased assets	Total
At January 1, 2003, net of accumulated depreciation	1,790,165	1,070,476	2,860,641
Additions	1,133,074	520,987	1,654,061
Disposals	(56,217)	-	(56,217)
Depreciation charge for the year	(649,684)	(311,429)	(961,113)
At December 31, 2003, net of accumulated depreciation	2,217,338	1,280,034	3,497,372
At December 31, 2002			
Cost	5,201,695	1,265,241	6,466,936
Accumulated depreciation	(3,411,530)	(194,765)	(3,606,295)
Net carrying amount	1,790,165	1,070,476	2,860,641
At December 31, 2003			
Cost	**6,065,243**	**1,786,228**	**7,851,471**
Accumulated depreciation	**(3,847,905)**	**(506,194)**	**(4,354,099)**
Net carrying amount	**2,217,338**	**1,280,034**	**3,497,372**

Leased assets consist of vehicles, furniture and equipments which are pledged as securities for the related finance lease obligations.

14. INTANGIBLES

	Goodwill	Patents and Licenses	Total
At January 1, 2003, net of accumulated amortization	14,994,337	716,427	15,710,764
Additions	-	365,313	365,313
Disposals	-	-	-
Impairment	(6,191,792)	-	(6,191,792)
Amortization charge for the year	(2,932,322)	(216,154)	(3,148,476)
At December 31, 2003, net of accumulated amortization	5,870,223	865,586	6,735,809

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

At December 31, 2002			
Cost	15,898,418	834,173	16,732,591
Accumulated amortization	(904,081)	(117,746)	(1,021,827)
Net carrying amount	14,994,337	716,427	15,710,764
At December 31, 2003			
Cost	**15,898,418**	**1,199,486**	**17,097,904**
Accumulated amortization	**(3,836,403)**	**(333,900)**	**(4,170,303)**
Accumulated impairment	**(6,191,792)**	**-**	**(6,191,792)**
Net carrying amount	**5,870,223**	**865,586**	**6,735,809**

14. INTANGIBLES (continued)

As of December 31, 2002, the Group has accounted goodwill at the amount of TL 6,191,792 on the consolidated financial statements due to purchase of additional shares of Finans Gayrimenkul. Goodwill was recognized considering future economic benefits of Finans Gayrimenkul. Future cash flows were planning to be generated from rent income of building, which is used by Finansbank A.Ş. and housing estate project, which was planned to start in 2003. Subsequent to December 31, 2003, Finans Gayrimenkul has sold its building (see also Note 31) and there is uncertainty about the starting date of housing estate project in a foreseeable future. Finans Gayrimenkul has also changed its status and became a corporation operating exempt from the Capital Market Law. Accordingly, expected cash inflows due to public offering could not be realized. As of December 31, 2003, considering the above mentioned matters, the Group has provided a provision for the goodwill generated for Finans Gayrimenkul and charged to consolidated income statement.

Goodwill is being amortized as follows :

* goodwill arising on the acquisition of Finans Deniz Finansal Kiralama at the amount of 9,096,365 is being amortized evenly from the date of acquisition over the directors' estimate of its useful economic life of 40 months,

* goodwill arising on the acquisition of Finans Sigorta at the amount of TL 610,261 is being amortized evenly from the date of acquisition over the directors' estimate of its useful economic life of 3 years.

Patents and licenses are being amortized over useful economic lives of 5 years.

15. OTHER ASSETS

	2003	2002
Value Added Tax receivables	**109,861**	897,222
Receivables from a related party resulting from funds granted	**433,815**	949,935
Receivables from lessees against insurance transactions	**309,933**	461,633
Prepaid expenses	**224,249**	110,882
Advances and deposits given	**90,081**	187,005
Due from personnel	**-**	25,512
Prepaid tax	**23,236**	267,035
Due from insurance and reinsurance companies	**-**	13,004
Others	**87,724**	22,755
	1,278,899	2,934,983

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

16. FUNDS BORROWED

		2003				2002		
		Original Amount	**TL Equivalent**	**Interest rate (%)**		Original Amount	TL Equivalent	Interest rate (%)
Short term			**4,633,878**				1,274,418	
Fixed interest	**EUR**	**2,284,376**	**4,020,541**	**2.39–4.05**	EUR	653,433	1,274,418	3.49 - 3.90
	USD	**524,110**	**589,370**	**0.53**				
	CHF	**17,054**	**23,967**	**1.63**		-	-	-
Floating interest		-	-	-		-	-	-
Medium / long-term			**92,292,094**				134,785,063	
Fixed interest								
	EUR	**16,676,325**	**30,308,654**	**4.95-6.32**	EUR	34,117,930	66,541,701	4.95 - 7.25
	USD	**23,951,558**	**34,715,178**	**3.37-6.41**	USD	11,677,452	21,852,853	2.68 - 8.75
	CHF	**468,429**	**533,864**	**2.86-3.75**	CHF	449,872	603,409	2.86 - 2.99
Floating interest								
	EUR	**2,734,246**	**4,832,238**	**2.66-6.76**	EUR	7,928,942	15,464,165	3.14 - 5.99
	USD	**15,269,968**	**21,703,728**	**1.31-7.26**	USD	15,490,572	28,988,617	1.70 - 6.20
	CHF	**176,550**	**198,432**	**0.95**	CHF	994,799	1,334,318	1.49
Total			**96,925,972**				136,059,481	

