2004

Şekerbank

CONTENTS

CORPORATE PROFILE

NAME	ŞEKERBANK TAŞ
HEAD OFFICE	İstanbul, Turkey
PRINCIPAL BUSINESS ACTIVITY	Providing all banking services to corporate, commercial, small-business, and retail customers
MARKET	Şekerbank ranks third among Turkey's privately owned commercial banks in terms of geographical reach with 200 branches in 62 provinces. In addition to its branch network, the bank also reaches customers through alternative delivery channels that include 203 ATMs, an internet branch, and telephone banking applications.
SUBSIDIARIES	Şeker Yatırım (investment banking) Şeker Faktoring (factoring) Şeker Leasing (leasing) Şeker Bilişim (information technology services) Şekerbank Off-Shore (off-shore banking)
SHAREHOLDERS	Şekerbank Pension Fund 42.96% Publicly traded 36.61% Şekerbank Personnel Social Security Foundation 9.08% Privately-owned sugar factories 5.63% Sugar beet cooperatives 5.42% Association of Sugar Beet Cooperatives 0.31%
ISE TRADING SYMBOL	SKBNK

SELECTED FINANCIAL INDICATORS

TL BILLION	2004	2003
Total assets	3.250.312	3.032.556
Shareholders' equity	292.711	207.869
Total deposits	2.368.138	2.426.704
Loans (net)	1.444.414	971.952
Pretax profit	97.834	76.309
Net profit	78.824	86.436
Financial ratios		
Capital adequacy ratio (BIS)	14.40	15.77
Net profit/total assets	2.43	2.85
Net profit/shareholders' equity	26.93	41.58

A MESSAGE FROM THE CHAIRMAN AND GENERAL MANAGER

Dear employees, clients and fellow shareholders

2004 was a good year for Şekerbank.

The Bank delivered on its commitment to shareholders, producing a sound profit, higher dividends and a strong capital position.

While putting fifty years of successful achievement behind us we also crossed the threshold of a new era in the bank's history. The Şekerbank Transformation Project that was launched in 2002 and has been brought to life in a series of phases thanks to the dedicated and hardworking efforts of all concerned. Shedding its traditional identity of a commercial bank, Şekerbank has been made over into a multi-channel financial institution that offers specialized products and is open to change. At the heart of this process is the customer. We have redefined our customers into the Corporate, Commercial, Retail, and Small Business categories and we have redesigned and restructured our services and branches to reflect this. The progress that we have made towards becoming a bank that better understands customers' needs and addresses them with the exact products and services required has already begun to have an impact on our business performance.

Another important event that took place last year was the relocation of our headquarters from Ankara, where the bank has been since 1956, to ıstanbul. This move is just another sign of our readiness to engage in a more dynamic banking in the heart of our country's business world.

The business environment and Şekerbank

In 2004, Turkish economy sent out strong signals that it was indeed on the path of sustainable growth. After registering two consecutive years of growth, the economy grew 9.7% in the first nine months of 2004 and estimates now put the overall rate for the year at about 9%. This solid performance was accompanied by consumer price inflation figures measured in terms of single digits for the first time in decades. This is an encouraging sign that important structural changes have taken place in the Turkish economy. Increases in industrial output and capacity utilization rates have mobilized Şekerbank to do its part for a national economy that is at last investing, producing, and creating added value once again.

As it has always done, Şekerbank continues to support the real sector. In addition to corporate and commercial banking, the bank has also set its sights on serving small to medium-sized enterprises as well as small, privately-owned businesses in line with its objective of providing more and more financial support for industrial and commercial activities at every level.

For the Turkish banking industry as a whole, 2004 was a favorable year in which banks saw their asset structures become increasingly more robust. Estimates put the net rate of growth in the industry's overall balance sheet at about 11%. Interest rates remained low and showed evidence of continuing downward trend thus stimulating the demand for credit.

The progress that Turkey has been making towards EU membership and the upcoming of a new three-year standby agreement with the IMF were two other factors that improved the business climate.

Şekerbank continues to enhance its brand value

Şekerbank is a bank that looks confidently into the future thanks to its solid capital base and robust asset structure. Our bank ranks 11th among privately owned commercial banks from the standpoint of assets and among the top ten banks with its shares of the credit and deposit markets. This highly attractive position has led Şekerbank to enter into an agreement with Rabobank, the Netherlands to discuss a partnership arrangement in which it will acquire a majority stake. This development is a further evidence of the value of the Şekerbank brandname. Both banks have roots and histories that reach back to cooperatives and both feel that there is a natural cultural match in this joint effort to lead to such a partnership. The planned partnership is also in line with Rabobank's country banking strategy, which is based on building and acquiring long-term bank partnerships with reputable players in a selected number of countries around the world.

With this new partnership structure, Şekerbank will be better positioned to focus on retail business, mortgage lending, small to medium-sized enterprises, and the agribusiness sector in line with its own growth strategy.

Our ultimate objective in combining Rabobank's name, capital support, and experience with our own deep-rooted experience in the Turkish banking industry is to position Şekerbank even more solidly in the front ranks of the sector.

Our performance in 2004

Şekerbank achieved truly first-rate financial results in 2004, booking a gross profit of TL 224.6 trillion and a net profit of TL 78.8 trillion.

At year-end 2003 the bank had total assets of USD 2.2 billion. Twelve months later these were up to USD 2.4 billion. On Turkish lira basis, assets stood at TL 3.2 quadrillion with a year-on inflation adjusted increase of 7%.

Shareholders' equity stood at TL 208 trillion at the end of 2003, increased by 41% during 2004 and reached TL 293 trillion. Our return on paid-in capital was 23%, which is one of the strongest in the sector.

Şekerbank's capital adequacy ratio was a resounding 14.40%. The 89% share of interest-bearing assets in the previous year's balance sheet continued to rise and reached 91% as of year-end 2004.

Şekerbank continues to abide by its policy of financing the activities of the real sector. One outcome of this is that our loan book, which amounted to 32% of total assets in 2003, grew to 49% in 2004 and reached TL 1.4 quadrillion.

Deposits reached TL 2.4 quadrillion last year. In 2003, 40% of our deposits were lent out; in 2004, this ratio reached the rather high level of 61%.

Advancing confidently into the future

Şekerbank has clearly-identified long-term goals. In pursuit of them, we are determined to channel more and more of our resources into the real sector. We are focused on creating long-term value for all our stakeholders by further enhancing our returns on assets and equity.

Business strategies shaped by the Şekerbank corporate culture based on experience, stability, and trust as well as a dynamic and expert team that make it possible to adapt to change with a transparent and healthy financial structure make our bank an important player in the sector.

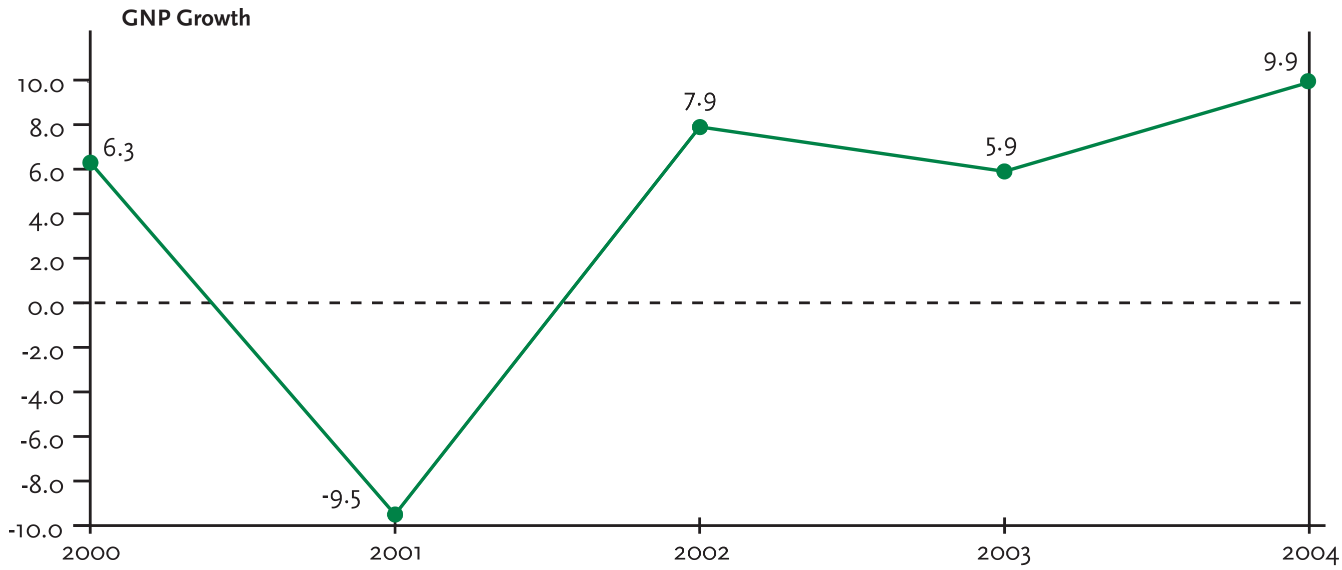
The interest and confidence that our customers have in our bank and the dedication of our employees are the most important reasons why we shall continue to rack up even greater successes. In closing I extend my thanks and appreciation to all those who have chosen to work with us and for us.

Dr. Hasan Basri Göktan
Chairman and General Manager

DEVELOPMENTS IN THE TURKISH ECONOMY

Developments in national income

The process of stable growth that the Turkish economy embarked upon in 2002 has not been interrupted since. It appears that the pattern of two years of above-average growth followed by a severe, third-year contraction that was a characteristic of the Turkish economy from the early 1990s to the beginning of the 2000s has at last been broken.



Source: www.die.gov.tr

Looking at 2004 overall it seems likely now that the expected 5% rate of growth will have been exceeded due largely to political stability, the ongoing EU membership process, and the impending new standby agreement to be signed with the IMF. While consecutive years of high rates of growth have led to some problems (balance of payments difficulties and an overheated economy to USA, name but two), the risks inherent in them are not such as to hinder the Turkish economy's ability to continue growing. That growth trend is more likely to be affected by external factors such as higher interest rates in the instabilities in the EUR/USD exchange parity, and volatilities in oil prices. It is risks like these with which the global market is fraught that increase the importance of a more moderate and hence sustainable level of growth. Current estimates put economic growth in the Turkish economy at 8-9% in 2004; rates on the order of 5-6% are projected for 2005.

The sectors contributing the most to output in 2004-industry, trade, services, and imports-were the principal resources of GNP growth. Agricultural output on the other hand was down last year.

Looking at the structure of GNP from the standpoint of expenditures, the vigor in domestic demand and private-sector investment remains strong. In an important and related issue, public-sector demand contracted 4.8% last year in real terms. The overall picture confirms that the government has been keeping its promise to abide by the IMF-backed stabilization program. Furthermore on the basis of these numbers, one can say that growth is continuing on a consistent basis even while it is slowing down.

The balance of payments

Exports in 2004 were 30% up over the previous year's figure and amounted to USD 66.7 billion in value. During the same twelve months, imports rose 39% to USD 90.5 billion. The overall volume of foreign trade in 2004 reached USD 157 billion, a year-on increase of 37.2%, while the foreign trade deficit also increased 71% to USD 23.9 billion. Turkey's exports in 2004 covered 73.7% of its imports by value.

These are the highest export, import, and current account deficit figures on record. The fact that the Turkish lira remained strong and even appreciated against major currencies last year may be taken as the reason for the import and current account deficit numbers but the rise in exports in the face of a strong national currency can only be attributed to an increasing use of low-cost imported inputs, to observable reductions in the cost of production factors, and to improvements in efficiency and productivity.

While the country's current account deficit does not represent a serious risk in the short term in view of its EU and IMF anchors, it does pose longer-term risks and could be a source of some concern if it were to become chronic.

