ÇALIK YATIRIM BANKASI A.Ş

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2004

To the Board of Directors of
Çalık Yatırım Bankası A.Ş.

İstanbul

OPINION OF INDEPENDENT AUDITORS

1. We have audited the accompanying balance sheet of Çalık Yatırım Bankası A.Ş. ("the Bank") as at 31 December 2004 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of Turkish Lira as at 31 December 2004. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2004, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

4. Without qualifying our opinion we would like to draw your attention to the following point:

   (i) Çalık Şeker Konsorsiyum Yatırım A.Ş. ("Çalık Şeker Konsorsiyum") which is an investment in associate is accounted for under equity method in 2003. The share purchase agreement for the Bank established in Albania between Saving Deposit and Insurance Fund ("SDIF") and Çalık Şeker Konsorsiyum has been signed off during the year but the actual shares transfer of the Bank in Albania has not been realized as at 31 December 2004. Since the main establishment reason of the investment in associate is to buy a bank established in Albania has not been realized and there has been some uncertainaties for the significant influence over the bank in Albania the investment in associate is accounted at restated cost as at 31 December 2004.

DENETIM SERBEST MALI MÜŞAVIRLIK A.Ş.

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

Istanbul, 28 February 2005

ÇALIK YATIRIM BANKASI A.Ş.

BALANCE SHEETS
AS AT 31 DECEMBER 2004 AND 2003

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

ASSETS	Note	31 December 2004 TL Billion	31 December 2003 TL Billion
LIQUID ASSETS		314	446
BALANCES WITH THE CENTRAL BANK	4	1,231	2,790
BALANCES WITH BANKS	5	3,991	5,794
INTERBANK FUNDS SOLD	6	2,502	4,333
SECURITIES PORTFOLIO (NET)	7		
-Held for trading		7,205	14,141
-Available for sale		4,358	52
		11,563	14,193
LOANS (Net)	8	40,302	30,625
LEASING RECEIVABLES (Net)	9	9,066	15,689
PREMISES AND EQUIPMENT (Net)	10	1,348	906
OTHER ASSETS	11	1,004	579
TOTAL ASSETS		71,321	75,355

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

ÇALIK YATIRIM BANKASI A.Ş.

BALANCE SHEETS
AS AT 31 DECEMBER 2004 AND 2003

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

LIABILITIES	Note	31 December 2004 TL Billion	31 December 2003 TL Billion
BORROWINGS	12	10,323	18,756
FUNDS OBTAINED IN EXCHANGE OF SECURITIES SOLD UNDER REPURCHASE AGREEMENTS		4,760	3,867
TAXES AND DUES PAYABLE		219	140
CORPORATE TAX	13	1,299	3,148
SUNDRY CREDITORS	14	3,492	1,849
PROVISIONS	15	407	260
OTHER LIABILITIES	16	807	463
DEFERRED TAX LIABILITY (Net)	13	-	887
TOTAL LIABILITIES		21,307	29,370
SHAREHOLDERS' EQUITY			
Share Capital	17	39,606	39,606
Legal Reserves		1,610	1,235
Accumulated Gain		8,798	5,144
TOTAL SHAREHOLDERS' EQUITY		50,014	45,985
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		71,321	75,355
COMMITMENTS AND CONTINGENCIES	22	74,143	66,066

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

ÇALIK YATIRIM BANKASI A.Ş.

STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

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

INCOME STATEMENT	Note	1 January-31 December 2004 TL Billion	1 January-31 December 2003 TL Billion
INTEREST INCOME			
Interest on Loans		9,729	5,175
Interest on Interbank Funds Sold		790	6,048
Interest on Securities Portfolio		1,427	1,663
Interest Received from Banks		538	1,698
Interest on Financial Leases		328	633
		12,812	15,217
INTEREST EXPENSE			
Interest on Interbank Funds Borrowed		(32)	(153)
Interest on Borrowings		(307)	(502)
Other Interest Expense		(301)	(42)
		(640)	(697)
NET INTEREST INCOME		12,172	14,520
Provision for Loans and Lease Contract Losses		-	(17)
NET INTEREST INCOME AFTER PROVISIONS		12,172	14,503
NET FOREIGN CURRENCY GAINS / (LOSSES)		113	(254)
NET SECURITIES TRADING GAINS		544	2,524
NET TRADING INCOME		12,829	16,773
OTHER OPERATING INCOME	18	2,858	3,513
OTHER OPERATING EXPENSES	19	(5,247)	(4,761)
INCOME BEFORE MONETARY LOSS		10,440	15,525
MONETARY LOSS		(5,833)	(5,538)
INCOME BEFORE TAXATION		4,607	9,987
TAXATION	13	(520)	(2,045)
EQUITY IN UNAPPROPRIATED NET INCOME/(LOSS) OF ASSOCIATE	7	(58)	91
NET INCOME		4,029	8,033