Repayments of medium/long term funds borrowed are as follows:

	2003		2002	
	Fixed rate	**Floating rate**	Fixed rate	Floating rate
2003	**-**	**-**	88,479,420	20,853,017
2004	**65,114,277**	**14,241,468**	456,205	14,753,753
2005	**391,233**	**5,480,095**	62,338	761,194
2006	**52,186**	**7,012,835**	-	9,419,136
Total	**65,557,696**	**26,734,398**	88,997,963	45,787,100

In 1998, the Company obtained a long-term loan amounting to U.S. Dollars 5,000,000 bearing interest rate of Libor+3.375% (2002 - Libor +3.375%). The loan had two years grace period. As of December 31, 2003, the Company paid U.S. Dollars 4,444,445 and the remaining portion will be repaid in equal semi-yearly installments till 2004.

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

In 1999, the Company obtained another long-term loan and drawn down Euro 5,000,000. The loan will be repaid in 6 equal semi-annual installments beginning from May 15, 2002 until November 15, 2004.

Both loan agreements include covenants such as providing a general loss reserve for bad debt at the rate of 1.5% and 2.5%, respectively and compliance with certain financial ratios.

The Group has obtained letters of guarantee amounting to TL 4,362,096 (2002 - TL 10,059,884) from local banks and submitted to various banks as guarantee for loans obtained. The letters of guarantee consist of U.S. Dollars 1,286,333, Swiss Francs 721,441, Euro 729,915 and TL 467,172 (2002 - U.S. Dollars 2,183,608, Swiss Francs 1,696,544, Euro 1,637,890 and TL 503,520).

The shareholder bank has given letter of comfort for the long-term loans utilized of which outstanding balance amounted to Euro 1,666,800 (2002 - U.S. Dollars 400,000 and Euro 3,333,400).

17. DUE TO INSURANCE AND REINSURANCE COMPANIES

	2003	2002
Deposit with ceding and retroceding companies	**-**	492,155
Due to insurance and reinsurance companies	**7,852,195**	4,843,672
	7,852,195	5,335,827

18. INSURANCE TECHNICAL RESERVES

	2003	2002
Unearned premium reserve	**42,514,436**	10,829,493
Unearned premium reserve -reinsurers' share	**(16,480,912)**	(1,340,259)
Unearned premium reserve, net	**26,033,524**	9,489,234
Outstanding claims reserve	**5,205,015**	3,176,341
Outstanding claims reserve-reinsurers' share	**(1,273,866)**	(916,106)
Outstanding claims reserve, net	**3,931,149**	2,260,235
Earthquake reserve	**-**	533,973
Total insurance technical reserve	**29,964,673**	12,283,442

19. OTHER LIABILITIES AND PROVISIONS

	2003	2002
Deferred income	**1,224,532**	1,971,092
Taxes payable	**842,279**	446,948
Reserve for employee termination benefits	**462,996**	333,967
Leasing obligation	**274,730**	479,283
Salaries and wages payable	**136,683**	149,147
Due to related parties	**-**	22,416
Others	**388,602**	397,517

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

	3,329,822	3,800,370

20. INCOME TAXES

General Information

The corporation tax rate for the fiscal year ended December 31, 2002 was 30% plus an additional 10% fund levy, giving an effective tax rate of 33%. A 19.8% withholding tax was applied to investment deductions which were exempt from corporation tax. Until April 24, 2003,where distributions had been made in respect of 2002 and prior years, withholding taxes of 5.5% and 16.5% (both including the additional 10% fund levy) applied to distributions made by either public or private corporations, respectively. This withholding tax only applied to amounts distributed that had been subject to corporation tax.

Law No. 4842, effective from April 24, 2003, abolished the 10% fund levy. Beginning with 2003, the effective corporation tax rate reverted to 30%. However, with Law No. 5035 published at January 2, 2004, only for the year 2004 the corporation tax will be calculated at 33%.

Effective from April 24, 2003, income from 2002 and prior years will not be subject to withholding taxes if it is undistributed, is transferred to share capital or is distributed to resident tax-paying corporations. Where profits are distributed to resident taxpaying real persons, to those who are exempt from income and corporate tax, to those who are not income or corporation tax payers, to non-resident corporations, to non-resident real persons and to those who are exempt from income tax, a 10% withholding tax is applied. However profit distributions up to December 31, 2003 shall be subject to an effective tax rate of 11% due the continuation of the fund levy until that date. On the other hand, profit distributions on income from 2002 and prior years which had been exempt from corporation tax and income which had been subject to 19.8% withholding tax due to investment incentive certificates obtained based on applications made prior to April 24, 2003 will not be subject to withholding tax.

Effective from April 24, 2003, investment incentive certificates will not be required to utilise an investment deduction in calculating the corporate income tax base. No withholding taxes will apply to the investment deduction; however the deduction will be limited to 40%. Investment deductions made as a result of holding investment incentive certificates for which application was made prior to April 24, 2003, and unused investment deductions carried forward from previous periods due to insufficient taxable profits, will be subject to a 19.8% withholding tax. Where, however, investment certificates were obtained based on applications made prior to April 24, 2003, an exemption from this withholding tax is available if written notification was made to the tax authorities before May 15, 2003. In this case the investment deduction will be limited to 40%. With the Law No. 5024 published on December 30, 2003, tax-paying corporations which did not notify the tax authorities were given right to make a notification until the filing date of first quarterly temporary tax return subsequent to the date Law No. 5024 became effective which is January 1, 2004.

