

**Turk Ekonomi Bankasi  
Anonim Sirketi**

**Consolidated Financial Statements  
Together With  
Report of Independent Auditors  
December 31, 2004**

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To the Board of Directors of  
Turk Ekonomi Bankasi Anonim Sirketi:

We have audited the accompanying consolidated balance sheet of Turk Ekonomi Bankasi Anonim Sirketi (the Bank - a Turkish corporation) and its subsidiaries (collectively the Group) as of December 31, 2004 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of Turkish lira as of December 31, 2004. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 29, 2005  
Istanbul, Turkey

**Turk Ekonomi Bankasi Anonim Sirketi**

**CONSOLIDATED BALANCE SHEET**

**As at December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

	Notes	2004	2003
<b>ASSETS</b>			
Cash and balances with Central Banks	4	856,404	660,401
Deposits with banks and other financial institutions	4	823,778	929,193
Other money market placements	4	95,666	494,846
Reserve deposits at Central Banks	5	211,860	194,805
Trading securities	6	17,552	59,752
Investment securities	6	437,643	104,660
Originated loans and advances	7	2,055,498	1,964,065
Factoring receivables	9	124,010	130,032
Minimum lease payments receivable	10	189,105	173,675
Derivative financial instrument assets	18	6,890	4,992
Investments in associates	2	656	1,016
Premises and equipment	11	49,310	55,171
Intangible assets	12	3,913	4,796
Deferred tax asset	17	8,708	6,213
Other assets	13	20,849	46,851
<b>Total assets</b>		<b>4,901,842</b>	<b>4,830,468</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from other banks	14	109,391	175,290
Customers' deposits	14	3,165,817	3,323,882
Other money market deposits	14	155,783	17,572
Funds borrowed			
- Subordinated debt	15	20,336	24,078
- Other funds borrowed	15	859,281	687,800
Factoring payables	9	56,021	73,542
Derivative financial instrument liabilities	18	10,315	8,097
Other liabilities and provisions	16	101,839	118,757
Income taxes payable	17	7,518	10,222
Deferred tax liability	17	46	-
<b>Total liabilities</b>		<b>4,486,347</b>	<b>4,439,240</b>
<b>Minority interest</b>		<b>1,628</b>	<b>20,150</b>
Share capital issued	19	57,800	55,125
Adjustment to share capital	19	252,676	252,383
Net unrealized gains/losses on available sale securities, net of tax		3,996	-
Other reserves and accumulated profits	20	99,395	63,570
<b>Total equity</b>		<b>413,867</b>	<b>371,078</b>
<b>Total liabilities and equity</b>		<b>4,901,842</b>	<b>4,830,468</b>

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

# Turk Ekonomi Bankasi Anonim Sirketi

## CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003 (As restated - Note 20)
<b>Interest income</b>			
Interest on originated loans and advances		263,978	242,758
Interest on securities		80,020	28,479
Interest on deposits with banks and other financial institutions		41,793	51,372
Interest on other money market placements		61,555	99,346
Interest on financial leases		22,084	20,789
Other interest income		17,340	24,472
<b>Total interest income</b>		<b>486,770</b>	<b>467,216</b>
<b>Interest expense</b>			
Interest on deposits		(225,972)	(211,558)
Interest on other money market deposits		(16,460)	(18,463)
Interest on funds borrowed		(44,237)	(40,253)
Other interest expense		(184)	(251)
<b>Total interest expense</b>		<b>(286,853)</b>	<b>(270,525)</b>
<b>Net interest income</b>		<b>199,917</b>	<b>196,691</b>
Provision for impairment of loan, lease, factoring and other receivables	7, 9, 10	1,623	(5,247)
<b>Net interest income after provision for impairment of loan, lease, factoring and other receivables</b>		<b>201,540</b>	<b>191,444</b>
Foreign exchange gain (loss)		11,913	(274)
<b>Net interest income after foreign exchange gain (loss) and provision for impairment of loan, lease, factoring and other receivables</b>		<b>213,453</b>	<b>191,170</b>
<b>Other operating income</b>			
Fees and commissions income		44,536	34,957
Fund management fee income		27,677	16,328
Income from banking services		30,189	25,431
Trading income, net		1,731	39,044
Insurance technical income, net		-	3,283
Other income	24	7,305	18,189
<b>Total other operating income</b>		<b>111,438</b>	<b>137,232</b>
<b>Other operating expense</b>			
Fees and commissions expense		(20,122)	(18,882)
Salaries and employee benefits		(99,931)	(86,030)
Depreciation and amortization	11,12	(15,628)	(16,680)
Taxes other than on income		(6,308)	(14,628)
Insurance technical expense, net		(936)	-
Other expenses	24	(66,106)	(61,789)
<b>Total other operating expense</b>		<b>(209,031)</b>	<b>(198,009)</b>
<b>Profit from operating activities before income tax, monetary loss and minority interest</b>		<b>115,860</b>	<b>130,393</b>
Income tax	17	(23,221)	(35,040)
Monetary loss		(29,822)	(26,958)
<b>Net profit for the year</b>		<b>62,817</b>	<b>68,395</b>
Minority interest		(748)	(1,262)
<b>Net profit</b>		<b>62,069</b>	<b>67,133</b>
Earnings per share (full TL)			
Basic	21	537	609

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

**Turk Ekonomi Bankasi Anonim Sirketi**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the year ended December 31, 2004**

**(Currency – In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

	Notes	Share Capital	Adjustment to share capital	Net unrealized gains/losses on available sale securities, net of tax	Currency translation differences	Legal reserves and accumulated profits (deficit)	Total
<b>At January 1, 2003 as previously stated</b>		55,125	252,383	-	8,188	17,965	333,661
Effect of restatement	20	-	-	-	(2,259)	2,259	-
<b>At January 1, 2003 as restated</b>		<b>55,125</b>	<b>252,383</b>	<b>-</b>	<b>5,929</b>	<b>20,224</b>	<b>333,661</b>
Share capital increase		-	-	-	-	-	-
Dividend paid		-	-	-	-	(18,588)	(18,588)
Currency translation differences		-	-	-	(11,128)	-	(11,128)
Net profit for the period		-	-	-	-	67,133	67,133
<b>At December 31, 2003</b>		<b>55,125</b>	<b>252,383</b>	<b>-</b>	<b>(5,199)</b>	<b>68,769</b>	<b>371,078</b>
<b>At January 1, 2004</b>		<b>55,125</b>	<b>252,383</b>	<b>-</b>	<b>(5,199)</b>	<b>68,769</b>	<b>371,078</b>
Share capital increase	19	2,675	293	-	-	(2,968)	-
Dividend paid	20	-	-	-	-	(14,985)	(14,985)
Currency translation differences		-	-	-	(8,653)	-	(8,653)
Net profit for the period		-	-	-	-	62,069	62,069
Net unrealized gains/losses on available sale securities, net of tax		-	-	3,996	-	-	3,996
Change in consolidation structure		-	-	-	-	362	362
<b>At December 31, 2004</b>		<b>57,800</b>	<b>252,676</b>	<b>3,996</b>	<b>(13,852)</b>	<b>113,247</b>	<b>413,867</b>

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

**Turk Ekonomi Bankasi Anonim Sirketi**

**CONSOLIDATED CASH FLOW STATEMENT**

**For the year ended December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

	2004	2003
<b>Cash flows from operating activities</b>		
Interest received	474,275	486,147
Interest paid	(291,388)	(270,967)
Fees and commissions received	55,406	34,957
Income from banking services	30,189	25,431
Trading loss	1,731	49,301
Recoveries of loans previously written off	6,872	6,172
Fees and commissions paid	(20,122)	(18,882)
Cash payments to employees and other parties	(96,780)	(85,190)
Cash received from other operating activities	42,360	27,542
Cash paid for other operating activities	(105,975)	(12,659)
Income taxes paid	(32,596)	(119,643)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>63,972</b>	<b>122,209</b>
<b>Changes in operating assets and liabilities</b>		
Net (increase) decrease trading securities	33,499	(959)
Net (increase) decrease in reserve deposits at Central Banks	(40,602)	(21,241)
Net (increase) decrease in due from banks and other financial institutions	18,376	(1,948)
Net (increase) in originated loans and advances	(324,798)	(461,834)
Net (increase) decrease in factoring receivables	(9,792)	(54,304)
Net (increase) decrease in minimum lease payments receivable	(34,394)	(74,796)
Net (increase) decrease in other assets	20,151	(16,483)
Net increase (decrease) in deposits from other banks	(43,592)	54,997
Net increase in customers' deposits	248,981	229,512
Net increase (decrease) in other money market deposits	140,283	(8,399)
Net increase in factoring payables	(8,580)	41,686
Net increase (decrease) in other liabilities	(5,273)	3,556
<b>Net cash from operating activities</b>	<b>(5,741)</b>	<b>(310,213)</b>
<b>Cash flows from investing activities</b>		
Purchases of available for sale securities	(352,335)	-
Proceeds from sale and redemption of available for sale securities	-	19,621
Purchases of held to maturity securities	(33,401)	(63,484)
Proceeds from redemption of held to maturity securities	53,824	4,295
Disposal of subsidiaries and associates net of cash disposed	(4,500)	-
Purchases of premises and equipment	(15,292)	(17,971)
Proceeds from the sale of premises and equipment	1,259	2,430
Purchases of intangible assets	(1,426)	(1,842)
<b>Net cash provided by (used in) investing activities</b>	<b>(351,871)</b>	<b>(56,951)</b>
<b>Cash flows from financing activities</b>		
Proceeds from funds borrowed	326,525	592,474
Repayments of funds borrowed	(74,687)	(435,465)
Dividends paid	(14,987)	(18,588)
<b>Net cash provided by (used in) financing activities</b>	<b>236,851</b>	<b>138,421</b>
Effect of net foreign exchanges difference and monetary gain (loss) on monetary items	(233,427)	(230,866)
Net increase in cash and cash equivalents	(290,216)	(337,400)
Cash and cash equivalents at beginning of period (Note 4)	2,041,652	2,379,052
<b>Cash and cash equivalents at end of period (Note 4)</b>	<b>1,751,436</b>	<b>2,041,652</b>

The accompanying policies and explanatory notes on pages 6 through 48 form an integral part of the consolidated financial statements.

# Turk Ekonomi Bankasi Anonim Sirketi

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

### 1. CORPORATE INFORMATION

#### General

Turk Ekonomi Bankasi A.S. a joint stock company, (TEB or the Bank) was incorporated in Turkey in 1927 and in 1982 was acquired by the Colakoglu Group and renamed as Turk Ekonomi Bankasi A.S. Certain shares of the Bank, representing 20% of the total, are listed on the Istanbul Stock Exchange since February 2000. TEB's shares are also listed and traded in London Stock Exchange as GDR's since 2000. The registered office address of TEB is at Meclis-i Mebusan Caddesi, No: 35, Findikli-Istanbul/Turkey.

The parent and ultimate parent of the Bank is TEB Mali Yatirimlar A.S.. TEB Mali Yatirimlar A.S. owns and controls 84.25% of the shares of the Bank. The consolidated financial statements of the Bank were authorized for issue by the management on March 29, 2005. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

In accordance with the notification made by TEB Mali Yatirimlar A.S, the ultimate shareholder of the Group, it was announced that TEB Mali Yatirimlar A.S. has transferred shares representing 50% of its capital to BNP Paribas on February 10, 2005.

#### Nature of Activities of the Bank / Group

For the purposes of the consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The operations of the Group consist of banking, leasing, factoring and brokerage and portfolio management in capital markets, which are conducted mainly with local customers. Until November 4, 2004, The Group was also involved in insurance activities. (Note 8)

The Bank provides banking services through 87 (2003 - 76) branches and 2,129 employees (2003 - 1,847) (excluding the subsidiaries) as of December 31, 2004 in Turkey. The Bank also has an offshore branch in Bahrain with 2 employees.

