ANNUAL REPORT 2004





TÜRK EXIMBANK

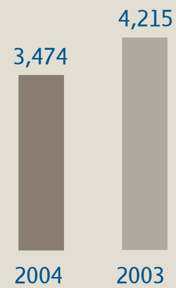
CONTENTS

Financial Highlights

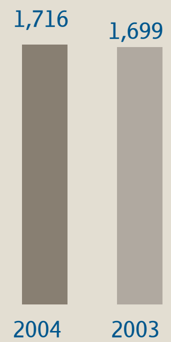
Major Balance Sheet Accounts (TL billion)	2004	2003 (*)
Loans, net	3,473,509	4,215,365
Cash and Equivalents	92	164
Total Assets	4,461,136	5,360,249
Loans Borrowed	1,614,200	2,120,426
Securities Issued	467,964	556,406
Shareholders' Equity	1,716,428	1,698,924
Paid-in Capital	657,864	657,864
Provisions	146,734	275,435

Major Income Statement Accounts (TL billion)		
Interest Income	481,231	731,707
Interest Income on Loans	314,887	489,390
Interest Expenses	(113,124)	(140,523)
Net Interest Income	368,107	591,184
Other Operating Income	187,790	39,592
Provisions for Loans and Other Claims	(81,194)	(123,732)
Other Operating Expenses	(73,701)	(58,180)
Net Profit (Loss) on Monetary Position	(196,196)	(184,384)
Net Income	209,673	266,633

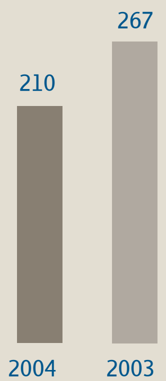
(*) Expressed in 2004 prices



Loans, net (TL trillion)

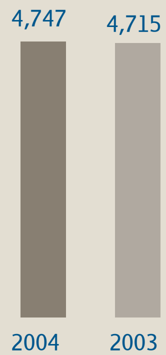


Shareholders' Equity (TL trillion)



Net Income (TL trillion)

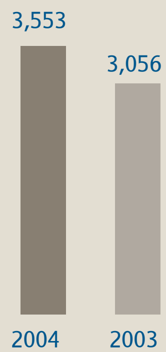
Operational Highlights



Total Short-Term Credits (TL trillion)

Credit Activities	**2004**	**2003**
Short-Term Credit Activities (TL billion)		
Total Short-Term Credits	4,746,981	4,714,625
Short-Term TL Export Credits	2,648,426	2,528,902
Short-Term FX Export Credits	2,098,555	2,185,723
Medium and Long-Term Credit Activities (USD million)		
Medium and Long-Term Credits	41.2	66.0

Insurance Activities (USD million)		
Short-Term Export Credit Insurance		
Total Covered Shipments	3,553	3,056
Total Buyer Limit Approvals	2,977	2,408
Claims Paid	3.5	3.2
Recoveries	0.6	0.6
Medium and Long-Term Export Credit Insurance		
Total Covered Shipments	-	-
Claims Paid	-	-
Recoveries	3.3	3.0



Total Covered Shipments under Short-Term Export Credit Insurance Program (USD million)

In the last three years, Turkey has achieved great success due to the economic stabilization efforts and the progress in the reform process. Turkey has continued her remarkable economic recovery shaped by falling inflation and productivity increase. Turkish economy registered the highest growth rate in the OECD by expanding 9.9 % in 2004. The main actor of this outstanding growth is exports, which reached a record USD 63 billion increasing by 34 % with respect to the previous year. This conjuncture has caused an improvement in all macroeconomic indicators, marking 2004 as a year of remarkable structural change in the economy.

Due to the gradual liberalization of the world trade, there is strict competition in international markets. The ratio of Turkey's foreign trade volume to GNP increased to 55 %, indicating a surge in the degree of openness of her economy to the outside world. Having integrated in terms of trade with the EU, which is Turkey's main trade partner accounting for half of her foreign trade, Turkey has accelerated efforts to enter new markets and established new relations that will shape her foreign trade in the future.

Within the framework of the "Strategy for the Development of Trade with the Neighboring and Peripheral Countries" which was put into effect in 2000, an export campaign was initiated to this region with an import volume of USD 300 billion. In 2004, exports to the region reached USD 18.9 billion, accounting for 30 % of Turkey's total exports. Moreover, Turkish contracting firms have undertaken more than USD 54 billion worth of projects in these countries. While this figure constitutes almost all of Turkey's overseas contracting services, it also underlines the significance of these countries with respect to investments besides trade. The "Strategy for the Development of Trade and Economic Relations with the African Countries" which is another target market strategy, has begun to bear its fruits; the share of these countries increased to 5 % in Turkey's total exports in 2004. I also believe that the "Strategy for the Development of Trade and Economic Relations with the Asia Pacific Countries" which was launched in 2005 and the "Strategy for Penetrating North and Latin American Markets" which is going to be put into effect in 2006, will give successful results.

On the other hand, within the framework of the "Strategic Plan for Exports (2004-2006)", which was put into effect at the beginning of 2004 under the co-ordination of the Undersecretariat of Foreign Trade, with an ultimate aim of achieving an export structure that will yield a sustainable export growth, considerable progress has been made through the workshops conducted by Türk Eximbank, the Export Promotion Center of Turkey and all other related institutions. In the first implementation year of the Plan, studies made through the co-ordination and co-operation of all export related sectors of the economy are encouraging.

The main actor of the outstanding economic growth experienced in 2003 and 2004 has been exports and Türk Eximbank is one of the institutions, which had an active role in this success.

The establishment of a healthy investment-production-export chain is a prerequisite for sustainable export growth. Hence, the macroeconomic stability achieved due to the decisive implementation of the economic stabilization program has also constituted the conditions necessary for a healthy and stable export structure. The improved investment environment, increased credibility, the surge in foreign direct investment -although not at required levels-, also has a positive influence on exports. Despite the appreciation of the Turkish Lira, exports have doubled in the last four years and achieved a healthy growth trend due in particular to the increased competitive power through the productivity gains. The growth figures of 2003 and 2004 show that the largest contribution to GNP growth was made by the export sector. The share and weight of export earnings in Turkey's FX budget has increased considerably in recent years. In 2004, 70 % of total FX earnings were emanated from exports. In a global environment of unlimited mobility of international financial capital, the generation of FX earnings through such a strong and healthy source; namely exports, mitigates the vulnerability of the economy to a large extent. In the meantime, the structure of Turkish exports, which is the leading sector of the economy, is changing leading to product and geographical diversification. The share of Turkey in world exports is increasing due to the diversified export profile that can now meet foreign demands of various countries, from EU to Africa, USA and Middle East. This indicates that Turkey has now become a better player in international markets.

Türk Eximbank is one of the institutions, which has an active role in carrying Turkey to front levels in the world export league. Being aware of the intensifying global competition, the Bank has put great effort to offer tailor-made products in addition to its standard programs in order to meet the needs of different clientele. Considering the demands from the export sector, the Bank has consistently made revisions in terms of its programs in favor of exporters. I strongly believe that with its increasing role in exports finance, Türk Eximbank will form strategies that will meet the demands of the flourishing export sector in the following period and will play a major role in reaching required export levels with its consistent support to the export sector.

Tuncer KAYALAR
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE

The year 2004 has been a year of great achievements for Turkey, enjoyed in terms of both political and economic stability. Public confidence has strengthened and stability has been ensured by the strict application of the macroeconomic policies. Besides, significant progress has been achieved in international relations, especially with the EU. The improvements achieved in the main economic indicators, such as inflation and interest rates, show that sustainable growth has finally been reached in the economy and exports sector.

Exports increased by 33% and reached USD 63 billion, despite the real appreciation of the Turkish Lira throughout 2004. This record high level of surge in exports can be attributed to both the remarkable achievements of the export sector and the support provided to exporters by Türk Eximbank, via its credit, insurance and guarantee programs.

Türk Eximbank aims to maximize its support to the export sector and foreign currency earning services. In this respect, during 2004, the Bank made a series of revisions in its programs in accordance with the demands of the export sector and the developments in the Turkish economy. Türk Eximbank has continued to reduce its short-term interest rates during the year parallel to the decline in both the funding costs of the Bank and the market interest rates as a reflection of the significant progress achieved in the economy. The level of reduction in the short-term interest rates has reached 35 points since the beginning of 2003. This enabled exporters to reduce their financing costs, which constitute a significant portion of their total input costs. Another important revision made in 2004 aimed at solving the collateral problems of the exporters. In this framework, a new program, namely the Pre-Export Credit Program for SMEs, was put into effect in order to solve the financial and collateral problems of SMEs by requiring a letter of guarantee for only 50% of the capital and interest of the credit. The collateral levels of other direct short-term export credits were also reduced and revisions were made to enable more companies to benefit from these reductions.

Additionally, two new insurance programs were introduced starting from 2004. With the "Insurance Program for Unfair Calling of Bonds" in which the risk of unfair calling of bonds provided by Turkish contractors, for their overseas projects is covered, we believe that the problems faced by the Turkish contractors operating overseas will be greatly solved. With the other new program, Türk Eximbank began providing cover for the political

Türk Eximbank increased its support to the exports sector and foreign currency earning services, made revisions in favor of exporters and introduced new programs in 2004 and its total support to the export sector, in terms of financing and pure cover reached USD 7 billion.

and/or commercial risks also arising in the pre-shipment stage under the Short-Term Export Credit Insurance Program in 2004.

As a specialized institution, Türk Eximbank does not have a multi-branch structure. It has only two branches, one in İstanbul and the other in İzmir. However, in order to broaden our customer base and increase our support, we opened liaison offices in Denizli, Kayseri and Gaziantep. Our studies are continuing in order to increase the number of liaison offices throughout Turkey.

In 2004, Türk Eximbank has given financial support at favorable conditions to increase the competitiveness of Turkish exporters in international markets, while putting great effort to be self-sufficient. Türk Eximbank can easily raise funds with favorable conditions from international money markets due to its sound financial structure. Besides, we have given special care to act according to the risk management principles and to abide by international rules and regulations in the implementation of our programs.

As a result of these efforts, in 2004, our support to the export sector reached almost USD 7 billion, of which USD 3.4 billion was in the form of export credits and USD 3.6 billion was in export credit insurance and guarantees. That is, the total support in terms of financing and pure cover accounted for 11% of Turkey's exports in 2004.

2005 is a very promising year for the Turkish economy. However, increased external uncertainties should not be overlooked. In this regard, it becomes more important to support the exports sector, which is one of the main drives of the Turkish economy. As the main supporting agency of the exports sector, we are determined to continue promoting exports through close co-operation with exporters and contractors considering developments in Turkey and the world.

H. Ahmet KILIÇOĞLU
Chief Executive Officer
Vice Chairman

BOARD OF DIRECTORS AND AUDIT COMMITTEE

Tuncer Kayalar
Chairman

H. Ahmet Kılıçoğlu
Vice Chairman / CEO

Cavit Dağdaş
Member of the Board
(since January 6, 2005)

M. Nurhan Güven
Member of the Board

Mehmet Büyükekşi
Member of the Board

Oğuz Satıcı
Member of the Board

Adnan Ersoy Ulubaş
Member of the Board

Güner Gücük
Member of the Audit Committee

Prof. Dr. Arif Esin
Member of the Audit Committee

SENIOR MANAGEMENT

Necati Yeniaras
Assistant General Manager

Alev Arkan
Assistant General Manager

Osman Aslan
Assistant General Manager

Ertan Tanrıyakul
Assistant General Manager

Cosmo Cargo Ship

Credit Programs aim at channeling the Bank's resources effectively for the steady increase of exports and improving international competitiveness of Turkish exporters by providing financing facilities at appropriate terms and conditions.

General Overview

Türk Eximbank supports exporters, export-oriented manufacturers, overseas investors and companies engaged in foreign currency earning services with short, medium and long-term cash and non-cash credit programs. Moreover, export receivables are discounted in order to increase the export volume and to ease access into new and target markets through the promotion of sales on deferred payment conditions.

The total amount of short-term Turkish Lira (TL) and foreign currency credits provided by Türk Eximbank has reached TL 4,747 trillion (USD 3.3 billion) in 2004, showing a 4.2 % increase on US dollar basis over the previous year.

