

2004 ANNUAL REPORT



AKBANK

Shaping our
future on strong
foundations...



Dominating the landscape from all directions, a man-made tumulus atop the 2,200 meter high Mt. Nemrud and enormous statues carved from living rock, bear testament to one of history's most magnificent and lasting monuments.

The region extending from the Taurus Mountains in the north to the Euphrates River in the southeast, was known as Kommagene. The Kommagenes who reigned between B.C. 69 and A.C. 72 formed one of the world's most spectacular structures in the world - the man-made tumulus on Mt. Nemrud. The dying wish of King Antiochos I to his people was to care for his kingdom and keep it alive with annual rituals. However, when the kingdom went under Roman hegemony, it became completely uninhabited and for 2,000 years, there was no sound in the region except that of the howling wind.

In 1987, UNESCO declared Mt. Nemrud a World Heritage Site and in 2000, the World Monuments Foundation recognized Nemrud as one of the 100 historic sites to be preserved and protected.

Besides its contributions to culture and arts since its foundation, Akbank supports projects to rediscover and preserve Turkey's cultural and historical heritage. Since 2000, Akbank supports the Nemrud Conservation Project undertaken by the International Nemrud Foundation and Amsterdam University.

Our aim is to help preserve, for future generations, one of the world's most significant chapters in its cultural heritage - the Nemrud Monument.

This year's annual report includes photographs of just a few of the spectacular works of art that are being restored and protected within the framework of the Nemrud Conservation Project.

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FINANCIAL HIGHLIGHTS (IFRS)

(In TL trillions with the purchasing power of TL as of December 31, 2004.)

Total assets	35,424
Deposits	22,699
Credits	13,302
Shareholders' equity	6,199
Profit before tax	1,495
Net profit	1,024
Earnings per share	612
Return on average equity	17.3%

Ratings of Akbank

FitchRatings

National Rating	Individual Rating	Long Term TL Rating*
AA-	C	BB+

Moody's Investors Service

Financial Strength Rating	Long Term TL Rating
D+ (Positive Outlook)	Baa2

* Akbank is the first bank in emerging markets to receive a rating above that of the sovereign rating from FitchRatings.

Shareholder Structure *

	(%)
H.Ö. Sabancı Holding and Subsidiaries	43.06
Sabancı Family	23.29
Publicly owned	33.65

* as of January 31, 2005

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RESOLUTIONS

ADOPTED AT THE GENERAL MEETING OF AKBANK T.A.Ş. HELD ON 25 MARCH 2005, THE FOLLOWING HAVE BEEN RESOLVED BY THE MAJORITY OF VOTES:

- 1- The Balance Sheet and Profit and Loss Account for 2004, prepared in accordance with accounting principles, including inflation accounting, promulgated by the Banking Regulation and Supervision Agency have been ratified and the Board of Directors and Auditors have been released from liability with regards to operations and accounts of the year in question.
- 2- Net profit for 2004 will be distributed in compliance with the proposal of the Board of Directors, such that:
 - Gross TRY 375,000,000 will be allocated from 2004 profit to be distributed as cash dividend to shareholders, starting from March 28, 2005, against 2004 dividend coupons on shares with Series 12, 13, 14, 15, 16, 17, 18 and 19
 - TRY 89,500,000 will be allocated to founders' and usufruct shares, to be paid as gross TRY 35,245 per share, starting from March 28, 2005, upon submission of coupon 1 for founders' shares and coupon 15 for usufruct shares
 - Gross TRY 360,000 will be paid to the Chairman and the members of the Board, starting from March 28, 2005
 - TRY 300,000,000 equal to 20% of the paid in capital of the Bank, will be distributed to the shareholders as bonus shares
 - TRY 94,339,000 will be retained as Legal Reserves, and the remaining sum will be allocated to the Extraordinary Reserves.
- 3- The appointment of Mevlüt Aydemir as statutory auditor, who had previously been appointed in place of Yalçın Küçükertunç after his resignation for the remaining period of his duty.
- 4- The appointment of Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers, as the independent auditor for 2004 and 2005.
- 5- The Board of Directors has been empowered in connection with matters falling within the scope of articles 334 and 335 of the Turkish Commercial Code.

Vision

Akbank's vision is to be the leading multi-specialist bank in Turkey.

Mission

Akbank's mission is to contribute to the development of the Turkish economy and the Turkish financial system by providing high-quality, specialized banking products and services that are innovative and comprehensive.

Goals

- Maximize shareholder value through sustainable growth
- Maintain profitability and a strong balance sheet
- Achieve a high level of customer satisfaction
- Be a market leader in terms of quality, creativity and technological development
- Support the development of the staff, providing motivation and job satisfaction

Foundations of Akbank's Strength

- Turkey's most profitable privately owned bank
- Credit rating above sovereign rating
- 633 branches located throughout the country
- An extensive and stable funding base
- A wide-ranging customer portfolio with the ability to attract new customers
- A robust capital structure and a high capital adequacy ratio of 36.09%
- A diversified loan portfolio with a low NPL ratio of 1.52%

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East Terrace, Statue of Eagle / Statue of Herakles / Statue of Apollo



AKBANK IN BRIEF

Akbank has become the most profitable private sector bank in Turkey thanks to its strong capital structure, stable deposits and robust asset growth through its ability to secure low cost funding. The Bank's gross profit at the end of 2004 stood at TL 1,495 trillion (approximately US\$ 1,091 million) while assets totaled TL 35,424 trillion (approximately US\$ 25,862 million). The Bank's capital adequacy ratio is 36.09%, one of the highest in the Turkish banking sector.

Founded in 1948, Akbank ranks as Turkey's largest private sector bank with regard to profitability and market value as of year-end 2004.

In addition to core banking activities, Akbank also offers a wide range of retail, commercial, corporate, private banking and international trade finance services. Non-banking financial, capital market and investment services are provided by the Bank's subsidiaries including Ak Leasing, Ak Securities, Ak Investment Fund, Ak Asset Management and Ak Pension Fund.

Akbank carries out its activities through its Head Office in Istanbul and 13

Regional Directorates in Turkey. With a strong and extensive distribution network that includes 633 branches, Akbank also provides services through Retail and Corporate Internet Branches, call center, 1,440 ATMs, 125 BTMs, 190,000 POS terminals and the latest technology channels such as kiosks, cell phones and pocket PC platforms. Additionally, the Freedom Banking Area has been reserved within branch premises to allow customers to use Internet and Telephone banking and help alleviate the routine branch workload.

Akbank has seven branches in Germany (Frankfurt, Hanover, Hamburg, Stuttgart, Essen, Munich and Berlin), one in Malta and a subsidiary bank called Akbank International NV in the Netherlands. Akbank, which has 37% ownership in the London-based Sabancı Bank also has a representative office in Paris. In March 2005, Akbank acquired the remaining 60% shares of Istanbul-based BNP-Ak-Dresdner Bank from foreign partners. Previously, Akbank was holding 39.99% of the shares of this bank.

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The Banker and Euromoney magazines selected Akbank as Turkey's Best Bank in 2004. In previous years, these same publications had also endorsed Akbank as Turkey's Best Bank.

Foreign rating agency ratings of Akbank, the first Turkish bank to

receive a rating above the sovereign rating, went up in 2004. In January 2005, Fitch Ratings increased the Bank's long-term foreign currency rating from B+ to BB- and long-term local currency rating from BB to BB+. Fitch Ratings identified the Bank's strong capital structure and its capability to manage itself well during difficult economic periods as the reasons for assigning a rating two notches above the sovereign rating. In September 2004, Moody's also raised Akbank's long-term foreign currency rating from B3 to B2.

In 2004, Akbank continued to obtain credits from overseas markets at favorable terms and conditions amounting to US\$ 3,808 million.

Akbank focuses on providing quality services to a large retail and corporate customer portfolio with its cutting edge technology and experienced banking staff.

33.7% of Akbank stocks are publicly traded and listed on the Istanbul Stock Exchange (ISE), while the Bank's Level 1 ADRs are traded on London IOB and the OTC market in the USA. As of December 31, 2004, the Bank had a market value of US\$ 9,261 million making it the bank with the highest market value on the ISE.

* Unless otherwise stated, all financial information presented in this annual report has been extracted from the consolidated financial statements based on IFRS (International Financial Reporting Standards).

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MESSAGE FROM THE CHAIRMAN

Akbank's robust financial structure, competent manpower and extensive distribution channels will play a significant role in an economy that is growing sustainably with low inflation.

As we leave yet another year behind us, both in Turkey and abroad, we are experiencing economically buoyant and promising days that we have been yearning for. Economic trends and political stability have reached a level that gives all a reason to rejoice.

In 2004, positive developments were witnessed in macro-economic indicators and a satisfactory performance was displayed in areas of inflation, public finance, foreign trade volume and particularly economic growth. Thanks to the economic reforms that have been put in place as a result of agreements made with the IMF, predictability and stability have increased.

High inflation, one of the biggest obstacles standing in the way of economic growth dropped to single digits after a period of 30 years. Tight monetary policies and the Turkish lira's appreciation played a significant role in the recess to single digit inflation.

The Turkish economy has exhibited strong growth since 2001. Instrumental in this performance was the rising value of the Turkish lira and falling interest rates as well as the increased demand for consumption and investment that had been deferred in the previous years. In 2004, manufacturing industries' capacity utilization ratio and the industrial manufacturing index reached their highest levels in many years.

The monetary and fiscal policies in place created an environment of confidence



and were instrumental in bringing down interest rates. Although real interest rates have come down as a result of these positive developments, they are still above international standards. This stems from the high-risk premium the economy carries. Therefore, in order to reduce public debt, there is urgent need to introduce reforms in the social security system as well as the taxation system.

The faster than expected growth rate in 2004 led to a rapid increase in the current account deficit and the foreign

trade balance. The growing current account deficit is being financed predominantly through short-term debt and international funds. Turkey is still unable to attract sufficient direct foreign investment to finance its growth. However, with the start of EU accession talks, we are hopeful that they will produce positive results in this direction.

Global geo-strategic developments have increased Turkey's importance and enabled Turkey to enter into a positive atmosphere, both due to the country's

inner dynamics and also as a result of external factors such as Turkey's candidacy for EU membership.

Looking beyond our country's borders, we see that Turkey's EU journey that has been going on for over 40 years is about to draw to a close. A decision to start accession negotiations with Turkey in October 2005 was taken during the EU summit on December 17, 2004. This date will in fact be the starting point of an even tougher period for Turkey. Harmonization laws will be implemented at the earliest during the negotiation period. Completing this period successfully and being in a position to become a full member of the EU within ten years at the latest, should be one of Turkey's major objectives.

Confidence in the Turkish economy and the banking sector and their credibility has increased in overseas markets with the revitalization of the economy. Credits Turkish banks have been able to obtain from overseas testify to this. In such an environment, Akbank has achieved the highest increase in credits obtained from international sources with a 48% increase in US dollar terms. This increase can also be linked to the credit rating of the Bank which is above the sovereign rating.

Looking at 2004 from the banking sector's perspective, the most positive developments within the framework of the restructuring program have been observed in the areas of capital adequacy and the resolving of issues concerning non-performing assets. Yet another significant development has been the lifting of the unlimited guarantee on deposits. Due to the unlimited deposit guarantees provided in Turkey for many years, interest rates on deposits have gone up unnecessarily, which in turn were detrimental to the market balance of interest rates leading to unfair competition among banks. The measure, although a belated one, of limiting deposit guarantees with TL 50 billion is a step in the right direction for the banking sector. We still believe this limit is too high.

Generally, in 2004, total assets of the Turkish banking sector as a percent of the national income were around 70%. This ratio is above 100% even in Eastern European countries which have recently become EU members and where banking is relatively less developed. Therefore, Turkish banks intending to reach this size must increase their assets; to be able to achieve this, they need to increase their equity. Although the Turkish banking sector has made significant progress regarding capital adequacy following the economic crisis, shareholders' equity in the sector is still limited.

Akbank's robust financial structure, competent manpower and extensive distribution channels will play a significant role in an economy that is growing sustainably with low inflation. Akbank will continue to intermediate for the inflow of fresh capital into the Turkish economy. Manufacturing industries form the backbone of countries' economies. Cognizant of this fact, Akbank has always provided financial support to manufacturing industries under all circumstances. We will continue to support the infrastructure of the country and its future by the credits we provide to small businesses to which we attach great importance, as in the case of corporate and commercial loans we extended.

Our successful performance is being recognized and rewarded both in domestic and overseas markets. In 2004, Akbank achieved the greatest market capitalization in the Turkish banking sector with US\$ 9,261 million. Moreover, Akbank was included in the sixth edition of Forbes Magazine's A List entitled The Most Attractive Public Companies in the World. As known, this list is made up of 400 selected publicly traded blue chip companies from around the world.

One of our most important aims is to provide our esteemed shareholders the highest value added on their investments. Achieving this goal requires that high levels of customer satisfaction be reached in every operation we undertake. We therefore, constantly

Our successful performance is being recognized and rewarded both in domestic and overseas markets.



upgrade ourselves with new products and services - ceaselessly continuing our efforts in this direction. The competency and dedication of our employees are among the greatest factors underlying our success. I would like to take this opportunity to thank all our shareholders, customers, employees and other social and economic stakeholders for their valuable contributions that have brought the Bank to its current position.

Erol Sabanci
Chairman

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BOARD OF DIRECTORS

Erol Sabancı

Chairman and Managing Director

Serving as Member of the Board of Directors and Vice Chairman of the Board since 1967, Erol Sabancı was elected as the Chairman of the Board on March 17, 1998. Mr. Sabancı also serves as Vice Chairman of the Board of Sabancı Holding and Board Member of the Turkish Industrial Development Bank (TSKB).

Akın Kozanoğlu

Vice Chairman and Executive Director

Akın Kozanoğlu, serving as Executive Vice President Responsible for Retail Banking and IT since 1987, was elected as Member of the Board of Directors on July 5, 2000 and Vice Chairman on December 1, 2000. Mr. Kozanoğlu is also the President of the Financial Services Group of Sabancı Holding.

Suzan Sabancı Dinçer

Managing Director

Suzan Sabancı Dinçer has served on the Akbank Board of Directors as Managing Director since 1997. Previously serving as Executive Vice President Responsible for Treasury and Fund Management, Mrs. Sabancı Dinçer is also a member of the Sabancı Holding Human Resources Committee.

Özen Göksel

Managing Director

Özen Göksel started working at Akbank in 1964 as assistant auditor and was appointed Executive Vice President in 1981. He has served as a member on Akbank's Board of Directors and as CEO of the Bank from 1994 until November 2000. Since November 2000, he has held the position of Managing Director on the Board of Directors.

Hamit Belig Belli

Director

Working at Akbank since 1955, Hamit Belli became a Member of the Board of Directors in 1995 after many years as Head of the Board of Internal Auditors, Executive Vice President and as CEO. Additionally, Mr. Belli also serves as the Chairman of the Board of Turkish Bank A.Ş.

n Hikmet Bayar
Director

Hikmet Bayar joined Akbank's Board of Directors after retiring from the Turkish Armed Forces in 1996. Having actively served at various command positions, Mr. Bayar was Chief of Staff of the Turkish Land Forces between 1994 and 1996.

n Aydın Günter
Director

Aydın Günter has held various positions at Sabancı Holding including Executive Vice President Responsible for Financial Control and Finance. In 1994, he founded his own consulting firm and was elected as a Member of the Board of Directors in 1998. Before joining the Sabancı Group, Mr. Günter worked at the Ministry of Finance as a tax auditor.

n Ş. Yaman Törüner
Director

Yaman Törüner became a Member of the Board of Directors in March 1998. Having served as a Member of Parliament between 1995 and 1999, Mr. Törüner also served as a Minister of State in 1996. He was President of the ISE between 1990 and 1994 and worked at various administrative positions within the Central Bank of Turkey from 1972 to 1990. Mr. Törüner has also served as Governor of the Central Bank of Turkey.

n Zafer Kurtul
Director and CEO

Zafer Kurtul joined Akbank in 1998 as Executive Vice President and in November 2000 was appointed as CEO. Having previously worked at Citibank, BNP-Ak-Dresdner Bank and Societe Generale as a manager, Mr. Kurtul is a graduate of Istanbul University Faculty of Business Administration; he went on to earn an MA in finance from the University of Wisconsin-Madison. As a Certified Financial Analyst (CFA), Mr. Kurtul is a member of Institut International D'etudes Bancaires and the Association for Investment Management and Research.

n Andrew Buxton
Advisor to the Board of Directors

n Erkut Ulas
Head of the Board of Internal Auditors

Statutory Auditors

Nedim Bozfakioğlu
Mevlüt Aydemir

MESSAGE FROM THE PRESIDENT AND CEO



Our strategy is to emphasize consumer, small and medium-size business banking, continue our customer-focused approach and serve our customers better by continuously increasing our operational efficiency.

Falling inflation and optimistic expectations for the future are reflected positively in the asset structure of the banking sector. A 33.1% real increase has been achieved in overall credits volume compared to 2003. Instrumental in this increase has been the rise in consumer spending. As a result of falling interest rates, the improvement in banks' balance sheets following the crisis and their goal to increase consumer loans, these loans showed a real increase of 69%. Corporate loans also increased. With uncertainties diminishing further in 2005, an elevated level of corporate investment and borrowing trend is foreseen. As a result of these positive developments, bank asset allocations shifted from T-bills to credits. The securities portfolio dropped in real terms during the first half of 2004. This trend may speed up in 2005 with the continuation of single digit inflation.

Evaluating the Bank's performance in 2004, we see the positive results of the "New Horizons Transformation Project" that was launched in 2001, toward maintaining our successful performance in every area and sustaining our leadership position. Akbank's position in the Turkish banking sector was further enhanced through the new products and services put in place within the framework of this project. For instance, the Bank's market share of mutual funds and consumer loans rose from 5% in 2001 to around 15% in 2004. Similarly, the Bank's market share in credit card loans increased from 8% to around 14%. Akbank has achieved the largest loan volumes in 2003 and 2004.

Our strategy is to emphasize consumer, small and medium-size business banking, continue our customer focused approach and serve our customers better by continuously increasing our operational efficiency.

Through the Transformation Project, we restructured our branches according to customer segments. As a result, the

branches were grouped into four main categories: Corporate, Commercial, Retail and Private Banking. Now, branches supported by centralized operations are working more closely with our customers. Thanks to improvements in our technology and human resources infrastructure, the Bank became more customer-focused. A significant increase was achieved in our sales and marketing workforce. The number of branch staff engaged in sales that had been 1,200 in year 2000 rose to 2,310 by the end of 2004. All employees are provided with career training opportunities. This training enables them to conduct their duties in response to the requirements of the transformation, with no shortcomings and at a high level of performance.

Taking a look at the important developments in 2004, we observe that Akbank again earned great prestige vis-à-vis international financial institutions and received repeated recognition in this regard.

For years, Akbank earned a credit rating which is above that of the sovereign. On January 14, 2005, Fitch Ratings increased Akbank's long-term Turkish lira rating to BB+, two notches above the sovereign rating. On September 30, 2004, Moody's raised Akbank's long-term foreign currency rating from B3 to B2.

In its July 2004 issue, Euromoney selected Akbank as the 'Best Bank of the Year' in Turkey in its Awards of Excellence category. Thus, for the sixth year Akbank achieved this title. The Banker magazine named Akbank 'The Best Bank in Turkey' in its September 2004 issue for the fourth consecutive year.

There was a considerable increase in the demand for credits in 2004 paralleling the revitalization of the economy and falling interest rates which followed suit along with falling inflation. As a result, our total credits went up

from TL 10.0 quadrillion at the end of last year to TL 13.3 quadrillion, representing a real increase of 33.1%. This increase in credits stems from the increase in consumer loans and credits given to small and medium-size businesses in particular. As a result of our strategy of focusing on widespread banking products, the share of consumer and small business loans among our total credits demonstrated a significant increase. The share of consumer loans within total credits went up from 8.4% in 2002 to 30.0% in 2004. Also, the share of our small business loans within the overall total rose from 6.6% in 2002 to 28.4% in 2004.

Regardless of this noteworthy increase in the credits volume, our non-performing loans stand only at 1.52%. The Bank's objective is to continue to maintain its position as the bank offering the largest credit volume in the sector.

Our performance in mutual funds, considered in recent years as an important investment tool, has displayed a remarkable increase. Akbank's Mutual Funds portfolio increased in real terms by 13% compared to last year, exceeding TL 3.7 quadrillion. Akbank ranks second in Turkey regarding its mutual funds market share. Underlying the Bank's successful performance in mutual funds is the high fund yield brought to our customers as a result of successful asset management.

In October 2004, we divested our last industrial affiliate by selling our 14.89% share in Temsa Termo Mekanik Sanayi ve Ticaret A.Ş. to Hacı Ömer Sabancı Holding. All of the Bank's assets are now related to banking activities, whereby the share of affiliates and fixed assets which are basically devoted to banking activities is only 3% of the total assets. This enables Akbank to focus more fully on banking activities, makes a positive impact on our profitability and indicates a highly liquid financial structure.

In 2004, the Bank generated a gross profit of TL 1,495 trillion while net profit was TL 1,024 trillion after deducting tax provisions totaling TL 470 trillion. The Bank's asset size went up from TL 33.4 quadrillion at the end of last year to TL 35.4 quadrillion in 2004 - an increase of 6%. The largest growth in our assets was achieved in credits with a 33% increase. Our equity enabling us to grow faster compared to our competitors, grew by 9.7% compared to the end of 2003 to reach TL 6.2 quadrillion.

Profitability is important to us to sustain our robust financial structure. It is also equally important to investors who have purchased Akbank's stocks. Return on equity at Akbank was 17.3% at the end of 2004 and this was earned mainly from real banking activities. Credits were the leading drivers boosting our profitability.

The most significant factor contributing to the achievement of this success has come directly from our employees. I would like to thank each and every one involved on behalf of the Board of Directors. Their unstinting, dedicated work has made Akbank an exemplary role model. I would also like to take this opportunity to thank our esteemed shareholders, customers and business partners who have put their trust in our hands and have given us their unswerving support.



Zafer Kurtul
President and CEO

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EXECUTIVE MANAGEMENT

n Zafer Kurtul

President and CEO

n Hayri Çulhacı

Executive Vice President – Strategy and Corporate Communications

Hayri Çulhacı joined Akbank in 1990 as an Executive Vice President, after having served in various positions in the Ministry of Finance. Mr. Çulhacı is a graduate of the Faculty of Political Sciences in Economics at Ankara University and holds an MBA degree from Northeastern University in the USA.

n Zeki Tuncay

Executive Vice President – Support Services

Zeki Tuncay joined Akbank in 1980 as an assistant internal auditor. After serving as Personnel Manager, he was appointed Executive Vice President of Human Resources in 1994. Since October 2003, he has been serving as Executive Vice President responsible for Support Services. Mr. Tuncay is a graduate of the Academy of Economics and Commercial Sciences in Ankara.

n Nuri Aksoy

Executive Vice President – Credits

Mr. Aksoy has been with the Bank since 1973 and has held various positions including internal auditor and branch manager. He was appointed Executive Vice President in 1996. He is a graduate of the Academy of Economics and Commercial Sciences in Istanbul.

n Eyüp Engin

Executive Vice President – International Banking

Eyüp Engin joined Akbank in 1978 as an assistant internal auditor. Prior to his appointment as Executive Vice President in 1996, Mr. Engin was the Manager of the Treasury Department. He is a graduate of the Faculty of Business Administration at Middle East Technical University.

n Ziya Akkurt

Executive Vice President – Corporate and Commercial Banking

Ziya Akkurt joined Akbank in 1996 as the Manager of the Corporate Banking Department and was appointed Executive Vice President in 1997. Before joining Akbank, Mr. Akkurt held managerial positions in various commercial banks including the Ottoman Bank and Banque Paribas/Paris. He is a graduate of the Faculty of Business Administration at Middle East Technical University.

n Reşit Toygar

Executive Vice President – Treasury

Reşit Toygar joined Akbank as a management trainee in 1990. Prior to his appointment as Executive Vice President in 1998, he served as Manager of the Treasury Department. Mr. Toygar is a Faculty of Economics graduate of Kingston Polytechnic and holds an MS degree in Economics from London School of Economics in England.

n M. Fikret Önder

Executive Vice President – Private Banking

M. Fikret Önder joined Akbank as an Executive Vice President in July 2000 and is responsible for Private Banking. Previously, he held managerial positions at various banks abroad. Before joining Akbank, Mr. Önder served at Bank Julius Baer & Co. in London as Senior Portfolio Manager and Vice President Responsible for Private Banking. He is a graduate of economics from the University of Bonn.

n Dr. Balamir Yeni

Executive Vice President – Financial Coordination

Dr. Balamir Yeni joined Akbank in February 2001 as an Executive Vice President. He is a graduate of Istanbul University's Faculty of Law, and received his MA from the Faculty of Business Administration of the same university. He went on to earn his PhD degree from Istanbul Technical University. Dr. Yeni served as a partner at KPMG Cevdet Suner Denetim ve Yeminli Mali Müşavirlik A.Ş. from 1986 to 2000. Until 2002, he also served as academic staff in Bosphorus University where he lectured on accounting and auditing.

n Sevilay Özsöz

Executive Vice President - Operations

Sevilay Özsöz joined Akbank as Advisor to the CEO in December 2001 and was subsequently appointed Executive Vice President in April 2002. Before joining Akbank, Mrs. Özsöz held various managerial positions at both Garanti Bank as well as at the Ottoman Bank. Mrs. Özsöz is a graduate in Economics from Istanbul University.

n Hakan Binbaşgil

Executive Vice President – Retail Banking

Hakan Binbaşgil initially joined Akbank in October 2002 as Executive Vice President responsible for Change Management. One year later, in October 2003, he was appointed Executive Vice President responsible for Retail Banking. A graduate of the Faculty of Mechanical Engineering at Bosphorus University, Mr. Binbaşgil has an MBA degree from Louisiana State University, Baton Rouge, in the USA. After his academic training, he joined Andersen Consulting as a management consultant. Later he moved to Pamukbank where he served as Executive Vice President for Retail Banking. He has served as the Chairman of the Consumer Credit Bureau for many years. Mr. Binbaşgil currently represents Turkey as a Board Member of the Visa European Region.

n Haluk Erdoğan

Executive Vice President - Information Technology

Haluk Erdoğan graduated from the Faculty of Business Administration of Middle East Technical University. He joined Akbank in 1975 and then held various executive management positions in Bimsa. In 1991, he began serving as the Implementation Director in Aknet A.Ş. and was appointed President of Aknet A.Ş. in August 1999. Since the merger of Aknet with Akbank in April 2003, he has been serving as Executive Vice President responsible for Information Technologies.

n Esra Bozkurt

Executive Vice President – Human Resources and Change Management

Esra Bozkurt joined Akbank in March 2004 as Executive Vice President Responsible for Human Resources. A graduate of Istanbul University, Faculty of Economics, she has held various HR-related managerial positions at Philip Morris and DHL before joining Akbank. Ms. Bozkurt is currently serving as Executive Vice President responsible for Human Resources and Change Management.

