



**TAKASBANK**

ANNUAL REPORT 2004



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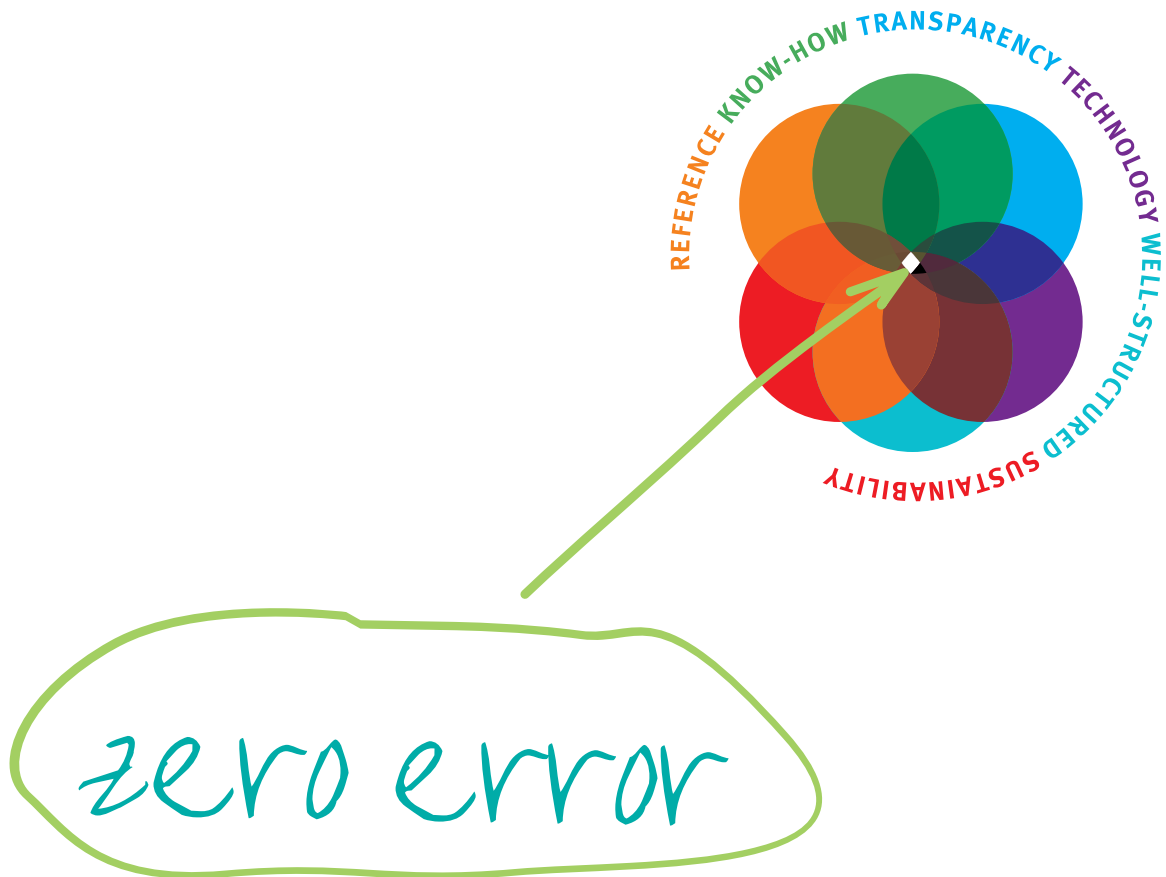
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TAKASBANK, HAS, SINCE ITS ESTABLISHMENT, TARGETED AND ACHIEVED SUSTAINABILITY IN ERROR-FREE OPERATIONS. THERE ARE SEVERAL FACTORS BEHIND THIS SUCCESS. EXPERIENCED AND WELL-TRAINED HUMAN RESOURCES, THE USE OF ADVANCED INFORMATION TECHNOLOGY MEANS, TECHNOLOGICAL SET-UP AND CONTINUING INVESTMENTS IN THIS RESPECT, WELL-STRUCTURED OPERATIONAL PROCESSES AND THE INNOVATIVE APPROACH OF TAKASBANK HAVE ALL HELPED ACHIEVE THIS TARGET.

## FINANCIAL HIGHLIGHTS

(TL BILLIONS)	2004*	2003*	2002*	2001	2000
TOTAL ASSETS	326,386	277,030	210,755	132,829	55,719
SHAREHOLDERS' EQUITY	174,755	119,385	70,226	38,902	19,221
PAID-IN CAPITAL	60,000	60,000	60,000	33,540	16,300
PROFITS BEFORE TAX	68,532	74,882	69,741	61,037	28,066
INTEREST AND PORTFOLIO REVENUE	51,944	59,263	53,847	59,176	20,066

(US\$ THOUSANDS)**	2004	2003	2002	2001	2000
TOTAL ASSETS	243,191	198,469	128,941	92,270	82,945
SHAREHOLDERS' EQUITY	130,210	85,530	42,965	27,024	28,613
PAID-IN CAPITAL	44,706	42,985	36,708	23,299	24,264
PROFITS BEFORE TAX	51,063	53,647	42,668	42,399	41,780
INTEREST AND PORTFOLIO REVENUE	38,703	42,457	32,944	41,107	29,871

FINANCIAL RATIOS (%)	2004	2003	2002	2001	2000
PROFITS BEFORE TAX / TOTAL ASSETS	21.00	27.03	33.09	45.95	50.37
EQUITY / TOTAL ASSETS	53.54	43.09	33.32	29.29	34.50
PROFITS BEFORE TAX / SHAREHOLDERS' EQUITY	39.22	62.72	99.31	156.90	146.02
ASSET GROWTH	17.82	31.45	58.67	138.39	74.29

EMPLOYEES	2004	2003	2002	2001	2000
NUMBER OF EMPLOYEES	232	226	230	233	243

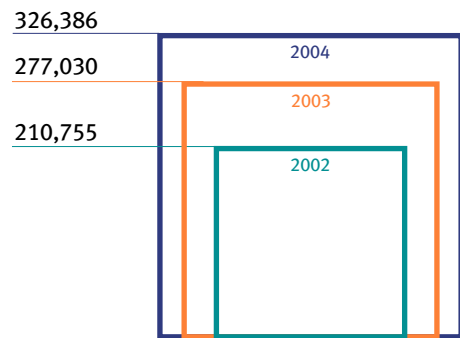
\* To enable comparisons against previous years, historical values have been used for 2002 and 2003 year-end figures and the accounting standard published by the BRSA (Banking Supervision and Regulation Agency), which went into effect on 1 July 2002 concerning the adjustment of financial statements for inflation, has not been taken into consideration. Since inflation accounting began to be implemented in 2004 as a result of the amendment of the Tax Procedural Law through Law No. 5024, 2004 figures have been prepared in conformity with the provisions of the Tax Procedural Law. With a view to presenting the changes in equity and profitability in such a way that would enable comparisons, profits before tax for the years 2002, 2003 and 2004 have been excluded from shareholders' equity in line with the banks' previous balance sheet format and previous practice.

\*\* US dollar figures have been calculated using the US dollar buying rates announced by the Central Bank of Turkey (CBT) on the last day of the relevant year.

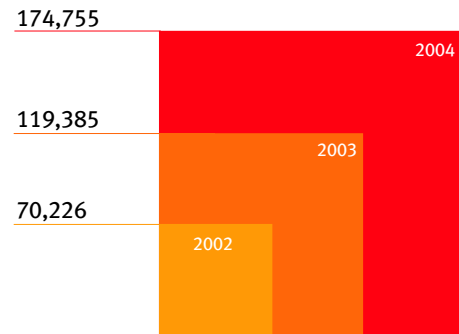
CBT's US dollar buying rates used in valuation are as follows:

DECEMBER 31, 2000 :	TL 671,765
DECEMBER 31, 2001 :	TL 1,439,567
DECEMBER 31, 2002 :	TL 1,634,501
DECEMBER 31, 2003 :	TL 1,395,835
DECEMBER 31, 2004 :	TL 1,342,100

### TOTAL ASSETS (TL BILLIONS)



### SHAREHOLDERS' EQUITY (TL BILLIONS)



An institution having capital market players as its shareholders, Takasbank serves as a bridge between money and capital markets and is one of the most important financial institutions of Turkey.

TAKASBANK IS FREQUENTLY CALLED UPON FOR CONSULTATION BY COUNTRIES IN THE REGION. IN 2004, SENIOR MANAGERS AND EXPERTS FROM THE CAPITAL MARKETS OF ALBANIA, KAZAKHSTAN, AZERBAIJAN, IRAN, PAKISTAN, JORDAN, KYRGYZSTAN, OMAN AND MONGOLIA VISITED TAKASBANK. MANY OF THESE VISITORS STATED THAT THEY WANTED TO MODEL THEIR SETTLEMENT AND CUSTODY INSTITUTIONS AFTER TAKASBANK.

**REFERENCE**

## TAKASBANK IN BRIEF

The settlement of transactions related to securities traded on the Istanbul Stock Exchange (ISE) began with a department formed within the ISE in 1988. In January 1992, the task of settlement and custody was handed over to a company called İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody, Inc.), founded by the ISE and its members. On 2 January 1996, that company was transformed into a sector-specific bank named Takasbank - İMKB Takas ve Saklama Bankası A.Ş. (Takasbank - ISE Settlement and Custody Bank, Inc.) and today it serves the financial markets in the status of a non-deposit-taking bank.

An institution having capital market players as its shareholders, Takasbank serves as a bridge between money and capital markets and is one of the most important financial institutions of Turkey. Since it brings settlement and custody services under one roof, Takasbank has a unique place among similar institutions around the world. In 2005, the custody function will be handed over to the Central Registry Agency of which Takasbank is among the founding partners. Takasbank has set up the infrastructure of the Central Registry Agency and realized the required underlying work for transition from physical custody to a dematerialized system to date.

Takasbank is authorized to act as the clearing house for the Turkish Derivatives Exchange that will launch trading in

February 2005. The portfolio assets of mutual funds and investment trusts are also kept in the custody of Takasbank. Takasbank has assumed various responsibilities regarding Private Pension Funds, which became operational in 2003 within the context of the Private Pension Savings and Investment System. The custody, settlement and other related operations of pension fund transactions in capital markets are carried out by the Bank. Takasbank will contribute significantly to the development of private pension fund scheme, which is bound to play a major role in the diversification of Turkish capital markets.

Takasbank has a correspondent relationship with Euroclear Bank, an international custody and clearing institution. In this capacity, Takasbank provides overseas settlement and custody services for foreign securities such as Eurobonds, foreign bonds, depository receipts, etc. With these services, Takasbank has taken abroad its

expertise in clearing, settlement and custody services, aiming to make post-trade services accessible to all financial institutions in terms of technical expertise, operational experience and cost. As of the end of December 2004, the number of institutions receiving overseas services from Takasbank reached 68.

Offering short-term credits to capital market players through securities purchasing loans (cash credits) and securities lending/borrowing facilities, Takasbank ensures that money market transactions are undertaken in a transparent, fast and reliable environment among banks and brokerage houses via the Money Market that it has established.

Takasbank ranked second among the banks in terms of electronic fund transfer volume for the past seven years and is one of the institutions that pay the highest amounts of corporate tax in Turkey.

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## MESSAGE FROM THE CHAIRMAN

In 2004, Takasbank continued to contribute to the development of financial markets in Turkey. With experienced and competent human resources and a robust technological infrastructure, Takasbank's innovative practices set an example for a number of countries with developed and emerging capital markets.

Turkey has recovered from the aftermath of the economic crises of 2000 and 2001. A deadline for accession talks with the European Union was set and for the first time in thirty years the economy produced single-digit inflation. At the same time, the banking sector restructured itself, consumer confidence soared and the Turkish currency appreciated against other currencies on the eve of the introduction of the New Turkish Lira. These positive developments and expectations revived capital market transactions and gave them depth and volume.

The ISE-National 100 index broke new records. International credit rating agencies increased Turkey's and some leading banks' ratings. Foreign investors' demand for the Treasury's overseas securities offerings increased, maturities became longer and interest rates decreased. Foreign institutional investors' transactions on the ISE also increased significantly.

As of December 31, 2004, Takasbank's custody volume reached to a nominal value of TL 9,481 trillion. By year-end, 2,045,625 accounts had been converted to customer name-based accounts. The

transaction volume of Takasbank Money Market where 70,920 transactions were handled reached TL 94.4 quadrillion. Average daily transaction volume in securities purchasing loans in 2004 was TL 10.2 trillion. In 2004, Takasbank's annual settlement volume was TL 19.8 quadrillion for cash and TL 63.7 quadrillion for securities while the volume of electronic fund transfers reached to an amount of TL 1,919.9 quadrillion.

While the position of Takasbank in capital markets strengthens day by day, the scope of its operations is also expanding. Takasbank has assumed very critical responsibilities in the Private Pension System launched in October 2003. In this context, Takasbank acts as a custodian of portfolio assets, an institution where participants are identified as sub-accounts of a pension company and their balances are controlled, and an independent institution calculating Unit Share Values for reconciliation purposes. By the end of 2004, Takasbank had provided overseas settlement and custody services for 23 private pension funds. With the remote access project that will become operational in 2005, revived activity is expected at the Takasbank Money Market. Private pension funds

have started to operate at the Takasbank Money Market. Takasbank is expected to make a significant contribution to the private pension fund system, which is likely to give new direction to the development of capital markets in Turkey.

Clearing and settlement services for the Turkish Derivatives Exchange, which is scheduled to become operational in February 2005, will be provided by Takasbank. Preparations for this project had been completed in 2004. It is expected that, with the introduction of an automated pre-matching system utilizing SWIFT within the DVP RTGS facility, the operational efficiency of foreign investors' transactions in the Stock Market will be increased while the risk of default originated from these transactions will be reduced. The transaction volume of Takasbank DvP Transfer System for broker to custodian settlements reached a significant level in a short period of time and revising the system upon new requirements of our members to increase the efficiency of the system is among our targets for the upcoming term.

A new automation system, integrated with the SWIFT network and aimed to enable the execution of overseas settlement and

**Takasbank's significance in capital markets has been increasing continuously.**



custody services in a fully-automated environment, was made partially operational in 2004 and is scheduled to become fully operational in 2005. With the shift to full automation, members receiving overseas services from Takasbank will be able to realize their clearing and settlement transactions for foreign securities over the SWIFT system using our remote access facility.

Takasbank is often consulted for its expertise. In 2004, senior executives and experts from capital market institutions of Albania, Kazakhstan, Azerbaijan, Iran, Pakistan, Jordan, Oman and Mongolia visited Takasbank. The Bank has applied through the ISE for "Affiliate Member" status with the Federation of Euro-Asian Stock Exchanges, FEAS. With this membership, in 2005, Takasbank will further enhance its cooperation with other settlement and custody institutions within this international organization.

I would like to express my gratitude to our distinguished executives and diligent employees for their contribution to this achievement and thank the management of the Capital Markets Board (CMB) and the Istanbul Stock Exchange (ISE) for their unfailing support and encouragement.



**Osman Birsen**  
Chairman



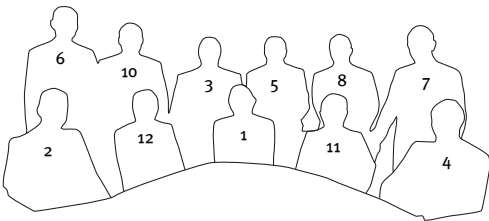
TAKASBANK HAS TAKEN ABROAD ITS DOMESTIC EXPERTISE IN SETTLEMENT AND CUSTODY SERVICES, AIMING TO MAKE POST-TRADE SERVICES ACCESSIBLE TO ALL FINANCIAL INSTITUTIONS IN TERMS OF TECHNICAL EXPERTISE, OPERATIONAL EXPERIENCE AND COST.

**KNOW-  
HOW**

## BOARD OF DIRECTORS



**1. Osman Birsen**, Chairman **2. Abdullah Cengiz Makas**, Deputy Chairman **3. Emin S. Çatana**, Member, President and CEO **4. Arıl Seren**, Member **5. Emin Ali Gündez**, Member **6. Sezai Bekgöz**, Member (in Charge of Internal Audit and Risk Management) **7. Osman Sencer Tanrıverdi**, Member **8. Ekrem Kerem Korur**, Member **9. Ekrem Nevzat Öztangut**, Member (not in the picture) **10. Rıza İhsan Kutlusoy**, Member **11. Bedii Ensari**, Member **AUDIT BOARD** → **12. Berra Kılıç** Auditor **13. İlhami Öztürk** Auditor (not in the picture)



## MESSAGE FROM THE PRESIDENT AND CEO



Marking its 10th anniversary in 2005, Takasbank focuses on what it aims to achieve in the future rather than its past laurels.

Takasbank, which will mark its 10th anniversary in 2005, focuses on what it aims to achieve in the future rather than its past laurels. The Central Registry Agency, of which Takasbank is both a shareholder and a system developer, will take over the custody function in dematerialized form which Takasbank has been undertaking physically since its inception with great success. We have put in a great deal of effort in the preparation of the environment and infrastructure necessary for this institution to become operational.

Takasbank, has, since its establishment, targeted and achieved sustainability in error-free operations. There are several factors behind this success. Experienced and well-trained human resources, the use of advanced information technology means, technological set-up and continuing investments in this respect, well-structured operational processes and the innovative approach of Takasbank have all helped achieve this target. I believe Takasbank has the resources and skills to continue this success in the future.

2004 was quite a flourishing year for the Turkish economy. The economic program was continued with great determination, and as a result, single-digit inflation was achieved after so many years. Confidence in the Turkish lira was rebuilt, and

investors, rather than opting for alternative currencies, returned to the lira which appreciated against foreign currencies. The determination of a deadline towards the end of the year for accession talks with the EU further revived and encouraged the markets. We expect that this favorable climate will continue in 2005.

In 2004, the number of institutions receiving custody services from the Bank reached 660. Efforts to convert accounts opened with Takasbank by assigning investor registration numbers and customer names continued. By year-end, 92% of accounts had been converted to customer name-based accounts.

Computer software allowing banks and brokerage houses to conclude settlement transactions using an automatic system that approves automatically-generated records based on customer account numbers and enabling transfer of securities between customer accounts became operational in April. Work on Exchange Traded Funds that are traded on the ISE was completed in November and it has become possible to execute Exchange Traded Funds settlement, creating and redeeming fund shares using Takasbank screens. System and software changes enabling the shift to the New Turkish Lira were completed without any problems in 2004.

With the revival of the Stock Exchange in response to the favorable economic climate and the rise in the ISE Stock Market volume and index, especially in September, has led to a parallel increase in Takasbank loans. Daily average cash loan volume increased 57% over the previous year, reaching TL 10.2 trillion. Requests for securities purchasing loans increased 31% compared to 2003, reaching 2,468. Intense efforts for the development of the "Share Certificates Lending/Borrowing Market" continued throughout the year.

Improvements in order entry screens and member reports aimed at improving the efficiency and speed of Takasbank Money Market transactions made it possible for members to work more efficiently. With the remote access project that will become operational in 2005, efficiency and volume in the Takasbank Money Market is expected to increase. Meanwhile in 2004, private pension funds also started to make transactions on the Takasbank Money Market.

In 2004, the composition of the Bank's investment portfolio emphasized medium- and long-term instruments such as Treasury Bills and Government Bonds in particular. Despite significant falls in interest rates during the year, the share of treasury revenue in total revenue was 55.7%.

Takasbank represents Turkey in ANNA, where National Numbering Agencies from 66 countries are members. In 2004, Takasbank chaired two working groups upon a call by ANNA General Assembly. Such participation in international organizations and achievements enhanced Takasbank's international recognition and consequently helped the Bank set an example for other capital market institutions in diverse areas.

In all its endeavors, Takasbank receives enormous support and encouragement from the managements of the CMB and the ISE. I would like to take this opportunity to express my gratitude to the distinguished executives of these institutions as well as to our shareholders and clients, for their interest and confidence in Takasbank. I would also like to thank our distinguished staff, our most precious asset, for making Takasbank an exemplary institution with their unflinching efforts.



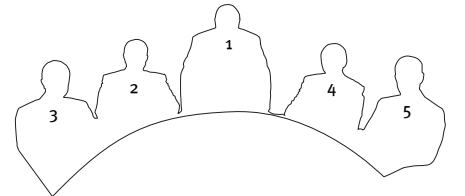
**Emin S. Çatana**  
President and CEO



## SENIOR MANAGEMENT



1. **Emin S. Çatana**, President and CEO 2. **Nezir Bakır**, Executive Vice President 3. **Yusuf Çiçek**, Executive Vice President  
4. **Ahmet Çakırsoy**, Executive Vice President 5. **Şevket Yaşöz**, Head of the Board of Internal Auditors



BANKS AND BROKERAGE HOUSES CAN LOG ON TO THE TAKASBANK SYSTEM FROM THEIR OFFICE TERMINALS AND PERFORM SETTLEMENT RELATED TRANSACTIONS, CASH AND SECURITIES TRANSFERS AND COLLATERAL MANAGEMENT TRANSACTIONS. SINCE ALL TAKASBANK RELATED TRANSACTIONS ARE REALIZED ON-LINE, THE OVERALL SYSTEM CAN BE MONITORED ON-LINE; WHICH IN TURN, MEANS FULL TRANSPARENCY.

**TRANSPARENCY**

WITH THE NEW TECHNOLOGY AND USER-FRIENDLY SOFTWARE IT HAS DEVELOPED, TAKASBANK HAS DESIGNED NEW ENTRY AND REPORT SCREENS ALLOWING FOR FASTER AND MORE EFFICIENT REAL TIME GROSS DVP SETTLEMENT AND MONEY MARKET TRANSACTIONS. IN ADDITION TO THE REMOTE ACCESS PROJECT THAT WILL BECOME OPERATIONAL IN 2005, THE SECURITIES LENDING/BORROWING MARKET WILL ALSO INCREASE THE MEMBERS' TRANSACTION VOLUME WHILE IMPROVING THE EFFICIENCY OF SETTLEMENT AND THE MONEY MARKET.

**TECHNOLOGY**



## OPERATIONS IN 2004



As of 31 December 2004, 25.4 million share certificates and 6 million mutual fund participation certificates with a total nominal value of TL 8.6 quadrillion were deposited in Takasbank's fungible custody, and 1.5 million share certificates with a total nominal value of TL 881 trillion in the Bank's non-fungible custody.

## CUSTODY OPERATIONS

Custody operations cover the safekeeping of capital market instruments and their protection against fraud, counterfeit operations, theft and abuse, while enabling the relevant securities transactions to be conducted in book-entry form. This system ensures that custody operations are performed rapidly and safely. In 2004, the number of institutions receiving Takasbank custody services reached 660. Securities under custody at Takasbank are insured against above mentioned risks.

As of 31 December 2004, 25.4 million share certificates and 6 million mutual fund participation certificates with a total nominal value of TL 8.6 quadrillion were deposited in Takasbank's fungible custody, and 1.5 million share certificates with a total nominal value of TL 881 trillion in the Bank's non-fungible custody.

In 2004, Takasbank provided the following services:

- 117 issuing companies' capital increases through bonus shares having a nominal value of TL 3.4 quadrillion,
- 45 issuing companies' capital increases in cash for a nominal value of TL 633 trillion,
- 65 issuing companies' distribution of TL 513 trillion in dividends,
- 14 issuing companies' certificate renewal operation for shares having a nominal value of TL 106 trillion.

## Customer Name-Based Custody System

In line with the request of the Capital Markets Board, Takasbank launched promotional activities in the written and broadcasting media to more actively inform the public about the Alo-Takas and Takas-NET services. The Alo-Takas service, which used to be provided at telephone number (212) 315 22 22, was moved to (212) 444 74 74 in April 2004 and since then this service has been offered to investors throughout the country at the cost of a local call. An advertising campaign concerning customer name-based custody system was prepared. An advertorial was broadcast on six national TV channels, eleven dailies and four weekly economy magazines.

At the end of 2003, the number of open accounts was 2,077,683; in 2004, this increased 17.7%, reaching 2,445,314. However, as a result of the closing of some accounts by brokerage houses during year-end audits, the number of open accounts as of 31 December 2004 stood at 2,219,721, with 1,100,930 showing a balance.