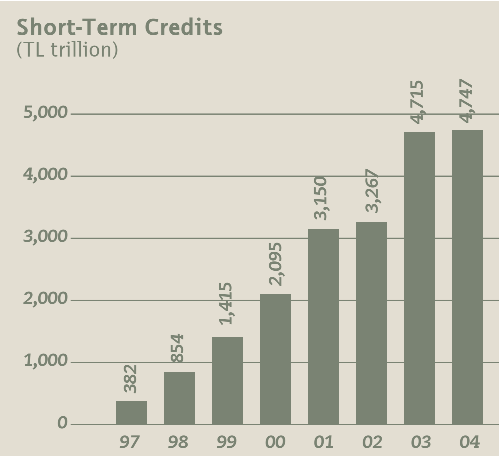
In 2004, Türk Eximbank has financially supported 5 % of Turkey's exports by its short-term credits.

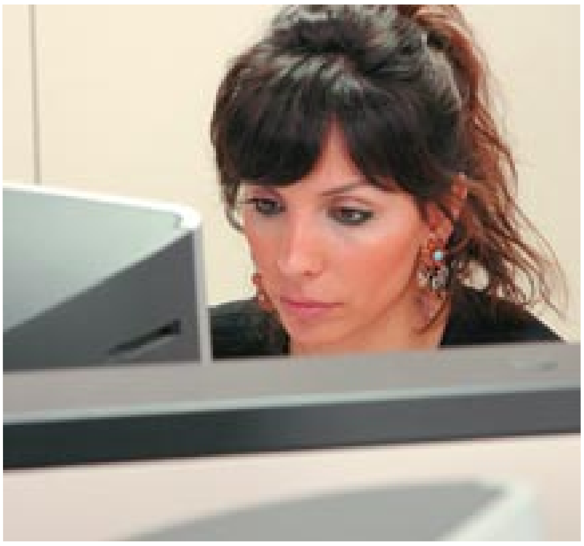
56 % of total credits was provided in TL and 44 % in foreign currency.

64 % of total credits was disbursed via intermediary commercial banks.

In 2004, 3,053 companies benefited from Türk Eximbank's short-term credits.

Companies in priority development regions and small and medium-scale enterprises (SMEs) have been given priority in all credit applications. As a result of this policy, SMEs have attained





a 40 % share in short-term export credits and the amount of credits provided to SMEs reached TL 1,890 trillion (USD 1.3 billion). Additionally, 70 % of the total companies that benefited from Türk Eximbank's short-term credit programs were SMEs. The support directed to encourage the Sectoral Foreign Trade Companies model, formed by SMEs has continued within the framework of various credit programs.

Textiles/ready-to-wear/leather industries had the largest share in the sectoral distribution of short-term credits with 42 % in 2004.

European Union countries were foremost in the regional distribution of the credits with a share of 54 % in 2004.

Türk Eximbank has continued to provide a reduction on current interest rates charged for short-term export credits extended to short-term export credit insurance policyholders. This reduction is 0.5 points for short-term export credits in foreign currency, and 2 points for short-term export credits in TL.

New Arrangements and Amendments

In 2004, several arrangements have been made in relation to the short-term export credit implementations in order to meet the demands of exporters on the basis of economic and political developments in the world and Turkey.

Accordingly;

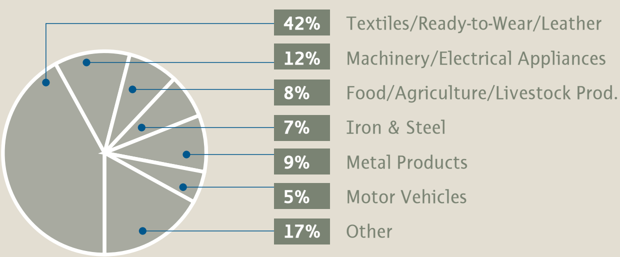
- The issues of facilitating the bureaucratic procedures and achieving harmony among public institutions' practices have been prioritized in the "Urgent Action Plan" of the Government. Within this framework, certain documents required for Türk Eximbank's short-term direct loans and ethical criteria required for the reduction of collateral are not requested from firms that hold the Certificate of Approved Firm given by the Undersecretariat of Customs. Additionally, these firms can now use 25 % of their credit limits by maintaining 50 % of the principal collateral rate.

- As of September 9, 2004, the principal collateral rate required for direct short-term credit programs is reduced from 110 % to 100 % of the loans, including interest.

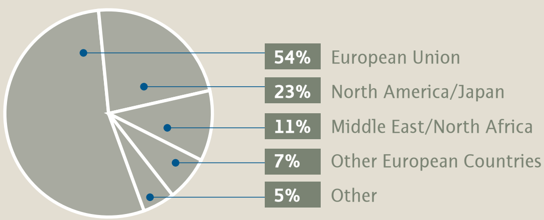
- Government foreign borrowing securities have started to be accepted as principal collateral for direct export credits and credits for foreign currency earning services.

- With the revision made in the Short-Term Pre-Shipment Rediscount Program, Türk Eximbank has started to provide cover for transactions based on cash-against-goods from its own resources.

Sectoral Distribution of Short-Term Credits



Regional Distribution of Short-Term Credits



- According to the objectives put forward in Türk Eximbank's 2004 Annual Program, on June 21, 2004 air transportation has been included in the International Transportation Marketing Credit Program, which covered international shipping and road transportation. Furthermore, company limits have been increased from USD 500,000 to USD 2,000,000 for this program.

- A new collateral procedure based on certain criteria -such as the financial structures, export performances of firms and their affiliation with large manufacturing groups, in addition to the business ethics- to be used in calculating principal collateral rates for foreign trade companies has been put into effect as of June 24, 2004.

- Interest rates charged for short-term Turkish Lira export credits have gradually been reduced during 2004 considering the diminishing funding costs and market interest rates. Hence, a 6-point decrease has been made and the interest rates ranged between 12 % and 20 %. Likewise, interest rates charged for short-term foreign currency export credits have been reduced to Libor+0.50 – Libor+3.00.

Short-Term Export Credits

Türk Eximbank extends short-term export credits to exporters and export-oriented manufacturers to meet their financing needs especially at the pre-shipment stage. These credits are extended in Turkish Lira or in foreign currency either directly by Türk Eximbank or via intermediation of selected Turkish commercial banks.

1. Credits Extended via Commercial Banks

The Pre-Shipment Export Credits are short-term credit facilities covering all sectors and providing financial support to exporters starting from the early stages of production. Credits are extended either in TL or in foreign currency under this program.

Through the **Pre-Shipment Turkish Lira Export Credits (PSEC-TL)**, TL 1,657 trillion (USD 1,162 million) worth of credits was disbursed in 2004. This indicates an 11 % increase on TL basis, over the previous year.

Under the **PSEC-Priority Development Areas Export Credit Program**, which is a sub-program of the PSEC-TL program and is extended to companies located in the 51 provinces considered as Turkey's priority development areas, TL 191.2 trillion (USD 133.8 million) was disbursed in 2004. The reduction applied on interest rates for the credit demands up to USD 500,000 has also continued throughout 2004.

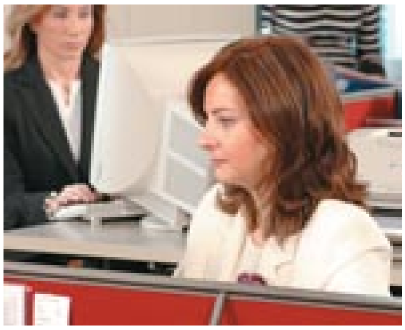
Under the **Pre-Shipment Foreign Currency Export Credit Program**, USD 954.3 million (TL 1,365 trillion) was disbursed in 2004.

Commercial banks are obliged to extend 30 % of the limit allocated by Türk Eximbank, to SMEs. Within this framework, through the **Pre-Shipment Export Credits**, TL 1,675 trillion (USD 1,174 million) worth of credits was disbursed to SMEs in 2004. This implies a 5.2 % increase on TL basis, over the previous year.

2. Credits Extended Directly by Türk Eximbank

Within the **Foreign Trade Companies Short-Term Export Credits Program**, credits are extended to foreign trade corporate companies and sectoral foreign trade companies that are granted these titles by the Undersecretariat of Foreign Trade. Under this program, a total of TL 1,135 trillion (USD 796.9 million) was disbursed in 2004, of which, TL 737 trillion (USD 518.7 million) was disbursed in "TL" and USD 278.2 million (TL 397.6 trillion) in "foreign currency".

Under the **Pre-Export Foreign Currency Credit Program**, USD 177.8 million (TL 255.4 trillion), and under the **Pre-Export Turkish Lira Credit Program**, TL 240.9 trillion (USD 167.9 million) was disbursed in 2004.



Under the **Pre-Export Credit Program for SMEs,** USD 18.9 million was disbursed, of which, TL 11.6 trillion (USD 8.1 million) was disbursed under the **Pre-Export Turkish Lira Credit for SMEs** and USD 10.8 million (TL 15.8 trillion) was disbursed under the **Pre-Export Foreign Currency Credit for SMEs.**

3. Credits funded by the Central Bank of Turkey

The **Short-Term Export Credit Discount Program**, is a post-shipment finance facility, aiming at increasing the competitiveness of Turkish exporters in international markets by enabling them to sell Turkish goods on deferred payment terms and eliminating overseas risks thereby encouraging them to enter into new and target markets.

The **Short-Term Pre-Shipment Rediscount Program**, which requires an export commitment, aims at providing support to exporters with maturity up to 120 days, in the pre-shipment stage.

Under these two programs, USD 41.1 million was disbursed in 2004, of which, USD 27.8 million was in the form of pre-shipment and USD 13.3 million in post-shipment finance.

Medium-Term Export Credits (Project Credits)

Medium-term export credits are specific credit programs, available for export transactions that cannot be covered under the standard credit and guarantee programs.

The **Overseas Chain Stores Investment Credit Program** supports overseas investments of Turkish entrepreneurs for the establishment of shopping malls and chain stores in order to help establish and promote Turkish brands in overseas markets.

The **Ship-Building and Exporting Financing Program** supports Turkish dockyards to increase their share in the international markets. Under this program, guarantees are provided for the Turkish companies involved in ship-building and/or the export of ships in order to obtain pre-financing either in advance payment or in installments from the buyer. Cash loans are also provided under this program. In 2004, USD 12.6 million was provided through this program.

The **Specific Export Credit Program**, is a medium-term pre-shipment financing facility provided to the foreign currency generating projects of manufacturer/exporters and overseas contractors that cannot be subject to the standard credit programs of Türk Eximbank. Under this program, USD 1.4 million was disbursed in 2004.

The **Letter of Guarantee Program for Overseas Contractors' Services** enables Turkish contractors to sustain their current share in international markets and thus encourages them to enter into new markets. Under this program, USD 3.9 million worth of letters of guarantee was issued in 2004.

Credits for Foreign Currency Earning Services

The **Tourism Marketing Credit Program** provides finance to travel agencies and private airlines for their promotion and marketing activities abroad and thus contributes to Turkey's balance of payments via increasing tourism revenues. A total of USD 11.8 million was disbursed within the year.

The **International Transportation Marketing Credit Program** is provided directly by Türk Eximbank and provides finance to international transportation companies in order to reduce the transportation cost of exporting companies. Within this program, TL 3.4 trillion (USD 2.3 million) was disbursed in 2004.

The **Credit Program for Foreign Currency Earning Services** contributes to Turkey's foreign exchange earnings through financing the companies residing in Turkey for both their foreign currency earning

services abroad and export of services like software projects, consultancy services, etc. Under this program, USD 1.6 million was disbursed in 2004.

Islamic Development Bank Backed Credits

Türk Eximbank acts as an intermediary agency for the **Export Financing Scheme** of the Islamic Development Bank (IDB), in accordance with the agreement signed in 1988 between the two parties. This program entails financing on buyer credit basis. The IDB has the credit approval authorization and the buyer's risk for the transactions mediated by Türk Eximbank is borne by the IDB. In 2004, 3 credit applications worth a total of USD 29 million were forwarded to the IBD.

Additionally, within this scheme, a USD 20 million limit was provided. Under this limit, Türk Eximbank has the credit approval authorization and bears the buyer's risk.

Turkish exporters' imports of raw material, semi-capital and capital goods to be used in the production of export goods were financed through the IDB's **Import Trade Financing Operations (ITFO line)** financing scheme. In 2004, USD 1.1 million was disbursed under this scheme.

Negotiations were completed with the IDB and the evaluation process is underway for the allocation of a USD 80 million limit to Türk Eximbank for the other medium-term financing programs provided by IDB.

Risk Evaluation and Monitoring of Intermediary Banks

Türk Eximbank allocates short-term cash (TL and FX) and non-cash (FX) credit limits to intermediary banks and Special Finance Institutions (SFI) through a detailed risk evaluation process. This process includes an in-depth financial analysis of each bank through the application of internationally accepted financial analysis approaches and periodical review of other factors such as ownership structure, field of activities, strategies and future outlooks. In addition, developments in financial markets and bank activities are constantly monitored and reported.