The year-on increases experienced in export and import performance over the last few years continued in 2004. A large part of the rise in imports stemmed from export-oriented production although a strong recovery in domestic demand contributed to that rise as well. The recovery in domestic demand was nourished largely by motor vehicles and electrical machinery and equipment as well as by a surge in consumer goods imports. The fact that exports continued to rise in the face of an appreciating Turkish lira was a very encouraging development. Relative movements in currency parities also had an effect on the country's foreign trade balance. Turkey's exports are priced mainly in euros but its imports are denominated in US dollars. The combination of weak dollar and strong euro thus had a beneficial impact on the country's foreign trade balance last year.

The bigger foreign trade and current account deficits stem largely from real interest rates that are still quite high despite EU and IMF expectations on the one hand and the decline in nominal interest rates on the other. While the existing flexible exchange rate regime does serve as a kind of safety valve, tight money and fiscal policies will have to be adhered to strictly for the foreseeable future. Turkey's current account deficit reached USD 15,537 million in 2004. While it is possible to finance this deficit by means of capital movements (particularly by means of hot-money inflows), the deficit does not pose any immediate risks; its sustainability in the medium term however is more questionable. Current projections put the current account deficit in 2005 at around the same level (about 4% of GNP).

(USD Million)	2000	2001	2002	2003	2004	Change% 2003-2004
A-CURRENT ACCOUNT	**-9.819**	**3.390**	**-1.522**	**-8.037**	**-15.573**	**94**
1. Goods: exports f.o.b.	30.721	34.373	40.124	51.206	66.654	**30**
2. Goods: imports f.o.b.	-52.680	-38.106	-47.407	-65.216	-90.555	**39**
Balance on Goods	**-21.959**	**-3.733**	**-7.283**	**-14.010**	**-23.901**	**71**
3. Services: credit	20.364	16.030	14.783	19.025	24.022	**26**
4. Services: debit	-8.996	-6.900	-6.904	-8.520	-11.252	**32**
Balance on Goods and Services	**-10.591**	**5.397**	**596**	**-3.505**	**-11.131**	**218**
5. Income: credit	2.836	2.753	2.486	2.246	2.651	**18**
6. Income: debit	-6.838	-7.753	-7.040	-7.805	-8.220	**5**
Balance on Goods, Services and Income	**-14.593**	**397**	**-3.958**	**-9.064**	**-16.700**	**84**
7. Current Transfers	4.774	2.993	2.436	1.027	1.127	**10**
B. CAPITAL ACCOUNT						
C. FINANCIAL ACCOUNT	**9.584**	**-14.643**	**1.161**	**7.091**	**16.848**	**138**
8. Direct Investment Abroad	-870	-497	-175	-499	-857	**72**
9. Direct Investment in Turkey	982	3.266	1.038	1.694	2.566	**51**
10. Portfolio Investment-Assets	-593	-788	-2.096	-1.386	-1.142	**-18**
11. Portfolio Investment-Liabilities	1.615	-3.727	1.503	3.955	9.209	**133**
12. Other Investment-Assets	-1.939	-601	-777	-986	-7.233	**634**
13. Other Investment-Liabilities	10.389	-12.296	1.668	4.313	14.305	**232**
Current, Capital and Financial Accounts	-235	-11.253	-361	-946	1.275	**-235**
D. NET ERRORS AND OMISSIONS	**-2.762**	**-1.671**	**149**	**5.043**	**3.067**	**-39**
GLOBAL BALANCE	**-2.997**	**-12.924**	**-212**	**4.097**	**4.342**	**6**
E. RESERVE ASSETS	**2.997**	**12.924**	**212**	**-4.097**	**-4.342**	**6**
14. Reserve Assets	-354	2.694	-6.153	-4.047	-824	**-80**
15. Use of Fund Credits and Loans	3.351	10.230	6.365	-50	-3.518	**6.936**

DEVELOPMENTS IN THE TURKISH ECONOMY

Consolidated budget developments

A review of consolidated budget figures in 2004 suggests that cautious optimism about the positive developments that are taking place in public finance is justified. Consolidated budget outlays last year were down, in real terms, from what they were the year before. When the budget deficit is compared with the year's targets in terms of total public revenues and total public expenditures, the picture that emerges is even more congenial. While the budget deficit in 2004 amounted to TL 30.3 quadrillion, the non-interest surplus (the IMF's key budget performance benchmark) exceeded the year's target, weighing in at TL 26.2 quadrillion.

Indeed while all of the consolidated budget revenue targets for 2004 were surpassed, expenditure targets were fallen short of. In other words, less was spent on the public side than had been foreseen and, in a real sense, the dimensions of the public sector shrank. While there were real increases in some public-side expenditure items, these were in the areas of capital outlays (investments) and social security transfers. Turkey's social security system is still the biggest black hole with the potential to cause budget performance to go awry. In the absence of meaningful structural reforms to correct this, there is every likelihood that it will remain so and become increasingly more serious in the years ahead.

While economic stability went a long way towards achieving or coming close to budget targets, the fact that the interest rates on government borrowing declined to the 18% level contributed even more. The need to pay less in interest greatly facilitated budget performance in 2004. Analysts are now saying that the interest rate on government borrowing will slip further to around 13% by the end of 2005. With the Treasury now able to tap domestic markets for Turkish liras on five-year terms and with every expectation of being able to extend its maturities to as much as ten years, the problem of rolling over the public debt is now largely a thing of the past.

While budget revenues appeared to have increased nominally, in real terms the year-on increase was insignificant if not entirely non-existent. A substantial rise in indirect taxes resulting from economic expansion and more imports played an important role in achieving budget targets. The special consumption tax and the VAT charged on imports made up a big part of total consolidated budget revenues in 2004. Nevertheless there was also great success last year in the relationship between tax accruals and tax collections with the latter amounting to some 92% of the former.

(TL billion)	2004 Realization	2004 Target	Realization/Target
Expenses	**140.200.045**	**149.945.082**	**94**
Excluding Interest	**83.711.555**	**83.895.082**	**100**
Personnel	28.947.667	28.559.215	101
Govern. Premiums to Social Security Agencies	4.022.904	3.627.785	111
Good and Service Purchase	12.560.079	12.049.121	104
Interest	56.488.490	66.050.000	86
Current Transfers	27.658.748	27.463.771	101
Capital Expenses	7.972.210	6.408.767	124
Capital Transfers	437.258	404.354	108
Liability	2.075.465	3.330.364	62
Reserve Appropriation	37.224	2.051.705	2
Revenues	**109.886.834**	**104.109.000**	**106**
Taxes	90.092.896	88.892.821	101
Non-Tax Values	17.064.552	13.912.791	123
Capital Revenues	161.106	503.386	32
Annexed Budget Revenues	1.813.082	800.000	227
Budget Balance	**-30.313.211**	**-45.836.082**	**66**
Primary Budget Surplus	**26.175.279**	**20.213.918**	**129**

Source: www.muhasebat.gov.tr

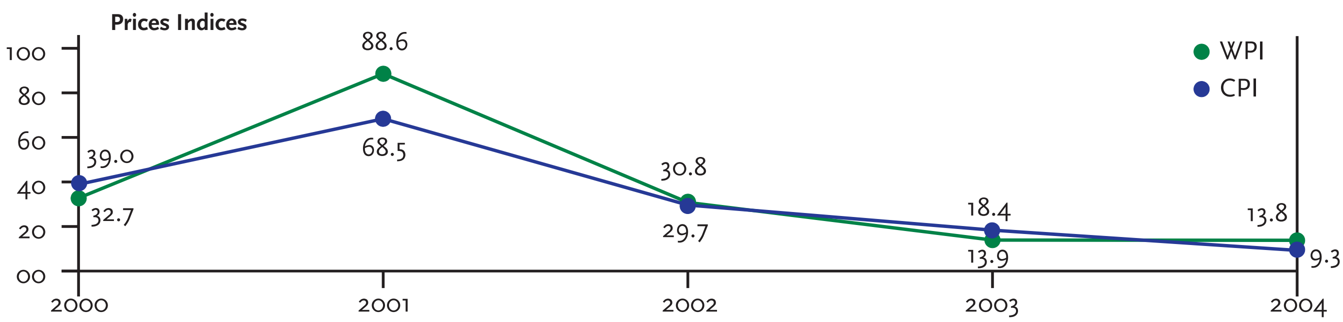
Price movements

Another important success on the economic front in 2004 was the consistently downward trend witnessed in the general level of prices. At year-end, the twelve-month rises in wholesale and consumer prices were 13.8% and 9.3% respectively. This process is expected to continue in 2005 and it is generally acknowledged that there should be no difficulty in achieving the 8% inflation target set for the year.

Basic monetary indicators

Both 2003 and 2004 were good years from the standpoint of monetary policy management and results. By taking an autonomous stance rooted in the principle of price stability even in the face of occasional pressures from political authorities, the Central Bank played an important role in achieving those results.

As of year-end 2004 the Central Bank had achieved all of the balance sheet targets that it had set for itself. At TL 19.19 quadrillion, base money was just under the upper limit of TL 20.9 quadrillion. Net international reserves at USD 229 million were well above the lower limit (USD 2 billion) while net domestic assets were below their upper TL 35 quadrillion limit at TL 30,121 trillion.



Source: www.die.gov.tr

YEARS	2002	2003	2004	2002	2003	2004
Currency Issued	7.707.082	10.844.508	13.465.237	44,6	40,7	24,2
Reserve Money	10.662.123	15.442.662	20.327.656	34,4	44,8	31,6
Money Supply(M1)	14.258.860	21.564.149	29.469.070	28,8	51,2	36,7
Money Supply (M2)	61.195.275	80.922.936	109.344.449	30,2	32,2	35,1
- Currency in Circulation	7.208.863	10.128.670	12.446.299	50,1	40,5	22,9
- Central Bank Money	53.986.412	70.794.265	96.898.151	28,0	31,1	36,9
Money Supply (M2Y)	133.450.273	149.854.800	185.418.562	28,2	12,3	23,7
Central Bank Credits	250.000	0	0	-66,7	-100,0	0,0
- Public	0	0	0	0,0	0,0	0,0
- Private	250.000	0	0	-66,7	-100,0	0,0
Domestic Credits by Deposit Money Banks	31.845.411	48.018.584	77.628.147	1,9	50,8	61,7
Domestic Credits by Investment and Development Banks	3.064.396	3.729.695	4.583.828	9,5	21,7	22,9
Domestic Credits Volume (net)	34.909.807	51.748.279	82.211.975	2,5	48,2	58,9
Residents Domestic Deposits	128.549.197	144.608.935	179.314.351	25,9	12,5	24,0
Total TL Deposits	56.294.199	75.677.074	103.240.239	25,3	34,4	36,4
- TL Saving Deposits	34.678.913	45.116.114	61.463.036	27,2	30,1	36,2
FX Saving Deposits	72.254.998	68.931.861	76.074.112	26,4	-4,6	10,4

Source: www.tcmb.gov.tr
Source: www.dpt.gov.tr

Border detail, Rüstem Paşa Mosque (1561)

MILESTONES AT ŞEKERBANK

1953 : Şekerbank is founded originally as Şeker Pancarı Kooperatifleri Bankası, a bank owned by sugar beet cooperatives, in the city of Eskişehir.
1956 : The bank's head office relocated to Ankara and the bank's name is changed to Şekerbank.
1970's: The bank moves away from being a grower cooperatives' bank towards becoming a full-service bank.
1980's: Şekerbank begins focusing on commercial banking.
1993 : The bank is restructured as a privately owned commercial bank.
1997 : Şekerbank makes an initial public offering of its shares.
2002 : Şekerbank launches a comprehensive makeover program to transform itself from a traditional commercial bank into a multi-channel, modern bank that adheres to customer and segment-focused practices.
2004 : The bank's head office relocated to Istanbul.

Corporate strategies and goals

Şekerbank regards customer-focused applications and customer satisfaction as the keys to sustainable growth and success.