West Terrace, Statue of King Antiochos



According to inflation-adjusted financial statements, Akbank earned a net profit of TL 1,024 trillion in 2004 and continued to be the most profitable private sector bank in Turkey.

REVIEW OF OPERATIONS IN 2004

Akbank's strategies in the new banking environment

Through a successfully implemented transformation program, Akbank has adopted a customer-focused approach in all fields of activity whereby it has offered all contemporary banking products and services even before demanded by customers. Akbank has had a complete facelift from welcoming customers to the branch with a smiling face in a relaxed environment to a service chain that reaches the homes and offices of customers over the Internet branch and telephone banking. As a result, Akbank's balance sheet and income statement are being shaped in a customer-focused manner where meeting customer demand determines the direction and magnitude of the major items on the balance sheet and income statement.

The small business segment which has so far not attracted enough attention within the Turkish banking sector and was previously dealt with within the

commercial customer segment has now been included among the priorities of Akbank. With this move Akbank was again ahead of many other banks. Small businesses have special features that require many different banking products and services to accommodate their unique characteristics. Therefore, Akbank redefined the small business segment, formed a new unit within its organization and started offering brand new products and services to small-scale companies. In this framework, a new segment-specific scorecard was developed to accelerate the lending process for small businesses.

Significant developments should be expected in credit card and consumer loans as well as in mortgage loans, which are particularly expected to increase during 2005. In Turkey, the market is yet far from being saturated in these areas.

Credit cards, consumer loans and small business loans, which are all developing rapidly, bear measurable risks relatively speaking in addition to being high profit

margin products. Concentrating on these products with deliberation and caution will further increase return on equity and contribute to an increase in fees and service commissions.

Thanks to IT investments and an infrastructure providing higher operational efficiency, a greater number of loan applications can be processed faster and a swifter decision-making process requiring fewer staff will be possible.

Akbank maintains its successful financial performance

According to inflation adjusted financial statements, Akbank earned a net profit of TL 1,024 trillion in 2004 and continued to be the most profitable private sector bank in Turkey. Akbank

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Sustainable profitability

With the Producer Price Index (PPI) down to 15.3% and the CPI at 9.4% by the end of 2004, inflation is expected to decrease further in the coming years. This low inflation environment will continue to favorably impact on Akbank's fund generation capability and capital costs. The Bank's profitability is estimated to increase in a sustainable manner in the years to come through effective risk management and as operational costs decrease in parallel with inflation.

Akbank's focus on high yield customer segments, the increasing trend in mutual funds, its successful performance in credit card operations together with enhanced consumer, small business and commercial loans volume are additional assurances that the Bank will sustain increasing profit levels in the years ahead.

The private sector bank with the highest free capital

Akbank's shareholders' equity increased from TL 5,651 trillion at the end of 2003 to TL 6,199 trillion at the end of 2004. Akbank ranks first among private sector banks in shareholders' equity with a free capital of TL 5,267 trillion at the end of 2004.

Commitment to Corporate Governance

Akbank has set a precedent for other publicly traded companies by announcing its dividend policy as a demonstration of transparency in conformity with Corporate Governance Principles. Akbank's dividend policy is based on the principle of distributing a minimum of 30% and a maximum of 50%

achieved this success through its financial strength, strong and reliable shareholders, successful risk management infrastructure, transparent and stable management and diversified corporate and retail products and services.

The ratio of credits within Akbank's total consolidated assets as of December 31, 2004 is 38% while fixed assets and subsidiaries are only 3%. The share of credits in the balance sheet footing is envisaged to increase significantly in 2005 while securities are expected to decrease conversely. This balance sheet structure indicates that Akbank is fully focused on banking activities and contributes positively to overall profitability while accentuating a highly liquid financial structure.

Growth in fees and commission revenue continued in 2004; net fees and commissions increased from TL 256 trillion at the end of 2003 to TL 465 trillion by the end of 2004. Regarding the composition of fees and commissions (excluding commissions from cash and non-cash loans), commissions from credit card

transactions led by 50% followed by fees received from asset management transactions which stood at 28%.

Net fees and commissions income in 2004 now meet 40% of total operational costs. Net fees and commissions income in the same year made up 17% of the total operational income. This indicates that the share of fees and commission income within total operational income is fast approaching 20% and is in line with the Bank's medium-term targets.

Akbank is Turkey's second largest mutual fund manager. The asset size of mutual funds under Akbank management reached TL 3,707 trillion at the end of 2004. This corresponds to 146% real growth compared to 2002 and a market share of 15.2% at the end of 2004.

Akbank's mutual fund management success stems from high yield performance it has attained, outstanding skill in channel management, effective marketing methods and the mobilization of the right communication resources.



of its distributable profit as cash dividends to the shareholders as stipulated in its Articles of Association. This is achieved provided that the capital adequacy ratio is at the desired level and there are no adversities in domestic and global economic conditions.

Additionally, with a view to maximum transparency, Akbank has been disclosing its financial statements and reports based on IAS (currently IFRS) since 1998, both for local as well as international investors.

The Bank's Corporate Governance Compliance Report is included in a separate section of this report.

New Horizons Transformation Program

Akbank aims to adapt to changing market conditions in the best possible manner. The New Horizons Transformation Program designed to reach this objective is a restructuring process that prepares the Bank for the future.

The structural preparation and transformation carried out in previous years was implemented in the field during 2004 and manifested itself in various practices of the Bank. Customer-focused restructuring instigated at the Head Office Departments and Regional Directorates was extended to all branches in 2004.

Akbank redefined the small business segment, formed a new unit within its organization and started offering brand new products and services to small-scale companies.

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The new infrastructure developed to assess corporate and commercial loan applications enables swift lending procedures and better risk management.

Corporate and Commercial Branches were opened within the framework of the Transformation Program; the number of branches increased from 611 at the end of 2003 to 633. Consequently, corporate and commercial customers were directed to branches where they could get services tailored to their needs. Meanwhile, retail customers who continued to receive services from their existing branches were introduced to the appropriate Customer Relations Officers in their branches.

The effect of the Transformation Program on financial and operational results has been followed closely. To this end, the profitability and

performance measurement infrastructure was upgraded. The new system enables a profitability and performance analysis at the product, customer, Customer Relations Officer and branch level. This infrastructure supports the management of customer segments as profit centers and enables a speedy implementation of results-oriented action at all levels.

The lending and risk management infrastructure is also being upgraded. The new infrastructure developed to assess corporate and commercial loan applications enables swift lending procedures and better risk management.



Within the New Horizons Transformation Program and through measures such as automation, promotion of alternative delivery channels and centralization of selected operations, significant increases in cost effectiveness as well as customer service quality and speed have been targeted. Intensified efforts vis-à-vis automation and centralization to provide customers faster and quality service from branches and other service outlets continued in 2004.

Akbank emphasizes efficiency in all of its operations. In 2004, measures aimed at increasing operational efficiency both at the branch level and at the Head Office have been determined. Some of these measures have been put in place; work in this direction will continue during 2005.

The main factor related to the success of the Transformation Program is Akbank's human resources. With this awareness, human resources systems were redesigned to synthesize with the Transformation Program. Intensive training programs were carried out in 2004 to introduce this program to employees and facilitate its adoption.

Through the "New Horizons" Transformation Program, Akbank has acquired the momentum that will enable it to sustain its strength in the future.



CORPORATE AND COMMERCIAL BANKING

Corporate Banking



In 2004, Akbank Corporate Banking Group continued to offer products and

financial solutions through its corporate banking branches tailored to meet the requirements of customers in this segment. In doing this, the Bank aimed to become the leading bank for companies in the corporate segment as a solution partner through its proactive and customer-focused approach and an emphasis on customer satisfaction.

Within the economic environment of 2004, characterized by stability and fast growth, Akbank Corporate Banking Group played a significant role in the financing of expanding investments and rapidly increasing foreign trade by providing financing and risk

management services to around 1,600 corporate segment companies. The product range included working capital loans, investment loans, letters of guarantee, letters of credit, export factoring, domestic receivables financing, supplier financing as well as forward and swap operations.

Products such as repo, mutual funds, bills and bonds enabled companies to utilize their idle funds effectively. Cross-sell ratio at Corporate Banking was 3.9x in 2004.

Cash Management

Special solutions are created for corporate and commercial customers regarding trade receivables and payables. In 2004, Akbank launched a first ever implementation in Turkey using the Microsoftbiz.talk server where cash management products such as direct debiting, check collection

The number of Employees in the Branches	2003	%	2004	%
Operations staff	1,874	31.9	1,660	27.3
Counter staff	2,192	37.4	2,122	34.8
Sales staff	1,802	30.7	2,310	37.9
Total	5,868	100.0	6,092	100.0

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systems, bill collections, group payments as well as customer file transfers and accounting integration were fully automated. Through this implementation, operational costs for both the customer and the Bank were reduced and transactions were undertaken at much greater speed.

Corporate Loans

An effective credit monitoring process is achieved through continuous risk monitoring systems and the acquisition of proper collaterals. Thanks to prudent credit policies, Akbank's NPLs have always been kept at a minimal level. With the new credit module put in place in 2004, the credit risk measurement process was rendered more functional. Akbank establishes long term business relations with corporate clients through its quality and customer focused approach. Consequently, total lending by Akbank for companies in the corporate segment at the end of 2004 was US\$ 2.4 billion.

Project Finance and Syndicated Loans

Project finance loans have increased significantly in volume and market share since 1998. Akbank's outstanding project finance loans at the end of 2004

totaled US\$ 1.1 billion. The combined average annual growth rate on a US dollar basis of project finance loans between 2000 and 2004 was 26%. Akbank signed US\$ 501.5 million worth of new project finance loan agreements during 2004.

Aiming to increase its project finance transaction volume, Akbank continues its effective management of credit risk while pursuing a cautious lending policy. To this end, the Bank distributes its loans among the construction, telecommunications, energy and tourism sectors evenly. The Bank's risk in project financing is quite low as these projects are generally covered by Treasury guarantees or are highly collateralized.

In addition to commercial investment loans, Akbank also mediates for the provision of investment loans under the guarantee/insurance schemes of international export credit agencies or insurance companies. Akbank also closely monitors the privatization program and extends loans for privatization projects.

Akbank initiated its activities in the international syndicated loan markets in 2003. Akbank's lending balance for syndicated facilities made available to



overseas corporate customers through its overseas branches was US\$ 114.3 million at the end of 2004.

Commercial Banking



Akbank Commercial Banking Group continued its efforts in 2004 to develop the fastest and easiest solutions with acceptable costs for the financial transactions of all domestic and foreign companies operating in the commercial segment through its extensive branch network and specialized products. The number of commercial branches increased from 19 at the end of 2003 to 41 by the end of 2004.

The sum of commercial segment cash loans, which was TL 641 trillion in 2003 rose to TL 1.3 quadrillion in 2004, an increase of 103%. The cross-sell ratio was 3.9x as a result of deepening customer relationships.

In addition to the traditional cash and non-cash lines offered for the financing of customers' working capital and investment needs, the Bank also provides products to help enhance the competitive edge of export companies in overseas markets. Among the specialized products on offer to export companies are Export Loans against Letters of Guarantee, Export Letter of

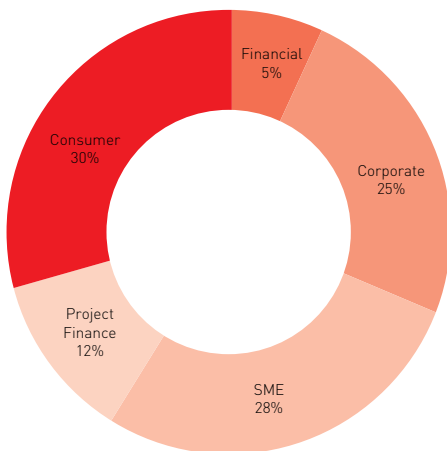
With the new credit module put in place in 2004, the credit risk measurement process was rendered more functional.

Credit Discounts, Export Factoring and Forfeiting services for the financing of export transactions conducted on a cash against goods basis, Overseas Trade Fair Support Loans to provide pre-trade fair finance support, Forward Currency/Parity and Installment-based Export Loans for hedging against sovereign credit and foreign currency risks.

In 2004, the Bank cooperated with companies in the areas of machinery, furniture and software sectors, in particular and organized campaigns in order to attract the customers of these companies to Akbank.

Additionally, marketing activities focused on companies operating in the automotive, automotive spare parts, marble, white goods and tourism industries.

Breakdown of Credits by Type



Corporate Internet Branch

The Corporate Internet Branch, as a distribution channel, was launched in June 2000 to serve the corporate, commercial and small business segments. This channel showed a rising trend and at the end of 2004 reached 75,000 companies with a transaction volume of nearly TL 3 quadrillion.

Numerous transactions including money transfers, tax, bill and social security premium payments, member merchant transactions, file transfers and investments can be carried out on the Corporate Internet Branch.

The existing secure screens of the Corporate Internet Branch were upgraded in April 2004 and became more user-friendly.

Credit Analysis, Allocation and Monitoring

The credit analysis, allocation and monitoring functions are carried out as independent processes in order to increase the overall efficiency of the credit assessment function. In the Head Office, credit investigation work is undertaken in addition to industry-specific financial analyses.

The lending process has been standardized through credit scorecards. Since May 2001, Corporate and Commercial Branches have been using the scorecards in assessing the credit

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West Terrace, Dexiosis Base Relief and Steles



In 2004, credit card loans increased by 120%, reaching TL 1.9 quadrillion. As a result of this increase, Akbank's market share rose to 13.6% in credit card loans.

applications of companies with a turnover of more than TL 3 trillion (approximately US\$ 2 million). Scoring is accomplished with a Company Rating Model used as a decision support tool for assessing the credit applications of real and/or legal persons.

Considering the fact that all banks operating in Turkey will have to use the Company Rating Models in line with the directives of the Basel Committee, Akbank's understanding and insightful approach in this area becomes all the more significant.

As part of the same approach and in consultation with Dun&Bradstreet, steps have been taken to upgrade the current commercial and corporate segment scorecards using statistical tools. Once in production, the new scoring model, developed using sophisticated statistical methods, will more objectively measure probability of default at the time of each credit approval. The current model in use has been developed using expert modeling techniques and has been instrumental in the seamless management of credit risk. All borrowing companies in the

commercial and corporate segments have been rated using this scorecard providing the necessary input for an effective credit risk management.

The scorecards also provide the basis for effective monitoring of all credit risk (corporate, commercial, small business and consumer) and an "Early Warning" system to enable timely action to remove or remedy potential risk-bearing transactions in the credit portfolios.

Thanks to prudent credit analysis, lending and monitoring processes, NPLs have always been at a very low rate in Akbank. The share of NPLs to total loans was 1.52% at Akbank at the end of 2004. This rate was 6.0% in the Turkish banking industry and 4.8% in private commercial banks.

RETAIL BANKING

Akbank Retail Banking Business Unit provides banking products and services to individuals and small businesses. These segments are provided services under the headings of Consumer Banking and Small Business Banking.

As a result of competitive pricing, improvements in lending processes and branch focus on consumer credits in 2004, there were significant increases in consumer loans in quantity and volume. Through cooperation with leading brands, a volume of TL 2 quadrillion and a market share of 15.4% were achieved in consumer loans excluding credit cards as of December 2004.

In 2004, credit card loans increased by 120%, reaching TL 1.9 quadrillion. As a result of this increase, Akbank's market share rose to 13.6% in credit card loans.

In line with a strategic focus on high-yield credit products, the share of consumer and small business loans within the total portfolio has been increasing. The share of consumer loans increased from 23% at the end of 2003 to 30% at the end of 2004 while the share of small business loans increased to 20%.

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Consumer Banking

Personal Akbank aims to be the leading bank in consumer banking through quality products and services meeting the expectations and needs of individuals thereby increasing its market share in all product groups. Akbank provides services for deposits, consumer loans, credit cards, insurance and asset management through its customer-focused and competitive approach while closely following technological developments.

With the second largest branch network among privately owned banks in Turkey, Akbank has more than 4.8 million retail customers.

Customer-focused banking is a priority at Akbank. Consequently, a basic strategy has been formulated to consider the potential financial and non-financial requirements of individuals throughout their lives. Strategic partnerships have been formed to meet these requirements via a diversified product portfolio. Akbank is moving away from traditional and non-creative services to provide service to the customers at a time and manner that best suits their needs.

Various pioneering projects and successful initiatives during 2004 have enhanced Akbank's image in the minds of the customers, which is seen as a dynamic, innovative, pioneering and modern bank.

Consumer loans, mutual funds and CRM-based cross sale campaigns were emphasized in 2004. Customers were granted pre-approved credit limits with Consumer Credit Certificates. Large events such as the Rock'n Coke festival, Autoshow and the IT Fair were sponsored by Akbank and investor seminars were held, targeting the high-income group customers.

Banking for the High-Income Group

As part of its customer-focused approach, Akbank has developed a special service concept directed at the financial expectations and requirements of its customers. To this end, the Bank adopted a different service style tailored to the customer segment in the top 1% percentile group whose financial requirements, determined according to certain criteria, are the highest. Some new activities have been launched to increase customer satisfaction, provide better quality service and enhance the Bank's competitive edge.

Akbank Family Banking

The family segment in the consumer banking market was addressed through Akbank Family Banking launched in parallel with the life cycles strategy and customer-focused marketing.

The number of members in the Family Club awards scheme within the framework of the Akbank Family Banking concept has reached 700,000. Cross sales increased through this program as a consequence of customer loyalty and an increase in non-interest income was realized.

Akbank Baby Account

Akbank Baby Account is a current account investing in Type B Variable Funds. It enables customers to make a secure and long-term investment in the future of their children and can be opened either by individuals for their own children or offered as a gift by loved ones. Baby Accounts can be opened over the Retail Internet Branch, Call Center and at all Akbank branches. Moreover, funds may be regularly added to the account by credit cards.

Akbank Roof Account

Akbank Roof Account is a current account where services provided to consumers are combined under a



single "roof" meeting the cash management requirements of the customers.

The Roof Account has been designed to provide Akbank customers a quality service and to facilitate banking transactions by saving time. The number of Roof Accounts reached 877,000 as of December 2004 and the Bank realized a considerable savings as a result. In addition to cutting transaction costs, this account also reduced the operational costs of branches, increased the average number of products per customer, boosted the product utilization rates,

activated passive customers and enabled the Bank to acquire new customers in the long run. As was the case in 2003, the Roof Account demonstrated significant performance with regard to product penetration, operational efficiency and customer satisfaction.

Consumer Loans

Consumer loans continued their growth trend and profitability in 2004 as well, making Akbank the leader with a market share of 15%. Akbank also continued its success in car loans and maintained its leadership status with a 24% market share at the end of 2004.

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In 2004, the share of the Bank's consumer loans including credit card loans in total loans reached 30%. The amount of credits made available in 2004 increased by 69% compared to the previous year.

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Akbank's automobile, housing, consumer and credit card loan market shares as of the end of 2004 are provided in the adjacent table.

In 2004, the Bank concluded agreements with the Istanbul Chamber of Real Estate Dealers and other branded Real Estate Agencies with a view to increasing market penetration in housing loans; significant steps were

taken toward the objective of being the most effective bank at real estate sales points.

Mutual Funds

As of the end of 2004, there were 12 mutual funds founded by Akbank and one mutual fund founded by Ak Securities. Akbank's market share in mutual funds increased from 14.5% to 15.2% by the end of 2004. With this market share, Akbank had the second largest portfolio volume in the sector and reached TL 3.7 quadrillion in 2004.

Akbank is the sole authorized agent for the sale of American Express Mutual Funds in Turkey. The Bank handles five



funds denominated in US dollars and two in euro.

Stocks

While providing its customers fast and secure stock market transactions, Akbank also aims to minimize risk and operational costs. Along with an increase in the transaction volume in the stock market, Akbank's commission revenue increased by 85% in 2004, to reach TL 13 trillion. Along the strategy of generating low cost commission revenue, the Call Center channel has also been added to stock transactions.

Other Banking Services

Akbank aims to specialize in many areas of financial services while providing quality service. To achieve this aim, Akbank offers a broad range of financial products and services including cash management, brokerage and investment consulting as well as the traditional banking products and services. These services are provided by the Bank's subsidiaries, Ak Securities, Ak Investment Fund and Ak Asset Management.



Akbank also markets various insurance products at its branches as the agent of Aksigorta insurance company that deals with all non-life insurance branches. The Bank aims to complete its product range and create new sources for commission revenue.

Akbank currently handles salary disbursements for 6,341 establishments with 566,366 personnel. Work is underway to increase the customer loyalty of those whose salaries are deposited with Akbank and to become the bank of choice of these customers for all banking products. Within this framework, the customers have been categorized according to their life styles and depending on how long they have been doing business with the

Bank. Special promotional packages directed toward these customers have been prepared to provide information about products and services, automatic overdraft and credit card issuance, special advantages and privileges such as reduced consumer credit interest rates and other procedural conveniences as well as insurance products at reduced rates. Limited to only those customers whose salaries are deposited with Akbank, a product encompassing the transfer of consumer loan installments has been launched. Also, a product package called Salary Customers Consumer Loan Certificate including a consumer loan requiring no guarantor or income declaration and an overdraft limit has been launched. Work in this area will continue in 2005.

Efforts to increase banking service revenue resulted in an increase in Akbank's net fee and commission revenue by 81% in 2004 which reached TL 465 trillion.

Product	Market Share (%)	Ranking in the market
Car loans	24.2	1
Housing loans	13.2	1
General purpose loans *	10.1	2
Consumer loans	15.4	1
Credit card loans	13.6	3

* General purpose loans include overdraft facilities.

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Business concluded over the Internet Branch accounted for 48% of non-cash transactions and 28% of all operations including cash transactions.



Alternative Distribution Channels

Freedom Banking

Freedom Banking channels (Internet Branch, Telephone Branch, GSM Phone Branch and ATMs and BTMs) are being developed in line with customer requirements to attain greater efficiency at the branch level. These services, called Freedom Banking services, are more than an ordinary alternative channel; they provide customers with the opportunity to make use of a variety of banking services - from cash transactions to investment transactions without time or location restraints.

As of the end of 2004, nearly 2,250,000 people had utilized Akbank's Freedom Banking services. The number of transactions concluded by customers via Freedom Banking channels made up 66% of all transactions carried out at Akbank. For 2006, the targeted transaction ratio over the Freedom Banking channels is 75%.

Freedom Banking Area

To introduce Akbank customers to the Internet and Telephone Branches and to encourage them to use these facilities while visiting a branch, red-colored areas called Freedom Banking Areas have been constructed at some branch premises.

Within the branch, there is a touch screen monitor on the wall where akbank.com is accessible as well as a direct telephone line to 444 2525. At the Freedom Banking Area, customers can use the Internet and Telephone Branches freely without making an application before.