Considering financial soundness as a key principle in allocating limits, the effective utilization of Türk Eximbank credit limits, high shares of export credits in total credits portfolio and high proportions of export credits financed through the banks' and SFI's own resources are also regarded as important determinants of future increases in credit limits.

Central Clinic Hospital, Moscow

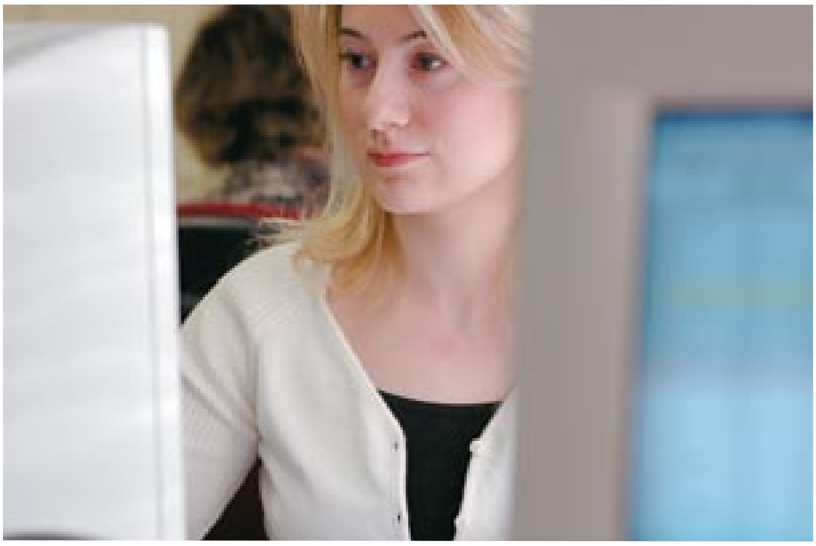
By providing accurate guidance, Buyers' Credit and Guarantee Programs aim at creating opportunities for and boosting the competitive strength of Turkish exporters and overseas contractors in newly emerging markets by enabling foreign buyers to purchase Turkish goods and services on deferred payment conditions.

The objective of the Buyers' Credit and Guarantee Programs is to strengthen the competitiveness of Turkish exporters and contractors in international markets and to provide a risk-free environment for their activities in the markets pertaining high political and commercial risks.

Within the framework of the Buyers' Credit and Guarantee Programs, the Bank provides support for projects to be realized in Central and Southern Asia, Central and Eastern Europe, Africa, Caucasus, and the Balkans by Turkish contractors and for the export of capital goods. Under this program, the projects having priority for the borrower's country, providing mutual benefit, and contributing to economic relations between the two countries, are supported.

In order to guarantee the principal and interest payments, the Bank requires sovereign guarantee as a prerequisite. However, other guarantee mechanisms, including guarantees from banks that are deemed trustworthy by Türk Eximbank, are also evaluated considering the facts such as the borrower's country, terms and conditions of the facility and the specifics of the project.

Under this program, a total of USD 2.2 billion worth of credits has been disbursed to Turkish contracting firms/exporters operating in 21 countries since 1989. The amount disbursed was utilized for the exports of goods such as food, medicine, medical equipment, textile products, automotive products, machinery and equipment, and other industrial goods and the projects such as medical centers, industrial plants, telecommunication, energy, petrochemicals and construction and renovation of hotels and business centers.



Within the framework of the Buyers' Credit and Guarantee Programs, USD 4.1 million was allocated in 2004. Throughout the year, USD 127.2 million was collected from the credits extended to Albania, Algeria, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Pakistan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. Thus, the total amount collected reached USD 1.9 billion, as of today.

In 2004, Türk Eximbank issued 9 "letters of intent" for the projects to be undertaken by Turkish firms in Belarus, Ghana, Pakistan, Sudan, Syria and Uzbekistan. Also, the validity of a letter of intent issued for a project in Uzbekistan was extended.

The debt rescheduling agreements signed with Kyrgyzstan and Pakistan in 2003, and with Moldova in 2004 became effective in 2004. Georgia, who requested a debt rescheduling agreement from the Paris Club, signed an Agreed Minutes with the members of the Paris Club in 2004.

Türk Eximbank continued to be in close co-operation with other export credit agencies and international financial institutions during the year, in order to extend its financial support to Turkish overseas companies. In 2004, Türk Eximbank signed a "Framework Cooperation Agreement" with Eximbank Romania and a "Cooperation Agreement" with Vnesheconombank and Eximbank of Russia. Türk Eximbank also signed a "Framework Agreement" with Eximbank of Ukraine in order to extend a credit line of USD 20 million.

Türk Eximbank Buyers' Credit and Guarantee Programs *(USD million)*

COUNTRIES	CREDIT LIMIT	TOTAL DISBURSEMENTS (as of 31.12.2004)
ALBANIA	15	13.9
Export Credit	15	13.9
ALGERIA	100	99.5
Export Credit	100	99.5
AZERBAIJAN	250	91.7
Export Credit	100	59.6
Project Credit	150	32.1
BELARUS	20	18.5
Project Credit	20	18.5
BULGARIA	50	20.9
Export Credit	50	20.9
GEORGIA	50	41.5
Export Credit	50	41.5
HUNGARY	10	0.1
Export Credit	10	0.1
KAZAKHSTAN	240	213.1
Export Credit	55.7	40
Project Credit	184.3	173.1
KYRGYZSTAN	75	48.1
Export Credit	37.5	35.7
Project Credit	37.5	12.4
LIBYA	100	128.7
Project Credit	100	128.7
MOLDOVA	35	15
Project Credit	35	15
NAKHICHEVAN	20	19.6
Export Credit	20	19.6
PAKISTAN	100	58.3
Project Credit	100	58.3
ROMANIA	50	45.7
Export Credit	50	45.7
RUSSIAN FEDERATION	1,150	812.9
Export Credit	800	599.4
Project Credit	350	213.5
SYRIA	15	7
Export Credit	15	7
TAJIKISTAN	50	28
Export Credit (*)	50	28
TUNISIA	40	1.9
Export Credit	40	1.9
TURKISH REP. OF NORTHERN CYPRUS	3.7	3.7
Project Credit	3.7	3.7
TURKMENISTAN	163.3	133
Export Credit	75	75
Project Credit	88.3	58
UZBEKISTAN	410.2	369.1
Export Credit	125	124.6
Project Credit (*)	285.2	244.5
TOTAL	2,947	2,170

(*) IDB transactions are included.

The Regent Hotel, Almaty

Export Credit Insurance Programs aim at providing cover for Turkish exporters and overseas contractors against commercial and political risks and creating a risk-free environment for them.

Export receivables are insured against commercial and political risks within certain limits by means of export credit insurance programs, which is one of Türk Eximbank's main areas of activity. The additional advantage of the Programs stands as enabling exporters to obtain funding from financial institutions at favorable terms via the insurance policies issued by Türk Eximbank as collateral.

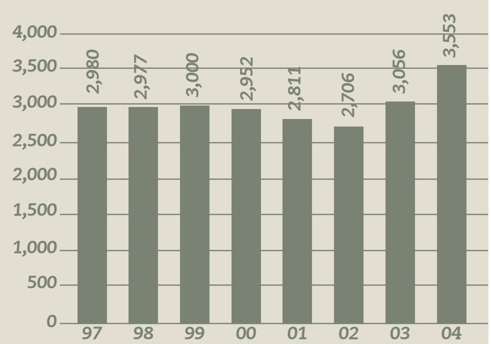
Short-Term Export Credit Insurance

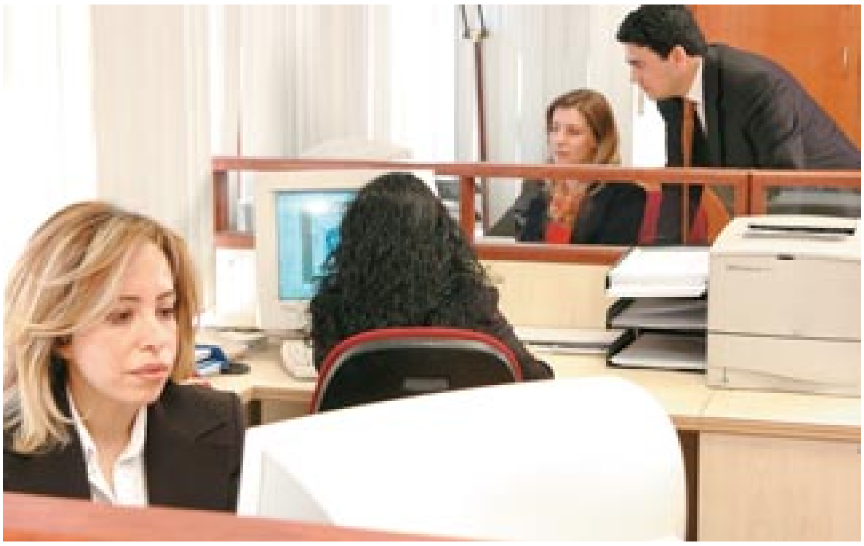
Within the scope of the **Short-Term Export Credit Insurance Program,** all shipments to be made by an exporter in the duration of a one-year policy period and with payments deferred up to 360 days are insured against commercial and political risks. To promote the Program, policyholders are offered a discount on the interest rates of Türk Eximbank's short-term export credits since 1997.

This Program provided cover for 176 countries and a total of USD 3.6 billion worth of shipments was insured in 2004. Premium amounting to USD 14.3 million was collected in the year.

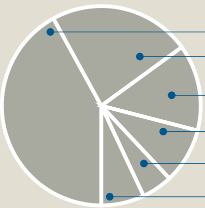
In 2004, textiles/ready-to-wear/leather products were foremost in the sectoral distribution of exports insured, with a share of 42 % and the European Union countries were the leading market with regard to the regional distribution, with a share of 63 %.

Exports Insured Under Short-Term Export Credit Insurance Program
(USD million)

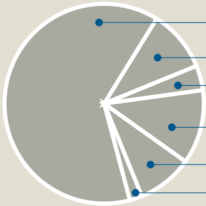




Sectoral Distribution of Exports Insured Under Short-Term Export Credit Insurance Program



Regional Distribution of Exports Insured Under Short-Term Export Credit Insurance Program



In the framework of the Short-Term Export Credit Insurance Program, 9,948 new buyers have been registered during the year in the underwriting archives raising the total number of the records to 93,572 by the end of the year.

Under the Program, USD 3.5 million worth of claims was paid out in 2004 arising from the shipments to various countries. Of this amount, USD 30 thousand worth of claims was paid out due to political losses and USD 3.48 million due to commercial losses.

Türk Eximbank recovered USD 0.6 million of the claims paid due to commercial losses, in 2004.

"Premium discount", introduced in 2002 to maintain the demand for this Program and to minimize insurance costs of exporters, was applied to firms found eligible by the "exporter evaluation model". This model takes into account past performances of firms that have their shipment covered for at least one year and that have met certain criteria such as reasonable loss ratio, portfolio quality etc. As of end-2004, 368 firms were found eligible for a premium discount and the discount rate has been 9 % on average.

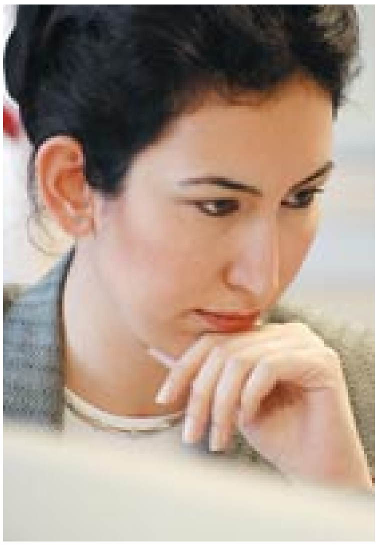
The "List of Cover Conditions and Premium Rates" of the Program has been revised, to be in effect from June 1, 2004 with the inclusion of Argentina, Libya and Serbia & Montenegro. Thus, the number of countries covered under this program has been increased to 176. The cover conditions of open account transaction ceilings of 19 countries have been improved in favor of insured exporters. Of these countries, limits were completely removed for 3, and raised for 6 others. Also, open account transaction limits were allocated for 9 countries in order to allow such transactions to be insured under this Program.

Since January 1, 2004, pre-shipment cover has also been provided for the insured firms within the framework of the Short-Term Export Credit Insurance Program.

Furthermore, coverage facilities for the shipments to Free Trade Zones (FTZ) in Turkey as well as for the shipments to third countries from FTZ in Turkey were extended in the year.