The fundamentals of Şekerbank's business strategy

- Well-defined and properly segmented customers
- Ongoing development of business processes
- Diversification and promotion of products and services
- Increasing use of cross-sale opportunities
- Innovative approaches to meet customers' needs
- Perfection in service

Şekerbank's long-term goals

- Become one of the top five banks in Turkey
- Perform real banking in line with needs in Turkey by making use of a strong customer base and extensive delivery channels

Mimber panel detail, Rüstem Paşa Mosque (1561)

As one of the country's oldest and most respected banks, Şekerbank began implementations in line with the transformation project. The focus of this profound project, launched in 2002, was to change Şekerbank from a traditional commercial bank into an institution with a multi-channel structure capable of providing modern, specialized banking products and services to customers in every segment of the market.

The bank's headquarters and branches were reorganized in line with the needs of individual customer segments, a new structure focused on marketing and customer satisfaction was developed, and a separate marketing unit was set up. In addition, this project also involved:

- Centralizing operational functions and giving a separate unit responsibility for conducting them
- Completely overhauling the bank's information technology infrastructure
- Turning the focus of human resources policy to increasing personnel competencies
- Adopting lending and risk management principles and systems conforming to international standards.

As a result of customer segmentation activities under this project, Şekerbank is now active in four separate business lines:

- Corporate banking
- Commercial banking
- SME banking
- Retail banking

Paralleling the needs of individual customer segments, four different types of branches were also identified: corporate, commercial, retail, and multi-service. At the same time that the nationwide branch network had been restructured and equipped with an advanced technological infrastructure.

A customer-focused structure in corporate and commercial banking

Şekerbank serves its corporate and commercial customers with a wide range of products and a customer-focused approach.

In line with the Transformation Project, a separate unit is now carrying out the bank's marketing activities. This has not only increased the bank's effectiveness but has also made it possible to increase the number of customers in the corporate and commercial segments.

The marketing group is responsible for guiding corporate and commercial banking activities in line with marketing objectives, monitoring performance, determining optimum pricing, and providing marketing support.

As part of the restructuring project, a Banking Services and Cash Management Department was set up. This department plays an effective role in the payment and collection processes arising from customers' business activities and it seeks to deepen transaction volumes by developing and marketing cash-management products.

Another new structure is the Project Finance, Project Development, and Subsidiaries Department, which is responsible for developing, implementing, and targeting products and services that are shaped in line with market demands and customer needs. This unit's responsibilities also include performing sectoral analyses, developing and benchmarking products, evaluating medium and long-term projects, and exploiting cross-sale opportunities by coordinating the activities of the bank's financial services subsidiaries and improving their work flows. This unit has already increased synergies among the bank's subsidiaries by developing strategies to reach customers throughout the bank with integrated packages of products and services.

A loan portfolio made stronger by new lending policies

Şekerbank bases its lending strategies on the two fundamental principles of maintaining a balanced loan portfolio and avoiding concentration in any particular sector. The bank seeks to work with firms with which long-term, healthy credit relationships can be developed while always being mindful of the issues of security, liquidity, and productivity.

The sustainability of asset quality is the cornerstone of Şekerbank's proactive approach to business.

To protect and further improve the quality of its loan book, the bank has introduced a new credit rating policy that focuses on making a multidimensional assessment of a potential credit customer on the basis of a constellation of sectoral, financial and subjective criteria.

A company applying for a loan is subjected to this rating process and according to the bank's findings it is classified in one of ten categories ranging from AAA to D. Only if the results of this rating process are favorable does the bank open a line of credit for the customer according to the findings of the process.

Incorporating processes based on internationally accepted risk and lending standards, this rating policy will enable Şekerbank to create a sound loan portfolio while also making it possible to generate increasingly more long-term value for all its stakeholders.

A more diversified portfolio

Along with the Şekerbank Transformation Project, the size and diversity of the bank's pool of corporate and commercial banking customers also increased.

Traditionally known in Turkey as a bank primarily involved in construction and contractor services finance, Şekerbank has begun taking the vast knowledge and experience acquired in those lines into other areas of business as well as part of the transformation project with the result that its loan book has become diversified from the standpoint of sectoral exposure. Today the bank has no specific sectoral preferences: In line with the overall policy set forth in view of the macro developments every real-sector enterprise that is productive and creates value in the conduct of its business is a potential customer for Şekerbank.

As of year-end 2004, the bank was serving a total of 21,054 active customers in the corporate and commercial segments.

With such noteworthy developments taking place in the loan portfolio, the volume of the bank's cash lending to corporate and commercial customers in 2004 increased 99.5% and reached TL 1,112,750 billion. During the same period, the bank extended a total of TL 1,874,604 billion in non-cash credit to customers, a figure that corresponds to a year-on increase of 50%.

This is also the reflection that bank is taking an increasingly larger share of foreign trade finance as well. With its strong international relations, Şekerbank looks set to play a much bigger role in international trade finance in the future.

There were positive developments in Şekerbank's non-performing loans in 2004. Collection rates were up substantially and the ratio of NPL to total loans declined to 7.8% from their 13.2% level in 2003. This figure, is a result of Şekerbank's redefined lending policies that have been redesigned in light of today's market conditions. According to the redefined lending policies the NPLs are 100% provisioned.

Stronger lending relationships with small enterprises

Ever since its inception, Şekerbank has always come to the support of the owners of small-scale enterprises, particularly in the form of loans to small farmers.

Today Şekerbank has more than 90,000 customers in the small-enterprise segment and the bank is acknowledged to be one of the leading institutions serving this market. As of year-end 2004, small enterprises accounted for a 1.2% share of the bank's balance sheet, up from the previous year's figure of 0.8%.

Under protocol agreements signed with 73 chambers of industry and commerce, the bank extends credit and loans to small enterprises located all over the country. These agreements have been playing an important role in increasing the bank's lending volume and market share in this segment. Şekerbank will continue to diversify its lending activities under these agreements with chambers of industry and commerce and to provide financing opportunities to more and more small enterprises that are in need of it.

The banking products most used by small enterprises are cash loans, installment financing, and small-volume letters of credit. The year-on increase in credit-risk cash loans to this segment in 2004 was 93% with the total reaching TL 15.7 trillion in value. Şekerbank's total exposure to credit and non-cash credit risk towards small enterprises was TL 22 trillion as of the same date. Şekerbank will continue to increase the volume of its lending to small enterprises while also expanding its customer base, geographical reach, and market share. Having recently restructured itself to better serve the needs of customers in this segment, the bank is determined to further enrich the array of products and services that it offers to this target group.

A new branch organization

With 200 branches in precisely targeted locations, Şekerbank has one of the most extensive and effective service networks in Turkey.

Şekerbank's branches have been serving customers for an average of more than twenty years. This fact contributes significantly to making the Şekerbank name recognized and trusted all over Turkey.

Under the bank's transformation project, a number of branches that were not sufficiently effective were either closed or merged with another in a suitable location. At the same time, new branches were also opened in order to gain access to target customer groups in locations where there is rapid growth in population and business activity.

Şekerbank branches have been redefined as corporate, commercial, retail, and multi-service as part of the restructuring project to reduce operational workloads while also becoming more customer and marketing-focused. In assigning branches to these categories, consideration was given to criteria such as the customer profile, needs, and business potentials at each branch's location. As a result of these efforts:

- Five branches (three in ıstanbul and one each in Ankara and ızmir) were designated as corporate branches.
- 129 branches were classified as commercial, 60 as retail, and 6 as multi-service.
- The bank has begun opening satellite branches at locations where there is sufficient customer demand for them.

After undergoing this branch segmentation, branches are better able to respond to the specific needs of their defined customer group while also serving other customers as well. Every branch group's organization was redesigned according to marketing priorities and structured so as to better coincide with customers' needs. Marketing and operations teams were created according to branch types and workflow processes were overhauled. Both branch and headquarters marketing units have been equipped with the authorities and technology they need to reach the challenging targets that have been set for them.

International norms in risk management

Risk management incorporates all of the processes involved in defining, measuring, monitoring, and controlling risks of every kind. A bank's success depends not just on selling products and services to customers but also on managing the risks inherent in them. For this reason, proper risk management has a direct impact not only on a bank's financial performance but also on its long-term effectiveness and productivity.

Şekerbank's internal audit and risk management system is being redesigned to fully comply with Basel II standards and practices and is dynamically structured so as to satisfy the requirements of banking regulatory and supervisory agency. The bank's risk management system is organized along functional lines. The function of internal audit at the bank is performed by the Board of Inspectors and by the Internal Audit and the Risk Monitoring units. The function of risk management is performed by the Risk Management unit and by risk management committees that are each responsible for a specific category of risk: credit risk, market & liquidity risk, operational risk, and organizational risk. A Bank Risk Committee oversees the activities of the risk management committees while a Senior Risk Committee is responsible for the overall operation of the internal audit and risk management system, which encompasses the bank's subsidiaries as well.

All processes and practices related to risk management at the bank are regularly and fully reported to the appropriate authorities as well as to the Banking Regulation and Supervision Agency (BRSA).

Şekerbank was one of the twenty-two banks in the Turkish banking system that took part in a quantitative impact study (QIS-TR) coordinated by BRSA to measure and assess the impact of Basel II rules on Turkish banks' capital adequacy. The findings of this study were presented in a detailed report submitted to BRSA.

Qualitative impact studies are also carried out within the bank towards the end of each year to determine the impact of Basel II rules on its current capital adequacy.

ŞEKERBANK IN TRANSFORMATION

Retail banking: A new avenue of growth

In keeping with Şekerbank's new vision and market position, retail banking has also become an important new path of growth.

In line with this, the bank has undertaken large-scale, comprehensive projects in the areas of developing retail banking products and services, upgrading the technological infrastructure, and strengthening coordination between headquarters and branches.

At headquarters, a new and functional organizational structure has been created to increase the operational effectiveness of the retail credit unit, develop new products, and focus more on sales.

The Central Operations Unit, which became operational in the last quarter of 2003, provides important support for the operations of delivery channels in its capacity as the unit where all operations related to credit and bank cards and to corporate and retail internet banking are monitored.

Branch personnel are given intensive and ongoing training in the subjects of product promotion and marketing & sales. At the same time, a branch sales support unit set up at headquarters is also playing an increasingly more influential role in the sale of retail products and services. Direct sales teams that sell retail-banking products bundled together are another manifestation of the bank's active marketing and sales policy. As a result of all these efforts, the number of Şekerbank's active retail customers reached 530,000 as of year-end 2004.

The crucial impact that the effective and extensive use of alternative delivery channels has on the success of the bank's growth in retail banking is the fundamental point of departure in its development of products and services as well.

Şekerbank has made much progress in the direction of increasing its customer access ratio by responding to the particular needs of different customer groups. The bank provides basic banking services to customers all over the country through a network of 203 ATMs owned by the bank as well as through another 2,590 machines from which customers may access their Şekerbank accounts via the Joint Point ATM sharing system. In 2003 the number of ATM transactions performed by Şekerbank customers (including those through the Joint Point system) was around a million. In 2004 this increased to 1.5 million.

Şekerbank's internet branch, accessible both at www.sekerbank.com.tr and at www.4447878.com.tr has been in operation since May 2003. The functions of the internet branch have been augmented to provide users with greater convenience and more services that now include viewing account details and activities, money transfers (EFT, money orders, inter-account transfers, and transfers to other bank cards), credit card transactions (account status, payments, cash advances, bonus gift requests), payments (utility bills, etc), investment transactions (repo, fixed-term accounts), buying and selling foreign exchange, tax payments, and checking exchange and interest rates. During 2004, 30,000 customers performed 400,000 transactions through the Şekerbank internet branch.

The infrastructure of the bank's call center, which became operational in April 2003, has been completely overhauled and the center has been transformed into a completely functional telephone banking system through which customers can perform any transaction that the Internet branch can. The new center went into operation in October 2004. In 2003 the number of transactions performed through the call center was 150,857; in 2004, that number reached 508,000.