The subsidiaries included in consolidation and effective shareholding percentages of the Group at December 31, 2004 are as follows:

	Place of Incorporation	Effective Shareholding and Voting Rights %	
		2004	2003
The Economy Bank N.V.(Economy Bank)	Netherlands	100.0	100.0
Petek International Holdings B.V.(Petek International)	Netherlands	100.0	100.0
Stichting Custody Services TEB	Netherlands	100.0	100.0
Kronenburg Vastgoed B.V.	Netherlands	100.0	100.0
TEB Yatirim Menkul Degerler A.S.(TEB Yatirim)	Turkey	100.0	92.1
TEB Factoring A.S.(TEB Factoring)	Turkey	100.0	73.5
TEB Finansal Kiralama A.S.(TEB Leasing)	Turkey	100.0	72.7
TEB Portfoy Yonetimi A.S.(TEB Portfoy)	Turkey	82.5	99.5
TEB Sigorta A.S.(TEB Sigorta)	Turkey	-	50.0

The principal activities of the consolidated subsidiaries are as follows:

Economy Bank - Commercial bank, which deals mainly in foreign trade finance, corporate banking, private banking and correspondent banking services.

Petek International - Private holding company.

Stichting Custody Services TEB - Holding securities of clients, located in the Netherlands.

Kronenburg Vastgoed B.V. - real estate company founded with the purpose of the ownership of property possessed by Economy Bank NV in the Netherlands.

## **Turk Ekonomi Bankasi Anonim Sirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

TEB Yatirim - Rendering fixed income and equity brokerage and corporate finance services in line with the rules of the Capital Market Board of Turkey.

TEB Portfoy – Managing mutual funds, which are made up of capital market instruments. And also manages individual customer portfolios.

TEB Factoring - Providing both domestic and export factoring services to industrial and commercial enterprises in Turkey.

TEB Leasing – Providing financial leasing services to corporate clients, investing in industrial machinery and equipment, various equipment and transport vehicles.

TEB Sigorta - Rendering all types of property and casualty insurance services (incorporated in Turkey). In November 2004, TEB Sigorta was fully disposed through the sale of shares to the TEB Mali Yatirimlar A.S.

#### **Basis of Preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Standards Accounting Committee (IASC) that remain in effect. The consolidated financial statements have been prepared on a historical cost convention except for the measurement at fair value of derivative financial instruments, trading securities and available-for-sale financial assets. As of December 31, 2004, the Group did not early adopt the changes in IFRS effective for annual periods beginning on or after 1 January 2005.

The Bank and its subsidiaries which are incorporated in Turkey, maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Banking Law and accounting standards promulgated by the other relevant laws and regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS in Turkish Lira (TL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise the effects of deferred taxation, employee termination benefits, deferred acquisition costs related to insurance contracts and unearned premium reserve and claim provisions.

#### **Reclassification**

Certain reclassifications mainly related to reserve deposits at Central Banks derived from a foreign subsidiary, were made in the accompanying December 31, 2003 financial statements to be consistent with the current year financial statements amounting to TL 24,498.

And also Cash Flow Statement for the year ended December 31, 2003 is revised to present the monetary gain or loss on cash and cash equivalents and the effect of inflation on operating, investing and financing cash flows as a single line item.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Measurement and Reporting Currency

###### *Measurement and Reporting Currency for the Bank and Its Subsidiaries Which Operate in Turkey:*

As a result of a long period of high inflation, the TL has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted on January 31, 2004 to introduce Yeni Turk Lirasi (New Turkish Lira, YTL), as the new currency unit for the Republic of Turkey effective January 1, 2005. Conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 throughout the period until complete phase-out of TL. In accordance with the declaration of the Banking Regulation and Supervision Agency (BRSA) dated January 5, 2005, the Bank continued to present its financial statements as of December 31, 2004 in billions of TL. Effective January 1, 2005 the Bank's functional and presentation currency will be YTL and financial statements including comparative figures for the prior period / year(s) will be presented in thousands of YTL.

Measurement currency of the Bank and its subsidiaries which operate in Turkey is Turkish Lira (TL). The restatement for the changes in the general purchasing power of TL as of December 31, 2004 is based on IAS 29 ("Financial Reporting in Hyperinflationary Economies"). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of December 31, 2004, the three-year cumulative rate has been 69.72 % (2003 - 181.11 %) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such index and conversion factors as of the end of the three-year period ended December 31, 2004 are given below:

Dates	Index	Conversion Factors
December 31, 2001	4,951.7	1.697
December 31, 2002	6,478.8	1.297
December 31, 2003	7,382.1	1.138
December 31, 2004	8,403.8	1.000

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

- the financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2004.
- monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2004 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions, dividends reinvested, transfers from statutory retained earnings and income from sale of investments and property transferred to share capital from the date they were contributed.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity are restated by applying the relevant conversion factors.
- the effect of general inflation on the net monetary position is included in the income statement as monetary gain(loss).
- all items in the income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets which have been calculated based on the restated gross book values and accumulated depreciation/amortization.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### *Measurement and Reporting Currencies of Foreign Subsidiaries:*

As of December 31, 2004 the foreign subsidiaries (The Economy Bank NV and Petek International Holdings B.V.) adopted Euro as their measurement and reporting currency.

The foreign subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous.

##### **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries drawn up to the reporting date each period.

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

The consolidated financial statements of the Group include the Bank and its subsidiaries which it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and income statement, respectively.

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

##### **Segment Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments. As the Group conducts majority of its business activities with local customers in Turkey business segments are the basis on which the Bank reports its primary segment information.

##### **Foreign Currency Translation**

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

Foreign currency translation rates used by the Group as of respective period-ends are as follows:

Dates	TL (full) / USD	TL (full) / EUR
December 31, 2002	1,639,745	1,718,945
December 31, 2003	1,393,278	1,757,480
December 31, 2004	1,336,300	1,823,300

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assets and liabilities of foreign subsidiaries (none of which has the currency of a hyper-inflationary economy) are translated at the rate of exchange ruling at the balance sheet date. The income statements of foreign subsidiaries are also translated at period-end exchange rates, which are considered as a proxy to restate such income statement amounts at period-end purchasing power of TL. On consolidated exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity as currency translation differences.

#### Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of premises and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to income in the period in the costs are incurred. Expenditures incurred that have resulted in an increase in the future economic benefits expected from the use of premises are capitalized as an additional cost of premises and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and land improvements	50 years
Machinery and equipment	5 years
Office equipment	4 - 5 years
Furniture, fixtures and vehicles	2-25 years
Leasehold improvements	Lease period
Land	not depreciated

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

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of premises and equipment.

#### Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives of 3 to 5 years.

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

#### Investments in Associates

Investment in associate, which is traded in an organized financial market, is accounted for by the equity method of accounting in the accompanying financials.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Investments

All investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost, change in value is not recognized; for assets classified as trading or as available for sale, the change in value is recognized through profit and loss and in equity, respectively. The Group maintains three separate securities portfolio, as follows:

##### *Trading securities*

Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. After initial recognition, trading securities are remeasured at fair value based on quoted closing average bid prices. All related realized and unrealized gains or losses are recognized in income.

##### *Held- to- maturity securities*

Investment securities with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Management determines the appropriate classification of its investments at the time of the purchase.

Held-to-maturity investments include debt securities, primarily government bonds and treasury bills, and are carried at amortized cost using the effective yield method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held-to-maturity securities is reported as interest income.

##### *Available- for- sale securities*

All other investments are classified as available-for-sale. Available-for-sale securities are subsequently carried at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income.

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

For investments that are actively traded in organized financial markets, fair value is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted price in an active market, fair value is determined by using valuation techniques such as discounted cash flows using one or more discount rates equal to the prevailing rates of return for the financial instruments having substantially the same terms and characteristics or recent transaction prices. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment (if any).

Foreign currency denominated debt securities are valued at their closing prices and translated at the foreign currency exchange rate at the balance sheet date.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## **Turk Ekonomi Bankasi Anonim Sirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

#### **Repurchase and Resale Transactions**

The Group enters into short-term sales of securities under agreements to repurchase such securities. Such securities continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of the security portfolio to which they relate. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements.

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

#### **Offsetting**

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

#### **Recognition and Derecognition of Financial Instruments**

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

#### **Cash and Cash Equivalents**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with Central Banks, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

#### **Originated Loans and Advances to Customers**

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at drawdown are categorized as loans originated by the Group and are carried at amortized cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers.

#### **Provisions for Impairment of Loan, Lease and Factoring and Other Receivables**

Based upon its evaluation of credits granted, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in the Group's loan and receivable portfolio and losses under guarantees and commitments. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to original contractual terms of the loan or the loan is overdue by more than 90 days, such loans are considered impaired and are classified as "loans in arrears".

The amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and the fair value of collateral, if the loan is collateralized and foreclosure is probable.

## **Turk Ekonomi Bankasi Anonim Sirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

The Group ceases to accrue interest on those loans that are classified as “loans in arrears”.

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

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

#### **Deposits and Funds Borrowed**

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

#### **Employee Termination Benefits**

##### **(a) Defined Benefit Plans:**

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

Full provision is made for the present value of the defined benefit obligation calculated using the Projected Unit Credit Method. All actuarial gains and losses are recognized in the income statement.

##### **(b) Defined Contribution Plans:**

Employer contributions to the Social Security Funds are recognized as employee benefit expense when they are due.

The Bank employees are members of Teb'liler Foundation. The Bank does not have any other liability to this foundation other than paying 20 % of the first monthly contribution fee of the employee.

#### **Provision**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

## **Turk Ekonomi Bankasi Anonim Sirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Leases**

##### **The Group as Lessee**

###### ***Finance Leases***

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

###### ***Operating Leases***

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch premises, which are cancelable subject to a period of notice. Related payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

##### **The Group as Lessor**

###### ***Finance Leases***

The Group classifies leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

##### **Factoring Receivables and Factoring Payables**

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for possible losses. Factoring payables are recognized at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and then carried at amortized cost.

##### **Income and Expense Recognition**

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Recognition of interest on loans in arrears is suspended. Interest income also includes coupons earned on fixed income securities and accrued discount and premium on treasury bills and other discounted instruments.

Fund management fee income is recognized in the income statement on an accrual basis.

Commission income, fees for various banking services are recorded as income when collected. Dividends are recognized when the shareholders' right to receive the payments is established.

Premium income is recognized in the period in which insurance cover is provided to the customer. Premiums received relating to future periods are deferred on a daily pro-rated basis and only recognized in the income statement when earned.

Reinsurance premiums are recognized on the same basis as the related premium income.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

## **Turk Ekonomi Bankasi Anonim Sirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

#### **Income Tax**

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

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except for the taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deferred and current tax related to fair value remeasurement of available for sale securities which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognized in the income statement together with the deferred gain or loss.

#### **Derivative Financial Instruments**

The Group enters into transactions in derivative instruments, including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value.

Fair values are obtained from quoted market prices, to the extent publicly available or, discounted cash flow and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

#### **Fiduciary Assets**

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the balance sheet, since such items are not treated as assets of the Group.