The tax legislation provides for a temporary tax of 30% (25% before April 24, 2003) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year. However, in accordance with Law No. 5035, effective from January 2, 2004, temporary taxes for the year 2004 will be calculated and paid at the rate of 33%.

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

In 2003 and prior years corporation tax is computed on the statutory income tax base determined in accordance with the Procedural Tax Code without any adjustment for inflation accounting. With Law No. 5024 published on December 30, 2003 related with changes in Procedural Tax Code, Income Tax Law and Corporation Tax Law, starting from January 1, 2004, taxable income will be derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet will not be subject to corporation tax, and similarly accumulated deficits arising from such application will not be deductable for tax purposes. Moreover, accumulated tax loss carryforwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years.

20. INCOME TAXES (continued)

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years. Tax Amnesty Law No.4811 published on February 27, 2003 provided immunity for tax inspection and additional assessments to those tax payers who utilized the option to increase their tax bases for the years 1998-2001 with the rates or amounts specified in the law. In March 2003, the Company applied to the tax authorities for declaration of additional taxes amounting to TL 1,032,383 (historical) to benefit from the advantages of the Tax Peace Law No. 4811. The Company utilizing this option paid TL 721,689 in 2003. The remaining balance will be paid until June 2004.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Major components of income tax expense for the years ended December 31,

	2003	2002
Consolidated income statement		
Current income tax		
Current income tax charge	**3,798,364**	-
Deferred income tax		
Relating to origination and reversal of temporary differences	**(11,906,196)**	6,444,474
Income tax expense reported in consolidated income statement	**(8,107,832)**	6,444,474

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended December 31 was as follows :

	2003	2002
Profit from operating activities before income tax, monetary loss and minority interest	**24,868,991**	33,908,126
Accounting of finance leases and restatement effect of income statement items	**(4,359,006)**	(29,569,856)
Accounting of insurance technical income	**(4,436,824)**	-
Provision for possible lease receivable losses	**944,264**	896,107
Accounting of investment in associates	**1,465,322**	2,337,103
Property and equipment sales income	**5,850,156**	-
Loss from fair value changes in portfolio available for sale	**(184,552)**	-
Amortization of goodwill	**2,932,324**	-
Impairment of goodwill	**6,191,792**	-
Other adjustments	**(1,147,281)**	545,062
Current year loss of consolidated subsidiary	**2,280,128**	-

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Statutory income before taxation	**34,405,314**	8,116,542
Income not subject to tax	**(4,708,338)**	(8,937,722)
Expenditure not deductible for income tax purposes	**8,240,356**	14,112,400
Utilization of previously unrecognized tax losses	-	(13,291,220)
Utilization of investment allowance (eligible for 40% deduction)	**(19,184,987)**	-
Utilization of investment allowance (eligible for 100% deduction)	**18,752,345**	-
Corporate tax base	-	-
Corporate tax (effective rate 30% (2002 - 33%))	-	-
Income tax base	**18,752,345**	-
Income tax (effective rate 19.8%)	**(3,712,965)**	-
Tax effect of temporary differences (restated)	**11,906,196**	(6,444,474)
Restatement effect of current taxation charge	**(85,399)**	-
Taxation charge per accompanying consolidated financial statements (restated)	**8,107,832**	(6,444,474)

20. INCOME TAXES (continued)

Deferred income tax

Deferred income tax of the Company at December 31, 2003 and 2002, relates to the following:

	2003	2002
Deferred income tax liabilities		
Accounting of finance leases	**-**	13,565,295
Restatement effect on furniture, equipment and intangibles	**-**	193,806
Leasing income accruals	**1,245,408**	890,900
Income accrual on time deposits	**60,941**	34,318
Revaluation of available for-sale financial assets to fair value	**-**	5,233
Accrued interest income on overdue receivables	**70,933**	67,979
Gross deferred income tax liabilities	**1,377,282**	14,757,531
Deferred income tax assets		
Accounting of finance leases	**29,187,617**	-
Tax credits of unused investment incentive allowances	**5,294,203**	-
Reserve for possible lease receivable losses	**1,821,061**	1,306,202
Employee termination benefit	**96,770**	64,360
Less : Valuation allowance	**(34,481,820)**	-
Gross deferred income tax assets	**1,917,831**	1,370,562
Net deferred income tax asset (liability)	**540,549**	(13,386,969)

Deferred income tax of Finans Sigorta at December 31, 2003 and 2002 relates to the following:

	2003	2002
Deferred income tax liabilities		
Accounting of finance leases	**281,350**	104,601
Useful life effect on furniture, equipment and intangibles	**186,902**	165,400
Effect of deferred acquisition cost	**983,439**	1,281,890
Gross deferred income tax liabilities	**1,451,691**	1,551,891
Deferred income tax assets		
Tax loss carry forward	**569,168**	-
Employee termination benefit	**42,120**	2,916
Effect of earthquake provision	**-**	176,211
Effect of incurred but not recorded claim provision	**273,946**	13,460

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Effect of unearned premium reserve	**107,693**	1,883,684
Gross deferred income tax assets	**992,927**	2,076,271
Net deferred income tax (liability) asset	**(458,764)**	524,380

As of December 31, 2003, deferred taxes have been calculated at the principal tax rate of 30%. The Company has provided a valuation allowance on deferred tax assets for which realizability could not be assessed during foreseeable future.