In order to increase the number of SMEs that benefit from this insurance program, certain claims procedures have been simplified for insured SMEs, and the policy terms were stipulated accordingly.

Türk Eximbank has continued to cede 70 % of the commercial and political risks borne under the Short-Term Export Credit Insurance Program to domestic and overseas reinsurance firms during 2004.



In order to support the Turkish contracting sector, a new insurance program covering the risk of unfair calling of the bonds to be issued for Turkish contractors for their overseas projects was introduced at the beginning of 2004.

Medium and Long-Term Export Credit Insurance

The **Specific Export Credit Insurance Program** covers receivables arising from exports of capital and semi-capital goods with a maximum maturity of five-years, under a single sales contract. The Program provides cover against political and commercial risks both for the pre- and post-shipment stages.

In 2004, USD 3.3 million was recovered within the framework of the Debt Rescheduling Agreement regarding the claims paid against the losses arising from the shipments to Algeria. Since the commencement of this Agreement, which covers total receivables of USD 47.1 million including interest, a total of USD 23.3 million has been recovered, so far.

The **Specific Export Credit Insurance Post-Shipment Political Risk Program** provides cover against political risks, for the post-shipment stage of medium and long-term exports.

Another version of the medium and long-term export credit insurance facilities of Türk Eximbank, introduced for the post-shipment phase is the **Specific Export Credit Insurance Post-Shipment Comprehensive Risk Program**, in which, cover is provided for commercial risks as well as political risks.

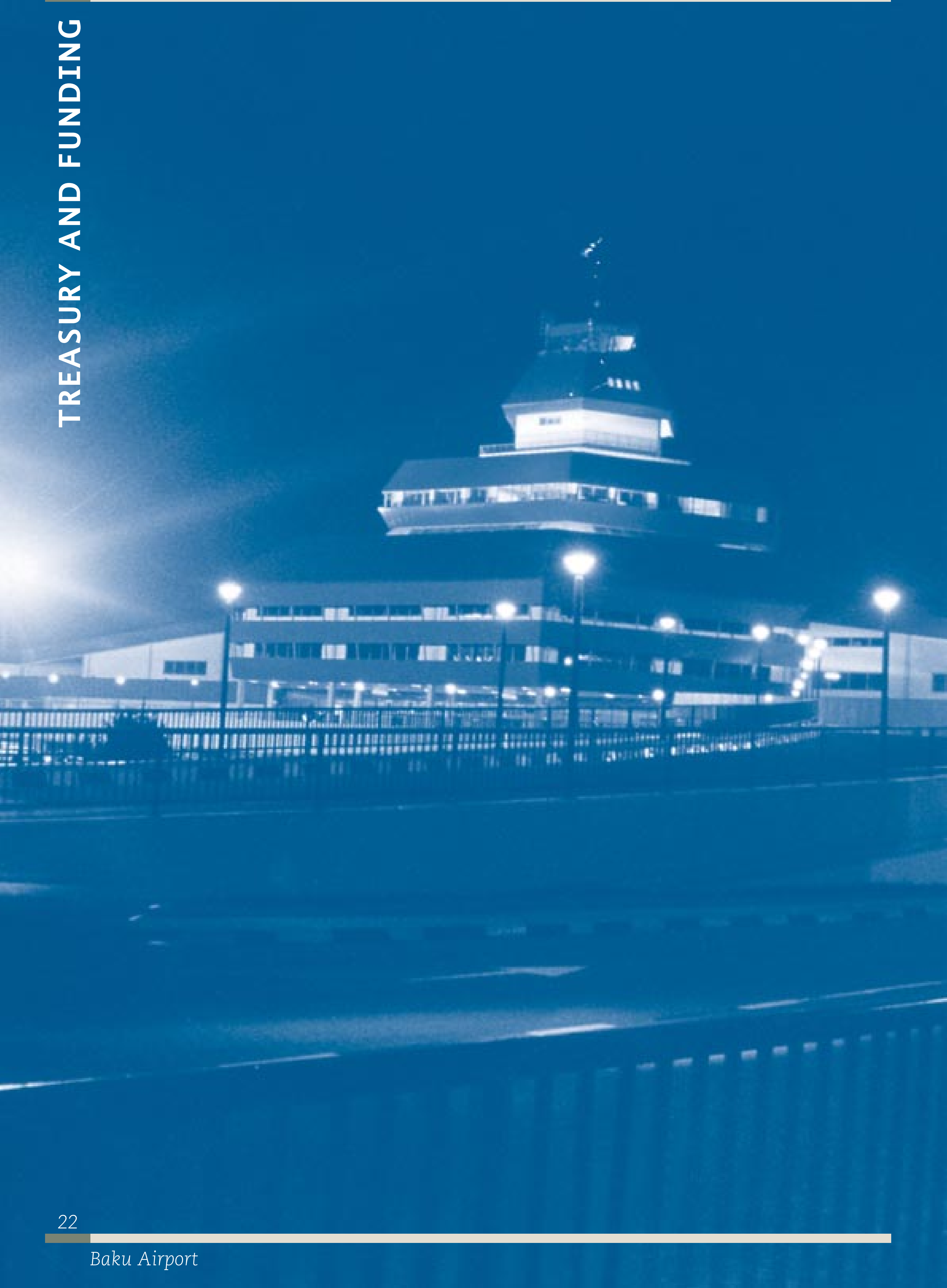
These two programs are offered especially for Turkish exporters who are exporting to Central and Western Asian countries. Moreover, in order to pave the way for exporters to have their export receivables discounted, letter of guarantee can be issued in favor of the commercial banks within the scope of these programs.

Other

Studies for improving and diversifying the insurance programs have been continued during the year in compliance with the Institutional Strengthening Project backed by the World Bank.

Under the Short-Term Export Credit Insurance Program, close co-operation has been maintained with the export credit/insurance agencies of various countries during 2004 in order to enlarge the support given to Turkish exporters and entrepreneurs.

TREASURY AND FUNDING



Türk Eximbank operates in domestic and international financial markets for funding and manages funds with complementary and integrated principles of "maintaining sound financial structure", "minimizing risk" and "being closer to innovative approaches".

Capital

The nominal capital of the Bank was increased to TL 750 trillion in May 2001. The paid-in capital remained at the previous year's level of TL 657.8 trillion as of December 31, 2004.

The Bank's BIS capital adequacy ratio, which was 50 % in 2003, further improved to 55.5 % as of end-2004.

Indemnification of Political Risk Losses

The Turkish Treasury indemnified TL 183.2 trillion in 2004, for the losses incurred by Türk Eximbank in its credit, insurance and guarantee transactions, as a result of political risks.

Funding from Domestic Markets

43 % of Türk Eximbank's short-term foreign currency denominated loan portfolio was funded through short-term loans raised from Turkish commercial banks.

Borrowings from International Markets Through Syndicated Loans

The Bank raised a one-year euro-syndicated loan of USD 200 million in July, and a one-year "club-loan" of USD 200 million in December 2004.

Borrowings from International Markets Through Bilateral Loans

A total of USD 75 million 12 month-loans was raised from two international banks in 2004.

On the other hand, the USD 23 million loan raised from the Black Sea Trade and Development Bank was rolled over.

Project Finance

Within the framework of the Second Credit Agreement signed with the Japanese Bank for International Cooperation (JBIC) in 1999, projects in the third countries continued to be financed in 2004.

Debt Servicing

During the year, USD 519 million debt servicing was fulfilled. Of this amount, USD 99 million was paid to local banks and USD 420 million to foreign lenders.

Liquidity Management

The Bank's liquidity was successfully managed with the effective use of all money and capital market instruments.

Türk Eximbank, taking into account its cash flows and the prevailing conditions in money and foreign exchange markets, invested its TL and foreign currency excess liquidity in interbank money markets during 2004.

The securities portfolio, which consists of TL Treasury bills, state bonds and foreign currency denominated bonds issued in international capital markets by the Turkish Treasury (Eurobond), was used mainly as collateral in the Central Bank's interbank market.

Risk Management

During 2004, the Bank continued to implement the strategy of matching its assets and liabilities in terms of currency, maturity and interest rates to the extent possible.

Short-term currency swap transactions, and TL/foreign exchange and spot foreign exchange transactions were carried out during the year in order to meet exporters' foreign exchange loan demand and to manage the Bank's foreign currency risk.

Credit Rating

As of end-2004, the long-term foreign currency debt ratings given by Standard & Poor's and Moody's to Türk Eximbank were BB- (stable outlook) and B1 (stable outlook) respectively, the same as the Turkish Treasury.

Refinery

International Relations, Information Systems Development and Implementation and Electronic Data Processing, Research and Information, Training and Public Relations, Branches and Liaison Offices

International Relations

Türk Eximbank's relations with the International Union of Credit and Investment Insurers (Berne Union) continued actively in 2004. The Bank was represented in the technical sub-committees of the Union dealing with short, medium and long-term transactions.

In the past years, co-operation agreements were signed with other export credit and insurance agencies and international financial institutions such as, US Eximbank/USA, EDC/Canada, COFACE/France, Hermes/Germany, OND/Belgium, IFTRIC/Israel, Eximbank of China/PRC, MECIB/Malaysia, NEXI/Japan, SEC/Slovenia, Eximbanka S.R./Slovak Republic, KUKE/Poland, EGFI/Iran, ECGE/Egypt, Eximbank of Romania/Romania, Eximbank of Russia/Russia, Vnesheconombank/Russia, MIGA, ADB and EBRD. During the year, close co-operation was maintained with these agencies and institutions.

As a member since April 1998, the Bank's relations with the OECD Working Party on Export Credits and Credit Guarantees (ECG) continued in 2004.

Türk Eximbank participated in the annual meetings of the World Bank, IMF, OECD, EBRD and Berne Union and maintained its contacts with institutions concerning Türk Eximbank's foreign credit and international loan activities during the year.

The Bank's relations with the Islamic Corporation for Insurance of Investments and Export Credits (ICIEC), an affiliate of the IDB, also continued in 2004.

Close co-operation has been maintained with other export credit agencies to finance joint venture projects in third countries within the framework of the Bank's credit/guarantee and insurance programs.

Within the framework of the "Co-operation Agreement" signed in 1999, studies on exploring opportunities for co-insurance and reinsurance with the Multilateral Investment Guarantee Agency (MIGA) continued throughout 2004.

Besides strengthening its relations with foreign commercial and investment banks in treasury and funding operations, Türk Eximbank maintained close relations with the World Bank, JBIC, EDC and the Black Sea Trade and Development Bank.

Arrangements Initiated in Accordance with International Rules and Regulations

Export Credits and Environmental Guidelines

In 2001, the OECD Working Party on Export Credits and Credit Guarantees (ECG) reached a consensus on "OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits" to mitigate the negative environmental impacts of projects supported by official export credit agencies. Most ECG members, on a unilateral and voluntary basis, have implemented these common approaches since the beginning of 2002. In 2004, the Recommendation on common approaches was revised. Türk Eximbank started to implement the "Environmental Guidelines" in accordance with the latest version of the OECD Recommendation in 2004.

Environmental Guidelines apply to any project or export of capital goods and services related to any project, for which Türk Eximbank has been requested to provide support of more than SDR 10 million through its export credit, insurance and guarantee programs with repayment term of two years or more. Sovereign rights of the buyer countries are also taken into account in the evaluation process.

Export Credits and Combating Bribery

In 1997, 30 OECD members (including Turkey), Argentina, Brazil, Bulgaria, Chile and Slovakia signed the "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions" in Paris and the Convention became effective in 1999. Turkey has enacted her own law in line with the Convention in 2003.

ECG members are also taking measures to deter bribery in the export deals they support, in accordance with the Convention and their own legislation. In this framework, firms applying for any credit, guarantee or insurance facilities of Türk Eximbank, have been asked to sign a declaration relating to combating bribery in international business transactions, since 2004.

Information Systems Development and Implementation and Electronic Data Processing

Storage capabilities of the existing system has been increased and a test system having the same configuration with the OLTP (On-Line Transaction Processing) System has been put into service so

that all the in-house banking applications can be tested and transferred into the on-line environment in a secure and reliable manner.

The Intrusion Detection Server was strengthened by replacing a more powerful system in order to take effective precautions for possible attacks from the Internet.