#### **Use of Estimates**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 3. SEGMENT INFORMATION

Segment information is prepared on the following bases:

##### *Business segments*

The Group conducts the majority of its business activities in the following areas:

Year ended December 31, 2004:

	Banking	Leasing	Factoring	Insurance	Brokerage and Other	Eliminations	Group
Net interest income	173,557	16,062	4,809	288	5,201	-	199,917
Provision for impairment of loan, lease and factoring receivables	1,899	187	(463)	-	-	-	1,623
Foreign exchange gain (loss)	15,255	(364)	(118)	(964)	103	(1,999)	11,913
Other operating income	90,372	140	3,709	2,334	26,152	(11,269)	111,438
Other operating expense	(184,176)	(6,065)	(4,313)	(8,493)	(21,005)	15,021	(209,031)
<b>Profit (loss) from operating activities</b>	<b>96,907</b>	<b>9,960</b>	<b>3,624</b>	<b>(6,835)</b>	<b>10,451</b>	<b>1,753</b>	<b>115,860</b>
Income tax	(21,291)	1,275	(889)	(24)	(2,292)	-	(23,221)
Monetary gain(loss)	(31,120)	(3,788)	(1,094)	(1,095)	(3,382)	10,657	(29,822)
Minority interest	-	-	-	-	-	(748)	(748)
<b>Net profit(loss)</b>	<b>44,496</b>	<b>7,447</b>	<b>1,641</b>	<b>(7,954)</b>	<b>4,777</b>	<b>11,662</b>	<b>62,069</b>
Segment assets	4,661,715	253,790	132,664	-	36,274	(182,601)	4,901,842
<b>Total assets</b>	<b>4,661,715</b>	<b>253,790</b>	<b>132,664</b>	<b>-</b>	<b>36,274</b>	<b>(182,601)</b>	<b>4,901,842</b>
Segment liabilities	4,172,478	216,858	119,971	-	3,126	(26,086)	4,486,347
<b>Total liabilities</b>	<b>4,172,478</b>	<b>216,858</b>	<b>119,971</b>	<b>-</b>	<b>3,126</b>	<b>(26,086)</b>	<b>4,486,347</b>
Capital expenditures							
Tangible fixed assets	14,841	45	23	-	383	-	15,292
Intangible fixed assets	1,309	-	27	-	90	-	1,426
<b>Depreciation</b>	<b>(11,973)</b>	<b>(216)</b>	<b>(100)</b>	<b>(263)</b>	<b>(1,080)</b>	<b>-</b>	<b>(13,632)</b>
<b>Amortization</b>	<b>(1,636)</b>	<b>(56)</b>	<b>(54)</b>	<b>(78)</b>	<b>(172)</b>	<b>-</b>	<b>(1,997)</b>

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 3. SEGMENT INFORMATION (continued)

Year ended December 31, 2003:

	Banking	Leasing	Factoring	Insurance	Brokerage and Other	Eliminations	Group
Net interest income	171,147	16,742	4,620	289	3,835	58	196,691
Provision for impairment of loan, lease and factoring receivables	(2,806)	(1,142)	(521)	(778)	-	-	(5,247)
Foreign exchange gain (loss)	4,965	(2,676)	(147)	(236)	(1,292)	(888)	(274)
Other operating income	125,446	846	2,787	4,928	21,979	(18,754)	137,232
Other operating expense	(167,821)	(5,673)	(4,467)	(5,805)	(17,549)	3,306	(198,009)
<b>Profit (loss) from operating activities</b>	<b>130,931</b>	<b>8,097</b>	<b>2,272</b>	<b>(1,602)</b>	<b>6,973</b>	<b>(16,278)</b>	<b>130,393</b>
Income tax	(33,963)	2,945	(781)	(1,158)	(2,083)	-	(35,040)
Monetary gain(loss)	(23,141)	(2,750)	(776)	157	(2,689)	2,241	(26,958)
Minority interest	-	-	-	-	-	(1,262)	(1,262)
<b>Net profit(loss)</b>	<b>73,827</b>	<b>8,292</b>	<b>715</b>	<b>(2,603)</b>	<b>2,201</b>	<b>(15,299)</b>	<b>67,133</b>
Segment assets	4,556,774	248,324	141,717	42,198	36,645	(195,190)	4,830,468
<b>Total assets</b>	<b>4,556,774</b>	<b>248,324</b>	<b>141,717</b>	<b>42,198</b>	<b>36,645</b>	<b>(195,190)</b>	<b>4,830,468</b>
Segment liabilities	4,072,225	211,089	130,056	29,855	7,201	(11,186)	4,439,240
<b>Total liabilities</b>	<b>4,072,225</b>	<b>211,089</b>	<b>130,056</b>	<b>29,855</b>	<b>7,201</b>	<b>(11,186)</b>	<b>4,439,240</b>
Capital expenditures							
Tangible fixed assets	14,676	97	49	3,689	180	(721)	17,970
Intangible fixed assets	1,464	7	13	311	48	-	1,843
<b>Depreciation</b>	<b>(12,560)</b>	<b>(253)</b>	<b>(191)</b>	<b>(332)</b>	<b>(1,461)</b>	<b>-</b>	<b>(14,797)</b>
<b>Amortization</b>	<b>(1,504)</b>	<b>(59)</b>	<b>(58)</b>	<b>(98)</b>	<b>(164)</b>	<b>-</b>	<b>(1,883)</b>

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

#### *Geographical segments:*

The Group conducts majority of its business activities with local customers in Turkey.

**Turk Ekonomi Bankasi Anonim Sirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

**4. CASH AND CASH EQUIVALENTS**

	2004	2003
Cash on hand	81,591	75,213
Balances with Central Banks	774,813	585,188
<b>Cash and balances with Central Banks</b>	<b>856,404</b>	<b>660,401</b>
<b>Deposits with banks and other financial institutions</b>	<b>823,778</b>	<b>929,193</b>
Funds lent under reverse repurchase agreements	618	2,854
Interbank placements	95,048	491,992
<b>Other money market placements</b>	<b>95,666</b>	<b>494,846</b>
Less: Time deposits with original maturities of more than three months	(24,412)	(42,788)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>1,751,436</b>	<b>2,041,652</b>

The analysis by currency and the effective interest rates on deposits and placements are as follows:

	2004			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign Currency
Balances with Central Banks	21,918	752,895	-	0.55% - 0.64%
Deposits with banks and other financial institutions	103,902	719,876	18.26% - 26%	2.23% - 3.5%
Funds lent under reverse repurchase agreements	618	-	17.2% - 18%	-
Interbank placements	95,048	-	18%	-
<b>Total</b>	<b>221,486</b>	<b>1,472,771</b>		

  

	2003			
	Amount		Effective interest rate	
	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency
Balances with Central Banks	61,498	523,690	-	0.43%-0.80%
Deposits with banks and other financial institutions	104,319	824,874	24%- 58%	1% - 4.5%
Funds lent under reverse repurchase agreements	2,854	-	25.7% - 26%	-
Interbank placements	419,000	72,992	26% - 26.1%	0.5% - 0.75%
<b>Total</b>	<b>587,671</b>	<b>1,421,556</b>		

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 5. RESERVE DEPOSITS AT CENTRAL BANKS

	2004	2003
Turkish lira	27,898	22,224
Foreign currency	183,962	172,581
<b>Total</b>	<b>211,860</b>	<b>194,805</b>

According to the regulations of the Central Bank of Turkish Republic (the Central Bank), banks are obliged to deposit a portion of certain liability accounts as specified in the related decree. Such reserves are deposited with the Central Bank.

As of December 31, 2004 and 2003, the reserve deposit requirements applicable in Turkey for Turkish lira and foreign currency deposits were 6% and 11%, respectively.

As of December 31, 2004, the interest rates applied for Turkish lira and foreign currency reserve deposits are 10% and 0.55% - 2.20% (2003 - 16% and 0.43%-0.8%), respectively.

Banks in the Netherlands are required to maintain a certain amount of funds and/or reserves on an account at the Dutch Central Bank and receive interest on their reserve requirement deposits at rates in line with open-market facilities.

#### 6. INVESTMENTS IN SECURITIES

##### Trading Securities:

	2004		2003	
	Amount	Effective Interest rate	Amount	Effective Interest rate
<b>Trading securities at fair value</b>				
<b>Debt instruments</b>				
Turkish government bonds	5,733	23.74%	35,683	26.25%
Turkish treasury bills	4,995	22.00%	8,539	26.22%
Foreign currency government bonds	91	5.50%	916	5.8% - 6.8%
Eurobonds issued by the Turkish government	6,178	9.63% - 11.69%	13,323	7.87% - 8.81%
	<b>16,997</b>		<b>58,461</b>	
<b>Others</b>	<b>555</b>		<b>1,291</b>	
<b>Total trading securities</b>	<b>17,552</b>		<b>59,752</b>	

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 6. INVESTMENTS IN SECURITIES (continued)

##### Investment Securities:

	2004		2003	
	Amount	Effective Interest rate	Amount	Effective Interest rate
<b>Available for sale securities at fair value</b>				
<b>Debt instruments</b>				
Turkish government bonds	287,099	20.62% - 23.0%	-	-
Turkish treasury bills	18,298	21.45% - 23.6%	-	-
Eurobonds issued by the Turkish government	56,864	6.5%	-	-
<b>Total available for sale securities at fair value</b>	<b>362,261</b>		<b>-</b>	<b>-</b>
<b>Available for sale securities at cost</b>				
Equity instruments -unlisted	9	-	10	-
<b>Total available for sale securities</b>	<b>362,270</b>		<b>10</b>	<b>-</b>
<b>Held to maturity securities at amortized cost</b>				
<b>Debt instruments</b>				
Turkish government bonds	67,636	26.0%	97,089	30.1% - 33.36%
Turkish treasury bills	-	-	5,987	30.2%
Foreign currency government bonds	7,737	4.81%	1,574	5.00%
<b>Total held to maturity securities</b>	<b>75,373</b>		<b>104,650</b>	
<b>Total investment securities</b>	<b>437,643</b>		<b>104,660</b>	

Carrying value of debt instruments given as collateral under repurchase agreements are:

	2004	2003
Trading securities	8,034	17,791
Available for sale securities	150,433	-
<b>Total</b>	<b>158,467</b>	<b>17,791</b>

In addition, as of December 31, 2004, government securities with carrying values of TL 118,006 (2003 - TL 97,728) are pledged to the Central Bank and the Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Sirketi (Istanbul Stock Exchange Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for stock exchange and money market operations.

**Turk Ekonomi Bankasi Anonim Sirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

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**7. ORIGINATED LOANS AND ADVANCES**

	2004						
	Amount				Effective interest rate		
	Turkish Lira	Foreign currency	Foreign currency indexed	Total	Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	656,730	1,152,489	135,986	1,945,205	22.31% - 32.74%	4.12% - 6.02%	6.8%
Consumer loans	60,609	5,689	22,157	88,455	20.50%	3.81%	9.8%
Credit cards	21,388	1,048	-	22,436	38.63%	38.63%	-
<b>Total performing loans</b>	<b>738,727</b>	<b>1,159,226</b>	<b>158,143</b>	<b>2,056,096</b>			
Loans in arrears	-	-	-	20,881	-	-	-
Less: Specific reserve for impairment	-	-	-	(11,244)	-	-	-
Less: Portfolio reserve for impairment	-	-	-	(10,235)	-	-	-
<b>Total</b>	<b>738,727</b>	<b>1,159,240</b>	<b>158,143</b>	<b>2,055,498</b>			
	2003						
	Amount				Effective interest rate		
	Turkish Lira	Foreign currency	Foreign currency indexed	Total	Turkish Lira	Foreign currency	Foreign currency indexed
Corporate loans	474,987	1,327,590	95,460	1,898,037	25% - 72%	1.75% - 14%	6.6% - 14.4%
Consumer loans	28,362	68	16,030	44,460	24% - 66%	4.2% - 13%	5.28% - 13%
Credit cards	19,694	1,209	-	20,903	83.4%	83.4%	-
<b>Total performing loans</b>	<b>523,043</b>	<b>1,328,867</b>	<b>111,490</b>	<b>1,963,400</b>			
Loans in arrears	-	-	-	27,794	-	-	-
Less: Specific reserve for impairment	-	-	-	(18,151)	-	-	-
Less: Portfolio reserve for impairment	-	-	-	(8,978)	-	-	-
<b>Total</b>	<b>523,043</b>	<b>1,328,867</b>	<b>111,490</b>	<b>1,964,065</b>			