In 2004, the assignment of registration numbers to accounts held at Takasbank and the forwarding of unique registration numbers and passwords to investors via express mail continued. During the year, 65,000 such letters were mailed. By 27 December 2004, 92% of the accounts had been converted to customer name-based accounts, and 157,029 accounts for which identity data had not been forwarded by brokerage houses within the specified timeframe were suspended.

## CLEARING AND SETTLEMENT OPERATIONS

### Stock Settlement Operations

In the ISE Stock Market settlement system, 101 brokerage houses are direct members of the organized market settlement system. Settlement transactions of 17 banks, 81 pension funds, 307 mutual funds and investment trusts and 21 asset management companies, which are linked to the organized market settlement system, have also been handled.

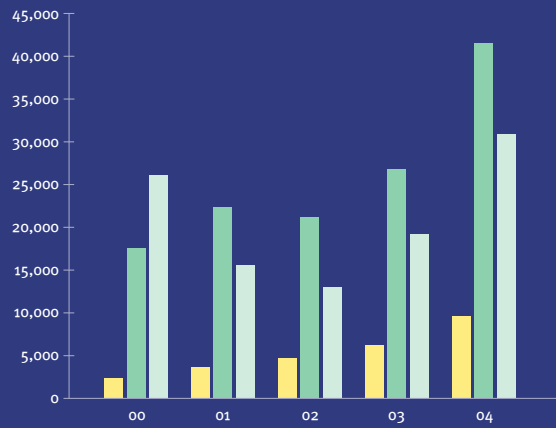
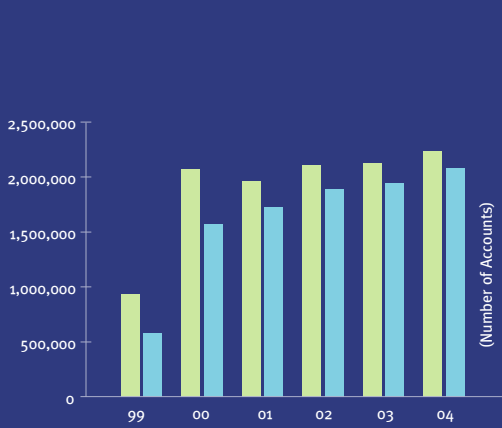
In 2004, total trading volume of the ISE Stock Market was TL 210.5 quadrillion. As a result of the multilateral netting system, which is one of the most important features contributing to the efficiency of the clearing and settlement system, TL 19.8 quadrillion in cash settlements (9.40%) and TL 63.7 quadrillion in securities settlements (30.26%) were carried out.

In 2004, free of payment transfers increased 34.86% compared to 2003; transfers with a market value of TL 36.2 quadrillion were realized, while conditional transfers (real time gross DvP settlement) increased 113.05% compared to 2003, amounting to securities transfers with a market value of TL 50.7 quadrillion and cash transfers with a total worth of TL 50.6 quadrillion. Out of this, transactions totaling TL 1.5 quadrillion were performed as "Stock Exchange Settlement Linked Conditional Transfers".

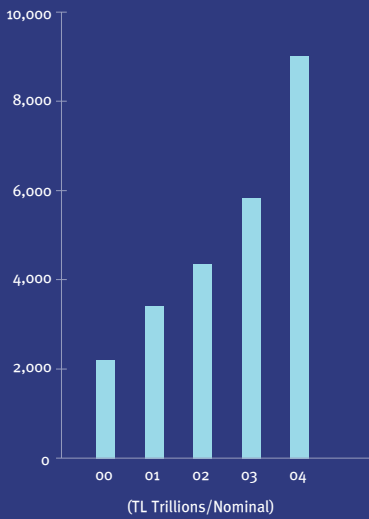
## Customer Name-Based Custody System Capacity Stocks Custody Balance

Open Accounts Accounts Transferred to Customer Name

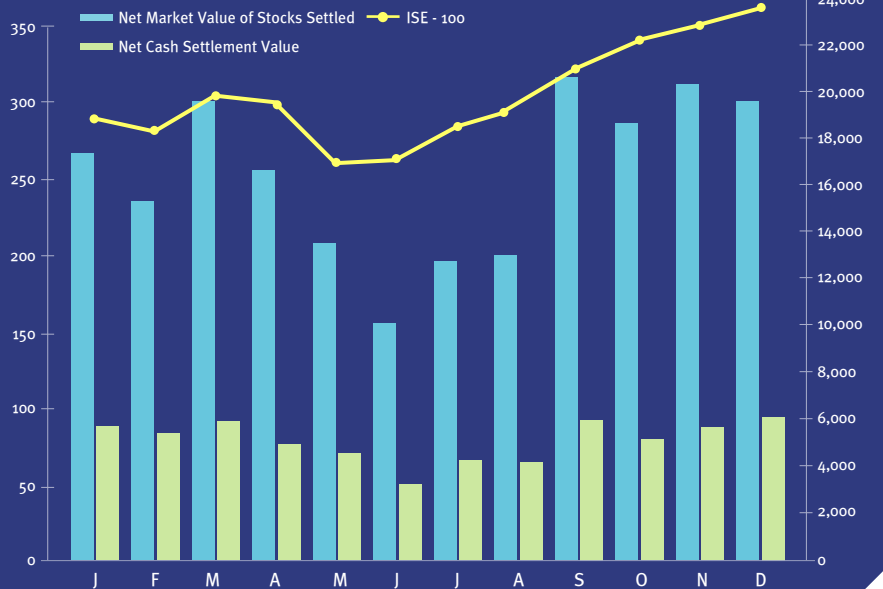
Nominal (TL Trillions) Market Value (TL Trillions) Market Value (US\$ Millions)



## Custody Volume by Years

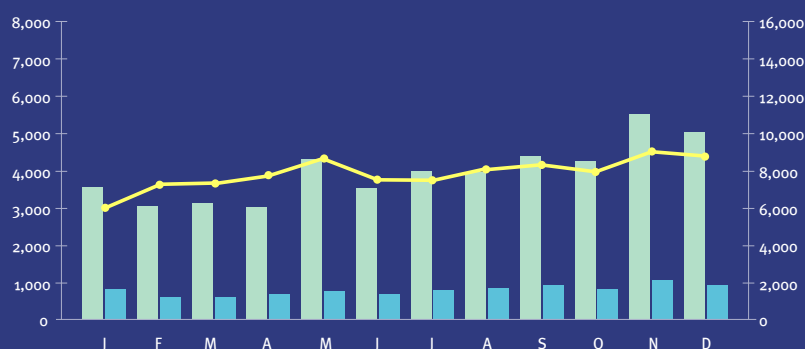


## Stock Exchange Transaction Volumes in 2004 (TL Trillions)



### Government Securities Stock Exchange and Settlement Volumes in 2004 (TL Billions)

Volume of Government Securities Settled Cash Settlement Value Stock Exchange Transaction Volume



In 2004, total trading volume on the ISE Bonds and Bills Market Outright Sales and Purchases Market and the Repo-Reverse Repo Market reached TL 1,923.5 quadrillion. Cash settlement transactions in the Takasbank system, as a result of multilateral netting, amounted to TL 209.7 quadrillion, while securities settlement transactions reached TL 1,069.7 quadrillion.

### Transfer Transactions in 2004 (TL Trillions)

Months	Total Transfer	Free of Payment Transfer	Conditional Transfer	Conditional Transfer / Total Transfer (%)
J-F	13,094	6,009	7,085	54.11
M-A	15,525	6,563	8,962	57.73
M-J	11,307	4,593	6,714	59.38
J-A	10,845	4,455	6,390	58.92
S-O	16,628	6,873	9,755	58.66
N-D	19,457	7,685	11,771	60.50

### Government Bonds and Bills Custody Balances (TL Trillions)

Year	Nominal	Market Value	Market Value (US\$ Millions)
2000	10,063	3,817	5,682.1
2001	11,075	7,254	5,014.4
2002	16,476	13,016	7,963.4
2003	29,421	24,215	17,348.0
2004	34,191	29,094	21,678.0
Average	20,245	15,479	11,537.2

CBT December 31, 2004 US\$ buying rate = TL 1,342,100

Under the CMB-ISE Surveillance Project, software systems that eliminate the need for brokerage houses to send information to Takasbank and allow them to conclude settlement transactions using an automatic system that approves automatically-generated records based on the customer account number indicated in the contract and a system that enables securities transfers between member accounts were developed. These systems became operational on 5 April 2004.

Work launched on ISE Mutual Funds based on Article 10 of the Capital Markets Board's Communiqué Series VII, Number 23 on "Principles Concerning ISE Mutual Funds" published in the Official Gazette No. 25432 dated 13 April 2004 was completed and the system became operational on 1 November 2004.

Automation to carry out the clearing, settlement, creation/redemption of Exchange Traded Funds that will be traded on the ISE, was developed.

In 2004, the revision of the all existing software for the transition to the New Turkish Lira was completed. Software used at Takasbank and at members' offices was made YTL-compliant and the project was launched seamlessly.

The project, concerning the software development of clearing and settlement transactions in the dematerialized system, that was launched in 2004 through the Central Registry Agency within the framework of the transition to the Dematerialized System, has been almost completed and testing is ongoing.

**Bonds and Bills Settlement Operations**  
In 2004, total trading volume on the ISE Bonds and Bills Market Outright

Sales and Purchases Market and the Repo-Reverse Repo Market reached TL 1,923.5 quadrillion. Cash settlement transactions in the Takasbank system, as a result of multilateral netting, amounted to TL 209.7 quadrillion, while securities settlement volume reached TL 1,069.7 quadrillion. Additionally, through multilateral netting of the trading of government FX-denominated domestic debt securities worth Euro 28.9 million and US\$ 368.4 million, cash settlements totaling Euro 24.6 million and US\$ 348.0 million were finalized through correspondent banks.

In coordination with the ISE, improvements were made in FX-denominated securities settlement transactions. Within this framework, as a result of a revision of the computer programs concerning securities settlement redemption that used to be paid to members who meet their

#### Bonds and Bills Market Cash and Securities Settlement in 2004

	Stock Exchange Transaction Volume	Cash Settlement	Securities Settlement
TL (Trillions)	1,923,502.5	209,650.8	1,069,699.2
US\$ (Millions)	368.4	348.0	365.8
Euro (Millions)	28.9	24.6	24.2

#### Redemption and Coupon Payments in 2004

	Redemption	Coupon
TL (Trillions)	29,854.1	1,097.2
US\$ (Millions)	21.1	4.5
Euro (Millions)	-	0.2

obligations on the following day of the value date, payments began to be made on the value date as of 3 January 2005 under the general principles of settlement.

Within the framework of Law No. 5083 on dropping six zeroes from the Turkish Lira, the Electronic Securities Transfer System connectivity was revised in coordination with the CBT and the Bonds and Bills Settlement and Custody System was revised in coordination with the ISE and made YTL-compliant, and became operational on 3 January 2005 without any problems.

The total trading volume and the cash and securities settlement performed by Takasbank in 2004 as a result of multilateral netting on the ISE Bonds and Bills Market Outright Sales and Purchases Market and the Repo-Reverse Repo Market, are summarized in the charts on page 18.

#### Private Pension Funds (PPF)

By the end of 2004, the value of the fund assets of 81 PPFs established by 11 pension companies reached TL 296.7 trillion. Additionally, overseas settlement and custody services are provided to 23 PPFs.

#### Derivatives

No transactions took place at the ISE FX-denominated Derivatives Market but the guarantee deposits of Settlement Members in the Guarantee Fund were

evaluated on a daily basis. TL-denominated collaterals were provided interest on a daily basis and the coupon and redemption payments of fixed income securities in the Fund were realized.

As of 31 December 2004, the total Guarantee Fund Contribution Shares of the 13 settlement members amounted to TL 24.5 trillion, of which TL 3.4 trillion was in cash. The YTL conversion in the FX-denominated Derivatives Market operating under the ISE has been completed.

Clearing and settlement services of the Turkish Derivatives Exchange, planned to be operational in 2005, will be provided by Takasbank. Intensive efforts were made together with the officials of this new exchange throughout 2004 and final preparations have been made so far. In its decision dated 10 December 2004, the Capital Markets Board has formally appointed Takasbank as the clearing house of the Turkish Derivatives Exchange. In this context, an account will be opened at Takasbank for transactions to be made on the Turkish Derivatives Exchange, collaterals will be deposited at Takasbank and all collateral related transactions will be performed at Takasbank. Guarantee Fund will also be managed by Takasbank.

## CREDITS AND THE TAKASBANK MONEY MARKET

During 2004, credit lines were assigned to two brokerage houses while the existing credit lines of 27 brokerage houses were revised. As of the end of 2004, there were a total of 146 institutions with credit lines of which 109 were brokerage houses, 29 deposit-taking banks and eight non-deposit-taking banks. Of the brokerage houses which had been provided credit lines, 59 used securities purchasing loans, 91 were approved for securities lending/borrowing facilities, while 134 performed transactions on the Takasbank Money Market.

#### Securities Purchasing Loans

Particularly starting from September 2004, Takasbank credits rose at an increasing rate in parallel with the rise in the transaction volume and stock index of the ISE Stock Market. During the year, with the active use of 37 brokerage houses, the daily average

#### Breakdown of Private Pension Funds Portfolio

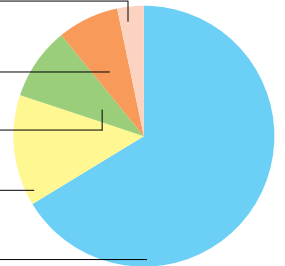
Stock Exchange Money Market 3.31%

Eurobond 7.67%

Reverse Repo 9.06%

Stocks 13.2%

Bonds and Bills 66.76%





volume of securities purchasing loans increased 57%, reaching TL 10.2 trillion.

Despite the fall in average overnight interest rates, from 40.9% in 2003 to 25.97% in 2004, due to the increase in the volume of loans granted, interest income on securities purchasing loans reached TL 2.6 trillion, which was the level achieved the previous year. The volume of the Daily Securities Purchasing Loans increased 119%, while interest income was TL 40.6 billion as of the end of the year with an 121% increase compared to previous year.

#### Securities Lending/Borrowing Facility

The upsurge in transaction volume and index figures in the ISE Stock Market reflected favorably on Takasbank Securities Lending/Borrowing transactions. Takasbank met 2,468 securities lending/borrowing facility requests from 71 brokerage houses, up 31% compared to 2003, reaching 3,132 transactions in total.

In 2004, 89 different stocks representing 44.5 billion stock certificates, up 34% over the previous year, were subject to the securities lending/borrowing facility. The market value of these stocks was TL 212.1 trillion, up 74% over the previous year. The commission paid over to lending brokerage houses increased 67% compared to 2003, totaling TL 162.9 billion.

During the year, intensive system development work on the "Securities Lending/Borrowing Market" continued.

#### Takasbank Money Market

With the admission of two new members to the Takasbank Money Market in 2004, the number of institutions trading on the market went up to 113.

Improvements in the order entry screens and member reports that were launched on 8 November 2004, allowed members to use the system more efficiently. Due to the fact that Takasbank Money Market transactions were not included in the average maturity calculations of liquid mutual funds and as a result of the increase in the rate of withholding tax on transactions to become effective on 31 December 2003, transaction volume decreased 29% compared to the previous year, dropping to TL 94.4 quadrillion. In line with these developments, average daily transaction volume decreased from TL 532 trillion to TL 375 trillion, while average transaction size

decreased to TL 1.3 trillion and the number of transactions fell from 80,356 to 70,920. However, with the change introduced by the Communiqué on the Principles Concerning Mutual Funds issued on 8 October 2004, the cash amounts employed in the Takasbank Money Market was included in the portfolio value. Following this Communiqué, there was an increase in the transaction volume with the addition of liquid mutual funds.

With the remote access project planned to be operational in 2005, the efficiency and transaction volume are expected to increase. Moreover, private pension funds that were initiated in late 2003 began to trade on the Takasbank Money Market as well.



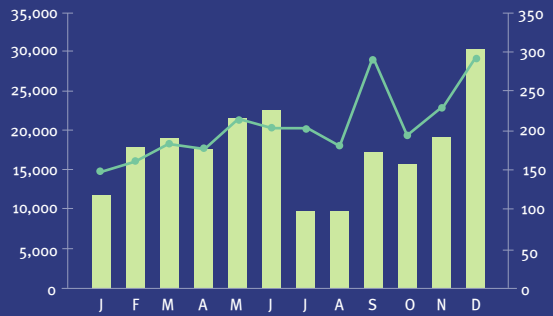
### Cash Purchasing Loan - Average Outstanding Loans and Accrued Interest (TL Billions)

■ Accrued Interest — Average Outstanding Loans



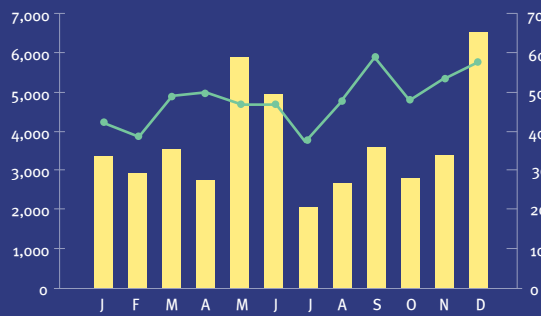
### Market Value of Securities Lending / Borrowing Transactions and Number of Transactions

■ Market Value (TL Billions) — Number of Transactions

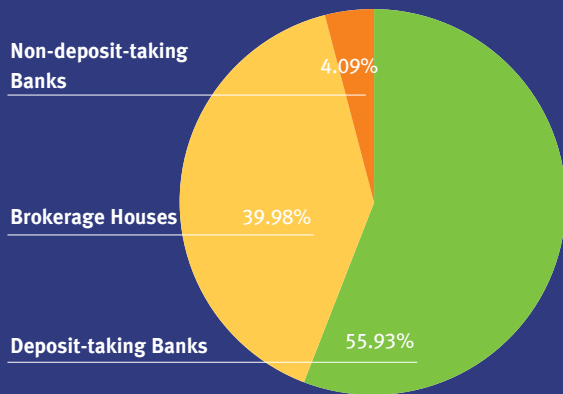


### Type and Total of Stocks Subject to Securities Lending / Borrowing Facility

■ Number of Stocks (Millions) — Type of Stocks



### Breakdown of Takasbank Money Market Transaction Volume





### Takasbank Money Market Lowest and Highest Values

Year	Transaction Volume (TL Millions)				Number of Transactions			
	Lowest	Date	Highest	Date	Lowest	Date	Highest	Date
2000	6,024,000	03/01/2000	247,910,000	15/12/2000	53	03/01/2000	766	13/12/2000
2001	5,872,000	09/03/2001	655,357,000	20/12/2001	54	09/03/2001	805	06/06/2001
2002	141,246,000	21/02/2002	803,839,000	29/05/2002	184	28/10/2002	787	20/02/2002
2003	32,689,000	10/02/2003	806,243,000	15/04/2003	54	24/11/2003	423	03/01/2003
2004	84,584,000	28/10/2004	573,387,000	20/05/2004	162	28/10/2004	352	07/05/2004

### Takasbank Money Market Transaction Volume

Year	Number of Work Days	Total Transaction Volume		Daily Average		Number of Transactions Daily	
		TL Millions	US\$ Millions	TL Million	US\$ Millions	Total	Average
2000	252	31.983.213.500	50.627,42	126.917.514	200,90	129.412	514
2001	251	95.278.273.500	75.992,11	379.594.715	302,76	163.437	651
2002	253	156.020.472.000	105.547,92	616.681.708	417,19	138.627	548
2003	250	133.016.800.000	88.271,99	532.067.200	353,09	80.356	321
2004	252	94.441.992.000	66.759,98	374.769.810	264,92	70.920	281

### Total Revenue Compared to Treasury Revenue (TL Millions)

Year	Total Revenue	Treasury Revenue	Share of Treasury Revenue in Total (%)
2000	36,719,187	16,101,469	43.9
2001	82,654,720	51,714,509	62.6
2002	84,547,220	51,622,265	61.1
2003	90,343,406	59,247,217	65.6
2004	88,366,896	49,233,332	55.7

AN INSTITUTION HAVING CAPITAL MARKET PLAYERS AS ITS SHAREHOLDERS, TAKASBANK SERVES AS A BRIDGE BETWEEN MONEY AND CAPITAL MARKETS AND IS ONE OF THE MOST IMPORTANT FINANCIAL INSTITUTIONS OF TURKEY. SINCE IT BRINGS SETTLEMENT, CUSTODY, CASH AND SECURITIES TRANSFER SERVICES UNDER ONE ROOF, TAKASBANK HAS A UNIQUE PLACE AMONG SIMILAR INSTITUTIONS AROUND THE WORLD.

**WELL-  
STRUCTURED**



Through securities and cash correspondent bank accounts established abroad and with its SWIFT membership, Takasbank offers international settlement and custody services to domestic and foreign institutions.

## TREASURY

The downward trend in inflation in the last three years continued in 2004. The increase in the Consumer Price Index remained below the target, falling down to 9.3% on a yearly basis. Both the decrease in the inflation rate and the favorable outcome of the EU membership negotiations inspired confidence in Turkey's future. While basic economic indicators were quite positive last year, overnight interest rates in money markets dropped from 26% to 18%, on a simple interest rate basis, and interest rates on bonds and bills with maturities around one year went down from 26% to around 20%.

The fact that inflation expectation in the markets in December 2004 was close to the 8% target announced for

2005 year-end suggests that the inflation target has now become a nominal anchor, that the inflation policy announced by the CBT in early 2002 was correct and that 2005 is set to be a positive year for the economy. In fact, on 20 December 2004, the CBT announced to the markets that, in early 2006, it would gradually move to an Open Inflation Targeting System, and that monetary policy decisions, which are part and parcel of this strategy would be more predictable and transparent than before.

Closely monitoring the developments in financial markets and the economy, Takasbank's Treasury focused its 2004 portfolio strategies on the assumptions that improved economic and financial conditions would prevail and that basic

economic indicators, and especially inflation, would improve in coming years. In a sense, the basic strategy adopted for 2003, which suggested that interest rates would come down and economic indicators would improve despite the ongoing war in Turkey's geographical proximity and the economic and political tensions experienced in a globalized economy, was verified and maintained.

In line with these expectations, the Treasury focused on medium- and long-term instruments, and particularly treasury bills and government bonds in its portfolio in 2004. As a result of this policy, despite a significant drop in interest rates in both the money markets and the bonds and bills markets as a general trend, the share of treasury management revenue in total revenue stood at 55.7%.

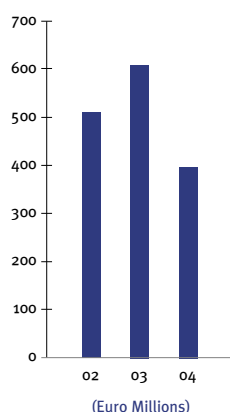


Closely monitoring the developments in financial markets and the economy, Takasbank's Treasury focused its 2004 portfolio strategies on the assumptions that improved economic and financial conditions would prevail and that basic economic indicators, and especially inflation, would improve in coming years.

2005 will be a year when the Monetary Policy Board will become operational and markets will not only follow the inflation and interest rates and the developments in the economy, but also the EU accession negotiations. Therefore, Takasbank's Treasury will continue to implement its 2004 strategies in 2005 as well.

Major strategies to be pursued by Takasbank's Treasury in 2005 will include efficient management of market instruments and financial risks, investment diversification, maintaining homogeneity in the maturity structure of transactions and rendering them harmonious with CBT monetary policies, maintaining a liquidity level or liquid reserves that will counter any kind of market risk and ensure optimum targets of profitability.

### Overseas Settlement and Custody Services Yearly Average Custody Balance



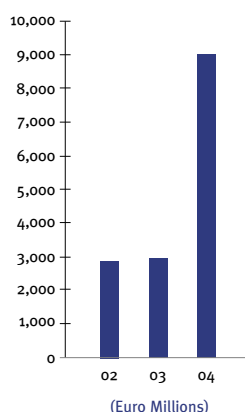
## INTERNATIONAL SERVICES

Through securities and cash correspondent bank accounts established abroad and with its SWIFT membership, Takasbank offers international settlement and custody services to domestic and foreign institutions.