The Freedom Banking Area implementation was available in nearly 70 branches in 2004 and was used by thousands of customers daily. These areas will be extended to more branches in 2005.

Internet Branch - www.akbank.com

In 2004, Internet Branch menus and layout designs were updated and revised in accordance with customer requirements. At the end of 2004, the number of customers concluding their banking transactions using the Internet Branch increased by 260% to reach 360,000. Business concluded over the Internet Branch accounted for 48% of non-cash transactions and 28% of all operations including cash transactions.

Akbank Investor - www.akbank.com/yatirimci

In 2004, one of the most significant Internet services was the launch of the financial portal at www.akbank.com/yatirimci known as Akbank Investor. This portal is available in real time to Akbank customers and offers a variety of functions and services important to investors. These services include an on-line Stock Exchange screen, current money and capital market information, expert commentary, a virtual portfolio and technical analysis.

444 25 25 Akbank Telephone Branch

With the upgrade and update of the Telephone Branch originally set up in 2002, the New Telephone Branch provided a significant reduction in response time to customer requests.

As of December 2004, the total number of monthly incoming calls reached 1.5 million. Moreover, many banking and



credit card transactions are now carried out by the Voice Response System. In 2004, with more than 30 million transactions, the 444 25 25 Akbank Telephone Branch became an alternative distribution channel over which 6% of all transactions in Akbank were concluded.

Mobile Phone Branch

Akbank customers are able to carry out their banking transactions by using either their mobile phones, calling 444 25 25 without dialing the area code or by using WAP or SMS text messages from any location and at no cost. The mobile phone numbers of customers who call 444 25 25 are recognized by a special system developed for cell phones. As a result, customer transactions are carried out rapidly without asking for customer numbers, credit card numbers, etc. and without running through the menus. In order to benefit from this service, customers need to have their mobile phone identified once over the Akbank Telephone Branch or the Akbank Internet Branch.

Telephone and Internet Banking without prior application

In November 2003, Akbank initiated a new system for the first time in Turkey. Thanks to this new system, Akbank debit cardholders can make use of Freedom

Banking channels simply by using their four-digit debit card password without having to fill out any forms or making a formal application.

The system called "Freedom Banking Without Prior Application" automatically registers both the existing Akbank customers and new customers in the Bank as immediate members of Internet and Telephone Banking. Following the initiation of this new system, there has been a significant increase in the number of customers and utilization rates of Internet and Telephone Banking.

ATMs

Akbank had an 11% share of the ATM market at the end of 2004, a leading position in this area. Working in close cooperation with other principal banks in the country, Akbank set up Golden Point in 1994 enabling ATM sharing with other banks. Among the more than 4,500 Golden Point ATMs, there are 1,440 Akbank ATMs. ATMs in the Golden Point group make up around 33% of all ATMs in Turkey. While

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Akbank is among the pioneers in the credit card market with its extensive product range, product characteristics and services that meet the expectations of different customer groups.

services over the ATMs are being developed further, money deposit machines have also been put to service. Akbank, a founding member of the Golden Point network, has increased its fee income thanks to its wide network of ATMs.

In August 2004, Akbank joined the credit card cash advance sharing system set up with the members of Interbank Credit Card Center (BKM). This has enabled credit card customers from the 25 member banks and financial institutions to withdraw cash from Akbank ATMs and permitted 22.5% of all credit card cash advance transactions over the credit card cash advance sharing system to be processed at Akbank ATMs, thereby giving Akbank the highest market share. In 2005, the credit card cash advance sharing system is expected to create an increase in Akbank's fee revenue.

BTMs

Thanks to the BTMs (ATMs with a money deposit facility) placed at customer disposal, all Akbank

customers who have a debit or a credit card can deposit money in their accounts and make credit card payments 24 hours a day. The money deposited at the BTMs is instantly credited to customer accounts and customers can use this money immediately for other banking transactions.

With BTMs located at 125 sites around the country, Akbank has the most extensive BTM network in Turkey.

Credit Cards

Akbank is among the pioneers in the credit card market with its extensive product range, product characteristics and services that meet the expectations of different customer groups. Credit cards offered by the Bank are grouped under the Axess and American Express brands. In 2004, Akbank's number of credit cards grew by 47% and issuing volume by 81%.

Akbank keeps track of the credit cardholders' spending cycles and habits while addressing customer needs

through campaigns and activities. Upon completion and implementation of Akbank's credit card customer segmentation work initiated in 2004, Akbank will be able to organize more effective campaigns on a customer and segment basis. This will further enhance the Bank's credit card performance with new products.

Axess

Axess, launched in November 2001, is the fastest growing credit card in the market with growing numbers of cards and member merchants. Rapidly, Axess developed the largest member merchant network in the installment-based credit card sector and positioned itself well ahead of other cards through the benefits it provides to cardholders as well as various privileges and promotion campaigns.

Diversified in a parallel manner among different customer segments, Classic, Gold and Platinum cards, Axess card numbers grew by 86% reaching nearly 3 million in 2004. Axess demonstrated a real increase of 90% in 2004 in turnover, making it the card with the highest

West Terrace, Statue of Herakles



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growth in terms of turnover market share in the sector.

XLS, the successful software used by Axxess, which makes the lives of its customers easier while creating more personal benefits, has received the prestigious The Banker Technology Award - Technology ROI of the Year.

Akbank American Express Cards

As the sole representative of the highly valued American Express brand since 1996, Akbank continues to work on extending the market penetration of American Express cards in Turkey.

Akbank American Express cards are especially attractive to the higher income group. American Express Business Cards, on the other hand, is a convenient payment solution for businesses of varying sizes, especially multinational companies.

In 2005, the Bank aims to further increase the 30% real growth achieved in Akbank American Express credit card turnover during 2004.

Small Business Banking



Aided by the slogan "Your Success is Our Success" the Small Business Banking Unit creates an air of confidence along with comprehensive services and tailor-made solutions for small businesses. Through a customer-focused approach, Small Business Banking meets client requirements that range from cash management of small businesses to loans, investments and overseas transactions with new and existing products. Solutions are particularly provided toward meeting their financing problems, one of the major difficulties faced by small businesses.

Small Business Banking provides specially tailored packages to its customers in different sectors and regions that cover a variety of banking transactions. Small business customers can make use of loans and other banking products within these packaged programs as required by their cash flows. Through the new small

business credit rating system put in place at the branches as of December 2004, loan applications are now concluded more rapidly and systematically with less red tape.

The Turkish lira cash loan volume reached TL 2.1 quadrillion, registering an increase of 115% over the previous year. This was achieved as a result of initiatives directed at certain sectors and regions, the new loans module and other efforts geared toward increasing the small business lending volume.

The Pharmacy Package tailored to meet the requirements of pharmacies was launched and extensive marketing activities directed toward pharmacies have been carried out. Market share increased to 60% with biz.card projects put in place with the leading pharmaceutical wholesale companies in the sector.

The Farmer Support Package, to meet the financial requirements of the agricultural sector, provided credit facilities with practical repayment schemes and conditions for farmers, cattle raisers and greenhouse vegetable growers.

A Customs Brokers Package was developed to increase Akbank's share in banking services provided to customs brokerage firms; about 450 customs brokerage firms were included in the scheme. There was an increase in the Bank's market share in both loan and deposit transactions as a result of meeting the blocked check requests of companies in this sector.



A Car Dealer Package was developed in the last quarter by determining the banking products used by the existing customers at car dealers. This package was created to introduce and exploit the potential patronage of car dealers' to become Akbank customers. This package aims to meet the dealers' cash and non-cash loan requirements.

The Information Technologies Support Credit program that provides financial support to small businesses to purchase or upgrade software and hardware was promoted at the CeBIT IT fair. It was also promoted at meetings held in cooperation with IBM Türk and LOGO under the theme title "The Road is Clear

for Competing in World Markets". These efforts contributed to marketing efforts in the branches.

Additionally, large groups of customers were reached at various sponsored events where Small Business Banking products, services and credit products in particular were promoted. At the KOSGEB (Small Business Development Organization) and the Real Sector Meeting attended by associations, foundations, chambers of industry and commerce and manufacturing companies throughout Turkey, the Raw Material Purchase Loan and Machinery/Equipment Loan were promoted.

Aided by the slogan "Your Success is Our Success" the Small Business Banking Unit creates an air of confidence along with comprehensive services and tailor-made solutions for small businesses.

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With the multiple functions of a debit card, Business Credit Card and Supply Card all in one, biz.card still enjoys the advantage of being the first of its kind in Turkey. In 2004, biz.card continued to be the market leader in terms of numbers.



As a result of agreements concluded with 86 Chambers of Commerce and/or Industry launched in the second half of 2004 throughout Turkey to increase the small business lending portfolio, credit lines worth TL 137 trillion were made available.

biz.card

With the multiple functions of a debit card, Business Credit Card and Supply Card all in one, biz.card still enjoys the advantage of being the first of its kind in Turkey. In 2004, biz.card continued to be the market leader in terms of numbers.

Moreover, through its supply card feature underscored in cash management projects, biz.card has facilitated the purchase of TL 486 trillion worth of goods by 7,000 distributors from 72 supplier companies. Additionally, not only was a credit limit allocated to distributors using biz.card, but also a long term banking relationship was established with these distributors creating cross selling opportunities.

Member Merchant Activities

Akbank continued to implement its activities concerning member merchants successfully and maintained its market leadership at the end of 2004 with 180,000

businesses and nearly 190,000 POS terminals. In 2004, Akbank's acquiring volume increased by 46% compared to the previous year, reaching an 18.6% market share and consolidating its position further in the marketplace.

Significant gains were achieved in foreign credit card turnover and foreign exchange inflow through special efforts undertaken in tourist resort areas to increase tourist input. Akbank increased its overseas credit card turnover by 19% in real terms on a Turkish lira basis compared to the previous year and reached a market share of 24.5% in the acquisition of foreign credit cards.

Akbank reaped benefits from its CRM projects in 2004. Raportal, an information portal, was put in place aiming to respond to customer requirements and increase service quality in connection with member merchant activities. Through an extensive implementation in the first half of 2005, member merchants will be able to follow customer spending habits and shape more reliable strategies based on this data. Raportal will also provide solutions to numerous operational difficulties encountered by member merchants in their cash flow planning and accounting.

Axess, introduced by Akbank in the credit card payment systems market in 2004, consolidated its market position through its ever-widening member merchant network and consumer-oriented promotional campaigns. In 2004, Axess cardholders were provided with installment payment schemes and rewards in their transactions with member merchants in nearly 90,000 outlets, up by nearly 100%. Through campaigns in 2004, a real increase of 199% was achieved in Axess turnover by Axess member merchants. Within the framework of agreements concluded with market leader companies, the market presence of Axess was strengthened, consolidating its position among other leading credit cards.

Retail Credit Allocation

Consumer Loans

Work on extending consumer loans through alternative channels has been completed and as an initial phase, car loan applications are now accepted from car dealers. In the following phases, housing loans and consumer credits will be made available from vendor locations in cooperation with vendor companies.



Work is underway with Fair Isaac for the creation of automatic credit allocation processes facilitating proper and swift lending decisions. In the first quarter of 2005, credit allocation processes will be integrated with systematic assessments and scorecard implementation, enabling effective credit risk management and reduced operational costs.

The Bank actively participated in discussions with government regulatory bodies for the establishment of the mortgage system infrastructure to deal with housing loans. Akbank's lending processes are being reassessed taking into consideration the work on the mortgage system.

In 2004, the entire mortgage procedure that had been the responsibility of branch managers was transferred to contracted lawyers; building survey and expertise work, to a large extent, were subcontracted to surveying companies. As a result, operational efficiency and customer satisfaction has been increased due to faster processing and risk has been minimized since experts now undertake the aforementioned work.

Small Business Loans

Work flows and decision models tailored to the characteristics and requirements of customers in the small business segment were created. Greater speed was achieved in assessing and finalizing loan applications and operational costs were reduced.



Credit decision models based on data and statistical modeling are used in credit allocation processes. Through the use of credit decision models, internal ratings in conformity with Basel II directives are calculated and probabilities of default are estimated statistically and more accurately. As a result of these practices, efficient credit management is achieved for the Bank while, at the same time, a credit system that meets small business requirements and provides quick response has been put into place.

Credit Card Loans

Queries on Consumer Credit Bureau information as well as investigations on other banks' data on customers'

performance related to their usage of credit-based consumer products, modeled after a decision tree, provide the basis for effective credit decisions and limit allocations.

A project was carried out and finalized on January 1, 2005 with Fair Isaac for the establishment of a fast and accurate credit card allocation system encompassing systematic assessments and automatic credit decisions.

AKBANK



Determining the trends of the sector in terms of technological infrastructure, Ak Emeklilik has put in place the most successful CRM projects in the private pension business.

Ak Emeklilik (Private Pension Fund)

AKEmeklilik

The private pension scheme promoting long-term savings overlaps with Akbank's life-long banking approach. Ak Hayat Sigorta A.Ş. completed its infrastructure to provide services in the private pension system, obtained relevant permits and changed its name to Ak Emeklilik A.Ş. in January 2003. Ak Emeklilik, which aims to become the most trusted and preferred pension and life insurance company among customers planning for their future, has become a leading company shaping market rules in the sector through its innovative service approach.

Ak Emeklilik was the first private pension fund company to receive its operating license in the sector; as of October 27, 2003, it began selling Private Pension Scheme policies. According to the Pension Surveillance Center's latest sales data, Ak Emeklilik is among the top three companies in this new business sector.

As of December 31, 2004, Ak Emeklilik achieved a 14% market share in the private pension system covering 314,000 participants and had collected contributions worth TL 41.8 trillion. Ak Emeklilik has also acquired a market share of 15% with its total size of invested funds. Considerably ahead of its



competitors in corporate participation, Ak Emeklilik has reached 56 corporate participants and 13,209 corporate participating individuals.

Akbank and Ak Emeklilik are also cooperating in bancassurance in order to create significant value added in the private pension sector through the synergy created by more than 600 branches and five million customers. In this context, Akbank has introduced to its customers the private pension scheme that will play an important role in Turkey's future by utilizing a campaign management tool called the Reference Management System.

Determining the trends of the sector in terms of technological infrastructure, Ak Emeklilik has put in place the most successful CRM projects in the private pension business. It has provided the highest quality and fastest access to its customers through the website, sales automation system and the Call Center.

AKBANK PRIVATE BANKING



Akbank Private Banking Business Unit has been in operation since March 2001 as a separate unit from the Bank's corporate and retail businesses. It aims to serve individuals with different expectations from banking and investment services and who are in the high-income group. This group involves customers with a minimum account



balance of US\$ 200,000 or its TL equivalent at Akbank Private Banking branches.

The main goal at Akbank Private Banking is to follow all financial products and services offered in overseas markets as well as in the domestic market and to provide its customers the most suitable investment alternatives at international standards. These services are made available to customers through Customer Relations Officers along with the support provided by experts from Ak Securities and Ak Asset Management. Periodical research reports including all types of market, industry and product analyses and the constantly changing market conditions are periodically provided to customers.

Total assets managed by the Private Banking Business Unit at the end of 2004 reached US\$ 3.8 billion, representing an 11% increase compared to end of 2003. Meanwhile, fees and commission income during the same period registered a real increase of 72%. With regard to cross selling opportunities during this period, the average number of products per customer rose to 3.5x.

INTERNATIONAL BANKING

Akbank cooperated with 1,100 correspondent banks in 120 countries and continually developed its correspondent network and correspondent relations thereby maintaining its superior position in the Turkish banking sector during 2004. The Bank provided successful services during the previous year including the marketing of products and services in the areas of foreign trade financing, foreign exchange and Turkish lira clearing. Akbank is the only Turkish bank participating in the management of the Trade Bank of Iraq. This is an open testimony to the unequalled success of the Bank in correspondent bank relationships. Serving its customers in the area of money transfers to Iraq, the Bank also handles letters of credit and letters of guarantee transactions.

Borrowing activities of Akbank in the international markets to secure long-term fund generation at below sovereign

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East Terrace, Statue of Herakles / Statue of Eagle



Within the framework of the credit agreement signed with WestLB AG London, Akbank obtained an asset-backed facility of US\$ 350 million backed by export receivables, check receivables and worker remittances during the year.

risk prices, to diversify its funding resources and to create an international investor base in this area have served as a role model for the banking and finance circles in Turkey.

Since 1997, Akbank has increased its foreign borrowings in line with existing strategy in place. In this context, Akbank has been active continuously in syndication markets and has obtained two syndicated facilities in the sum of US\$ 1,050 million in 2004 with the participation of the world's leading banks.

The following are the foreign borrowing transactions that Akbank undertook in 2004:

The syndicated facility signed on August 3, 2004 for an amount of US\$ 500 million was concluded with the participation of 63 banks from 29 countries. The credit was obtained with an interest rate of Libor + 55 base points.

Another syndicated facility in the sum of US\$ 550 million was signed on December 10, 2004. A total of 57 banks

from 25 countries participated in the facility where a record number of 27 arranger banks took part. The interest rate of this facility was Libor + 50 base points. Positive developments in the Turkish economy, Akbank's financial strength, its leading position in the banking sector and credit ratings that fared above the sovereign rating for many years played an effective role in the reduction of overseas borrowing costs.

Both facilities had a maturity of one year and their proceeds were used in export financing. The large participation in both facilities testifies to Akbank's strong correspondent bank relationships.

Akbank has also been using other borrowing instruments successfully.

Within the framework of the credit agreement signed with WestLB AG London, Akbank obtained an asset backed facility of US\$ 350 million backed by export receivables, check receivables and worker remittances during the year. Loans under this agreement have maturities varying from five to seven

years. With the new line obtained in 2004, total borrowing under the asset backed credit program undertaken with WestLB AG London reached US\$ 1,525 million.

Akbank received its first asset backed facility on its foreign exchange-denominated Visa, MasterCard and Amex credit card receivables for an amount of US\$ 250 million and with a maturity of seven years from Credit Suisse First Boston and Chase Securities in July 1998. The US\$ 100 million, seven year-term loan backed by the foreign exchange-denominated Visa, MasterCard and Amex credit card receivables and obtained from Bank of America in March 2001 was realized as the second tranche of this facility obtained in 1998.

On June 30, 2004, a US\$ 270 million loan was received from Citibank as the third tranche of the aforementioned facility; the maturity of this line is also seven

AKBANK



years. The second and the third tranches of the facility in the sum of US\$ 100 million and US\$ 270 million, respectively, were covered by an insurance company possessing a credit rating of AAA/Aaa.

In addition to these transactions, the Bank obtained a 5-year US\$ 45 million OPIC credit to support project finance credits and to finance the Bank's IT and retail infrastructure investments.

Total loans obtained in 2004 reached US\$ 3.8 billion.

Through effective coordination between overseas operations and the Head Office, Akbank aims to increase its local effectiveness in major countries. It will also offer international banking services to a larger customer base and will develop new products and services within the framework of the overall strategies.

Akbank's branches in Germany and its affiliate Akbank International NV operating in the Netherlands provide retail and corporate banking services. The Malta Branch provides services to Akbank's corporate banking customers while the Paris representative office operates in the area of retail banking.

TREASURY MANAGEMENT

Akbank is one of the 12 market-maker banks designated by the Treasury Undersecretariat. The Bank maintained its position as the most effective institution in both the primary and secondary markets in 2004, thanks to its robust financial structure and the successful fund management of the Treasury Business Unit.

Akbank's Treasury Management is located in the Head Office and provides centralized fund management services to all branches. The Treasury Business Unit consists of the Fund Management Group, Fixed Income Securities Group and the Treasury Marketing Group.

The Treasury Business Unit undertakes the management of foreign exchange and interest rate risk by taking into consideration the political and economic circumstances and the domestic and international markets within risk parameters determined by senior management.

The Treasury Management undertakes activities that include finding and providing foreign currency or Turkish lira funding in money markets, spot, swap and futures transactions in Turkish lira



or foreign exchange, trading of T-bills, government bonds and other domestic and foreign securities with investment grade or speculative grade credit ratings. The Bank is also a leader in the Turkish Eurobond and domestic FX-denominated bond markets.

The Treasury Marketing Group has considerably increased its brokerage activities in T-bill trading by making use of the Bank's extensive branch network. Other treasury products marketed to customers include derivative instruments such as swaps, futures and options. Akbank also provides its customers structured products to hedge against financial risk.

RISK MANAGEMENT

Since its foundation, managing risk prudently and professionally has been one of the core competencies of Akbank's corporate culture. Akbank takes a conservative approach to managing risk, in line with its long-term strategy.

Risk Management Principles

The main characteristics of Akbank's risk management philosophy which set it apart from its peers within the Turkish financial sector are to:

- Deliver maximum long-term value for shareholders, clients and employees,
- Be a trusted, strong and sustainable financial institution for shareholders and clients so that relationships are long-lasting,



- Set centralized policies and monitor the Bank's vast and highly diversified portfolios,
- Manage risk proactively; identify and analyze risk at an early stage through a framework of guiding principles, risk strategies, models and parameters,
- Create a risk management function independent of the commercial lines of business,
- Integrate the risk management function into the organizational business process,
- Report on all risk across the organization,
- Manage and monitor the market, credit, operational and other

risks efficiently and appropriately allocate capital among the business units,

- Learn and evolve continuously to keep up with volatile and rapidly changing business environment and
- Be in line with Basel II and other international guiding principles.

Key Responsibilities

The Board of Directors (the Board) is responsible for the Bank's fundamental approach to risk, risk principles and the determination of its risk capacity. The Board manages risk through two important committees: Asset and

Since its foundation, managing risk prudently and professionally has been one of the core competencies of Akbank's corporate culture.

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At Akbank, the measurement of credit risk is based on Advanced Internal Ratings Based Approach (Advanced IRB Approach) in compliance with Basel II standards.



Liability Committee (ALCO) and Executive Risk Committee (ERC).

ALCO meets daily to discuss recent developments in the economy and changes in the markets. ALCO is responsible for defining investment, pricing, funding strategies and managing the daily liquidity and cash management of the Bank.

ERC is responsible for formulating risk policies, determining methodologies to measure and manage risk and setting and monitoring limits. All the policies are clearly defined, formally documented and integrated within the overall business plan and the strategy.

The Risk Management Group, which directly reports to the ERC is responsible for;

- Developing risk management systems and infrastructure; analyzing results and reporting to the management as well as integrating market, credit and operational risk,
- Preparing the Bank for Basel II implementations and
- Relationships with Banking Regulation and Supervision Agency (BRSA), Central Bank of the Republic of Turkey (CBRT), other authorities and



institutions in terms of effectiveness of the risk management function.

Internal Control and Board of Internal Auditors are responsible to ensure compliance with policies and procedures.

Basel II Framework

The long-term goal is to create a comprehensive risk management framework to identify, measure and report all primary risk and to assess and allocate capital in line with New Capital Accord (Basel II) implementations. In order to implement the changes to fully comply with Basel II requirements, various implementation projects are taking place for credit, market, asset & liability and operational risk.

Primary Banking Risks

Primary banking risks are credit risk, market risk and asset & liability risk.

Credit Risk

Credit risk arises from the probability that a counterpart may fail to perform its obligations to the Bank. Credit risk includes both the probability of default and deteriorations in the quality of the credit portfolio. Credit risk is inherent in all banking products from loans and commitments to letters of credit. Credit risk management at Akbank is governed by detailed credit policies and procedures.

At Akbank, the measurement of credit risk is based on Advanced Internal Ratings Based Approach (Advanced IRB Approach)



in compliance with Basel II standards. The credit risk model has been developed by the Risk Management Group in a joint effort with a consultation firm.

The default probability of counter-parties are assessed using scoring tools tailored to various categories of counter-party and are derived from these credit ratings for corporate, commercial, SME, consumer and credit card loan portfolios. Collateral structure of each portfolio is considered to determine the severity of loss if default occurs. Default probabilities and severity of loss values are combined in order to account for expected loss and unexpected loss values over time and to encourage risk adjusted pricing.

Market Risk

Market risk exposure arises from the movements of market prices such as foreign exchange rates, interest rates and equity prices. Market risk of the trading portfolio is measured through

different risk factors using the Value at Risk (VaR) approach. The method adopted by the Bank for VaR calculation is historical simulation. The Bank uses a ten-day holding period with normal market conditions and a 99% confidence level. This VaR calculation is reported to the Board of Directors and Senior Management daily. Moreover, Akbank uses VaR as a limit management tool in its budget as a risk parameter according to Basel II rules for the bond portfolio. VaR measures are supplemented with scenario analysis and stress testing that determines the effects of sudden extreme changes and market volatility.

Asset & Liability Risk

Asset & Liability risk is managed by ALCO via daily/weekly meetings that set the strategies for managing the Bank's liquidity, taking position according to interest rate and currency movements. Hence liquidity is managed to ensure that sufficient funds are available to



meet the Bank's cash requirements. ALCO also makes contingency plans for unexpected changes in market conditions to fully protect the Bank from adverse conditions.