Especially in recent years, studies on the electronic government project executed in the public sector have accelerated and considerable success has been achieved in terms of competition, speed and productivity. Our banking applications running in the web environment is also an important part of the electronic government project. In this framework, training, analysis, design and counseling studies on new software projects have continued. By means of the Data Warehouse Project, operational data will be easily analyzed and reported. The widespread use of the Document Management System and the Fax System will be promoted in order to save time and reduce paperwork and Türk Eximbank will take its place in the electronic government system through the application of the Electronic Data Exchange Project in the Bank's credit, guarantee and insurance departments. The electronic signature will be put into practice and our web page will be converted to an interactive design and a more effective, on-line web environment will be presented to exporters and other users.

Türk Eximbank's goal is to work efficiently, productively and rapidly and the Bank is well aware of the fact that correct usage of the Information Technologies will lead to this goal. In this framework, Türk Eximbank has continued the necessary software development studies, which are compatible with the latest technological innovations. The year 2004 has made it obligatory for vital conversions in Information Technology Departments. With respect to the law numbered 5083, the official currency unit of the Republic of Turkey has become the YTL (the new Turkish Lira), effective from January 1, 2005. In this context, all of the Bank's software applications have been revised and made compatible with the YTL. The transition to the YTL has been successfully completed after approximately six months of hard work. In addition, the Management Information Systems (MIS) applications, which have been used for several years, continued to be developed with respect to growing needs. Software applications have been developed in order to provide the necessary automation support for the new credit and insurance programs implemented by the Bank. The establishment of the Decision Support Systems (DSS), which mainly depends on data analysis, has continued and prototype software applications have been developed.

Research

In order to support the implementation of Türk Eximbank's main functions, the Research Department closely monitors global trends and developments in the Turkish economy with respect to macroeconomic policies, financial sector and real sector.

Country reports and follow-up bulletins of the countries involved in Türk Eximbank's credit, guarantee and insurance programs were prepared

and updated during the year. In these reports, the general political and economic situation, as well as relations with Turkey, have been analyzed. Additionally, the Department coordinated and prepared "Türk Eximbank 2005 Annual Program" and "Türk Eximbank 2004 Annual Report". Also, the "Short-Term Country Risk Assessment Report" was prepared, including more than 140 countries. Furthermore, various internal and external bulletins and reports were prepared on a regular basis and seminars were held on "Export Financing and Türk Eximbank" in universities and other institutions.

The export and banking sectors and the amendments made by international institutions (such as the WTO, OECD, etc.) on international rules and arrangements concerning official export credit agencies were closely monitored.

Information

In the framework of the Export Credit Insurance transactions of the Insurance Department, the Information Department provides information on buyers for the evaluation of buyer risks and the establishment of buyer limits. Reports on 26,840 foreign companies were collected in 2004. The exchange of information with the international information agencies via existing on-line and e-mail connections have continued throughout the year. Additionally, in an effort to speed up the supply of information, new on-line connections were set up.

Information studies and analysis of the financial situations of exporters and contracting companies that applied to Türk Eximbank for financing of their overseas projects under the Buyers' Credit and Guarantee Programs, Medium-Term Export Credits (Project Credits) and Credits for Foreign Currency Earning Services, and for the Specific Export Credit Insurance Program have continued during 2004. Moreover, in order to improve the co-operation between Türk Eximbank and foreign export credit insurance agencies, the supply of information on domestic firms requested by these agencies has continued. Within this framework, credit reports on 4,460 domestic firms have been provided.

With the "Documentum System" implemented since January 20, 2003, the archives of the Information Department were transferred into the digitalized environment and currently all new documents are being kept in this environment. In parallel with the "Documentum System", the "Fax Management System" was also implemented, enabling fax messages to be saved in an electronic environment.

Training and Public Relations

Türk Eximbank employs a total of 342 personnel, 4 of whom have a Ph.D. degree, 48 have a post-graduate degree, and 192 have a graduate degree. The number of personnel who can speak at least one foreign language is 152 and the average age of the personnel is 38.4.

In 2004, 91 participants attended 71 training facilities. 70 participants attended 55 of these training facilities including seasonal and daily seminars and conferences held by the Banks Association of Turkey. While 7 participants attended 6 programs held by other local organizations, 9 participants attended 7 training programs abroad.

During 2004, seminars were held in 81 provinces across Turkey within the framework of the "Strategy on Promoting Exports Beyond Borders" project, in which Türk Eximbank's Credit and Insurance

Programs were presented. Additionally, 18 personnel attended 19 foreign trade seminars held by various institutions in different provinces.

In 2004, 82 students were accepted to the trainee programs at the Head Office, İstanbul and İzmir branches.

The Public Relations Department maintains a close relationship with the media and exporters for the promotion of Türk Eximbank. In this context, advertisement and sponsorship activities were carried out and Türk Eximbank was represented in various seminars and organizations. In September 2004, Türk Eximbank and the EBRD held a joint seminar to promote investment and commercial activities in Central and Eastern Europe, Balkans, Caucasus and the CIS through the presentation of their credit programs. Also, the publishing and distribution activities of promotional brochures, quarterly bulletins, agendas and the annual report were coordinated.

Branches and Liaison Offices

Opened in 1994 and 1995 respectively, the İstanbul and İzmir branches aim at providing better service to the dynamic export sector and to carrying out the transactions of the Foreign Trade Companies Short-Term TL and Foreign Currency Export Credit Programs, Pre-Export TL and Foreign Currency Credit Programs and the International Transportation Marketing Credit Program. These branches also provide information to exporters regarding the Bank's other programs, find solutions to problems on the spot and convey their suggestions to the Headquarters.

The İstanbul branch has 24 employees and the İzmir branch has 7 employees.

In 2004, Türk Eximbank has opened liaison offices in Kayseri and Denizli; two of the provinces that are considered to have an advanced industrial structure and high export potential. Each office has one employee. Another liaison office will start to operate in Gaziantep at the beginning of 2005.

Türk Eximbank İstanbul Branch

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

INFLATION ADJUSTED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

Deloitte.

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TO THE BOARD OF DIRECTORS,
TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.
ANKARA

INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying inflation adjusted balance sheets of Türkiye İhracat Kredi Bankası A.Ş. ("Bank") as of 31 December 2004 and 2003, and the related statements of income, shareholders' equity and cash flows for the years then ended. 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 audits.

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

3. In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Türkiye İhracat Kredi Bankası A.Ş. as of 31 December 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

   Without further qualifying our opinion, we draw attention to the following matters.

4. As at 31 December 2004 the amount of past due foreign government loans, including accrued interest of TL 2,773 Billion (USD 2,073,808), is TL 50,810 Billion (USD 38,001,507) (31 December 2003: TL 277,107 Billion; USD 174,310,572) (The Turkish Lira amounts as of 31 December 2003 are expressed in the equivalent of the purchasing power of the Turkish Lira at 31 December 2004).

   As stated in the Bank's law of foundation, the Undersecretariat of Treasury transfers funds to the Bank via Special Duty Accounts in order to cover the losses arising on political risks. During 2004 the Undersecretariat of Treasury has transferred USD 119,048,222 for the country loans that has been taken over by the Undersecretariat of Treasury and the loans that have not been taken over by the Undersecretariat of Treasury yet. (2003: USD 45,755,767) The Bank has claimed to be reimbursed by the Undersecretariat of Treasury for the recovery of the remaining portion of these losses.

5. The Bank's total provision for cash and non-cash loans is TL 139,018 Billion as at 31 December 2004 (31 December 2003: TL 267,920 Billion) (The Turkish Lira amounts as of 31 December 2003 are expressed in the equivalent of the purchasing power of the Turkish Lira at 31 December 2004). The equivalent of total provisions in US Dollars as of 31 December 2004 and 2003 are USD 103,974,229 and USD 168,531,699 respectively. The conversion of provisions to US Dollars has been made based on the foreign exchange rates of the Bank for the related periods.

Ankara, February 18, 2005

Denetim Serbest Mali Müşavirlik A.Ş.

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

INFLATION ADJUSTED BALANCE SHEETS AS AT 31 DECEMBER 2004 AND 2003

ASSETS	Note	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
LIQUID ASSETS		-	7
BALANCES WITH THE CENTRAL BANK	4	92	157
BALANCES WITH BANKS	5	454,309	279,726
INTERBANK FUNDS SOLD		59,650	348,180
SECURITIES PORTFOLIO – NET	6	302,964	315,197
LOANS – NET	7	3,473,509	4,215,365
INTEREST AND OTHER INCOME ACCRUALS	8	144,689	173,061
SUNDRY DEBTORS	9	10,930	12,943
EQUITY PARTICIPATIONS	10	3,895	2,494
PREMISES AND EQUIPMENT – NET	11	10,493	12,673
OTHER ASSETS	12	605	446
TOTAL ASSETS		**4,461,136**	**5,360,249**

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

LIABILITIES	Note	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
BORROWING FUNDING LOANS	13	1,614,200	2,120,426
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS		-	60,689
FUNDS	14	7,090	8,072
INTEREST AND OTHER EXPENSE ACCRUALS	15	39,976	43,540
SUNDRY CREDITORS	16	6,044	9,255
SECURITIES ISSUED	17	467,964	556,406
TAXES AND DUES PAYABLE	18	12,708	26,711
PROVISIONS	19	145,722	274,295
OTHER LIABILITIES	20	449,992	560,791
TOTAL LIABILITIES		**2,743,696**	**3,660,185**
SHAREHOLDERS' EQUITY			
Share capital	21	5,053,620	5,053,620
Reserves		602,460	577,534
Accumulated (loss)		(3,938,640)	(3,931,090)
		1,717,440	**1,700,064**
TOTAL LIABILITIES AND EQUITY		**4,461,136**	**5,360,249**
COMMITMENTS AND CONTINGENCIES	**27**	**856,591**	**995,238**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

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

	Note	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
INTEREST INCOME			
Interest on loans	22	330,665	489,390
Interest on deposits at banks		13,539	4,555
Interest on interbank funds sold		64,096	161,150
Interest on securities portfolio		65,478	67,435
Interest on swap transactions		6,051	7,248
Other interest income		527	899
		480,356	**730,677**
INTEREST EXPENSE (-)			
Interest on interbank funds borrowed		-	(1)
Interest paid on repurchase agreements		(57)	(1,178)
Interest on borrowings		(50,379)	(62,990)
Interest given on securities issued		(59,609)	(68,631)
Interest on swap transactions		(8,455)	(7,697)
Other interest expense		(13)	(26)
		(118,513)	**(140,523)**
NET INTEREST INCOME		**361,843**	**590,154**
LOAN LOSS PROVISION (-)	**25**	**(63,541)**	**(95,209)**
OTHER OPERATING INCOME	**23**	**215,419**	**111,052**
OTHER OPERATING EXPENSE (-)	**24**	**(68,444)**	**(131,630)**
PROFIT BEFORE TAX		**445,277**	**474,367**
TAXATION	**29**	**(11,092)**	**(23,278)**
MONETARY (LOSS)	**28**	**(224,494)**	**(184,531)**
PROFIT FOR THE PERIOD		**209,691**	**266,558**

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

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

INFLATION ADJUSTED STATEMENTS OF CASH FLOWS AS AT 31 DECEMBER 2004 AND 2003

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	209,691	266,558
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,178	1,191
Provision for loan losses and retirement pay	(128,573)	59,210
Increase in taxes and dues payable	(14,003)	379
Decrease in accrued interest and other assets	30,226	19,156
Net cash provided by/(used in) operating activities	98,519	346,494
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in marketable securities	12,233	41,223
Decrease in loans	741,856	564,447
Decrease in interbank funds	288,530	96,782
(Increase) in equity participations	(1,401)	(390)
Additions to premises and equipment – net	1,002	(2,198)
Net cash provided by investing activities	1,042,220	699,864
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) in borrowings and funds	(507,208)	(562,183)
(Decrease) in securities issued	(88,442)	(296,959)
Increase/(decrease) in funds provided by repurchase agreements	(60,689)	60,689
(Decrease) in accrued expenses and other liabilities	(117,574)	(120,275)
Cash increase in paid-in-capital	-	-
Dividends paid	(192,315)	-
Net cash (used in) financing activities	(966,228)	(918,728)
NET INCREASE IN CASH AND CASH EQUIVALENTS	174,511	127,630
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	279,890	152,260
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**454,401**	**279,890**

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

INFLATION ADJUSTED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AS AT 31 DECEMBER 2004 AND 2003

	Paid-Up Share Capital TL Billion	Legal Reserves TL Billion	Accumulated Loss TL Billion	Total TL Billion
Balance at 1 January 2003	**5,053,620**	**577,534**	**(4,197,648)**	**1,433,506**
Increase in paid-up capital	-	-	-	-
Transfer to reserves	-	-	-	-
Dividends paid	-	-	-	-
Net profit for the period	-	-	266,558	266,558
Balance at 31 December 2003	**5,053,620**	**577,534**	**(3,931,090)**	**1,700,064**
Increase in paid-up capital	-	-	-	-
Transfer to reserves	-	24,926	(24,926)	-
Dividends paid	-	-	(192,315)	(192,315)
Net profit for the period	-	-	209,691	209,691
Balance at 31 December 2004	**5,053,620**	**602,460**	**(3,938,640)**	**1,717,440**

TÜRKİYE İHRACAT KREDİ BANKASI A.Ş.