Two new credit card products were launched in 2004. Loans to finance farmers' tractor purchases and personal finance loans were two other products introduced to the market last year.

The total of all the bank's retail loans at the end of 2004 was TL 366.3 trillion, a year-on increase of 136%. Motor vehicle finance loans accounted for the biggest share (69%) of the bank's retail loans.

For the purpose of standardizing loan application assessment procedures and developing a sounder loan portfolio, a rating system has been introduced for retail loans similar to the one used by the Şekerbank corporate banking unit. The efforts to create a problem-free retail loan portfolio did not go unrewarded: the ratio of unpaid loans to the total declined to 2% in 2004.

Şekerbank offers both Visa and MasterCard credit cards and supplies customers with Maestro bank cards. As of year-end 2004, the number of credit cards issued by the bank and in current use was 263,000, up nearly a third over the previous year's 197,551.

Paralleling with the bank's restructuring activities, there was a huge increase in the number of the bank's POS operations. The number of subscriber merchants and POS terminals in 2003 was 3,706 and 3,984. By the end of 2004, these had reached 9,541 and 10,271 respectively.

A project to introduce installments in credit card sales was brought to completion in 2004 and this product was also introduced to the market.

Şeker Hesap, a cash-management account designed for retail customers, was offered to Internet branch customers initially in 2004. This account allows customers to define a minimum amount of cash that they want to retain in their account according to their individual priorities and needs and the surplus is automatically invested in liquid mutual fund shares. Şeker Hesap was designed as an account that can make automatic payments on a customer's behalf, sell mutual fund shares when needed to replenish the account to the specified minimum, and also make use of an overdraft facility if necessary.

Strong relations with international financial institutions

Recognizing that expertise in international transactions is an important source of income and an avenue with tremendous potential for growth and development, Şekerbank has built up strong relationships with international financial institutions and enjoys a sterling reputation in the global market.

Şekerbank has been venturing increasingly more forcefully into international markets since 2002. Its efforts to increase its share of the country's foreign trade financing are supported by a growing network of correspondents.

Seeking to increase its market share of international transactions through innovative marketing approaches, in 2004 Şekerbank successfully completed its first credit syndication in which it tapped international markets. This one-year syndicated loan in the amount of USD 27.5 million was lead-managed by three highly respected banks: Commerzbank/Frankfurt, RZB/Vienna, and Wachovia Bank/Charlotte. This syndicated loan is a clear indication of the confidence that international markets have in Şekerbank. It will be increased in 2005 to provide financing for the bank's exporter customers in line with their needs.

Possessing a solid and internationally recognized rating is an important requirement for any bank venturing into international markets. In addition to Fitch Ratings obtained in 2004 for the first time, the bank is scheduled to be rated by Moody's as well in 2005.

Effective funds management

In keeping with the customer-focused vision of the Şekerbank Transformation Project, the Treasury Department has also been restructured in line with customers' needs for funds management. The Treasury Marketing Unit, which became active in 2003, is fulfilling its function of increasing the bank's transaction volumes in both the money and the bond & bill markets by providing an increasingly more effective and productive flow of business. At the same time, funds management training programs given in branches are also devoting more attention to marketing functions.

As a result of using a treasury module that permits the productivity of treasury transactions to be viewed in real time, transactions can be effected faster, more flexibly, and with greater attention being given to risk management issues. The effects of this on decision-making mechanisms quickly became apparent. This system also allows productivity to be effectively measured on the basis of profit centers as well.

Şekerkur, the foreign exchange module that Şekerbank uses in its foreign currency transactions, remained a strong leader and successfully defended its market share in 2004. USD 3.7 billion in transactions was handled through Şekerkur 2003. In 2004, that increased to USD 5.1 billion.

The bank handled trading in government bonds and T-bills amounting to YTL 15.2 billion in 2004. Its transactions on the interbank and secondary markets were worth YTL 14.4 billion.

ŞEKERBANK IN TRANSFORMATION

The most important source of Şekerbank's funding of course is customers' deposits, which continue to grow year after year thanks to the support of a strong and loyal customer base. At year-end 2004 the bank had about 530,000 depositors and total deposits amounting to YTL 2.3 billion, of which 74% were in fixed-term accounts and 26% were in demand accounts. 51% of the bank's deposits are in YTL accounts while 49% are in foreign currency accounts.

Advanced technology for the best banking

All branch and headquarters units perform all banking services on a real-time/online basis employing a centralized data processing and database infrastructure.

• Customers have complete access to all the features available on the bank's alternative delivery channels. In addition to ATM and Internet banking, telephone-banking services are now being provided through our call center.
• Şekerbank was the author of another first in Turkey with the introduction of leasing and shared use modules to the POS infrastructure. Paralleling this, installment-purchase features have been added to all of the bank's credit cards.
• ŞekerNet, the bank's corporate portal, provides an integrated platform on which bank employees can monitor work flows and satisfy all of their information needs.
• Fast, trouble-free telephone communications are provided throughout the entire bank organization over the ŞekerTel system. This system generated such significant economies that it recouped its investment costs in just the first six months of its operation.
• Work on developing the final model of the information technology security infrastructure has been completed. The model has passed its technical level testing.
• The infrastructure of the disaster recovery center was developed so as to ensure the continuity of all business processes. The disaster recovery center is now fully operational. The flawless functioning of this system is tested twice a year by subjecting it to simulated disaster scenarios.
• Testing of our multidimensional profitability measurement project was successfully completed in 2004. This system allows profitability to be measured and for reports to be generated according to different criteria such as accounts, customers, products and services, branch customer representatives, profit centers, and delivery channels. Customer analysis, detailed customer segmentation, and customer loyalty programs that are currently in preparation will make it possible for decision making mechanisms operate faster and more soundly while also increasing the bank's competitive strength.
• E-banking applications are being developed that will achieve savings in time and resources by moving all banking business processes to an electronic platform.

• The changeover to the new Turkish lira at the beginning of 2004 went off flawlessly. All of the bank's ATM, internet, and call center banking transactions were up and running again before the end of the first hour of the new year.

In addition to satisfying the needs of individual units, projects continue to be carried out to develop the information technology infrastructure in line with new ventures in retail, commercial, and corporate banking and with the introduction of new products and services.

Besides meeting new requirements, other ongoing investments in the bank's technological infrastructure are concerned with eliminating paperwork as much as possible by means of document management, fax integration, and similar processes; setting up the infrastructure for in-house e-learning; and allowing legal-action processes to be tracked and executed electronically.

The strength behind sustainable success

Şekerbank believes that it is a bank that appeals to and attracts talented, experienced, and educated people to add to its human resources. Among the factors that make this so are a human resources policy that is erected on the principle of continuously improving the quality of our human resources and ongoing efforts to determine the best ways to ensure that our employees' job satisfaction and success levels remain consistently high. Şekerbank's human resources policies and practices are in full compliance with its corporate responsibilities and with the principles of transparency.

In keeping with the bank's transformation strategy, efforts continued throughout 2004 to bring about changes in human resources that will support that strategy and ensure its success.

Training programs in 2004 focused predominantly on branch employees and concentrated on technical knowledge (legal issues, teller procedures and transactions, the bank's lending principles) and on communication skills (customer relations and sales). A total of 801 days of training time was given to 6,773 people. An average of training sessions per day was three.

The progress achieved in the performance management, productivity measurement by profit center, and performance-based pay systems that were developed and implemented in 2003 significantly strengthened the bank's human resources and these systems continued to be further developed in 2004.

As a result of human resources practices aimed at motivating Şekerbank employees and monitoring their performance, feelings such as fairness, equality, mutual trust, and solidarity were enhanced and employee job satisfaction, success, effectiveness, and loyalty to the company all increased.

At year-end 2004 there were 3,334 Şekerbank employees of whom 50% were men and 50% were women. Average employee age was 33. Average length of employment with the bank was 6.6 years. As these numbers show, Şekerbank's employee profile is extremely young and dynamic.

Social and cultural responsibilities

In the more than half-century of its corporate history, Şekerbank has not only sought to increase the affluence of the society of which it is a member through its activities in the business of financial services but has also contributed to the development of culture and the arts as a good corporate citizen.

Aware that success cannot be measured solely in terms of economic performance, Şekerbank also strives to be an integral part of the life of society through its contributions to and support for social, cultural, and artistic activities.

In keeping with its mission of contributing to the national economy and to society, in 2004 Şekerbank was a sponsor for the Second International Financial Summit and for the 15th anniversary celebrations of the Turkish Foundation For Small and Medium Businesses.

As an educational and cultural service the bank continued to publish Şeker Çocuk, a children's magazine, and Şeker Sanat, a magazine focusing on the arts. Personal and joint exhibitions held at the Şekerbank Ömer Sunar Art Gallery by leading representatives of painting, sculpture, ceramics, and traditional arts during the year drew the attention and appreciation of the media and art lovers.

SUBSIDIARIES

ŞEKER YATIRIM

Şekeryatırım (Şeker Yatırım Menkul Değerler AŞ) started its operations in 1997 and is fully licensed by the Capital Markets Board to perform all brokerage transactions on the İstanbul Stock Exchange. The company was one of the first brokerages to receive a CMB license to trade in Turkish Derivatives Exchange (TurkDEX). Şekeryatırım is authorized to deal in all of the instruments that can currently be traded on the four markets of TurkDEX.

Head office located in İstanbul, Şekeryatırım has branches in İzmir and Ankara. All two hundred Şekerbank branches are licensed agents of the company (seventy of them also have VIP and public trading halls) and provide investors with a wide range of capital market trading services. Investors registered with Şekeryatırım's Internet branch can buy and sell stocks as well as mutual funds and also perform EFT, money-transfer, and other investment securities transactions.

The volume of Şekeryatırım's ISE transactions increased 94.5% in 2004, a year-on increase more than double the 42% rise experienced by the ISE during the same period. Since it was founded in 1997, Şekeryatırım's share of total market trading has increased steadily about 22% a year on average and it stood at 1.17% as of year-end 2004.

As of the same date, Şekeryatırım's capitalization amounted to TL 10 trillion. While the company earned TL 5.6 trillion as commission income in 2003, in 2004 it nearly doubled that figure to TL 10.6 trillion without having made any changes in its commission rates and charges.

Şekeryatırım manages Şekerbank's mutual funds and also their sales operations. The company currently has four funds under its management. In addition to the existing Şekerbank Type A Variable (capitalization: TL 1 trillion) and Şekerbank Type B Liquid (capitalization: TL 5 trillion) funds, the Şekerbank Type B Bond & Bill (capitalization: TL 25 trillion) and Şeker Yatırım Menkul Değerler Type B Variable (capitalization: TL 25 trillion) funds were added to the portfolio in 2004.

In 2004 Şekeryatırım, as an underwriter, carried out a successful public offering of Şeker Finansal Kiralama AŞ..

Şekeryatırım's website at www.sekeryatirim.com.tr has been completely redesigned with the addition of separate "Corporate" and "Portal" sections and its content has been enriched.

ŞEKER LEASING

Founded in 1997, Şeker Leasing's approach is to provide customized financial leasing services to a selected group of customers. Head office located in İstanbul, the company has three liaison offices, one each in Ankara, Bursa, and İzmir serving the customers with an experienced staff of thirty-two people.

In the years since it was founded, Şeker Leasing has seen its transaction volumes grow rapidly and strongly. In 2004 it wrote USD 51.7 million worth of business, 29% more than had been targeted, on a total of 316 contracts. Looking at a sectoral breakdown of the company's portfolio, 50% of its lease financing went to production companies, 38% to services companies, 2% to agriculture, and 10% to other sectors.

Last year Şeker Leasing increased its capitalization to TL 18.8 trillion and its shares began trading on ISE at an opening price of TL 1,400 on 14 July 2004.