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

ÇALIK YATIRIM BANKASI A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

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

	Share Capital TL Billion	Legal Reserves TL Billion	Accumulated Gain/(Loss) TL Billion	Total TL Billion
Balance as of 31 December 2002	39,606	913	(2,567)	37,952
Transfers to Reserves	-	322	(322)	-
Net Income for The Year	-	-	8,033	8,033
Balance as of 31 December 2003	39,606	1,235	5,144	45,985
Transfers to Reserves	-	375	(375)	-
Net Income for The Year	-	-	4,029	4,029
Balance as of 31 December 2004	39,606	1,610	8,798	50,014

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

ÇALIK YATIRIM BANKASI A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

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

	1 January- 31 December 2004 TL Billion	1 January- 31 December 2003 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss) for the year	4,029	8,033
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	564	405
Increase / (decrease) in provisions for loan losses	-	17
Increase / (decrease) in retirement pay provisions	10	10
Increase / (decrease) in other provisions	137	222
Increase / (decrease) in deferred taxes	(887)	(1,381)
Increase in taxes and dues	(1,770)	1,687
Net Income of associate	58	(91)
Net cash (used in) operating activities	2,141	8,902
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) / decrease in marketable securities	2,572	(2,594)
(Increase) / decrease in loans and financial leases	(3,054)	(14,355)
(Additions) to tangible and intangible fixed assets (net)	(1,006)	(71)
(Increase) / decrease in accrued interest and other assets	4,768	15,531
Net cash (used in) investing activities	3,280	(1,489)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (decrease) in borrowings	(7,540)	(19,645)
Increase / (decrease) in accrued expenses and other liabilities	1,987	11,469
Net cash provided from financing activities	(5,553)	(8,176)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(132)	(763)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	446	1,209
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	314	446

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

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

1. ACTIVITIES OF THE BANK

Çalık Yatırım Bankası A.Ş. (the "Bank") was incorporated in Turkey in August 1999. Since then it has functioned as an investment bank. The Bank used to be located in Merter / İstanbul but moved to Tekfen Tower Levent/Istanbul within 2004. The Bank begins to operate Merter as a branch after they have moved to Tekfen Tower and is not licensed to receive deposits.

The Shareholders and distribution of shares as of 31 December 2004 and 2003 are as follows:

31.12.2004

NAME OF SHAREHOLDER	% of Shares	Number of Shares	Nominal value of Shares TL Billion
Çalık Holding A.Ş.	91.5	12,352,500	12,352
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	4.5	607,500	608
Ahmet Çalık	2	270,000	270
Mahmut Çalık	1	135,000	135
Ali Akbulut	1	135,000	135
TOTAL	100	13,500,000	13,500

31.12.2003

NAME OF SHAREHOLDER	% of Shares	Number of Shares	Nominal value of Shares TL Billion
Çalık Holding A.Ş.	91.5	12,352,500	12,352
GAP Güneydoğu Tekstil San. ve Tic. A.Ş.	4.5	607,500	608
Ahmet Çalık	2	270,000	270
Mahmut Çalık	1	135,000	135
Ali Akbulut	1	135,000	135
TOTAL	100	13,500,000	13,500

The Bank has cooperation with Gap Pazarlama, Koç.Net and Tariş in their project of e-commerce in Agromarket. The established company, which is 44.27% owned by the Bank, engages in e-sales of cotton. The Bank has another cooperation with Şekerbank T.A.Ş. and Çalık Holding A.Ş. in their project of investing in domestic or foreign oriented banks in Çalık-Şeker Konsorsiyum Yatırım A.Ş. The share of the Bank in this company is 24%.

The Bank is involved in corporate services such as financial leasing, lending, trade finance and factoring, mainly with the related parties, Çalık Group of companies. The Bank employs 31 people as of 31 December 2004 (26 as of 31 December 2003).

2. BASIS OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (formerly referred to as International Accounting Standards, IAS). The principle accounting policies adopted in the preparation of these financial statements are set out below:

Basis of Presentation of Financial Statements

The Bank maintains its books of account and prepares its statutory financial statements in accordance with Turkish Banking Law, Commercial Practice and Tax Regulations. The accompanying financial statements are based on the statutory records, which are maintained under the historical cost convention with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS.

These financial statements are presented in Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The effects of the differences between IFRS and generally accepted accounting principles in other countries than Turkey have not been quantified in the accompanying notes to the financial statements. In the opinion of the Bank's management, all adjustments necessary for the fair presentation of financial position, results of operations and cash flows for the period have been made in the accompanying financial statements.

Inflation Accounting

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

Major characteristics those necessitate the application of IAS 29 are:

(a) The general population prefers to keep its wealth in non monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;

(b) The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;

(c) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;

(d) Cumulative three-year inflation rate approaching or exceeding 100%.