### Overseas Settlement and Custody Services for Domestic Institutions

With securities and cash accounts maintained at the international central securities depository institution Euroclear, Takasbank provides settlement and custody services to financial institutions in Turkey. By the end of 2004, these included 68 institutions; nine brokerage houses, 13 banks, two pension companies, one asset management company, 23 pension funds and 20 mutual funds.

### Overseas Settlement and Custody Services Yearly Total Clearing and Settlement Volumes



In 2004, the average value of securities (Eurobonds, depository certificates and foreign stocks), kept in custody abroad reached Euro 394 million. Total value of securities settlement was Euro 8.9 billion.

The settlement and custody services abroad also entail the handling of corporate actions related to securities. Services are provided for dividend payments for stocks and principal and interest payments for Eurobonds, foreign T-bills and bonds. Agendas and resolutions of Annual Shareholder Meetings were communicated to the institution concerned and proxy voting was available.

### Domestic Settlement and Custody Services for Foreign Institutions

Takasbank also provides domestic settlement and custody services in Turkey to foreign financial institutions. The nominal value of fixed-income securities that foreign institutions have deposited with Takasbank as of the end of 2004 was TL 17.9 trillion, while the market value of stocks was TL 8.8 trillion.

### Overseas Transactions Automation Project

The software allowing full automation of settlement and custody services provided to domestic and foreign financial institutions integrated with the SWIFT system became partially operational in 2004. The automation system is scheduled to be completed in 2005.

## INTERNATIONAL RELATIONS

### Association of Global Custodians Questionnaire 2004

The questionnaire developed by the Association of Global Custodians (AGC Questionnaire) is responded by 115 central clearing and custody institutions from 80 countries every year. In 2004, Takasbank completed the AGC Questionnaire, which is available at Takasbank's website ([www.takasbank.com.tr](http://www.takasbank.com.tr)).

### Relations with Regional Capital Markets

Takasbank is called upon for consultation by countries in the region. In 2004, senior managers and experts from the capital markets of Albania, Kazakhstan, Azerbaijan, Iran, Pakistan, Jordan, Kyrgyzstan, Oman and Mongolia visited Takasbank. Many of these visitors stated that they wanted

to model their settlement and custody institutions after Takasbank.

### FEAS Membership

Takasbank has applied through the ISE for "Affiliate Member" status with the Federation of Euro-Asian Stock Exchanges (FEAS). With this membership, Takasbank will further improve its cooperation with other settlement and custody institutions within FEAS and will be able to share its international expertise on a broader scale.

## ACTIVITIES RELATED TO INTERNATIONAL STANDARDS

### Activities related to applying international standards in Turkey

Takasbank represents Turkey on behalf of the Turkish Standards Institute (TSE) at the International Standards Organization's ISO TC68/SC4

Committee, which is responsible for developing international standards for securities and associated financial instruments.

The Securities National Market Practice Group-Turkey (NMPG-Turkey) was established to follow-up on standards concerning securities and other financial instruments under the ISO TC68/SC4 Committee. It also contributes to the development of standards, and their implementation in Turkey. Takasbank chairs the NMPG-Turkey group; members are from the Central Bank of Turkey, the Turkish Bankers Association, the Association of Capital Markets Intermediary Institutions of Turkey, custodian banks, commercial banks and brokerage houses. In 2004, NMPG-Turkey continued its activities and the work on the IBAN (International Bank Account Number)



In 2004, the average value of securities (Eurobonds, depository certificates and foreign stocks), kept in custody abroad reached Euro 394 million. Total value of securities settlement was Euro 8.9 billion.

standard became the subject of an individual working group within the Turkish Bankers Association. Takasbank also participated in the IBAN Working Group. The IBAN standard developed for Turkey will go into effect on 1 September 2005.

The ISIN code (ISO 6166), an international standard identification code for securities, has been used in Turkey since 2000 to identify T-bills and government bonds. In 2004, as a result of the task force meetings held with the participation of CMB, ISE, Takasbank and the Central Registry Agency, and following the CMB's decision in July 2004, ISIN has been adopted as the standard identification code for stocks as well. This practice which covers the whole process after trade on the Stock Exchange is expected to become widespread in 2005.

## **NATIONAL NUMBERING AGENCY ACTIVITIES**

**National Numbering Agency**  
Takasbank is the National Numbering Agency of Turkey, authorized by the Capital Markets Board to assign ISIN codes (ISO 6166) and CFI codes (ISO 10962) to securities and other financial instruments issued in Turkey. In 2004, ISIN codes were assigned to 98 stocks, 121 government bonds and treasury bills and 76 mutual funds. Moreover, 24

ISIN codes were assigned to ISE futures contracts. All these securities were also assigned CFI codes.

### **ANNA (Association of National Numbering Agencies) Activities**

ANNA is an international organization with 66 members worldwide. National Numbering Agencies can become ANNA members.

ANNA held two annual general meetings in Oslo and Tunisia on 5-6 June 2004 and 2-3 December 2004. ANNA General Assembly appointed Takasbank as chairman of two separate task forces in 2004. The "ISIN Review" task force completed its work in June 2004 and the one entitled "ISIN Fees and Charges" (TF 18) in December 2004. Presentations concerning task force reports were made by Takasbank at the relevant annual general meetings.

Apart from Takasbank, the London Stock Exchange (England), Standard & Poor's Cusip Service Bureau (USA), Ufficio Italiano dei Cambi (Italy), Clearstream, Euroclear, Telekurs (Switzerland), Euronext Brussels (Belgium) and Wertpapier-Mitteilungen (Germany), were also represented in these task forces.

The ANNA Service Bureau (ASB), operated by Standard & Poor's and Telekurs, collects ISIN codes and

associated records from National Numbering Agencies over the Internet and disseminates these data to global financial markets. Takasbank is on the ASB Board of Directors, representing the ANNA General Assembly. Takasbank forwards all ISIN codes it assigns, along with basic information concerning securities to the ASB system over the Internet on a daily basis.

## **HUMAN RESOURCES AND TRAINING**

There were 232 employees at Takasbank by the end of 2004. Of the 148 (63.8%) university graduates among its workforce, two have PhDs and 19 have master's degrees. Takasbank provides incentives to its employees to participate in graduate and post-graduate programs; all other employees are encouraged to achieve higher levels of education.

As a prerequisite for transparency and participation in the management process, an open evaluation system is implemented twice a year. The practice of awarding the "Five Years of Service" badge to personnel who have served for five years at Takasbank has continued as a demonstration of institutionalization and corporate culture with a view to maintaining a high level of motivation among employees.



Due to the highly specialized nature of Takasbank services, newly-recruited personnel and personnel who need specialization are given intensive, high-quality training. Following theoretical training, personnel newly recruited by Takasbank are assigned to alternating departments on a rotating basis where they undergo practical, on-the-job training.

All training deemed necessary, either inside or outside the Bank, has been implemented within the framework of programs developed in coordination with all units of the Bank. In 2004, a total of 228 employees participated in 89 training programs for a total of 3,816 training hours. Per-capita yearly average training was 16.5 hours.

In 2004, Takasbank contributed instructors for 78 different training and information programs offered by the ISE, the Association of Capital Market Intermediary Institutions of Turkey, Istanbul University, Istanbul Bilgi University, Yıldız Technical University, Boğaziçi University, Istanbul Lawyers Association and the Turkish Derivatives Exchange.

In 2005, Takasbank plans to continue and speed up training programs, undertake social activities aimed at enhancing employee performance and motivation and organize events in connection with the 10th anniversary of the founding of Takasbank.

## SYSTEM DEVELOPMENT AND SOFTWARE

Some significant projects were completed in 2004:

- CMB-ISE Surveillance Project undertaken jointly with the Capital Markets Board and the Istanbul Stock Exchange aimed at improving market surveillance and control,
- Transition to the New Turkish Lira (YTL),
- Overseas settlement and custody automation project integrating SWIFT to Takasbank's transactions,
- Introduction of the software related to Exchange Traded Mutual Funds,
- Work for the transition of the SWIFT system to the TCP/IP protocol,

As a prerequisite for transparency and participation in the management process, an open evaluation system is implemented twice a year. The practice of awarding the "Five Years of Service" badge to personnel who have served for five years at Takasbank has continued as a demonstration of institutionalization and corporate culture with a view to maintaining a high level of motivation among employees.





- Modification of VAX hardware and software for the electronic fund transfer system,
- Work for the transition of the electronic fund transfer system to the TCP/IP protocol.

Important projects to be completed in 2005:

- Integration with the Central Registry Agency,
- Project that will enable members to perform Takasbank Money Market transactions, enter and monitor their orders from their own offices using the Takasbank Money Market Remote Access System,
- Turkish Derivatives Exchange automation (TurkDex),
- Securities Lending/Borrowing Market automation,
- Ministry of Finance reporting,
- Development of Takasbank's personnel, organization and training automation systems on SYBASE,
- Adapting IBAN to the Turkish banking system.

## LEGAL AFFAIRS

In 2004, lawsuits to which Takasbank is a party were followed up, 157 contracts and letters of undertaking were approved and inputted in the banking system.

In cancellation suits filed in relation to lost share certificates, court decisions to

stop payments or annul the certificates are being communicated to the units concerned and the said share certificates have been recorded.

In line with 4,496 attachment orders and preliminary injunctions forwarded to Takasbank as a third party by courts, bankruptcy directorates, tax offices, social security directorates etc., in conformity with the provisions of the Attachment and Bankruptcy Law, the Procedural Law on the Collection of Amounts Owed to the State and the Civil Procedure Law, 310 blocked accounts were identified at Takasbank for the official bodies mentioned above and assets seized and placed under preliminary injunction were placed in custody.

640 explanatory notes were forwarded to banks and brokerage houses involved in these transactions.

In 2005, Takasbank will continue intense efforts to transfer to the Central Registry Agency those dematerialized assets under blocked codes that have been seized or placed under preliminary injunction.

## ADMINISTRATIVE AFFAIRS AND PROCUREMENT

The Administrative Affairs and Procurement Department provides all logistics and service requirements of

Takasbank units. The Department maintains satisfaction at the highest level for both internal and external customers.

In 2004, the Administrative Services Unit with its Procurement, Communications, (Communications, Archives and PABX), Transportation and Technical Services Units responded to requests effectively and rapidly. The Procurement Unit conducted market research to meet various requirements of the Bank, determined the most suitable alternatives in terms of quality, cost and benefit, and procured goods and services pursuant to 172 decisions of the Purchasing Committee in 2004.

The Insurance Unit, operating as an Aksigorta Authorized Agent, secures Takasbank's risks as well as other clients' risks in different insurance categories. A total of 283 insurance policies were issued in 2004 under insurance agency activities, generating a commission revenue of TL 15.4 billion.

Keeping abreast of the latest advances in technology with a young and dynamic workforce, the Department aimed at increasing employee satisfaction and motivation by making sure that all these innovations are put to use. The Department undertakes all services with an awareness of its social responsibilities and with maximum care for the environment.

## BOARD OF INTERNAL AUDITORS

The Board of Internal Auditors carried out auditing activities in cooperation with the Internal Control Center and the Risk Management Group with a view to improving the efficiency and effectiveness of the Bank's activities, maintaining the reliability, integrity and timely recovery of financial and administrative data and ensuring that activities are undertaken in conformity with current legislation, the Bank's general policies and internal regulations.

The Board makes extensive use of information technologies during the auditing process in order to increase efficiency and to extract data from its original source, that is, system-generated statements. The Board received training from expert organizations in order to increase the efficiency of information system audits.

Within the framework of the regular annual audit, all activities of the Bank, including the activities of the Internal Control and Risk Management Units, were audited regularly and periodically and audit reports were submitted to the General Manager and the Board Member in charge of internal control and risk management.

## RISK MANAGEMENT GROUP

Takasbank's Risk Management Group, formed to enable the Board of Directors to monitor and evaluate risk management activities, is made up of the "Senior Risk Committee" reporting directly to the Board of Directors, the subordinate "Risk Committee", and the lower level "Market and Credit Risk Committee" and "Operational Risk Committee."

All activities are carried out securely at Takasbank, due to a systematically structured system that provides utmost protection against risks. Takasbank always aims to maintain service quality at a high level by responding to developments in the financial markets. Moreover, an optimum balance is aimed for between the losses and damages that may emerge as a result of risks that need to be taken on during normal course of operations and the costs that have to be borne in order to limit, manage and control these risks.

"International Standards for Banks' Capital Measurement and Capital Standards" referred to by the Basel Committee as Basel II was published on 26 June 2004. It is stated that the Basel Committee aims for countries to complete their compliance work at a national level by the end of 2006 and to make Basel II operational by early

2007. Since BRSA will be addressing the issue in Turkey with parallel work, the activities and publications of the Basel Committee are being closely followed up.

The committees under the Risk Management Group perform activities such as the determination of risk management policies and establishment of implementation procedures, identification, measurement, monitoring, investigation, confirmation and control of risks in coordination with other relevant units.

## INTERNAL CONTROL CENTER

Takasbank is aware that an effective internal control system is and will be among the main factors leading to the success of a financial institution. Takasbank, a pioneering institution in terms of compliance with legal arrangements and adapting to changing conditions in banking and the capital markets, set up an Internal Control Center in 2002. The internal control function at Takasbank is carried out on a risk-focused basis and in compliance with the framework and rules set forth by international internal auditing standards.

Takasbank pursues an internal control approach which ensures that the

Bank's operations are in conformity with current regulations, they are carried out in line with pre-determined strategies, policies and authorities granted, they are efficient and effective and that risks resulting from misconduct and errors can be identified and necessary precautions be taken. All internal control activities in 2004 were conducted along these guidelines.

In the upcoming years, while carrying out the continuous audit function, the Internal Control Center is planning to conduct work on the possible effects of the EU's capital market and banking legislation on Takasbank.

Auditing activities were carried out in cooperation with the Internal Control Center and the Risk Management Group in conformity with current legislation, the Bank's general policies and internal regulations. The Board of Internal Auditors relies heavily on information technologies in performing these tasks.



ALL ACTIVITIES ARE CARRIED OUT SECURELY AT TAKASBANK, DUE TO A SYSTEMATICALLY STRUCTURED SYSTEM THAT PROVIDES UTMOST PROTECTION AGAINST RISKS. TAKASBANK ALWAYS AIMS TO MAINTAIN SERVICE QUALITY AT A HIGH LEVEL BY RESPONDING TO DEVELOPMENTS IN THE FINANCIAL MARKETS.

**SUSTAINABILITY**



**İMKB TAKAS VE SAKLAMA BANKASI A.Ş.**

**INDEPENDENT AUDITORS' REPORT,  
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**





TAKASBANK

**İMKB TAKAS VE SAKLAMA BANKASI A.Ş.**  
**INDEPENDENTLY AUDITED FINANCIAL STATEMENTS AND NOTES TO**  
**THE FINANCIAL STATEMENTS TO BE PUBLICLY ANNOUNCED**  
**FOR THE YEAR 1 JANUARY 2004 TO 31 DECEMBER 2004**

Headquarters of the Bank : Şişli Merkez Mah. Abide-i Hürriyet Cad.  
Mecidiyeköy yolu Sok. No: 286 34381 Şişli/İstanbul

Phone and Facsimile Numbers of the Bank : (0 212) 315 25 25 / (0 212) 315 25 26

Website of the Bank : www.takasbank.com.tr

The accompanying reporting package prepared in accordance with Communiqué Number 17 "Financial Statements, Explanations and Notes to the Financial Statements to be Publicly Announced" consists of the following sections:

- General Information
- Stand-alone Financial Statements
- Accounting Policies
- Notes to the Financial Structure
- Notes to the Financial Statements
- Other Explanations and Notes
- Explanations for the Independent Auditors' Report

Stand-alone (unconsolidated) financial statements, explanations and notes to the financial statements have been prepared according to the Accounting Practices Regulation and related communiqués and in compliance with the Bank's records and are stated at the purchasing power of TL as at 31 December 2004 in TL Billions, unless otherwise stated. The accompanying financial statements have been audited by the independent auditors.

4 February 2005

Sezai Bekgöz  
Member of the  
Board of Directors  
Responsible for  
Internal Control and  
Risk Management

Emin Çatana  
President and CEO

Ahmet Çakırsoy  
Executive Vice  
President

H. İbrahim Samancı  
Accounting Manager







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To the Board of Directors of  
İMKB Takas ve Saklama Bankası A.Ş.  
İstanbul

## İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

### INDEPENDENT AUDITORS' REPORT FOR THE YEAR 1 JANUARY - 31 DECEMBER 2004

1. We have audited the accompanying balance sheet of İMKB Takas ve Saklama Bankası A.Ş. ("the Bank") as at 31 December 2004 and the related statements of income, cash flows and changes in shareholders' equity for the year 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 audit.
2. We conducted our audit in accordance with the Uniform Chart of Accounts of Banks, accounting standards and the independent audit principles in conformity with the Banks Act No. 4389. Those principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İMKB Takas ve Saklama Bankası A.Ş. at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by the regulations in conformity with Article 13 of the Banks Act.
4. Additional paragraph for English translation:

The accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to review the accompanying financial statements are those generally accepted and applied in Turkey.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, 4 February 2005

**Hasan Kılıç**  
Partner

Member of  
**Deloitte Touche Tohmatsu**

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## INFLATION ADJUSTED BALANCE SHEET

BILLION TURKISH LIRA								
ASSETS	NOTE	INDEPENDENTLY AUDITED CURRENT PERIOD (31/12/2004)			INDEPENDENTLY AUDITED PRIOR PERIOD (31/12/2003)			
		TL	FC	TOTAL	TL	FC	TOTAL	
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	<b>(1)</b>	<b>3,304</b>	<b>20</b>	<b>3,324</b>	<b>2,238</b>	<b>38</b>	<b>2,276</b>	
1.1. Cash		2	-	2	7	-	7	
1.2. Foreign currency		-	-	-	-	-	-	
1.3. Balances with the Central Bank of Turkey		3,302	20	3,322	2,231	38	2,269	
1.4. Other		-	-	-	-	-	-	
<b>II. TRADING SECURITIES (Net)</b>	<b>(2)</b>	<b>2,160</b>	<b>-</b>	<b>2,160</b>	<b>3,328</b>	<b>-</b>	<b>3,328</b>	
2.1. Public sector debt securities		2,160	-	2,160	3,328	-	3,328	
2.1.1. Government bonds		2,057	-	2,057	1,831	-	1,831	
2.1.2. Treasury bills		103	-	103	1,497	-	1,497	
2.1.3. Other public sector debt securities		-	-	-	-	-	-	
2.2. Share certificates		-	-	-	-	-	-	
2.3. Other marketable securities		-	-	-	-	-	-	
<b>III. BANKS AND OTHER FINANCIAL INSTITUTIONS</b>	<b>(3)</b>	<b>31,309</b>	<b>8,056</b>	<b>39,365</b>	<b>51,365</b>	<b>6,555</b>	<b>57,920</b>	
3.1. Due from banks		31,309	8,056	39,365	51,365	6,555	57,920	
3.1.1. Domestic banks		31,309	255	31,564	51,365	647	52,012	
3.1.2. Foreign banks		-	7,801	7,801	-	5,908	5,908	
3.1.3. Branches and offices abroad		-	-	-	-	-	-	
3.2. Other financial institutions		-	-	-	-	-	-	
<b>IV. MONEY MARKET TRANSACTIONS</b>	<b>(4)</b>	<b>92,211</b>	<b>-</b>	<b>92,211</b>	<b>92,982</b>	<b>-</b>	<b>92,982</b>	
4.1. Interbank money market placements		84,000	-	84,000	91,072	-	91,072	
4.2. Istanbul Stock Exchange money market placements		-	-	-	-	-	-	
4.3. Receivables from reverse repurchase agreements		8,211	-	8,211	1,910	-	1,910	
<b>V. SECURITIES AVAILABLE FOR SALE (Net)</b>	<b>(5)</b>	<b>234</b>	<b>-</b>	<b>234</b>	<b>234</b>	<b>-</b>	<b>234</b>	
5.1. Share certificates		-	-	-	-	-	-	
5.2. Other marketable securities		234	-	234	234	-	234	
<b>VI. LOANS</b>	<b>(6)</b>	<b>11,551</b>	<b>-</b>	<b>11,551</b>	<b>7,250</b>	<b>-</b>	<b>7,250</b>	
6.1. Short term		11,551	-	11,551	7,250	-	7,250	
6.2. Medium and long term		-	-	-	-	-	-	
6.3. Loans under follow-up		-	-	-	-	-	-	
6.4. Specific provisions (-)		-	-	-	-	-	-	
<b>VII. FACTORING RECEIVABLES</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)</b>	<b>(8)</b>	<b>127,842</b>	<b>-</b>	<b>127,842</b>	<b>84,557</b>	<b>-</b>	<b>84,557</b>	
8.1. Public sector debt securities		127,842	-	127,842	84,557	-	84,557	
8.1.1. Government bonds		127,842	-	127,842	84,557	-	84,557	
8.1.2. Treasury bills		-	-	-	-	-	-	
8.1.3. Other public sector debt securities		-	-	-	-	-	-	
8.2. Other marketable securities		-	-	-	-	-	-	
<b>IX. INVESTMENTS AND ASSOCIATES (Net)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
9.1. Financial investments and associates		-	-	-	-	-	-	
9.2. Non-Financial investments and associates		-	-	-	-	-	-	
<b>X. SUBSIDIARIES (Net)</b>	<b>(10)</b>	<b>4,825</b>	<b>-</b>	<b>4,825</b>	<b>2,797</b>	<b>-</b>	<b>2,797</b>	
10.1. Financial subsidiaries		4,825	-	4,825	2,797	-	2,797	
10.2. Non-Financial subsidiaries		-	-	-	-	-	-	
<b>XI. OTHER INVESTMENTS (Net)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
12.1. Gross finance lease receivables		-	-	-	-	-	-	
12.2. Unearned income (-)		-	-	-	-	-	-	
<b>XIII. RESERVE DEPOSITS</b>		<b>3,420</b>	<b>2</b>	<b>3,422</b>	<b>2,520</b>	<b>16</b>	<b>2,536</b>	
<b>XIV. MISCELLANEOUS RECEIVABLES</b>	<b>(13)</b>	<b>2,648</b>	<b>-</b>	<b>2,648</b>	<b>2,235</b>	<b>-</b>	<b>2,235</b>	
<b>XV. ACCRUED INTEREST AND INCOME RECEIVABLE</b>	<b>(14)</b>	<b>15,213</b>	<b>1</b>	<b>15,214</b>	<b>26,482</b>	<b>1</b>	<b>26,483</b>	
15.1. Loans		7	-	7	6	-	6	
15.2. Marketable securities		13,340	-	13,340	24,714	-	24,714	
15.3. Other		1,866	1	1,867	1,762	1	1,763	
<b>XVI. PROPERTY AND EQUIPMENT (Net)</b>	<b>(15)</b>	<b>10,932</b>	<b>-</b>	<b>10,932</b>	<b>13,806</b>	<b>-</b>	<b>13,806</b>	
16.1. Book value		26,181	-	26,181	27,034	-	27,034	
16.2. Accumulated Depreciation (-)		(15,249)	-	(15,249)	(13,228)	-	(13,228)	
<b>XVII. INTANGIBLE ASSETS [Net]</b>	<b>(16)</b>	<b>390</b>	<b>-</b>	<b>390</b>	<b>529</b>	<b>-</b>	<b>529</b>	
17.1. Goodwill		-	-	-	-	-	-	
17.2. Other		1,514	-	1,514	1,477	-	1,477	
17.3. Accumulated Amortisation (-)		(1,124)	-	(1,124)	(948)	-	(948)	
<b>XVIII. OTHER ASSETS</b>	<b>(17)</b>	<b>11,198</b>	<b>-</b>	<b>11,198</b>	<b>21,241</b>	<b>-</b>	<b>21,241</b>	
<b>TOTAL ASSETS</b>		<b>317,237</b>	<b>8,079</b>	<b>325,316</b>	<b>311,564</b>	<b>6,610</b>	<b>318,174</b>	