Deferred taxes were calculated at the effective tax rate of 19.8% prevailing as at December 31, 2002. The unused tax credits of investment inventive allowances amounting to in historical TL 25,045,637 for which deferred tax asset was not recognized in the consolidated balance sheet.

20. INCOME TAXES (continued)

Movement of net deferred tax (asset) liability can be presented as follows:

	2003	2002
Total deferred tax balance at January 1	**13,386,969**	13,068,537
Deferred income tax recognized in income statement	**(11,906,196)**	6,444,474
Monetary gain	**(1,038,178)**	(6,126,042)
Deferred tax balance of acquired subsidiary at January 1	**(524,380)**	-
Ending balance	**(81,785)**	13,386,969

21. SHARE CAPITAL

	2003	2002
Number of common shares (authorized, issued and outstanding) TL1,000 par value	**17,478,297,105**	16,439,445,105

As of December 31, 2003 and 2002, the Company's historical subscribed and issued share capital was TL 17,478,297 and TL 16,439,445 (historical terms), respectively.

The movement of the share capital (in numbers and in historical TL) of the Company during 2003 and 2002 is as follows:

	2003		2002	
	Number	**TL**	Number	TL
At January 1	**16,439,445,105**	**16,439,445**	15,000,000,000	15,000,000
Shares issued in :				
-transfer from statutory retained earnings	**1,038,852,000**	**1,038,852**	-	-
-through acquisition of Finans Deniz Finansal Kiralama	-	-	1,439,445,105	1,439,445
At December 31	**17,478,297,105**	**17,478,297**	16,439,445,105	16,439,445

As of December 31, 2003 and 2002, the composition of shareholders and their respective % of ownership can be summarized as follows :

	2003		2002	
	Amount	**%**	Amount	%

Finansbank A.Ş.	**13,919,590**	**79.64**	13,094,175	79.70
Finans Yatırım Menkul Değerler A.Ş.	**1,435,309**	**8.21**	1,350,000	8.20
Publicly Traded	**2,123,398**	**12.15**	1,995,270	12.10
Total in historical TL	**17,478,297**	**100.00**	16,439,445	100.00
Restatement effect	**82,705,092**		82,682,237	
Total per consolidated financial statements	**100,183,389**		99,121,682	

22. LEGAL RESERVES

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. As of December 31, 2003, the Company's statutory legal reserves and net accumulated deficit amounted to TL 1,237,860 (2002 - TL 1,237,860) and TL 1,542,072 (2002 - TL 8,810,282) at nominal values, respectively.

The statutory accumulated profits and statutory current year profit are available for distribution, subject to the reserve requirements referred to above and Capital Market Board regulations regarding profit distribution.

As of December 31, 2003, the Company's 51.50% share in net profit of Finans Sigorta, amounted to TL 492,034. As of December 31, 2003, Finans Sigorta is unable to appropriate profit, since the subsidiary has net loss in its statutory records.

As further explained in Note 2, accumulated profits include undistributable funds at the amount of TL 2,018,341 (historical) due to earthquake losses to be incurred in the future.

Dividends

As of December 31, 2003, the Company has not resolved to distribute profit as of the date of these financial statements. As of December 31, 2002, the Company did not have any current period profits at its statutory books that may be appropriated.

23. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation, such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly, the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares without consideration through December 31, 2003.

There have been no transactions involving ordinary shares or potential ordinary shares since the date of these financial statements and before the completion of these consolidated financial statements.

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

24. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the operating decisions. The Group is controlled by Finansbank A.Ş. which owns 79.64% (2002 - 79.70%) of ordinary shares. The ultimate owner of the Group is Fiba Holding A.Ş. and Fina Holding A.Ş. For the purpose of these consolidated financial statements, associates, shareholders and affiliated companies are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

24. RELATED PARTY TRANSACTIONS (continued)

In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates.

(i) Balances outstanding and other transactions with the shareholder bank :

	2003	2002
Balances outstanding		
Cash and cash equivalents	**3,664,863**	1,787,206
Minimum lease payments receivable	**5,368,840**	1,136,314
Premiums receivable	**4,029,459**	1,139,998
Advances from customers	**35,057**	1,454,030
Trade payables	**83,750**	271,458
Receivables form lease payments outstanding	**1,759**	-
Transactions		
Interest income	**151,747**	225,993
Income from financial leases	**1,801,849**	340,405
Rent expense	**35,174**	45,577
Commissions paid	**1,913,996**	882,503
Insurance income	**14,178,370**	-
Off balance sheet items		
Letters of guarantee obtained against import letters of credit and funds borrowed	**3,906,083**	9,530,091

Additionally, the shareholder bank has given letter of comfort for the funds borrowed amounting to Euro 1,666,800 (2002 - U.S. Dollars 400,000 and Euro 3,333,400) and letters of guarantee amounting to TL 30,844 (2002 - TL 235,856) to customs authorities and courts. Besides the shareholder bank has a payment guarantee of CHF 721,441 (2001 - CHF 366,296) to a foreign bank against a loan obtained by the Group as of December 31, 2003.