ŞEKER FACTORING

Set up in March 2000 as a subsidiary of Şekerbank, Şeker Factoring operates out of its İstanbul-based head office and three liaison offices located one each in Ankara, İzmir, and Bursa. Due to recent spectacular growth in the demand for factoring services in Turkey, the company has decided to open three more liaison offices located in Gaziantep, Kayseri, and Denizli because of the tremendous economic potential in those cities.

Şeker Factoring's business volume in 2004 was worth USD 89 million, a 100% year-on increase compared with 2003. During the same period, the company's factoring receivables rose by 77% to USD 17.5 million. The average payment term on its receivables as of 31 December 2004 was 54 days. Şeker Factoring closed the year with a pretax profit of USD 872,000, a 39% increase over the previous year's figure. At year-end 2004 its paid-in capital was USD 2.8 million and total shareholders' equity was USD 4 million. The company has set itself a target of increasing its domestic and export factoring receivables by 100% in 2005.

Şeker Factoring focused on both export and domestic factoring during 2004. It entered into export factoring agreements with leading international correspondents, thereby achieving significant gains in its export factoring business. The company wrote USD 10.7 million worth of business in 2004. As a result of its attention to detail and its diligence, Şeker Factoring was admitted to Factors Chain International as an associate member at the beginning of 2005. The company has also been a member of the Factoring Association of Turkey since the end of 2004.

Şeker Factoring measures its performance in terms of its ability to provide customers with high-quality service delivered to international standards. The company regards it as its mission to familiarize potential customers with factoring and to make factoring a more commonly-used trade financing tool. Its policy is to avoid over-concentration in any particular sector and to focus on the needs of small to medium-sized companies.

Wall detail, Rüstem Paşa Mosque (1561)

BOARD OF DIRECTORS

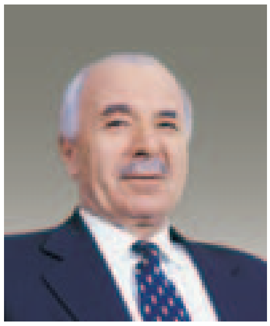
Dr. Hasan Basri Göktan
Chairman&General Manager

İsmail Öncel
Vice Chairman

Mehmet Hançerli
Board Member

Fatih Tezcan
Board Member

Muhittin Bıyıkoğlu
Board Member



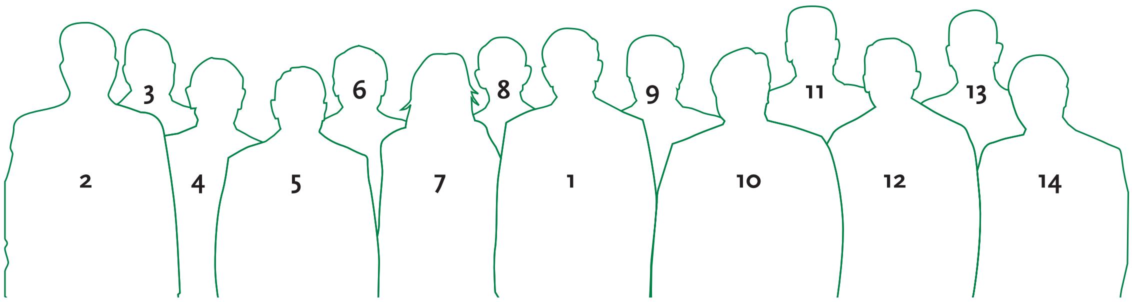
Halil Aslan
Board Member

Emin Erdem
Board Member

Ö. Faruk Türkmen
Board Member

Erdal Batmaz
Board Member

SENIOR MANAGEMENT



Dr. Hasan Basri Göktan (1)
Chairman&General Manager

N.Bahri Uğraş (2)
Assistant General Manager

A. Yücel Akbulut (3)
Assistant General Manager

Hüseyin Serdar (4)
General Secretary

Mehmet Hançerli (5)
General Coordinator

Fatih Tezcan (6)
Assistant General Manager

Meriç Uluşahin (7)
Assistant General Manager

Beşir Özmen (8)
Assistant General Manager

Turgay Devecioğlu (9)
Assistant General Manager

Cem Ertem (10)
Assistant General Manager

Tanol Türkoğlu (11)
Assistant General Manager

Ö. Faruk Türkmen (12)
Assistant General Manager

Zeki Önder (13)
Assistant General Manager

Cahit Başer (14)
Assistant General Manager

Wall detail, Rüstem Paşa Mosque (1561)

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

TO THE BOARD OF DIRECTORS, ŞEKERBANK T.A.Ş. ANKARA

INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying consolidated balance sheet of Şekerbank T.A.Ş. ("the Bank") and its subsidiaries as of 31 December 2004, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of Turkish Lira as at 31 December 2004. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. In accordance with an actuarial report prepared for Şekerbank T.A.Ş. Personeli Sosyal Sigorta Sandığı Vakfı ("the Fund") dated 26 January 2005, the actuarial deficit of the Fund as at 31 December 2004 amounts to TL 10,874 Billion using a technical interest rate of 15%. The Bank provides for the deficit over a five year term and currently has provisions amounting to TL 4,800 Billion in the accompanying financial statements. However, actuarial analyses performed by actuaries in Turkey do not necessarily comply with the methodology required by IAS 19. The actuarial deficit of the Fund could differ had an actuarial analysis been performed in accordance with IAS 19.

4. In our opinion, except for the effect of the matter set out in the paragraph above, the financial statements referred to above present fairly, in all material respects, the financial position of Şekerbank T.A.Ş. and its subsidiaries as of 31 December 2004 and the results of their operations and their cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Ankara, 09 March 2005

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

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2004 AND 2003

(Amounts expressed in Billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

ASSETS	Note	31 December 2004 Billion TL	31 December 2003 Billion TL
LIQUID ASSETS	4	37,021	39,554
BALANCES WITH THE CENTRAL BANK	5	75,465	132,839
BALANCES WITH BANKS	6	218,549	21,029
HELD FOR TRADE PORTFOLIO - NET	7a	621,814	481,532
AVAILABLE FOR SALE - NET		930	-
RESERVE DEPOSITS AT THE CENTRAL BANK	8	133,008	139,372
LOANS - NET	9a	1,444,414	971,952
SUNDRY DEBTORS	10	29,226	11,198
EQUITY PARTICIPATIONS - NET	11	10,813	18,788
HELD TO MATURITY SECURITIES	7b	532,528	1,057,359
PREMISES AND EQUIPMENT - NET	12	102,546	122,419
OTHER ASSETS	13	32,813	31,637
DEFERRED TAX ASSET	14	11,185	4,877
TOTAL ASSETS		3,250,312	3,032,556

The accompanying notes form an integral part of these financial statements

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2004 AND 2003

(Amounts expressed in Billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

LIABILITIES	Note	31 December 2004 Billion TL	31 December 2003 Billion TL
DEPOSITS			
Demand	15	608,723	498,669
Time	15	1,759,415	1,928,035
		2,368,138	2,426,704
BORROWINGS	16	202,015	98,306
INTERBANK FUNDS BORROWED	16	-	56,961
SECURITIES SOLD UNDER REPURCHASE			
AGREEMENTS		235,912	133,889
TAXES AND DUES PAYABLE	14c	38,026	13,883
SUNDRY CREDITORS	17	12,776	12,992
PROVISIONS	18	61,006	37,669
OTHER LIABILITIES	19	35,909	40,857
MINORITY INTEREST	24	3,819	3,426
SHAREHOLDERS' EQUITY			
Share capital	20	348,020	298,399
Reserves		11,179	1,787
Premium in excess of par		552	-
Accumulated (loss)		(67,040)	(92,317)
		292,711	207,869
TOTAL LIABILITIES AND EQUITY		3,250,312	3,032,556
Commitments & Contingencies	25	2,764,258	1,516,022

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

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY-31 DECEMBER 2004 AND 2003

(Amounts expressed in Billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	Note	31 December 2004 Billion TL	31 December 2003 Billion TL
INTEREST INCOME			
Interest on loans		333,144	248,558
Interest on banks		1,659	23,589
Interest on interbank funds sold		19	389
Interest on securities portfolio		262,706	206,082
Other interest income		41,552	10,591
		639,080	489,209
INTEREST EXPENSE			
Interest on deposits		(245,785)	(353,878)
Interest on interbank funds borrowed		(8,107)	(10,849)
Interest on borrowings		(14,688)	(6,528)
Other interest expense		(57,731)	(31,092)
		(326,311)	(402,347)
NET INTEREST INCOME		312,769	86,862
Other operating income	21	157,596	274,956
Other operating expense	22	(353,036)	(280,864)
Profit before tax and monetary (loss)		117,329	80,954
Tax provision	14a	(19,010)	10,127
NET INCOME BEFORE MONETARY (LOSS)		98,319	91,081
Monetary (loss)		(23,445)	(2,096)
PROFIT AFTER MONETARY (LOSS)		74,874	88,985
LOSS/(PROFIT) ATTRIBUTABLE TO MINORITY SHARES		3,950	(2,549)
PROFIT ATTRIBUTABLE TO ŞEKERBANK SHAREHOLDERS		78,824	86,436

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

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Amounts expressed in Billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	Share Capital Billion TL	Premium in Excess of par Billion TL	Reserves Billion TL	Accumulated (Loss) Billion TL	Total Billion TL
At 31 December 2002	298,399	-	1,508	(175,380)	124,527
Transfers to reserves	-	-	373	(373)	-
Dividends paid	-	-	-	(5,168)	(5,168)
Valuation differences	-	-	(94)	1,294	1,200
Changes in minority	-	-	-	874	874
Profit for the year	-	-	-	86,436	86,436
At 31 December 2003	298,399	-	1,787	(92,317)	207,869
Increase in share capital	49,621	-	-	(45,155)	4,466
Transfers to reserves	-	-	9,306	(9,306)	-
Dividends paid	-	-	-	(149)	(149)
Valuation differences	-	-	4	28	32
Premium in excess of par	-	552	-	-	552
Changes in minority	-	-	82	1,035	1,117
Profit for the year	-	-	-	78,824	78,824
At 31 December 2004	348,020	552	11,179	(67,040)	292,711

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

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED 1 JANUARY-31 DECEMBER 2004 AND 2003

(Amounts expressed in Billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	31 December 2004 Billion TL	31 December 2003 Billion TL
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	78,824	86,436
Adjustments to reconcile net income to net		
Cash provided by operating activities:		
Depreciation and amortization	17,078	17,473
Provision for loan losses	107,320	15,769
Provision for retirement pay	2,503	4,109
Other provisions	19,306	20,279
Changes in deferred tax	19,010	(11,110)
(Decrease) in taxes and dues payable	(1,175)	(370)
Decrease in reserve deposits at the Central Bank	6,364	21,770
Decrease in securities portfolios	381,359	3,748
Change in securities under repo agreement	102,023	(24,569)
Change in inter-bank funds	(56,961)	23,754
(Increase) in other receivables and other assets	(18,672)	(72,636)
(Decrease) / increase in other payables and other liabilities	(1,909)	26,682
Net cash provided from operating activities	655,070	111,335
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in loans	(579,782)	(203,375)
Decrease in equity participations	7,975	15,761
Additions to premises and equipment -net	2,795	12,786
Net cash (used in) investing activities	(569,012)	(174,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in deposits	(58,566)	(43,243)
Increase in loans used	103,709	22,280
Cash increase in share capital	9,621	-
Dividends paid	(149)	(5,168)
Changes in premium in excess of par	552	-
Changes in minority interest	1,510	997
Other	(5,122)	-
Net cash provided from/ (used in) financing activities	51,555	(25,134)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	137,613	(88,627)
CASH AND CASH EQUIVALENTS AT		
THE BEGINNING OF THE YEAR	193,422	282,049
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	331,035	193,422

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

1. THE BANK

Şekerbank T.A.Ş. ('the Bank') was founded in 1953, with headquarters located in Ankara. The Bank has 197 branches and subsidiaries in the sectors of sugar, trade, finance, tourism and mining. The Bank has moved its headquarters to Istanbul in August 2004.