Movements in the reserve for impairment on loans:

	2004	2003
Reserve at beginning of year	27,129	27,739
Provision for impairment	7,689	6,499
Recoveries	(9,588)	(3,693)
Provision net of recoveries	(1,899)	2,806
Loans written off during the year	(393)	(88)
Monetary gain	(3,358)	(3,328)
<b>Reserve at end of the year</b>	<b>21,479</b>	<b>27,129</b>

**Turk Ekonomi Bankasi Anonim Sirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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Loans in arrears represents impaired loans and advances on which interest is not being accrued and loans overdue for more than 90 days for which interest is suspended amounting to TL 20,881 (2003 - TL 27,794). There is no uncollected interest accrued on impaired loans.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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#### 8. DISPOSAL OF INVESTMENT IN SUBSIDIARIES

On November 4, 2004, the Group sold its 75.00% share in TEB Sigorta A.S. to TEB Mali Yatirimlar A.S. The results of TEB Sigorta A.S. for the period until disposal have been included in the consolidated income statement. Details of assets and liabilities disposed of and the disposal consideration are as follows (all expressed in equivalent purchasing power at December 31, 2004):

Cash and cash equivalents	5,250
Investment securities	2,804
Premises, equipment and intangible assets	5,067
Other assets	19,437
<b>Total Assets</b>	<b>32,558</b>
Funds borrowed	6,239
Other liabilities	26,872
<b>Total Liabilities</b>	<b>33,111</b>
<b>Net Liabilities</b>	<b>(553)</b>
Proceeds from sale:	
Receivables	-
Cash	750
Gain on disposal	1,303
The net cash outflow on disposal is:	
Disposed cash and cash equivalents	(5,250)
Cash received	750
Net cash outflow as of December 31, 2004	(4,500)

#### 9. FACTORING RECEIVABLES AND PAYABLES

	2004						
	Amount				Effective interest rate		
	Turkish Lira	Foreign Currency	Foreign Currency Indexed	Total	Turkish Lira	Foreign Currency	Foreign Currency Indexed
Open accounts	39,216	25,216	4,548	68,980	29.32%	5.95%	8.39%
Checks receivable	55,782	-	-	55,782	-	-	-
Notes receivable	673	-	-	673	-	-	-
Factoring receivables in arrears	1,574	-	-	1,574	-	-	-
<b>Total factoring receivables</b>	<b>97,245</b>	<b>25,216</b>	<b>4,548</b>	<b>127,009</b>			
Less: Reserve for impairment	(1,540)	-	-	(1,540)			
Less: Deferred income	(1,446)	-	(13)	(1,459)			
<b>Net factoring receivables</b>	<b>94,259</b>	<b>25,216</b>	<b>4,535</b>	<b>124,010</b>			
Factoring payables	(38,659)	(13,600)	(3,762)	(56,021)			
<b>Funds in use, net</b>	<b>55,600</b>	<b>11,616</b>	<b>773</b>	<b>67,989</b>			

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

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**9. FACTORING RECEIVABLES AND PAYABLES (continued)**

	2003							
	Amount				Effective interest rate			
	Turkish Lira	Foreign Currency	Foreign Currency Indexed	Total	Turkish Lira	Foreign Currency	Foreign Currency Indexed	
Open accounts	55,384	28,718	10,325	94,427	25.33%-53%	6.02%-6.50%	6.02%-6.50%	
Checks receivable	31,708	-	-	31,708	-	-	-	
Notes receivable	5,642	-	-	5,642	-	-	-	
Factoring receivables in arrears	863	-	-	863	-	-	-	
<b>Total factoring receivables</b>	<b>93,597</b>	<b>28,718</b>	<b>10,325</b>	<b>132,640</b>				
Less: Reserve for impairment	(1,243)	-	-	(1,243)				
Less: Deferred income	(1,133)	-	(232)	(1,365)				
<b>Net factoring receivables</b>	<b>91,221</b>	<b>28,718</b>	<b>10,093</b>	<b>130,032</b>				
<b>Factoring payables</b>	<b>(51,007)</b>	<b>(18,848)</b>	<b>(3,687)</b>	<b>(73,542)</b>				
<b>Funds in use, net</b>	<b>40,214</b>	<b>9,870</b>	<b>6,406</b>	<b>56,490</b>				

Movements in the reserve for impairment:

	2004	2003
Reserve at beginning of year	1,243	826
Provision for impairment	476	521
Recoveries	(13)	-
Provision net of recoveries	463	521
Monetary gain	(166)	(104)
<b>Reserve at end of the period</b>	<b>1,540</b>	<b>1,243</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

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**10. MINIMUM LEASE PAYMENTS RECEIVABLE**

	2004	2003
Not later than 1 year	125,369	117,043
Later than 1 year and not later than 5 years	87,590	76,954
Later than 5 years	-	-
<b>Minimum lease payments receivables, gross</b>	<b>212,959</b>	<b>193,997</b>
Less: Unearned interest income	(24,113)	(19,429)
<b>Net investment in finance leases</b>	<b>188,846</b>	<b>174,568</b>
Invoiced lease receivables	2,069	1,649
Loans in arrears	259	66
Less: Reserve for impairment (*)	(2,069)	(2,608)
<b>Minimum lease payments receivables, net</b>	<b>189,105</b>	<b>173,675</b>

(\*) Includes the specific reserve of TL 233 (2003 – TL 39) for loans in arrears and portfolio reserve on minimum lease payments receivable.

Net investment in finance leases are analyzed as follows:

	2004	2003
Not later than 1 year	109,276	103,604
Later than 1 year and not later than 5 years	79,570	70,964
Later than 5 years	-	-
<b>Total</b>	<b>188,846</b>	<b>174,568</b>

As of December 31, 2004 and 2003, TL 203,585 and TL 182,458 of gross lease receivables are denominated in foreign currency (mainly US\$ and Euro), respectively. The average interest rates are between 11.03% and 11.14% (2003 - 11% to 12%) for foreign currency and average of 52.9% (2003 - 58.5%) for TL denominated receivables.

Movements in the reserve for impairment:

	2004	2003
Reserve at beginning of year	2,608	1,702
Provision for impairment	201	1,142
Recoveries	(388)	-
Provision net of recoveries	(187)	1,142
Minimum lease payments receivable written off during the year	-	(2)
Monetary gain	(352)	(234)
<b>Reserve at end of the year</b>	<b>2,069</b>	<b>2,608</b>

**Turk Ekonomi Bankasi Anonim Sirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

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**11. PREMISES AND EQUIPMENT**

	<b>Land and Buildings</b>	<b>Motor Vehicles</b>	<b>Furniture, Office Equipment, Leasehold Improvements and Construction in Progress</b>	<b>Total</b>
At January 1, 2004, net of accumulated depreciation	16,134	3,130	35,907	55,171
Additions	-	1,023	14,269	15,292
Transfers	7,388	-	(7,388)	-
Disposals	-	(2,379)	(777)	(3,156)
Disposal of subsidiary	(2,966)	(201)	(556)	(3,723)
Depreciation charge for the period	(333)	(1,006)	(12,293)	(13,632)
Exchange adjustment	-	(7)	(635)	(642)
At December 31, 2004, net of accumulated depreciation	<b>20,223</b>	<b>560</b>	<b>28,527</b>	<b>49,310</b>
At December 31, 2003				
Cost	18,476	7,920	107,961	134,357
Accumulated depreciation	(2,342)	(4,790)	(72,054)	(79,186)
Net carrying amount	<b>16,134</b>	<b>3,130</b>	<b>35,907</b>	<b>55,171</b>
At December 31, 2004				
Cost	<b>22,892</b>	<b>1,966</b>	<b>107,721</b>	<b>132,579</b>
Accumulated depreciation	<b>(2,669)</b>	<b>(1,406)</b>	<b>(79,194)</b>	<b>(83,269)</b>
Net carrying amount	<b>20,223</b>	<b>560</b>	<b>28,527</b>	<b>49,310</b>

Leased land with a carrying value of TL 5,867 (2003 - TL 5,867) and leased office equipments with a carrying value of TL 3,354 (2003 - TL 7,688) are included in the related asset groups.

Cost of fully depreciated items is amounting to TL 42,389.

**Turk Ekonomi Bankasi Anonim Sirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

**12. INTANGIBLES**

	<b>Software Licenses and Other</b>
At January 1, 2004, net of accumulated amortization	4,796
Additions	1,426
Disposals	-
Disposal of subsidiary	(305)
Amortization charge for the year	(1,996)
Exchange adjustment	(8)
<b>At December 31, 2004 net of accumulated amortization</b>	<b>3,913</b>
<hr/>	
At December 31, 2003	
Cost	13,597
Accumulated amortization	(8,801)
<b>Net carrying amount</b>	<b>4,796</b>
<hr/>	
At December 31, 2004	
Cost	<b>13,930</b>
Accumulated amortization	<b>(10,017)</b>
<b>Net carrying amount</b>	<b>3,913</b>

Cost of fully depreciated items is amounting to TL 3,590.

**13. OTHER ASSETS**

	<b>2004</b>	2003
Transitory accounts and prepaid expenses	<b>7,894</b>	4,876
Accounts receivable	<b>3,751</b>	6,762
Equipment to be leased	<b>3,578</b>	5,283
Advances given to suppliers	<b>1,052</b>	-
Assets held for resale	<b>620</b>	355
Prepaid taxes	<b>572</b>	187
Insurance premium receivables	-	25,867
Value added taxes receivable	-	494
Others	<b>3,382</b>	3,027
<b>Total</b>	<b>20,849</b>	46,851

The Group purchases machinery and equipment from foreign and domestic vendors in relation to the financial lease agreements signed in the current year for projects in progress of its customers, which will be completed in the subsequent year. As of December 31, 2004 and 2003, the equipment to be leased balance includes cost of the equipment to be leased as described above together with the related expenses.

**Turk Ekonomi Bankasi Anonim Sirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

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**14. DEPOSITS**

**Deposits from other banks**

	2004				2003			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Demand	1,896	19,947	0%-5%	-	2,854	28,796	0%-5%	-
Time	42,509	45,039	16% - 23%	2% - 5%	89,207	54,433	20%-37%	0.75%-4.25%
<b>Total</b>	<b>44,405</b>	<b>64,986</b>			<b>92,061</b>	<b>83,229</b>		

**Customers' deposits**

	2004				2003			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Saving</b>								
Demand	40,991	25,258	0%-5%	0.75%-4%	36,778	28,420	0%-5%	0.75%-4%
Time	421,647	132,851	15% - 41%	3.4%	300,108	133,207	12%-46%	0.75%-5%
	<b>462,638</b>	<b>158,109</b>			<b>336,886</b>	<b>161,627</b>		
<b>Commercial and other</b>								
Demand	111,104	554,124	0%-5%	0.62%-4%	122,564	426,847	0%-5%	0.75%-4%
Time	147,656	1,732,186	14% - 28%	0.75%-5.25%	307,282	1,968,676	12%-46%	0.75%-5%
	<b>258,760</b>	<b>2,286,310</b>			<b>429,846</b>	<b>2,395,523</b>		
<b>Total</b>	<b>721,398</b>	<b>2,444,419</b>			<b>766,732</b>	<b>2,557,150</b>		

**Other money market deposits**

	2004				2003			
	Amount		Effective interest rate		Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
Obligations under repurchase agreements:								
-Due to customers	8,571	-	7.69% - 19.23%	-	17,572	-	13.85%-25.96%	-
-Due to banks and other financial institutions	147,212	-	18%	-	-	-	-	-
	<b>155,783</b>	<b>-</b>			<b>17,572</b>	<b>-</b>		