NOTES TO THE INFLATION ADJUSTED FINANCIAL STATEMENTS FOR THE YEARS ENDED AT 31 DECEMBER 2004 AND 2003

1. ACTIVITIES OF THE BANK

Turkish Eximbank was established on 25 March 1987 with the law no 3332, transforming "Devlet Yatırım Bankası" to a corporation. The Bank is an investment and development bank that does not accept deposits.

The Bank's main field of operation is to provide short, medium and long term loans to finance the export of goods and services both before and after export activities; to provide guarantees for loans obtained from domestic or foreign banks in order to finance exports, to provide loans to support, finance and provide insurance and guarantees for construction projects and investments abroad; to provide insurance for the risks resulting from political or business environment of the country to which export is performed and to provide loans and issue guarantees to domestic or foreign banks for export purposes.

The Bank provides loans, guarantee and insurance programs in order to provide financial support for export and related activities in accordance with the objectives as mentioned above. In order to finance these activities, the Bank uses short and medium to long term funds besides the shareholders' equity through via from domestic and foreign capital and money markets.

Besides, the Bank performs fund management (treasury) transactions with regards to its core business activities. These transactions include Turkish Lira(TL) and Foreign Currency (FC) capital market transactions, TL and FC money market transactions, TL/FC foreign currency market transactions, TL/FC and FC/FC spot and forward transactions and swap transactions in accordance with the authorizations of the Board of Directors.

Losses of the Bank due to the political arising on loans given, guarantee and insurance programs are transferred to the Undersecretariat of Treasury with respect to the Article 4/c of Act numbered 3332 that was appended by Act numbered 3659 and Act with regards to the Public Financing and Debt Management, numbered 4749 and dated 28.03.2002.

2. BASIS OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the banking regulations prevailing in Turkey. Balance Sheets and Income Statement are in conformity with the banking regulations in Turkey.

The accompanying IFRS financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with Statements of International Financial Reporting Standards (IFRS) issued by the International Financial Reporting Standards Committee. IFRS adjustments and reclassifications reflected to the accompanying financial statements have not been reflected to the statutory books of the Bank. These adjustments and reclassifications before 2004 comprised of IAS 29 and other IFRS adjustments whereas after 2004 other IFRS adjustments except IAS 29.

In order to be consistent with the financial statements prepared as of December 31, 2004, necessary reclassifications have been made to the financial statements prepared as of December 31, 2003.

Inflation Accounting

The Bank maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and tax regulations. For the period ended December 31, 2004, adjustments related to the inflation accounting have been reflected to the statutory books in accordance with the Law No: 25524 of Banking Regulation and Supervision Agency dated July 16, 2004.

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 leads to the classification of an economy as hyperinflationary, necessitating the application of IAS 29 restatement, is a cumulative three year inflation rate approaching or exceeding 100%. The restatement has been calculated by means of conversion factors based on the Turkish countrywide wholesale prices index ("WPI") published by the State Institute of Statistics.

The index and corresponding conversion factors for the last five years are as follows:

	Index	Adjustment Factors
31 December 2000	2,626.0	3.200
31 December 2001	4,951.7	1.697
31 December 2002	6,478.8	1.297
31 December 2003	7,382.1	1.138
31 December 2004	8,403.8	1.000

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

Year	2004	2003	2002	2001	2000
Currency Deflation US$	(3.9%)	(14.6%)	13.5%	114.3%	24.3%
WPI Inflation	13.8%	13.9%	30.8%	88.6%	32.7%

The main guidelines for the restatement 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.

Changes in Accounting Estimates in the Current Period

Based on the minute of the Execution Committee, the rate of the provision set forth for the short-term loans as of 31 December 2004, in which the risk belongs to Bank has been increased from 0.5% to 2.5%. In addition to this 100% provision has been set for the TL equivalent of receivables from the Ministry of Defense in the context of Russian loan that arises from the exchange losses due to the late transfer of the funds as of December 31, 2004 (TL 5,911 Billion).

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted for the financial statements are as follows:

3.1 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except commissions and fees for various banking services rendered and dividends from equity participations, which are recorded as income when received. All income and expense items are restated in equivalent purchasing power at December 31, 2004. 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 wherever does not materially differ from fair value or amortized cost method.

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

3.3 Securities Portfolio

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. The securities, of which the fair value cannot be measured reliably, are measured at amortized cost using the effective interest rate method. The difference between the fair value and acquisition cost of the trading securities is recognized as interest income. However, if the sales price is above the amortized cost of the trading security, positive difference between the sales price and the discounted price is recorded under marketable securities trading gain and if the sales price is below the amortized cost of the trading security, negative difference between the sales price and the discounted price is recorded under marketable securities trading loss.

Investment fund share certificates are stated at market value. Quoted shares are recorded to legal books at cost and carried at market value.

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. The securities, of which the fair value cannot be measured reliably, are measured at amortized cost using the effective interest rate method. Gains or losses on available for sale securities are included in 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.

3.4 Fixed Assets

Fixed assets are carried at net book value that is calculated by deducting the indexed depreciation amount from indexed cost. Inflation adjustments have been reflected to the statutory books as of December 31, 2004. Fixed assets have been depreciated from the indexed costs by using straight-line depreciation method. There has not been any policy change with regards to the depreciation method used in the current period.

Intangible fixed assets consist of computer programs.

The Bank revalues its tangible fixed assets (including their depreciation) in accordance with the rates and procedures published by the Ministry of Finance in the statutory books. Buildings are depreciated over their acquisition cost in the statutory books. Revaluation rate published as of 31 December 2004 is 11.2%. Revaluation surplus arising from the revaluation of premises and equipment in the statutory records are eliminated in the accompanying inflation adjusted financial statements. The depreciation rates based on the useful life of assets are presented below:

Buildings	2%-3%
Furniture and Office Equipment	6%-25%
Vehicles	20%
Intangible Fixed Assets	20%
Leasehold Improvements	Over the life of the lease

3.5 Equity Participations

In the statutory books of the years before 2004, the Bank values its equity participations at cost plus the nominal value of bonus shares received from investee companies converting their Revaluation Reserves to Share Capital. Revaluation surpluses arising from the nominal value of shares received in the statutory records are eliminated in the accompanying inflation adjusted financial statements of 2003. Equity participations are carried at indexed acquisition costs. Since the financial statements of 2004 include inflation adjustments, there have not been any bonus shares received from investee companies. In the accompanying inflation adjusted financial statements the equity participations are measured by the lower of inflation adjusted acquisition cost or the fair value.

3.6 Loan Loss Provisions

Loans are financial instruments originated by the Bank and accounted for at amortized cost in accordance with IAS 39. Based on its evaluation of the current status of loans granted, the Bank provides 100% loan loss provisions under the consideration to cover estimated uncollectible amounts in the loan portfolio and losses that could arise on 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. In addition, general provisions are allocated on cash and non-cash loans in accordance with the Turkish Banking Legislations.

3.7 Taxation and Deferred Taxes

The Bank is exempted from Corporate Tax upon the Act numbered 3332, dated March 25, 1987 and the article 4/b of Act numbered 3659, dated September 26, 1990. According to the 3rd Article of the same Act, stated changes were put into effect starting from January 1, 1988. Therefore, no deferred tax calculation based on timing differences have been reflected to the accompanying inflation adjusted financial statements.

3.8 Securities Under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve eurobonds. Sales of securities under agreements of repurchase ("Repo") are retained in the balance sheet under securities portfolio and the corresponding counter party commitment is included separately under liabilities. The net gain or loss on repo transactions is accrued over the period to maturity.

3.9 Retirement Pay Provision

Under Turkish legislation lump sum payments are made to all employees who retire from the Bank or whose employment is terminated without due cause. Such payments are based on number of years' service and final salary or the retirement pay provision ceiling at the date of retirement or leaving. The estimated accrued liability for such payments as of the balance sheet date is provided in full in these financial statements.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19"), came into effect for accounting periods beginning on or after 1 January 1999, and accordingly has been applied in the accompanying financial statements. According to the revised standard future retirement payments is 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.

3.10 Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between willing parties in an arms length transaction. Market value is the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market, if one exists.

The estimated fair values of financial instruments have been determined by the Bank using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Bank could realize in a current market exchange.

Balances with banks, loans, contingent liabilities like letters of guarantee, letters of credit and other derivative instruments such as forward transactions, futures, swaps, options, etc. are important financial instruments which would have negative effects on the financial structure of the Bank, if the other party does not comply with the terms and conditions of the agreement.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

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

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

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

Loans: The major portion of the loans is short-term and has interest rates that are fixed on an entry value basis. 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: 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.

The Bank's off balance sheet financial instruments also include swaps as at the balance sheet date. All unrealized gains and losses on these instruments are included in the statement of income. Unrealized gains and losses on these instruments are not deductible for tax purposes. The fair values of off balance sheet derivative instruments are estimated based on the available quoted market rates prevailing at the reporting date.

The Bank deals with financial instruments with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, pre-financing loans, etc. The Bank's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

3.11 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 the sales price of the asset (less any selling costs) or 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 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.

Corporate assets are not directly separable and independent from the other assets and operations of the Bank. Management of the Bank believes that there is no indication of internal or external factors implying any impairment of corporate assets.

3.12 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. The management of these risks is under the responsibility of the Board of Directors, which delegates the operational responsibility to the Bank's general management and appropriate sub-committees.

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

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

The 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 authorised at Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey. The Bank places strong emphasis on obtaining sufficient collateral from borrowers including, wherever possible, mortgages or security over other assets.

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

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

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

Operational risk: Operational risk arises from the potential for financial loss or reputational damage as a result of inadequate systems (including systems breakdown), errors, poor management, and 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.

3.13 Offsetting

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

3.14 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.

3.15 Dividends

Dividends receivable are recognized as income in the period when they are declared and dividends payable are recognized as an appropriation of profit in the period in which they are declared.

4. BALANCES WITH THE CENTRAL BANK

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Demand deposits – Turkish Lira	72	89
Demand deposits – Foreign currency	20	68
	92	**157**

5. BALANCES WITH BANKS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
DOMESTIC BANKS		
Demand deposits - Turkish Lira	50	65
Demand deposits - Foreign currency	42	396
Time deposits - Turkish Lira	136,900	20,491
	136,992	**20,952**
FOREIGN BANKS		
Demand deposits – Foreign currency	1,039	13,784
Time deposits - Turkish Lira	20,000	-
Time deposits - Foreign currency	296,278	244,990
	317,317	**258,774**
	454,309	**279,726**

Foreign Currency Time Deposits at Foreign Banks as of 31.12.2004:

Banks	FC Amount	FC Type	Amount TL Billion
Lloyds Bank Plc., London	29,550,000	USD	39,510
HSH Nordbank	25,000,000	USD	33,426
West LB London	25,000,000	USD	33,426
Landesbank Schlesweig Holsten	25,000,000	USD	33,426
Bayerische Hypo Vereinsbank	25,000,000	USD	33,426
Dresdner Bank AG-FF	1,350,000	GBP	3,480
The Bank of Tokyo Mitsubishi Ltd. London	25,000,000	EURO	45,573
Bayerische Landes	25,000,000	EURO	45,573
BNP Paribas Paris	15,600,000	EURO	28,438
			296,278

Foreign Currency Time Deposits at Foreign Banks as of 31.12.2003:

Banks	FC Amount	FC Type	Amount TL Billion
The Bank of Tokyo Mitsubishi Ltd. London	35,000,000	EURO	70,180
Royal Bank Canada London	30,000,000	EURO	60,154
Rabo Bank London	20,400,000	USD	32,431
Landesbank Baden Wuerttemberg Stuttgart	15,000,000	USD	23,846
WestDeutsche Landesbank Girozentrale London	13,050,000	EURO	26,167
The Sumitomo Bank Ltd. London	10,000,000	EURO	20,052
K.K.T.C. Merkez Bankası	5,000,000	USD	7,948
Citibank N.A. New York	2,150,000	USD	3,417
WestDeutsche Landesbank Girozentrale London	500,000	USD	795
			244,990

As of 31 December 2004, foreign currency time deposits at domestic and foreign banks have maturities between 4 to 8 days bearing interest within the range of 2.18% to 4.75% (As of 31 December 2003 of the foreign currency time deposits, USD 5,000,000 in the Central Bank of K.K.T.C. bears an interest rate of LIBOR+2.5%, half of the balance has the maturity as October 4, 2004 and the other half has the maturity as December 15, 2004. Rest of the foreign currency time deposits at domestic and foreign banks have maturities between 2 to 7 days and earn interest at rates within the range from 0.98% to 2.30%).