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

**BILLION TURKISH LIRA**

LIABILITIES	NOTE	INDEPENDENTLY AUDITED CURRENT PERIOD (31/12/2004)			INDEPENDENTLY AUDITED PRIOR PERIOD (31/12/2003)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
1.1. Interbank deposits		-	-	-	-	-	-
1.2. Savings deposits		-	-	-	-	-	-
1.3. Public sector deposits		-	-	-	-	-	-
1.4. Commercial deposits		-	-	-	-	-	-
1.5. Other institutions' deposits		-	-	-	-	-	-
1.6. Foreign currency deposits		-	-	-	-	-	-
1.7. Precious metals deposits		-	-	-	-	-	-
<b>II. INTERBANK MONEY MARKET</b>		-	-	-	-	-	-
2.1. Interbank money market takings		-	-	-	-	-	-
2.2. Istanbul Stock Exchange money market takings		-	-	-	-	-	-
2.3. Funds obtained under repurchase agreements	(2)	-	-	-	-	-	-
<b>III. FUNDS BORROWED</b>	(3)	-	-	-	-	-	-
3.1. Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2. Other funds borrowed		-	-	-	-	-	-
3.2.1. Domestic banks and institutions		-	-	-	-	-	-
3.2.2. Foreign banks, institutions and funds		-	-	-	-	-	-
<b>IV. MARKETABLE SECURITIES ISSUED (Net)</b>	(4)	-	-	-	-	-	-
4.1. Bills		-	-	-	-	-	-
4.2. Asset backed securities		-	-	-	-	-	-
4.3. Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>	(5)	-	-	-	-	-	-
<b>VI. MISCELLANEOUS PAYABLES</b>	(6)	7,091	7,706	14,797	9,109	5,886	14,995
<b>VII. OTHER EXTERNAL RESOURCES</b>	(7)	85,596	-	85,596	74,990	8	74,998
<b>VIII. TAXES AND OTHER DUTIES PAYABLE</b>	(8)	3,016	-	3,016	3,733	-	3,733
<b>IX. FACTORING PAYABLES</b>	(9)	-	-	-	-	-	-
<b>X. FINANCE LEASE PAYABLES (Net)</b>	(10)	-	-	-	-	-	-
10.1. Finance Leasing Payables		-	-	-	-	-	-
10.2. Deferred finance leasing expenses (-)		-	-	-	-	-	-
<b>XI. ACCRUED INTEREST AND EXPENSES PAYABLE</b>	(11)	101	-	101	58	-	58
11.1. Deposits		-	-	-	-	-	-
11.2. Borrowings		-	-	-	-	-	-
11.3. Repurchase agreements		-	-	-	-	-	-
11.4. Other		101	-	101	58	-	58
<b>XII. PROVISIONS</b>	(12)	15,199	-	15,199	28,637	-	28,637
12.1. General loan loss provisions		241	-	241	313	-	313
12.2. Reserve for employee termination benefits		107	-	107	122	-	122
12.3. Provisions for corporate income taxes		14,851	-	14,851	28,202	-	28,202
12.4. Insurance technical reserves (Net)		-	-	-	-	-	-
12.5. Other provisions		-	-	-	-	-	-
<b>XIII. SUBORDINATED LOANS</b>	(12)	-	-	-	-	-	-
<b>XIV. SHAREHOLDERS' EQUITY</b>	(13)	206,607	-	206,607	195,753	-	195,753
14.1. Paid-in capital		60,000	-	60,000	60,000	-	60,000
14.2. Supplementary capital		96,788	-	96,788	96,788	-	96,788
14.2.1. Share premium	(14)	-	-	-	-	-	-
14.2.2. Share cancellation profits		-	-	-	-	-	-
14.2.3. Marketable securities value increase fund	(15)	-	-	-	-	-	-
14.2.4. Revaluation fund	(16)	-	-	-	-	-	-
14.2.5. Value increase in revaluation fund	(17)	-	-	-	-	-	-
14.2.6. Other capital reserves		-	-	-	-	-	-
14.2.7. Adjustment to paid-in capital		96,788	-	96,788	96,788	-	96,788
14.3. Profit reserves		18,879	-	18,879	-	-	-
14.3.1. Legal reserves	(18)	3,253	-	3,253	-	-	-
14.3.2. Statutory reserves		-	-	-	-	-	-
14.3.3. Extraordinary reserves	(19)	12,357	-	12,357	-	-	-
14.3.4. Other profit reserves		3,269	-	3,269	-	-	-
14.4. Profit or loss		30,940	-	30,940	38,965	-	38,965
14.4.1. Prior year income/loss		-	-	-	-	-	-
14.4.2. Current year income/loss		30,940	-	30,940	38,965	-	38,965
<b>TOTAL LIABILITIES</b>		<b>317,610</b>	<b>7,706</b>	<b>325,316</b>	<b>312,280</b>	<b>5,894</b>	<b>318,174</b>

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

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## INFLATION ADJUSTED OFF BALANCE SHEET COMMITMENTS

BILLION TURKISH LIRA							
	NOTE	TL	INDEPENDENTLY AUDITED CURRENT PERIOD (31/12/2004)		INDEPENDENTLY AUDITED PRIOR PERIOD (31/12/2003)		
			FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>804,369</b>	-	<b>804,369</b>	<b>554,159</b>	-	<b>554,159</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1),(5)</b>	<b>804,369</b>	-	<b>804,369</b>	<b>554,159</b>	-	<b>554,159</b>
1.1. Letters of guarantee		-	-	-	-	-	-
1.1.1. Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		-	-	-	-	-	-
1.2. Bank acceptances		-	-	-	-	-	-
1.2.1. Import letter of acceptance		-	-	-	-	-	-
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	-	-	-	-	-
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees given		-	-	-	-	-	-
1.8. Other guarantees		804,369	-	804,369	554,159	-	554,159
1.9. Other warranties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1),(5)</b>	-	-	-	-	-	-
2.1. Irrevocable commitments		-	-	-	-	-	-
2.1.1. Asset purchase commitments		-	-	-	-	-	-
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		-	-	-	-	-	-
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitments for checks		-	-	-	-	-	-
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10. Receivables from short sale commitments		-	-	-	-	-	-
2.1.11. Payables from short sale commitments		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		-	-	-	-	-	-
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	-	-	-	-	-	-
3.1. Forward foreign currency buy/sell transactions		-	-	-	-	-	-
3.1.1. Forward foreign currency transactions-buy		-	-	-	-	-	-
3.1.2. Forward foreign currency transactions-sell		-	-	-	-	-	-
3.2. Swap transactions related to foreign currency and interest rates		-	-	-	-	-	-
3.2.1. Foreign currency swap-buy		-	-	-	-	-	-
3.2.2. Foreign currency swap-sell		-	-	-	-	-	-
3.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.4. Interest rate swaps-sell		-	-	-	-	-	-
3.3. Foreign currency, interest rate and security options		-	-	-	-	-	-
3.3.1. Foreign currency options-buy		-	-	-	-	-	-
3.3.2. Foreign currency options-sell		-	-	-	-	-	-
3.3.3. Interest rate options-buy		-	-	-	-	-	-
3.3.4. Interest rate options-sell		-	-	-	-	-	-
3.3.5. Securities options-buy		-	-	-	-	-	-
3.3.6. Securities options-sell		-	-	-	-	-	-
3.4. Foreign currency futures		-	-	-	-	-	-
3.4.1. Foreign currency futures-buy		-	-	-	-	-	-
3.4.2. Foreign currency futures-sell		-	-	-	-	-	-
3.5. Interest rate futures		-	-	-	-	-	-
3.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>14,517,450</b>	<b>101,318</b>	<b>14,618,768</b>	<b>11,851,549</b>	<b>103,830</b>	<b>11,955,379</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>12,243,252</b>	-	<b>12,243,252</b>	<b>9,241,502</b>	-	<b>9,241,502</b>
4.1. Assets under management		37	-	37	71	-	71
4.2. Investment securities held in custody		12,241,715	-	12,241,715	9,239,723	-	9,239,723
4.3. Checks received for collection		-	-	-	-	-	-
4.4. Commercial notes received for collection		-	-	-	-	-	-
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		1,500	-	1,500	1,708	-	1,708
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>2,274,198</b>	<b>101,318</b>	<b>2,375,516</b>	<b>2,610,047</b>	<b>103,830</b>	<b>2,713,877</b>
5.1. Marketable securities		2,229,072	100,436	2,329,508	2,574,553	102,786	2,677,339
5.2. Guarantee notes		-	-	-	1	-	1
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		-	-	-	-	-	-
5.6. Other pledged items		45,126	-	45,126	35,492	-	35,492
5.7. Pledged items-depository		-	882	882	1	1,044	1,045
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF BALANCE SHEET COMMITMENTS</b>		<b>15,321,819</b>	<b>101,318</b>	<b>15,423,137</b>	<b>12,405,708</b>	<b>103,830</b>	<b>12,509,538</b>

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

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## INFLATION ADJUSTED INCOME STATEMENT

BILLION TURKISH LIRA			
	NOTE	INDEPENDENTLY AUDITED CURRENT PERIOD (1/1/2004- 31/12/2004)	INDEPENDENTLY AUDITED PRIOR PERIOD (1/1/2003- 31/12/2003)
<b>I. INTEREST INCOME</b>	(1)	54,632	68,968
1.1. Interest on loans		2,812	3,075
1.1.1. Interest on TL loans		2,812	3,075
1.1.1.1. Short term loans		-	-
1.1.1.2. Medium and long term loans		-	-
1.1.2. Interest on foreign currency loans		-	-
1.1.2.1. Short term loans		-	-
1.1.2.2. Medium and long term loans		-	-
1.1.3. Interest on loans under follow-up		-	-
1.1.4. Premiums received from Resource Utilisation Support Fund		-	-
1.2. Interest received from reserve deposits		173	283
1.3. Interest received from banks		10,948	6,541
1.3.1. The Central Bank of Turkey		-	-
1.3.2. Domestic banks		10,894	6,484
1.3.3. Foreign banks		54	57
1.4. Interest received from money market transactions		3,090	22,157
1.5. Interest received from marketable securities portfolio		37,582	36,892
1.5.1. Trading securities		-	-
1.5.2. Available-for-sale securities		-	-
1.5.3. Held-to-maturity securities		37,582	36,892
1.6. Other interest income		27	20
<b>II. INTEREST EXPENSE</b>	(2)	(7)	(1)
2.1. Interest on deposits		-	-
2.1.1. Interbank deposits		-	-
2.1.2. Savings deposits		-	-
2.1.3. Public sector deposits		-	-
2.1.4. Commercial deposits		-	-
2.1.5. Other institutions deposits		-	-
2.1.6. Foreign currency deposits		-	-
2.1.7. Precious metals deposits		-	-
2.2. Interest on money market transactions		-	-
2.3. Interest on funds borrowed		(7)	(1)
2.3.1. The Central Bank of Turkey		-	-
2.3.2. Domestic banks		(7)	(1)
2.3.3. Foreign banks		-	-
2.3.4. Branches and offices abroad		-	-
2.3.4. Other financial institutions		-	-
2.4. Interest on securities issued		-	-
2.5. Other interest expense		-	-
<b>III. NET INTEREST INCOME (I - II)</b>		54,625	68,967
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		3,019	4,887
4.1. Fees and commissions received		3,965	3,965
4.1.1. Cash loans		-	-
4.1.2. Non-cash loans		3,965	6,197
4.1.3. Other		-	-
4.2. Fees and commissions paid		(946)	(1,310)
4.2.1. Cash loans		-	-
4.2.2. Non-cash loans		(170)	(114)
4.2.3. Other		(776)	(1,196)
<b>V. DIVIDEND INCOME</b>		-	-
5.1. Trading securities		-	-
5.2. Available-for-sale securities		-	-
<b>VI. NET TRADING INCOME</b>		(15)	3,103
6.1. Profit/losses on trading account securities (Net)		-	3,207
6.1.1. Profit on trading account securities		-	3,207
6.1.1.1. Profit on derivative financial instruments		-	-
6.1.1.2. Other		-	3,207
6.1.2. Losses on trading account securities (-)		-	-
6.1.2.1. Losses on derivative financial instruments		-	-
6.1.2.2. Other		-	-
6.2. Foreign exchange gains/losses (Net)		(15)	(104)
6.2.1. Foreign exchange gains		131	258
6.2.2. Foreign exchange losses (-)		(146)	(362)
<b>VII. OTHER OPERATING INCOME</b>	(3)	34,242	29,016
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		91,871	105,973
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(4)	(241)	(313)
<b>X. OTHER OPERATING EXPENSES (-)</b>	(5)	(21,854)	(19,392)
<b>XI. NET OPERATING INCOME (VIII-IX-X)</b>		69,776	86,268
<b>XII. PROFIT / (LOSSES) FROM ASSOCIATES AND SUBSIDIARIES</b>	(6)	-	-
<b>XIII. NET MONETARY POSITION GAIN / (LOSS)</b>		(23,985)	(19,101)
<b>XIV. INCOME BEFORE TAXES (XI+XII+XIII)</b>		45,791	67,167
<b>XV. PROVISION FOR TAXES ON INCOME (-)</b>		(14,851)	(28,202)
<b>XVI. NET OPERATING INCOME / (EXPENSES) AFTER TAXES (XIV-XV)</b>		30,940	38,965
<b>XVII. EXTRAORDINARY INCOME / (EXPENSES) AFTER TAXES</b>		-	-
17.1. Extraordinary net income/expense before taxes		-	-
17.1.1. Extraordinary income		-	-
17.1.2. Extraordinary expense (-)		-	-
17.2. Provision for taxes on extraordinary income		-	-
<b>XVIII. NET PROFIT / (LOSS) (XVI+XVII)</b>	(8)	30,940	38,965

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

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## INFLATION ADJUSTED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

BILLION TURKISH LIRA															
Note	Paid-in Capital	Inflation Adjustment to Share Capital	Share Premium	Share Cancellation	Share Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income / (Loss)	Revaluation Increase / (Decrease)	Value Increase / (Decrease)	Marketable Securities Value Increase / (Decrease)	Total
<b>Independently Audited</b>															
<b>PRIOR PERIOD</b>															
(01/01/2003-31/12/2003)															
I.	Balances at the end of prior period	60,000	123,855	-	-	16,587	-	4,176	-	-	(47,830)	-	-	-	-156,788
II.	Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance	60,000	123,855	-	-	16,587	-	4,176	-	-	(47,830)	-	-	-	-156,788
IV.	Offsetting accumulated losses (-)	-	(27,067)	-	-	(16,587)	-	(4,176)	-	38,965	47,830	-	-	-	-38,965
V.	Net profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-1.	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-2.	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-2.	Revaluation fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-3.	Value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-4.	Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-5.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-6.	Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-7.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6-8.	Other (6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balances (I+II+III+IV+V+VI+VII)		60,000	96,788	-	-	-	-	-	-	38,965	-	-	-	-	-195,753
<b>Independently Audited</b>															
<b>CURRENT PERIOD</b>															
(01/01/2004-31/12/2004)															
I.	Balances at end of prior period	60,000	96,788	-	-	-	-	-	-	-	38,965	-	-	-	-195,753
Increases in the period:															
II.	Investments securities available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2-1.	Net fair value gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3-1.	Net fair value gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred Amounts:															
IV.	Investment securities available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4-1.	Transfers to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-1.	Transfers to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5-2.	Transfers to assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Net profit or losses	-	-	-	-	-	-	-	-	30,940	-	-	-	-	-30,940
VII.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7-1.	Dividends distributed	-	-	-	-	-	-	-	-	-	(20,614)	-	-	-	(20,614)
7-2.	Transfers to reserves	-	-	-	-	3,253	-	11,829	3,269	-	(18,351)	-	-	-	528
7-3.	Other	-	-	-	-	-	-	528	-	-	-	-	-	-	-
VIII.	Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-2.	Revaluation fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-3.	Value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-4.	Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-5.	Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-6.	Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-7.	Foreign exchange differences at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8-8.	Other (6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balances (I+II+III+IV+V+VI+VII+VIII+IX)		60,000	96,788	-	-	3,253	-	12,357	3,269	30,940	-	-	-	-	-206,607

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## INFLATION ADJUSTED STATEMENT OF CASH FLOWS

BILLION TURKISH LIRA			
	NOTE	INDEPENDENTLY AUDITED CURRENT PERIOD (1/1/2004- 31/12/2004)	INDEPENDENTLY AUDITED PRIOR PERIOD (1/1/2003- 31/12/2003)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1. OPERATING PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES (+)</b>		<b>31,955</b>	<b>25,798</b>
1.1.1. Interest received (+)		39,418	42,486
1.1.2. Interest paid (-)		(7)	(1)
1.1.3. Dividends received (+)		-	-
1.1.4. Fees and commissions received (+)		3,965	4,887
1.1.5. Other income (+)		31,607	32,225
1.1.6. Collections from previously written off loans and other receivables (+)		-	-
1.1.7. Payments to personnel and service suppliers (-)		(13,250)	-
1.1.8. Taxes paid (-)		-	-
1.1.9. Extraordinary items (+/-)		-	-
1.1.10. Other (+/-)	(1)	(29,778)	(53,799)
<b>1.2. CHANGES IN OPERATING ASSETS AND LIABILITIES</b>		<b>27,100</b>	<b>(10,237)</b>
1.2.1. Net increase (decrease) in trading securities (+/-)		1,168	893
1.2.2. Net increase (decrease) in due from banks and other financial institutions (+/-)		11,385	(11,385)
1.2.3. Net increase (decrease) in loans		(4,301)	2,869
1.2.4. Net increase (decrease) in other assets (+/-)		9,165	(4,506)
1.2.5. Net increase (decrease) in bank deposits (+/-)		-	-
1.2.6. Net increase (decrease) in other deposits (+/-)		-	-
1.2.7. Net increase (decrease) in funds borrowed (+/-)		-	-
1.2.8. Net increase (decrease) in matured payables (+/-)		-	-
1.2.9. Net increase (decrease) in other liabilities (+/-)	(1)	9,683	1,892
<b>I. NET CASH PROVIDED FROM BANKING OPERATIONS (+/-)</b>		<b>59,055</b>	<b>15,561</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. NET CASH PROVIDED FROM INVESTING ACTIVITIES (+/-)</b>		<b>(45,320)</b>	<b>(36,608)</b>
2.1. Cash paid for purchase of investments, associates and subsidiaries (-)	(2)	(2,028)	(1,522)
2.2. Cash obtained from sale of investments, associates and subsidiaries (+)	(3)	-	-
2.3. Fixed assets purchases (-)		(156)	(888)
2.4. Fixed assets sales (+)		149	18
2.5. Cash paid for purchase of investments available for sale (-)		-	(166)
2.6. Cash obtained from sale of investments available for sale (+)		-	-
2.7. Cash paid for purchase of investment securities (-)		(140,414)	(96,796)
2.8. Cash obtained from sale of investment securities (+)		97,129	62,746
2.9. Extraordinary items (+/-)		-	-
2.10. Other (+/-)		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. NET CASH PROVIDED FROM FINANCING ACTIVITIES (+/-)</b>		<b>(20,613)</b>	<b>-</b>
3.1. Cash obtained from funds borrowed and securities issued (+)		-	-
3.2. Cash used for repayment of funds borrowed and securities issued (-)		-	-
3.3. Capital increase (+)		-	-
3.4. Dividends paid (-)		(20,613)	-
3.5. Payments for finance leases (-)		-	-
3.6. Extraordinary items (+/-)		-	-
3.7. Other (+/-)	(1)	-	-
<b>IV. EFFECT OF CHANGE IN FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS</b>	(1)	<b>(15)</b>	<b>(104)</b>
<b>V. NET INCREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)</b>		<b>(6,893)</b>	<b>(21,151)</b>
<b>VI. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (+)</b>	(4)	<b>141,793</b>	<b>162,944</b>
<b>VII. CASH AND CASH EQUIVALENTS AT END OF THE YEAR (V+VI)</b>	(5)	<b>134,900</b>	<b>141,793</b>

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### SECTION ONE

##### GENERAL INFORMATION

###### I. Organization And Activities Of The Bank:

The corporation, which was originally set up as a department of the Istanbul Stock Exchange ("ISE"), and whose operations were reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.) (herein after referred to as "Takasbank" or the "Bank"), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. Since 2 January 1996, Takasbank has been continuing its operations as a non-deposit taking bank. Takasbank carries out clearing, settlement, custody and other necessary transactions of marketable securities on behalf of securities intermediary institutions. Takasbank also renders customer name based custody services. The head office of Takasbank is located in Istanbul and the Bank has no branches.

Operating areas as stated in the Articles of Association of the Bank are as follows:

- Performing custody of the marketable securities, precious metals and other securities and settlement of commitments arising from the purchases and sales of those assets.
- Undertaking every kind of legal, financial and administrative transactions for receiving and delivering these securities to the related parties.
- Providing Turkish lira or foreign currency cash and non-cash credit facilities to its customers with or without taking collaterals including gold, marketable securities, notes, time deposits, and other guarantees, lending marketable securities, other securities or cash to ISE members to enable them to realize their settlement transactions on time; discounting/lending or borrowing marketable securities and other money market instruments when necessary; granting Turkish lira or foreign currency guarantees, guarantee letters and acceptances.
- Managing the "Stock Exchange Money Market" with the participation of the ISE or other stock exchanges assigned by authorities, and the Central Bank of Turkey ("CB").

###### II. Bank's Own Risk Group:

The Bank's main shareholder is Istanbul Stock Exchange.

#### SECTION TWO

##### STAND-ALONE FINANCIAL STATEMENTS

Unconsolidated Financial Statements are on pages 40-45

#### SECTION THREE

##### ACCOUNTING POLICIES

###### I. Information And Disclosures Related To The Presentation Basis

As prescribed in the 13th Article of the Banks Act No. 4389, banks maintain their books of account and prepare their statutory financial statements in accordance with the Accounting Practices Regulation ("APR"), current uniform chart of accounts, balance sheet, statement of income and related legislation in conformity with the basis and methods determined by the Banking Regulation and Supervision Agency ("BRSA"). The Bank maintains its financial statements, and the books of account on which the financial statements are based, in conformity with the above Article, Turkish Commercial Code and Tax Legislation.



The Bank has booked the inflation restatement adjustments in its statutory records since 1 January 2004 according to the Law No: 5024 amending the Tax Procedure Law. For those property and equipment acquired before 1 January 2004 the previous years' depreciation rates are applied whereas those acquired subsequent to 1 January 2004 are depreciated over new depreciation rates.

In accordance with the Communiqué 15 "Accounting Standard of Preparation of Consolidated Financial Statements and Accounting for Investments in Subsidiaries, Joint Ventures and Associates", the Article 5 which deals with subsidiaries whose financial statements should not be included in the consolidation, the Bank has not consolidated its subsidiary in which it has a 65% shareholding, as the right to determine the majority of management is restricted by the Articles of Its Association, and the Bank has not also included its available for sale investment in the consolidation, since the control power can not be exercised due to the fact that its shareholding percentage is 3%.

The Bank was established as İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, and subsequently was converted into a non-deposit taking bank on 8 August 1995 with the decision of the Council of Ministers as published in the Official Gazette No. 22236 dated 23 March 1995. An opinion was obtained from BRSA on 17 January 2003 as to whether the capital injections before 8 August 1995 would be taken into consideration regarding the inflation adjustments on the financial statements in accordance with APR Communiqué No: 14.

In its reply dated 23 January 2003, the BRSA quoted the 2nd paragraph of Article 1 "Purpose and Scope" of the Banks Act No. 4389 "The banks incorporated or to be incorporated in Turkey and the branches of banks abroad incorporated in Turkey or to be incorporated shall be governed by provisions of this Act.", and stated that in line with the mentioned regulation, only banks incorporated in Turkey and the branches of banks abroad incorporated in Turkey are subject to the provisions of the Banks Act.

Since the operations of the Bank were not governed by the provisions of the Banking Act from 12 July 1991, when İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) was first established and registered, to 8 August 1995, when its commercial title was changed and published in the Trade Registry Gazette as İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), inflation adjusted financial statements in accordance with APR Communiqué 14 should be prepared only for operations commencing on 8 August 1995. Accordingly, the inflation restatement adjustments of the Bank were made as from 8 August 1995.