(b) Balances outstanding and other transactions with other related parties :

	2003	2002
Balances Outstanding		
Cash and cash equivalents	**21,779,417**	16,802,263
Minimum lease payments receivable	**36,934,467**	47,227,951
Receivables from lease payments outstanding	**1,432**	318,780
Insurance receivables from agencies	**818,881**	782,750
Receivables from a related party resulting from loans granted	**433,815**	949,935
Fund borrowed from banks	**40,020,636**	64,460,617

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Other liabilities	**32,315**	22,409
Transactions		
Income from financial leases	**7,814,763**	15,271,208
Interest income on bank accounts	**4,365,247**	4,899,002
Interest expenses	**2,500,424**	3,207,554
Dividend income	**8,681**	19,836
Loss on sale of investments available for sale	**47,146**	363,917
Loss on sale of investment in an associate	**-**	297,357
Commissions paid	**118,846**	-
Insurance income	**1,482,660**	-

As of December 31, 2003, the members of the Board of Directors of the Group received renumeration at the amount of TL 1,212,830 (2002 - TL473,169).

25. INSURANCE TECHNICAL INCOME

The breakdown of insurance technical income and expense is as follows :

	2003
Premiums written	76,417,544
Premium ceded to reinsurers	(30,002,031)
Unearned premium, net	(17,857,096)
Commission income	6,931,408
Insurance technical income	**35,489,825**
Claims paid, net	(18,283,610)
Provision for outstanding claims	(1,946,788)
Commission paid	(6,702,092)
Insurance technical expense	**(26,932,490)**
Insurance technical income, net	**8,557,335**

26. FINANCIAL INCOME / (EXPENSES)

The breakdown of financial expenses and financial income is as follows :

	2003	2002
Financial Expenses		
Foreign exchange loss	**(6,339,446)**	(31,614,977)
Interest expense on funds borrowed	**(6,249,760)**	(8,556,479)
	(12,589,206)	(40,171,456)
Financial Income		
Foreign exchange gain	**11,248,755**	11,622,003
Interest income on bank deposits, investments available for sale and reverse repo	**6,764,028**	6,108,219
	18,012,783	17,730,222

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Total net financial income / (expenses)	**5,423,577**	(22,441,234)

27. SALARIES AND EMPLOYEE BENEFITS

	2003	2002
Staff costs		
Wages and salaries	**6,583,817**	1,862,359
Bonuses	**205,775**	-
Provision for employee termination benefits	**174,203**	94,402
Other fringe benefits	**1,480,018**	551,614
	8,443,813	2,508,375

In 2003, the average number of employee of the Group is 195 (2002 - 72).

28. OTHER OPERATING INCOME

The breakdown of other operating income and other operating expense is as follows :

	2003	2002
Income from interest charges on overdue receivables	**1,712,031**	1,780,831
Income from sale of furniture and equipment	**1,286,052**	300,506
Income from costs charged to customers	**1,161,948**	482,515
Insurance income	**11,295**	419,120
Reversal of investment incentive case provision (*)	**-**	1,022,314
Miscellaneous income	**763,744**	394,197
Total other income	**4,935,070**	4,399,483
Additional tax charge due to Tax Peace Law	**(1,056,128)**	-
Loss from fair value changes in portfolio available for sale	**(60,676)**	-
Loss on sale of investments available for sale	**(47,146)**	(363,917)
Loss on sale of investment in an associate	**-**	(297,357)
Miscellaneous expense	**(411,027)**	(154,709)
Total other expense	**(1,574,977)**	(815,983)
Total other income, net	**3,360,093**	3,583,500

(*) During 2002, the final decision of the Court of Appeal for the withholding tax which was related with the cancellation of the provision of Council of the Ministers' decision numbered 99/3230 with respect to 15%

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

withholding tax calculation over investment incentive allowance has been finalized in favor of the Company. Accordingly, as of December 31, 2002, the Company has recorded TL 1,022,314 as other income.

29. FINANCIAL RISK MANAGEMENT

The Group is exposed to following risks due to its transactions in financial instruments ;

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Group also obtains guarantees when appropriate.

The concentration of the Company's minimum lease payment receivables to industry groups is as follows :

	2003	2002
Retail	**16.40%**	20.40%
Machinery and equipments	**14.00%**	16.60%
Textile products	**14.13%**	11.90%
Transportation	**6.90%**	9.60%
Publication	**14.70%**	16.80%
Health and social services	**7.50%**	5.20%
Construction	**3.90%**	3.40%
Computer	**1.80%**	2.50%
Research and advertisement	**1.50%**	1.30%
Entertainment	**1.30%**	0.90%
Others	**17.87%**	11.40 %
	100.00%	100.0%

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

29. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

The Group's policy is to match cash outflow mainly arising from repayments of the funds borrowed and payments of claims and cash inflow arising from lease receivables and insurance premium receivables, maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Group. The cash in and out flow volume is also supported by committed lending limits from qualified credit institutions and shareholders.

In addition, the Group maintains reasonable amount of cash on hand in order to protect itself against the rate of deviation from the expected in and out cash flows in an unfavorable manner.