6. SECURITIES PORTFOLIO – NET

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Held for trading:		
Government bonds	115,088	70,531
Treasury bills	5,214	11,919
Accrued interest	14,040	19,302
Less: Diminution in value	-	-
	134,342	**101,752**
Available for sale:		
Government bonds	22,426	56,610
Accrued interest	48	400
Less: Diminution in value	-	-
	22,474	**57,010**
Held to maturity:		
Government bonds	142,381	168,945
Treasury bills	17,855	7,192
Accrued interest	13,646	19,692
Less: Diminution in value	-	-
	173,882	**195,829**
	330,698	**354,591**
Accrued Interest	(27,734)	(39,394)
Total Securities Portfolio – net	**302,964**	**315,197**

As of 31 December 2004, the Bank has no repurchasing agreement. As of 31 December 2003, Eurobonds at a cost of USD 6,439,450 with the nominal value of USD 6,000,000 (Available for sale portfolio) and Eurobonds at a cost of USD 45,902,850 with the nominal value of USD 43,000,000 (Held to maturity) have been sold within the scope of the repurchasing agreements amounting to USD 38,176,114.

The Bank calculates the income accruals of securities portfolio by using their estimated fair values. Estimated fair values for Government Bonds and Treasury Bills that are traded on the stock exchange market were calculated based upon the prices quoted on the İstanbul Stock Exchange. For index-linked Government bonds, fair values were calculated based on the prices quoted in the Official Gazette.

The fair values of Government Bonds and Treasury Bills that are traded on the stock exchange have been compared with their book values and unrealized gains on them as follows:

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Treasury bills, Government Bonds and Eurobond	302,964	315,197
Accrued interest as of December 31	27,734	39,394
Total book value	**330,698**	**354,591**
Fair Value of Above Securities (*)	**208,693**	**169,177**

(*): The fair value as of 31 December 2004 represents the securities with the acquisition cost of TL 181,829 Billion and the fair value as of 31 December 2003 represents the securities with the acquisition cost of TL 130,360 Billion. Other securities as Eurobonds have not been included in the fair value of the securities due to the fact that fair value of such items cannot be reliably measured.

The blocked securities kept in the Central Bank, the İstanbul Stock Exchange and İMKB Takas ve Saklama Bankası A.Ş. (stock exchange settlement bank) for the purposes of trading guarantee on interbank, bond markets are as follows:

	2004 Nominal Value TL Billion	2004 Book Value TL Billion
Government Bonds, Treasury Bills and Eurobonds:		
Central Bank- Interbank Market Guarantee	113,969	106,279
İstanbul Stock Exchange- Trading Guarantee	2,000	1,683
	115,969	**107,962**

	2003 Nominal Value TL Billion	2003 Book Value TL Billion
Government Bonds and Treasury Bills:		
Central Bank- Interbank Market Guarantee	148,896	140,208
İstanbul Stock Exchange- Trading Guarantee	2,277	2,034
	151,173	**142,242**

7. LOANS – NET

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
SHORT-TERM LOANS		
Discount loans	9,565	10,505
Export loans guaranteed	857,877	884,416
Speciality loans	23,390	9,470
Fund sourced loans	393,960	452,649
Loans given to financial sector	1,650,942	1,621,442
Rescheduled loans guaranteed	-	973
Other loans guaranteed	3,619	19,749
	2,939,353	**2,999,204**
MEDIUM-AND LONG-TERM LOANS		
Export guaranteed investment loans	14,345	34,610
Loans given to financial sector	83,504	255,802
Guaranteed operating and other loans	2,038	2,839
Speciality loans	13,692	-
Foreign government loans	369,767	645,803
	483,346	**939,054**
PAST DUE FOREIGN GOVERNMENT LOANS	**50,810**	**277,107**
OVERDUE LOANS	**37,643**	**38,017**
Less: Provision for loan losses	(37,643)	(38,017)
TOTAL LOANS – NET	**3,473,509**	**4,215,365**

The distribution of loans by sectors is as follows:

	2004 (%)	2003 (%)
Farming and Raising Livestock	1.15	0.58
Manufacturing	25.42	24.13
Construction	15.65	18.92
Mining	0.05	0.04
Wholesale and Retail Trade	0.83	0.82
Transportation and Telecommunication	0.14	0.08
Hotel, Food and Beverage Services	2.41	3.56
Financial Institutions	50.12	45.01
Health and Social Services	1.15	2.33
Other	3.08	4.53
Total	**100.00**	**100.00**

Movement of the provision for loan losses is as follows:

	2004 TL Billion	Restated 2003 TL Billion
As at 1 January	38,017	41,966
Charge for the year	16,998	34,876
Provision released	(12,751)	(33,690)
Indexation effect	(4,621)	(5,135)
As at 31 December	**37,643**	**38,017**

8. INTEREST AND OTHER INCOME ACCRUALS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Interest and other income accruals on loans		
- Turkish Lira	57,226	78,949
Interest and other income accruals on loans		
- Foreign currency	23,597	23,246
Interest accruals on marketable and long-term Securities		
- Turkish Lira	24,935	35,087
Interest accruals on marketable and long-term Securities		
- Foreign currency	2,799	4,307
Interest accruals on derivatives		
- Turkish Lira	3,183	-
Interest accruals on derivatives		
- Foreign currency	32,333	28,532
Other interest and income accruals		
- Turkish Lira	579	2,841
Other interest and income accruals		
- Foreign currency	37	99
	144,689	**173,061**

9. SUNDRY DEBTORS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Receivables from personnel	48	42
Receivables from insurance claims	931	1,108
Receivables from Development and Support Fund (Russia Loan)	6,509	7,740
Receivables on insurance premiums	3,091	3,054
Other sundry debtors	351	999
	10,930	**12,943**

As at 31 December 2004, USD 447,071 (TL 598 Billion) receivable from the Development and Support Fund is due to the incomplete payment of General Headquarters of Gendarme with regards to the military equipment purchases. Rest of the receivables from the Development and Support Fund which is USD 4,421,357 (TL 5,911 Billion), arises from the exchange losses due to the late transfer of the funds from the Ministry of Defense. As of December 2004, since no improvements occurred with regards to the collectability of this receivable in the past five years 100% provision (TL 5,911 Billion) has been set forth as of December 31, 2004.

10. EQUITY PARTICIPATIONS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Equity participations	**3,895**	**2,494**

	Participation Rate (%)	Nominal Value TL Billion	31.12.2004 Value TL Billion	Restated 31.12.2003 Value TL Billion
Garanti Faktoring Hizmetleri A.Ş.	9.78	1,466	3,895	2,494

The equity participations as of 31 December 2004 and 2003 are measured by their amortized cost.

11. PREMISES AND EQUIPMENT – NET

	Buildings TL Billion	Furniture &Fixtures TL Billion	Vehicles TL Billion	Other Tangible Fixed Assets TL Billion	Other Intangible Fixed Assets TL Billion	Total TL Billion
COST						
As at 1 January 2003	16,485	8,036	700	417	-	25,638
Additions	1,210	611	-	24	360	2,205
Disposals	-	(477)	-	-	-	(477)
As at 31 December 2003	17,695	8,170	700	441	360	27,366
ACCUMULATED DEPRECIATION						
As at 1 January 2003	(7,282)	(5,664)	(681)	(345)	-	(13,972)
Charge for the period	(320)	(765)	(19)	(24)	(63)	(1,191)
Disposals	-	470	-	-	-	470
As at 31 December 2003	(7,602)	(5,959)	(700)	(369)	(63)	(14,693)
NET BOOK VALUE						
As at 31 December 2003	**10,093**	**2,211**	**-**	**72**	**297**	**12,673**
COST						
As at 1 January 2004	17,695	8,170	700	441	360	27,366
Additions	-	83	100	12	3	198
Disposals	(1,209)	(9)	-	-	-	(1,218)
As at 31 December 2004	16,486	8,244	800	453	363	26,346
ACCUMULATED DEPRECIATION						
As at 1 January 2004	(7,602)	(5,959)	(700)	(369)	(63)	(14,693)
Charge for the period	(310)	(747)	(7)	(24)	(90)	(1,178)
Disposals	9	9	-	-	-	18
As at 31 December 2004	(7,903)	(6,697)	(707)	(393)	(153)	(15,853)
NET BOOK VALUE						
As at 31 December 2004	**8,583**	**1,547**	**93**	**60**	**210**	**10,493**

12. OTHER ASSETS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Stationery	66	65
Advances	32	3
Prepaid expenses	65	43
Prepaid coupons on Eurobond	430	327
Other	12	8
	605	**446**

13. BORROWING FUNDING LOANS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
SHORT-TERM LOANS		
Borrowings from Central Bank	7,650	7,471
Loans from domestic banks – Turkish Lira	1,000	-
Loans from domestic banks – Foreign currency	471,606	595,632
Loans from foreign banks - Foreign currency	404,504	437,049
	884,760	**1,040,152**
MEDIUM AND LONG-TERM LOANS		
Borrowings from Central Bank	64,064	126,952
Loans from foreign banks - Foreign currency	392,681	616,516
Loans from foreign institutions - Foreign currency	5,287	18,859
Borrowings from Undersecretariat of Treasury - Foreign currency	267,408	317,947
	729,440	**1,080,274**
	1,614,200	**2,120,426**

Short-term Foreign Currency loans as of 31 December 2004 have interest rates within the range of 6 months LIBOR+1% to 2.25% (31 December 2003: 6 months LIBOR+1.30% to 4.24%). Long-term Foreign Currency loans as of 31 December 2004 have interest rates within the range of 6 months LIBOR+0.20% to 6 months LIBOR+0.75% (2003: 6 months LIBOR+0.20% to 6 months LIBOR+0.75%).

TL 64,064 Billion (USD 47,914,777.50) of borrowings from the Central Bank of Turkey is associated with the Russian loan financed by Central Bank funds. A rescheduling agreement setting the terms and repayment schedule has been signed between the Bank and the Central Bank in February 2001. The repayment schedule as of 31 December 2004 is as follows:

Payment Date	Payment Ratio (%)	Amount (USD)
31.01.2005	16.7	23,957,388.75
31.07.2005	16.7	23,957,388.75
	33.4	**47,914,777.50**

Repayment schedule for medium and long-term borrowing funding loans, except borrowings from the Central Bank of Turkey, is as follows:

	FC Type	FC Amount	31.12.2004 TL Billion
2005	USD	67,768,482	90,608
	JPY	4,311,544,000	56,218
2006	USD	75,652,808	101,150
	JPY	4,311,544,000	56,218
2007	USD	16,665,714	22,283
	JPY	4,311,504,000	56,218
2008	USD	16,665,714	22,283
	JPY	1,244,872,000	16,232
2009	USD	16,665,714	22,283
	JPY	1,244,872,000	16,232
2010	USD	16,665,714	22,283
	JPY	1,244,845,986	16,232
2011	USD	16,665,714	22,283
	JPY	-	-
2012	USD	16,665,714	22,283
	JPY	-	-
2013	USD	16,665,714	22,283
	JPY	-	-
2014	USD	16,665,714	22,283
	JPY	-	-
2015	USD	16,665,714	22,283
	JPY	-	-
2016	USD	16,665,714	22,283
	JPY	-	-
2017	USD	16,665,714	22,283
	JPY	-	-
2018	USD	8,344,286	11,155
	JPY	-	-
			665,376

14. FUNDS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Guarantee insurance fund	379	431
Development and Support Fund	6,711	7,641
	7,090	**8,072**

15. INTEREST AND OTHER EXPENSE ACCRUALS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Interest expense accruals on borrowings	15,247	16,742
Interest expense accruals on securities issued	19,131	22,567
Interest expense accruals on repo transactions	-	252
Interest expense accruals on derivative instruments	4,952	3,242
Other	646	737
	39,976	**43,540**

16. SUNDRY CREDITORS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Cash guarantees received	1,242	3,668
Premiums of reinsurance companies	1,849	1,420
Insurance operations	2,911	3,724
Other	42	443
	6,044	**9,255**

17. SECURITIES ISSUED

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Bonds – Foreign currency	467,964	556,406

During 2001, the Bank has issued bonds amounting to USD 350 Million which have semi annual interest payments with a fixed interest rate of 11.5% maturing on February 24, 2005.