2. BASIS OF FINANCIAL STATEMENTS

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

Presentation of Financial Statements

The Bank maintains its books of account in Turkish Lira and prepares its statutory financial statements in accordance with the reporting requirements of Banking Law, the Uniform Chart of Accounts issued in accordance with Banking Law, Turkish Commercial Practice and Tax Legislation. The Bank's equity participations maintain their books of account and prepare their statutory financial statements in accordance with regulations prevailing in their area of specialization, Commercial Practice and Tax Regulations. The accompanying financial statements are based on the statutory records with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with statements of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Inflation Accounting

In the accompanying consolidated financial statements, adjustments have been made to compensate for the effect of inflation on the value of the Turkish Lira, as of the balance sheet date, in accordance with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies".

IAS 29 requires that the primary 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 leads to the classification of an economy as hyperinflationary, necessitating the application of IFRS 29 restatement, is a cumulative three year inflation rate approaching or exceeding 100%. Such rate was 69.7% for the three years ended 31 December 2004, based on the Wholesale Price Index (WPI) announced by the Turkish State Institute of Statistics. The restatement has been calculated by means of conversion factors based on the Turkish countrywide WPI published by the State Institute of Statistics.

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF FINANCIAL STATEMENTS (continued)

Inflation Accounting (cont'd)

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

	Index	Conversion Factor
31 December 2000	2,626.0	3.2002
31 December 2001	4,951.7	1.6972
31 December 2002	6,478.8	1.2971
31 December 2003	7,382.1	1.1384
31 December 2004	8,403.8	1.0000

The comparative rates of currency deflation of the Turkish Lira against the US Dollar, compared with the rates of general price inflation in Turkey according to the WPI are set out below:

Year:	2004	2003	2002	2001	2000
Currency Deflation US $	(3.8)%	(14.6%)	13.5%	114%	24.3%
WPI Inflation	13.8%	13.9%	30.8%	88.5%	32.7%

The main guidelines for the restatement are as follows:

• All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.

• Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.

• Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase. Depreciation is similarly restated. In addition, land and buildings may be revalued to an expert valuation. In such cases, the increase from indexed book value to expert valuation is recorded as a revaluation reserve (net of the applicable deferred taxation). The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.

2. BASIS OF FINANCIAL STATEMENTS (continued)

Inflation Accounting (cont'd)

• All items in the statement of income are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.

• The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

Consolidation

The financial statements of the entities listed below have been consolidated with those of the Bank in the accompanying financial statements. The method of consolidation is set out in note 3.19. The ownership percentages, listed below, comprise the total of the Bank's direct and indirect holdings. The entities controlled by the Bank:

		Şekerbank T.A.Ş. Ownership %	
Subsidiary	Sector	31.12.2004	31.12.2003
1. Şeker Finansal Kiralama A.Ş.	Leasing	45.76	52.57
2. Şeker Yatırım ve Menkul Değerler A.Ş.	Finance	97.41	98.31
3. Şekerbank Off-Shore Ltd.	Banking	74.36	74.36
4. Şekerbank Kıbrıs Limited A.Ş.	Banking	89.80	81.96
5. Şeker Factoring A.Ş.	Factoring	59.00	60.41

(*) Although the Bank has a direct and indirect ownership of 45.76% as of 31.12.2004 in the capital of Şeker Finansal Kiralama A.Ş., such company has been consolidated on a line by line basis due to the control power of the Bank over the entity.

The entities where the Bank has significant influence which have been consolidated using the equity pick up method are as follows:

		Şekerbank T.A.Ş. Ownership %	
Subsidiary	Sector	31.12.2004	31.12.2003
6. Çalık - Şeker Konsorsiyum A.Ş.	Finance	34.00	-

Other subsidiaries (Note 11) are not consolidated in the accompanying financial statements as the effect on financial statements will be immaterial or participation rates are insignificant.

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3. ACCOUNTING POLICIES

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

3.1 Accounting Convention

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

3.2 Income and Expense Recognition

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

Exchange gains arising from revaluation of loans, which are indexed to foreign currencies are included as foreign exchange gains.

3.3 Foreign Currency Items

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions.

Assets and liabilities of the Group denominated in foreign currencies are translated using the year end Bank exchange rates. For the translation of assets and liabilities of consolidated participations, the rates of the Turkish Central Bank are being used.

All exchange gains and losses arising on settlement and translation of foreign currency items are included in the statement of income.

3. ACCOUNTING POLICIES (continued)

3.4 Securities Portfolio

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

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

Interest earned for holding securities is included in interest income. All gains or losses on sale of trading securities, and on investment securities if such transactions occur, are accounted for in the statement of income for the period.

The Group designates its securities portfolio in accordance with IAS 39 as follows:

Securities held for trading:

Securities held for trading are those acquired principally for the purpose of generating profit from short-term fluctuations in their price or dealer's margin. Subsequent to initial recognition, held for trading securities are valued at their fair value if reliably measured. Gains or losses on held for trading securities are included in net profit or loss for the period in which they arise. Any securities which can not be measured at their fair value reliably will be measured at amortized cost using the effective interest rate method.

Investment fund share certificates are stated at market value. Quoted shares are carried at market value.

Securities held to maturity:

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Held to maturity securities having a fixed maturity are measured at amortized cost using the effective interest rate method.

Securities available for sale:

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

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3. ACCOUNTING POLICIES (continued)

3.4 Securities Portfolio (cont'd)

Securities available for sale: (cont'd)

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

3.5 Premises and Equipment

Premises and equipment, including the related depreciation have been indexed and are expressed in the year end purchasing value of the Turkish Lira. In cases where the indexed values exceed the fair value of an asset, the indexed cost has been brought down to net realizable value.

Premises and equipment are depreciated using rates which write off the assets over their expected useful lives. The assets are depreciated on a straight-line basis mainly at the following rates:

Buildings	2%
Vehicles	15% - 20%
Furniture and Office Equipment	6% - 20%
Leasehold and Leasehold Improvements	Over the life of the lease

With the exception of fixed assets to be sold which have been acquired through guarantees received by the Bank for loans given, additions to premises and equipment are based on the purchase prices paid to third parties.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

3. ACCOUNTING POLICIES (continued)

3.6 Retirement Pay Provision

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. Such payments are based on number of years' service and final salary at the date of retirement or leaving.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") has been applied in the accompanying financial statements. Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate. This standard also allows the employee benefit liability to be reduced by anticipated forfeitures by eligible employees of their benefit.

3.7 Pension and other post retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Şekerbank T.A.Ş. Personeli Sosyal Sigorta Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognized by an official decree, providing all qualified Bank employees with pension plan benefits. The Fund is a defined benefit plan under which the Bank pays fixed contributions, and is obliged to pay amounts other than the fixed contribution to the Fund through constructively paying additional amounts or through contractual benefits that are not solely linked to fixed contributions.

The liability to be recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The Bank does not have the legal right to access to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, and therefore, no assets are recognized in the balance sheet in respect of defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. Based on the report of the actuary dated 26.01.2005, the Fund had an actuarial deficit amounting to TL 10,874 Billion using a technical interest rate of 15%. The Bank is providing for this deficit over a five year term and currently has provisions of TL 4,800 Billion in the accompanying financial statements.

3. ACCOUNTING POLICIES (continued)

3.8 Equity Participations

In the statutory books of account the Bank values its equity participations at cost plus the nominal value of bonus shares received from investee companies converting their revaluation reserves to share capital. Revaluation surpluses arising from the nominal value of shares received in the statutory records are eliminated in the accompanying financial statements.

Equity participations have been expressed in the purchasing value of the Turkish Lira as of the balance sheet date. In cases where there is a loss in value, indexed values have been reduced to such values, by a provision for such impairment, charged to the statement of income.

3.9 Loan Loss Provisions

Loans are financial instruments originated by the Group and accounted for at amortized cost in accordance with IAS 39. Based on its evaluation of the current status of loans granted, the bank makes loan loss provisions, which it considers adequate to cover estimated uncollectable amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income. The bank generally ceases the accrual of interest if interest or principal has remained unpaid for more than three months. Interest accrued on overdue loans is considered in management's assessment of the required provisions for loan losses. For loans that are rescheduled, interest is calculated retrospectively and added to the loan balance.

3. ACCOUNTING POLICIES (continued)

3.9 Loan Loss Provisions (cont'd)

The loan loss provisions and the general loan provision follow the requirements as specified by Turkish Banking regulations. In accordance with the prevailing provisioning legislation, banks in Turkey should appropriate 0.5% general provision for cash loans and other receivables and 0.1% general provision for non-cash loans.

3.10 Taxation and Deferred Taxes

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred income tax assets and liabilities are also offset.

3. ACCOUNTING POLICIES (continued)

3.11 Securities Under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve debt (totally government) securities. Sales of securities under agreements of repurchase ("Repos") are retained in the balance sheet under securities portfolio and the corresponding counter party commitment is included separately under liabilities. The net gain or loss on repo transactions is accrued over the period to maturity. Purchases of securities under agreements of resale ("reverse repos") are included in the securities portfolio and interest income on such transactions is accrued on an IRR basis over the period to maturity.

3.12 Financial Leases - the Group as Lessee

Assets held under finance leases are recognized as assets of the Bank at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

3.13 Fair Values of Financial Instruments

The term financial instruments include both financial assets and financial liabilities, and also derivatives. Financial instruments are fundamental to the Group's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Group. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Bank's balance sheet. The Group trades in financial instruments for customer facilitation and as principal.

3. ACCOUNTING POLICIES (continued)

3.13 Fair Values of Financial Instruments (contíd)

The Group accounts for financial instruments on a trade date basis. After initial recognition, the Group measures financial assets, including derivatives that are assets, at their fair values, except for loans and receivables originated by the enterprise and not held for trading, held-to-maturity investments and any financial asset that does not have a quoted market price in an active market and whose fair value cannot be reliably measured. Those financial assets that are excluded from fair valuation and that have a fixed maturity are measured at amortized cost using the effective interest rate method. Those that do not have a fixed maturity are measured at cost. All financial assets are reviewed periodically for impairment.

Various financial instruments are accounted for at fair value, as described above and in the related accounting policies notes. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes. Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market, if one exists.

Current economic conditions have led not only to volatility in Turkish markets, but also to low trading volumes in many markets. Consequently the Group is unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets, and calculation of present values on an IRR basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there are wide ranges of valuation techniques, it may be inappropriate to compare the Bankís fair value information to independent markets or to other financial institutionsí fair value information.

Gains or losses on financial assets or liabilities held for trading are included in net profit or loss for the period in which they arise. Gains or losses on available-for-sale financial assets are included in net profit or loss for the period in which they arise. For those financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in net profit or loss when the financial asset or liability is derecognised or impaired, as well as through the amortization process.

As discussed below, for certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

3. ACCOUNTING POLICIES (continued)

3.13 Fair Values of Financial Instruments (continued)

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

Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities portfolio: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

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

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

3.14 Risk Management

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

Liquidity risk

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

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

The Group uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

3. ACCOUNTING POLICIES (continued)

3.14 Risk Management (continued)

Credit risk

Credit risk arises where the possibility exists of a counter party defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorised at Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey. The Group places emphasis on obtaining sufficient collateral from borrowers including, wherever possible, mortgages or security over other assets.

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

Market risk

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

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

Operational risk

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

3.15 Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents consist of liquid assets, balances with the Central Bank and Balances with Banks.

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

3. ACCOUNTING POLICIES (continued)

3.16 Offsetting

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

3.17 Impairment

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

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

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

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

3.18 Use of Estimates

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

3.19 Segment Reporting

The Bank operates predominantly in one industry segment, basically the finance sector. All material assets and operations are located in Turkey.