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

	2003					
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 Year**	**Total**
Cash and cash equivalents	28,870,436	-	-	-	-	28,870,436
Minimum lease payments receivable	3,170,360	26,999,991	24,231,595	35,943,364	75,137,486	165,482,796
Receivables from lease payments outstanding	7,939,995	-	-	-	-	7,939,995
Premium receivable	13,222,116	8,234,984	4,515,959	591,289	-	26,564,348
Investment securities	-	2,740,177	1,533,324	2,315,317	2,145,081	8,733,899
Investment in associates	-	-	-	-	8,766,320	8,766,320
Equipment to be leased	-	9,328,385	-	-	-	9,328,385
Deferred acquisition costs	-	-	-	-	8,239,730	8,239,730
Furniture and equipment	-	-	-	-	3,497,372	3,497,372
Intangible assets	244,360	488,720	733,080	1,466,160	3,803,489	6,735,809
Other assets	-	122,467	88,696	211,896	855,840	1,278,899
Deferred tax assets	-	-	-	-	540,549	540,549
Total assets	53,447,267	47,914,724	31,102,654	40,528,026	102,985,867	275,978,538
Funds borrowed from banks	3,038,380	14,232,768	24,791,179	41,927,296	12,936,349	96,925,972
Trade payables	8,911,554	673,414	1,330,408	1,632,853	5,542,140	18,090,369
Advances from customers	2,331,568	-	-	-	-	2,331,568
Due to insurance and reinsurance companies	-	-	-	-	7,852,195	7,852,195
Insurance technical reserves	-	-	-	-	29,964,673	29,964,673
Deferred commission income	-	-	-	-	2,876,476	2,876,476
Other liabilities and provisions	748,024	225,369	390,355	272,576	1,693,498	3,329,822
Income taxes payable	-	-	3,712,965	-	-	3,712,965
Deferred tax liability					458,764	458,764
Minority interest	-	-	-	-	6,546,055	6,546,055
Equity	-	-	-	-	103,889,679	103,889,679
Total liabilities	15,029,526	15,131,551	30,224,907	43,832,725	171,759,829	275,978,538
Net liquidity gap	38,417,741	32,783,173	877,747	(3,304,699)	(68,773,962	-

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

29. FINANCIAL RISK MANAGEMENT (continued)

				2002		
ASSETS	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Cash and cash equivalents	20,319,081	14,442	-		-	20,333,523
Minimum lease payments receivable	2,781,686	24,894,844	24,353,375	40,761,200	81,246,167	174,037,272
Receivables from lease payments outstanding	7,501,531	-	-	-	4,188,074	11,689,605
Premium receivable	2,779,487	6,859,202	2,242,869	-	-	11,881,558
Investments available for sale	-	1,905,095	1,699,907	-	1,805,210	5,410,212
Investments in associates	-	-	-	-	9,454,289	9,454,289
Equipment to be leased	-	3,372,076	-	-	-	3,372,076
Deferred acquisition cost	-	-	-	-	5,448,417	5,448,417
Furniture and equipment	-	-	-	-	2,860,641	2,860,641
Intangible assets	308,009	616,018	924,027	1,848,055	12,014,655	15,710,764
Other assets	69,284	302,895	296,876	425,325	1,840,603	2,934,983
Deferred tax assets	-	-	-	-	524,380	524,380
Total assets	33,759,078	37,964,572	29,517,054	43,034,580	119,382,436	263,657,720
LIABILITES						
Funds borrowed from banks	-	67,642,688	17,499,101	25,465,060	25,452,626	136,059,481
Trade payables	3,870,834	1,910,000	910,947	602,856	-	7,294,637
Advances from customers	3,880,794	-	-	-	-	3,880,794
Due to insurance and reinsurance companies	-	5,335,827	-	-	-	5,335,827
Insurance technical reserves	-	-	-	-	12,283,442	12,283,442
Deferred commission income	-	-	-	-	1,563,902	1,563,902
Other liabilities and provisions	3,381,563	114,713	168,124	135,970	-	3,800,370
Income taxes payable	-	-	190,096	-	-	190,096
Deferred tax liability	-	-	-	-	13,386,969	13,386,969
Equity	-	-	-	-	79,862,202	79,862,202
Total liabilities	11,133,191	75,003,228	18,768,268	26,203,892	132,549,141	263,657,720
Net liquidity gap	22,625,887	(37,038,656)	10,748,786	16,830,688	(13,166,705	-

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

29. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give risk to foreign exchange exposure. The Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency.

The concentrations of assets, liabilities and off balance sheet items :

			2003				
ASSETS	**Turkish Lira**	**U.S. Dollars**	**Euro**	**CHF**	**Japanese Yen**	**Others**	**Total**
Cash and cash equivalents	28,641,479	95,827	133,084	28	-	18	28,870,436
Minimum lease payments receivable	62,179,047	51,326,568	50,812,785	1,164,396	-	-	165,482,796
Receivables from lease payments outstanding	196,904	4,252,893	3,490,085	113	-	-	7,939,995
Premium receivable	24,635,168	1,330,854	598,326	-	-	-	26,564,348
Investment in securities	8,733,899	-	-	-	-	-	8,733,899
Investment associates	8,766,320	-	-	-	-	-	8,766,320
Equipment to be leased	1,670,983	1,344,946	5,771,877	-	540,579	-	9,328,385
Deferred acquisition costs	8,239,730	-	-	-	-	-	8,239,730
Furniture and equipment	3,497,372	-	-	-	-	-	3,497,372
Intangible assets	6,735,809	-	-	-	-	-	6,735,809
Other assets	845,084	-	433,815	-	-	-	1,278,899
Deferred tax assets	540,549	-	-	-	-	-	540,549
Total assets	**154,682,344**	**58,351,088**	**61,239,972**	**1,164,537**	**540,579**	**18**	**275,978,538**
LIABILITIES							
Funds borrowed from banks	-	56,442,873	39,161,433	1,321,666 - -	- -	-	96,925,972
Trade payables	1,147,686	2,318,098	13,608,339	472,056	544,190	-	18,090,369
Advances from customers	794,942	486,232	1,038,880	11,275	239	-	2,331,568
Due to insurance and reinsurance companies	7,735,273	57,476	59,446	-	-	-	7,852,195
Insurance technical reserves	29,964,673	-	-	-	-	-	29,964,673
Deferred commission income	2,876,476	-	-	-	-	-	2,876,476
Other liabilities and provisions	2,009,652	1,026,732	293,438	-	-	-	3,329,822
Income taxes payable	3,712,965	-	-	-	-	-	3,712,965
Deferred tax liability	458,764	-	-	-	-	-	458,764
Minority interest	6,546,055	-	-	-	-	-	6,546,055
Equity	103,889,679	-	-	-	-	-	103,889,679