BUSINESS INTELLIGENCE PRACTICES

ARGUS

Akbank put in place an information system in 2004, called ARGUS, designed as both a Management Information System and a Decision Support System. ARGUS aims to present users with comprehensive data enabling them to conduct analyses regarding the performance of the Bank utilizing the most important criteria. Daily, weekly and monthly data depending on the nature of the records can be accessed via ARGUS.

Within this framework, ARGUS provides the following information about Akbank or the relevant variable in various dimensions and in line with '4 C' objectives (Correct information, Correct time, Correct format and Correct target group):

- financial figures,
- customer-focused indicators,
- indicators concerning business processes,
- indicators concerning human resources and
- risk indicators.

AKBANK



Akbank with its extensive, strong branch network has developed the AkTarget system to preserve its leadership and to obtain maximum efficiency at each branch in 2005.

Coverage of ARGUS will be expanded in 2005 to effectively facilitate Akbank's strategy, fast decision-making and performance monitoring processes.

Profitability System

In 2004, Akbank's Profitability System aiming to analyze profitability in a multi-dimensional manner was put in place. The Bank's profitability is analyzed regularly within the framework of the Profitability System taking into consideration the following parameters:

- Customer profitability,
- Customer Relations Officer's profitability,
- Branch profitability,

- Segment and Business Unit Profitability and
- Product profitability.

Management and marketing strategies are formulated, actions enhancing profitability are defined and realized as a result of customer, product and segment profitability analyses. Additionally, branch and Customer Relations Officer's profitability are used in the Bank as important performance indicators. Profitability reports are forwarded to users through ARGUS.

AkTarget

Akbank with its extensive, strong branch network has developed the AkTarget



system to preserve its leadership and to obtain maximum efficiency at each branch in 2005.

The AkTarget system compares branches with each other in an objective and logical manner and quickly determines targets for each branch. AkTarget also automatically ascertains how much a branch should focus on a specific product at the branch level.

CAPITAL MARKETS

Akbank provides capital market services through its subsidiaries, Ak Securities, Ak Asset Management and Ak Investment Fund. Branches operate as marketing and sales outlets for products and services delivered by these subsidiaries.

Ak Securities

AKYatırım
Menkul Değerler A.Ş.

Ak Yatırım Menkul Değerler A.Ş. (Ak Securities), Akbank's subsidiary operating in capital markets, provides brokerage services including trading of stocks, fixed income securities and repo; it also offers corporate finance and research services. Ak Securities has 148 employees.

With 184,000 investment accounts, Ak Securities ranks second in Turkey among brokerage firms regarding the number of customers. Ak Securities delivers its services through its seven branches and 39 fully-equipped trading rooms in Akbank branches operating as



its agent. Also services are provided over the Internet Branch on a 24/7 non-stop basis. The Corporate Finance Division provides consultation and brokerage services to enable corporate customers to raise funding from domestic and overseas capital markets at favorable terms and conditions utilizing appropriate financial instruments. The International Corporate Sales Division provides trading services for the Turkish capital market instruments for its overseas corporate customers.

Ak Asset Management

AKPortföy

Ak Portföy Yönetimi A.Ş. (Ak Asset Management) manages Akbank and Ak Securities' Type A and Type B mutual funds, Ak Emeklilik's pension funds and Ak Investment Fund's investment portfolio. With Type B variable mutual fund introduced in 2004 for Private Banking customers, a total of 21 portfolios made up of 12 Akbank mutual funds, one Ak Securities mutual fund, seven Ak Emeklilik funds and Ak Investment's portfolio are managed by Ak Asset Management.

Assets managed by Ak Asset Management increased by 13% in real terms during 2004 compared to the previous year, going

up from TL 3.3 quadrillion in 2003 to TL 3.7 quadrillion in 2004. Mutual funds managed by Ak Asset Management grew above the sector average to reach a market share of 15%.

Ak Investment Fund

Ak Yatırım Ortaklığı A.Ş. (Ak Investment Fund) ranks third among the 23 investment trust companies in the market in terms of issued capital and investment portfolio size. With a market share of 10.4% at the end of 2004, Ak Investment Fund achieved a yield of 12.8% on its investment portfolio during the year.

SUPPORT SERVICES

Information Technology

Akbank has been continuously investing in information technology for many years emphasizing the importance it places on IT development and its practical application in banking. To this end, IT investments made by Akbank since 2000 exceed US\$ 280 million.

Transformation Projects initiated with the aim to create an infrastructure that

AKBANK



In 2004, the Bank upgraded its branch technology and extended the new system to all branches. The most striking feature of the new branch system, "Acrobat", is that it is sales and customer-oriented.



would enable the launching of pioneering banking applications through IT were completed in 2004. Through the "Acrobat" application installed in branches within the framework of the Transformation Projects, Akbank branches were converted into sales outlets providing high-quality services to their customers using the most advanced technology. Through yet another successful application in 2004, the loan application and allocation process (the Commercial Loans System) was renewed.

Centralized Operations

Corporate Portal

Employee communication at Akbank, which has one of the most extensive branch networks in Turkey, is now provided via a single platform creating a single communication medium. The corporate portal - ilet.isim - is a special Intranet environment dedicated for use by Akbank employees.

The corporate portal is instrumental in disseminating a variety of content including messages from senior management, changes in policies and procedures, special features and characteristics of banking products and

prices as well as employee awards; it contributes to a common corporate culture.

The corporate portal was introduced to the employees of all branches, regional directorates and the Head Office at the end of February 2004. As a result, Akbank became more environment friendly, saving 35.1 million sheets of paper and greatly reducing paper cost.

Document Management and Centralization

An important centralization effort in 2004 allowed branch staff to focus on sales and customer service; 510 branches of the Bank were placed under centralized automation and the entire operations staff received training. This enabled fast and secure transaction flow from the branches to the Head Office, creating a 50% savings in processing time. The centralization ratio of Turkish lira intensive transactions at Akbank is 85%.

Additionally, foreign trade operations carried out at 16 different locations were fully centralized in 2004. Compared to competitors with a similar number of branches, only Akbank realized 100%

centralization in its transactions. The increase in efficiency during the first year of implementation was around 76%. In addition, bringing teams from 16 different locations together created an exchange of experience and expertise and contributed to standardized workflow and minimized operational risk.

New Branch System

In 2004, the Bank upgraded its branch technology and extended the new system to all branches. The most striking feature of the new branch system, "Acrobat", is that it is sales and customer-oriented. Customers who scan their cards (credit card or debit card) through the web-based card reader system are greeted by a Customer Relations Officer or teller by name and all relevant data on this customer is accessible from the same screen. Additionally, specific products that should be offered to that customer through promotion campaigns carried out by the Head Office and whether that customer is actively using banking products are displayed on the same customer screen. The aim of this system, which facilitates sales activities, is to develop less time-consuming, high quality services at a faster pace.



Human Resources and Training

In parallel with its strategy of change and growth, Akbank provides new recruits and current staff with intensive training programs at its new training center equipped with state-of-the-art training equipment.

In parallel with the transition from corporate titles to functional titles, career training for skills and expertise required by each function has been organized. Newly recruited management trainees and assistant auditors receive training in technical and personal development areas as well as the products and services offered by the Bank.

All managers and senior management came together at the Akbank Managers Summit organized in Kemer-Antalya. At the summit, first quarter results were evaluated, Akbank's 2004 goals and strategies were discussed and the participants chartered the road map for the new term.

In 2004, 88,636 individuals took part in various training programs. A total of 608,377 hours or an annual average of



67.5 hours per person training has been provided. Ratio of time spent by staff at training to overall work hours is 4.31%.

As of the end of 2004, 3,117 of the 9,531 Akbank employees work at the Head Office, 255 at Regional Directorates and 6,159 at branches. The Bank also has 882 security staff. Average age of the staff is 32.3 years and 75.2% are university graduates.

In parallel with the transition from corporate titles to functional titles, career training for skills and expertise required by each function has been organized.

AKBANK

West Terrace, Kommagene Head



Akbank Culture and Arts Center organized various events in 2004 on behalf of Akbank and has become an important supporter of contemporary art in Turkey, offering visionary works in all areas of art.

AKBANK CULTURE AND ARTS CENTER



Akbank Culture and Arts Center undertakes its activities with social awareness and responsibility in an effort to protect local and universal cultural heritage, share it with new generations and support the arts and the artist. As such, the Center is an important showcase in Beyoğlu, the heart of Istanbul's cultural and artistic life. Akbank Culture and Arts Center organized various events in 2004 on behalf of Akbank and has become an important supporter of contemporary art in Turkey, offering visionary works in all areas of art.

Akbank Culture and Arts Center hosts various artistic and cultural activities and sets the arts and culture agenda of the day. This year, the Center brought together numerous Turkish and international musicians and jazz enthusiasts at the 14th Annual Akbank Jazz Festival.

In addition to musical performances at the Cemal Reşit Rey Concert Hall and the Kadıköy Public Education Center, conductor Cem Mansur, and the Akbank Chamber Orchestra gave youth concerts

every month at a different university. The orchestra has given 22 concerts throughout the season to make classical music popular among the youth.

In May 2004, during The Time of the Judas Tree Festivities in Istanbul, organized at the St. Irene museum under the direction of Cem Mansur, classical music concerts were performed in addition to panel discussions, film shows and exhibitions, all hugely popular with art enthusiasts. The festival's poster design was selected the "most interesting design" and the festival itself received wide acclaim in Istanbul from both the media and music lovers alike.

In 2004, Akbank Production Theatre staged the play "Fernando Krapp Wrote This Letter To Me". In addition, the New Generation Theatre was founded in the 2004-2005 season with a view toward introducing unknown playwrights to the Turkish public. At the children's theatre, Carl Orff's Moon Opera was staged under the direction of Işıl Kasapoğlu. This was the first time an opera was staged using puppets.

During the Akbank Short Film Festival in December 2004, 48 films that were selected as a result of the preliminary screening were shown in the Multi-Purpose Hall. Some of the initial goals of

this festival were to encourage the production of short films which have attracted interest in Turkey in recent years and which have been developed for modern, dynamic and youthful participants. This festival also supports film makers, previews the films that were produced, and creates a festival tradition that cinema lovers can experience with enthusiasm. A record level of participation was realized in the contest with 210 applications.

The Book of Visual Arts in the 20th Century was published as the yearbook 2004 by Akbank Publications. In this reference work, the story of painting, sculpture, photography, graphic arts and architecture from different decades is discussed. In addition, this book includes an analysis of 20 key works that were important for their period. This is the first book in Turkish on visual arts in the last 30 years to be published in Turkey and, as such, is an indispensable reference for those doing research on the 20th century art history.

In 2004, 150,000 people attended Akbank's cultural and artistic events.

AKBANK

1. Statement of Compliance With Corporate Governance Principles

Akbank's Corporate Governance Practice

In this period of accelerating competition and change, the quality of corporate governance practices has become as much important as the financial performance. In order to achieve our goals and sustain our traditional superiority, we collected and documented our corporate values, which are the essence of Akbank's success, and our management practices that depend on these values. Below are the fundamental management principles regulating the relations between our Bank's management, shareholders, employees and the third parties (who are customers, suppliers and any person or institution the Bank is in relation with):

- **Integrity**

We adhere to the principle of integrity in our endeavors and activities, our relations with our customers, employees, shareholders and other banks, institutions and corporations.

- **Credibility**

Knowing that trust underlies banking business, we offer our customers, shareholders and employees clear, rational and accurate information and provide services duly, thoroughly and in compliance with our pledges.

- **Impartiality**

We do not act with prejudice based upon gender, behavior, opinion and ethnical origin against our customers, suppliers, employees and shareholders, and do not discriminate in any condition.

- **Conformity**

We abide by all laws, regulations and standards.

- **Confidentiality**

We do not share any information, first of all personal information about our customers, and transaction details concerning our shareholders, employees, suppliers and business partners with any person or institution, except with the authorities permitted by law.

- **Transparency**

Except for the information deemed as a trade secret and not yet announced to public, we disclose information about the Bank with or without financial content to the public in a duly, accurate, thorough, rational, interpretable and accessible manner.

- **Social Responsibility**

We consider the Bank's image and benefit, as well as issues like social benefit, improvement of the banking business and sustenance of trust for the sector, and we abide by the regulations about environment, consumer and public health in all our endeavors, practices and investments.

In accordance with the principle of public disclosure and transparency, Akbank announces information on its Internet website that is not considered trade secrets and that may interest shareholders and stakeholders. Moreover, the Bank has established a Corporate Portal to enhance communication among its employees and to inform them expeditiously.

The Bank set up the Investor Relations Group in 1996 and made public its dividend policy in 2003. Information such as the Report on Corporate Governance

Principles, shareholders and management structure, updated Company Articles of Association, annual reports, periodical financial statements and reports, agenda of the Annual General Meetings, proxy forms cited in article 1.11.5 of Capital Markets Board Corporate Governance Principles Part II which are requested to be published on the Internet are posted and updated on the Bank's website.

In addition to the above information, the website also includes the Bank's vision, mission and goals, its history, Board of Directors Report, Corporate Governance Principles, subsidiaries, previous dividend distribution and capital increase data, ratings and news about Akbank.

Principles of Corporate Governance consisting of four parts and resolved by the Capital Markets Board are implemented in general. Those parts of the principles not implemented are explained in detail along with their rationale in subsequent articles.

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

An Investor Relations Group was set up in 1996 to provide correct and timely answers to shareholder inquiries. This Department provides answers to all questions not categorized as trade secrets on a principle of equality enabling the management and the shareholder to be in constant communication.

The Investor Relations Group organizes overseas investor visits two to three times a year with the senior management, regularly develops presentations promoting the Bank and posts them on the Internet webpage

and prepares quarterly press releases providing detailed information to investors about the Bank. Major activities undertaken by the Investor Relations Group are explained in paragraph 8.

In 2004, the Department met with representatives of nearly 240 international investment funds and three rating agencies. In addition, more than 100 e-mail questions from investors and analysts received replies via e-mail.

Investor Relations Group

Group Head

A. Cenk Göksan

cenk.goksan@akbank.com

Manager

Arbil Öztözlü

arbil.oztozlu@akbank.com

Assistant Manager

Ertan Küçükyağcı

ertan.kucukyalcin@akbank.com

investor.relations@akbank.com

Tel: +90 212 280 13 35

3. Shareholders' Right to be Informed

Developments that may impact the exercise of shareholders' rights are regularly announced through the Istanbul Stock Exchange (ISE). Moreover, information of interest to the shareholders is regularly announced in detail on the Internet. Important issues are communicated to investors and analysts through e-mail as well. In 2004, more than 100 questions by investors and analysts were answered via e-mail.

Responding correctly to queries from shareholders within one hour if the information already exists, and if not, at most within one day, is a performance criterion for the Investor Relations Group staff.

Article 44 of the Articles of Association stipulates that the General Assembly may appoint a special auditor for the inspection of certain issues if deemed necessary. It lays down the conditions under which shareholders with shares equivalent to one twentieth of the capital may perform for the selection of the special auditor. There has been no request for the selection of a special auditor during the past period.

4. Information on the Annual General Meeting

During the period in question (January 1, 2004 – December 31, 2004) an ordinary Annual General Meeting was held. The quorum during the Annual General Meeting was 50.92% and stakeholders wishing to do so attended the meeting. An invitation for the Annual General Meeting was placed in the Turkish Trade Registry Gazette and a national daily.

There is no specific time frame stipulated for attendance in the Annual General Meeting of shareholders with registered stocks. Prior to the Annual General Meeting, the meeting date, venue and agenda are announced in the Turkish Trade Registry Gazette, a national daily and on the Bank's website. The date and venue are also announced in the company news section of the ISE website. The meeting date, venue and provisional Annual Report are announced in the Shareholders Service, Ankara, Adana and Izmir branches. During the Annual General Meeting, shareholders use their right to ask questions and all their questions are answered. No suggestions or proposals were tabled by shareholders during the Annual General Meeting held within the past period.

There are no provisions in the Articles of Association stipulating that decisions such as the sale, purchase or lease of property should be taken at the Annual General Meeting. As the Board of Directors represents the will of the Annual General Meeting, no such arrangement was deemed necessary.

It is possible to vote by proxy according to the provisions of the Articles of Association. According to subparagraph (a) of Article 64 of the Articles of Association, shareholders may use their right to vote either in person or through another shareholder.

Annual General Meeting resolutions are disclosed to shareholders on the ISE and Akbank websites and the Shareholders Service.

5. Voting Rights and Minority Rights

There are no privileged voting rights stated in the Articles of Association. There is no subsidiary that owns shares in the Bank. The cumulative voting principle is not exercised.

6. Dividend Distribution Policies and Dividend Distribution Timeline

Akbank's dividend distribution policy is to disburse 30-50% of the distributable profit in cash to shareholders stipulated by the Articles of Association and this policy has been declared to the public. It has been stated that the Dividend Policy would be implemented provided that there are no adversities in the national and global

AKBANK

economic conditions and that the Bank's capital adequacy ratio is at the targeted level. Dividend distribution has been realized during the legally stipulated time frame.

In accordance with the provisions of the Articles of Association, distribution of dividends to founder and usufruct shareholders is defined as follows in Article 82 of the Articles of Association:

Following the setting aside of 5% of the profit for legal reserves and 5% of the paid-in capital to shareholders as first dividends, 10% of the remainder of the profit shall be set aside for founding shareholders. Additionally, up to a maximum of 2% of the remainder of the profit is allocated equally to the Chairman and Members of the Board of Directors. The Annual General Meeting is authorized to decide whether to distribute the remaining profit entirely or partially to shareholders or to set it aside as extraordinary reserves.

This issue is stated in Article 82 of the Articles of Association posted on the Bank's Internet website.

7. Transfer of Shares

There are no provisions in the Articles of Association restricting share transfers.

PART II – INFORMING THE PUBLIC AND TRANSPARENCY

8. Company Information Policy

The Bank has established an information policy that has been announced in the annual report and

on the Internet in Akbank's Corporate Governance Practices, under the heading of Informing the Public and Transparency. In accordance with this policy, the Bank's externally audited financial results are announced through a press conference on a quarterly basis and posted on the Bank's Internet website.

Additionally, the Bank's Internet site has a Financial Announcements Calendar to inform the public in advance about this information that is routinely disseminated.

Individuals responsible for executing the information policy are:

Zafer Kurtul,
President and CEO
Hayri Çulhacı,
Executive Vice President
Responsible for Strategy and
Corporate Communications

9. Disclosures of Special Circumstances

Including an additional disclosure in 2004, the Bank has made a total of 62 special circumstances disclosures. The aforementioned additional disclosure was requested by the ISE. The Bank's Level 1 ADRs are traded on the OTC market in the USA and the IOB (London Stock Exchange). Important information that could impact the price of ADRs is announced through the Bank of New York. Moreover, any important information is posted on the Bank's Internet site in English. All overseas disclosures are initially made to the ISE. No sanctions have been imposed against the Bank for not making special circumstances disclosures on time.

10. Internet Site and Contents

The Internet address of the Bank is www.akbank.com. The information stipulated in Article 1.11.5 of Part II of the CMB Corporate Governance Principles included on the Bank's Internet site is as follows:

Corporate Governance Principles Compliance Report, shareholder and management structure, updated Articles of Association, special circumstance disclosures, annual reports, periodical financial statements and reports, agenda of Annual General Meetings, voting form by proxy.

In addition to information cited in Article 1.11.5 of Part II of the CMB Corporate Governance Principles, issues included in the Bank's information policy are posted on the Internet website.

11. Disclosure of Real Person Ultimate Controlling Shareholder(s)

No real person is the ultimate controlling shareholder of the Bank. There are no real person shareholders with shares exceeding 5% of the capital.

Shareholder structure is announced in the annual reports and on the Internet website.

12. Disclosure of Individuals who are in a Position to Have Insider Information

There is no separate list that is announced, specifying those who are in a position to obtain insider information. Members of the Board of Directors and Senior Management who could be in such a position are announced in annual reports and on

the Internet website. In addition to them, the individuals mentioned below are considered as persons who are in a position to obtain insider information:

A. Cenk Göksan ,
Group Head, Investor Relations Group
Atıl Özus,
Group Head, Financial Coordination
and International Reporting Group
Arbil Öztozlu,
Manager, Investor Relations Group

PART III - STAKEHOLDERS

13. Informing the Stakeholders

As stated in the vision, mission and goals section of the annual report, "Supporting and motivating employees to achieve job satisfaction" is among the Bank's main goals. The Bank's written and spoken principles, code of conduct and issues governing relationships with individuals and institutions internally and externally are recognized and known by the entire Bank staff and published as Ethics and Professional Principles. This document can be accessed on the Bank's Turkish or English Internet website (www.akbank.com). Ethics and Principles aims to regulate the code of conduct and behavior of Akbank employees at all levels as well as their relationships with individuals and institutions within or outside the Bank. Employees at all levels are expected to heed this body of rules and principles approved on September 26, 2003 by decision No. 8783 of the Board of Directors and will comply fully with these regulations while performing their duties. Naturally, our employees will act with due prudence in line with basic rules and principles in any situation not included in the aforementioned document.

A Corporate Portal has also been set up in order to provide information to the employees. Through the corporate portal, which is an in-house information sharing system, all announcements have been transferred from a paper environment to a paperless one. Moreover, some social functions can also be followed at the portal. As access to all corporate information is achieved over this system, employees can immediately obtain the information they are seeking from different entry points by using various key search words. This will increase employee satisfaction and reduce wasted time and effort.

In addition to cost cutting and faster communications, the Corporate Portal aims to underscore the importance of a common corporate culture.

14. Participation of Stakeholders in the Management

Work to enhance communication among the employees is undertaken in order to establish effective and efficient working relations and create team spirit. Participation in management is always encouraged, suggestions by the personnel for improvements at work are collected through a suggestion system that is evaluated carefully and rewarded.

15. Human Resources Policy

Akbank's human resources policy entails giving direction to our organizational structure and human resources in line with our business strategies and goals in order to sustain the Bank's success in the ever-changing, competitive business environment.

Our goal is to maximize our employee competencies and efficiency and reflect this fully in their business dealings. Within this framework, we focus on recruiting the best candidates; constantly developing our corporate culture and business approach; making the right investment in human resources in line with goals and strategies; putting in place a participatory career planning system; establishing a transparent and fair performance management system; and establishing a reward system that encourages and supports high performance.

The Human Resources Corporate Unit is organized in parallel to the structures, requirements and expectations of the Business Units to carry out relations with employees and provides the necessary support to the relevant units concerning all human resources issues.

There is also the Banksis - Bank and Insurance Employees' Union to take care of relationships with employees. Through collective bargaining agreements concluded with the Bank and its employees biannually, financial rights and other administrative issues with personnel covered under this union membership are regulated.

No complaints concerning discrimination have been received from employees. This issue is one which the Bank and the HR Corporate Unit is most sensitive to and it has been explained to all employees within the framework of the principle of impartiality stipulated in our Ethics and Professional Principles manual.

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Necessary care is taken to prevent any such occurrence with any of our employees.

16. Information about Customers and Suppliers

In the Bank's Ethics and Professional Principles document, relationships with customers have been taken up as a separate section. Relationships with customers should be as follows:

- Employees are aware that one of the most important ways for creating an edge over competitors is to provide the best service to customers.
- In the event the task, the transaction or the request employees are confronted with exceed their responsibilities or are not relevant to their area of interest, they will refer the issue to the authorized person or unit in charge.
- Although essentially no room should be left for customer complaints, employees ascribe special importance to any unavoidable customer complaints. They will try to solve the customer's problems provided that they are within the confines of general principles and the Bank's procedures and they will take measures and make every effort to preclude them from recurring.
- Employees deduct interest, commission, fees, etc. from every service in line with the Bank procedures and general notices and immediately reflect any and all such deductions in the records without recourse to any other condition or reason.

- Employees do not undertake any transactions that must be undertaken by the customers in person even if affidavits or proxies are provided for them to do so and undertake each and every transaction on behalf of the customer based on open and clear instructions from the customer.

17. Social Responsibility

For many years Akbank has given support to culture and the arts on a wide-ranging platform. The Akbank Culture and Arts Center, the Akbank Jazz Festival, Akbank Chamber Orchestra, Production Theatre, Children's Theatre and the Karagöz Puppet Theatre are all artistic activities and have become brands in their own right. The Bank's aim is to focus on branches of art that need support in particular and provide assistance in those areas to both the artists and the community.

Akbank has also been providing support for numerous projects to shed light on the cultural heritage of Turkey. In this context, the Bank has been sponsoring Antandros City Excavations since 2001 and the Nemrud Preservation Project since 2000.

The Bank has been developing an Environmental and Social Impact Management System. The main goal of the Environmental and Social Management System is to report the impact on the natural and social environment of the projects for which loans have been provided. In this framework, corporate customers are urged to develop 'Action Plans' to achieve sound and sustainable projects. Social and environmental impact and project risk must be

managed within a system that envisages continuous improvement and risk minimization.