18. TAXES AND DUES PAYABLE

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Taxes and dues payable	88	156
Accrued funds on income	12,414	26,139
Premium payable	206	416
	12,708	**26,711**

The Bank is exempted from Corporate Tax upon the Act numbered 3332, dated March 25, 1987 and the article 4/b of Act numbered 3659, dated September 26, 1990. According to the 3rd Article of the same Act, stated changes were put into effect starting from January 1, 1988.

Taxes calculated for the period is composed of withholding taxes on income tax, Social Security premiums and funds other than the Corporate Tax liability.

19. PROVISIONS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
PROVISION FOR RETIREMENT PAY		
As at 1 January	6,376	6,134
Provision for the period- net	1,104	992
Indexation effect	(776)	(750)
As at 31 December	**6,704**	**6,376**
GENERAL LOAN LOSS PROVISION AND OTHER PROVISIONS (*)		
As at 1 January	267,919	208,951
Charge/(Reversal) for the period	(96,327)	84,537
Indexation effect	(32,574)	(25,569)
As at 31 December	**139,018**	**267,919**
TOTAL	**145,722**	**274,295**

(*) In 2004, USD 119,048,222.60 has been accrued as the share of the Undersecretariat of Treasury from 2003 profit and has been reserved as an offsetting item against the losses on political risks. USD 95,570,025.10 and USD 23,478,197.50 of this amount have been netted off against the Russian Loan and Azerbaijan Loan, respectively with regards to the authorization of the Undersecretariat of Treasury dated 08.07.2004 and numbered 43193. Prior to the above stated net-off, total overdue Russian loan was USD 123,291,258 and USD 97,597,146.15 provision had been set forth by using the provision ratios stated in the 'Loan Loss Provisions' note. The remaining overdue loan and provision set forth for the Russian loan as of December 31, 2004 are USD 33,760,940 and USD 20,901,792, respectively. In addition to the income recognized as a result of the reversal of provision set forth previously for Russian loan (TL 128,516 Billion), provision for Pakistan loan has also been reversed due to the fact that this loan has been taken over by Treasury and TL 58,718 Billion income has been recognized. Apart from that, risk associated to the Ministry of Finance of Moldovia has been taken over by the Treasury as of December 31, 2004. Therefore, provision belonging to that loan has been excluded from the provision calculation and as a result TL income amounting to 4,931 Billion has been recognized. In total, TL 192,165 Billion provision has been reversed from the provisions in the current period. TL 145,862 Billion of that balance has been recorded under 'Previous Year's Income' and the remaining TL 46,303 Billion has been reversed from 'Expenses for Other Provisions'.

Under Turkish law, the Bank is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The rate of pay is that ruling at the respective balance sheet dates, subject to a maximum of TL 1,574,740,000 as of 31 December 2004 (2003: TL 1,389,950,000).

For the year 1999, IAS 19 (Revised) became applicable for the first time. Although not changing the fundamental principles involved, the revised standard made clearer the obligation to consider the issues related to accounting for a future benefit:

- An expected inflation rate and an appropriate discount rate should both be determined, the net of these being the real discount rate. This real discount rate should be used to discount future retirement payments to their present value at the balance sheet date.

- The anticipated rate of forfeitures should be considered.

Consequently, in the accompanying financial statements as at 31 December 2004 and 2003 the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provision at 31 December 2004 have been calculated assuming an annual inflation rate of 10% and a discount rate of 16%, resulting in a real discount rate of approximately 5.45%.

20. OTHER LIABILITIES

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Payables to public institutions	396,626	500,348
Other	53,366	60,443
	449,992	**560,791**

The payables to public institutions consist of interest income and foreign exchange differences of Iraq loans financed by the Undersecretariat of Treasury and the funds transferred by the Undersecretariat of Treasury under the scope of the political risk accounts. These funds are netted off upon the approval of the Undersecretariat of Treasury. Since these balances will be paid to the Undersecretariat of Treasury, the Bank does not reflect these income items to the statement of income and expenses. Other balance consists of the amounts transferred from United Nations Compensation Commission related to projects in Iraq.

21. CAPITAL

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Capital	750,000	750,000
Capital commitments (-)	(92,136)	(92,136)
Paid in capital at historic cost	**657,864**	**657,864**
Indexation effect	4,395,756	4,395,756
	5,053,620	**5,053,620**

100% of the Bank's share capital is owned by the Undersecretariat of Treasury.

22. INTEREST INCOME ON LOANS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Interest income on short term TL loans	259,805	404,727
Interest income on medium and long term TL loans	223	295
Interest income on short term foreign currency loans	50,847	50,298
Interest income on medium and long term foreign currency loans	19,514	33,982
Interest income on doubtful loans	276	88
	330,665	**489,390**

23. OTHER OPERATING INCOME

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Fees and commissions on loans	1,100	4,813
Marketable securities trading gain/(loss)-net	1,163	3,455
Gain/(loss) on derivative financial instruments-net	7,461	62,642
Export loans insurance income	22,225	21,059
Commissions on reinsurance	5,869	5,320
Foreign exchange gain/(loss)–net	4,282	-
Previous year's income (*)	168,064	7,962
Other	5,255	5,801
	215,419	**111,052**

(*): The detailed information with regards to the previous year's income is presented under the Provisions Note.

24. OTHER OPERATING EXPENSE

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Salaries and employee benefits	18,276	19,035
Foreign exchange gain/(loss)–net	-	60,993
Other administrative expenses	5,771	6,052
Taxes other than on income	8,106	12,405
Fees and commissions expense	9,120	6,982
Retirement pay provision	1,104	992
Other provisions	6,976	5,245
Depreciation expense	1,178	1,191
Premiums paid to reinsurance companies	13,359	12,759
Other	4,554	5,976
	68,444	**131,630**

25. LOAN LOSS PROVISIONS

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
General loan loss provision and other provisions	56,749	91,123
Loss provision for loans under follow-up	6,792	4,086
	63,541	**95,209**

The Bank set forth the provision for overdue loans in the accompanying inflation adjusted financial statements under the consideration of number days of default period and the risk profile of the country that the loan has been granted. As at 31 December 2004 and 2003, the provision rates for number of days of default period less than 6 months, 6 months to 12 months, 12 months to 36 months and over 36 months are 25%, 50%, 75%, and 100% respectively. Besides that, as of 31 December 2004 and 2003 Bank set 25% provision for the installments of overdue Russia country loans that are not due as of the balance sheet date.

Based on the minute of the Execution Committee, the rate of the provision set forth for the short-term loans as of 31 December 2004, in which the risk belongs to Bank has been increased from 0.5% to 2.5%. Besides this additional TL 50,908 Billion, 100% provision has been set for the TL equivalent of receivables from the Development and Support Fund that arises from the exchange losses due to the late transfer of the funds from the Ministry of Defense as of December 31, 2004 (TL 5,911 Billion).

26. MATURITY ANALYSIS OF SELECTED BALANCE SHEET ITEMS

	Having No Fixed Term TL Billion	Less than 1 Month TL Billion	1-3 Months TL Billion	3-6 Months TL Billion	6-12 Months TL Billion	Over 1 Year TL Billion	Total TL Billion
ASSETS							
Balances with banks and the Central Bank	1,223	453,178	-	-	-	-	454,401
Securities portfolio	-	17,296	113,391	37,112	71,530	63,635	302,964
Loans	-	352,959	867,286	1,224,407	772,981	255,876	3,473,509
LIABILITIES							
Bonds	-	-	467,964	-	-	-	467,964
Borrowings funding loans	-	10,517	354,936	520,495	209,703	518,549	1,614,200

27. COMMITMENTS AND CONTINGENCIES

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Guarantee letters	5,224	1,582
Endorsements	7,650	7,471
Commitments	12,652	46,394
Other guarantees	245,883	335,657
Interest and foreign exchange rate related commitments	585,182	604,134
	856,591	**995,238**

Other Guarantees

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Export related import finance loans	539	-
Short term export loan insurance	245,344	292,547
Türkmenistan project loan guarantee	-	35,133
Other	-	7,977
	245,883	**335,657**

There have been 5 legal cases filed against the Bank as of December 31, 2004. The amount of the cases are USD 2,646,082.16 and TL 8.3 Billion, respectively (31.12.2003: USD 2,646,082.16, EURO 12,576.62 and TL 216.1 Billion). No provision has been set for the above stated cases in the accompanying financial statements. Apart from these lawsuits, there have been 14 legal cases filed by the Bank as of December 31, 2004. Total amount of these cases are TL 5,243.7 Billion and USD 2,160.28 (31.12.2003: TL 5,967 Billion).

The breakdown of derivative instruments as of 31 December 2004 is as follows:

Short-Term Swaps

The Bank has four short-term swap agreements as of December 31, 2004. Purchase amounts of the swaps that have been made to offset liquidity and foreign currency risks are EURO 7,000,000, USD 26,519,920, TL 39,194.5 Billion. Forward selling prices of the short term swaps are JPY 951,720,000, EURO 20,000,000 and USD 25,000,000. Maturity of the short term swaps are between 59 and 183 days.

Long-Term Swaps

The Bank has four long-term swap agreements as of December 31, 2004. First one is with Credit Lyonnais dated September 2, 2003 for JPY 6,214,000,000 vs. USD 52,885,106.38. The interest rate is LIBOR+2.59%, interest is paid semi-annually and the maturity of the agreement is July 15, 2008.

Second swap was made with Credit Lyonnais on December 27, 2002. This agreement is for JPY 2,700,000,000 vs. USD 22,500,000. The interest rate is LIBOR+2.18%, interest is paid semi-annually and the maturity of the agreement is July 15, 2010.

Third swap was made with ABN Amro Bank on September 2, 2003. This agreement is for JPY 6,214,500,000 vs. USD 52,934,412.27. The interest rate is LIBOR+2.62%, interest is paid semi-annually and the maturity of the agreement is July 15, 2008.

Fourth swap was made with ABN Amro Bank on January 10, 2003. This agreement is for JPY 2,700,000,000 vs. USD 22,509,378.91. The interest rate is LIBOR+2.25%, interest is paid semi-annually and the maturity of the agreement is July 15, 2010.

28. LOSS ON NET MONETARY POSITION

The loss on net monetary position represents the net effect on income for the year of applying inflation adjustments (indexation adjustments) in accordance with IAS 29.

Gains/(losses) on balance sheet adjustments:

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
On equity participations	1,705	647
On prepaid expenses	(4)	8
On premises and equipment:		
- reversal of revaluation as income	1,379	3,108
- gain /(loss) on indexation	(688)	(2,009)
- depreciation charge	334	184
Loss on share capital	(614,399)	(618,379)
Loss on legal reserves	(71,203)	(70,670)
Loss on reserves and accumulated profits:		
- indexation of retained earnings	477,926	513,640
- on dividends and transfer to legal reserves	8,616	-
Reclassifications within statement of income:		
Indexation of income statement items – net	(28,160)	(11,060)
	(224,494)	**(184,531)**

29. TAXATION

	31.12.2004 TL Billion	Restated 31.12.2003 TL Billion
Current year taxation	**11,092**	**23,278**

The Bank is exempted from Corporate Tax upon the Act numbered 3332, dated March 25, 1987 and the article 4/b of Act numbered 3659, dated September 26, 1990. According to the 3rd Article of the same Act, stated changes were put into effect starting from January 1, 1988. Therefore, no Corporate Tax liability is reflected to the accompanying inflation adjusted financial statements. The current year taxation consists of deductions for Disaster Shares and KOSGEB Fee as legal obligations.

30. SUBSEQUENT EVENTS

i) The Law numbered 5083 with regards to the Currency of Republic; stating that the new currency of Republic of Turkey is "New Turkish Lira"(YTL) and the sub unit is "New Kuruş" (YKr) Turkey became effective from January 1, 2005. By the second article of the related law Turkish Lira has been replaced by "New Turkish Lira" and six zeros have been omitted from Turkish Lira and a new exchange rate has been approved as one million Turkish Lira being equal to 1 New Turkish Lira (1,000,000 TL= 1 YTL).

ii) Retirement Pay Ceiling has increased to TL 1,648,900,000 at January 1, 2005.

iii) According to the information obtained from the attorney of the Bank as at February 11, 2004, there are no litigations against the Bank after December 31, 2004.

iv) At 31 January 2005, syndicated loan amounting to USD 200 Million has been lended to the Bank with the contribution of 18 banks. Loan has semi annual interest payments and principal will be paid on maturity. Maturity of the loan is December 22, 2005 and the interest rate is LIBOR+0.65.

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