3. ACCOUNTING POLICIES (continued)

3.20 Consolidation

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

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

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

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

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

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

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES
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4. LIQUID ASSETS

	31 December 2004 Billion TL	31 December 2003 Billion TL
Cash balances - Turkish Lira	22,284	23,608
Cash balances - Foreign currencies	14,736	15,946
Other	1	-
	37,021	39,554

5. BALANCES WITH THE CENTRAL BANK

	31 December 2004 Billion TL	31 December 2003 Billion TL
Demand deposits - Turkish Lira	38,380	89,743
Demand deposits - Foreign currency	28,148	43,096
Time deposits - Foreign currency	8,937	-
	75,465	132,839

6. BALANCES WITH BANKS

	31 December 2004 Billion TL	31 December 2003 Billion TL
Domestic Banks		
Demand Deposits - Turkish Lira	209	603
Demand Deposits - Foreign currency	1,455	-
Time deposits - Foreign currency	26,200	1,415
Foreign Banks		
Demand Deposits - Foreign currency	17,059	12,968
Time deposits - Foreign currency	173,378	6,043
Time deposits - Turkish Lira	149	-
Accrual	99	-
	218,549	21,029

Foreign currency time deposits in domestic and foreign banks bear interest rates of around 2.16% for Euro balances and 2.27% for USD balances on average (31.12.2003: 0.5%-1.26% for Euro balances and 1.8-2.3% for USD balances on average).

ŞEKERBANK T.A.Ş. AND ITS SUBSIDIARIES
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7. HELD FOR TRADE PORTFOLIO -NET AND HELD TO MATURITY SECURITIES

7a) Held for Trade Portfolio-Net

	31 December 2004 Billion TL	31 December 2003 Billion TL
Government bonds and treasury bills	534,003	408,282
Repurchasing agreements	54,382	2,377
Shares	44	2,161
Investment fund participation bills	-	11
Other	152	147
Income Accrual	33,716	68,554
	622,297	481,532
Value (loss) on securities	(483)	-
	621,814	481,532

7b) Held to Maturity Securities

	31 December 2004 Billion TL	31 December 2003 Billion TL
Government bonds and treasury bills	323,915	791,661
Repurchasing agreements	169,597	105,845
Income Accruals	45,113	159,853
	538,625	1,057,359
Value (loss) on securities	(6,097)	-
	532,528	1,057,359

The carrying values of securities are equal to fair values where a fair value is available and amortised cost where a fair value is not available (see note 3.4).

7. SECURITIES PORTFOLIO-NET AND HELD TO MATURITY SECURITIES (continued)

Estimated fair values for Government Bonds and Treasury Bills that are traded in a stock exchange were calculated based upon the prices quoted on the İstanbul Stock Exchange. For index-linked Government bonds, fair values were calculated based on either the prices quoted in the Official Gazette or internal rate of return.

As explained in Note 3.4, held to maturity securities are intended to be held till the maturity date.

Maturity as at December 2004	Nominal Value Billion TL	Book Value Billion TL
2005	369,468	336,863
2006	160,686	122,080
2007	28,062	27,926
2008	6,550	6,463
More than 4 years	814	180
	565,580	493,512

Maturity as at December 2003	Nominal Value Billion TL	Book Value Billion TL
2004	863,565	729,328
2005	48,358	50,249
2006	103,260	79,216
2007	31,405	31,254
2008	7,929	7,459
	1,054,517	897,506

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8. RESERVE DEPOSITS AT THE CENTRAL BANK

	31 December 2004 Billion TL	31 December 2003 Billion TL
Reserve deposits at the Central Bank - TL	37,592	37,266
Reserve deposits at the Central Bank - FC	93,033	99,001
Income Accrual on Reserve Deposits	2,383	3,105
	133,008	139,372

Under the Turkish Central Bank regulations, Banks are required to deposit with the Central Bank a proportion of all deposits taken from customers, other than interbank deposits. The prevailing rates are 8% for Turkish Lira deposits and 11% for foreign currency deposits. These reserves are not available funds to finance the operations of the Bank.

9a. LOANS -NET

	31 December 2004 Billion TL	31 December 2003 Billion TL
Short and medium term loans	1,320,147	828,281
Factoring receivables	22,195	14,805
Leasing receivables -net	53,931	32,950
Overdue loans	128,772	126,556
Income Accrual on Loans	32,401	23,449
	1,557,446	1,026,041
Less: Provision for loan losses	(113,032)	(54,089)
Total loans - net	1,444,414	971,952

The Bank mainly extends short term loans to customers with maturities within one year. Interest rates charged for loans varied around 37.61% (31.12.2003: around 45%) for Turkish Lira loans and 7.74-8.09% (31.12.2003: 9%) for foreign currency loans per annum during the year.

9b. PROVISION FOR LOAN LOSSES

Specific provisions for losses on cash loans:

	31 December 2004 Billion TL	31 December 2003 Billion TL
At 1 January	54,089	54,086
Charge for the year	107,320	15,769
Provision released	(41,802)	(9,148)
Net effect of indexation	(6,575)	(6,618)
At period end	113,032	54,089

Cash loans can be analyzed by sectors as follows:

Sector	31 December 2004 (%)	31 December 2003 (%)
Production	12.4	17.0
Agriculture	3.7	1.1
Energy	8.9	1.1
Trade	34.9	52.8
Construction	22.8	21.3
Residence	3.4	3.1
Financial institutions	8.7	1.9
Mining	5.2	1.7
	100.0	100.0

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10. SUNDRY DEBTORS -NET

	31 December 2004 Billion TL	31 December 2003 Billion TL
Receivables from personnel	316	383
Receivables from banking services	2,088	2,522
Receivables from advances to suppliers	-	2,211
Prepayments	57	112
Other	26,765	5,970
	29,226	11,198

* Other balance consists of receivables arising from term sales of assets amounting to TL 14,999 Billion including receivables arising from the sale of Seltur Turz. İşlet. Yat. A.Ş.

11. EQUITY PARTICIPATIONS -NET

	Participation Rate (%)	31 December 2004 Billion TL	31 December 2003 Billion TL
Pancar Motor San. A.Ş.	20.45%	8,630	8,630
Kredi Kayıt Bürosu	9.09%	1,937	1,469
Amasya Şeker Fabrikası A.Ş.	4.00%	1,472	1,472
Seltur Turz. İşlet. Yat. A.Ş. (*)	94.94%	-	36,987
Çalık-Şeker Konsorsiyum A.Ş. (**)	34.00%	6,198	-
Other - net		4,133	1,671
Value (Loss) on Equity Participations		(11,557)	(31,441)
		10,813	18,788

The value loss provision includes provisions for Pancar Motor San. A.Ş. and Amasya Şeker Fabrikaları T.A.Ş. amounting to TL 7,840 Billion and TL 1,472 Billion respectively.

* As of 29.02.2004, the Bank sold Seltur Turz. İşlet. Yat. A.Ş. for 10,914,600 USD and the receivable from the sale is recorded to the "Receivables from the sale of assets" account.
** Includes the equity pick up adjustment.

12. PREMISES AND EQUIPMENT-NET

	31 December 2004 Billion TL	31 December 2003 Billion TL
Movables	111,217	114,865
Leasehold & leasehold improvements	5,804	5,756
Immovables	83,301	80,660
Fixed assets to be sold	31,263	35,823
Impairment of immovables	(7,197)	(4,550)
Impairment of fixed assets awaiting sale	(9,376)	(7,749)
	215,012	224,805
Less: Accumulated depreciation	(112,466)	(102,386)
	102,546	122,419

13. OTHER ASSETS

	31 December 2004 Billion TL	31 December 2003 Billion TL
Prepaid taxes	343	1,532
Advances	4,917	5,522
Prepaid expenses	1,593	718
Other	25,960	23,865
	32,813	31,637

As of 31.12.2004, TL 5,207 Billion of the other balance is cheque balances receivable after the clearing transactions, and TL 6,242 Billion of the balance is composed of the establishment costs.

As of 31.12.2003, TL 2,712 Billion of the other balance is cheque balances receivable after the clearing transactions, and TL 9,582 Billion of the balance is composed of the establishment costs.

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14. TAXATION

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

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

The effective rates of tax are as follows:

* In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
* In 2003: 30% (the funds contribution was abolished for 2003).
* In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004)
* In 2005: 30%

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

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

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years. In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

14. TAXATION (cont'd)

Tax Computations Based on Inflation Adjusted Balances

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

Deferred Taxation

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

Due to the effective tax rate being 30% from 2005 onwards, this rate has been taken into account in the calculation of deferred taxes. For investment incentives transferred from 2001, deferred taxes have been calculated using 13.2%.

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

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14. TAXATION (cont'd)

a) Statement of income: provision for taxes on income:

	31 December 2004 Billion TL	31 December 2003 Billion TL
Corporate tax and funds	(25,318)	(1,454)
Deferred tax benefit	6,308	11,581
	(19,010)	10,127

b) Balance Sheet: Deferred tax (asset):

	31 December 2004 Billion TL	31 December 2003 Billion TL
Retirement pay provision not deductable until utilized	(15,997)	(15,524)
Leasing income accruals	-	663
Indexation of fixed assets	1,190	-
Provision for fixed assets	(5,536)	-
Valuation of marketable securities	(4,274)	40
Derivative financial instruments	(601)	-
General provisions	(12,065)	-
	(37,283)	(14,821)

Components of deferred tax (assets):

	31 December 2004 Billion TL	31 December 2003 Billion TL
Retirement pay provision not deductable until utilized	(4,799)	(5,107)
Leasing income accruals	-	219
Indexation of fixed assets	356	-
Provision for fixed assets	(1,661)	-
Valuation of marketable securities	(1,282)	11
Derivative financial instruments	(180)	-
General provisions	(3,619)	-
	(11,185)	(4,877)

14. TAXATION (cont'd)

Movement of deferred tax (assets)/liabilities:

	31 December 2004 Billion TL	31 December 2003 Billion TL
1 January	(4,877)	6,704
Taxation (benefit) on deferred tax	(6,308)	(11,581)
Period end	(11,185)	(4,877)

c) Balance Sheet: Taxes and Dues Payable:

	31 December 2004 Billion TL	31 December 2003 Billion TL
Corporate tax and funds	25,318	1,454
Taxes and dues payable	12,708	12,429
	38,026	13,833

15. DEPOSITS

	Demand Billion TL	Time Billion TL	2004 Total Billion TL
Savings deposits	96,773	685,437	782,210
Public, commercial and other deposits	242,166	197,254	439,420
Foreign currency deposits	269,784	861,876	1,131,660
Accruals	-	14,848	14,848
	608,723	1,759,415	2,368,138

	Demand Billion TL	Time Billion TL	2003 Total Billion TL
Savings deposits	62,445	682,671	745,116
Public, commercial and other deposits	196,971	233,763	430,734
Foreign currency deposits	239,253	981,913	1,221,166
Accruals	-	29,688	29,688
	498,669	1,928,035	2,426,704

Interest rates for TL deposits on average are 21.49 - 24.35% (31.12.2003: 28 - 36%).

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16. BORROWINGS

	31 December 2004 Billion TL	31 December 2003 Billion TL
Borrowings from other domestic enterprises		
Short-term	75,611	69,491
Borrowings from foreign banks		
Short-term	55,107	1,749
Long-term	23,905	-
Accruals on borrowings	2,025	1,614
Funds	45,367	25,452
	202,015	98,306

TL 43,632 Billion (31.12.2003: TL 25,451 Billion) of borrowings from other domestic enterprises comprise borrowings from Turkish Eximbank.

Borrowings from foreign banks include the syndication loan of 27,500,000 USD received on 21 December 2004.