There are no lawsuits filed against the Bank for any damage that has been inflicted on the environment.

PART IV – BOARD OF DIRECTORS

18. The Structure and Composition of the Board of Directors and Independent Members

Erol Sabancı,
Chairman of the Board of Directors and Managing Director (Executive)
Akın Kozanoğlu,
Vice Chairman of the Board of Directors and Executive Director (Executive)
Suzan Sabancı Dinçer,
Managing Director (Executive)
Özen Göksel,
Managing Director (Executive)
Hamit Belig Belli,
Director (Non-executive)
Hikmet Bayar,
Director (Non-executive)
Aydın Günter,
Director (Non-executive and independent)
Ş. Yaman Törüner,
Director (Non-executive and independent)
Zafer Kurtul,
Director (Executive),
President and CEO

Members of the Board of Directors were elected for a three-year term and are presently serving in their term of three years.

The Board of Directors has been mandated with full authority by the Annual General Meeting to take action based on articles 334 and 335 of Turkish Commercial Code.

19. Qualifications of the Members of the Board of Directors

The minimum requirements that are sought in the selection of Members of the Board of Directors overlap with those stipulated in articles 3.1.1, 3.1.2 and 3.1.5 of the Capital Markets Board Corporate Governance Principles Part IV and corresponding principles are included in the Bank's Articles of Association.

20. The Company's Mission, Vision and Strategic Objectives

The Board of Directors has formulated Akbank's vision, mission and short and long-term strategic objectives included in the annual report in a clear and understandable manner. The Bank's Articles of Association stipulate that the duties and responsibilities of the Board of Directors are subject to the provisions of the Turkish Commercial Code and the Banking Law and the provisions of the Articles of Association. The Articles of Association also indicates that the Board of Directors must have a minimum of one meeting per month stipulating the conditions under which the meeting will be held. In these meetings, the Board of Directors monitors the Bank's progress against its strategic objectives and evaluates performance. The annual budget of the Bank and its strategic plan are approved by the Board of Directors. The Board of Directors closely follows the budget and its actual implementation, receives information about variations from the budget and follows up the decisions taken. In the event there are significant variations in the macroeconomic environment, the budget is revised and resubmitted to the Board of Directors. The Board

of Directors follows up strategic objectives, budget targets and the realized figures on a daily, weekly and monthly basis depending on the nature of the issues under scrutiny. Moreover, in addition to reports on paper, the Board can also access the Bank financial statements, various financial and non-financial indicators on a customer, branch, business unit or general basis through the Executive Information System. The Board of Internal Auditors responsible for internal audits reports directly to the Board of Directors.

21. Risk Management and Internal Control Mechanism

The Board of Directors and the Senior Management are responsible for developing risk management policies and strategies. These policies are revised based on changing market conditions of the day both during the daily Assets & Liabilities Committee meetings and periodically at the Board of Directors Meetings. The CEO is responsible for ensuring that the Bank's departments operate in line with policies and strategies determined by the Board of Directors in connection with the Risk Management Process. Additionally, internal controls and periodical audits are other means of control to check compliance with policies and strategies in place.

Akbank's Board of Directors is heavily involved in the risk management process by developing risk management strategies, policies, limit systems and procedures through the Executive Risk Committee. The Executive Risk Committee meets twice a month to review the Bank's position and other developments in the economy.

22. Duties and Responsibilities of the Members of the Board of Directors and Executives

The Bank's administrative structure and organization are indicated in Part 3 of the Bank's Articles of Association. In this section, the duties and responsibilities of the Board Members and executives are laid down. Accordingly;

The duties and responsibilities of the Board of Directors are subject to the principles laid down in the provisions of the Turkish Commercial Code, the Banking Law and the provisions of the Bank's Articles of Association. The Board of Directors is authorized to decide on matters which fall outside the decision making power of the General Assembly, to absolutely use the powers of settlement, release of debt, arbitration and waiver and to decide on matters which fall or are left outside the powers of the Credit Committee and the General Manager or person fulfilling such duty.

The Board of Directors can either perform these duties itself or delegate part or all of these duties it may deem possible or appropriate to the Credits Committee, a Managing Director, any of the committees it is authorized to form as per provisions of the Articles of Association or to the Bank's CEO.

23. The Board of Directors' Operating Principles

There is a secretariat office appointed with the task of informing

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and communicating with Members of the Board of Directors. Twelve meetings are held a year. The agenda is determined upon the suggestion of the CEO and the evaluation of his proposal by the Board of Directors by taking into consideration the Bank's results.

The agenda is communicated to the Members of the Board of Directors in advance of the meeting. Members of the Board of Directors convene in person concerning issues stipulated in Article 2.17.4 of the Capital Markets Board Corporate Governance Principles Part IV.

The quorum for the Board of Directors decisions is a simple majority (one member more than half the number of members of the Board of Directors). Decisions are taken by simple majority. The discussions of the Board of Directors are regularly recorded by a secretary to be selected either from among the Members or from outside the Board. The minutes must be signed by the attending Members and those opposing the decisions taken must include their reservation in the minutes and sign it. The decisions are valid only when signed.

Principles concerning the minutes of the decisions are stipulated in the Articles of Association Part 3, (the Administrative Body and Organization of the Bank), Article 31 (Quorum and Decisions) and Article 32 (Minutes of Board decisions).

Members of the Board of Directors have no weighted vote and/or veto power.

24. Doing Business with the Bank and Competition Ban

Based on Article 32 of the Articles of Association, unless they have the permission of the Annual General Meeting, members of the Board of Directors cannot undertake commercial transactions with the Bank in terms of banking activity either in person or by proxy. Provisions of Article 335 of the Turkish Commercial Code pertaining to the ban of competition and the provisions of the Banking Law are reserved.

Members of the Board of Directors of the Bank have not undertaken any business transactions with the Bank in 2004.

25. Rules of Ethics

A separate document based on the seven indispensable principles of corporate culture and governance (integrity, credibility, impartiality, conformity, confidentiality, transparency and social responsibility) was developed by the Bank titled: Ethics and Professional Principles. It has been disclosed to the Bank employees and the public.

26. The Number, Structure and Independence of the Committees formed by the Board of Directors

In compliance with Banking Law No. 4389, Akbank has established an Executive Risk Committee. Akbank's Board Members take a vigorous role in the management of the Bank's risk exposure by developing strategies, policies, limit systems and procedures

through the activities of the Executive Risk Committee.

The Executive Risk Committee meets twice a month to review the Bank's position and other developments in the economy.

The Chairman of the Executive Risk Committee is the Vice Chairman of the Board of Directors, Akın Kozanoğlu. The members are Managing Director Suzan Sabancı Dinçer, Managing Director Özen Göksel, President and CEO Zafer Kurtul and Executive Vice President Responsible for Financial Coordination Balamir Yeni.

Though not a legal requirement, Akbank has an Asset & Liability Committee (ALCO).

There are no other requirements for forming other committees according to the Banking Law and it was not deemed necessary to form a Corporate Governance Committee.

27. Remuneration of the Board of Directors

In Article 37 of the Articles of Association, it is stipulated that, "The Annual General Meeting determines a monthly salary or an honorarium for the Members of the Board of Directors within the provisions of this contract." In addition, Ordinary Annual General Meeting resolutions involve the profit to be distributed to the Chairman and Members of the Board. Executive Members are also given 12 monthly salaries and four bonus payments. These salaries are determined by the Board of Directors annually.

CONTACT ADDRESSES

Akbank T.A.Ş.

Headquarters
Sabancı Center 4. Levent
34330 Istanbul / Turkey
Phone : +90 (212) 270 00 44
Telefax : +90 (212) 269 77 87
 +90 (212) 269 73 83
Telex : 26 480a+b AKUM TR
http : www.akbank.com

Investor Relations

Contact Persons:
A. Cenk Göksan
(Head of Investor Relations Group)
Arbil Öztözlü
(Manager-Investor Relations)
Phone : 90-212 2801335
 90-212 2790761
 90-212 2700044
 (Ext. 13260-13251)
Telefax : 90-212 2790062
investor.relations@akbank.com

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**THE UNCONSOLIDATED FINANCIAL STATEMENTS
BASED ON THE ACCOUNTING PRINCIPLES,
INCLUDING INFLATION ACCOUNTING,
PROMULGATED BY THE BRSA
AT 31 DECEMBER 2004**

"The Bank prepared its unconsolidated statutory financial statements in accordance with accounting principles, including inflation accounting, promulgated by the Banking Regulation and Supervision Agency ("the BRSA") as at 31 December 2004. Those full set of unconsolidated statutory financial statements together with the explanatory disclosure notes were audited by Başaran Nas Serbest Muhasebeci Mali Müşavirlik A.Ş., a member of PricewaterhouseCoopers, whose audit report dated 10 February 2005 expressed an unqualified ("clear") opinion on these full set of financial statements. The Bank's balance sheet at 31 December 2004 and statement of income for the year then ended on the following pages are extracted from those full set of unconsolidated statutory financial statements."

**BALANCE SHEETS AT 31 DECEMBER 2004 AND 31 DECEMBER 2003
ADJUSTED FOR THE EFFECTS OF INFLATION IN TURKISH LIRA (TL)**

(Amounts are expressed in "Billions of TL=Thousands of YTL", in terms of purchasing power of TL at 31 December 2004)

		CURRENT PERIOD (31/12/2004)			PREVIOUS PERIOD (31/12/2003)		
ASSETS		TL	"Foreign Currency"	Total	TL	"Foreign Currency"	Total
I.	Cash	154,367	119,885	274,252	123,425	119,831	243,256
1.1	Cash	148,629	-	148,629	123,346	-	123,346
1.2	Foreign Currency	-	117,768	117,768	-	116,480	116,480
1.3	Balances with the Central Bank of Turkey	5,738	33	5,771	79	2,676	2,755
1.4	Other	-	2,084	2,084	-	675	675
II.	Trading Securities (Net)	173,485	3,588,762	3,762,247	1,416,208	6,249,179	7,665,387
2.1	Government Debt Securities	173,483	3,573,536	3,747,019	1,416,183	6,230,934	7,647,117
2.1.1	Government Bonds	147,819	3,573,536	3,721,355	1,125,588	6,230,934	7,356,522
2.1.2	Treasury Bills	25,664	-	25,664	290,595	-	290,595
2.1.3	Other	-	-	-	-	-	-
2.2	Share Certificates	2	-	2	25	-	25
2.3	Other Marketable Securities	-	15,226	15,226	-	18,245	18,245
III.	Banks and Other Financial Institutions	17,039	1,273,629	1,290,668	2,308	1,055,925	1,058,233
3.1	Due from Banks	17,039	1,273,629	1,290,668	2,308	1,055,925	1,058,233
3.1.1	Domestic Banks	3,039	-	3,039	2,308	-	2,308
3.1.2	Foreign Banks	14,000	1,273,629	1,287,629	-	1,055,925	1,055,925
3.1.3	Foreign Branches	-	-	-	-	-	-
3.2	Other Financial Institutions	-	-	-	-	-	-
IV.	Money Markets	-	429,665	429,665	-	451,769	451,769
4.1	Interbank Money Market Placements	-	429,665	429,665	-	451,769	451,769
4.2	Receivables from Istanbul Stock Exchange Money Market	-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements	-	-	-	-	-	-
V.	Available-for-sale Securities (Net)	6,298,603	4,855,057	11,153,660	5,857,123	1,779,393	7,636,516
5.1	Share Certificates	17,425	72	17,497	13,964	79	14,043
5.2	Other Marketable Securities	6,281,178	4,854,985	11,136,163	5,843,159	1,779,314	7,622,473
VI.	Loans	7,779,672	5,159,528	12,939,200	4,367,986	5,555,986	9,923,972
6.1	Short-term	4,988,157	1,082,498	6,070,655	2,630,240	1,076,385	3,706,625
6.2	Medium and Long-term	2,791,515	4,077,030	6,868,545	1,737,746	4,479,601	6,217,347
6.3	Loans under Follow-up	171,227	32,892	204,119	79,769	46,093	125,862
6.4	Specific Provisions (-)	171,227	32,892	204,119	79,769	46,093	125,862
VII.	Factoring Receivables	-	-	-	-	-	-
VIII.	Held-to-maturity Securities (Net)	322,382	-	322,382	734,002	-	734,002
8.1	Government Debt Securities	322,382	-	322,382	734,002	-	734,002
8.1.1	Government Bonds	322,382	-	322,382	734,002	-	734,002
8.1.2	Treasury Bills	-	-	-	-	-	-
8.1.3	Other	-	-	-	-	-	-
8.2	Other Marketable Securities	-	-	-	-	-	-
IX.	Investments and Associates (Net)	87,988	99,448	187,436	112,574	108,457	221,031
9.1	Financial Investments and Associates	87,988	99,448	187,436	84,902	108,457	193,359
9.2	Non-financial Investments and Associates	-	-	-	27,672	-	27,672
X.	Subsidiaries (Net)	111,772	93,481	205,253	111,772	101,620	213,392
10.1	Financial Subsidiaries	111,772	93,481	205,253	111,772	101,620	213,392
10.2	Non-Financial Subsidiaries	-	-	-	-	-	-
XI.	Other Investments (Net)	-	-	-	-	-	-
XII.	Financial Lease Receivables (Net)	-	-	-	-	-	-
12.1	Gross Financial Lease Receivables	-	-	-	-	-	-
12.2	Unearned Income (-)	-	-	-	-	-	-
XIII.	Reserve Requirements with the Central Bank of Turkey	699,986	1,225,572	1,925,558	500,478	1,236,828	1,737,306
XIV.	Miscellaneous Receivables	20,341	906	21,247	43,464	519	43,983
XV.	Accrued Interest and Income Receivable	1,160,419	514,064	1,674,483	2,359,093	557,710	2,916,803
15.1	Loans	149,573	52,040	201,613	147,994	47,400	195,394
15.2	Marketable Securities	995,679	255,989	1,251,668	2,193,119	288,545	2,481,664
15.3	Other	15,167	206,035	221,202	17,980	221,765	239,745
XVI.	Property and Equipment (Net)	653,163	7,154	660,317	653,307	7,292	660,599
16.1	Book Value	1,089,202	8,680	1,097,882	1,028,587	8,862	1,037,449
16.2	Accumulated Depreciation (-)	436,039	1,526	437,565	375,280	1,570	376,850
XVII.	Intangible Assets (Net)	24,830	-	24,830	21,900	-	21,900
17.1	Goodwill	-	-	-	-	-	-
17.2	Other	50,866	-	50,866	40,742	-	40,742
17.3	Accumulated Amortisation (-)	26,036	-	26,036	18,842	-	18,842
XVIII.	Other Assets	33,479	8,735	42,214	22,092	14,709	36,801
TOTAL ASSETS		17,537,526	17,375,886	34,913,412	16,325,732	17,239,218	33,564,950

**BALANCE SHEETS AT 31 DECEMBER 2004 AND 31 DECEMBER 2003
ADJUSTED FOR THE EFFECTS OF INFLATION IN TURKISH LIRA (TL)**

(Amounts are expressed in "Billions of TL=Thousands of YTL", in terms of purchasing power of TL at 31 December 2004)

LIABILITIES and SHAREHOLDERS' EQUITY		CURRENT PERIOD (31/12/2004)			PREVIOUS PERIOD (31/12/2003)		
		TL	"Foreign Currency"	Total	TL	"Foreign Currency"	Total
I. Deposits		6,749,021	13,169,404	19,918,425	6,824,084	14,923,046	21,747,130
1.1 Bank Deposits		54,571	938,996	993,567	140,737	1,382,547	1,523,284
1.2 Saving Deposits		5,336,319	-	5,336,319	5,041,591	-	5,041,591
1.3 Public Sector Deposits		8,802	-	8,802	15,352	-	15,352
1.4 Commercial Deposits		1,185,017	-	1,185,017	1,378,591	-	1,378,591
1.5 Other Institutions Deposits		164,312	-	164,312	247,813	-	247,813
1.6 Foreign Currency Deposits		-	12,230,408	12,230,408	-	13,540,499	13,540,499
1.7 Gold Vault		-	-	-	-	-	-
II. Money Markets		2,102,358	170,956	2,273,314	686,337	-	686,337
2.1 Funds from Interbank Money Market		-	-	-	-	-	-
2.2 Funds from Istanbul Stock Exchange Money Market		20,787	-	20,787	-	-	-
2.3 Funds Provided Under Repurchase Agreements		2,081,571	170,956	2,252,527	686,337	-	686,337
III. Funds Borrowed		61,867	4,782,868	4,844,735	37,925	4,114,820	4,152,745
3.1 Funds Borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2 Other Funds Borrowed		61,867	4,782,868	4,844,735	37,925	4,114,820	4,152,745
3.2.1 Domestic Banks and Institutions		61,867	21,510	83,377	37,925	16,075	54,000
3.2.2 Foreign Banks, Institutions, and Funds		-	4,761,358	4,761,358	-	4,098,745	4,098,745
IV. Marketable Securities Issued (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. Funds		-	-	-	-	-	-
VI. Miscellaneous Payables		666,665	30,286	696,951	72,846	46,779	119,625
VII. Other Liabilities		177,036	106,585	283,621	15,328	190,334	205,662
VIII. Taxes and Other Duties Payable		66,701	79	66,780	59,898	563	60,461
IX. Factoring Payables		-	-	-	-	-	-
X. Financial Lease Payables (Net)		-	5,496	5,496	441	11,636	12,077
10.1 Gross Financial Lease Payables		-	5,971	5,971	441	13,211	13,652
10.2 Deferred Financial Lease Expenses (-)		-	475	475	-	1,575	1,575
XI. Accrued Interest and Expenses Payable		184,922	86,087	271,009	198,508	83,799	282,307
11.1 Deposits		90,830	35,827	126,657	113,897	47,087	160,984
11.2 Borrowings		2,581	26,537	29,118	2,370	21,430	23,800
11.3 Repurchase Agreements		1,084	1,674	2,758	590	-	590
11.4 Other		90,427	22,049	112,476	81,651	15,282	96,933
XII. Provisions		318,954	2,358	321,312	545,477	7,330	552,807
12.1 General Loan Loss Provision		76,592	-	76,592	59,253	-	59,253
12.2 Reserve for Employment Termination Benefits		13,765	-	13,765	12,975	-	12,975
12.3 Provision for Income Taxes		132,096	-	132,096	298,361	-	298,361
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		96,501	2,358	98,859	174,888	7,330	182,218
XIII. Subordinated Loans		-	4,778	4,778	-	5,193	5,193
XIV. Shareholders' Equity		6,226,792	199	6,226,991	5,734,337	6,269	5,740,606
14.1 Paid-in Capital		1,500,000	-	1,500,000	1,200,000	-	1,200,000
14.2 Capital Reserves		2,631,527	199	2,631,726	2,698,006	6,269	2,704,275
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Marketable Securities Valuation Fund		74,320	199	74,519	158,607	6,269	164,876
14.2.4 Revaluation Fund		5,314	-	5,314	-	-	-
14.2.5 Evaluation Differences		-	-	-	-	-	-
14.2.6 Other Capital Reserves		-	-	-	-	-	-
14.2.7 Paid-in Capital Restatement Adjustment		2,551,893	-	2,551,893	2,539,399	-	2,539,399
14.3 Profit Reserves		1,074,737	-	1,074,737	328,490	-	328,490
14.3.1 Legal Reserves		160,977	-	160,977	47,416	-	47,416
14.3.2 Status Reserves		-	-	-	-	-	-
14.3.3 Extraordinary Reserves		913,760	-	913,760	281,074	-	281,074
14.3.4 Other Profit Reserves		-	-	-	-	-	-
14.4 Income or (Loss)		1,020,528	-	1,020,528	1,507,841	-	1,507,841
14.4.1 Prior Years' Income or (Losses)		-	-	-	-	-	-
14.4.2 Current Year Income or (Loss)		1,020,528	-	1,020,528	1,507,841	-	1,507,841
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,554,316	18,359,096	34,913,412	14,175,181	19,389,769	33,564,950

**INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003
ADJUSTED FOR THE EFFECTS OF INFLATION IN TURKISH LIRA (TL)**

[Amounts are expressed in "Billions of TL=Thousands of YTL", in terms of purchasing power of TL at 31 December 2004]

INCOME and EXPENSES		CURRENT PERIOD (31/12/2004)	PREVIOUS PERIOD (31/12/2003)
I.	Interest Income	4,412,601	5,183,859
1.1	Interest on Loans	1,924,089	1,111,705
1.1.1	Interest on TL Loans	1,698,523	865,146
1.1.1.1	Short-term Loans	1,091,790	630,031
1.1.1.2	Medium and Long-term Loans	606,733	235,115
1.1.2	Interest on Foreign Currency Loans	208,370	230,489
1.1.2.1	Short-term Loans	37,412	55,462
1.1.2.2	Medium and Long-term Loans	170,958	175,027
1.1.3	Interest on Loans Under Follow-up	17,196	16,070
1.1.4	Premiums Received from Resource Utilisation Support Fund	-	-
1.2	Interest Received from Reserve Requirements with the Central Bank of Turkey	68,046	82,345
1.3	Interest Received from Banks	19,907	21,841
1.3.1	The Central Bank of Turkey	18	7
1.3.2	Domestic Banks	5,126	4,773
1.3.3	Foreign Banks	14,763	17,061
1.4	Interest Received from Money Market Transactions	40,017	320,842
1.5	Interest Received from Marketable Securities Portfolio	2,359,504	3,643,339
1.5.1	Trading Securities	724,039	2,385,614
1.5.2	Available-for-sale Securities	1,560,660	1,182,533
1.5.3	Held-to-maturity Securities	74,805	75,192
1.6	Other Interest Income	1,038	3,787
II.	Interest Expense	1,873,642	2,277,728
2.1	Interest on Deposits	1,586,044	1,958,719
2.1.1	Interbank Deposits	38,885	34,310
2.1.2	Saving Deposits	1,104,338	1,373,824
2.1.3	Public Sector Deposits	122	136
2.1.4	Commercial Deposits	54,778	69,111
2.1.5	Other Institutions Deposits	105,590	149,552
2.1.6	Foreign Currency Deposits	282,331	331,786
2.1.7	Gold Vault	-	-
2.2	Interest on Money Market Transactions	164,585	208,236
2.3	Interest on Funds Borrowed	120,147	106,277
2.3.1	The Central Bank of Turkey	-	-
2.3.2	Domestic Banks	10,363	10,396
2.3.3	Foreign Banks	97,663	82,430
2.3.4	Foreign Branches	-	-
2.3.5	Other Financial Institutions	12,121	13,451
2.4	Interest on Securities Issued	-	-
2.5	Other Interest Expenses	2,866	4,496
III.	Net Interest Income (I-II)	2,538,959	2,906,131
IV.	Net Fees and Commissions Income	426,569	224,299
4.1	Fees and Commissions Received	656,247	477,541
4.1.1	Cash Loans	98,304	79,809
4.1.2	Non-cash Loans	26,654	23,452
4.1.3	Other	531,289	374,280
4.2	Fees and Commissions Paid	229,678	253,242
4.2.1	Cash Loans	33,841	32,296
4.2.2	Non-cash Loans	470	174
4.2.3	Other	195,367	220,772
V.	Dividend Income	2,621	2,769
5.1	Trading Securities	-	-
5.2	Available-for-sale Securities	2,621	2,769
VI.	Net Trading Income / (Loss)	328,970	1,031,958
6.1	Trading Gains (net)	299,530	602,180
6.1.1	Trading Gains	355,058	626,312
6.1.1.1	Derivative Instrument Gains	28,590	33,466
6.1.1.2	Other	326,468	592,846
6.1.2	Trading Losses (-)	55,528	24,132
6.1.2.1	Derivative Instrument Losses (-)	4,384	2,730
6.1.2.2	Other	51,144	21,402
6.2	Foreign Exchange Gains or (Losses) (net)	29,440	429,778
6.2.1	Foreign Exchange Gains	3,515,225	8,482,579
6.2.2	Foreign Exchange Losses (-)	3,485,785	8,052,801
VII.	Other Operating Income	155,196	96,223
VIII.	Operating Income (III+IV+V+VI+VII)	3,452,315	4,261,380
IX.	Provision for Loan Losses and Other Receivables (-)	192,538	149,635
X.	Other Operating Expenses (-)	1,148,570	1,332,423
XI.	Net Operating Income (VIII-IX-X)	2,111,207	2,779,322
XII.	Income from Investments and Associates	31,307	13,887
XIII.	Income / (Loss) on Net Monetary Position	(645,962)	(471,232)
XIV.	Income Before Taxation (XI+XII+XIII)	1,496,552	2,321,977
XV.	Provision for Taxation on Income (-)	476,024	814,136
XVI.	Net Income / (Loss) Before Extraordinary Items	1,020,528	1,507,841
XVII.	Extraordinary Income / (Loss) Net of Taxation	-	-
17.1	Extraordinary Income / (Loss) Before Taxation	-	-
17.1.1	Extraordinary Income	-	-
17.1.2	Extraordinary Expenses (-)	-	-
17.2	Provision for Taxes on Extraordinary Income (-)	-	-
XVIII.	NET INCOME / (LOSS) (XVI+XVII)	1,020,528	1,507,841
Earnings / (Loss) per share in TL full		680	1,005

AKBANK T.A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004
TOGETHER WITH AUDITOR'S REPORT**


**Başaran Nas Serbest Muhasebeci
Mali Müşavirlik A.Ş.**
a member of
PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi
No:48 B Blok Kat 9 Akaretler
Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr
Telephone +90 (212) 326 6060
Facsimile +90 (212) 326 6050

AUDITOR'S REPORT

To the Board of Directors of
Akbank T.A.Ş.