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

2. BASIS OF FINANCIAL STATEMENTS (cont'd)

Inflation Accounting (cont'd)

The index and corresponding conversion factors for recent year ends to reach balance sheet date money values are as follows:

	Index	Conversion Factor
31 December 2002	6,478.8	1.2971
31 December 2003	7,382.1	1.1384
31 December 2004	8,403.8	1.0000

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

Year:	2004	2003	2002
Currency Devaluation against US $	(3.8)%	(14.6)%	13.5%
WPI Inflation	13.8%	13.9%	30.8%

The principal adjustments are as follows:

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

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

- Non-monetary assets and liabilities and the components of shareholders' equity are restated by applying, to the initial acquisition cost and any accumulated depreciation, the relevant conversion factors reflecting the increase in the WPI from the date of acquisition or initial recording to the balance sheet date. Revaluations made on any other basis in the statutory records are eliminated.

- All items in the statements of income are restated by applying the relevant conversion factors.

- The effect of general inflation on the Bank's net monetary position is included in the statements of income as monetary gain or loss.

New Turkish Lira

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Accounting Convention

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

3.2 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except for fees and commissions for various banking services rendered which are recognized as income when received. Income and expenses are recognized in accordance with IAS 39 at fair value or amortized cost basis. For the purposes of convenience, certain income and expenses are recognized on a straight-line basis where that does not materially differ from fair value or the amortized cost method. All income and expense items are restated in equivalent purchasing power at the balance sheet date.

Exchange gains arising from revaluation of Turkish Lira loans which are indexed to foreign currencies are included as interest income.

3.3 Foreign Currency Items

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at period end exchange rates. All exchange gains and losses arising on settlement and translation of foreign currency items are included in the statement of income.

As at 31 December 2004 and 31 December 2003 foreign currency assets and liabilities of the Group are mainly in US Dollar and Euro. As at 31 December 2004 and 31 December 2003 exchange rates of US Dollar and Euro are as follows:

	31 December 2004	31 December 2003
1 US Dollar	1,342,100	1,395,835
1 Euro	1,826,800	1,745,072

Average rates are as follows:

	2004	2003
1 US Dollar	1,422,301	1,493,068
1 Euro	1,766,984	1,685,301

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Securities Portfolio

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

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

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

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

Securities held for trading:

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

Securities held to maturity:

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

Securities available for sale:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Securities Portfolio (cont'd)

Securities available for sale (cont'd):

Agromarket which is an investment in associate is accounted for under the equity method . Çalık Şeker Konsorsiyum Yatırım A.Ş. ("Çalık Şeker Konsorsiyum") which is an investment in associate is accounted for under equity method in 2003. The share purchase agreement for the Bank established in Albania between Saving Deposit and Insurance Fund ("SDIF") and Çalık Şeker Konsorsiyum has been signed off during the year but the actual shares transfer of the Bank in Albania has not been realized as at 31 December 2004. Since the main establishment reason of the investment in associate is to buy a bank established in Albania has not been realized and there has been some uncertainaties for the significant influence over the bank in Albania the investment in associate is accounted at restated cost as at 31 December 2004.

3.5 Premises and Equipment

Premises and equipment, including the related depreciation have been indexed and are expressed in the period-end purchase value of the Turkish Lira.

Premises and equipment are depreciated on a straight-line basis using rates which write off the assets over their expected useful lives. The Bank depreciates the fixed assets purchased after 1 January 2004 according to the expected useful lives declared by the Secretariat of Finance. The main depreciation rates used for the fixed assets purchased before 1 January 2004 are as follows:

Vehicles	20%
Furniture and Fittings	20%
Leasehold Improvements	20%
Intangibles	20%

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

3.6 Computer Software Development Costs

The Bank generally recognizes computer software development costs as expenses when incurred. However, if it is probable that future economic benefits will flow to the Bank, to the extent that expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditure associated with the maintenance of the existing computer software is recognized as expense in the period in which it is incurred.

Computer software development costs capitalized as assets are amortized on a straight-line basis over their expected useful lives, generally five years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Retirement Pay Provision

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

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

3.8 Loan Loss Provisions

Loans are financial instruments originated by the Bank and accounted for at amortized cost in accordance with IAS 39, except for certain loans wherever straight line accrual basis does not materially differ from amortized cost method. Based on its evaluation of the current status of the loans granted, the Bank makes specific loan loss provisions, which it considers are adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income in the periods in which they become known.

The Bank classifies any loan, which is overdue or not adequately collateralized, or where management believes the borrower has lost creditworthiness, into overdue loans. The Bank ceases to recognize income on overdue loans and receivables.

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

3.9 Taxation and Deferred Taxes

Provision is made in the accompanying financial statements for the estimated liability of the Bank for local taxes on the results for the year by using tax rates that have been enacted or substantively enacted by the balance sheet date. The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.9 Taxation and Deferred Taxes (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

3.10 Securities Under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of securities under agreements of repurchase ("Repos") are retained in the balance sheet under securities portfolio and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as held for trading, held to maturity or available for sale, and interest expense accrued over the period to maturity. Purchases of securities under agreements of resale ("reverse repos") are included in securities portfolio and interest income on such transactions is accrued over the period to maturity.