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**15. FUNDS BORROWED**

	2004			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Short-term</b>				
Fixed interest	72,806	143,156	13.0%-28.07%	2.87% - 8.0%
Floating interest	-	283,224	-	2.9% - 5.71%
<b>Medium/long-term</b>				
Fixed interest	-	194,160	-	1.27% - 6.5%
Floating interest	1,591	164,344	28.2%	3.25% - 5.71%
Floating interest subordinated loan	-	20,336	-	6.71%
<b>Total</b>	<b>74,397</b>	<b>805,220</b>		

  

	2003			
	Amount		Effective interest rate	
	Turkish Lira	Foreign currency	Turkish Lira	Foreign currency
<b>Short-term</b>				
Fixed interest	79,961	153,890	22.68%-36.31%	2.09%-5.10%
Floating interest	-	380,132	-	1.27%-7.94%
<b>Medium/long-term</b>				
Fixed interest	-	-	-	-
Floating interest	-	73,817	-	1.43%-7.10%
Floating interest subordinated loan	-	24,078	-	5.68%
<b>Total</b>	<b>79,961</b>	<b>631,917</b>		

Repayment plan of medium and long-term borrowings is as follows:

	2004		2003	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2005	78,454	88,185	-	49,634
2006	42,090	42,024	-	17,419
2007	14,594	25,027	-	11,808
2008	510	8,914	-	9,517
2009	33,727	8,459	-	9,517
Thereafter	24,785	13,662	-	-
<b>Total</b>	<b>194,160</b>	<b>186,271</b>	<b>-</b>	<b>97,895</b>

The Bank has signed an agreement with International Finance Corporation (IFC) on July 17, 2002, to receive a US\$85 million financing facility. The facility consists of three separate loans. The first loan is a US\$15 million, 7-year term, subordinated convertible loan, bearing an interest rate of Libor + 4.5% and matching Banking Regulation and Supervision Agency of Turkey (BRSA)'s Tier II Capital definitions as well as contributing to the Bank's capital adequacy ratio. Subsequent to year-end, the share convertibility option of the mentioned loan lost its validity upon payment in cash benefits attributable to such rights to IFC. The second loan is a US\$20 million medium-term loan facility to be lent as working capital, investment or/and export pre-finance needs to TEB' clients with 3-month to 5-year maturity from IFC's own account investment. The third part of the loan allows for the syndication of up to US\$50 million from private commercial banks.

As of December 31, 2004, the Bank's foreign currency funds borrowed includes USD 200 million of syndicated loan obtained at November 9, 2004 with a maturity of 1 year.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 16. OTHER LIABILITIES AND PROVISIONS

	2004	2003
Transitory accounts	35,491	15,623
Blocked bank cheques	11,457	8,944
Payable to credit card member firms	11,169	10,683
Taxes other than on income	10,775	6,877
Employee termination benefits	4,460	3,588
Vacation pay liability	4,561	3,431
Advances taken	7,742	3,793
Trade payables	6,607	14,781
Payments for PDSF (Public sector development and supporting fund) and other premiums	2,451	6,175
Payment orders	2,299	18,277
Insurance technical reserves	-	14,733
Others	4,827	11,852
<b>Total</b>	<b>101,839</b>	<b>118,757</b>

#### Employee Termination Benefits

In accordance with existing social legislation, the Bank and its subsidiaries incorporated in Turkey are required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 1.575 and TL 1.390 at December 31, 2004 and 2003 respectively - historical) per year of employment at the rate of pay applicable at the date of retirement or termination. Full provision is made in the financial statements for the present value of obligation calculated using the Projected Unit Credit Method.

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

	2004	2003
Discount rate	16%	25%
Expected rates of increase in salaries	10%	18%

The movement in provision for retirement pay liability is as follows:

	2004	2003
At January 1,	3,588	2,268
Utilized / paid	(912)	(926)
Interest cost	504	498
Increase during the year	1,516	2,025
Monetary gain	(236)	(277)
<b>At December 31, 2004</b>	<b>4,460</b>	<b>3,588</b>

Actuarial gains/(losses) arising from changes in discount rates and expected rates of salary/limit increases and other demographic assumptions that are recognized in the income, amounted to TL 217, net.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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#### 16. OTHER LIABILITIES AND PROVISIONS (continued)

##### Insurance Technical Reserves

	2004	2003
Unearned premiums reserve	-	13,682
Unearned premiums reserve, reinsurer's share	-	(5,504)
		8,178
Deferred commission income	-	2,436
Claims provision	-	9,863
Claims provision, reinsurer's share	-	(5,744)
		4,119
Total	-	14,733

#### 17. INCOME TAXES

##### General Information for Taxation in Turkey

In 2003, the effective corporation tax rate was 30%. However, with Law No. 5035 published at January 2, 2004, only for the year 2004 the corporation tax is calculated at 33%. Effective corporate tax rate will revert back to 30% in 2005.

The tax legislation provides for a temporary tax of 30% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year. However, in accordance with Law No. 5035, temporary taxes for the year 2004 is calculated and paid at the rate of 33%.

Tax returns are required to be filed until the fifteenth of the fourth month following the year-end and paid in one installment until the end of the related month.

In 2003 and prior years corporation tax is computed on the statutory income tax base determined in accordance with the Procedural Tax Code without any adjustment for inflation accounting. With Law No. 5024 published on December 30, 2003 related with changes in Procedural Tax Code, Income Tax Law and Corporation Tax Law, starting from January 1, 2004, taxable income is derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet is not subject to corporation tax, and similarly accumulated deficits arising from such application is not deductible for tax purposes. Moreover, accumulated tax loss carry forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years. Certain changes have been made in the application of the inflation adjustment to the statutory accounts with Law No. 5228 published on July 31, 2004. The Group has adjusted its statutory accounts at December 31, 2004 considering the requirements of the new law and has reflected the tax charge accordingly in the accompanying financial statements.

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 17. INCOME TAXES (continued)

Effective from April 24, 2003, investment allowances provides a deduction from the corporate tax base of 40% of the purchases of the brand-new fixed assets having economic useful life and exceeding TL 6,000 and directly related with the production of goods and services. Investment allowance that arose prior to April 24, 2003 are taxed at 19.8% (withholding tax) unless they are converted to new type at companies' will. All investment allowances can be carried forward indefinitely.

10% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Capital gains derived from cash sales of participation shares that have been held for at least two years are exempt from corporation tax if the gains are added to share capital. Furthermore, in the event the profit arising from the dividend receipt is not distributed or is included in capital, no withholding tax shall be applicable. As a result of the above exemption, the Company did not recognize a deferred tax liability on the undistributed profits of subsidiaries and associates and other temporary differences pertaining to other investments in shares issued by Turkish companies.

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

Deferred income tax liabilities have not been established for the withholding and other taxes that would be payable on the unremitted earnings of subsidiaries and associate operating outside of Turkey as it is not certain whether such amounts will be permanently reinvested or received in cash. If such amounts are collected in cash in the form of dividends, they will be subject to 5% tax.

As of December 31, 2004, effective tax rate of consolidated foreign subsidiaries is 34.50% (2003 – 34.5%).

As of December 31, 2004 and 2003, prepaid income taxes are netted off with the current income tax payable as stated below:

	2004	2003
Income tax payable	31,190	47,576
Prepaid income taxes	(23,672)	(37,354)
	<b>7,518</b>	<b>10,222</b>
	<b>2004</b>	<b>2003</b>
<b>Consolidated income statement</b>		
<b>Current income tax</b>		
Current income tax charge	26,083	43,649
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	(2,300)	(8,609)
Relating to reduction in income tax rates	(562)	-
Income tax expense reported in consolidated income statement	<b>23,221</b>	<b>35,040</b>
<b>Consolidated statement of changes in equity</b>		
<b>Current income tax</b>		
Unrealized gain (loss) on available for sale securities	1,535	-
<b>Deferred income tax</b>		
Unrealized gain (loss) on available for sale securities	136	-
Income tax charge reported in equity	<b>1,671</b>	<b>-</b>

#### 17. INCOME TAXES (continued)

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended December 31, 2004 and 2003 was as follows:

	2004	2003
Net profit from ordinary activities before income tax	86,038	102,173
At Turkish statutory income tax rate of 33% (2003 - 30%)	28,393	30,652
Income not subject to tax	(17,037)	(15,827)
Expenditure not allowable for income tax purposes and other	11,865	20,215
Income tax	23,221	35,040

#### Deferred income tax

Deferred income tax at December 31, 2004 and 2003 relates to the following:

	2004	2003
<b>Deferred income tax liabilities</b>		
Difference between tax and reporting bases of premises and equipment and intangible assets	2,165	636
Deferred acquisition costs related to insurance contracts	-	1,461
Others	114	206
Gross deferred income tax liabilities	2,279	2,303
<b>Deferred income tax assets</b>		
Impairment provisions	2,348	3,577
Unearned premium reserve and claim provisions	-	1,169
Deferred gains and losses on foreign exchange contracts	1,388	1,008
Valuation differences of trading and investment securities	933	-
Employee termination benefits and vacation pay liability	2,707	1,642
Accounting for financial leases	17,221	2,064
Tax credits of unused investment incentive allowances	25,845	10,294
Others	1,662	84
Less: Valuation allowance	(41,163)	(11,322)
Gross deferred income tax assets	10,941	8,516
Deferred income tax liability	(46)	-
Deferred income tax asset	8,708	6,213

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

	2004	2003
Balance at January 1	6,213	(2,700)
Deferred income tax credit (charge) recognized in income statement	2,862	8,609
Deferred income tax credit (charge) recognized in equity	(136)	-
Monetary gain/(loss)	(277)	304
Balance at December 31	8,662	6,213

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 18. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency forward and swap transactions are determined by comparing the period end Bank foreign exchange rates with the forward rates discounted to the balance sheet date. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used. Fair value of option transactions are determined by comparing the option rates discounted to balance sheet date with the period end foreign exchange rates of the Bank and the resulting gain or loss is reflected to the income statement taking into account exercisability of the option. Premiums received and paid for the option transactions, are calculated on accrual basis using effective yield (IRR) method.

2004								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
<b>Derivatives held for trading</b>								
Forward purchase contracts	4,738	7,589	282,210	132,929	110,928	19,384	18,969	-
Forward sale contracts	919	1,107	287,729	132,742	115,991	20,100	18,896	-
Currency swap purchase	546	1,278	185,770	148,726	-	6,682	22,624	7,738
Currency swap sale	540	-	189,632	148,133	-	7,575	26,906	7,018
Interest swap purchase	-	341	3,424	2,494	-	930	-	-
Interest swap sale	147	-	3,646	2,658	-	988	-	-
Option purchase contracts	-	-	32,163	30,201	1,962	-	-	-
Option sale contracts	-	-	32,146	30,184	1,962	-	-	-
	<b>6,890</b>	<b>10,315</b>	<b>1,016,720</b>	<b>628,067</b>	<b>230,843</b>	<b>55,659</b>	<b>87,395</b>	<b>14,756</b>
2003								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
<b>Derivatives held for trading</b>								
Forward purchase contract	4,719	-	231,790	91,951	93,069	29,815	16,955	-
Forward sale contract	-	6,821	234,792	92,698	94,356	30,746	16,992	-
Currency swap purchase	260	-	155,106	155,106	-	-	-	-
Currency swap sale	-	1,236	156,102	156,102	-	-	-	-
Interest swap purchase	13	-	467	-	-	467	-	-
Interest swap sale	-	40	526	-	-	526	-	-
	<b>4,992</b>	<b>8,097</b>	<b>778,783</b>	<b>495,857</b>	<b>187,425</b>	<b>61,554</b>	<b>33,947</b>	<b>-</b>

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#### 19. SHARE CAPITAL

	2004	2003
Number of founder shares, TL 500 (in full TL), par value	0.00006 billion	0.00006 billion
Number of common shares, TL 500 (in full TL), par value Authorized; Issued and outstanding in 2004 and 2003	115.59994 billion	110.24994 billion
<b>Total Authorized shares</b>	<b>115.600 billion</b>	110.250 billion

Shares traded in the Istanbul Stock Exchange are in the form of units of two shares with a combined nominal value of TL 1,000 each.