## Accounting Principles

The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira as of the balance sheet date, for the purpose of fair presentation as prescribed in APR, Communiqué 14 (Accounting Standard Related to Preparation of Financial Statements in Hyperinflationary Periods). Those adjustments and reclassifications have not been recorded in the Bank's statutory books of account.

## Inflation Accounting

The accompanying financial statements have been adjusted in accordance with APR, Communiqué 14 requiring that financial statements must be stated in terms of the measuring unit current at the balance sheet date. The principles related to inflation accounting are stated in "IX.Information and Disclosures Related to Inflation Accounting".

According to APR, Communiqué 14, one of the criteria used to classify an economy as hyperinflationary is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate as at the balance sheet date is 69.72% and 13.8% during the current year based on the countrywide wholesale price index announced by the Turkish State Institute of Statistics. APR, Communiqué 14 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The corresponding figures for previous periods are restated in the same terms. Indexation adjustments were calculated by using wholesale price indices published by BRSA and the Turkish State Institute of Statistics.

According to the Article 5 of the Communiqué 14 following criteria imply the existence of hyperinflationary environment and therefore financial statements are restated as per the this communiqué:

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

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

- b) The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- c) Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short;
- d) Interest rates, wages and salaries, and prices are linked to general price indices.

The principal adjustments related with inflation accounting are as follows:

- Financial statements are restated at the current purchasing power of money in accordance with APR, Communiqué 14. 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).
- 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 and 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.
- The income statement items are adjusted to be expressed in terms of the purchasing power of money as of the balance sheet date based on the the accrual dates of income and expenses. Depreciation is computed over adjusted values of assets and since they are adjusted in the relevant accounts they are not readjusted in the income statement. The expenses accrued and incurred, the revenues earned during the accounting period are adjusted using the conversion factor computed by dividing the price index of the period end to the average price index of the period if the changes in income and expense items are not seasonal and there are conditions showing the allocation of the income and expense items evenly during the period and disclosed accordingly in the notes.
- The effect of general inflation on the Bank's net monetary position is included in the statement of income as monetary gain or loss.

#### II. Information And Disclosures Related To Forward Transactions, Options And Derivative Instruments

The Bank has no derivative instruments used for hedging purposes as at the balance sheet date.

The Bank has no embedded derivative instruments.

#### III. Information And Disclosures Related To Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Otherwise, assets and liabilities are not offset.

#### IV. Information And Disclosures Related To Interest Income And Expenses

Interest income and expenses are recognized in the income statement on an accrual basis; and the income generating transactions and profits are recorded along with the related costs and expenses in accordance with periodicity and accrual principles of accounting. When the Bank management estimates and judges that the collection becomes doubtful, then interest income is not recognized until the collection is made.

#### V. Information And Disclosures Related To Fee And Commission Income And Expenses

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the ISE and on other stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services.

Due to the above operations, the Bank receives custody and service commission income from its customers. These fees and commissions are accrued on a monthly basis under other operating income.

#### **VI. Information And Disclosures Related To Trading Securities**

Trading securities are initially recorded at their acquisition costs and presented in the financial statements at their fair values.

Government Bonds and Treasury Bills which are traded on Istanbul Stock Exchange (ISE) are valued using the weighted average prices on ISE as at the balance sheet date, those which are quoted on ISE but not traded as at the balance sheet date are valued using the weighted average prices of the last transaction date and those which are not traded on ISE are valued using the prices determined by the Central Bank of Turkish Republic.

The difference between cost and fair values of the trading securities are recorded under interest income accruals account or under diminution in value of securities. As explained in detail in Section VI: "Other Explanations and Notes", the realized gains and losses and related interest income/expense accruals of the trading securities are recorded in related income statement accounts, unless the securities belong to problematic securities intermediary members.

#### **VII. Information And Disclosures Related To Sales And Repurchase Agreements And Securities Lending Transactions**

Marketable securities which are subject to repurchase agreements are classified in "Trading Securities" and "Available for Sale" in line with holding objective of these securities and are valued in accordance with their classification. As at the balance sheet date, the Bank has no repurchase agreements.

Reverse repo transactions are accounted under "Receivables From Reverse Repurchase Agreements" on the balance sheet. The difference between purchase and resale price determined by these agreements is accrued over the life of repurchase agreements according to effective interest rate method. The Bank has receivables from reverse repo transactions amounting to TL 8,211 Billion as at the balance sheet date. The interest income accrual calculated is disclosed under other liabilities as a liability when repurchase agreements are related to problematic securities intermediary members, as described in detail in Section Six: "Other Explanations and Notes".

The Bank has no marketable securities subject to securities lending transactions.

#### **VIII. Information And Disclosures Related To Investment Securities Held-To-Maturity, Securities Available-For-Sale and Originated Loans And Receivables**

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. Originated loans and receivables are the financial assets which are created by lending money, rendering services or delivery of goods and those are not trading or available-for-sale financial assets. Available for sale assets are those that are not originated loans and receivables or held-to-maturity assets or trading assets. Held-to-maturity investments, available-for-sale assets and originated loans and receivables are initially recorded at cost.

The Bank's portfolio of held-to-maturity investment securities consist of government bonds denominated in Turkish Lira.

Held-to-maturity investment securities are accounted for at their amortised cost; determined by using internal rate of return, net of provision for diminution in value.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

Originated loans and receivables are financial assets made for supplying money, good and service to debtors. Originated loans and receivables are initially accounted for at their cost and determined at amortised cost using the internal rate of return. Expenses incurred related to the assets taken as collateral for loans granted are not accepted as part of their cost but reflected to income statement.

#### IX. Information And Disclosures Related To Originated Loans and Receivables and Specific Provisions

The Bank extends loans in order to provide funds for intermediary securities brokerage houses. The Bank provides general loan loss provision, according to the 11th Article of the Banking Act No. 4389 and the "Communique Related to Principles and Procedures on Determining the Classification of Loans and Other Receivables with Required Reserves to be Made" published in the Official Gazette No. 24448 dated 30 June 2001. There is no specific provision made for loans and other receivables since not deemed uncollectible as per the evaluation and estimations of the Bank's management, in line with the regulations.

#### X. Information And Disclosures Related To Goodwill and Other Intangible Assets

The Bank has no goodwill in its accounts as at the balance sheet date.

Other intangible assets consist of software licence balances.

Other intangible fixed assets are expressed by deducting the indexed amortisations from the indexed acquisition costs as of the balance sheet date. Other intangible assets are amortized over their expected useful lives by using straightline method. No change has been made for the amortization method during the current period.

The annual amortization rate used for intangible fixed assets which have been included in the Bank assets before 1 January 2004 is 20% (5 years). The intangible fixed assets acquired after 1 January 2004 are amortized using the amortization rates determined over their useful lives.

#### XI. Information And Disclosures Related To Property and Equipment

Property and equipment are initially recorded at cost plus adding expenses incurred over purchase prices of assets to make them operational.

Property and equipment are depreciated on a straightline basis. The depreciation rates for the property and equipment acquired before 1 January 2004 are as shown below. Property and equipment acquired after 1 January 2004 are depreciated by using rates determined by the Ministry of Finance.

	Expected Useful Lives (Year)	Depreciation Rate
Buildings	50	2%
Furniture and Fixtures	5	20%

Property and equipment are restated at indexed purchase values of related assets less accumulated depreciation and provision for impairment and carried at restated amounts in the balance sheet. Along with the restatement of the property and equipment, effects of any revaluation according to related regulations are eliminated.

#### XII. Information And Disclosures Related To Leasing Transactions

The Bank enters into leasing transactions as lessee. The assets acquired under financial leases are accounted under fixed assets by using the lower of discounted total leasepayments or market value and the corresponding entries are recorded as financial lease payables in liabilities. The financing costs of leasing transactions are spread over leasing period by calculating a constant periodic rate of return. Assets acquired under financial leases are depreciated over their useful lives. Impairment provision is made if necessary. Leasing payments are deducted from leasing payables.

The Bank did not terminate any finance lease agreements before their lease periods expire for the year ended 31 December 2004. The Bank does not engage in finance leasing transactions as lessor.

### **XIII. Information And Disclosures Related To Provisions And Contingent Liabilities**

Provisions and contingent liabilities are accounted for in accordance with APR, Communiqué 8.

As at the balance sheet date, the Bank does not have any contingent liability as a result of past events that can be measured reliably.

As of the balance sheet date, as per the internal legal department of the Bank, there are 9 continuing cases against the Bank. One of them is filed against the Bank related with the retirement pay provision and indemnity provision, and rest of them are cases related with possessory accuse and the delivery of common stocks. In the current period, there are two continuing cases filed by the Bank.

### **XIV. Information And Disclosures Related To Obligations for Employee Benefits**

Provision for notice pay and employment termination benefit liability is calculated in accordance with APR, Communiqué 10, by taking the simple arithmetical average of the ratio of the actual payment to the total liability calculated by using the ceiling announced in accordance with the Labour Law No. 1475 for the last five years prior to the balance sheet date.

The Bank has made provision for the liabilities arising from short-term employee benefits and notice pay and entitled employment termination benefits of the employees as at 31 December 2004.

The five-year simple arithmetical average of actual payment rates which is the basis for provision for liabilities arising from employment termination benefits and notice pay is 2%.

As at 31 December 2004, the Bank has no employees with fixed period employment contracts, with expiry date of more than 12 months starting from the balance sheet date.

As at 31 December 2004, the İMKB Takas ve Saklama Bankası Guarantee Fund (the "Fund"), in which 25 of the Bank's 232 employees participate, is established in order to pay to the Bank any probable deficit or charge or abuse which might be due by these 25 members. The Bank has no liability to the Fund.

### **XV. Information And Disclosures Related To Taxes**

Required provisions are made based on the current period operations of the Bank for Income and Corporate Taxes. TL 14,851 Billion tax provision has been made for the current year.

The Bank has calculated deferred tax according to the APR, Communiqué 18 "The Standard of Accounting For Taxes" published by BRSA on 12 August 2004, but it has not included the deferred tax asset in the accompanying financial statements in accordance with conservatism principle.

### **XVI. Information And Disclosures Related To Additional Explanations On Borrowings**

The Bank accounts for borrowing instruments as per APR, Communiqué 1. Hedging techniques are not applied for accounting and valuation of borrowing instruments and any liabilities representing borrowing instruments.

The Bank has not issued any convertible bonds. The Bank has not also issued any borrowing instruments.

### **ISE Guarantee Fund**

The ISE Guarantee Fund is created from the sources of ISE in order to prevent possible delays in the settlement of marketable securities. The Fund assures that members with receivable balances are not affected by delays in payments by members for balances due. The ISE Guarantee Fund is recorded in the Interbank Money Market Placements in assets and Other Liabilities components of the balance sheet.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### XVII. Information And Disclosures Related To Paid-In Capital And Stocks

The Bank has not issued any shares and therefore has not realised any share issue expenses.

As of the date of this report, the Bank has not announced any earnings per share subsequent to the balance sheet date.

#### XVIII. Information And Disclosures Related To Acceptances

The Bank has no acceptances.

#### IXX. Information And Disclosures Related To Government Grants

As at the balance sheet date, the Bank has no government grants.

#### XX. Information and Disclosures Related To The Reporting According To Classification

As the Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments, related explanations and notes has not been prepared.

## SECTION FOUR

### NOTES TO THE FINANCIAL STRUCTURE

#### I. Strategy Of Using Financial Instruments And Explanations On Foreign Currency Transactions

The Bank has placed its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in interbank money markets. The most significant financing resource is the shareholders' equity of the Bank. The other resources consist of the short-term placements of the clients with the Bank which are then placed by the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has no area of operations for which a return is achieved above the average rate of return and off-balance sheet risks.

In accordance with the Articles of Association, the Bank carries transactions only in interbank money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. Related to the transactions in interbank money markets, transaction limits determined in these markets are established as risk limits.

The Bank has no available-for-sale foreign currency equity instruments. In order to hedge interest rate risks arising from fixed or floating rate instruments, the Bank prefers short-term transactions.

The Bank hedges exchange rate risk arising from foreign currency denominated transactions by matching foreign currency liabilities with foreign currency assets.

The Bank has no investments in foreign entities.

#### II. Information And Disclosures Related To Capital Adequacy

The capital adequacy ratio calculated based on the inflation adjusted financial statements of the Bank is 347.20% at 31 December 2004. The bank uses the standart method in determining the capital adequacy ratio.

Capital adequacy ratio:

	Risk Weights			
	Bank			
	-%	20%	50%	100%
<b>Risk Weighted Assets, Liabilities and Non-Cash Loans</b>				
Balance Sheet items (Net)	110,089	38,630	1,478	24,488
Cash and Cash Equivalents	2	-	-	-
Due From Banks	3,322	35,248	-	4,117
Interbank Money Market Placements	84,000	-	-	-
Receivables From Reverse Repo Transactions	8,211	-	-	-
Reserve Requirements	3,422	-	-	-
Special Finance Companies	-	-	-	-
Loans	291	748	-	10,512
Overdue Loans (Net)	-	-	-	-
Subsidiaries, Associates and Sec. Available For Sale	-	-	-	-
Sundry Debtors	1	2,634	-	13
Securities Held to Maturity (Net)	-	-	-	-
Advances For Assets Acquired by Financial Leasing	-	-	-	-
Financial Lease Receivables	-	-	-	-
Leased Assets (Net)	-	-	1,478	-
Property and Equipment (Net)	-	-	-	9,454
Other Assets	10,840	-	-	392
Off-Balance Sheet items	755,006	49,060	-	2,177
Guarantees and Sureties	754,780	47,420	-	2,169
Commitments	-	-	-	-
Other Off-Balance Sheet Items	-	-	-	-
Transactions Related with Derivative Financial Instruments	-	-	-	-
Interest and Income Accruals	226	1,640	-	8
Not Risk Weighted Accounts	-	-	-	-
Total Risk Weighted Assets	865,095	87,690	1,478	26,665

	Bank	
	31.12.2004	31.12.2003
Total Risk Weighted Assets	44,942	40,740
Amount Subject To Market Risk	13,075	6,972
Shareholders' Equity	201,433	192,647
Shareholders' Equity / (RWA+ASMR) * 100	347.20	403.77

(\*) "RWA: Total risk weighted assets", "ASMR: Amount subject to market risk"

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

CORE CAPITAL	Current Period	Prior Period
Paid-in Capital	60,000	60,000
Nominal capital	60,000	60,000
Capital Commitments (-)	-	-
Adjustment to paid-in capital	96,788	96,788
Share premium	-	-
Legal reserves	3,253	-
First legal reserve (Turkish Commercial Code 466/1)	3,071	-
Second legal reserve (Turkish Commercial Code 466/2)	182	-
Other legal reserve per special legislation	-	-
Statutory reserves	-	-
Extraordinary reserves	15,626	-
Reserves allocated by the General Assembly	15,626	-
Retained earnings	-	-
Accumulated loss	-	-
Foreign currency share capital exchange difference	-	-
Profit	30,940	38,965
Current year profit	30,940	38,965
Prior years' profits	-	-
Loss (-)	-	-
Current year loss	-	-
Prior years' losses	-	-
<b>TOTAL CORE CAPITAL</b>	<b>206,607</b>	<b>195,753</b>
<b>SUPPLEMENTARY CAPITAL</b>		
Revaluation Fund	-	-
Furniture, fixture and vehicles	-	-
Properties	-	-
Profit on sale of associates, subsidiaries and properties to be transferred to share capital	-	-
Revaluation fund of leasehold improvement	-	-
Increase in the value of revaluation fund	-	-
Foreign exchange differences	-	-
General provisions	241	313
Provisions for possible losses	-	-
Subordinated loans	-	-
Marketable securities and investment securities value increase fund	-	-
Associates and subsidiaries	-	-
Investments available-for-sale	-	-
Investments held for structural transactions	-	-
<b>TOTAL SUPPLEMENTARY CAPITAL</b>	<b>241</b>	<b>313</b>
<b>TIER III CAPITAL</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>206,848</b>	<b>196,066</b>

(\*) Other profit reserves included in extraordinary reserves are TL 3,269 Billion.



	31.12.2004	31.12.2003
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(5,415)</b>	<b>(3,419)</b>
Investments in financial companies whose main activities are money and capital markets, insurance and that operate with licenses provided in accordance with special laws.	(5,059)	(3,031)
Leasehold Improvements	-	-
Start-up Costs	-	-
Prepaid Expenses	(356)	(388)
The negative Difference Between the Market Values and the Carrying Amounts for Investments, Subsidiaries, Other Investments and Fixed Assets	-	-
Subordinated Loans Given to Other Banks Operating in Turkey	-	-
Goodwill (Net)	-	-
Capitalized expenses	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>201,433</b>	<b>192,647</b>

### III. Information And Disclosures Related To Credit Risk

The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

The credit limits are determined according to the types of the loans of the Bank. The credit limits are determined as cash and non-cash limits by taking into consideration the types of loans. The loans given are classified as (1-12) month, (12-24) month or (24+) month maturities, and the Bank extends short-term loans for a maximum of 1 month. The loans of the Bank aim to fund the liquidity needs of securities intermediary institutions in shares, bonds and bills markets. Since the Bank guarantees securities lending operations when a security is not returned by the borrower, and guarantees payments and collections in the Takasbank money market, which is similar to interbank money market; these transactions are followed under non-cash loan items. In addition, the Bank also extends loans to its employees in accordance with the legislation.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Independently audited financial statements prepared as per the regulation of Capital Markets Board ("CMB") for the loans extended are examined. The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors. Limit change requests are revised on a six monthly basis unless substantive changes occur in the financial positions of customers.

The Bank has no forward and option contracts or any other similar agreements.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short term, there is no specific need to enter into any transaction to decrease or terminate its credit exposure.

The Bank has no defaulted non-cash loans, restructured loans or long-term commitments.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

The Bank has no banking and lending activities in foreign countries.

The Bank has 12 cash loan customers at the balance sheet date.

The Bank has 34 non-cash loan customers at the balance sheet date.

The Bank calculates general provisions for credit risk and receives liquid collaterals.

#### Information according to geographical concentration:

	Assets	Liabilities	Non-cash loans	Equity Investments (***)	Net profit
<b>31.12.2004</b>					
Domestic	312,456	325,316	804,369	5,059	30,940
European Union Countries	3,680	-	-	-	-
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	4,121	-	-	-	-
Other Countries	-	-	-	-	-
Unallocated Assets/liabilities**	-	-	-	-	-
<b>Total</b>	<b>320,257</b>	<b>325,316</b>	<b>804,369</b>	<b>5,059</b>	<b>30,940</b>
<b>31.12.2003</b>					
Domestic	309,233	318,174	554,159	3,031	38,908
European Union Countries	680	-	-	-	-
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	5,230	-	-	-	57
Other Countries	-	-	-	-	-
Unallocated Assets/liabilities**	-	-	-	-	-
<b>Total</b>	<b>315,143</b>	<b>318,174</b>	<b>554,159</b>	<b>3,031</b>	<b>38,965</b>

\* OECD Countries other than EU countries, USA and Canada

\*\* Unallocated assets / liabilities that could not be distributed consistently.

(\*\*\*) Equity investments are written in "Equity Investments" column, and these amounts are excluded from "Assets" column.

#### Sector concentrations on for cash loans

	31.12.2004				31.12.2003			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	11,551	100.00	-	-	7,249	99.99	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	11,551	100.00	-	-	7,249	99.99	-	-
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	1	0.01	-	-
<b>Total</b>	<b>11,551</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>7,250</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

#### IV. Information And Disclosures Related To Market Risk

Fund management strategy is established for the purpose of preventing liquidity problems, supplying optimization in the risk-return equilibrium and utilization of resources with maximum productivity by taking the minimum level of risk. In accordance with the fund management strategy applied, transactions are carried out only with banks approved by the Board of Directors, unnecessary foreign currency transactions are not performed and a square foreign currency position is kept, derivative instruments are not used, and no securities other than Public Sector Debt Securities are included in the securities portfolio of the Bank. The strategy applied by the Bank has focused on the estimation of the changes in the TL interest rates to obtain optimum maturity distribution by utilizing long term instruments when interest rates are expected to fall, and short term instruments when increase in the interest rates are expected to rise.

The management of the Bank continuously monitors the Bank's portfolio by maturity and by instruments. The transactions of the treasury are done with the approval and instructions of the senior management and the fund management strategy, if deemed necessary due to the changes in the markets, is revised by the senior management. The realized transactions are followed and controlled by the Internal Control Unit and Risk Management Group, which are reporting directly to the Board of Directors.

The amount subject to market risk is calculated and reported with the Standard Method described in the 4th section of the "Communiqué related to the Measurement and Evaluation of Banks' Capital Adequacy", published in the Official Gazette No. 24657 dated 31 January 2002. Market risk is measured on a monthly basis.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

	Amount
Capital To Be Employed For Interest Rate Risk – Standart Method	1,046
Capital To Be Employed For General Market Risk	1,046
Capital To Be Employed For Specific Risk	-
Capital To Be Employed For Options Subject To Interest Rate Risk	-
Capital To Be Employed For Common Stock Position Risk – Standart Method	-
Capital To Be Employed For General Market Risk	-
Capital To Be Employed For Specific Risk	-
Capital To Be Employed For Options Subject To Common Stock Position Risk	-
Capital To Be Employed For Currency Risk – Standart Method	-
Capital Liability	-
Capital To Be Employed For Options Subject To Currency Risk	-
Total Value-At-Risk (VAR)-Internal Model	-
Total Capital To Be Employed For Market Risk	1,046
Amount Subject To Market Risk	13,075

#### V. Information And Disclosures Related To Currency Risk

The Bank is subject to the reserve and liquidity requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Futures Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of banks and brokerage firms except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-week periods in ratios designated in blocked and average accounts of the Central Bank of Turkey ("CB"). The foreign currency amounts, kept due to the reserve and liquidity requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities and the Bank is not exposed to currency risk since the currency risk ratio is close to 1. Therefore, the Board of Directors of the Bank has not set limits for positions, which are followed on a daily basis.

Since the Bank is not exposed to foreign currency risk, there are no derivatives used to hedge the risks associated with foreign currency debt instruments and net foreign currency investments.

The Bank's foreign currency risk management strategy is to use asset liability management in order to avoid the foreign currency risk of foreign currency denominated assets and liabilities.

The Bank's foreign exchange bid rates as of the date of the financial statements and five working days prior to that date:

	31 December 2004			
	USD	Euro	GBP	JPY
A. FC Evaluation Rate of the "Bank"	1,342,100	1,826,800	2,576,500	12,913
<b>Previously:</b>				
Day 1 FC Buying Rate	1,352,500	1,842,700	2,603,000	13,061
Day 2 FC Buying Rate	1,342,500	1,830,300	2,600,900	13,000
Day 3 FC Buying Rate	1,352,700	1,830,300	2,601,200	13,015
Day 4 FC Buying Rate	1,364,000	1,845,500	2,625,500	13,139
Day 5 FC Buying Rate	1,375,000	1,849,800	2,640,000	13,203

The simple arithmetical average of the Bank's foreign exchange bid rates for the last thirty days is TL 1,396,177 for 1 US Dollar, TL 1,867,230 for 1 EURO, TL 13,410 for 1 JPY and TL 2,689,326 for 1 GBP.