1. We have audited the accompanying consolidated balance sheet of Akbank T.A.Ş. ("the Bank" - a Turkish corporation) at 31 December 2004 and the related consolidated statements of income and of cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish lira at 31 December 2004. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Akbank T.A.Ş. at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers



Zeynep Uras, SMMM
İstanbul, 10 February 2005

**CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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AKBANK T.A.Ş.

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

[Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004]

	Notes	2004	2003
ASSETS			
Cash and due from banks	4	2,214,210	1,866,449
Trading securities	5	3,967,289	8,798,755
Derivative financial instruments	6	211,797	218,289
Reserve requirements with the Central Bank of Turkey	7	1,941,705	1,756,871
Originated loans:			
-Loans and advances to customers	8	13,302,185	9,993,117
-Securities	8	9,713,400	8,046,525
Investment securities:			
-Available-for-sale	9	3,074,915	1,564,083
Investments in associated companies	10	221,907	231,718
Property and equipment	11	710,698	727,453
Deferred tax assets	15	1,581	77,746
Other assets and pre-payments	12	64,042	83,758
Total assets		35,423,729	33,364,764
LIABILITIES AND SHAREHOLDERS' EQUITY			
Customer deposits	13	22,698,644	22,273,308
Interbank money market deposits	14	20,816	-
Derivative financial instruments	6	3,299	5,355
Funds borrowed	14	5,078,409	3,868,642
Debt securities in issue	14	137,732	313,096
Income taxes payable	15	133,104	303,069
Other liabilities and accrued expenses	16	1,113,181	920,846
Reserve for employment termination benefits	17	38,981	29,169
Total liabilities		29,224,166	27,713,485
Minority interest		146	134
Shareholders' equity			
-Share capital	18	1,500,000	1,200,000
-Adjustment to share capital	18	2,675,152	2,662,659
Total paid-in share capital		4,175,152	3,862,659
Share premium		9,098	9,098
Translation reserve		(54,556)	(31,832)
Other reserves	9	4,871	4,143
Retained earnings	19	2,064,852	1,807,077
Total shareholders' equity		6,199,417	5,651,145
Total liabilities and shareholders' equity		35,423,729	33,364,764

Commitments and contingent liabilities

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The consolidated financial statements as at and for the year ended 31 December 2004 have been approved for issue by the Board of Directors on 10 February 2005 and signed on its behalf by Zafer Kurtul, the Chief Executive Officer and; by Balamir Yeni, the Executive Vice President of Akbank T.A.Ş..

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

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER**
(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)

	Notes	2004	2003
Interest income:			
Interest on originated loans:			
- Loans and advances to customers		1,926,391	1,111,339
- Securities		1,401,921	1,443,239
Interest on investment and trading securities		1,017,772	2,276,596
Interest on deposits with banks		151,295	521,696
Other interest income		3,616	1,215
Total interest income		4,500,995	5,354,085
Interest expenses:			
Interest on deposits		(1,785,164)	(2,159,980)
Interest on funds borrowed and debt securities in issue		(120,147)	(106,277)
Interest on interbank money market deposits		(2,098)	(57,024)
Other interest expenses		(2,878)	(4,495)
Total interest expenses		(1,910,287)	(2,327,776)
Net interest income		2,590,708	3,026,309
Foreign exchange gains and losses, including net gains or losses from dealing in foreign currency		40,445	206,504
Net interest income after foreign exchange gains and losses		2,631,153	3,232,813
Provision for loan losses	8	(112,874)	(104,469)
Net interest income after foreign exchange gains and losses and provision for loan losses		2,518,279	3,128,344
Fee and commission income	20	695,791	510,987
Fee and commission expense	20	(230,657)	(254,510)
Net fee and commission income		465,134	256,477
Net trading gains on securities		275,630	570,599
Dividend income		4,108	4,859
Other operating income		28,382	35,166
Operating income		3,291,533	3,995,445
Operating expenses	21	(1,179,933)	(1,074,441)
Income from associates	10	15,512	23,959
Loss on net monetary position		(632,415)	(423,339)
Income before income taxes		1,494,697	2,521,624
Income taxes	15	(470,205)	(805,018)
Income before minority interest		1,024,492	1,716,606
Minority interest		(12)	(16)
Net income		1,024,480	1,716,590
Earnings per share	2 (t)		
- ordinary shares (expressed in TL per share)		612	1,026
- founders' and usufruct shares (expressed in TL million per share)		41,702	69,876

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER**

[Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004]

	Notes	2004	2003
Cash flows from operating activities:			
Net income for the year		1,024,480	1,716,590
Adjustments for:			
Depreciation and amortisation	11	105,009	99,095
Provision for loan losses	8	175,016	149,610
Impairment in the value of property and equipment	11	5,257	25,337
Employment termination benefits	17	28,338	24,079
Income from associates		(15,512)	(23,959)
Minority interest		12	(43)
Add back dividend income		(4,108)	(4,859)
Add back income taxes		470,205	805,018
Remeasurement of derivative financial instruments at fair value		4,436	(109,227)
Unearned commission income	16	(83,765)	(72,323)
Interest income, net		(2,590,708)	(3,026,309)
Interest paid		(1,937,215)	(2,524,141)
Interest received		5,694,930	4,838,421
Other reserves		728	24,118
Translation reserve		(22,724)	(27,932)
Inflation effect on non-operating activities		(4,202)	(3,552)
Inflation effect on provision for loan losses	8	(34,965)	(23,945)
Operating profit before changes in operating assets and liabilities		2,815,212	1,865,978
Net increase in reserve requirements with the Central Bank of Turkey		(188,252)	(41,916)
Net increase in originated loans		(5,677,674)	(959,558)
Net decrease/(increase) in trading securities		3,933,557	(1,558,155)
Net decrease/(increase) in other assets and prepayments		7,064	(66,912)
Net increase in other liabilities and accrued expenses		257,571	29,850
Net increase/(decrease) in customer deposits		457,612	(328,925)
Inflation effect on operating activities		(281,440)	(247,362)
		1,323,650	(1,307,000)
Income taxes paid		(564,005)	(949,734)
Net cash from / (used in) operating activities		759,645	(2,256,734)
Cash flows from / (used in) investing activities:			
Purchase of property and equipment, net	11	(93,511)	(150,867)
Net change in investment in associated companies		25,323	33,976
Net increase in investment securities		(1,253,019)	(1,103,954)
Dividends received		4,108	4,859
Net cash used in investing activities		(1,317,099)	(1,215,986)
Cash flows from / (used in) financing activities:			
Proceeds/ (repayment) of borrowed funds and debt securities, net		1,049,872	(26,296)
Dividends paid		(449,138)	(122,400)
Inflation effect on financing activities		566,980	525,451
Net cash from financing activities		1,167,714	376,755
Net increase / (decrease) in cash and cash equivalents		610,260	(3,095,965)
Inflation effect on cash and cash equivalents		(246,373)	(250,592)
Cash and cash equivalents at the beginning of year	4	1,797,339	5,143,896
Cash and cash equivalents at the end of year	4	2,161,226	1,797,339

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

AKBANK T.A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER

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

	Share Capital					Share premium	Translation reserve	Other reserves	Retained earnings	Total
	Share capital	Adjustment to share capital	Share paid-in capital	Total	share capital					
Balance at 1 January 2003	816,000	2,608,437	3,424,437	9,098	(3,900)	(21,508)	651,109	4,059,236		
Capital increase:										
- Transfer from retained earnings	384,000	54,222	438,222	-	-	-	(438,222)	-		
Available-for-sale securities' net fair value gains, net of tax	-	-	-	-	-	25,651	-	25,651		
Translation reserve	-	-	-	-	(27,932)	-	-	(27,932)		
Cash dividends	-	-	-	-	-	-	(122,400)	(122,400)		
Net income for the year	-	-	-	-	-	-	1,716,590	1,716,590		
Balance at 31 December 2003	1,200,000	2,662,659	3,862,659	9,098	(31,832)	4,143	1,807,077	5,651,145		
Balance at 1 January 2004	1,200,000	2,662,659	3,862,659	9,098	(31,832)	4,143	1,807,077	5,651,145		
Capital increase:										
- Transfer from retained earnings	300,000	12,493	312,493	-	-	-	(312,493)	-		
Addition to scope of consolidation (Note 2(b))	-	-	-	-	(10,330)	-	(5,074)	(15,404)		
Available-for-sale securities' net fair value gains, net of tax	-	-	-	-	-	728	-	728		
Translation reserve	-	-	-	-	(12,394)	-	-	(12,394)		
Cash dividends	-	-	-	-	-	-	(449,138)	(449,138)		
Net income for the year	-	-	-	-	-	-	1,024,480	1,024,480		
Balance at 31 December 2004	1,500,000	2,675,152	4,175,152	9,098	(54,556)	4,871	2,064,852	6,199,417		

AKBANK

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****[Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004]****NOTE 1 - PRINCIPAL ACTIVITIES**

Akbank T.A.Ş. ("the Bank") was formed in 1948 and is a member of the Sabancı Group of companies which is incorporated and domiciled in Turkey. The Bank's head offices are located at Sabancı Center 4. Levent Istanbul/Turkey. As of 31 December 2004, the Bank had 633 branches dispersed throughout the country and 1 representative office and 8 branches operating outside the country (2003: 611 branches, 1 representative office and 8 branches operating outside the country). As at 31 December 2004, the Bank employed 10,592 people (2003: 10,024 people). In addition to regular banking operations, the Bank also provides insurance intermediary services as an agency of Aksigorta A.Ş. and Ak Emeklilik A.Ş.. The Bank's operations are carried out substantially in one geographical segment (Turkey) and in five main business segments including retail banking, corporate banking, private banking, treasury activities and international banking (Note 24).

Some of the Bank's shares have been quoted on the Istanbul Stock Exchange since 1990. In April 1998, 2,012,500,000 ordinary shares, or 4.03% of the outstanding share capital of the Bank, was offered and sold in an international offering outside of Turkey in the form of Ordinary Shares and American Depositary Receipt ("ADR").

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**Index to significant accounting policies**

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The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of presentation of these financial statements

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). The Bank maintains its books of accounts and prepares its statutory financial statements in Turkish lira in accordance with the Banking Law and the accounting principles promulgated by the Banking Regulation and Supervision Agency ("BRSA") and; other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries and associates maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions. These consolidated financial statements are based on the statutory records, which include the effects of restatement for inflation, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The restatement for changes in the general purchasing power of the Turkish lira as of 31 December 2004 is based on IAS 29 "Financial Reporting in Hyperinflationary Economies", which requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. The restatement was calculated by means of conversion factors derived from the Turkish nationwide wholesale price index ("WPI") published by the State Institute of Statistics ("SIS").

Indices and conversion factors used to restate these consolidated financial statements are given below:

Dates	Index	Conversion factor
31 December 2004	8,403.8	1.000
31 December 2003	7,382.1	1.138
31 December 2002	6,478.8	1.297

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

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date, and corresponding figures for previous periods are restated in the same terms.
- Monetary assets and liabilities, which are carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant (monthly, yearly average, year end) conversion factors.
- Comparative financial statements are restated in terms of the measuring unit current at the currency purchasing power at the latest balance sheet date.
- All items in the statement of income are restated by applying the monthly conversion factors.
- The effects of inflation on the Bank's net monetary position are included in the statement of income as gain or loss on net monetary position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)****(b) Consolidation****(i) Consolidation principles**

Subsidiary undertakings (including special purpose entities "-SPE-"), in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been fully consolidated.

The list of consolidated subsidiary undertakings is set out below:

Name of subsidiary	Country of incorporation	Shareholding %	
		2004	2003
Ak Yatırım Menkul Değerler A.Ş.	Turkey	99.80	99.80
Akbank International N.V.	The Netherlands	100.00	100.00
A.R.T.S. Ltd.	Jersey, Channel Islands	-	-
Ak Receivable Corporation	Cayman Islands	-	-

The principal activities of Ak Yatırım Menkul Değerler A.Ş. are related to brokerage, investment banking and mutual fund management.

Akbank International N.V. was established in December 2000 as a banking subsidiary in the Netherlands and is not included in the scope of consolidation until 31 December 2004 on grounds of materiality.

Ak Receivable Corporation was established in July 1998 in connection with the issue of trust certificates amounting to US\$250 million. A.R.T.S. Ltd. was established in November 1999 in connection with raising long-term financing amounting to US\$400 million. Both entities have lent the funds raised to the Bank, which controls the SPE's (Note 14).

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between subsidiary undertaking companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

(ii) Translation of financial statements of foreign subsidiary and associate

The Bank's shares in the net assets of the foreign subsidiary and associate are translated into Turkish lira using the relevant foreign exchange rates prevailing at the balance sheet date. The income and expense items are translated into Turkish lira using average exchange rates. Exchange differences mainly arising from the difference between the current amounts of the net assets of the subsidiary and the associate translated using the current exchange rates and their amounts translated using historical rates, as restated for the effects of inflation, are included in the shareholders' equity as "translation reserve".

(c) Investments in associated companies

Investments in associated companies are accounted for by the equity method of accounting. These are undertakings in which the Bank has between 20% and 50% of the voting rights, and over which the Bank exercises significant influence, but which it does not control.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity accounting involves recognising in the income statement the Bank's share of the associate's profit or loss for the year. The Bank's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate. Provisions are recorded for long-term impairment in value.

Dividends received from the associates are deducted from the carrying amount of the associate at the date when dividends are received.

(d) Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and currency and interest rate swap instruments, are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. All derivative financial instruments are classified as held for trading. Even though certain derivative transactions, while providing effective economic hedges under the Bank's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2004. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(e) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost. Available-for-sale investment debt and equity securities are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the shareholders' equity as "other reserves", unless there is a permanent decline in the fair values of such assets, in which case they are charged to the income statement. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are transferred to the income statement.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Interest earned whilst holding investment securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at the settlement date, which is the date that the asset is delivered to/from the Bank.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. All related realised and unrealised gains and losses are included in net trading income. Dividends received are included in dividend income.

All regular way purchases and sales of trading securities are recognised at the settlement date, which is the date that the asset is delivered to/from the Bank.

(g) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in the consolidated financial statements as trading or investment securities or securities originated and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell ("reverse repos") are recorded as due from banks. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of repo agreements using the effective yield method (Note 22).

(h) Income and expense recognition

Income and expenses are recognised on an accrual basis. Commission income and fees for certain banking services such as import and export related services, issuance of letters of guarantee, clearing, brokerage and custody services are recorded as income at the time of effecting the transactions to which they relate.

(i) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price until, in management's estimates and judgment, collection becomes doubtful. Interest income includes coupons earned on fixed income securities and accrued discount on treasury bills.

(j) Originated loans and provisions for loan impairment

Loans originated by the Bank by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Bank and are carried at amortised cost, less any provision for loan losses. All originated loans are recognised when cash is advanced to borrowers.

(i) Loans and advances to customers

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. The level of the provision is also based on applicable banking regulations. An additional provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The provision made during the year is charged against the income for the year. Loans that can not be recovered are written off and charged against the allowance for loan losses. Such loans are written off after all the necessary legal proceedings have been completed and the amount of the loan loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction from provision for loan losses for the year (Note 8).

(ii) Securities

Debt securities originated by the Bank at original issuance by transferring the funds directly to the issuer are categorised as loans originated by the Bank and are carried at amortised cost using the effective yield method, less any provision for impairment.

(k) Financial liabilities

Financial liabilities including customer deposits, debt securities in issue and funds borrowed are recognised initially at cost. Subsequently, financial liabilities are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method.

(l) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year-end exchange rates.

(m) Property and equipment

All property and equipment carried at cost less accumulated depreciation are restated to the equivalent purchasing power at 31 December 2004. Depreciation is calculated over the restated amounts of property and equipment using the straight-line method to write off the restated cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	50 years
Equipment	4 years
Leasehold improvements	7 years

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net realisable value and value in use"), it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Expenditure for the repair and renewal of property and equipment is charged against income. It is, however, capitalised if it results in an enlargement or substantial improvement of the respective assets.

Leasehold improvements comprise primarily the capitalised branch refurbishment costs and are amortised on a straight-line basis over the corresponding lease terms or their estimated useful lives, whichever is shorter.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Accounting for leases - as lessee

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the fair value of the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

The total payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

(o) Computer software development costs

Costs associated with developing computer software programmes are recognised as expense as incurred. However, expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

(p) Taxation on income

(i) Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation (Note 15).

Taxes other than on income are recorded within operating expenses (Note 21).

(ii) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the difference between carrying value and tax base of property and equipment, valuation difference on investment securities, remeasurement of financial assets and liabilities at fair value, reversal of country risk provision, provision for loan losses and provision for employment termination benefits.

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Bank. Deferred tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised (Note 15).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**(q) Employee benefits**

The Bank has both defined benefit and defined contribution plans as described bellow:

(i) Pension and other post retirement obligations

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

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

The liability to be recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The Bank does not have the legal right to access to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, and therefore, no assets are recognised in the balance sheet in respect of defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using expected real interest rates for Turkish lira.

(ii) Employment termination benefits

Employment termination benefits represent the present value of the estimated total reserve for the future probable obligation of the Bank arising from the retirement of the employees calculated in accordance with the Turkish Labour Law (Note 17).

(r) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(s) Offsetting

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 recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)****(t) Earnings per share**

Earnings per share for each class of shares disclosed in the consolidated statements of income is determined by dividing the net income attributable to that class of shares by the weighted average number of such shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and each earlier year.

Number of shares issued attributable to transfers to share capital from retained earnings during 2004 is 300,000,000,000 (2003: 384,000,000,000).

The earnings attributable to each class of shares have been determined by reference to their effective relative economic interest therein (i.e. their theoretical relative dividend rights assuming that a policy of maximising distributions to each class of shares is followed). The earnings attributable to each class of shares for each period on this basis were as follows:

	2004	2003
Net earnings attributable to ordinary shares	918,640	1,539,245
Weighted average number of ordinary shares in issue (TL 1,000 each)	1,500,000,000,000	1,500,000,000,000
Earnings per share (expressed in TL per share)	612	1,026
Net earnings attributable to founders and usufruct shares	105,840	177,345
Weighted average number of founders and usufruct shares in issue (TL 1,000 each)	2,538	2,538
Earnings per share (expressed in TL million per share)	41,702	69,876

Basic earnings per share are calculated by dividing the net income or loss attributable to shareholders by the weighted average number of shares in issue.

There are no diluted shares and accordingly there are no diluted earnings per share for any class of shares.

(u) Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by/affiliated with them, associated companies and other companies within the Sabancı Holding Group are considered and referred to as related parties. A number of banking transactions were entered into with related parties in the normal course of business. These include loans, deposits, trade finance and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)****(v) Acceptances**

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as commitments and contingent liabilities (Note 22).

(w) Other credit related commitments

In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as originated loans. Specific provisions are therefore established when losses are considered probable and recorded as other liabilities (Note 22).

(x) Reporting of cash flows

For the purposes of cash flow statement, cash and cash equivalents include cash, due from banks, trading securities and investment securities with original maturity periods of less than three months (Note 4).

(y) Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments (Note 24).

(z) Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

NOTE 3 - USE OF FINANCIAL INSTRUMENTS

Index to use of financial instruments	Page	Page
(a) Strategy in using financial instruments	79-80	(f) Liquidity risk 86-87
(b) Credit risk	80	(g) Operational risk 87
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(d) Currency risk	81-82	(i) Fiduciary activities 88
(e) Interest rate risk	83-85	

(a) Strategy in using financial instruments

By nature, the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers for various periods and seeks to earn above-average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of provisions, through lending to borrowers with a range of credit standing. Such exposures involve not only on-balance sheet loans and advances but also entering into guarantees and other commitments such as letters of credit. The Bank also trades in financial instruments where it takes positions to take advantage of short-term market movements in the bond markets and in currency and the interest rate.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The Bank's risk management is under the responsibility of the "Executive Risk Committee ("the ERC")" which reports to the Board of Directors. The ERC is comprised of the three Executive Board Members, the Chief Executive Officer and the Executive Vice President in charge of Financial Coordination. The ERC establishes the policies, procedures, parameters and rules for risk management of the Bank and develops risk management strategies. The ERC also sets critical risk limits and parameters for liquidity risk, credit risk, foreign exchange risk and interest rate risk and; through close monitoring of the markets and overall economy, such limits are changed as necessary. These limits and implementation of policies are broken down to various levels of authorities in order to enhance control effectiveness. The Bank's risk positions are reported to the ERC members daily and weekly. Additionally, the ERC reviews the latest figures and projections for the Bank's profit and loss accounts and balance sheet, liquidity position, interest and foreign exchange exposures, as well as yield analysis and macroeconomic environment.

In addition to the limits set by the ERC, the Board of Directors also sets some limits and parameters for the transactions and areas having significant and critical implications in the Bank's operations.

The Assets and Liabilities Committee ("ALCO") manages the various departments of the Bank where risk limits apply to ensure that these limits are adhered to. ALCO consists of the Chief Executive Officer and each of the Executive Vice Presidents in charge of the Bank's marketing, lending, treasury, strategy and corporate communications, and financial coordination departments. ALCO meets daily to review the latest figures on liquidity position, interest rate risk exposures, foreign exchange risk exposure, capital adequacy and the macroeconomic environment.

The objective of the Bank's asset and liability management and use of financial instruments is to limit the Bank's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Bank has sufficient capital adequacy and is using its capital to maximise net interest income.

(b) Credit risk

Financial instruments contain an element of risk that the counterparts may be unable to meet the terms of the agreements. The Bank's exposure to credit risk is concentrated in Turkey, where the majority of the activities are carried out. This risk is monitored by reference to credit risk ratings and managed by limiting the aggregate risk to any individual counterparty, group of companies and industry. The Bank has in place effective credit evaluation, disbursement and monitoring procedures, and those control procedures are supported by senior management. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries (Note 8).

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

(c) Market risk

The Bank considers currency risk and interest rate risk as the most important constituents of market risk. The limit structure for such risks is designed by considering the capital structure of the Bank. Currency and interest rate risks are analysed both on a portfolio and on a product basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)
(d) Currency risk

Foreign currency denominated assets and liabilities, together with purchase and sale commitments, give rise to foreign exchange exposure. This risk is managed by using natural hedges that arise from offsetting foreign currency denominated assets and liabilities and the remaining open foreign exchange exposures are hedged on a portfolio basis with derivative financial instruments that include primarily forward foreign exchange contracts and currency swaps. The Board, taking into account the recommendations by ERC, sets a limit for the size of foreign exchange exposure, which is closely monitored by ALCO.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Bank's assets and liabilities and shareholders' equity at carrying amounts, categorised by currency.

	2004				
	US\$	EUR	Other	TL	Total
Cash and due from banks	682,910	1,060,844	218,759	251,697	2,214,210
Trading and investment securities	3,609,571	586,791	-	2,845,842	7,042,204
Derivative financial instruments	12	199,815	10,816	1,154	211,797
Reserve requirements with the Central Bank of Turkey	380,032	848,433	-	713,240	1,941,705
Originated loans:					
- Loans and advances to customers	4,143,817	1,545,983	1,735	7,610,650	13,302,185
- Securities	5,772,127	-	-	3,941,273	9,713,400
Investments in associated companies	-	-	141,038	80,869	221,907
Property and equipment	-	-	-	710,698	710,698
Deferred tax assets	-	-	-	1,581	1,581
Other assets and prepayments	1,825	2,748	42	59,427	64,042
Total assets	14,590,294	4,244,614	372,390	16,216,431	35,423,729
Customer deposits	7,334,145	5,770,687	602,136	8,991,676	22,698,644
Derivative financial instruments	5	2,177	18	1,099	3,299
Interbank money market deposits, funds borrowed and debt securities in issue	4,688,560	462,985	148	85,264	5,236,957
Income taxes payable	-	-	-	133,104	133,104
Other liabilities and accrued expenses	116,045	38,904	4,084	954,148	1,113,181
Reserve for employment termination benefits	-	-	-	38,981	38,981
Shareholders' equity and minority interest	-	-	-	6,199,563	6,199,563
Total liabilities, shareholders' equity and minority interest	12,138,755	6,274,753	606,386	16,403,835	35,423,729
Net balance sheet position	2,451,539	(2,030,139)	(233,996)	(187,404)	-
Off-balance sheet derivative instruments net position	(2,359,461)	2,343,619	186,477	(126)	170,509

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

TL17,111 billion of net forward currency and swap purchase transactions outstanding at 31 December 2004 have been made with related parties (Note 22).