As of December 31, 2004 and 2003, the Bank's historical subscribed and issued share capital was TL 57,800 and TL 55,125 respectively (historical terms).

As of December 31, 2004 and 2003 the composition of shareholders and their respective % of ownership are summarized as follows:

	2004		2003	
	Amount	%	Amount	%
TEB Mali Yatirimlar A.S.	48,699	84.25	38,681	70.17
Publicly traded	8,766	15.17	11,025	20.00
Colakoglu Metalurji A.S.	-	-	4,740	8.60
Other shareholders	335	0.58	679	1.23
	57,800	100.00	55,125	100.00
Restatement effect	252,676		252,383	
<b>Total</b>	<b>310,476</b>		307,508	100

The Bank has increased its share capital from TL 55,125 to TL 57,800 (within its registered share capital ceiling of TL 100,000) by transferring the gain on sale of property with a nominal amount of TL 2,675 upon the approval of BRSA dated January 21, 2004.

7% of the Bank's remaining net profit corresponding to 60,000 shares of TL 30,000,000 (full) is to be allocated to the holders of founder shares. In accordance with the Board of Directors' decision numbered 3702/11 and dated February 10, 2005; 6 units of founder shares have been transferred to the Bank's major shareholder, TEB Mali Yatirimlar A.S..

#### 20. OTHER RESERVES AND ACCUMULATED PROFIT

##### Restatement:

Currency translation differences (Note 2) relating to investments in foreign subsidiaries was restated retroactively as of January 1, 2003, to properly reflect the cumulative effect of the difference between foreign currency translation and restatement of such equity items in current purchasing power. The effect of such restatement was to decrease currency translation differences and increase accumulated profits by TL 2,259. Other effected items are as follows for the year then ended as of December 31, 2003;

	Previously Stated	Restated
Monetary Loss	(32,010)	(26,958)
Currency Translation Differences	(6,076)	(11,128)

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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#### 20. OTHER RESERVES AND ACCUMULATED PROFIT (continued)

##### Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

As of December 31, 2004 the total amount of legal reserves of the Group is TL 52,483.

##### Dividends

In accordance with the decision related with the distribution of profit, declared at the Annual General Meeting of the Bank dated March 26, 2004, the Bank has paid dividends to its shareholders who are subject to and not subject to withholding tax with a rate of 22.89% and 25.43% respectively on April 5, 2004.

#### 21. EARNINGS PER SHARE

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

In Turkey, companies can increase their share capital by making a pro rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares, which are shown in the table below, without consideration through December 31, 2004.

	Number of Shares (in millions) Issued Attributable to				Total
	Cash	Transfers from Retained Earnings	Transfers From Revaluation Surplus	Reinvestment of Dividend Payments	
1995 and before	150	3,000	250	-	3,400
1996	-	-	330	1,270	1,600
1997	-	1,022	596	4,382	6,000
1998	5,512	529	682	7,277	14,000
1999	-	600	2,062	16,338	19,000
2000	40,182	-	-	26,068	66,250
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	-	-	-	-	-
2004	-	5,350	-	-	5,350
	45,844	10,501	3,920	55,335	115,600

There is no dilution of shares as of December 31, 2004 and 2003.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 21. EARNINGS PER SHARE (continued)

The following reflects the income (in full TL) and share data (in billions) used in the basic earnings per share computations:

	<b>2004</b>	2003
Net profit / (loss) attributable to ordinary shareholders for basic earnings per share	<b>536.93</b>	608.92
Weighted average number of ordinary shares (in billions) for basic earnings per share	<b>115.6</b>	110.25

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

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 22. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Group is controlled by TEB Mali Yatirimlar A.S., which owns 84.25% (2003 - 70.17%) of ordinary shares, and included in Colakoglu Group of companies. For the purpose of these consolidated financial statements, unconsolidated subsidiaries, associates, shareholders and Colakoglu Group companies are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

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

The following significant balances exist and transactions have been entered into with related parties:

Related party		Placements with bank	Cash loans (*)	Non-cash loans	Premium receivable	Funds borrowed	Deposits taken	Notional amount of derivative transactions	Interest income	Interest expense	Other operating income	Other Operating expense
Shareholders	<b>2004</b>	-	<b>31</b>	<b>13,024</b>	-	-	<b>237,660</b>	<b>5,282</b>	<b>3,008</b>	<b>(7,009)</b>	<b>2,594</b>	<b>(3,505)</b>
	2003	-	73,890	1,532	924	-	188,690	25,656	7,257	(6,343)	26	(1,075)
Others	<b>2004</b>	<b>27,755</b>	<b>548</b>	<b>3,687</b>	-	<b>9,373</b>	<b>677,306</b>	-	<b>4,704</b>	<b>(17,087)</b>	<b>4,106</b>	<b>(1,989)</b>
	2003	46,634	3,093	5,249	591	58,828	773,038	38,525	3,412	(14,779)	76	(492)

(\*) As of December 31, 2003, cash loans granted to related parties include TL 79,032 of cash collateralized loans.

#### Directors' Remuneration

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling TL 10,338.

In July 2004 the shareholding percentage of TEB Finansal Kiralama A.S. and TEB Factoring A.S. of the Group increased to 100 % (which were formerly 72.7% and 73.5 % respectively) by purchase from TEB Mali Yatirimlar A.S..

In November 2004 it has been decided to sell the shares of TEB Sigorta A.S. to TEB Mali Yatirimlar A.S.

## Turk Ekonomi Bankasi Anonim Sirketi

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#### 23. SALARIES AND EMPLOYEE BENEFITS

	2004	2003
<b>Staff costs</b>		
Wages and salaries	73,791	64,069
Cost of defined contribution plan (employers' share of social security premiums)	9,913	8,593
Other fringe benefits	7,759	7,249
Provision for employee termination benefits	2,020	2,523
Bonuses	6,448	3,596
<b>Total</b>	<b>99,931</b>	<b>86,030</b>

The average number of employees during the period is:

	2004	2003
The Bank	1,992	1,849
Subsidiaries	248	329
<b>Total</b>	<b>2,240</b>	<b>2,178</b>

#### 24. OTHER EXPENSES

	2004	2003
Various administrative expenses	28,149	25,769
Rent expense	12,601	13,057
Communication expense	8,313	7,713
Advertisement expenses	6,018	4,157
Saving Deposit Insurance Fund (SDIF) premium	4,429	5,599
Maintenance and other expenses	5,596	5,494
<b>Total</b>	<b>66,106</b>	<b>61,789</b>

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 25. COMMITMENTS AND CONTINGENCIES

	2004	2003
Letters of guarantee		
- issued by the Bank	926,104	786,222
- obtained by consolidated subsidiaries from other banks	25,216	45,711
Letters of credit	515,191	490,301
Acceptance credits	45,697	55,228
Total non-cash loans	1,512,208	1,377,462
Other commitments	275,131	263,023
Credit card limit commitments	123,660	122,001
<b>Total</b>	<b>1,910,999</b>	<b>1,762,486</b>

#### Trust Assets

The nominal values of the assets held by the Group in agency or custodian capacities amounted to TL 2,391,404 and EUR 55.1 millions (2003 - TL 1,680,671 and EUR 57.7 millions) at December 31, 2004.

#### Letters of Guarantee Given to Istanbul Stock Exchange (ISE) and Istanbul Gold Market (IGM)

As of December 31, 2004 and 2003, in line with the requirements of IGM, letters of guarantee amounting to US\$1,410,000 and US\$ 1,610,000 respectively had been obtained from local banks and were provided to IGM for transactions conducted in that market.

As of December 31, 2004, according to the general requirements of the ISE, letters of guarantee amounting to TL 3,929 (in historical terms) and US\$15.05 million, (2003; TL 1,902 –historical- and US\$ 17million) had been obtained from various local banks and were provided to ISE for bond and stock market transactions. Also, as of December 31, 2004 and 2003 according to the general requirements, letters of guarantee amounting to TL 722 (in historical terms), were given to the Capital Markets Board.

#### Other

The Group manages sixteen open - ended investment funds, which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

As of December 31, 2004 and 2003 the total value of such investment funds managed by the Group amounted to TL 673,512 and TL 559,409 respectively.

Except for the Head-Office-Istanbul and Izmir-Konak branch building, all branch premises of the Bank are leased under operational leases. As of December 31, 2004, the operating lease expense was reflected to the income statement. The lease periods vary between 1 and 5 years and lease agreements are cancelable subject to a period of notice.

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#### **26. FINANCIAL RISK MANAGEMENT**

##### **General**

The Risk Management Group is headed by a dedicated member of the Board who is assigned as Risk Supervisor. The group reports to the Board of Directors and is responsible for measuring and monitoring Market, Credit and Operational Risk.

All risk; including treasury and counterparty risks are taken according to the limits set by the Board of Directors.

##### **Credit Risk**

Credit risk represents the risk generating from the counter party's not fulfilling its responsibilities stated in the agreement either partially or totally.

Firm's credit limit and accepted guarantees are defined according to in-house rating system together with conservative lending policies applied by the Loan Lending and Risk Follow up Group. The monitoring of credit risk is established accordingly. Although sectoral limits are imposed and monitored there is no geographical region limitation.

Credit allocations are made within limits defined by individual borrowers or borrower groups. Various financial and non-financial criteria are taken into account in the Bank's internal rating system used in the credit approval process. Geographical and industrial segments are included in these criteria. Sectoral distribution of loans is monitored closely. In accordance with the Bank's credit policy, the ratings of the borrowers, credit limits and collateralization process are collectively considered and credit risks are monitored.

The risks and limits generated from treasury are followed up daily. Additionally, the control of the limits of the correspondent banks is determined by their ratings and the control of the accepted risk level in relation to the Bank's equity is performed daily.

The credibility of the debtors of the Group is assessed periodically in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves." Majority of the accepted statements presenting the financial position of the borrowers are audited. The sole reason for accepting unaudited financials is the timing differences between the lending of the money and the audit period of the borrowers. The unaudited financials are replaced with the audited statements when they become available. The loan limits are determined based on the audited financials and the loan committee according to the borrowers' financial structure and the quality of the transactions determines the guarantees.

Transaction limits for the forward and other similar agreement positions held by the Bank is determined by the Board of Directors and transactions are realized within these limits.

The fulfillment of liabilities in the forward agreements is only possible at the maturity of the agreement. However, in order to minimize the risk, reverse positions of the present positions are taken from the market and by means of that the risk is closed.

Indemnified non-cash loans are weighted in the same risk group with the non-performing loans.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

Foreign country and institution risks of the Bank are generally determined for foreign countries and institutions, which are considered at the investment level, in other words, which are stated as carrying minimum level of default risk by the international rating companies. Counterparty limits are monitored daily on a consolidated basis.