3.11 Related Parties

For the purpose of the accompanying financial statements shareholders of the Bank and related companies, directors and key management personnel together with their families and related companies and other companies in the Çalık Group are referred to as "Related Parties" in this report. During the course of its business, the majority of transactions of the Bank were entered into with related parties, Çalık Group of companies

3.12 Finance and Operating Leases

The Bank as Lessor

Amounts due from lessees under finance leases in the accounts of the lessor are classified and separately recorded as receivables at the amount of the Bank's net investment in the leases. Lease rentals are allocated between principal payment and interest income. Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Assets leased under operating leases are included in premises and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income from operating leases is recognized on a straight line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Finance and Operating Leases (cont'd)

The Bank as Lessee

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

Leases of assets under which all risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight line basis over the period of lease.

3.13 Fair Values of Financial Instruments

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

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

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

In cases where no market price in an actively traded market could be find, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets and calculation of present values on an internal rate of return basis. Where no reliable estimate of fair value is available, amortised cost is used as the carrying value. As there is a wide range of valuation techniques, it may be inappropriate to compare the Bank's fair value information to independent markets or to other financial institutions' fair value information.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Fair Values of Financial Instruments (cont'd)

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

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

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

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

Interbank funds: Estimated fair values of Interbank funds borrowed and sold are the amounts payable on demand at the reporting date.

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

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

Securities under resale and repurchase agreements: The carrying amount is a reasonable estimate of fair value.

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

3.14 Risk Management

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Risk Management (cont'd)

Liquidity risk

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

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

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

Credit risk

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

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

Market risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts will have an adverse financial impact. The primary risks within the Bank's activities are interest rate and exchange rate risk. The Bank's management of its exposure to market risk is performed through the Asset and Liability Committee, comprising members of senior management, and through limits on the positions which can be taken by the Bank's treasury and securities trading divisions.

Interest rate risk

The Bank is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest sensitive assets and liabilities. In Turkey, the interest rates are highly volatile and this may result in significant changes in prices of financial instruments including government bonds and treasury bills. The major sources of funding are borrowings. Because of the duration gap between funding liabilities and interest bearing assets a significant increase in interest rates may cause the Bank to incur significant costs. Interest rate sensitivity of the assets, liabilities and off-balance sheet items are managed by the Bank. Progressive forecasting is determined with simulation reports, interest rate fluctuations effect are identified with sensitivity reports and scenario analysis. The cash need in the terms is determined with Gap analysis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Risk Management (cont'd)

Operational risk

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

Currency risk

Assets and liabilities denominated in foreign currencies together with purchase and sale commitments give rise to foreign currency exposure. The Bank is estimated not to be exposed to foreign exchange risk, short or long position because of uncertainties and volatility of the markets. The Bank does not have or has a very limited short position related to foreign exchange risk. In the circumstances of foreign exchange risk due to client transactions, the Bank take contrary position not to have foreign exchange risk.

3.15 Cash and Cash Equivalent Items

Cash and cash equivalent items seen in the statement of cash flows consist of liquid assets.

3.16 Use of Estimates

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

3.17 Derivatives

In the normal course of business, the Bank is a party to forward (derivatives) transactions. Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss. The Bank has not entered into any transactions, which are accounted as hedges.

Derivative financial instruments including foreign exchange contracts is 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, discounted cash flows 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Impairment

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

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

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

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

3.19 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.

4. BALANCES WITH THE CENTRAL BANK

	31 December 2004 TL Billion	31 December 2003 TL Billion
Time deposits – Foreign Currency ("FC")	311	751
Required reserves – Turkish Lira ("TL")	74	91
Required reserves – Foreign Currency ("FC")	846	1,948
Total Balances with Central Bank	1,231	2,790

As at 31 December 2004, the time deposits with the Central Bank denominated in foreign currency, mature at most in 2 days and earn interest at the rate of 1.04% per annum (31 December 2003, 0.40% to 0.80% per annum). The Bank keeps required reserves in blocked accounts of the Central Bank according to the regulations set by the Banking Regulation and Supervision Agency.

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

5. BALANCES WITH BANKS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Domestic Banks		
Time deposits – TL	2,001	5,124
Banks Abroad		
Demand deposits – FC	244	670
Time deposits – FC	1,746	-
Total Balances with Banks	3,991	5,794

As at 31 December 2004, the balances with domestic banks mature in 3 days and earn interest rate at 19% per Turkish Lira. As at 31 December 2004, the balances with banks abroad mature in 3 days and earn interest rate at 2% per US Dollars (31 December 2003, the balances with domestic banks, mature in 3 days and earn interest at rate 26-26.5**%** per annum per Turkish Lira).

6. INTERBANK FUNDS SOLD

As at 31 December 2004, Interbank funds sold amounting to TL 2,502 Billion (31 December 2003: TL 4,333 Billion) represent TL placements made through Interbank transactions governed by the Turkish Central Bank maturing within 3 days with the interest rates of 18% (31 December 2003: 3 days with the interest rate of 26%).