At 31 December 2004, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL1,369,700=US\$1 and TL1,868,955=EUR1.

	2003				
	US\$	EUR	Other	TL	Total
Cash and due from banks	935,120	657,826	34,846	238,657	1,866,449
Trading and investment securities	6,189,129	466,654	-	3,707,055	10,362,838
Derivative financial instruments	156,243	61,388	-	658	218,289
Reserve requirements with the Central Bank of Turkey	444,737	794,302	-	517,832	1,756,871
Originated loans:					
- Loans and advances to customers	4,458,240	1,229,218	27,012	4,278,647	9,993,117
- Securities	3,839,515	-	-	4,207,010	8,046,525
Investments in associated companies	-	-	148,059	83,659	231,718
Property and equipment	-	-	-	727,453	727,453
Deferred tax assets	-	-	-	77,746	77,746
Other assets and prepayments	1,983	4,037	7	77,731	83,758
Total assets	16,024,967	3,213,425	209,924	13,916,448	33,364,764
Customer deposits	8,957,415	5,444,998	567,722	7,303,173	22,273,308
Derivative financial instruments	186	543	-	4,626	5,355
Interbank money market deposits, funds borrowed and debt securities in issue	4,101,258	40,185	-	40,295	4,181,738
Income taxes payable	-	-	-	303,069	303,069
Other liabilities and accrued expenses	202,186	61,065	7,479	650,116	920,846
Reserve for employment termination benefits	-	-	-	29,169	29,169
Shareholders' equity and minority interest	-	-	-	5,651,279	5,651,279
Total liabilities, shareholders' equity and minority interest	13,261,045	5,546,791	575,201	13,981,727	33,364,764
Net balance sheet position	2,763,922	(2,333,366)	(365,277)	(65,279)	-
Off-balance sheet derivative instruments net position	(2,629,258)	2,582,615	264,331	(60,677)	157,011

TL31,242 billion of net forward currency and swap purchase transactions outstanding at 31 December 2003 were made with related parties (Note 22).

At 31 December 2003, assets and liabilities denominated in foreign currency were translated into Turkish lira using a foreign exchange rate of TL1,427,500=US\$1 and TL1,784,660=EUR1.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**
(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)
NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)
(e) Interest rate risk

The Bank is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, the interest rates are highly volatile. Therefore, interest rate risk is the key component of the Bank's asset and liability management. Interest rate risk is managed on a portfolio basis by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap and sensitivity analysis are the main methods used to manage the risks.

The table below summarises the Bank's exposure to interest rate risks at 31 December. Included in the table are the Bank's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates.

	2004				Non-interest bearing	Total
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years		
Cash and due from banks	1,781,049	48,908	-	-	384,253	2,214,210
Trading and investment securities	1,466,066	3,706,764	1,559,413	236,794	73,167	7,042,204
Derivative financial instruments	-	-	-	-	211,797	211,797
Reserve requirements with the Central Bank of Turkey	1,941,705	-	-	-	-	1,941,705
Originated loans:						
- Loans and advances to customers	8,006,678	4,276,500	1,018,963	44	-	13,302,185
- Securities	2,470,961	5,030,802	2,211,637	-	-	9,713,400
Investments in associated companies	-	-	-	-	221,907	221,907
Property and equipment	-	-	-	-	710,698	710,698
Deferred tax assets	-	-	-	-	1,581	1,581
Other assets and pre-payments	21,525	-	-	-	42,517	64,042
Total assets	15,687,984	13,062,974	4,790,013	236,838	1,645,920	35,423,729
Customer deposits	16,597,716	2,231,672	143,330	15,052	3,710,874	22,698,644
Derivative financial instruments	-	-	-	-	3,299	3,299
Interbank money market deposits, funds borrowed and debt securities in issue	3,592,343	1,595,628	45,248	3,738	-	5,236,957
Income taxes payable	-	-	-	-	133,104	133,104
Other liabilities and accrued expenses	2,128	12,709	67,916	-	1,030,428	1,113,181
Reserve for employment termination benefits	-	-	-	-	38,981	38,981
Total liabilities	20,192,187	3,840,009	256,494	18,790	4,916,686	29,224,166
Net repricing period gap, including minority interest	(4,504,203)	9,222,965	4,533,519	218,048	(3,270,766)	6,199,563

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

[Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004]

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

	2003					
	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Cash and due from banks	1,407,612	-	-	-	458,837	1,866,449
Trading and investment securities	3,313,607	2,773,162	3,814,382	276,611	185,076	10,362,838
Derivative financial instruments	-	-	-	-	218,289	218,289
Reserve requirements with the Central Bank of Turkey	1,756,871	-	-	-	-	1,756,871
Originated loans:						
- Loans and advances to customers	4,487,821	4,303,235	1,202,061	-	-	9,993,117
- Securities	1,186,412	4,705,156	2,154,957	-	-	8,046,525
Investments in associated companies	-	-	-	-	231,718	231,718
Property and equipment	-	-	-	-	727,453	727,453
Deferred tax assets	-	-	-	-	77,746	77,746
Other assets and pre-payments	43,984	-	-	-	39,774	83,758
Total assets	12,196,307	11,781,553	7,171,400	276,611	1,938,893	33,364,764
Customer deposits	16,114,402	2,737,184	109,774	-	3,311,948	22,273,308
Derivative financial instruments	-	-	-	-	5,355	5,355
Interbank money market deposits, funds borrowed and debt securities in issue	3,505,379	667,103	5,193	4,063	-	4,181,738
Income taxes payable	-	-	-	-	303,069	303,069
Other liabilities and accrued expenses	1,726	11,685	159,003	-	748,432	920,846
Reserve for employment termination benefits	-	-	-	-	29,169	29,169
Total liabilities	19,621,507	3,415,972	273,970	4,063	4,397,973	27,713,485
Net repricing period gap, including minority interest	(7,425,200)	8,365,581	6,897,430	272,548	(2,459,080)	5,651,279

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

The tables below summarise the range for effective average interest rates by major currencies for monetary financial instruments at 31 December:

	2004		
	US\$ (%)	EUR (%)	Turkish lira (%)
Assets			
Cash and due from banks:			
- Time deposits in foreign banks	2.26	2.14	20.00
- Time deposits in domestic banks	-	-	23.99
- Interbank money market placements	1.12	1.13	-
Reserve requirements with the Central Bank of Turkey	1.04	0.99	12.50
Trading securities -debt securities	5.39	9.44	22.50
Originated loans:			
- Loans and advances to customers	6.28	4.15	27.10
- Securities	5.99	-	26.28
Investment securities:			
- Available-for-sale -debt securities	5.08	5.51	27.43
Liabilities			
Customer deposits	2.18	2.34	17.41
Interbank money market deposits	-	-	16.59
Funds borrowed	3.75	2.96	17.36
Debt securities in issue	3.88	-	-
		2003	
	US\$ (%)	EUR (%)	Turkish lira (%)
Assets			
Cash and due from banks:			
- Time deposits in foreign banks	0.98	2.24	-
- Time deposits in domestic banks	-	-	25.70
- Interbank money market placements	0.62	-	-
Reserve requirements with the Central Bank of Turkey	0.41	0.80	16.00
Trading securities -debt securities	5.73	9.16	61.21
Originated loans:			
- Loans and advances to customers	5.82	4.13	43.20
- Securities	7.96	-	35.87
Investment securities:			
- Available-for-sale -debt securities	10.30	9.22	30.55
Liabilities			
Customer deposits	2.28	2.48	22.74
Funds borrowed	2.79	3.66	25.31
Debt securities in issue	3.56	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(f) Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and guarantees. A major objective of the Bank's asset and liability management is to ensure that sufficient liquidity is available to meet the Bank's commitments to customers and to satisfy the Bank's own liquidity needs. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. The ability to fund the existing and prospective debt requirements is managed by maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit lines and the ability to close out market positions. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. The ERC sets limits on the maturity mismatch of assets and liabilities and these limits are changed as necessary.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity dates.

	2004					
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks	2,165,302	48,908	-	-	-	2,214,210
Trading and investment securities	981,437	3,988,185	1,762,621	236,794	73,167	7,042,204
Derivative financial instruments	118,897	92,295	605			211,797
Reserve requirements with the Central Bank of Turkey	1,941,705	-	-	-	-	1,941,705
Originated loans:						
- Loans and advances to customers	6,099,760	3,934,968	3,230,758	36,699	-	13,302,185
- Securities	54,980	3,236,582	6,421,838	-	-	9,713,400
Investments in associated companies	-	-	-	-	221,907	221,907
Property and equipment	-	-	-	-	710,698	710,698
Deferred tax assets	-	-	1,581	-	-	1,581
Other assets and pre-payments	64,042	-	-	-	-	64,042
Total assets	11,426,123	11,300,938	11,417,403	273,493	1,005,772	35,423,729
Customer deposits	20,308,590	2,231,672	143,330	15,052	-	22,698,644
Derivative financial instruments	2,929	370	-	-	-	3,299
Interbank money market deposits, funds borrowed and debt securities in issue	953,352	2,468,746	1,471,728	343,131	-	5,236,957
Income taxes payable	-	133,104	-	-	-	133,104
Other liabilities and accrued expenses	1,032,556	12,709	67,916	-	-	1,113,181
Reserve for employment termination benefits	-	-	-	38,981	-	38,981
Total liabilities	22,297,427	4,846,601	1,682,974	397,164	-	29,224,166
Net liquidity gap, including minority interest	(10,871,304)	6,454,337	9,734,429	(123,671)	1,005,772	6,199,563

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**
(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)
NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

Management believes that in spite of a substantial portion of deposits from individuals being short-term, diversification of these deposits by number and type of depositors together with the past experience of the Bank indicate that these deposits will provide a long-term and stable source of funding for the Bank. The major part of mandatory cash balances with the Central Bank of Turkey are included within the "up to three months" column as the majority of liabilities to which these balances relate are also included in this category.

	2003					
	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Cash and due from banks	1,866,449	-	-	-	-	1,866,449
Trading and investment securities	2,189,438	3,017,291	4,694,422	276,611	185,076	10,362,838
Derivative financial instruments	109,536	108,577	176	-	-	218,289
Reserve requirements with the Central Bank of Turkey	1,756,871	-	-	-	-	1,756,871
Originated loans:						
- Loans and advances to customers	3,566,249	3,233,482	3,193,386	-	-	9,993,117
- Securities	3,796	4,611,367	3,431,362	-	-	8,046,525
Investments in associated companies	-	-	-	-	231,718	231,718
Property and equipment	-	-	-	-	727,453	727,453
Deferred tax assets	-	-	77,746	-	-	77,746
Other assets and pre-payments	83,758	-	-	-	-	83,758
Total assets	9,576,097	10,970,717	11,397,092	276,611	1,144,247	33,364,764
Customer deposits	19,426,350	2,737,184	109,774	-	-	22,273,308
Derivative financial instruments	1,260	4,090	5	-	-	5,355
Interbank money market deposits						
funds borrowed and						
debt securities in issue	774,577	1,984,575	1,369,771	52,815	-	4,181,738
Income taxes payable	-	303,069	-	-	-	303,069
Other liabilities and accrued expenses	750,158	11,685	159,003	-	-	920,846
Reserve for employment termination benefits	-	-	-	29,169	-	29,169
Total liabilities	20,952,345	5,040,603	1,638,553	81,984	-	27,713,485
Net liquidity gap, including minority interest	(11,376,248)	5,930,114	9,758,539	194,627	1,144,247	5,651,279

(g) Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 3 - USE OF FINANCIAL INSTRUMENTS (Continued)

(h) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

A market does not presently exist for term loans and deposits which would facilitate obtaining prices for comparative instruments, and if sold or settled prior to their stated maturity dates, these instruments would bear transaction costs in the form of fees or discounts. Accordingly, fair value has not been computed for these instruments and net book amounts are considered to be a reasonable estimate of the fair value. Balances denominated in foreign currencies are translated at year-end exchange rates.

The following methods and assumptions were used to estimate the fair value of the Bank's financial instruments:

(i) Financial assets

The fair values of certain financial assets carried at cost, including cash and balances with the Central Bank of Turkey, due from other banks and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair value of investment securities has been estimated based on market prices at balance sheet dates (Note 9).

The carrying value of loans and advances to customers, along with the related allowances for uncollectibility, is considered to approximate their fair value.

(ii) Financial liabilities

The fair values of deposits from banks and customers and other short-term borrowed funds are considered to approximate their respective carrying values due to their short-term nature.

Long-term borrowings, which are in principle at variable rates and denominated in foreign currencies, are translated at year-end exchange rates and accordingly their fair values approximate their carrying values.

(iii) Derivative financial instruments

The fair values of forward foreign exchange contracts and currency/interest rate swaps have been estimated based on quoted market rates prevailing at the balance sheet date (Notes 6 and 22).

(i) Fiduciary activities

The Bank provides custody services to third parties which involve the Bank in making allocation, purchase and sale decisions. Those assets that are held in a fiduciary capacity are not included in these financial statements. At 31 December 2004, the Bank has custody accounts amounting to TL14,430,232 billion in nominal value (2003: TL13,389,915 billion).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 4 - CASH AND DUE FROM BANKS

	2004	2003
Cash funds:		
Cash on hand	266,593	239,834
Cash in transit	1,433	-
Purchased cheques	650	675
	268,676	240,509
Current accounts and demand deposits:		
Central Bank of Turkey	5,771	2,755
Foreign banks	109,767	215,542
Domestic banks	39	31
	115,577	218,328
Time deposits:		
Foreign banks	1,316,821	840,482
Domestic banks	83,269	115,135
	1,400,090	955,617
Interbank money market placements	429,867	451,995
Total cash and due from banks	2,214,210	1,866,449

At 31 December 2004, time deposits with domestic banks include securities obtained through agreements to resell (reverse repos) in the amount of TL80,114 billion (2003: TL112,856 billion).

Assets pledged as off-shore cash reserve and payment accounts in connection with long-term securitised borrowings from foreign institutions in the amount of US\$917 million (2003: US\$658 million), issue of trust certificates in the amount of US\$100 million (2003: US\$192 million) and various other borrowings received (Note 14) in time deposits in foreign banks are as follows:

	2004	2003
Long-term securitised borrowings	53,572	56,805
Debt securities in issue	17,242	23,824
	70,814	80,629

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 4 - CASH AND DUE FROM BANKS (Continued)**

Cash and cash equivalents included in the statements of cash flows for the year ended 31 December is as follows:

	2004	2003
Cash and due from banks excluding accrued interest	2,120,593	1,785,484
Trading and investment securities with original maturities of less than three months excluding accrued interest	40,633	11,855
	2,161,226	1,797,339

Due from banks includes the following related party bank balances:

	Type of deposits	2004	2003
Sabancı Bank plc	Demand	3,358	12,172
	Time	-	65,035
BNP-AK-DRESDNER Bank A.Ş.	Demand	2	1,729
	Time	-	12,192
Total due from related party banks		3,360	91,128

NOTE 5 - TRADING SECURITIES

The breakdown of trading securities is as follows:

	2004	2003
Government bonds denominated in foreign currency	3,232,537	5,758,570
Government bonds	164,388	1,924,145
Treasury bills	28,013	393,970
Eurobonds	527,989	721,699
Share certificates	14,362	371
	3,967,289	8,798,755

Eurobonds include securities pledged under repurchase agreements with financial institutions amounting to TL218,446 billion (31 December 2003:-).

Eurobonds amounting to TL256,135 billion (2003: TL226,517 billion) have been pledged as collateral with financial institutions.

Share certificates include listed equity shares of the Bank's major shareholder, Hacı Ömer Sabancı Holding A.Ş., amounting to TL14,174 billion (2003: TL162 billion).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

The Bank utilises the following derivative instruments:

"Currency forwards" represent commitments to purchase or to sell foreign and domestic currency, including undelivered spot transactions. "Foreign currency futures" are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency at a future date at a specified price established in an organised financial market. Since future contracts are collateralised by cash or marketable securities and changes in the future contract value are settled daily with the exchange rate, the credit risk is negligible.

"Currency and interest rate swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. The Bank's "credit risks" represent the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held at 31 December are set out in the following table.

	2004		2003	
	Fair values		Fair values	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading:				
Forward currency purchases and sales	1,722	(1,596)	658	(4,606)
Currency and interest rate swap purchases and sales	210,075	(1,703)	217,631	(749)
Total derivative assets/(liabilities) held for trading	211,797	(3,299)	218,289	(5,355)

As also explained in Note 2 (d), even though certain derivative transactions, while providing effective economic hedges under the Bank's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39, and are therefore treated as derivatives held for trading.

The notional amounts of forward currency purchases/sales and swap transactions are explained in detail in Note 22.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 7 - RESERVE REQUIREMENTS WITH THE CENTRAL BANK OF TURKEY AND LIQUIDITY REQUIREMENTS**

The reserve requirements and liquidity requirements are promulgated by communiqués issued by the Central Bank of Turkey ("the Central Bank").

The amounts of both the reserve requirements and liquidity requirements are computed on the basis of the same liabilities identified and, at the rates prescribed in the related regulations. The Bank is in conformity with the following reserve requirements and liquidity requirements at 31 December 2004 and 2003.

	Reserve requirement rate	Liquidity requirement rate
Turkish lira liabilities	6%	4%
Foreign currency liabilities	11%	1%

The reserve requirements are to be maintained as cash in special Turkish lira accounts for Turkish lira liabilities and; in special US\$ and EUR accounts for respective foreign currency liabilities with the Central Bank. Both such Turkish lira and foreign currency reserves maintained with the Central Bank earn interest on a quarterly basis at the rates determined by the Central Bank.

The liquidity requirement should be maintained as government bonds and treasury bills in special accounts with the Central Bank.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 8 - ORIGINATED LOANS**

Loans and advances to customers:

	2004	2003
Consumer loans and credit cards	3,890,785	2,970,537
Project finance loans	1,567,300	1,923,177
Financial institutions	1,291,776	1,177,691
Wholesaling	1,066,500	629,313
Retailers	881,715	355,737
Automotive	605,353	447,721
Steel and mining	391,366	161,991
Food and beverage	369,081	117,409
Chemicals	347,560	549,271
Textile	306,541	207,764
Telecommunication	233,387	203,620
Construction	164,785	16,600
Agriculture and forestry	101,530	17,655
Health care and social services	91,408	91,328
Electronics	61,821	84,765
Tourism	50,460	21,098
Other manufacturing industries	733,370	275,159
Other	1,068,480	678,554
Performing loans	13,223,218	9,929,390
Non-performing loans	204,119	125,871
Total loans and advances to customers	13,427,337	10,055,261
Accrued interest receivable	202,974	195,620
Allowance for loan losses	(328,126)	(257,764)
Net loans and advances to customers	13,302,185	9,993,117

Project finance loans represent long-term loans extended in relation to the infrastructural constructions under the management and guarantee of the Undersecretariat of the Treasury of the Turkish Republic.

The Bank has provided allowance for non-performing loans which amount to TL204,119 billion (2003: TL125,871 billion) comprising 1.52% (2003: 1.25%) of the total loans outstanding at 31 December 2004 and; for other components of the loan portfolio which is considered as adequate to cover the inherent risk of loss present in the lending relationship.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****[Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004]****NOTE 8 - ORIGINATED LOANS (Continued)**

Movements in the provision for loan losses for the year ended 31 December are as follows:

	2004	2003
Balance at beginning of year	257,764	187,290
- Gross provisions	167,142	52,089
- Recoveries	(62,142)	(45,141)
- Written-off	(7,547)	(10,050)
Net specific provision for the year	97,453	(3,102)
Net additional provision for the year	7,874	97,521
Monetary gain	(34,965)	(23,945)
Balance at end of year	328,126	257,764

The aggregate amount of non-performing loans on which interest is not being accrued amounted to TL204,119 billion at 31 December 2004 (2003: TL125,871 billion).

Loans and advances to related parties are as follows:

	2004	2003
Loans and advances to related parties	595,946	628,672
Less: Cash collateral provided	(153,224)	(326,064)
Net loans and advances to related parties	442,722	302,608

Loans and advances to related parties were negotiated on the same basis as loans to unrelated customers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 8 - ORIGINATED LOANS (Continued)

The counterparty basis breakdown of net loans and advances to related parties is as follows at 31 December:

Related party name	2004	2003	Major foreign partner, if any	% of foreign ownership, if any	% of publicly traded shares, if any
Carrefour Sabancı Ticaret Merkezi A.Ş.	6,028	7,648	Centre de Coordination Carrefour SNC	60%	-
- Loans	159,252	333,712			
- Less: Cash collateral provided	(153,224)	(326,064)			
Dupont Sabancı Polyester Europe B.V.	111,046	-	-	-	-
Gıdasa Sabancı Gıda San. ve Tic. A.Ş.	53,372	11,812	-	-	-
Philip Morris Sabancı Paz. ve Satış A.Ş.	44,135	8,728	Philip Morris	75%	-
Teknosa İç ve Dış Ticaret A.Ş.	31,865	10,428	-	-	-
Yünsa Yünlü Sanayi ve Tic. A.Ş.	30,347	18,833	-	-	16%
Toyotasa Toyota Sabancı Pazarlama ve Satış A.Ş.	29,857	3,503	Toyota Motor, Mitsui Co.	35%	-
Temsa Termo Mekanik Sanayi ve Ticaret A.Ş.	29,650	7,158	-	-	-
Dupont Sabancı International LLC	21,689	40,628	EU Dupont	50%	-
Interkordsa GmbH	6,835	11,163	El.Dupont	34%	-
Insa A.Ş.	5,264	11,049	-	-	-
Marsa Kraft Jacobs Suchard Sabancı Gıda Sanayi ve Ticaret A.Ş.	5,098	1,744	Kraft Foods Int.	50%	-
Kordsa Sabancı Dupont Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	4,740	36,965	El.Dupont	42%	16%
Sabancı Telekomünikasyon Hizmetleri A.Ş.	4,176	6,933	-	-	-
Oysa Çimento	3,847	4,215	-	-	18%
Pilsa Plastik Sanayi ve Ticaret A.Ş.	1,573	15,354	-	-	-
Sakosa Sabancı ve Kosa İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	1,359	5,690	-	-	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş.	1,316	1,179	Bridgestone Co.	43%	10%
Bossa Tic. ve San. İşletmeleri T.A.Ş.	1,095	13,128	-	-	24%
Enerjisa Enerji Üretim A.Ş.	455	2,987	El.Dupont, Heidelberg Cement, Bridgestone Co., Bekaert	14%	-
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	29	38,163	-	-	-
Others	48,946	45,300	-	-	-
Net loans and advances to related parties	442,722	302,608			

The breakdown of the net related party loans and advances is granted to the Sabancı Group companies with foreign partnership, and those companies whose shares are publicly traded in Istanbul Stock Exchange ("listed companies") as shown below:

	2004		2003	
	Amount	%	Amount	%
Provided to Sabancı Group companies with foreign partnership and listed companies	191,796	43	171,720	57
Provided to other related parties	250,926	57	130,888	43
Net related party loans and advances	442,722	100	302,608	100

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 8 - ORIGINATED LOANS (Continued)**

As at 31 December 2004, total interest income earned from related parties is TL32,243 billion (2003: TL47,429 billion).

Loans and advances to the public sector and private sector are as follows:

	2004	2003
Public sector (including State Economic Enterprises)	2,001,845	2,577,786
Private sector	11,425,492	7,477,475
Total loans and advances to customers	13,427,337	10,055,261

Securities:

Government bonds denominated in foreign currency	4,835,976	1,765,207
Government bonds	3,522,103	4,207,010
Foreign currency indexed government bonds	936,151	2,074,308
Treasury bills	419,170	-
Total originated securities	9,713,400	8,046,525

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to TL1,054,078 billion (2003: TL685,473 billion).

The fair values of originated securities amount to TL9,795,023 billion at 31 December 2004 (2003: TL8,254,826 billion).

The originated securities amounting to TL1,411,507 billion have been pledged as collateral with various institutions at 31 December 2004 (2003: TL1,596,391 billion).

NOTE 9 - INVESTMENT SECURITIES

	2004	2003
Securities available-for-sale:		
Debt securities		
- Government bonds	2,149,315	-
- Treasury bills	431,182	1,307,818
- Eurobonds	412,639	71,560
- Government bonds denominated in foreign currency	22,974	-
Equity securities		
- Listed	22,980	17,066
- Unlisted	35,825	167,639
Total securities available-for-sale	3,074,915	1,564,083
Total investment securities	3,074,915	1,564,083

The investment securities amounting to TL408,327 billion have been pledged as collateral with various institutions at 31 December 2004 (2003: -).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 9 - INVESTMENT SECURITIES (Continued)

As explained in Note 2(e) unrealised gain and losses arising from changes in the fair value of securities classified as "available-for-sale" are recognised as "other reserves" in the shareholders' equity unless there is a permanent decline in the fair values of such assets, which are charged to the income statement.