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

Total liabilities	**159,136,165**	**60,331,411**	**54,161,53**	**1,804,997**	**544,429**	**-**	**275,978,53**
Net on balance sheet position	**(4,453,821)**	**(1,980,323**	**7,078,43**	**(640,460)**	**(3,850)**	**18**	**-**

29. FINANCIAL RISK MANAGEMENT (continued)

	2002						
ASSETS	Turkish Lira	U.S. Dollars	Euro	CHF	Japanese Yen	Others	Total
Cash and cash equivalents	7,029,672	2,258,64	10,903,982	141,202	-	21	20,333,52
Minimum lease payments receivable	32,574,680	69,092,80	70,640,363	1,587,984	-	141,436	174,037,27
Receivables from lease payments outstanding	5,439,828	4,668,41	1,581,359	-	-	-	11,689,60
Premium receivable	10,332,418	1,491,24	57,892	-	-	-	11,881,55
Investments available for sale	5,410,212	-	-	-	-	-	5,410,21
Investment in associates	9,454,289	-	-	-	-	-	9,454,28
Equipment to be leased	2,714,882	-	506,596	-	150,598	-	3,372,07
Deferred acquisition costs	5,448,417	-	-	-	-	-	5,448,41
Furniture and equipment	2,860,641	-	-	-	-	-	2,860,64
Intangible assets	15,710,764	-	-	-	-	-	15,710,76
Other assets	1,867,749	117,298	949,936	-	-	-	2,934,98
Deferred tax assets	524,380	-	-	-	-	-	524,380
Total assets	99,367,932	77,628,41	84,640,128	1,729,186	150,598	141,457	263,657,72
LIABILITIES							
Funds borrowed	-	50,841,47	83,280,284	1,937,727	-	-	136,059,48
Trade payables	1,586,480	373,541	2,880,797	1,910,000	543,819	-	7,294,63
Advances from customers	3,880,794	-	-	-	-	-	3,880,79
Due to insurance and reinsurance companies	3,942,019	1,388,71	5,093	-	-	-	5,335,82
Insurance technical reserve	12,283,442	-	-	-	-	-	12,283,44
Deferred commission income	1,563,902	-	-	-	-	-	1,563,90
Other liabilities and provisions	3,612,219	178,825	9,326	-	-	-	3,800,37
Income taxes payable	190,096	-	-	-	-	-	190,096
Deferred tax liability	13,386,969	-	-	-	-	-	13,386,96
Equity	79,862,202	-	-	-	-	-	79,862,20
Total liabilities	120,308,123	52,782,55	86,175,500	3,847,727	543,819	-	263,657,72
Net on balance sheet position	(20,940,191	24,845,86	(1,535,372	(2,118,541	(393,221)	141,457	-

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

29. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial statements. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing or contractual dates whichever is earlier.

	2003						
ASSETS	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 Year**	**Non interest bearing**	**Total**
Cash and cash equivalents	**28,648,248**	-	-	-	-	**222,188**	**28,870,436**
Minimum lease payments receivable	**3,170,360**	**26,999,991**	**24,231,595**	**35,943,364**	**75,137,480**	-	**165,482,796**
Receivables from lease payments outstanding	-	-	-	-	-	**7,939,995**	**7,939,995**
Premium receivables	-	-	-	-	-	**26,564,348**	**26,564,348**
Investments available for sale	-	**2,740,177**	**1,533,324**	**2,315,317**	-	**2,145,081**	**8,733,899**
Investments in associates	-	-	-	-	-	**8,766,320**	**8,766,320**
Equipment to be leased	-	-	-	-	-	**9,328,385**	**9,328,385**
Deferred acquisition costs	-	-	-	-	-	**8,239,730**	**8,239,730**
Furniture and equipment	-	-	-	-	-	**3,497,372**	**3,497,372**
Intangible assets	-	-	-	-	-	**6,735,809**	**6,735,809**
Other assets	-	**245,665**	**188,150**	-	-	**845,084**	**1,278,899**
Deferred tax asset	-	-	-	-	-	**540,549**	**540,549**
Total assets	**31,818,608**	**29,985,833**	**25,953,069**	**38,258,681**	**75,137,480**	**74,824,861**	**275,978,538**
LIABILITIES							
Funds borrowed	**10,626,260**	**14,150,857**	**26,548,730**	**34,995,045**	**10,605,074**	-	**96,925,972**
Trade payables	-	-	-	-	-	**18,090,369**	**18,090,369**
Advances from customers	-	-	-	-	-	**2,331,568**	**2,331,568**
Due to insurance and reinsurance companies	-	-	-	-	-	**7,852,195**	**7,852,195**
Insurance technical reserves	-	-	-	-	-	**29,964,673**	**29,964,673**
Deferred commission income	-	-	-	-	-	**2,876,476**	**2,876,476**
Other liabilities and provisions	-	-	-	-	-	**3,329,822**	**3,329,822**
Income taxes payable	-	-	-	-	-	**3,712,965**	**3,712,965**
Deferred tax liability	-	-	-	-	-	**458,764**	**458,764**
Minority interest	-	-	-	-	-	**6,546,055**	**6,546,055**
Equity	-	-	-	-	-	**103,889,679**	**103,889,679**
Total liabilities	**10,626,260**	**14,150,857**	**26,548,730**	**34,995,045**	**10,605,074**	**179,052,566**	**275,978,538**