7. SECURITIES PORTFOLIO (NET)

	31 December 2004 TL Billion	31 December 2003 TL Billion
Held for Trading:		
Government bonds and treasury bills	2,226	9,897
Securities with repurchase agreements	4,979	4,244
	7,205	14,141
Available for Sale		
Affiliates	4,358	52
Total Securities Portfolio (Net)	11,563	14,193

The Bank has 2 investments, one of them is a cooperation with Gap Pazarlama, Koç.Net and Tariş in their project of e-commerce in Agromarket and the other one is Çalık-Şeker Konsorsiyum. Agromarket, has established a web site, "www.kotonline.com" to engage in e-sales of cotton. The site is the first e-cotton platform of Turkey and Near East. The site has started its operations in December 2000, and has been the first B2B online cotton sales Portal. The other investment of the Bank is Çalık-Şeker Konsorsiyum Yatırım A.Ş. that has been established in 30 December 2003 to invest in banks established in Turkey or abroad.

7. SECURITIES PORTFOLIO (NET) (cont'd)

In the accompanying financial statements, the available for sale asset consists of 44.27% participation in Agromarket amounting of TL 0 Billion and 24% participation in Çalık-Şeker Konsorsiyum Yatırım A.Ş. amounting of TL 4.358 Billion (31 December 2003: Agromarket 44.27%, TL 39 Billion, Çalık-Şeker Konsorsiyum Yatırım A.Ş. 24%, TL 13 Billion).

Agromarket which is an investment in associate is accounted for under the equity method . Çalık Şeker Konsorsiyum Yatırım A.Ş. ("Çalık Şeker Konsorsiyum") which is an investment in associate is accounted for under equity method in 2003. The share purchase agreement for the Bank established in Albenia between Saving Deposit and Insurance Fund ("SDIF") and Çalık Şeker Konsorsiyum has been signed off during the year but the actual shares transfer of the Bank in Albenia has not been realized as at 31 December 2004. Since the main establishment reason of the investment in associate is to buy a bank established in Albenia has not been realized and there has been some uncertainaties for the significant influence over the bank in Albenia the investment in associate is accounted at restated cost as at 31 December 2004.

Net book value of Agromarket was determined as US Dollars 2,053,981 according to the valuation report obtained as of 31 December 2004.

The equity in appropriated net loss of associate amounting to TL 58 Billion for Agromarket is reflected in the statement of income (31 December 2003: TL 91 Billion net income for Agromarket).

Marketable securities are initially booked at cost. Government bonds and treasury bills traded on stock exchanges are valued at weighted average market prices as at the balance sheet date in the current year financial statements; government bonds and treasury bills traded on stock exchanges but not traded as at the balance sheet date are valued at weighted average market prices of the last transaction date. Valuation for government bonds and treasury bills, which are not traded on a stock exchange, is made based on the prices announced by the Turkish Central Bank.

Estimated fair values for government bonds and treasury bills that are traded on a stock exchange were calculated based on the prices quoted on the Istanbul Stock Exchange.

The fair values of government bonds and treasury bills that are quoted on the stock exchange have been compared with their book values and unrealized gain on them is TL 284 Billion as at 31 December 2004 (31 December 2003: TL 815 Billion).

The blocked securities kept in the Central Bank, İMKB Takas ve Saklama Bankası A.Ş. (stock exchange settlement bank) for the purposes of trading guarantee on Interbank and reverse repurchase markets as at 31 December 2004 amounted to TL 2,885 Billion (31 December 2003: TL 13,326 Billion).

Securities portfolio includes TL 4,760 Billion (31 December 2003: TL 3,867 Billion) securities sold with agreement to repurchase ("repo") as at the balance sheet date. The Bank recorded TL 219 Billion as income on securities with repo agreements being the period end income accrual. (31 December 2003: TL 377 Billion).

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

7. SECURITIES PORTFOLIO (NET) (cont'd)

Maturity analysis of government bonds and, treasury bills as at 31 December 2004 and 31 December 2003 are as follows:

31 December 2004 (TL Billion)	Up to 1 month	1 - 3 months	3 – 6 months	6 - 12 months	Over 12 months	Total
Government Bonds	-	-	-	5,662	393	6,055
Treasury Bills	-	-	-	1,150	-	1,150
Total	-	-	-	6,812	393	7,205

31 December 2003 (TL Billion)	Up to 1 month	1 - 3 months	3 – 6 months	6 - 12 months	Over 12 months	Total
Treasury Bills	-	1,202	-	12,340	599	14,141
Total	-	1,202	-	12,340	599	14,141

8. LOANS (NET)

SHORT TERM LOANS	31 December 2004 TL Billion	31 December 2003 TL Billion
Secured export loans – (TL)	19,944	18,326
Secured export loans – (FC Denominated)	67	-
Factoring loans	2,362	1,762
Other secured loans	17,929	10,537
OVERDUE LOANS	15	17
TOTAL LOANS	40,317	30,642
Less: Provisions		
Specific loan loss provisions	(15)	(17)
TOTAL PROVISIONS	(15)	(17)
TOTAL LOANS (NET)	40,302	30,625

The Bank mainly extends short-term loans to customers with maturities within one year. Interest rates charged for Turkish Lira loans varied between 20%-45.96%, (2003: 26.5% - 41.1%). Other secured loans consist of foreign currency indexed loans of TL 668 Billion as of 31 December 2004 (31 December 2003: TL 150 Billion). Interest rates charged for foreign currency indexed loans varied between 9.44%-10.57% (2003: 5.3% -11.5%).