Information on currency risk of the bank:

(Billion TL)	EURO	USD	Yen	Other FC	Total
<b>31.12.2004</b>					
<b>Assets</b>					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	20	-	-	20
Due from other banks and financial institutions	28	8,027	-	1	8,056
Trading securities	-	-	-	-	-
Money market placements	-	-	-	-	-
Investment securities available-for-sale	-	-	-	-	-
Loans (*)	-	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-	-
Investment securities held-to-maturity	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other assets (*)	-	3	-	-	3
<b>Total Assets</b>	<b>28</b>	<b>8,050</b>	<b>-</b>	<b>1</b>	<b>8,079</b>
<b>Liabilities</b>					
Interbank deposits	-	-	-	-	-
Foreign currency deposits	-	-	-	-	-
Money market placements	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	-	-
Marketable securities issued	-	-	-	-	-
Sundry creditors	(13)	(7,693)	-	-	(7,706)
Other liabilities	-	-	-	-	-
<b>Total liabilities</b>	<b>(13)</b>	<b>(7,693)</b>	<b>-</b>	<b>-</b>	<b>(7,706)</b>
Net On Balance Sheet Position	15	357	-	1	373
Net Off Balance Sheet Position	-	-	-	-	-
Financial derivative assets	-	-	-	-	-
Financial derivative liabilities	-	-	-	-	-
Non-cash loans (**)	-	-	-	-	-
<b>31.12.2003</b>					
Total Assets	379	6,229	-	2	6,610
Total Liabilities	(339)	(5,555)	-	-	(5,894)
Net On Balance Sheet Position	40	674	-	2	716
Net Off Balance Sheet Position	-	-	-	-	-
Non-cash loans	-	-	-	-	-

(\*) Foreign currency indexed loans and accruals, which are in Turkish lira in financial statements, are considered as denominated in foreign currencies in currency risk calculation.

(\*\*) Non-cash loans are shown, without the counter-guarantees taken outside of the group.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### VI. Information And Disclosures Related To Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured on a monthly basis.

The Bank is utilizing the funds, excluding the long term assets, from its equity and sundry creditors and other liabilities, in trading securities, interbank money markets and securities lending. For this reason, the fluctuations in the market interest rates affect the Bank's financial position and cash flows. If the inflation rate and interest rate are in line with the estimations of the CB, no decrease or increase is expected in the interest income. The Board of Directors has no limitations on changes in daily interest rates.

The Bank is exposed to interest rate risk arising from the effect of interest rate fluctuations on interest sensitive assets and liabilities. These risks are managed by the balancing of interest rate sensitive assets and liabilities. The strategy applied is based on the estimation of changes in TL interest rates, when a decline in interest rates is expected long-term instruments are used, when an increase is expected, short-term instruments are used in order to maintain optimum maturity distribution. The Bank does not purchase any marketable securities other than Treasury Bills and Government Bonds in the marketable security portfolio. Through the application of these strategies, interest rate risk is minimized.

#### Information related to the interest rate mismatch of the Bank:

"Interest rate sensitivity of assets, liabilities and off-balance sheet items" (remaining period to repricing date):

31.12.2004	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 Year and Over	Demand	Total
<b>Assets</b>							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	3,324	3,324
Due from banks and other financial institutions	20,664	15,000	-	-	-	3,701	39,365
Trading securities	281	940	220	704	15	-	2,160
Money market placements	92,211	-	-	-	-	-	92,211
Investment securities available-for-sale	-	-	-	-	-	234	234
Loans	11,551	-	-	-	-	-	11,551
Investment securities held-to-maturity	4,075	11,858	15,566	58,658	37,685	-	127,842
Other assets(*)	5,860	2,868	3,099	5,852	957	29,993	48,629
<b>Total assets</b>	<b>134,642</b>	<b>30,666</b>	<b>18,885</b>	<b>65,214</b>	<b>38,657</b>	<b>37,252</b>	<b>325,316</b>
<b>Liabilities</b>							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-
Sundry creditors	(3,443)	-	-	-	-	(11,354)	(14,797)
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	(84,682)	-	-	-	-	(914)	(85,596)
Other liabilities	-	-	-	-	-	(224,923)	(224,923)
<b>Total liabilities</b>	<b>(88,125)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(237,191)</b>	<b>(325,316)</b>
On Balance Sheet Interest Sensitivity Gap	46,517	30,666	18,885	65,214	38,657	(199,939)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
<b>Total Interest Sensitivity Gap</b>	<b>46,517</b>	<b>30,666</b>	<b>18,885</b>	<b>65,214</b>	<b>38,657</b>	<b>(199,939)</b>	<b>-</b>

(\*) "Other assets" line includes Reserve Deposits, Sundry Debtors, Interest and Other Income Accruals, Property and Equipment, Intangible Fixed Assets and Other Assets.

31.12.2003	Up to 1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 Year and Over	Demand	Total
<b>Assets</b>							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	2,276	2,276
Due from banks and other financial institutions	5,911	39,843	11,385	-	-	781	57,920
Trading securities	-	1,097	774	1,457	-	-	3,328
Money market placements	92,982	-	-	-	-	-	92,982
Investment securities available-for-sale	-	-	-	-	-	234	234
Loans	7,249	1	-	-	-	-	7,250
Investment securities held-to-maturity	1,456	13,149	27,956	41,996	-	-	84,557
Other assets	5,041	6,398	8,408	9,172	-	40,608	69,627
<b>Total assets</b>	<b>112,639</b>	<b>60,488</b>	<b>48,523</b>	<b>52,625</b>	-	<b>43,899</b>	<b>318,174</b>
<b>Liabilities</b>							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-
Sundry creditors	(4,571)	-	-	-	-	(10,424)	(14,995)
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	(71,751)	-	-	-	-	(3,247)	(74,998)
Other liabilities	(1,974)	-	-	-	-	(226,207)	(228,181)
<b>Total liabilities</b>	<b>(78,296)</b>	-	-	-	-	<b>(239,878)</b>	<b>(318,174)</b>
On Balance Sheet Interest Sensitivity Gap	34,343	60,488	48,523	52,625	-	(195,979)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
Total Interest Sensitivity Gap	34,343	60,488	48,523	52,625	-	(195,979)	-

(\*) "Other assets" line includes Reserve Deposits, Sundry Debtors, Interest and Other Income Accruals, Tangible Fixed Assets, Intangible Fixed Assets and Other Assets.

#### Average interest rates applied to monetary financial instruments:

31.12.2004	EURO %	USD %	JPY %	TL %
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	12.50
Due from banks and other financial institutions	-	1.98	-	24.61
Trading securities	-	-	-	25.21
Money market placements	-	-	-	20.08
Investment securities available-for-sale	-	-	-	-
Loans	-	-	-	23.40
Investment securities held-to-maturity	-	-	-	25.21
<b>Liabilities</b>				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Sundry creditors	-	-	-	24.61
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	-	-	-	24.61

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31.12.2003	EURO %	USD %	JPY %	TL %
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	19.00
Due from banks and other financial institutions	-	1.00	-	28.09
Trading securities	-	-	-	52.87
Money market placements	-	-	-	26.00
Investment securities available-for-sale	-	-	-	-
Loans	-	-	-	30.13
Investment securities held-to-maturity	-	-	-	52.87
<b>Liabilities</b>				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Sundry creditors	-	-	-	28.09
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	-	-	-	28.09

Interest rates disclosed above are jointly weighted interest rates.

#### VII. Information And Disclosures Related To Liquidity Risk

The Bank management takes guarantees for Stock Exchange Money Market and settlement transactions and places TL funds in short-term in order to remain liquid. The Bank is trying not to carry foreign currency positions.

The effective management of the risks arising from money market instruments is the fundamental strategy of the management. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and has a position as fund provider in the Interbank Money Market and CB Interbank markets. The Bank has no term borrowings. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the senior management and monitored by the internal audit and inspection units.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity needs are met by its own resources.

The Bank's cash flows are utilized in short term investments and public sector debt securities depending upon its equity and the funds of cash collaterals obtained due to the amounts remaining in the unrestricted accounts of the members, stock exchange money market, derivative instruments market, securities trading loans and securities lending operations. There is no need for maintaining liquidity by overnight or one-week placements in interbank money market.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.



**Presentation of assets and liabilities according to their outstanding maturities:**

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and over	Undistributed (*)	Total
<b>Assets</b>								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	3,324	-	-	-	-	-	-	3,324
Due from banks and other financial institutions	3,701	20,664	15,000	-	-	-	-	39,365
Trading securities	-	281	940	220	704	15	-	2,160
Money market placements	-	92,211	-	-	-	-	-	92,211
Investment securities available-for-sale	234	-	-	-	-	-	-	234
Loans	-	11,551	-	-	-	-	-	11,551
Investment securities held-to-maturity	-	4,075	11,858	15,566	58,658	37,685	-	127,842
Other assets	13,489	5,860	2,868	3,099	5,852	957	16,504	48,629
<b>Total assets</b>	<b>20,748</b>	<b>134,642</b>	<b>30,666</b>	<b>18,885</b>	<b>65,214</b>	<b>38,657</b>	<b>16,504</b>	<b>325,316</b>
<b>Liabilities</b>								
Interbank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial instruments	-	(84,682)	-	-	-	-	(914)	(85,596)
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	(11,354)	(3,443)	-	-	-	-	-	(14,797)
Other liabilities	-	(3,117)	(14,851)	-	-	-	(206,955)	(224,923)
<b>Total liabilities</b>	<b>(11,354)</b>	<b>(91,242)</b>	<b>(14,851)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(207,869)</b>	<b>(325,316)</b>
<b>Net Liquidity Gap</b>	<b>9,394</b>	<b>43,400</b>	<b>15,815</b>	<b>18,885</b>	<b>65,214</b>	<b>38,657</b>	<b>(191,365)</b>	<b>-</b>
<b>Prior period (31.12.2003)</b>	<b>6,862</b>	<b>108,339</b>	<b>61,226</b>	<b>69,372</b>	<b>52,627</b>	<b>-</b>	<b>19,748</b>	<b>318,174</b>
Total Assets	(9,639)	(84,161)	-	(28,203)	-	-	(196,171)	(318,174)
Total Liabilities								
<b>Net Liquidity Gap</b>	<b>(2,777)</b>	<b>24,178</b>	<b>61,226</b>	<b>41,169</b>	<b>52,627</b>	<b>-</b>	<b>(176,423)</b>	<b>-</b>

(\*) "Other assets" line includes Fixed Assets, Associates and Subsidiaries, Stationery, Prepaid Expenses and Overdue Loans which requires certain period to liquidate.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

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#### VIII. Information And Disclosures Related To Presentation of Assets and Liabilities with Their Fair Values

	Book Value		Fair value	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Financial Assets	259,652	235,693	278,279	270,211
Due from banks and other financial institutions	131,576	150,902	133,191	152,380
Investment securities available-for-sale	234	234	234	234
Investment securities held-to-maturity	127,842	84,557	144,867	117,597
Financial Liabilities	14,797	14,995	14,797	14,995
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Marketable securities issued	-	-	-	-
Sundry Creditors	14,797	14,995	14,797	14,995

#### IX. Information And Disclosures Related To Activities Carried Out On Behalf And Account Of Third Parties

The Bank carries out trading, custody, management and consulting services on others' behalf and account.

According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and the clearing and settlement of cash and security commitments arising from the purchases and sales on stock exchanges. The Bank realizes transactions necessary for transfers, settlement, entrance, and discharge of debts, securities obtained for custody and other marketable securities; obtaining bonus share, use of preemptive rights, collection of interest and principle at maturity, dividends, changes of documents representing the securities and other instruments and similar financial services. The Bank also provides settlement and custody of collaterals of transactions in the futures market established under ISE.

The Bank has no fiduciary transactions.

#### X. Information And Disclosures Related To Operational Segments

**1.1.** The Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities such as private banking, current accounts, deposits, credit cards and ATM cards, and consumer loans.

**1.2.** The Bank does not deal with corporate banking activities such as fund transfers, current accounts, deposits, overdrafts, loans and other credit facilities, forward transactions and options and other similar derivative instruments.

**1.3.** The Bank does not deal with investment banking activities such as trading in financial instruments, fund management, structured financial instruments, leasing, merger and acquisition advisory services.

**1.4.** The Bank has no activities in corporate finance transactions and IT sector including computer services.

**1.5.** As the Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments, related explanations and notes have not been prepared.

**2. Operational segments more than 10% of the Bank's total assets:**

The Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities.

**3. Recognition and presentation of the revenues generated through transactions with other departments, internal transfers and the Bank's main principles on pricing of these transfers and any changes:**

As the Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments, related explanations and notes have not been prepared.

**4. Economical, financial and political factors that would effect operational segments:**

As the Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments, related explanations and notes have not been prepared.

## SECTION FIVE

### NOTES TO THE FINANCIAL STATEMENTS

**I. Information And Disclosures Related To Assets:**

**1. Information Related To Account of the Central Bank of Turkey**

	31.12.2004		31.12.2003	
	TL	FC	TL	FC
Unrestricted Amount	3,302	20	2,231	38
Restricted Amount	-	-	-	-
<b>Total</b>	<b>3,302</b>	<b>20</b>	<b>2,231</b>	<b>38</b>

**2. Information Related To Trading Securities**

**2.1. Trading securities given as collateral or blocked:**

The Bank has no trading securities given as guarantee or blocked as at 31 December 2004 and 2003.

**2.2. Trading securities subject to repurchase agreements:**

The Bank has no trading securities subject to repo transactions as at 31 December 2004 and 2003.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

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#### 3. Information Related To Placements with Foreign Banks

	Unrestricted Amount		Restricted Amount	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
EU Countries	3,680	680	-	-
USA, Canada	4,121	5,228	-	-
OECD Countries*	-	-	-	-
Off-Shore Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>7,801</b>	<b>5,908</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada

#### 4. Information Related To Reverse Repo Transactions

	31.12.2004		31.12.2003	
	TL	FC	TL	FC
From domestic transactions	8,211	-	1,910	-
Central Bank of Turkey	-	-	-	-
Banks	8,211	-	1,910	-
Brokerage Firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Brokerage Firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-

#### 5. Information Related To Available For Sale Assets

##### 5.1. Types of available for sale assets:

Available for sale securities consist of the investment in which the Bank has 3% shareholding in İzmir Vadeli İşlemler Borsası ("Turkish Derivatives Exchange") which the Bank has acquired on 21 June 2002.

##### 5.2. Information on investment securities available-for-sale

	31.12.2004	31.12.2003
Debt securities	-	-
Quoted on a stock exchange	-	-
Not quoted	-	-
Share certificates	234	234
Quoted on a stock exchange	-	-
Not quoted	234	234
Impairment provision (-)	-	-
<b>Total</b>	<b>234</b>	<b>234</b>

### 5.3. Information on available for sale securities given as collateral and their carrying value

As at 31 December 2004 and 2003, the Bank has no available-for-sale securities given as collateral.

### 5.4. Information on the available for sale securities given as guarantee / blocked

As at 31 December 2004 and 2003, the Bank has no available-for-sale securities given as guarantee or blocked.

### 5.5. Available-for-sale securities subject to repo transactions

As at 31 December 2004 and 2003, the Bank has no available-for-sale securities subject to repo transactions.

## 6. Information Related To Loans

### 6.1. Information on all types of loans and advances given to shareholders and employees of the Bank

	31.12.2004		31.12.2003	
	Cash Loans	Non-cash loans	Cash Loans	Non-cash loans
Direct loans granted to shareholders	10,055	375,235	5,436	226,959
Corporate shareholders	10,055	375,235	5,436	226,959
Real person shareholders	-	-	-	-
Indirect Loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	1	-
<b>Total</b>	<b>10,055</b>	<b>375,235</b>	<b>5,437</b>	<b>226,959</b>

### 6.2. Standard loans and other receivables, loans and other receivables closely monitored and restructured and rescheduled loans and receivables

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or Rescheduled	Loans and other receivables	Restructured or Rescheduled
Non-specialized loans	11,551	-	-	-
Discount Notes	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	11,551	-	-	-
International loans	-	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Precious metals loans	-	-	-	-
Other	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>11,551</b>	<b>-</b>	<b>-</b>	<b>-</b>

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

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#### 6.3. Loans according to their maturity structure

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or Rescheduled	Loans and other receivables	Restructured or Rescheduled
Short-term loans	11,551	-	-	-
Non-specialized loans	11,551	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans	-	-	-	-
Non-specialized loans	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

#### 6.4. Information on Consumer Loans

The Bank has no consumer loans as at 31 December 2004 and 2003.

#### 6.5. Loans according to type of borrowers

	31.12.2004	31.12.2003
Public sector	-	-
Private sector	11,551	7,250
<b>Total</b>	<b>11,551</b>	<b>7,250</b>

#### 6.6. Domestic and Foreign Loans

	31.12.2004	31.12.2003
Domestic loans	11,551	7,250
Foreign loans	-	-
<b>Total</b>	<b>11,551</b>	<b>7,250</b>

#### 6.7. Loans granted to subsidiaries and affiliates

There are no loans given to subsidiaries and affiliates.

#### 6.8. Specific provisions provided against loans

There are no specific loan loss provisions as at the balance sheet date.

## 6.9. Information on overdue loans (Net)

### 6.9.1. Information on loans and other receivables restructured or rescheduled from overdue loans

There are no overdue loans and other receivables rescheduled or restructured.

### 6.9.2. Movement of overdue loans and other receivables

The Bank has no overdue loans and other receivables.

### 6.9.3. Information on foreign currency overdue loans and other receivables

The Bank has no foreign currency overdue loans and other receivables.

## 6.10 Information on the policy adopted in collection of uncollectible overdue loans and other receivables

The Bank has no uncollectible overdue loans and other receivables.

## 7. Information Related To Factoring Receivables of The Bank

The bank has no factoring receivables as at the balance sheet date.

## 8. Information on Investment Securities Held-to-Maturity (Net)

### 8.1. Information on investment securities held-to-maturity

	<u>31.12.2004</u>	<u>31.12.2003</u>
Debt securities	127,842	84,557
Quoted on a Stock Exchange	127,842	84,557
Not Quoted on a Stock Exchange	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>127,842</b>	<b>84,557</b>

Held to maturity marketable securities are fully composed of government bonds.

### 8.2. The movement of investment securities held-to-maturity

	<u>31.12.2004</u>	<u>31.12.2003</u>
Beginning Balance	84,557	50,507
Foreign currency differences on monetary assets	-	-
Purchases during year	140,414	96,796
Disposals through sales and redemptions	(86,849)	(56,383)
Inflation Adjustment	(10,280)	(6,363)
Impairment provision (-)	-	-
<b>Period end balance</b>	<b>127,842</b>	<b>84,557</b>

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

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#### 8.3.1. Information on accounts in which investment securities held-to-maturity recorded

Investment securities held-to-maturity	31.12.2004				31.12.2003			
	Historical Cost		Carrying Value		Historical Cost		Carrying Value	
	TL	FC	TL	FC	TP	FC	TP	FC
Given as collateral or blocked	127,842	-	140,972	-	84,557	-	108,456	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Collaterals on securities lending	-	-	-	-	-	-	-	-

#### 8.3.2. Investment securities held-to-maturity given as collateral or blocked

	31.12.2004		31.12.2003	
	TL	FC	TL	FC
Bills	-	-	-	-
Bonds and similar investment securities	127,842	-	84,557	-
Other	-	-	-	-
<b>Total</b>	<b>127,842</b>	<b>-</b>	<b>84,557</b>	<b>-</b>

#### 8.3.3. Held-to-maturity securities subject to repo transactions

The Bank has no held-to-maturity securities subject to repo transactions.

#### 8.3.4. Held-to-maturity securities for structured position

The Bank has no held-to-maturity securities for structured position.

## 9. Information On Affiliates (Net)

### 9.1. Information on affiliates

The Bank has no affiliates as at the balance sheet date.

### 9.2. Movement table of affiliates

The Bank has no affiliates as at the balance sheet date.

### 9.3. Valuation of investments in affiliates

The Bank has no affiliates as at the balance sheet date.

### 9.4. Sectoral information on affiliates and recorded amounts

The Bank has no affiliates as at the balance sheet date.

### 9.5. Affiliates quoted on stock exchange

The Bank has no affiliates as at the balance sheet date.



#### 9.6. Affiliates sold in the current period

The Bank has no affiliates sold in the current period.

#### 9.7. Affiliates purchased in the current period

The Bank did not purchase any affiliates during the current period.

#### 9.8. Shareholders and other members of the group, which have joint voting and control power together with the parent and/or other members of the financial group

As at 31 December 2004 and 2003, the Bank has no shareholders and other members of the group, which have joint voting and control power together with the parent and/or other members of the financial group.

### 10. Information On Subsidiaries (Net)

#### 10.1.1. Information on subsidiaries:

Description	Address (City / Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş.	İstanbul	28,57	65,00

Although the Bank's share in Merkezi Kayıt Kuruluşu A.Ş. ("Central Securities Registry Agency") is 65%, the Bank has not consolidated this subsidiary since its voting right is 2/7 and it has no control power according to the Articles of Association. The subsidiary is carried at inflation adjusted cost amounting to TL 4,825 Billion in the financial statements.

#### 10.1.2. Information on subsidiaries according to order in 10.1.1.

Company Title	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	31.12.2004 Profit/Loss	31.12.2003 Profit/Loss	Fair Value
Merkezi Kayıt Kuruluşu A.Ş. (*)	11,068	7,720	2,817	418	59	2,747	(2,535)	-

(\*) It is taken from the unaudited financial statements arising from the inflation adjustment as at 31 December 2004.

#### 10.2.1. Information on subsidiaries

	31.12.2004	31.12.2003
Balance at the beginning of the period	2,797	1,275
Movements in period	2,028	1,522
Purchases	2,028	1,522
Free shares obtained	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment provision	-	-
Balance at the end of the period	4,825	2,797
Capital commitments	-	-
Share percentage at the end of the period (%)	65	65

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

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#### 10.2.2. Valuation of subsidiaries

	31.12.2004	31.12.2003
Valuation at cost	4,825	2,797
Valuation at fair value	-	-
Valuation at equity method	-	-

#### 10.2.3. Sectoral information of subsidiaries and the related historical carrying amounts in the legal books

Subsidiaries	31.12.2004	31.12.2003
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	4,825	1,947

#### 10.2.4. Subsidiaries quoted on stock exchange

As at 31 December 2004 and 2003, the Bank has no subsidiaries quoted on stock exchange.

#### 10.2.5. Information on subsidiaries

The Bank has no subsidiaries to be consolidated.

#### 10.2.6. Subsidiaries sold in the current period

The Bank has no subsidiaries sold in the current period.

#### 10.2.7. Subsidiaries purchased in the current period

During the current period the Bank did not purchase any subsidiary. The increase in subsidiaries is the Bank's participation to subsidiary's capital increase.

## 11. Information Related to Other Investments

### 11.1. The commitments of the Bank relating to joint ventures apart from other commitments, capital commitments or its share of capital commitments with other venturers, its share in capital commitments of joint ventures in other companies

The Bank has no commitments of the Bank relating to joint ventures apart from other commitments, capital commitments or its share of capital commitments with other venturers, its share in capital commitments of joint ventures in other companies.

### 11.2. Information on joint ventures

The Bank has no joint ventures.

**11.3. Information regarding the joint ventures in the non consolidated financial statements of the Bank which does not prepare consolidated financial statements**

The Bank has no joint ventures.

**12. Information on Finance Lease Receivables (Net)**

**12.1. Presentation of remaining maturities of net investments in finance leases**

As at 31 December 2004 and 2003, the Bank has no finance lease receivables.

**12.2. The information on net investments in finance leases**

As at 31 December 2004 and 2003, the Bank has no finance lease receivables.

**12.3. Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement**

As at 31 December 2004 and 2003, The Bank has no investments with finance lease agreements.

**13. Information on Receivables Arising from Forward Sales of Assets Included in Sundry Debtors**

As at 31 December 2004 and 2003, there are no receivables arising from forward sales of assets included in sundry debtors.