Sectoral break down of cash and non-cash loans is as follows:

	2004		2003	
	Cash	Non-cash	Cash	Non-cash
Textiles	278,774	132,502	250,413	163,011
Financial institutions and discounted bills	255,870	129,407	250,207	86,318
Food, beverage, tobacco	217,209	155,443	175,950	169,035
Wholesale and retailing	190,026	132,926	173,059	95,556
Metals	143,024	155,737	196,014	139,081
Chemicals and chemical products	134,380	112,340	123,821	98,386
Tourism, transportation, warehousing	108,525	58,894	29,588	40,345
Ready-to-wear textiles	81,730	39,649	102,940	54,976
Transportation	75,699	43,271	128,242	23,790
Machinery	62,069	71,182	42,252	46,490
Mining, other than metals	48,511	35,822	38,470	30,651
Construction	44,677	62,405	34,439	49,231
Fiber and plastic	40,057	54,101	30,970	38,200
Fuel products	33,206	24,724	35,881	5,300
Electricity and optic devices	31,027	41,030	22,769	31,142
Leather and leather products	19,319	2,006	8,827	3,740
Wood products	11,262	5,804	74,940	30,440
Others	143,270	91,394	164,784	81,701
Corporate loans	1,918,635	1,348,637	1,883,566	1,187,393
Consumer loans and credit cards	118,811	8,449	64,238	5,715
Letters of guarantee secured by counter guarantees	-	68,072	-	64,388
Confirmed and collateralized letters of credit	-	61,834	-	74,255
Interest accruals	18,650	-	15,596	-
Loans in arrears	20,881	-	27,794	-
Provision for impairment	(21,479)	-	(27,129)	-
<b>Total</b>	<b>2,055,498</b>	<b>1,486,992</b>	<b>1,964,065</b>	<b>1,331,751</b>

#### Liquidity Risk

Liquidity risk occurs when there is insufficient amount of cash inflows to fulfill the cash outflows completely on time.

Liquidity risk may occur when market penetration is not adequate, when the open positions cannot be closed at a suitable price and sufficient amount due to barriers and conditions at the markets. The Group's policy is to establish a liquid asset structure that provides comfort in meeting all kinds of liabilities by liquid assets. The Board of Directors of the Bank continuously determines the standards for the liquidity ratios, and controls them in order to keep this structure.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

According to the general policies of the Group, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities at the balance sheet and their costs. According to this strategy, the Group pays special attention not to take maturity risk, and no banking service is marketed when the price is lower than the financing cost.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of prefinancing and syndication products to generate additional sources. Generally the Bank does not prefer to utilize liquidity from interbank money markets and keeps its position as a net lender position in interbank money markets.

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date. Assets and liabilities with no fixed maturity are presented in over 1 year column.

	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<b>As at December 31, 2004</b>						
<b>Assets</b>						
Cash and balances with Central Banks	856,404	-	-	-	-	856,404
Deposits with banks and other financial institutions	774,533	24,833	7,382	17,030	-	823,778
Other money market placements	95,666	-	-	-	-	95,666
Reserve deposits at Central Banks	211,860	-	-	-	-	211,860
Trading securities	1,228	848	3,649	2,783	9,044	17,552
Investment securities	-	-	8,338	152,080	277,225	437,643
Originated loans and advances	810,291	407,005	387,603	178,586	272,013	2,055,498
Factoring receivables	45,227	63,633	15,150	-	-	124,010
Minimum lease payments receivable	12,808	20,739	29,260	47,535	78,763	189,105
Derivative financial instrument assets	3,045	2,069	503	765	508	6,890
Premises and equipment	-	-	-	-	49,310	49,310
Intangible assets	-	-	-	-	3,913	3,913
Investments in associates	-	-	-	-	656	656
Deferred tax asset	-	-	-	-	8,708	8,708
Other assets	14,791	1,097	4,042	519	400	20,849
<b>Total assets</b>	<b>2,825,853</b>	<b>520,224</b>	<b>455,927</b>	<b>399,298</b>	<b>700,540</b>	<b>4,901,842</b>
<b>Liabilities:</b>						
Deposits from other banks	88,277	19,949	1,165	0	0	109,391
Customers' deposits	2,471,879	511,175	70,429	61,620	50,714	3,165,817
Other money market deposits	155,783	-	-	0	0	155,783
Funds borrowed	93,156	77,023	62,335	433,311	213,792	879,617
Factoring payables	29,142	25,342	1,537	0	0	56,021
Derivative financial instrument liabilities	2,809	5,036	1,159	1,311	0	10,315
Other liabilities and provisions	84,498	8,011	-	0	9,330	101,839
Income taxes payable	-	7,518	-	0	0	7,518
Deferred tax liability	-	-	-	0	46	46
<b>Total liabilities</b>	<b>2,925,544</b>	<b>654,054</b>	<b>136,625</b>	<b>496,242</b>	<b>273,882</b>	<b>4,486,347</b>
<b>Net liquidity gap</b>	<b>(99,691)</b>	<b>(133,830)</b>	<b>319,302</b>	<b>(96,944)</b>	<b>426,658</b>	<b>415,495</b>
<b>As at December 31, 2003</b>						
Total assets	3,023,279	573,082	423,639	370,459	440,009	4,830,468
Total liabilities	2,858,171	597,878	273,535	516,017	193,639	4,439,240
<b>Net liquidity gap</b>	<b>165,108</b>	<b>(24,796)</b>	<b>150,104</b>	<b>(145,558)</b>	<b>246,370</b>	<b>391,228</b>

## **Turk Ekonomi Bankasi Anonim Sirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

#### **26. FINANCIAL RISK MANAGEMENT (continued)**

##### **Market Risk**

The interest rate and exchange rate risks of the financial positions taken by the Group related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to in market risk is taken into consideration by the standard method. Scenario analysis and stress tests are used additionally in Value at Risk (VAR) computations and reported to senior management.

The Group has determined market risk management operations and has taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Internal Control and Risk Management Systems of Banks".

The Board of Directors of the Bank evaluates basic risks than can be exposed to and determines limits accordingly. Those limits are revised periodically in line with the strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management group and senior management have taken necessary precautions to identify, evaluate, control and manage risks faced by the Bank.

##### **Currency Risk**

Foreign currency risk indicates the possibilities of the potential losses that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and off balance sheet transactions of the Bank are taken into account and are calculated by using the standard method.

The Board of Directors of the Bank sets limits for the positions, which are followed up daily. Also any possible changes in Bank's positions are monitored.

As a result of the Group's risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

The Board of Directors of the Bank determines the short position limits that the Bank can hold in accordance with the current legal limitations. The Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank's Asset-Liability Committee.

The Loan Committee determines the related principles and limitations of the counterparties. The Asset-Liability Committee monitors the limits concerning the maturity structure of the foreign currency transactions and interest rates.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 26. FINANCIAL RISK MANAGEMENT (continued)

The allocations of assets, liabilities and off balance sheet items in various currencies are:

	Turkish Lira	US Dollars	Euro	Others	Total
<b>As at December 31, 2004</b>					
<b>Assets</b>					
Cash and balances with Central Banks	34,306	790,859	25,573	5,666	856,404
Deposits with banks and other financial institutions	103,902	660,601	42,953	16,322	823,778
Other money market placements	95,666	-	-	-	95,666
Reserve deposits at Central Banks	27,898	142,525	41,437	-	211,860
Trading securities	10,728	6,238	31	555	17,552
Investment securities	373,042	64,601	-	-	437,643
Originated loans and advances	738,129	962,913	337,879	16,577	2,055,498
Factoring receivables	94,259	5,202	15,362	9,187	124,010
Minimum lease payments receivable	4,319	54,689	127,892	2,205	189,105
Derivative financial instrument assets	4,585	-	2,305	-	6,890
Premises and equipment	41,508	-	7,802	-	49,310
Intangible assets	3,727	-	186	-	3,913
Investments in associates	656	-	-	-	656
Deferred tax asset	8,708	-	-	-	8,708
Other assets	16,902	2,191	1,756	-	20,849
<b>Total assets</b>	<b>1,558,335</b>	<b>2,689,819</b>	<b>603,176</b>	<b>50,512</b>	<b>4,901,842</b>
<b>Liabilities</b>					
Deposits from other banks	44,405	13,438	8,564	42,984	109,391
Customers' deposits	721,389	2,005,397	396,104	42,927	3,165,817
Other money market deposits	155,783	-	-	-	155,783
Funds borrowed	74,397	592,551	165,946	46,723	879,617
Factoring payables	38,659	2,718	10,805	3,839	56,021
Derivative financial instrument liabilities	9,208	-	1,107	-	10,315
Other liabilities and provisions	83,314	7,797	10,331	397	101,839
Income taxes payable	6,222	-	1,296	-	7,518
Deferred tax liability	46	-	-	-	46
<b>Total liabilities</b>	<b>1,133,423</b>	<b>2,621,901</b>	<b>594,153</b>	<b>136,870</b>	<b>4,486,347</b>
<b>Net balance sheet position</b>	<b>424,912</b>	<b>67,918</b>	<b>9,023</b>	<b>(86,358)</b>	<b>415,495</b>
<b>Off-balance sheet position</b>					
Net notional amount of derivatives	(59,382)	(68,631)	35,197	83,194	(9,622)
Non - cash loans	506,151	598,078	353,422	54,556	1,512,208
<b>At December 31, 2003</b>					
<b>Total assets</b>	<b>1,485,941</b>	<b>2,627,656</b>	<b>641,859</b>	<b>75,012</b>	<b>4,830,468</b>
<b>Total liabilities</b>	<b>1,119,730</b>	<b>2,708,070</b>	<b>473,471</b>	<b>137,969</b>	<b>4,439,240</b>
<b>Effect of foreign currency swap transactions</b>	<b>(991)</b>	<b>991</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net on balance sheet position</b>	<b>365,220</b>	<b>(79,423)</b>	<b>168,388</b>	<b>(62,957)</b>	<b>391,228</b>
<b>Off-balance sheet position</b>	<b>(19,749)</b>	<b>68,884</b>	<b>(112,611)</b>	<b>59,419</b>	<b>(4,057)</b>

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 26. FINANCIAL RISK MANAGEMENT (continued)

##### Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and the Asset-Liability Committee is responsible to manage interest rate risk. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk.

The first priority of the Bank's risk management is to protect itself from interest rate volatility. All types of sensitivity analysis are calculated by the risk management and reported to the Asset-Liability Committee.

The estimations on interest income are performed in connection with economic indicators used in the budget of the Group. Revising budget targets minimizes the negative effects of the fluctuations in the market interest rates on the financial position and the cash flows.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank when necessary.

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the repricing date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non- interest bearing	Total
<b>As at December 31, 2004</b>								
<b>Assets:</b>								
Cash and balances with Central Banks	752,088	-	-	-	-	-	104,316	856,404
Deposits with banks and other financial institutions	765,794	23,049	6,892	16,000	-	-	12,043	823,778
Other money market placements	95,617	-	-	-	-	-	49	95,666
Reserve deposits at Central Banks	210,025	-	-	-	-	-	1,835	211,860
Trading securities	2,274	1,148	2,838	2,659	8,486	-	147	17,552
Investment securities	104,221	101,074	8,098	43,500	161,420	7,065	12,265	437,643
Originated loans and advances	805,717	402,455	384,252	175,819	269,302	-	17,953	2,055,498
Factoring receivables	45,227	63,633	15,150	-	-	-	-	124,010
Minimum lease payments receivable	10,390	20,561	29,009	47,129	78,059	-	3,957	189,105
Derivative financial instrument assets	-	-	-	-	-	-	6,890	6,890
Premises and equipment	-	-	-	-	-	-	49,310	49,310
Intangible assets	-	-	-	-	-	-	3,913	3,913
Investments in associates	-	-	-	-	-	-	656	656
Deferred tax asset	-	-	-	-	-	-	8,708	8,708
Other assets	3,199	-	-	-	-	-	17,650	20,849
<b>Total assets</b>	<b>2,794,552</b>	<b>611,920</b>	<b>446,239</b>	<b>285,107</b>	<b>517,267</b>	<b>7,065</b>	<b>239,692</b>	<b>4,901,842</b>
<b>Liabilities:</b>								
Deposits from other banks	87,570	19,776	1,000	-	-	-	1,045	109,391
Customers' deposits	2,366,070	509,293	70,082	60,624	50,145	-	109,603	3,165,817
Other money market deposits	155,705	-	-	-	-	-	78	155,783
Funds borrowed	149,027	368,642	169,970	74,678	84,019	24,222	9,059	879,617
Factoring payables	29,142	25,342	1,537	-	-	-	-	56,021
Derivative financial instruments	-	-	-	-	-	-	10,315	10,315
Other liabilities and provisions	1,970	-	-	-	-	-	99,869	101,839
Income taxes payable	-	-	-	-	-	-	7,518	7,518
Deferred tax liability	-	-	-	-	-	-	46	46
<b>Total liabilities</b>	<b>2,789,484</b>	<b>923,053</b>	<b>242,589</b>	<b>135,302</b>	<b>134,164</b>	<b>24,222</b>	<b>237,533</b>	<b>4,486,347</b>
Balance sheet interest sensitivity gap	5,068	(311,133)	203,650	149,805	383,103	(17,157)	-	-
Off balance sheet interest sensitivity gap	(163)	-	(59)	-	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>4,905</b>	<b>(311,133)</b>	<b>203,591</b>	<b>149,805</b>	<b>383,103</b>	<b>(17,157)</b>	<b>-</b>	<b>-</b>