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

8. LOANS (NET) (cont'd)

Loans can be analyzed by currency as follows:

Currency	31 December 2004 TL Billion	31 December 2003 TL Billion
Turkish Lira	40,234	30,625
US Dollars	68	-
	40,302	30,625

Sectoral analysis of loans is as follows:

Sector	31 December 2004 %	31 December 2003 %
Trade	35	55
Construction	23	13
Electricity	-	4
Finance	30	6
Textile	9	11
Other	3	11
	100	100

Since the Bank is an investment bank and the investment banks have a right to do factoring facilities, the Bank began to use this opportunity in 2002 and continued factoring operations in 2004. The Bank follows those transactions under the loan portfolio.

9. LEASING RECEIVABLES (NET)

Years	31 December 2004 TL Billion	31 December 2003 TL Billion
2004	-	6,289
2005	5,343	5,760
2006	3,462	3,775
2007	580	630
Gross lease receivable	9,385	16,454
Less: Unearned interest income	(319)	(765)
Net leasing receivables	9,066	15,689

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

9. LEASING RECEIVABLES (NET) (cont'd)

Foreign Currency Type	31 December 2004 Amount	Equivalent in TL Billion	31 December 2003 Amount	Equivalent in TL Billion
US Dollar	1,229	2	2,366	3
EURO	3,048,858	5,584	5,166,499	10,363
CHF	3,199,746	3,798	4,723,999	6,086
TRL (Billion TL)	1	1	2	2
TOTAL		9,385		16,454

10. PREMISES AND EQUIPMENT (NET)

	31 December 2004 TL Billion	31 December 2003 TL Billion
Machinery and Equipment	658	548
Furniture and Fixtures	615	225
Vehicles	290	290
Intangibles	1,648	1,548
Leasehold Improvements	700	288
Others	10	24
Premises and Equipment	3,921	2,923
Less: Accumulated Depreciation	(2,573)	(2,017)
Premises and Equipment (Net)	1,348	906

11. OTHER ASSETS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Prepaid Expenses	257	32
Transitory Accounts	608	253
Advances Given	5	294
Premium Income Accruals	110	-
Others	24	-
	1,004	579

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

12. BORROWINGS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Financial:		
Domestic Banks-Foreign Currency	1,343	3,192
Foreign Banks – Foreign Currency	5,706	9,820
	7,049	13,012
Non-Financial:		
Payables to Suppliers	3,274	5,744
Total Borrowings	10,323	18,756

Financial borrowings: TL 1,343 Billion of the borrowings are from domestic banks (31 December 2003:TL 3,192 Billion), that bears interest at the rate of 2.35%, (31 December 2003:1.35% to 1.25%) and mature in January 2005 and TL 5,706 Billion of the borrowings are from foreign banks (2003:February 2004 TL 9,820 Billion), that bears variable interest rates within the range of 3.4% to 6%, (2003:2.65% to 6%) maturing in June 2005 to March 2007 (2003: June 2005 to March 2007).

Non-financial part of borrowings part is the long-term payables to the suppliers regarding to the purchases of the machinery and equipment, which are subject to the leasing transactions.

13. TAXATION

Corporate Tax

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

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

The effective rates of tax are as follows:

- In 2003: 30% (the funds contribution was abolished for 2004).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).
- In 2005: 30%

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2004, and to 33% for 2004. Corporate income tax rate was decreased to 30% for 2005.

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

13. TAXATION (cont'd)

Corporate Tax (cont'd)

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by 15 April in the next year following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2004. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax was also calculated in 2003 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2004. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

Inflation Adjusted Tax Calculation

For 2004 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2004 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 “Financial Reporting in Hyperinflationary Economies”. Application of the new principles was optional in the first quarterly advance tax return in 2004.