**14. Information On Accrued Interest And Income Receivables:**

**14.1. Information on accrued interest and income receivables**

Accrued interest and income receivables	31.12.2004		31.12.2003	
	TL	FC	TL	FC
Interest receivables	-	-	-	-
Interest accruals	7	-	6	-
Loan commissions and other income receivables	-	-	-	-
Loan commissions and other income accruals	-	-	-	-
<b>Total</b>	<b>7</b>	<b>-</b>	<b>6</b>	<b>-</b>

**14.2. Information on other accrued interest and income receivables**

Other accrued interest and income	31.12.2004		31.12.2003	
	TL	FC	TL	FC
Trading securities	210	-	815	-
Investment securities available-for-sale	-	-	-	-
Investment securities held-to-maturity	13,130	-	23,899	-
Interest accruals of reverse repo transactions	3	-	1	-
Interest accruals of reserve deposits	181	-	238	-
Income accruals of financial derivative instruments	-	-	-	-
Interest and income accruals	-	-	-	-
Income accrual of foreign exchange gains	-	-	-	-
Accruals of factoring receivables	-	-	-	-
Other	1,682	1	1,523	1
<b>Total</b>	<b>15,206</b>	<b>1</b>	<b>26,476</b>	<b>1</b>

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### 15. Information On Fixed Assets (Net)

	Land and buildings	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
<b>Prior Period End:</b>					
Cost	12,314	8,646	1,072	5,002	27,034
Accumulated depreciation (-)	(2,786)	(5,939)	(471)	(4,032)	(13,228)
Net book value	9,528	2,707	601	970	13,806
<b>Current Period End:</b>					
Net book value at beginning of the period	9,528	2,707	601	970	13,806
Additions	-	-	-	118	118
Disposals (-)	-	-	-	(149)	(149)
Impairment (-)	(1,007)	-	-	-	(1,007)
Depreciation (-)	(244)	(1,229)	(194)	(354)	(2,021)
Currency translation differences resulting (-) from foreign investments	-	-	-	-	-
Inflation adjustments	185	-	-	-	185
Closing cost	11,492	8,646	1,072	4,971	26,181
Closing accumulated depreciation (-)	(3,030)	(7,168)	(665)	(4,386)	(15,249)
Closing net book value	8,462	1,478	407	585	10,932

As at 31 December 2003, the net book value of the building is determined by the appraisers as TL 8,370 Billion and its inflation adjusted net book value at 31 December 2004 purchasing power is TL 9,528 Billion. The Bank had its building reappraised as of 31 December 2004 and the net book value is determined as TL 8,462 Billion as per the new appraisal report. In order to bring down the value of the Bank's fixed assets to its appraisal value, TL 1,007 Billion impairment provision is recorded in the current year accounts.

#### 16. Information On Intangible Assets (Net)

##### 16.1. Useful lives and amortisation rates used

Useful lives and depreciation rates are changed at the current year. The Bank has booked the inflation adjustments to its statutory records since 1 January 2004 according to the Law No: 5024 amending Tax Procedural Law. While prior years' depreciation rates were used for the property and equipment acquired before 1 January 2004, new depreciation rates were applied as per their useful lives for those acquired after 1 January 2004.

##### 16.2. Amortisation methods used

The intangible fixed assets are amortized principally on a straight line basis which amortize the assets over their expected useful lives.

##### 16.3. Cost and accumulated amortisation at the beginning and end of the period

	Beginning of the Period		End of the Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Computer Softwares	1,477	948	1,514	1,124

#### 16.4. Movement of cost and accumulated amortisation for the period

	<b>31.12.2004</b>
<b>Beginning balance</b>	<b>529</b>
Amounts internally developed	-
Additions due to mergers, transfers and acquisitions	38
Not used and disposed items	-
Increases or decreases in the revaluation fund	-
Impairment charges	-
Reversal of impairment charges	-
Amortisation charges (-)	(177)
Currency translation differences arising from foreign investments	-
Other differences in book values	-
<b>Closing balance</b>	<b>390</b>

#### 16.5. The net book value, description and the remaining amortisation period of any material individual intangible asset in the financial statements

As at the balance sheet date, the Bank has no single intangible asset which is material in the financial statements as a whole.

#### 16.6. Information on intangible assets which have been acquired with government incentives and initially recognized at fair value, their fair value and book value on the date of acquisition

As at the balance sheet date, the Bank has no assets acquired with government incentives.

#### 16.7. Information about the valuation method subsequent to the initial recognition for intangible assets that were acquired with government grants and initially recognized at fair value

As at the balance sheet date, the Bank has no assets acquired with government incentives.

#### 16.8. Information on the net book value of intangible assets with restricted use or pledged

As at the balance sheet date, there are no intangible assets with restricted use or pledged.

#### 16.9. The information on commitments given for the acquisition of intangible assets

As at the balance sheet date, the Bank has no commitments given for the acquisition of intangible assets.

#### 16.10. Information on intangible assets that are revalued

As at the balance sheet date, the Bank has no intangible assets that are revalued.

#### 16.11. Amount of research and development costs expensed in the current period, if any

The Bank has no research and development costs expensed in the current period.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### 16.12. Information on positive or negative goodwill, which arise from the consolidation of subsidiaries

As at the balance sheet date, the Bank has no goodwill.

#### 16.13. Information on the goodwill

As at the balance sheet date, the Bank has no goodwill in the accompanying financial statements.

#### 16.14. The carrying value of goodwill at beginning and end of the period, and movements within the period

At 31 December 2004 and 2003, the Bank has no goodwill in the accompanying financial statements.

### 17. Information Related To Other Assets

#### 17.1 Information about prepaid expenses, taxes and other similar transactions

The components of prepaid expenses account are insurance expenses, repair and maintenance agreements, monthly membership payments and subscription expenses. Prepaid taxes include advance corporate taxes calculated for the year 2004 as per the Tax Procedural Law.

#### 17.2. Deferred tax asset calculated in extent to the related adjustments and tax deductible loss amount that constitutes a base for the deferred tax asset calculation

According to the APR Communiqué number 18, published on 12 August 2004 and valid from 1 July 2004, deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. According to this communiqué, deferred tax asset amounting TL 1,203 Billion (net) is calculated over the deferred tax basis, which consists of prior years' statutory tax losses carried forward, retirement pay liability, diminution in value and other provisions and valuation differences. However, the Bank did not reflected the calculated deferred tax asset and related deferred tax benefit in its financial statements.

#### 17.3. The description and amounts for items, which constitute at least 20% of other assets if other assets exceed 10% of total assets, excluding off-balance sheet commitments

There are no other assets that exceeds 10% of the total assets excluding the off-balance sheet commitments.

### II. Information And Disclosures Related To Liabilities

#### 1. Information Related To Deposits

##### 1.1. Maturity structure of the deposits

###### 1.1.1. Current Year (31.12.2004)

Since the Bank is a non-deposit taking bank it does not accept deposits.

###### 1.1.2. Prior Year (31.12.2003)

Since the Bank is a non-deposit taking bank it does not accept deposits.

**1.2.1. Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund**

Since the Bank is a non-deposit taking bank it does not accept deposits.

**1.2.2. Information about the saving deposits of Turkish branches of banks abroad if covered by insurance in the country of the foreign bank**

Since the Bank is a non-deposit taking bank it does not accept deposits.

**1.2.3. Saving deposits, which are not under the guarantee of deposit insurance fund**

Since the Bank is a non-deposit taking bank it does not accept deposits.

**2. Information Related To Funds Provided from Repurchase Agreements**

At 31 December 2004 and 2003, the Bank has no funds provided from repurchase agreements.

**3. Information on Borrowings:**

**3.1. Information on borrowings**

At 31 December 2004 and 2003, the Bank has no borrowings.

**3.2. Additional information about the concentrated areas of liabilities and the reasons of concentration based on the customers, sectors or other criteria leading to such concentration:**

The liabilities of the Bank consist of taxes payable and similar payables and cash collaterals and current accounts of the members. The Bank also has liabilities regarding the amounts held due to the fact that it is managing the guarantee funds established for common stock, bond and bill markets on the İstanbul Stock Exchange.

**4. Information Related To Securities Issued**

**4.1.1. Information related to securities issued within the current period**

**4.1.1.1. Information related to securities issued within the current period**

As at 31 December 2004, the Bank has no securities issued.

**4.1.1.2. Information related to marketable securities issued within the prior period**

As at 31 December 2003, the Bank has no securities issued.

**4.2. Information on convertible bonds:**

The Bank has no convertible bonds.

**4.3. Explanation on maturity structure, interest structure and currency type of marketable securities issued**

**4.3.1. Current Period**

At 31 December 2004, the Bank has no securities issued.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### 4.3.2. Prior Period

At 31 December 2003, the Bank has no securities issued.

#### 5. Information Related To Funds Used

##### 5.1. Current Period

As at 31 December 2004, the Bank has no funds used

##### 5.2. Prior Period:

As at 31 December 2003, the Bank has no funds used.

#### 6. Information Related To Sundry Creditors

	31.12.2004	31.12.2003
Total amount of cash collateral obtained	9,631	13,151
Unrestricted Member and Special Purpose Accounts	5,062	1,421
Other Sundry Debtors	104	423
<b>Total</b>	<b>14,797</b>	<b>14,995</b>

The cash collaterals taken are composed of cash guarantees from the members to make transactions on Stock Exchange Money Market, Margin Trading, Securities Lending Operations and Futures Market.

#### 7. Information Related To Taxes and Other Dues Payable

##### 7.1. Deferred Tax Liability Calculated As Per Related Regulations

The Bank's deferred tax assets and liabilities are netted off. (Please also see Note 17.2 of Section Five, Information And Disclosures Related To Assets.)

##### 7.2 The Description and Amounts For Items, Which Constitute At Least 20% Of Other Liabilities If Other Liabilities Exceed 10% Of Total Assets, Excluding Off-Balance Sheet Commitments

	31.12.2004	31.12.2003
ISE Guarantee Fund - Share Certificates	29,857	27,977
ISE Guarantee Fund - Bonds	46,614	43,772
Other	9,125	3,249
<b>Total</b>	<b>85,596</b>	<b>74,998</b>



## 8. Information Related To Taxes and Other Dues Payable

### 8.1. Information on taxes payable

	31.12.2004	31.12.2003
Corporate taxes payable	-	-
Taxation of securities	2,158	2,925
Property tax	-	-
Banking Insurance Transaction Tax (BITT)	298	275
Foreign Exchange Transaction Tax	-	-
Value added tax payable	7	6
Other	340	331
<b>Total</b>	<b>2,803</b>	<b>3,537</b>

### 8.2. Informations on other dues

	31.12.2004	31.12.2003
Social Security Premiums-Employee	80	74
Social Security Premiums-Employer	116	106
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	6	6
Unemployment insurance-Employer	11	10
Other	-	-
<b>Total</b>	<b>213</b>	<b>196</b>

## 9. Information Related to Factoring Payables

As at 31 December 2004 and 2003, the Bank has no factoring payables.

## 10. Information Related To Financial Leasing

10.1. General information about important terms of the leasing contracts, including criteria used to determine contingent installments of financial lease contracts, existing conditions for renewals and purchase options, and any restrictions in the contract bringing material liabilities to the bank

The Bank has no financial leasing agreement made in the current period.

10.2. Detailed explanations about changes in the contracts and the new liabilities incurred due to such changes

The Bank has no financial leasing agreement which are likely to change.

10.3. Liabilities incurred due to financial leasing agreements

There are no liabilities incurred due to financial leasing agreements.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### 10.4. Explanations and disclosures on operating leases

The Bank has no operational leasing.

#### 10.5. Explanations on contractual conditions and special terms for the lessee and the lessor related to sale and lease back transactions

The Bank does not engage in sale and lease back transactions.

#### 11. Information Related To Accrued Interest and Expenses Payables

	31.12.2004		31.12.2003	
	TL	YP	TL	YP
Accrued interest on deposits	-	-	-	-
Accrued interest on borrowings	-	-	-	-
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreements	-	-	-	-
Accrued interest on financial derivative instruments	-	-	-	-
Accrued interest and expenses	-	-	-	-
Foreign exchange losses accrued	-	-	-	-
Accruals on factoring payables	-	-	-	-
Other interest and expense accruals	101	-	58	-
<b>Total</b>	<b>101</b>	<b>-</b>	<b>58</b>	<b>-</b>

#### 12. Information Related To General Provisions And Subordinated Loans

##### 12.1. Information on general provisions

	31.12.2004	31.12.2003
General provisions	241	313
Provisions for First Group Loans and Receivables	213	292
Provisions for Second Group Loans and Receivables	-	-
Provisions for Non-Cash Loans	28	21
Others	-	-

##### 12.2. Information on retirement pay provision and notification indemnity

	5 PP	4 PP	3 PP	2 PP	Prior Period	Current Period
Actual Payments of Employee Termination Benefits	38	98	30	59	51	55
Reserve for Employee Termination Benefits and Notification Indemnity	2,765	3,406	3,194	3,634	3,856	4,211
Actual Payment Ratio	1%	3%	1%	2%	1%	1%
Ratio of reserve for Employee Termination Benefits and Notification Indemnity						2%
Possible reserve for Employee Termination Benefits and Notification Indemnity						69

The expected retirement pay provision and notification indemnity calculated as actual payment rates is TL 69 Billion. Because the expected retirement pay provision and notification indemnity calculated as at the balance sheet date is lower than that of the previous year, the previous year uninflation adjusted balance of TL 107 Billion is accepted.

### 12.3. Liabilities resulting from retirement benefits

#### 12.3.1. Liabilities for retirement foundations established in accordance with "Social Security Institution":

The Bank has no retirement foundations established in accordance with "Social Security Institution" as of the balance sheet date.

#### 12.3.2. All kinds of liabilities for pension funds and foundations that provide benefits for the employees after retirement:

As at 31 December 2004, the İMKB Takas ve Saklama Bankası Guarantee Fund (the "Fund"), in which 25 of the Bank's 232 employees participate, is established in order to pay to the Bank any probable deficit or charge or abuse which might be due by these 25 members. The Bank has no liability to the Fund.

### 12.4. Explanation on nature of provisions, amount and timing for the expected payment by giving reference to related uncertainties

The Bank accounts for general loan loss provisions and retirement pay provision for the period ended as per the conservatism principle. There is no uncertainty on nature, timing and payments for these provisions.

#### 12.5. Provision of exchange rate differences from loans indexed to foreign currencies

The Bank has no exchange rate losses from loans indexed to foreign currencies as at balance sheet date.

#### 12.6. Explanation related to provision for diminution in value with respect to settlement day accounting

The Bank has no provision for diminution in value with respect to settlement date accounting.

#### 12.7. Provision for non-cash loans which are not collected or liquidated

The Bank has no provision for non-cash loans which are not collected or liquidated.

### 12.8. Information related to other provisions

#### 12.8.1. Information on provisions for possible risks

There are no provisions for possible risks as at the balance sheet date.

#### 12.8.2. The accounts and their value which makes the other provisions exceed 10% of total provisions

The Bank's other provisions do not exceed 10% of the total provisions as of the balance sheet date.

### 12.9. Detail explanations on the number of subordinated loans, maturity, interest rate, creditor institution, and, if any, the option of conversion to stocks

The Bank has no subordinated loans as at the balance sheet date.

#### 12.10. Information on subordinated loans

The Bank has no subordinated loans as at the balance sheet date.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### 13. Information on Shareholders' Equity:

##### 13.1. Presentation of paid-in capital

	31.12.2004	31.12.2003
Common stock	60,000	60,000
Preferred stock	-	-

The Bank has TL 200 million preferred shares owned by İstanbul Stock Exchange as at 31 December 2004.

##### 13.2. Amount of paid in capital, explanation about whether the registered share capital system is used, if this system is used the amount of registered share capital

The registered capital system is not used in the Bank.

##### 13.3. Information on share capital increases and their sources; other information on increased capital in current period

The Bank has no capital increase during the current period.

##### 13.4. Information on share capital increases from revaluation funds

The Bank has no share capital increases from revaluation funds in the current period.

##### 13.5. Significant share capital commitments until the end of the fiscal year and the subsequent interim period, the general purpose of these commitments and the estimated resources for these capital commitments

The Bank has no capital commitments until the end of the fiscal year and the subsequent interim period.

##### 13.6. Explanation on possible effects of uncertainties and commitments on capital resources of the Bank and past performance indications about the major revenues, profitability and liquidity of the Bank

The Bank continues its operations with high profitability. A small portion of the Bank's capital is directed for investments made to the property and equipment and subsidiaries. The Bank has a high level of capital and utilizes it in liquid and high yielded assets. When all these facts are taken into consideration, the Bank's capital is continuously strengthening.

##### 13.7. Summary information about preferences given to shares representing the capital

As at 31 December 2004, the Bank has preferred stocks with a nominal value of TL 200 Million. These preferred stocks that belong to İstanbul Stock Exchange, give the shareholders the right to be presented with more members in the Board of Directors.

#### 14. Stock Issue Premiums, Shares and Equity Instruments

	31.12.2004	31.12.2003
Number of shares (Thousand)	599,998	599,998
Preferred stock (Thousand)	2	2
Common stock issue premium	-	-
Common stock cancelling profit	-	-
Other equity instruments	-	-
<b>Total stock issued</b>	<b>600,000</b>	<b>600,000</b>

## 15. Information Related To Marketable Securities Value Increase Fund

### 15.1. Information on marketable securities value increase fund

As at the balance sheet date, there is no marketable securities value increase fund

### 15.2. Information on the presentation of foreign exchange gains arising from foreign currency affiliates, subsidiaries and available-for-sale securities in the financial statements

The Bank has no foreign currency affiliates, subsidiaries and investments available-for-sale.

### 15.3. Explanation on the amount of cumulative foreign exchange differences relating to prior years and included in shareholders' equity as a separate line item when the accounting standard on the effect of changes in foreign exchange rates initially applied

The Bank has no cumulative foreign exchange differences relating to prior years and included in shareholders' equity.

## 16. Information Related to Revaluation Fund

Revaluation fund is eliminated in the accompanying financial statements as per the inflation accounting adjustments. The bank eliminated the revaluation funds accumulated till 31 December 2003 after Tax Procedural Law No: 5024 application and did not make revaluation in the year 2004.

## 17. Information Related to Revaluation Fund

The bank eliminated the revaluation funds accumulated till 31 December 2003 after TPL 5024 application and did not make revaluation at the current year.

## 18. Information Related to Legal Reserves

	<b>31.12.2004</b>	<b>31.12.2003</b>
I. Legal reserves	3,071	-
II. Legal reserves	182	-
Other legal reserves allocated per special legislation		
<b>Total</b>	<b>3,253</b>	<b>-</b>

Legal reserves of the Bank were fully netted off against prior year losses as at 31 December 2003 on the Bank's legal books. Legal reserves in the accompanying financial statements as of 31 December 2004 represent the amount transferred from net profit of the prior year; which is TL 34,228 Billion (nominal) on the financial statements as at 31 December 2003 prepared in accordance with Accounting Practices Regulation; to legal reserves during the profit distribution realized with the decision of General Assembly of the Bank dated 18 March 2004.

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### 19. Information Related To Extraordinary Reserves

	31.12.2004	31.12.2003
Reserves allocated by the General Assembly	12,357	-
Retained Earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
<b>Total</b>	<b>12,357</b>	<b>-</b>

Extraordinary reserves of the Bank were fully netted off against prior year losses as at 31 December 2003 on the Bank's legal books. Extraordinary reserves in the accompanying financial statements as of 31 December 2004 represent the amount transferred from net profit of the prior year; which is TL 34,228 Billion (nominal) and reversal of prior year overaccrual of taxes on the financial statements as at 31 December 2003 prepared in accordance with Accounting Practices Regulation; to extraordinary reserves during the profit distribution realized with the decision of General Assembly of the Bank dated 18 March 2004.

#### 20. Information on shareholders having more than 10% shareholding, minority interest or voting right

##### 20.1. Information on minority interest

There is no minority interest in the stand alone financial statements of the Bank.

##### 20.2. Information on shareholders having more than 10% shareholding

Name/Commercial title	Share Amounts (*)	Share Percentage	Paid-in capital	Unpaid portion
ISE	15,300	25.50%	15,300	-

(\*) Refers to nominal amounts.

40.43% of the remaining 74.50% of the shares belongs to banks and 34.07% belongs to securities intermediary institutions.

#### III. Information And Disclosures Related To Income Statement

##### 1. Interest Income Received

##### 1.1. Information on interest income received from affiliates and subsidiaries

There is no interest income received from affiliates and subsidiaries.

##### 1.2. Information on financial leasing income

There is no financial leasing income.

##### 1.3. Interest received from reverse repo transactions

There is no interest received from reverse repo transactions. In the Receivables from Reverse Repurchase Agreements account, the Bank has investment securities purchased under commitments to resell amounting to TL 8,211 Billion. These relate to problem intermediary members and therefore, corresponding income accruals are recorded under other liabilities without recognizing them in the income statement.

##### 1.4. Information on interest from the factoring receivables

There is no interest from the factoring receivables.

## 2. Interest Expenses Given

### 2.1. Information on interest expenses given to affiliates and subsidiaries

There are no interest expenses given to affiliates and subsidiaries.

### 2.2. Information on financial leasing expenses

There are no financial leasing expenses.

### 2.3. Interest expenses on deposits by original opening maturities

There are no interest expenses on deposits since the Bank is not accepting deposits.

### 2.4. Interest expenses given to repo transactions

There is no interest expenses given to repurchase agreement transactions.

### 2.5. Information on interest on factoring transactions

There is no interest expense given to factoring transactions.

## 3. Information Related With Other Operating Income

Other operating income mainly consists of commission and fee income obtained related with common stock and public sector debt securities custody, customer name based custody, account maintenance, bonus share collection and stock exchange settlement operations in line with the main activities of the Bank.

Extraordinary income resulting from extraordinary transactions and the nature and the quantity of these extraordinary transactions:

As at the balance sheet date, the Bank has not generated any extraordinary income resulting from extraordinary transactions.

## 4. Provision Expenses Related To Loans And Other Receivables Of The Bank

	2004	2003
Specific provisions for loans and other receivables	-	-
III. Group	-	-
IV. Group	-	-
V. Group	-	-
General provision expenses	241	313
Provision expenses for possible losses	-	-
Foreign exchange differences on foreign currency losses	-	-
Marketable securities impairment expenses	-	-
Trading securities	-	-
Investment securities available for sale	-	-
Impairment provisions	-	-
Investment and Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Investment securities held to maturity	-	-
Other	-	-
<b>Total</b>	<b>241</b>	<b>313</b>

# İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2004

(Unless otherwise stated, all amounts are expressed in purchasing power of Billion Turkish Lira (Billion TL) as at 31 December 2004.)

#### 5. Information Related To Other Operating Expenses

##### 5.1. Information related to other operating expenses

	2004	2003
Personnel Expenses	13,248	12,328
Reserve for Employee Termination Benefits	-	13
Bank social aid fund deficit provision	-	-
Depreciation charges for property and equipment	2,021	2,722
Amortization charges for intangible assets	177	167
Other Operating Expenses	4,294	3,340
Maintenance Expenses	62	63
Advertisement Expenses	443	59
Other Expenses	3,789	3,218
Loss on sales of assets	-	-
Operational Leasing Expenses	26	30
Other	2,088	792
<b>Total</b>	<b>21,854</b>	<b>19,392</b>

##### 5.2. The nature and amount of expenses due to extraordinary items and tax effect of extraordinary items

There are no expenses due to extraordinary items in the current year.

##### 5.3.1. The income statement item in which goodwill amortization is included

The Bank has no goodwill.

5.3.2 A statement whether the negative goodwill, if any, is determined in accordance with principles identified in article 16 of the accounting standard on the Accounting for Mergers Takeovers of Banks and Acquisitions of Entities by Banks, the timing and amount of anticipated expenses and losses, the periods in which the negative goodwill will be recognized as income, and the income statement items in which this income is recorded

The Bank has no negative goodwill.

#### 6. Income and Expenses from Affiliates and Subsidiaries

##### 6.1. The profit and losses from subsidiaries and affiliates

There is no profit and loss from subsidiaries and affiliates.

##### 6.2. The profit or loss from affiliates accounted for under the equity method

The Bank has no affiliates that is accounted for at the equity method.

##### 6.3. Income or expenses arising from the transaction with the Bank's own group

The information on gains and losses on transactions entered with real and judicial persons in the Bank's own risk group is given in section "VIII. Information and Disclosures Related to Bank's Own risk Group".



## **7. Information Related With Net Income/Loss For The Period**

**7.1. Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for understanding the performance of the Bank in the current period**

The income and expenses of the Bank from the settlement and custody services in the Capital Markets are continuous since the establishment of the Bank, except for the new services. Therefore, there is no change in the nature, amount and frequency of income and expenses arising from ordinary banking activities that will affect the performance of the Bank.

**7.2. The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:**

There are no changes in the accounting estimates and accordingly any effect on the income/loss for the period.

**7.3. Minority share of profit and loss**

There is no profit and loss from minority interest in the accompanying financial statements.