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
As at December 31, 2003								
<b>Assets:</b>								
Cash and balances with Central Banks	585,407	-	-	-	-	-	74,994	660,401
Deposits with banks and other financial institutions	530,832	7,217	13,373	6,566	-	-	371,205	929,193
Other money market placements	494,846	-	-	-	-	-	-	494,846
Reserve deposits at Central Banks	194,805	-	-	-	-	-	-	194,805
Trading securities	27,871	3,568	5,119	4,106	17,446	1,642	-	59,752
Investment securities	51,706	42,098	5,847	141	4,868	-	-	104,660
Originated loans and advances	647,755	414,213	356,469	285,280	200,212	-	60,136	1,964,065
Factoring receivables	26,339	71,445	10,675	19,939	1,634	-	-	130,032
Minimum lease payments receivable	811	30,618	26,484	46,448	69,314	-	-	173,675
Derivative financial instrument assets	1,978	2,130	441	443	-	-	-	4,992
Premises and equipment	-	-	-	-	-	-	55,171	55,171
Intangible asset	-	-	-	-	-	-	4,796	4,796
Investments in associates	-	-	-	-	-	-	1,016	1,016
Deferred tax asset	-	-	-	-	-	-	6,213	6,213
Other assets	9,746	3,927	7,515	6,325	813	-	18,525	46,851
<b>Total assets</b>	<b>2,572,096</b>	<b>575,216</b>	<b>425,923</b>	<b>369,248</b>	<b>294,287</b>	<b>1,642</b>	<b>592,056</b>	<b>4,830,468</b>
<b>Liabilities:</b>								
Deposits from other banks	112,153	49,957	8,453	4,727	-	-	-	175,290
Customers' deposits	2,521,480	399,005	135,704	172,987	94,706	-	-	3,323,882
Other money market deposits	17,572	-	-	-	-	-	-	17,572
Funds borrowed	271,064	131,401	205,169	89,090	4,231	-	10,923	711,878
Factoring payables	15,212	39,940	17,501	-	889	-	-	73,542
Derivative financial instrument liabilities	3,323	3,214	1,297	263	-	-	-	8,097
Other liabilities and provisions	5,607	2,229	7,116	5,040	150	-	98,615	118,757
Income taxes payable	-	-	-	-	-	-	10,222	10,222
Deferred tax liabilities	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,946,411</b>	<b>625,746</b>	<b>375,240</b>	<b>272,107</b>	<b>99,976</b>	<b>-</b>	<b>119,760</b>	<b>4,439,240</b>
On balance sheet interest sensitivity gap	(374,315)	(50,530)	50,683	97,141	194,311	1,642	-	-
Off balance sheet interest sensitivity gap	-	-	(59)	-	-	-	-	-
<b>Total interest sensitivity gap</b>	<b>(374,315)</b>	<b>(50,530)</b>	<b>50,624</b>	<b>97,141</b>	<b>194,311</b>	<b>1,642</b>	<b>-</b>	<b>-</b>

#### Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or from external events.

Operational risk, which is inherent in all business activities, is associated with human error, system failure and inadequate controls and procedures. Operational risk includes errors and omissions in business activities, internal and external fraud and natural disasters.

The Bank's first objective is to achieve all qualitative standards of Basel Committee, by implying policy and procedures, ensuring the strict observance of internal code of conduct and also developing strong internal control culture.

Compliance with legal rules, information security, fraud prevention, contingency planning and disaster recovery, and also incident management are the main subjects of the operational risk mitigation controls.

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 26. FINANCIAL RISK MANAGEMENT (continued)

##### Capital Adequacy

To monitor the adequacy of its capital, the Group uses ratios established by BRSA. These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. In accordance with the Regulation on the Establishment and Operations of Banks, it is required to maintain minimum 12% capital adequacy ratio on consolidated and unconsolidated basis the for the Banks that have a branch at the offshore banking regions (standard ratio is 8%). As of December 31, 2004, the Bank's capital adequacy ratio on a consolidated basis is 16.27% (2003 - 15.21%).

#### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

##### Fair Values

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

	Carrying amount		Fair value	
	2004	2003	2004	2003
<b>Financial assets</b>				
Originated loans and advances to customers	2,055,498	1,964,065	2,073,911	1,992,177
Investment securities	437,643	104,660	438,208	105,700
Minimum lease payments receivables	189,105	173,675	184,285	169,810
<b>Financial liabilities</b>				
Deposits from other banks	109,391	175,290	109,536	175,062
Customer deposits	3,165,817	3,323,882	3,179,316	3,320,511
Other money market deposits and funds borrowed	1,035,400	729,450	1,037,240	729,450

Fair values of remaining financial assets and liabilities carried at cost, including deposits with banks and other financial instruments, balances with Central Banks, reserve deposits, other money market placements, factoring receivables and payables are considered to approximate their respective carrying values due to their short-term nature.

To the extent relevant and reliable information is available from financial markets in Turkey, the fair value of financial instruments is based on such market data. The fair values of other financial instruments are determined by using estimation techniques that include reference to the current market value of another instrument with similar characteristics or by discounting the expected future cash flows at prevailing interest rates.

## Turk Ekonomi Bankasi Anonim Sirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)

#### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

##### *Originated loans and advances:*

Currency	Interest Rates Applied (%)	
	2004	2003
Turkish lira	24.62	29.50
US\$	5.12	3.50
EURO	4.92	4.50

##### *Lease contract receivables:*

Currency	Interest Rates Applied (%)	
	2004	2003
Turkish lira	34.59	41.08
US\$	10.81	12.23
EURO	9.68	11.25
CHF	11.23	11.23

##### *Deposits:*

Currency	Interest Rates Applied (%)	
	2004	2003
Turkish lira	19.61	27.54
US\$	2.47	2.51
EURO	2.38	3.01

##### *Funds borrowed:*

Currency	Interest Rates Applied (%)	
	2004	2003
Turkish lira	24.32	29.50
US\$	3.51	3.19
EURO	3.05	5.01

#### 28. SUBSEQUENT EVENTS

Upon the notification made by TEB Mali Yatirimlar A.S., the ultimate shareholder of the Bank, at February 10, 2005, the Bank announced to the public that TEB Mali Yatirimlar A.S. has transferred shares representing 50% of its capital to BNP Paribas.

Upon the notification made by TEB Yatirim, a subsidiary of the Bank, at February 28, 2005, the Bank announced to the public that TEB Yatirim has purchased 17.5% of shares of TEB Portfoy, another subsidiary of the Bank, from ABN Amro Bank N.V. As a result of this, group's effective shareholding and voting right in TEB Portfoy has increased to 100%.

#### 29. SEPARATE FINANCIAL STATEMENTS OF THE BANK

The extracts from the Bank's separate balance sheets and income statements prepared in accordance with IFRS as of and for the years ended December 31, 2004 and 2003 are included in the Appendix for information purposes only and do not form part of the consolidated financial statements. In the separate financial statements, the Bank adopted to account for investments in subsidiaries at restated cost in accordance with IAS 27 and foreign currency denominated subsidiaries are valued with period-end foreign exchange rates. These financial statements have been included within the consolidated financial statements as of the respective dates.

**SEPARATE BALANCE SHEET**

**As at December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

	2004	2003
<b>ASSETS</b>		
Cash and balances with the Central Bank	856,393	660,284
Deposits with banks and other financial institutions	175,410	207,579
Other money market placements	95,048	491,992
Reserve deposits at the Central Bank	191,979	170,306
Trading securities	9,716	32,152
Investment securities	409,571	98,080
Originated loans and advances	1,590,195	1,329,825
Derivative financial instrument assets	7,117	5,056
Investments in subsidiaries and associates	146,474	149,397
Premises and equipment	39,698	41,382
Intangible assets	3,437	3,866
Deferred tax asset	6,697	4,785
Other assets	10,559	6,653
<b>Total assets</b>	<b>3,542,294</b>	<b>3,201,357</b>
<b>LIABILITIES AND EQUITY</b>		
Deposits from other banks	96,534	142,778
Customers' deposits	2,174,566	2,123,209
Other money market deposits	158,610	17,572
Funds borrowed		
- Subordinated debt	20,336	24,078
- Other funds borrowed	594,843	431,836
Derivative financial instrument liabilities	10,425	8,097
Other liabilities and provisions	88,533	77,167
Income taxes payable	5,426	8,159
<b>Total liabilities</b>	<b>3,149,273</b>	<b>2,832,896</b>
Share capital issued	57,800	55,125
Adjustment to share capital	252,676	252,383
Unrealized gains/losses on securities, net of tax	3,836	-
Other reserves and accumulated profits	78,709	60,953
<b>Total equity</b>	<b>393,021</b>	<b>368,461</b>
<b>Total liabilities and equity</b>	<b>3,542,294</b>	<b>3,201,357</b>

**SEPARATE INCOME STATEMENT**

**For the year ended as of December 31, 2004**

**(Currency - In billions of Turkish Lira in equivalent purchasing power at December 31, 2004)**

	2004	2003
<b>Interest income</b>		
Interest on originated loans and advances	227,199	196,822
Interest on securities	78,459	27,587
Interest on deposits with banks and other financial institutions	25,397	32,257
Interest on other money market placements	60,181	99,240
Other interest income	1,386	7,556
<b>Total interest income</b>	<b>392,622</b>	<b>363,462</b>
<b>Interest expense</b>		
Interest on deposits	(188,348)	(158,337)
Interest on other money market deposits	(16,472)	(18,463)
Interest on funds borrowed	(24,643)	(25,760)
Other interest expense	(221)	(278)
<b>Total interest expense</b>	<b>229,684</b>	<b>(202,838)</b>
<b>Net interest income</b>	<b>162,938</b>	<b>160,624</b>
Provision for impairment of loans	1,912	(2,806)
<b>Net interest income after provision for impairment of loans</b>	<b>164,850</b>	<b>157,818</b>
Foreign exchange gain	14,825	4,891
<b>Net interest income after foreign exchange gain and provision for impairment of loans</b>	<b>179,675</b>	<b>162,709</b>
<b>Other operating income</b>		
Fees and commissions income	18,344	14,779
Fund management fee income	16,808	10,257
Income from banking services	25,336	23,943
Trading income	-	36,842
Other income	14,677	30,596
<b>Total other operating income</b>	<b>75,165</b>	<b>116,417</b>
<b>Other operating expense</b>		
Fees and commissions expense	(11,256)	(14,814)
Salaries and employee benefits	(80,233)	(67,502)
Depreciation and amortization	(13,472)	(13,718)
Taxes other than on income	(5,051)	(13,460)
Trading loss	(741)	-
Other expenses	(60,777)	(49,638)
<b>Total other operating expense</b>	<b>(171,530)</b>	<b>(159,132)</b>
<b>Profit from operating activities before income tax and monetary loss</b>	<b>83,310</b>	<b>119,994</b>
Income tax	(16,478)	(30,148)
Monetary loss	(31,123)	(28,191)
<b>Net profit</b>	<b>35,709</b>	<b>61,655</b>