Deferred Tax

The Bank recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

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

13. TAXATION (cont'd)

In the accompanying financial statements deferred tax asset / liability and corporate tax are comprised of the following:

a) Balance Sheet:	31 December 2004 TL Billion	31 December 2003 TL Billion
Corporate tax provision	1,299	3,148
Prepaid taxes	-	-
	1,299	3,148
Deferred tax liability	-	887
	-	887

b) Income Statement:	2004 TL Billion	2003 TL Billion
Current income tax	1,299	3,148
Deferred tax charge/(benefit)	(779)	(1,103)
	520	2,045

c) Temporary Differences Subject to Deferred Tax:	31 December 2004 TL Billion	31 December 2003 TL Billion
Leasing adjustment	-	4,744
Economic life of fixed assets	(61)	-
Retirement pay provision	(48)	(38)
General loan losses provision	(358)	(222)
	(467)	4,484
Components of Deferred Tax (19.8%)		
Leasing adjustment	-	939
Economic life of fixed assets	(12)	-
Retirement pay provision	(10)	(8)
General loan losses provision	(71)	(44)
Deferred tax (asset)/liability	(93)	887
Allowance for deferred tax assets (-)	93	-
Net deferred tax (asset)/liability	-	887

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

13. TAXATION (cont'd)

d) Movement of deferred tax (asset) / liability:	2004 TL Billion	2003 TL Billion
Opening balance at 1 January	887	2,268
Monetary (gain)/loss	(108)	(278)
Current year benefit	(779)	(1,103)
Closing balance at 31 December	-	887

14. SUNDRY CREDITORS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Payables to Compulsory Government Funds	19	28
Customer Accounts (*)	2,718	1,670
Others	755	151
	3,492	1,849

(*) As at 31 December 2004, TL 1,527 Billion comprised of the no interest bearing payables to the Group companies (31 December 2003: TL 1,216 Billion).

15. PROVISIONS

	31 December 2004 TL Billion	31 December 2003 TL Billion
PROVISION FOR RETIREMENT		
At 1 January	38	28
Provision for the year	15	18
Indexation effect (net)	(5)	(8)
At Period End	48	38
GENERAL LOAN LOSS PROVISIONS		
At 1 January	222	-
Provision for the year	164	222
Indexation effect (net)	(27)	-
At Period End	359	222
TOTAL PROVISION	407	260

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

15. PROVISIONS (cont'd)

Retirement Pay Provision:

Lump sum payments are made to all employees who retire from the Bank or whose employment is terminated for reasons other than misconduct. The amount payable is 30 days gross pay for each year of eligible service. The rate of pay that is ruling at 31 December 2004 is subject to a maximum of TL 1,547,740,000.

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

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

Actuarial calculations are not available for the Bank's accrued liability but for the purposes of these financial statements a calculation has been prepared assuming a real discount rate of 5.45% (the net of inflation of 10% and a discount rate of 16%).

16. OTHER LIABILITIES

	31 December 2004 TL Billion	31 December 2003 TL Billion
Payment Orders	22	120
Transitory Accounts	785	343
	807	463

17. SHARE CAPITAL

Shareholders	%	31 December 2004 Paid-Up Capital TL Billion	%	31 December 2003 Paid-Up Capital TL Billion
Çalık Holding A.Ş.	91,5	12,353	91,5	12,353
GAP Güneydoğu Tekstil Sanayii ve Ticaret A.Ş.	4,5	607	4,5	607
Ahmet ÇALIK	2,0	270	2,0	270
Mahmut ÇALIK	1,0	135	1,0	135
Ali AKBULUT	1,0	135	1,0	135
	100	13,500	100	13,500
Effect of inflation		26,106		26,106
		39,606		39,606

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

18. OTHER OPERATING INCOME

	2004 TL Billion	2003 TL Billion
Income From Fees and Commissions on Loans	1,494	1,078
Income From Banking Services	1,134	1,751
Other	230	684
	2,858	3,513

19. OTHER OPERATING EXPENSES

	2004 TL Billion	2003 TL Billion
Personnel Expenses	2,241	1,824
Taxes and Dues Paid	312	351
Depreciation and Amortization	564	405
Commission Expenses	32	110
Administrative Expenses and Other	2,098	2,071
	5,247	4,761

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

20. MATURITY ANALYSIS OF THE BALANCE SHEET

Maturities of assets and liabilities as at 31 December 2004:

	On Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Undistributed	Total TL Billion
ASSETS							
Liquid Assets	314	-	-	-	-	-	314
Balance with the Central Bank	-	1,231	-	-	-	-	1,231
Balances with Banks	244	3,747	-	-	-	-	3,991
Interbank Funds Sold	-	2,502	-	-	-	-	2,502
Securities Portfolio (Net)	-	-	-	6,892	313	4,358	11,563
Loans (Net)	-	8,643	13,112	18,547	-	-	40,302
Leasing Receivables (Net)	-	480	760	3,474	4,352	-	9,066
Premises and Equipment (Net)	-	-	-	-	-	1,348	1,348
Other Assets	590	-	-	-	-	414	1,004
Total	1,148	16,603	13,872	28,913	4,665	6,120	71,321
LIABILITIES							
Borrowings	-	1,581	412	2,546	5,784	-	10,323
Funds Obtained in Exchange of Securities Sold	-	4,760	-	-	-	-	4,760
Taxes and Dues Payable	219	-	-	-	-	-	219
Corporate Tax	-	-	-	1,299	-	-	1,299
Sundry Creditors	-	3,492	-	-	-	-	3,492
Provisions	-	-	-	-	-	407	407
Other Liabilities	-	154	628	25	-	-	807
Total	219	9,987	1,040	3,870	5,784	407	21,307
SHAREHOLDER'S EQUITY							
Share Capital	-	-	-	-	-	39,606	39,606
Legal Reserves	-	-	-	-	-	1,610	1,610
Accumulated Profit/(Loss)	-	-	-	-	-	8,798	8,798
Total	-	-	-	-	-	50,014	50,014
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	219	9,987	1,040	3,870	5,784	50,421	71,321