## **8. Nature And Amount Of Changes In Accounting Estimates, Which Materially Affect The Current Period And Are Expected To Affect The Following Periods:**

There are no changes in the accounting estimates of the Bank which materially affect the current period and are expected to affect the following periods.

## **IV. Information And Disclosures Related To Off-Balance Sheet Items**

### **1. Information Related To Contingent Liabilities**

**1.1. Explanation related to all the matters explained below separately from other contingent liabilities**

**1.1.1. Contingent liabilities arising from joint ventures and share in contingent liabilities together with other venturers**

The Bank has no joint ventures.

**1.1.2. Share in contingent liabilities of joint venture:**

The Bank has no joint ventures.

**1.1.3. Bank's contingent liabilities arising from its responsibility due to the liabilities of other ventures in joint ventures**

The Bank has no joint ventures.

**1.2. Accounting for contingent assets and liabilities, disclosure in the financial statements and possibility of realization of contingent liabilities:**

**1.2.1. For contingent assets, if the probability of the occurrence is virtually certain, this asset will be accounted for, but if the probability of the occurrence is high, it is disclosed in the notes.**

The Bank does not have any contingent asset.

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1.2.2. For contingent liabilities, if the probability of the occurrence is high and the liability can be reliably measured, a provision will be booked for this liability, but if it cannot be measured reliably, this liability will be disclosed in the notes to the financial statements. In addition, if the probability of the occurrence of the contingent liability is low or there is no such a probability, it is disclosed in the notes.

i. Estimations for the financial effects of contingent assets and liabilities

The Bank has no contingent asset or liability.

ii. Expected realization date of contingent gains or losses

The Bank has no contingent gain or loss.

#### 2. Explanation Related to Derivative Financial Instruments

The Bank has no derivative financial instruments as at 31 December 2004, and 2003.

#### 3. Information Related To Off-Balance Sheet Items

##### 3.1. Types and Amounts of Irrevocable Loan Commitments

The Bank has no irrevocable loan commitments.

##### 3.2. Probable losses and obligations arising from off-balance sheet items:

###### 3.2.1. Non-cash loans including guarantees, banker's acceptances, letters of credit and other financial guarantees:

The Bank plays an intermediary role between the buyer and the seller in the stock exchange money market and provides guarantees to cover non-payment of debts; and follows such risks in this market under non-cash loan accounts. Limits are set for the members for stock exchange money market transactions and there is continuous liability for keeping collateral for these limits. Such collaterals are kept in the Bank at multipliers of loan limits determined according to the extent, which they can be sold. The non-cash loans of the Bank consists TL 804,369 Billion as at 31 December 2004. The total value of collaterals received is TL 2,066,499 Billion (Cash, public sector debt securities, letters of guarantee and market value of common stocks).

###### 3.2.2. Long standing guarantees, temporary guarantees, sureties and similar transactions

The Bank has no long standing guarantees, temporary guarantees, sureties or similar transactions.

#### 4. Segmental Information Related to Off-Balance Sheet Items

The Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities. The Bank's Off-Balance Sheet items mostly consist of deposited and pledged securities.

#### 5. Total Non-Cash Loans

##### 5.1. Total amount of non-cash loans

	31.12.2004	31.12.2003
Guarantees given against cash loans	-	-
With maturity of 1 year or less	-	-
With maturity of more than 1 year	-	-
Other non-cash loans	804,369	554,159
<b>Total</b>	<b>804,369</b>	<b>554,159</b>

## 5.2. Restrictions on fixed assets such as lien and mortgages, capital expenditures and commitments for fixed asset acquisitions

The Bank has no restrictions on fixed assets such as lien and mortgages. Furthermore, the Bank has no capital expenditures and commitments for fixed asset acquisitions

## 6. Information Related To Services Delivered In The Name And Account Of Others

The Bank, carries out settlement, custody and other necessary transactions for marketable securities, precious metals and other securities and it executes the settlement of commitments and receivables arising from cash and securities purchase and sale in the stock exchanges. Besides, the Bank opens custody accounts for its customers, institutional investors and companies quoted on the İstanbul Stock Exchange and on other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the individual investors; performs the procedures related to the obtaining of bonus shares, use of preemptive rights, on time collection of dividends, principal and interest, replacement of certificates representing the marketable and other securities and additional financial services.

## 7. Brief Information Related To Rating Carried Out By International Rating Firms

There is no rating of the Bank carried out by international rating firms.

## 8. Risk Concentration

### 8.1. Sectoral risk concentrations of non-cash loans

	31.12.2004				31.12.2003			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and raising livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	804,369	100.00	-	-	554,159	100.00	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel, food and beverage services	-	-	-	-	-	-	-	-
Transportation and telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	804,369	100.00	-	-	554,159	100.00	-	-
Real estate and renting services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>804,369</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>554,159</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

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#### 8.2. Information related to first and second group non-cash loans

	1. Group		2. Group	
	TL	FC	TL	FC
Non-cash loans	804,369	-	-	-
Letters of guarantee	-	-	-	-
Bank acceptances	-	-	-	-
Letters of credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	804,369	-	-	-

#### V. Information And Disclosures Related To Shareholders' Equity

##### 1. Information on Adjustments Arising From The Application of The Standard On Accounting For Financial Instruments In The Current Period

###### 1.1. Information on the increase arising from the revaluation of securities available-for-sale

The Bank has not revalued its securities available-for-sale.

###### 1.2. Information on increases in the cash flow hedges

The Bank has no derivative or non-derivative assets or liabilities designated as hedging instrument with respect to cash flow hedge.

###### 1.2.1. Beginning and ending cash flow hedges and their reconciliation

There are no cash flow hedge transactions.

###### 1.2.2. Information on the amount of profit or loss arising from cash flow hedges relating to a financial derivative or non-derivative financial instrument which is included in shareholders' equity

There are no cash flow hedge transactions.

###### 1.3. Reconciliation between beginning and ending balances for foreign currency differences

There are no cash flow hedge transactions.

##### 2. Information Related To Adjustments Arising From The Application Of The Accounting Standard On Accounting For Financial Instruments In The Current Period

###### 2.1. Information on available-for-sale investments

Information on amount of gains or losses arising from the fair valuation which is recorded in equity and recycled to the income statement for available-for-sale securities (excluding hedging instruments):

There is no amount of gains or losses arising from the fair valuation of securities available for sale (excluding hedging instruments) which is recorded in equity.

## 2.2. Information on cash flow hedges

For cash flow hedges, information on the amount of gain or loss arising from the hedging instrument and recorded in the income statement which was previously recorded under shareholders' equity:

There are no cash flow hedge transactions.

## 3. Information About Dividends

### 3.1. Amount of dividends declared after the balance sheet date but before the issue of the financial statements:

There are no dividends declared by the Bank after the balance sheet date but before the issue of the financial statements.

### 3.2. Net dividend per share proposed after balance sheet date:

There are no dividends proposed by the Bank after the balance sheet date.

## 4. Amounts Transferred To Legal Reserves

	2004	2003
Amount transferred to legal reserves from retained earnings (+)	3,253	-

According to the general assembly decision on 18 March 2004, TL 34,228 Billion (nominal) profit as at 31 December 2003 prepared according to the Accounting Practices Regulation is to be distributed to shareholders. According to this, the indexed value of first legal reserves that was booked prior to profit distribution is TL 3,071 Billion and the indexed value of second legal reserves that was booked after the dividend payment to the shareholders is TL 182 Billion.

## 5. Information Related to Securities Issued

### 5.1 For all shareholder classes; any rights, privileges and restrictions including dividend restrictions and redemption of shares

The Bank has no rights, privileges, or restrictions on dividends and redemption of shares for any shareholder classes.

## 6. Explanations Related to the Other Capital Increase Items in the Shareholders' Equity Movement Table

The Bank has no capital share increase in the current year.

## VI. Information And Disclosures Related To Statement Of Cash Flows

### 1. Explanations About Other Cash Flows Items And The Effect of Changes In Foreign Exchange Rates In Cash And Cash Equivalents

The "Other" balance under "Operating profit before changes in operating assets and liabilities" amounting to TL 29,778 Billion consists of items such as fees and commissions expense, other operating income, other operating expense excluding payroll expenses.

The "Net increase / (decrease) in other liabilities" balance under "Changes in operating assets and liabilities" amounting to TL 9,683 Billion consists of changes in other external resources where ISE Guarantee Fund is recorded, sundry creditors, other liabilities and taxes and other duties payable.

The effect of changes in the foreign currency rates on cash and cash equivalents is reflected on net foreign exchange gains / (losses). The foreign exchange gains / (losses) balance mentioned above is included in "IV. The Effect of Changes in the Foreign Currency Rates on Cash and Cash Equivalents" item of the cash flows statement.

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#### 2. Information about Cash Flows From Acquisition of Affiliates, Subsidiaries, and Other Investments

	2004	2003
Cash and Cash Equivalents on Acquired Investment	-	-
Loans	-	-
Other Assets	2,028	1,522
Deposits Matured	-	-
Other Laibilities	-	-
Goodwill	-	-
Cash Payments on Acquisitions	2,028	1,522
Forreign Currency Gains	-	-
Acquisition Cost	2,028	1,522
Cash and Cash Equivalents on Subsidiaries Acquired	-	-
Cash Outflows from Acquisitions	2,028	1,522

#### 3. Information About Disposal Of Affiliates, Subsidiaries, And Other Investments

There is no cash inflow due to disposal of affiliates, subsidiaries and other investments in the current and prior period.

#### 4. Information Related To Cash And Cash Equivalents At The Beginning Of The Period

	1.01.2004	1.01.2003
Cash	3,057	2,891
Cash and Foreign Currency	7	3
Central Bank - Deposit	2,269	2,692
Cash and Other Financial Institutions - Demand Deposit	781	196
Cash Equivalents	138,736	160,053
Central Bank - Time deposit with maturity less than 3 months	-	-
Banks and Other Financial Institutions - Time deposit with maturity less than 3 months	45,754	8,713
Receivables from interbank money markets	92,982	151,340
<b>Total Cash and Cash Equivalents</b>	<b>141,793</b>	<b>162,944</b>

#### 5. Information On Cash And Cash Equivalents At The End Of The Period:

	31.12.2004	31.12.2003
Cash	7,025	3,057
Cash and Foreign Currency	2	7
Central Bank - Demand Deposit	3,322	2,269
Banks and Other Financial Institutions - Demand Deposit	3,701	781
Cash Equivalents	127,875	138,736
Central Bank - Time deposit with maturity less than 3 months	-	-
Banks and Other Financial Institutions - Time deposit with maturity less than 3 months	35,664	45,754
Receivables from interbank money markets	92,211	92,982
<b>Total Cash and Cash Equivalents</b>	<b>134,900</b>	<b>141,793</b>

#### **6. Amount And Nature Of Cash And Cash Equivalents Of The Bank That Are Not Freely Useable Due To Legal Restrictions Or Other Reasons**

There are no cash and cash equivalents of the Bank that are not freely useable due to legal restrictions or other reasons.

#### **7. Additional Information Related To Financial Position And Liquidity Of The Bank**

##### **7.1. Any unused financial facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities**

There are not any unused financial facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

##### **7.2. Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank.**

The cash flows needed to run ordinary operations of the Bank are monitored on a daily basis. Cash flows showing an increase in the operational capacity of the Bank is evaluated within the same context.

#### **VII. Information And Disclosures Related To Accounting For Bank Mergers And Transfers And Acquisitions**

##### **1. For All Business Combinations Including Takeovers, the Name and Type of Merging Entities, Accounting Policy Used to Account for the Business Combination, Effective Date of the Merger And Discontinued Operations**

The Bank has not realized any merger transactions.

##### **2. Information On Acquisitions**

###### **2.1. Explanation about the period acquisitions realized**

The Bank had no acquisition.

###### **2.2 Net book value of provisions provided on each acquisition:**

The Bank had no acquisition.

###### **2.3. For an acquisition, reasons if fair value of assets and liabilities or acquisition value can not be measured reliably at the date of acquisition and information on any corrections done, if any, on the temporarily estimated fair values.**

The Bank had no acquisition.

##### **3. For Mergers and Takeovers, Information Disclosed In The Financial Statements Of The Period In Which The Transaction Occurs**

###### **3.1. Description and number of shares issued, share exchanges, and share percentage for each shareholder:**

The Bank had no acquisition or takeover.

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3.2. Amounts of assets and liabilities that have been allocated to the merger by each bank:

The Bank had no acquisition or takeover.

3.3. Pre-merger or takeover sales revenue, other operating income, extraordinary income and expenses, and net profit or losses which are included in the financial statements prepared subsequent to merger or takeover

The Bank had no acquisition or takeover.

#### 4. Information on Bank Mergers after The Balance Sheet Date But Before The Financial Statements Are Approved For Issue Or Reasons If An Explanation Cannot Be Provided

The Bank has not realized any merger and/or takeover transactions after the balance sheet date.

### VIII. Information And Disclosures Related To Bank's Own Risk Group

#### 1. Information On The Volume Of Transactions Related To The Bank's Own Risk Group, Outstanding Loan And Deposit Transactions And Income And Expenses Of The Period

##### 1.1. Current Period (31.12.2004)

Bank's Own Risk Group (*)	Affiliates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Others Included in the Same Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other Receivables	-	-	-	-	-	-
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Interest and Commission Income Received	-	-	2,832	-	-	-

\* Defined in the 20th Article of the "Regulation on the Establishment and Operations of Banks".

##### 1.2. Prior Period (31.12.2003)

Bank's Own Risk Group (*)	Affiliates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Others Included in the Same Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables	-	-	-	-	-	-
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Interest and Commission Income Received	-	-	2,795	-	-	-

\* Defined in the 20th Article of the "Regulation on the Establishment and Operations of Banks".

##### 1.3.1. Information on deposit held by Bank's own risk group

The Bank has no deposits belonging to the Bank's own risk group.



### 1.3.2. Information on forward, option and other similar agreements made with Bank's own risk group

The Bank has no forward, option and other similar agreements with the Bank's own risk group.

## 2. Information Related to Bank's Own Risk Group

2.1. Regardless of the existence of any transactions between the parties, Bank's relations with the Bank's own risk group and with the entities controlled by the Bank

There are not any entities in the Bank's own risk group controlled by The Bank.

2.2. In addition to the relations, types of the transactions, their amount and their share in total volume, the amounts of major balances and their proportion in the total, pricing policy and other issues

	Risk Group	Total	Share
Other Liabilities	76,471	85,596	89.34%

The amount related to the risk group in the other liabilities' consists of ISE Guarantee Fund. ISE Guarantee Fund is established from its own resources in order to prevent delays in custody transactions. The Fund assures that members with receivable balances are not affected by delays in payments by members for balances due.

2.3. Except for the instances that require separate explanations about their effects in the financial statements, information for similar transactions:

The information on relations and transactions with Bank's own risk group is given in the note 2.2. of section "VIII. Information and Disclosures Related to Bank's Own risk Group".

2.4. Transactions accounted for under the equity method:

There is no transaction accounted for under the equity method.

2.5. Trading of property and other assets, services performed, agency agreements, leasing contracts, transferring the know-how, licensing dealings, financing (including loans and cash capital and capital in kind contributions), guarantees, commitments and management agreements.

The information on relations and transactions with Bank's own risk group is given in the note 2.2. of section "VIII. Information and Disclosures Related to Bank's Own risk Group".

## IX. Information and Disclosures Related To Inflation Accounting

### 1. Explanation Related To The Adjustments Made In The Accompanying Financial Statements To Compensate For The Effect Of Changes In The General Purchasing Power Of Turkish Lira As Of The Balance Sheet Date

In the accompanying financial statements, adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of the balance sheet date.

### 2. Explanation Related With The Cost Basis Applied Before The Financial Statements Are Adjusted For Inflation

The accompanying financial statements are prepared based on the historic costs and statutory records. The Bank eliminated the revaluation funds accumulated until 31 December 2003 after Tax Procedural Law No: 5024 application and did not make revaluation during the year 2004.

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#### 3. Explanation About Conversion Factors Used To Restate The Accompanying Financial Statements, And The Wholesale Price Index Used To Restate The Financial Statements And The Level Of The Index As At The Balance Sheet Date And Movements In the Last Two Years

The cumulative three-year inflation rate as at the balance sheet date is 69,72% and 13,8% at the current year based on the countrywide wholesale price index announced by the Turkish State Institute of Statistics. Indexation adjustments were calculated by using wholesale price indices published by the BRSA and the SIS.

Such index and conversion factors used to restate the accompanying financial statements as of the end of each period to the balance sheet date are given below:

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

#### 4. Adjustments To Non-Monetary Items

Non-monetary items are restated by multiplying initial acquisition costs with factors that are derived by dividing the current year end index with the index at the initial acquisition date of the non-monetary item and deducting accumulated depreciation calculated from the restated amounts and allowances provided for impairment losses, if any.

#### 5. Explanation Related With The Useful Lives, Depreciation Calculations Made According To The Related Regulations And The Restated Amounts Of Depreciable Assets, Together With Explanation About The Existence Of Any Appraisal Reports For Determination Of Fair Value Of Such Assets

The Bank amortizes its depreciable assets which are acquired after 1 January 2004 using the new depreciation rates subsequent to Tax Procedural Law No: 5024 application. Those assets which are acquired before 1 January 2004 are amortized as below.

The Bank determines the expected useful lives of the assets that are subject to depreciation as 50 and 5 years for buildings and other fixed assets, respectively. The Bank reviews the expected useful lives of its depreciable assets periodically.

The Bank contracted TSKB Gayrimenkul Ekspertiz to carry out an appraisal valuation as of 31 December 2004 for its headquarters building located in Şişli. Based on the opinion of the appraisers, the value of the building is determined as TL 8,462 Billion and the restated value of the building has brought down to its appraisal value by decreasing TL 2,345 Billion.

#### 6. Explanation Related With Legal Reserves And Paid-in-Capital That Is Calculated According To The Regulations Of The Turkish Commercial Code And The Bank's Articles Of Association

In the Board of Directors meeting dated 31 January 2003 No:106/1, the accumulated losses of balance sheet as at 31 December 2002 are decided to be offset in the financial statements prepared as at 31 December 2003 against, in the order of, the net profit of 2002, extraordinary reserves, legal reserves and capital reserves arising from the inflation adjustment, as per the Article 28 of Communiqué Number 14.

Paid-in nominal capital in the legal books of the Bank is TL 60,000 Billion and capital reserves arising from the inflation adjustment is TL 123,856 Billion as of the balance sheet date. As referred to in the above paragraph, after offsetting against accumulated losses the remaining capital reserve is TL 96,788 Billion.

The inflation adjusted legal reserves of the Bank are TL 19,844 Billion as of the balance sheet date. The inflation adjusted legal reserves of the Bank amounting to TL 16,591 Billion arising from prior years have been fully offset against the accumulated losses. Legal reserves existing in the balance sheet amounting to TL 3,253 Billion consist of legal reserves appropriated from the year 2003 profit.

The inflation adjusted extraordinary reserves of the Bank are TL 16,532 Billion as of the balance sheet date. The inflation adjusted extraordinary reserves of the Bank amount to TL 4,175 Billion arising from prior years have been fully offset against the accumulated losses. Extraordinary reserves existing in the balance sheet amounting to TL 12,357 Billion consist of extraordinary reserves booked from the year 2003 profit and reversal of the overaccrual of prior year's corporate tax provision.

**7. Purchasing Power Gain Or Loss From Monetary Items, Interest And Foreign Currency Income Or Expenses Related To The Net Monetary Position Gain (Loss) From The Funds Borrowed Or Received For Items That Were Deducted From The Net Monetary Gain (Loss) And Disclosed Separately In The Income Statement**

There are no items that that were deducted from the net monetary gain (loss) and disclosed separately in the income statement.

**8. Information Whether The Previous Period Financial Statements Have Been Audited**

Financial statements of the Bank for the prior year were audited by DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) with an unqualified opinion.

**9. Explanation About Retained Earnings/(Accumulated Losses) Until The Beginning Of The First Period For Which Financial Statements Were Adjusted For Inflation, Previous Year Income(Loss) Calculated By Deducting Inflation Adjusted Total Liabilities And Shareholders' Equity From Total Assets**

There are no retained earnings/(accumulated losses) balance as a consequence of the first time application of inflation accounting.

**10. Explanation Related With Income And Expenses That Accrued During The Period And Expenses Incurred And Income Generated Throughout The Period, Or The Fact That There Are No Objective Criteria Which Confirm The Existence Of Seasonality Or Equal Distribution In The Income And Expense Transactions**

There are no objective criteria which confirm the existence of seasonality or equal distribution in the income and expenses for income and expenses that accrued during the period and expenses incurred and income generated throughout the period.

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#### X. Information And Disclosures Related To The Domestic, Foreign Offshore Branches And Foreign Representations Of The Bank

	Number	No Of Employees			
Domestic Branch	1	232			
			<u>Country of Incorporation</u>		
Foreign Rep. Office	-	-	-	<u>Total Assets</u>	<u>Statutory share capital</u>
Foreign Branch	-	-	-	-	-
Off-share Banking Region Branches	-	-	-	-	-

#### XI. Information and Disclosures Related To Subsequent Events

##### 1. Information And Disclosure Related To Subsequent Events And Effects On Financial Statements

There is no subsequent events after the balance sheet date.

##### 2. Significant Changes In The Foreign Exchange Rates After The Balance Sheet Date Which May Affect The Users Of The Financial Statements During The Analysis Of The Financial Position And Affect The Bank's Foreign Operations

There are no significant changes in foreign exchange rates after the balance sheet date until the date of this report.

## SECTION SIX

### OTHER EXPLANATIONS AND NOTES

#### 1. Other Explanations and Notes

At 31 December 2004, under the trading securities account, the Bank has government bonds and treasury bills amounting to TL 2,160 Billion, of which government bonds of TL 2,057 Billion and treasury bills of TL 103 Billion belong to problematic brokerage firms. In addition, under the Receivables from Reverse Repurchase Agreements account, the Bank has investment securities purchased under commitments to resell amounting to TL 8,211 Billion which belong to problematic brokerage firms. The securities which belong to problematic brokerage firms are recorded in accordance with the related legislation. The corresponding liability accounts used for these securities are sundry creditors. The increase in the fair values of these government bonds and treasury bills amounting to TL 210 Billion and the income accrual of the reverse repo transactions amounting to TL 3 Billion, which is calculated based on the difference between the sale and repurchase prices, are recorded under other liabilities without recognizing the amounts in the income statement.

In accordance with the Communiqué Number 15 "Preparation of Consolidated Financial Statements, Accounting for Subsidiaries, Associates and Joint Ventures", the Bank has no obligation to prepare consolidated financial statements.

## **SECTION SEVEN**

### **INDEPENDENT AUDITORS' REPORT**

#### **1. Explanations For Independent Auditors' Report**

Independent auditors' report for the financial statements publicly announced as per the related regulation:

Financial statements as at 31 December 2004 have been independently audited by Denetim Serbest Mali Müşavirlik A.Ş. ("Member Firm of Deloitte Touche Tohmatsu").

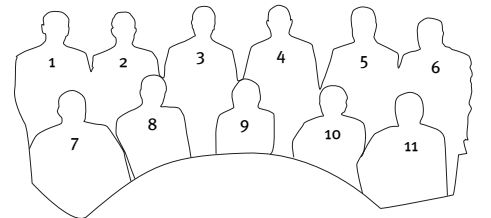
The independent auditors' report is presented at the beginning of the financial statements and related notes.



## MANAGEMENT



1. **Gülcan Tok**, Administrative Affairs and Purchasing Manager
2. **Suat Sevand**, Treasury Manager
3. **Tolga Somuncuoğlu**, Custody Manager
4. **Mehmet Günal**, Credits and Money Market Manager
5. **Ender Aybulus**, Software and Hardware Manager
6. **Tanju Günel**, Operations Manager
7. **İbrahim Samancı**, Accounting Manager
8. **Mustafa Şentürk**, Personnel and Training Manager
9. **Arzu Öztürk**, System Development Manager
10. **Cahit Girgin**, Legal Counsel
11. **Eşref Hatipoğlu**, Security Manager



## **TAKASBANK**

**ISE Settlement and Custody Bank, Inc.**

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