INTERBANK FUNDS BORROWED

	31 December 2004 Billion TL	31 December 2003 Billion TL
Interbank funds borrowed	-	56,920
Accruals on borrowings	-	41
	-	56,961

17. SUNDRY CREDITORS

	31 December 2004 Billion TL	31 December 2003 Billion TL
Guarantees received as cash	1,735	2,049
Money transferable to various funds	950	2,182
Blocked money as guarantee	4,025	268
Other	6,066	8,493
	12,776	12,992

18. PROVISIONS

	31 December 2004 Billion TL	31 December 2003 Billion TL
Provision for retirement and severance pay		
At 1 January	15,549	13,036
Provision for the year	2,503	4,108
Net effect of indexation	(1,890)	(1,595)
At period end	16,162	15,549
General loan loss provisions	9,676	6,422
Other provisions	30,368	12,965
Reserve for pension funds deficit	4,800	2,733
	44,844	22,120
TOTAL PROVISIONS	61,006	37,669

Provision for Retirement Payments:

Lump sum payments are made to all employees who retire from the bank or whose employment is terminated for reasons other than misconduct. The amount payable is 30 days' gross pay for each year of service. The rate of pay is that ruling at 31 December 2004, subject to a maximum of TL 1,575 Million per month (2003: TL 1,582 Million per month at indexed values).

General Provision for Loans:

The general provision for loans has been made in respect of losses which have not yet been specifically identified but are known from experience to be present in any loan portfolio.

Other Provisions:

Other provisions include the provisions of the liquidated non-cash loans which were previously followed under special loan loss provisions.

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19. OTHER LIABILITIES

	31 December 2004 Billion TL	31 December 2003 Billion TL
Payment orders	2,153	955
Unearned revenues	5,721	427
Cheques clearance account	18,677	21,449
Import transfer orders	2,793	194
Other	6,565	17,832
	35,909	40,857

20. SHARE CAPITAL

The Bank's shares were held as follows as of 31 December 2004:

Shareholders	(%)	31 December 2004 Billion TL	(%)	31 December 2003 Billion TL
Shares quoted in the Istanbul Stock Exchange	36.61	45,759	33.93	26,137
Şekerbank Personnel Social Security Foundation	9.08	11,344	10.15	7,714
Şekerbank Pension Fund	42.96	53,704	42.96	32,652
Other	11.35	14,193	12.96	9,497
Historical Capital	100.00	125,000	100.00	76,000
Inflation adjustment		223,020		222,399
Restated Capital		348,020		298,399

21. OTHER OPERATING INCOME

	31 December 2004 Billion TL	31 December 2003 Billion TL
Fees and commissions earned from loans	102,833	102,365
Income from capital market operations - net	-	72,939
Dividend income from participations	59	1,267
Banking, leasing service and other income	41,608	46,383
Foreign exchange gains - net	13,096	52,002
	157,596	274,956

22. OTHER OPERATING EXPENSE

	31 December 2004 Billion TL	31 December 2003 Billion TL
Personnel expenses	108,188	91,203
Taxes and dues	4,711	-
Fees and commissions	17,173	18,990
Rent expenses	22,042	19,302
Depreciation expenses	17,426	17,473
Expense from capital market operations - net	3,984	-
Retirement pay provision expenses	5,114	4,108
Loan loss provision expenses	107,320	15,769
Other provisions	4,543	29,490
Other various expenses	62,535	84,529
	353,036	280,864

The Bank has fully provided for bad performing loans in 2004. This has resulted in an increase in the loan loss provision expenses for the period.

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23. MATURITY OF ASSETS AND LIABILITIES

31.12.2004	Up to 1 Month Billion TL	1-3 Months Billion TL	4-12 Months Billion TL	Over 12 Months Billion TL	Total Billion TL
ASSETS					
Liquid assets	37,021	-	-	-	37,021
Banks and Other Financial Institutions	421,741	153	5,128	-	427,022
Held for Trade portfolio	59,630	21,311	85,480	455,393	621,814
Available for sale	930	-	-	-	930
Loans - Net	259,140	594,373	298,235	292,666	1,444,414
Held to maturity securities	8,114	47,997	305,310	171,107	532,528
					3,063,729
LIABILITIES					
Deposits	1,114,612	966,244	235,834	51,448	2,368,138
Borrowings	17,310	32,840	45,503	106,362	202,015
Securities sold under repurchase agreements	235,897	15	-	-	235,912
					2,806,065

Maturities of certain assets and liabilities are estimated.

23. MATURITY OF ASSETS AND LIABILITIES (continued)

31.12.2003	Up to 1 Month Billion TL	1-3 Months Billion TL	4-12 Months Billion TL	Over 12 Months Billion TL	Total Billion TL
ASSETS					
Liquid assets	39,554	-	-	-	39,554
Banks and Other Financial Institutions	132,839	21,029	-	139,372	293,240
Held for trade portfolio	95,871	56,412	218,582	110,667	481,532
Loans - Net	23,533	801,472	61,503	85,444	971,952
Held to maturity securities	185,094	189,666	514,422	168,177	1,057,359
					2,843,637
LIABILITIES					
Deposits	918,864	1,055,355	229,117	223,368	2,426,704
Borrowings	6,040	7,523	52,655	32,088	98,306
Interbank Funds Borrowed	56,961	-	-	-	56,961
Securities sold under repurchase agreements	133,889	-	-	-	133,889
					2,715,860

Maturities of certain assets and liabilities are estimated.

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24. MINORITY INTEREST

	31 December 2004 Billion TL	31 December 2003 Billion TL
Capital	24,290	17,690
Premium in excess of par	655	-
Reserves	920	663
Accumulated (loss)	(22,046)	(14,927)
	3,819	3,426

25. CONTINGENCIES AND COMMITMENTS

	31 December 2004 Billion TL	31 December 2003 Billion TL
Letters of guarantee	1,703,052	1,308,826
Acceptance loans	30,539	17,786
Letter of credits	96,166	51,713
Foreign currency purchasing agreements	191,301	31,218
Other commitments	743,200	106,479
	2,764,258	1,516,022

Foreign currency open position of the Bank is TL 144,678 Billion as of 31 December 2004. (2003: TL 293,503 Billion open position). The open position is TL 16,811 Billion (2003: TL 20,825 Billion open position), when the securities, loans and other items indexed to foreign currencies are taken into account.

26. POST BALANCE SHEET EVENTS

i) The termination indemnity ceiling has increased to TL 1,649 Million commencing on 1 January 2005.

ii) A new law number 5083 was enacted with effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish Republic, the Turkish Lira ("TL"), to form a new currency the New Turkish Lira ("YTL"). Thus 1 YTL = 1,000,000 TL. The New Turkish Lira is divided into 100 New Turkish cents ("YKr"). The accompanying financial statements are presented in Turkish Lira (TL) since that was still the official currency as at the balance sheet date.

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LIST OF BRANCHES

ADANA
ADANA
CEYHAN
GAZİPAŞA
TOROS
ADAPAZARI
ADAPAZARI
AKYAZI
ADIYAMAN
ADIYAMAN
AFYON
AFYON
ÇAY
DİNAR
EMİRDAĞ
SANDIKLI
SULTANDAĞI
ŞUHUT
AKSARAY
AKSARAY
AMASYA
AMASYA
MERZİFON
ANKARA
ANAFARTALAR
AŞAĞI AYRANCI
BAHÇELİEVLER
BALGAT
BAŞKENT
BİRLİK
ÇANKAYA
CEBECİ
CİNNAH
DEMETEVLER
DİKMEN
GAZİOSMANPAŞA
KAZIMKARABEKİR
KIZILAY
KÜÇÜKESAT
MALTEPE
MERKEZ
OSTİM
POLATLI
REŞİTGALİP
SİNCAN
SİTELER
ULUS
YENİŞEHİR
YILDIZEVLER
ÜMİTKÖY
ANTALYA
AKDENİZ
ALANYA
ANTALYA
HAL
LARA
MANAVGAT
AYDIN
AYDIN
KUŞADASI
NAZİLLİ
SÖKE
BALIKESİR
BALIKESİR
BANDIRMA
SUSURLUK
BİLECİK
BOZÜYÜK
BOLU
BOLU
BURDUR
BURDUR
BURSA
BURSA
KARACABEY
ULUDAĞ
YENİŞEHİR
İNEGÖL
ÇANKIRI
ÇANKIRI
ÇORUM
ÇORUM
DENİZLİ
ÇİVRİL
DENİZLİ
DİYARBAKIR
DİYARBAKIR
DÜZCE
DÜZCE
EDİRNE
EDİRNE
UZUNKÖPRÜ
ELAZIĞ
ELAZIĞ
ERZİNCAN
ERZİNCAN
ERZURUM
ERZURUM
ESKİŞEHİR
ESKİŞEHİR
TAŞBAŞI
PORSUK
GAZİANTEP
GAZİANTEP
ŞEHİTKAMİL
GİRESUN
GİRESUN
HATAY
HATAY
İSKENDERUN
IĞDIR
IĞDIR
ISPARTA
ISPARTA
YALVAÇ
ŞARKİKARAAĞAÇ
İSTANBUL
4.LEVENT
AKSARAY
ALTUNİZADE
ATATÜRK HAVALİMANI
BAKIRKÖY
BAYRAMPAŞA
BEYLİKDÜZÜ
BEYOĞLU
BEŞİKTAŞ
BOSTANCI
ÇEMBERLİTAŞ
ELMADAĞ
ETİLER
FENERYOLU
FINDIKLI
GAYRETTEPE
GAZİOSMANPAŞA
GÜMÜŞSUYU
GÜNEŞLİ
GÖZTEPE
İMES
İSTANBUL
İSTİNYE
KADIKÖY
KARTAL
KAZASKER
KOZYATAĞI
KÜÇÜKYALI
MALTEPE
MECİDİYEKÖY
MEGACENTER
MERTER
NİŞANTAŞI
PENDİK
SUADİYE
SULTANHAMAM
ŞİRİNEVLER
ÜMRANİYE
ÜSKÜDAR
YEŞİLKÖY
ZEYTİNBURNU
ZİVERBEY
İZMİR
ALSANCAK
ATATÜRK ORG. SAN.
BORNOVA
HATAY
KARABAĞLAR
KARŞIYAKA
İZMİR
ŞİRİNYER
İZMİR GAZİ BULVARI
İZMİT
GEBZE
İZMİT
KAHRAMANMARAŞ
AFŞİN
ELBİSTAN
KAHRAMANMARAŞ
KARABÜK
KARABÜK
KARAMAN
KARAMAN
KASTAMONU
KASTAMONU
TAŞKÖPRÜ
TOSYA
KAYSERİ
ERCİYES
KAYSERİ
SARIOĞLAN
KIRIKKALE
KIRIKKALE
KIRKLARELİ
ALPULLU
BABAESKİ
LÜLEBURGAZ
KIRŞEHİR
KIRŞEHİR
KONYA
AKŞEHİR
BEYŞEHİR
EREĞLİ
KONYA
SEYDİŞEHİR
TOPTANCILAR
KÜTAHYA
KÜTAHYA
MALATYA
MALATYA
MANİSA
AKHİSAR
MANİSA
SOMA
MERSİN
MERSİN
TARSUS
MUĞLA
BODRUM
FETHİYE
MARMARİS
NEVŞEHİR
NEVŞEHİR
NİĞDE
NİĞDE
ORDU
ORDU
ÜNYE
OSMANİYE
OSMANİYE
RİZE
RİZE
SAMSUN
BAFRA
CUMHURİYET
SAMSUN
SİVAS
SİVAS
YENİÇUBUK
ŞANLIURFA
ŞANLIURFA
TEKİRDAĞ
ÇERKEZKÖY
ÇORLU
TEKİRDAĞ
TOKAT
NİKSAR
TOKAT
TURHAL
TRABZON
TRABZON
UŞAK
BANAZ
UŞAK
VAN
VAN
YALOVA
YALOVA
YOZGAT
BOĞAZLIYAN
ZONGULDAK
ZONGULDAK