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

20. MATURITY ANALYSIS OF THE BALANCE SHEET (cont'd)

Maturities of assets and liabilities as at 31 December 2003:

	On Demand TL Billion	Up To 1 Month TL Billion	From 1 Month To 3 Months TL Billion	From 3 Months To 1 Year TL Billion	1 Year and More Than 1 Year TL Billion	Undistributed	Total TL Billion
ASSETS							
Liquid Assets	446	-	-	-	-	-	446
Balance with the Central Bank	752	2,038	-	-	-	-	2,790
Balances with Banks	671	5,123	-	-	-	-	5,794
Interbank Funds Sold	-	4,333	-	-	-	-	4,333
Securities Portfolio (Net)	-	-	1,203	12,341	597	52	14,193
Loans (Net)	-	25,124	1,119	4,382	-	-	30,625
Leasing Receivables (Net)	-	491	885	4,493	9,820	-	15,689
Premises and Equipment (Net)	-	-	-	-	-	906	906
Other Assets	-	-	-	-	-	579	579
Total	1,869	37,109	3,207	21,216	10,417	1,537	75,355
LIABILITIES							
Borrowings	-	3,657	897	4,447	9,755	-	18,756
Funds Obtained in Exchange of Securities Sold	-	-	905	2,962	-	-	3,867
Taxes and Dues Payable	-	140	-	-	-	-	140
Corporate Tax	-	-	-	3,148	-	-	3,148
Sundry Creditors	-	-	-	-	-	1,849	1,849
Provisions	-	-	-	-	-	260	260
Other Liabilities	-	-	-	-	-	463	463
Deferred Tax Liability (Net)	-	-	-	-	-	887	887
Total	-	3,797	1,802	10,557	9,755	3,459	29,370
SHAREHOLDER'S EQUITY							
Share Capital	-	-	-	-	-	39,606	39,606
Legal Reserves	-	-	-	-	-	1,235	1,235
Accumulated Profit/(Loss)	-	-	-	-	-	5,144	5,144
Total	-	-	-	-	-	45,985	45,985
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	-	3,797	1,802	10,557	9,755	49,444	75,355

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

21. RELATED PARTY TRANSACTIONS AND BALANCES

The accompanying financial statements include the following balances due from or due to related parties:

	31 December 2004 TL Billion	31 December 2003 TL Billion
Due from related parties:		
Loans	19,893	17,860
Leasing receivables (net)	9,066	15,687
Non-cash loans:	53,295	53,360
Due to related parties:		
Sundry creditors	1,527	1,149

	2004 TL Billion	2003 TL Billion
Transactions with related parties:		
Interest income on financial leases	328	627
Interest income on cash loans	5,689	2,638
Commission income	617	569
Rent expenses	(89)	(132)
Other administrative expenses	(54)	(41)

22. COMMITMENTS AND CONTINGENCIES

	31 December 2004 TL Billion	31 December 2003 TL Billion
Letters of guarantee (TL)	27,513	18,954
Letters of guarantee (FC)	22,384	26,419
Acceptance credits	10,156	15,833
Letters of credit (FC)	14,090	4,860
	74,143	66,066

The non-cash exposures to the group companies comprise of 72% (2003: 81%) of the total balance, amounting to TL 53,295 Billion (2003: TL 53,360 Billion).

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

22. COMMITMENTS AND CONTINGENCIES (cont'd)

The foreign currency position of the Bank can be summarized as follows:

	31 December 2004 TL Billion	31 December 2003 TL Billion
Total foreign currency assets	13,211	19,757
Forwards (buy)	130	-
Total foreign currency liabilities	(13,308)	(20,298)
Forwards (sell)	(129)	
Net foreign currency position	(96)	(541)

The Bank does not expect any counter parties to fail to meet their obligations arising on off balance sheet transactions.

23. INVESTMENT INCENTIVES

The Bank has obtained investment incentive certificates from the Under Secretariat of Turkish Treasury for its various investments in direct financing leases. Such incentives include exemptions from custom duties on machinery and equipment to be imported and investment allowances at 100% on the approved capital expenditures.

Investment allowance is deductible from taxable profits for the purposes of corporation tax calculations. Such allowances are recognized over the term of the related lease contracts unless the utilization of the allowances per statutory tax computation exceeds the term of the lease contract.

24. SUBSEQUENT EVENTS

The employee termination indemnity ceiling has increased to TL 1,648,900,000 commencing on 1 January 2005.