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

On balance sheet interest sensitivity gap	**21,192,34**	**15,834,97**	**(595,661)**	**3,263,63**	**64,532,41**	**(104,227,705)**	**-**
Total interest sensitivity gap	**21,192,34**	**15,834,97**	**(595,661)**	**3,263,63**	**64,532,41**	**(104,227,705)**	**-**

29. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

				2002			
ASSETS	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 Year	Non interest bearing	Total
Cash and cash equivalents	20,311,73	-	-	-	-	21,786	20,333,52
Minimum lease payments receivable	2,781,68	24,894,844	24,353,375	40,761,20	81,246,16	-	174,037,27
Receivables from lease payments outstanding		-	-	-	-	11,689,605	11,689,60
Premium receivable		-	-	-	-	11,881,558	11,881,55
Investments available for sale	-	1,905,095	1,699,907	-	-	1,805,210	5,410,21
Investment in associates		-	-	-	-	9,454,289	9,454,28
Equipment to be leased		-	-	-	-	3,372,076	3,372,07
Deferred acquisition costs		-	-	-	-	5,448,417	5,448,41
Furniture and equipment		-	-	-	-	2,860,641	2,860,64
Intangible assets		-	-	-	-	15,710,764	15,710,76
Other assets	314,839	136,216	98,655	234,871	480,194	1,670,208	2,934,98
Deferred tax assets	-	-	-	-	-	524,380	524,380
Total assets	23,408,26	26,936,155	26,151,937	40,996,07	81,726,36	64,438,934	263,657,72
LIABILITIES							
Funds borrowed	-	80,795,994	34,926,003	19,271,29	1,066,19	-	136,059,48
Trade payables	-	-	-	-	-	7,294,637	7,294,63
Advances from customers	-	-	-	-	-	3,880,794	3,880,79
Due to insurance and reinsurance companies	-	-	-	-	-	5,335,827	5,335,82
Insurance technical reserves	-	-	-	-	-	12,283,442	12,283,44
Deferred commission income	-	-	-	-	-	1,563,902	1,563,90
Other liabilities and provisions	-	-	-	-	-	3,800,370	3,800,37
Income taxes payable	-	-	-	-	-	190,096	190,096
Deferred tax liability	-	-	-	-	-	13,386,969	13,386,96
Equity	-	-	-	-	-	79,862,202	79,862,20
Total liabilities	-	80,795,994	34,926,003	19,271,29	1,066,19	127,598,239	263,657,72
On balance sheet interest sensitivity gap	23,408,26	(53,859,839	(8,774,066	21,724,77	80,660,16	(63,159,305	-
Total interest sensitivity gap	23,408,26	(53,859,839	(8,774,066	21,724,77	80,660,16	(63,159,305	-

(Currency -- In millions of Turkish Lira in equivalent purchasing power at December 31, 2003)

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated financial statements at other than fair values.

	Carrying amount		Fair value	
	2003	2002	**2003**	2002
Financial assets				
Net investment in finance leases (Note 5)	**165,482,796**	174,037,272	**175,613,245**	177,711,829
Financial liabilities				
Funds borrowed	**96,925,972**	136,059,481	**96,866,799**	136,236,831

The following methods and assumptions were used to estimate the fair values of the Group's financial instruments:

The interest used to determine the fair values of lease contracts receivables, applied on the balance sheet date to reflect active market price quotations are as follows:

	Interest Rates Applied (%)	
	2003	2002
Turkish Lira	**27.50**	71.00
U.S. Dollars	**12.00**	12.00
EURO	**10.50**	12.00
CHF	**7.00**	12.00
JPY	**-**	12.00

For cash and cash equivalents, receivables from lease payments outstanding, advances from customers and trade payables carried at cost or amortized cost, fair value is estimated to approximate carrying value due to their short-term nature.

The carrying value of premium receivable along with related provision for uncollectibility is considered to approximate their fair values. Carrying value of reinsurer current accounts and premium reserves together with the respective accrued finance costs are considered to approximate their respective fair values due to short term nature.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data.

31. SUBSEQUENT EVENTS

a) Effective January 1, 2004, the retirement pay ceiling has been increased to TL 1,485.

b) On January 26, 2004, the Group has participated in share capital increase of Gima Gıda ve İhtiyaç Mamülleri by TL 499,999.

c) On January 22, 2004, the Group purchased a building, which is presently used by Finansbank A.Ş. as head office, from Finans Gayrimenkul at an amount of TL 40,300,000 and leased the building to Finansbank A.Ş..