The breakdown of available-for-sale equity securities at 31 December 2004 is as follows:

Listed:	Share (%)		Carrying amount		Business
	2004	2003	2004	2003	
Türkiye Sınai Kalkınma Bankası A.Ş.	6.45	6.45	12,035	9,170	Investment banking
Ak Yatırım Ortaklığı A.Ş.	45.72	45.72	10,945	7,896	Investment management
			22,980	17,066	
Unlisted:					
Ak Emeklilik A.Ş.	73.41	73.41	26,820	26,820	Life insurance
Ak Portföy Yönetimi A.Ş.	99.99	99.99	3,592	3,592	Portfolio management
Ak Global Funding B.V.	100.00	100.00	54	54	Finance
Akbank International N.V.	-	100.00	-	103,809	Banking
Temsa Termo Mekanik Sanayi ve Tic.A.Ş.	-	14.89	-	26,713	Automotive
Others	-	-	5,359	6,651	
			35,825	167,639	

Akbank International N.V. was not consolidated in 2003 on grounds of materiality and is included in the scope of consolidation in 2004.

Ak Portföy Yönetimi A.Ş., Ak Emeklilik A.Ş. and Ak Global Funding B.V. are not consolidated due to immateriality. Similarly, Ak Yatırım Ortaklığı A.Ş. is not accounted under the equity method of accounting due to immateriality.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 10 - INVESTMENTS IN ASSOCIATED COMPANIES

	2004	2003
Opening net book amount	231,718	241,735
Share of results	15,512	23,959
Dividends paid by the associated companies	(12,929)	(6,044)
Exchange differences	(12,394)	(27,932)
Balance at end of year	221,907	231,718

The list of associates is as follows:

	Share (%)	2004	2003
Sabancı Bank plc	37.00	141,038	148,059
BNP-AK-DRESDNER Bank A.Ş.	39.99	80,869	83,659
		221,907	231,718

The Bank does not exert control over the financial and operating policy decisions of the above banks.

Where necessary, the accounting policies used by the associates have been changed to ensure consistency with the policies adopted by the Bank.

NOTE 11 - PROPERTY AND EQUIPMENT

	Land and buildings	Equipment and vehicles	Constructions in progress	Leasehold improvements	Total
At 31 December 2003					
Cost	695,657	770,228	4,834	28,393	1,499,112
Accumulated depreciation	(171,587)	(581,932)	-	(18,140)	(771,659)
Net book amount	524,070	188,296	4,834	10,253	727,453
Year ended 31 December 2004					
Opening net book amount	524,070	188,296	4,834	10,253	727,453
Addition to scope of consolidation	1,159	2,745	-	-	3,904
Additions	11,406	76,390	43,538	8	131,342
Transfers	6,643	864	(7,937)	430	-
Disposals	(5,804)	(2,572)	(33,359)	-	(41,735)
Impairment charge (Note 21)	(5,257)	-	-	-	(5,257)
Depreciation charge (Note 21)	(20,689)	(81,173)	-	(3,147)	(105,009)
Closing net book amount	511,528	184,550	7,076	7,544	710,698
At 31 December 2004					
Cost	701,876	837,586	7,076	28,831	1,575,369
Accumulated depreciation	(190,348)	(653,036)	-	(21,287)	(864,671)
Net book amount	511,528	184,550	7,076	7,544	710,698

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 12 - OTHER ASSETS AND PRE-PAYMENTS

The principal components of other assets and pre-payments are as follows:

	2004	2003
Pre-payments	14,927	17,994
Receivables from credit card payments	13,835	19,495
Fund management fee accruals	9,848	8,519
Other	25,432	37,750
	64,042	83,758

NOTE 13 - CUSTOMER DEPOSITS

The breakdown of deposits according to type and maturity is as follows:

	2004			2003		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	2,460,376	12,859,043	15,319,419	2,041,348	13,599,169	15,640,517
Funds deposited under repurchase agreements	-	2,324,550	2,324,550	-	790,755	790,755
Commercial deposits	1,051,144	2,831,843	3,882,987	1,024,096	3,027,217	4,051,313
Bank deposits	59,032	938,338	997,370	109,563	1,417,993	1,527,556
Other	140,322	33,996	174,318	136,941	126,226	263,167
	3,710,874	18,987,770	22,698,644	3,311,948	18,961,360	22,273,308

The Bank has undertaken various business transactions with Sabancı Holding Group companies and other related parties during the year. At 31 December 2004, deposits of TL1,425,489 billion (2003: TL1,321,765 billion) were from Sabancı Holding Group companies and other related parties. The total interest expense paid to related party deposits is TL230,396 billion (2003: TL283,743 billion) for the year ended 31 December 2004.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 14 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE**

	2004	2003
Interbank money market deposits		
- Turkish lira	20,816	-
- Foreign currency	-	-
Interbank money market deposits	20,816	-
Domestic banks		
- Turkish lira	64,448	40,295
- Foreign currency	21,762	16,494
Foreign institutions	4,992,199	3,811,853
Funds borrowed	5,078,409	3,868,642

Interbank money market deposits represent borrowings from the interbank money market regulated by the Central Bank of Turkey.

Funds borrowed from domestic banks represent funds obtained from Turkish Eximbank to finance certain export loans given to customers, under prevailing regulations.

In October 2002, the Bank obtained a long-term loan facility from the International Finance Corporation ("IFC") in the amount of US\$55 million in two parts with interest rates of Libor+3.5% and Libor+3.25%. In October 2003, the Bank obtained a second long-term loan facility from the IFC in the amount of US\$100 million with an interest rate of Libor+2.5%. These loans will be repaid starting in September 2005 through to March 2009.

As at 31 December 2004, funds borrowed from foreign institutions include two syndicated credit facilities the first of which in the amount of US\$500 million, with an interest rate of Libor+0.55% provided by 63 international banks with Sumitomo Mitsui Banking Corporation Europe Limited acting as agent, and matures on 8 August 2005 and the second of which in the amount of US\$550 million, with an interest rate of Libor+0.50% provided by 57 international banks with UFJ Bank Limited acting as agent, and matures on 15 December 2005. As at 31 December 2003, funds borrowed from foreign institutions included two syndicated credit facilities, the first of which in the amount of US\$450 million, with an interest rate of Libor+0.65% provided by 52 international banks with Sumitomo Mitsui Banking Corporation Europe Limited acting as agent, and matured on 29 November 2004 and the second of which in the amount of US\$350 million, with an interest rate of Libor+0.75% provided by 40 international banks with Sumitomo Mitsui Banking Corporation Europe Limited acting as agent, and matured on 21 July 2004.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 14 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE (Continued)

In November 1999, the Bank finalised a structured finance deal of US\$400 million by securitising its foreign currency denominated present and future remittances (international payment orders, cash against goods, letter of credit reimbursement rights, cash against documents and other amounts in deposit accounts). The Bank obtained further tranches related with the same deal in the amount of US\$1,125 million between 2000 and 2004. Interest rates on the tranches vary between Libor+0.33% and Libor+2.4%. At 31 December 2004, the outstanding principal amount of the securitization deal amounts to US\$917 million after the repayment of US\$608 million between 2000 and 2004.

In June 2004, the Bank finalised another structured finance deal of US\$270 million by securitising its foreign currency denominated present and future remittances (credit card receivables). At 31 December 2004, the outstanding principal amount of the securitisation deal amounts to US\$262 million after the repayment of US\$8 million during 2004. The maturity date of this deal is July 2011 and the interest rate is Libor+0.55%.

The repayment schedule of these structured finance deals are as follows:

	2004		2003	
	US\$ (000)	TL billion	US\$ (000)	TL billion
2004	-	-	91,667	148,965
2005	183,750	251,682	143,750	233,604
2006	228,667	313,205	208,333	338,556
2007	176,042	241,124	133,333	216,676
2008	191,671	262,532	81,250	132,036
2009	150,750	206,483	-	-
2010	134,382	184,063	-	-
2011	113,404	155,330	-	-
Accrued interest payable	-	4,314	-	1,301
Total	1,178,666	1,618,733	658,333	1,071,138

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

[Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004]

NOTE 14 - FUNDS BORROWED AND DEBT SECURITIES IN ISSUE (Continued)

Debt securities in issue

In July 1998, the Bank securitised its foreign currency denominated present and future credit card receivables for the issue of certificates amounting to US\$250 million in total. The repayment of the first tranche amounting to US\$250 million was completed as of 30 June 2004. In March 2001, a second tranche of US\$100 million with an interest rate of Libor+0.5% was raised through additional issue of trust certificates. The repayment schedule of the trust certificates in issue is as follows:

	2004		2003	
	US\$ (000)	TL billion	US\$ (000)	TL billion
2004	-	-	50,389	81,885
2005	-	-	41,196	66,946
2006	37,500	51,364	37,500	60,940
2007	50,000	68,485	50,000	81,253
2008	12,500	17,121	12,500	20,314
Accrued interest payable	-	762	-	1,758
Total	100,000	137,732	191,585	313,096

NOTE 15 - TAXATION

	2004	2003
Income taxes currently payable	408,931	912,976
Prepaid taxes	(275,827)	(609,907)
Income taxes payable	133,104	303,069
Deferred tax assets	65,249	111,549
Deferred tax liabilities	(63,668)	(33,803)
Deferred tax assets, net	1,581	77,746

Turkish tax legislation does not permit a parent Bank and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Corporation tax is payable at a rate of 33% (30% for the following fiscal years) on the corporate income of the Bank after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)**

NOTE 15 - TAXATION (Continued)

Effective from 1 January 2004, the use of inflation accounting principles in the calculation of the corporate tax base has been stipulated by Law No. 5024 published on 30 December 2003 in the Official Gazette No. 25332. In accordance with the law, if the cumulative increase in the Wholesale Price Index ("WPI") is higher than 100% for the last 36 months and higher than 10% for the last 12 months, inflation accounting principles must be taken into consideration in the calculation of tax base. At each quarter end subject to advance tax payments, the above WPI increase criteria will be considered. If the WPI index increase criteria that necessitates the application of inflation accounting is met in any of the quarters in a fiscal year, the inflation accounting principles will be applied for the whole year, including the prior quarters. For the year 2004, the criteria for the application of inflation accounting were met and accordingly the Bank has calculated and accounted its tax provision in accordance with inflation accounting principles.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 33% (30% for the following fiscal years) on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

Capital gains derived from the sale of equity investments and immovable are tax exempt, if such gains are added to paid-in capital by the end of the second year following their sale.

Capital expenditures, with some exceptions, over TL6 billion (TL10 billion for 2005) are eligible for investment incentive allowance of 40%, which is deductible from taxable income prior to calculation of the corporate income tax, without the requirement of an investment incentive certificate, and the amount of allowance is not subject to withholding tax.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 15th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

[Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004]

NOTE 15 - TAXATION (Continued)

Reconciliation between the expected and the actual taxation charge is stated below:

	2004	2003
Income before income taxes and minority interest	1,494,697	2,521,624
Theoretical tax charge at the applicable tax rate 33% (2003: 30%)	493,250	756,487
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income exempt from taxation	(63,595)	(78,828)
Non-deductible expenses	1,679	1,285
Non-temporary elements of monetary gains and losses	38,577	117,167
Inflation effect on deferred tax balances at the beginning of the year	294	8,907
Total tax charge for the year	470,205	805,018

Deferred taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income under the liability method using enacted tax rates of 30% and 40%.

The deferred tax asset and liability represents the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the financial statements compared to the local tax return, in accordance with the applicable tax law. The temporary differences giving rise to deferred income tax assets and deferred tax liabilities are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2004	2003	2004	2003
Provision for loan losses	(102,794)	(131,892)	30,838	39,567
Valuation difference on investment securities	(25,330)	(139,986)	7,599	41,996
Employment termination benefits	(38,981)	(29,169)	11,694	8,751
Impairment on property and equipment	(30,594)	(25,337)	9,179	7,601
Other provisions	(14,296)	(29,744)	4,289	8,924
Other temporary differences	(5,500)	(15,695)	1,650	4,710
Deferred tax assets			65,249	111,549
Reversal of country risk provision	84,968	76,128	(33,987)	(30,451)
Difference between carrying value and tax base of property and equipment	92,793	11,170	(27,838)	(3,352)
Other temporary differences	6,143	-	(1,843)	-
Deferred tax liabilities			(63,668)	(33,803)
Deferred tax assets, net			1,581	77,746

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 16 - OTHER LIABILITIES AND ACCRUED EXPENSES**

The principal components of other liabilities and accrued expenses are as follows:

	2004	2003
Payable to point of sale acquiring merchants	588,064	408,075
Unearned commission income	76,570	160,335
Non-income related taxes and withholdings	67,354	61,045
Bonus liability to customers	64,360	32,693
Import deposits and transfer orders	28,300	47,924
Blocked deposits	18,135	11,750
Payment orders to correspondent banks	15,081	13,860
Saving deposits insurance fund premium	12,062	61,407
Leasing payable	5,496	12,137
Other	237,759	111,620
	1,113,181	920,846

Payable to point of sale acquiring merchants includes amounts owed to merchants related with credit card transactions in which the transacted amount will be paid to the merchants on a term basis.

Unearned commission income is related with commissions received on long-term project finance loans extended in relation to the infrastructural constructions under the management and guarantee of the Undersecretariat of the Treasury of the Turkish Republic. These commissions are amortised and income is recognised during the terms of respective loans.

NOTE 17 - RETIREMENT BENEFIT OBLIGATIONS**a) Pension scheme**

The Bank has established a pension scheme, which is a funded defined benefit plan covering substantially all employees. The assets of the plan are held independently of the Bank's assets in the Fund. This scheme is valued by independent actuaries every year. The latest actuarial valuations were carried out as at 31 December 2004. Since the fair value of the Fund's plan assets exceed the defined benefit obligation, no liability is recognised in these consolidated financial statements of the Bank at 31 December 2004.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 17 - RETIREMENT BENEFIT OBLIGATIONS (Continued)****b) Employment termination benefits**

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL1,574,740,000 in full TL amount, (2003: TL1,389,950,000 in full TL amount, in terms of the purchasing power at 31 December 2003) for each year of service.

The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

IAS 19 "Employment Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 31 December:

	2004	2003
Discount rate (%)	5.45	6
Turnover rate to estimate the probability of retirement (%)	6	4

Additionally, the principal actuarial assumption is that the maximum liability of TL1,574,740,000 in full TL amount, for each year of service would increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL1,648,900,000 in full TL amount, which is effective from 1 January 2005, has been taken into consideration in calculating the reserve for employment termination benefit of the Bank.

Movement in reserve for employment termination benefits during the year is as follows:

	2004	2003
1 January	29,169	24,952
Paid during the year	(14,324)	(16,310)
Increase during the year	28,338	24,079
Monetary gain	(4,202)	(3,552)
	38,981	29,169

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 18 - SHARE CAPITAL

The historic amount of share capital of the Bank is TL1,500,000 billion (2003: TL1,200,000 billion) and consists of 1,500,000,000,000 (2003: 1,200,000,000,000) authorised shares with a nominal value of TL1,000 each.

The Bank's authorised capital amounts to TL2,500,000 billion at 31 December 2004 (2003: TL2,500,000 billion).

At 31 December, the issued and fully paid-in share capital held is as follows:

	2004		2003	
	Share (%)	TL billion	Share (%)	TL billion
Sabancı Group, family and related companies:				
Hacı Ömer Sabancı Holding A.Ş. and related companies	43.07	645,996	41.15	493,753
Sabancı family	24.55	368,226	27.02	324,301
Total Sabancı Group, family and related companies	67.62	1,014,222	68.17	818,054
Other	32.38	485,778	31.83	381,946
Historical share capital	100	1,500,000	100	1,200,000
Adjustment to share capital	-	2,675,152	-	2,662,659
Total paid-in share capital		4,175,152		3,862,659

The adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital in terms of equivalent purchasing power at 31 December 2004 after elimination of the accumulated deficit.

Following the BRSA approval and in line with the resolution of the General Assembly of the Shareholders of the Bank, which was held on 17 July 2002, in the inflation adjusted statutory financial statements, the Bank eliminated accumulated deficit and the corresponding amount of legal and extraordinary reserves and adjustment to share capital. Accordingly, the effects of this elimination transaction have also been reflected in these financial statements, which are prepared on the basis of IFRS and; accumulated deficit of TL1,464,503 billion has been eliminated against the adjustment to share capital.

The Articles of Association of the Bank establish 564 founders' shares and 1,974 usufruct shares. In accordance with the Articles of Association, 10% of the remaining distributable profit is distributed to founders' shares after appropriation of the legal reserves and after the distribution of the first dividends equalling 5% of the paid-in share capital. In the event of liquidation, a portion of the liquidation shares is assigned to the founders' shares and usufruct shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 19 - RETAINED EARNINGS AND LEGAL RESERVES**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, the Bank is required to create the following legal reserves from appropriations of earnings, which are available for distribution only in the event of liquidation or losses:

- a) First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital.
- b) Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders. In accordance with the Articles of Association, dividends are also paid to holders of usufruct shares in an amount of 10% of the remaining distributable profit after appropriation of the legal reserves and after distributing the first dividend equalling 5% of the paid-in-share capital. Also, in accordance with the Articles of Association, bonuses to chairman and members of the Board of Directors are limited to a maximum of 2% of the remaining balance; the average percentage of such distributions in the last five years was 0.02%.

Starting from 2002, the lower of non-inflation adjusted historical profits or profits arising in the inflation adjusted statutory financial statements can be subjected to the profit appropriation and distribution. For the year ended 31 December 2004, the Bank has reported a net income of TL1,020,528 billion in its non-consolidated inflation adjusted statutory financial statements, which is subject to distributions and appropriations as explained above.

In 2003, the Bank has established and announced a dividend distribution policy, and in accordance with this policy the Bank will distribute minimum 30% and maximum 50% of the distributable profit to its shareholders identified in the Articles of Association provided that there is no deterioration in national and global economic environment and that the capital adequacy ratio of the Bank meets or exceeds the targeted level.

NOTE 20 - NET FEE AND COMMISSION INCOME

	2004	2003
Fee and commission income on:		
Credit cards	271,713	217,452
Asset management	150,803	93,401
Cash loans	125,683	92,036
Money transfers	37,284	35,013
Non-cash loans	26,698	23,434
Insurance intermediary	12,708	7,118
Other	70,902	42,533
	695,791	510,987
Fee and commission expense on:		
Credit cards	179,004	204,682
Funds borrowed	33,831	33,518
Other	17,822	16,310
	230,657	254,510
Net fee and commission income	465,134	256,477

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2004**

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

NOTE 21 - OPERATING EXPENSES

	2004	2003
Employee costs	368,579	319,085
Depreciation and amortisation (Note 11)	105,009	99,095
Marketing and advertisement expenses	94,850	106,001
Communication expenses	72,724	56,468
Saving deposits insurance fund	62,249	70,009
Repair and maintenance expenses	59,443	17,455
Computer maintenance and support expenses	53,990	56,622
Sundry taxes and duties	51,538	63,126
Heating, lighting and water expenses	18,067	18,031
Stationery expenses	15,930	20,176
Impairment in the value of property and equipment (Note 11)	5,257	25,337
Other	272,297	223,036
	1,179,933	1,074,441

NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of banking activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in these consolidated balance sheets, including letters of guarantee, acceptance credits, letters of credit and off-balance sheet derivative instruments. The management does not expect any material losses as a result of these transactions. The following is a summary of significant commitments and contingent liabilities:

(i) Legal proceedings

As of 31 December 2004 there are a number of legal proceedings outstanding against the Bank, for which TL6,296 billion (2003: TL9,416 billion) of provision has been made.

(ii) Commitments for resale and repurchase of marketable securities:

The Bank's commitments for resale and repurchase of marketable securities (government bonds, treasury bills and Eurobonds) at 31 December are as follows. As explained in Note 2 (g), repurchase agreements ("repos") are retained in these consolidated financial statements as trading or investment securities or securities originated and the counterparty liability is included in customer deposits. Securities purchased under agreements to resell are recorded as due from banks.

	2004			
	Up to 1 month	1 to 3 months	3 to 12 months	Total
Repurchase commitments	2,153,382	174,150	-	2,327,532
Resale commitments	80,194	-	-	80,194
	2003			
	Up to 1 month	1 to 3 months	3 to 12 months	Total
Repurchase commitments	789,263	1,799	138	791,200
Resale commitments	112,949	-	-	112,949

TL15,642 billion of the repurchase commitments were made with Sabancı Holding Group companies and other related parties at 31 December 2004 (2003: TL16,675 billion).

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NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(iii) Commitments to forward currency purchase/sale and swap transactions:

The breakdown of forward currency purchase/sale and swap transactions at 31 December is as follows:

		2004		2003	
		Foreign currency	TL billion	Foreign currency	TL billion
Forward currency purchases	EUR	18,827,733	35,188	6,013,025	12,216
	JPY	1,957,261,280	26,157	95,000,000	1,443
	TL billion	-	17,252	-	2,672
	US\$	5,700,000	7,807	13,802,260	22,431
	CHF	-	-	2,825,000	3,680
	GBP	-	-	100,000	288
			86,404		42,730
Currency swap purchases	EUR	1,273,173,900	2,379,505	1,291,565,517	2,624,023
	GBP	70,000,000	185,142	93,000,000	268,259
	US\$	23,604,477	32,331	45,121,000	73,324
			2,596,978		2,965,606
Spot purchases	US\$	14,991,800	20,535	29,191,132	47,437
	EUR	8,981,651	16,786	21,773,990	44,237
	JPY	100,000,000	1,336	107,000,000	1,626
			38,657		93,300
Interest rate swap purchases	EUR	33,772,000	63,118	-	-
			63,118		-
Total purchases			2,785,157		3,101,636
Forward currency sales	EUR	18,286,951	34,177	6,901,859	14,022
	JPY	1,957,261,280	26,158	95,000,000	1,443
	TL billion	-	17,378	-	17,214
	US\$	6,264,507	8,580	7,878,559	12,804
	CHF	-	-	2,000,000	2,605
			86,293		48,088
Currency swap sales	US\$	1,748,029,674	2,394,276	1,671,663,680	2,716,570
	EUR	17,299,000	32,331	41,063,631	83,427
	GBP	-	-	1,000,000	2,885
	TL billion	-	-	-	927
			2,426,607		2,803,809
Spot sales	EUR	11,424,598	21,352	202,642	412
	US\$	12,614,079	17,278	26,507,113	43,076
	TL billion	-	-	-	45,208
	GBP	-	-	500,000	1,442
	NOK	-	-	4,000,000	965
	SEK	-	-	4,000,000	896
	AUD	-	-	600,000	729
			38,630		92,728
Interest rate swap sales	EUR	33,772,000	63,118	-	-
			63,118		-
Total sales			2,614,648		2,944,625

The above table summarises the Bank's forward, swap and spot transactions. Each forward and swap contract and spot transaction represents a simultaneous receivable and payable to be received and paid, on a future date, in respective currencies. Accordingly, the difference between the "sale" and "purchase" transactions represents the net exposure of the Bank with respect to commitments arising from these transactions.

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NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The related party balances in forward currency purchase/sale and swap transactions are as follows:

	2004			2003		
	Turkish lira	Foreign currency	Total	Turkish lira	Foreign currency	Total
Forward currency purchases	-	21,672	21,672	-	8,645	8,645
Forward currency sales	-	(21,316)	(21,316)	-	(9,091)	(9,091)
Swap currency purchases	-	230,216	230,216	-	496,945	496,945
Swap currency sales	-	(213,461)	(213,461)	-	(465,257)	(465,257)
Net position	-	17,111	17,111	-	31,242	31,242

Maturity analysis for forward currency purchase/sale and swap transactions is as follows:

	2004				
	Up to 1 Month	1-3 Months	3-12 Months	Over 1 year	Total
Forward purchases	19,606	48,459	18,339	-	86,404
Swap purchases	473,374	994,327	1,123,691	5,586	2,596,978
Total purchases	492,980	1,042,786	1,142,030	5,586	2,683,382
Forward sales	19,548	48,425	18,320	-	86,293
Swap sales	454,668	916,655	1,049,942	5,342	2,426,607
Total sales	474,216	965,080	1,068,262	5,342	2,512,900

	2003				
	Up to 1 Month	1-3 Months	3-12 Months	Over 1 year	Total
Forward purchases	14,828	12,448	15,454	-	42,730
Swap purchases	1,247,621	453,114	1,262,842	2,029	2,965,606
Total purchases	1,262,449	465,562	1,278,296	2,029	3,008,336
Forward sales	14,794	12,691	20,603	-	48,088
Swap sales	1,196,438	432,348	1,172,994	2,029	2,803,809
Total sales	1,211,232	445,039	1,193,597	2,029	2,851,897

(iv) Credit related commitments:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement.

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AT 31 DECEMBER 2004****(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of TL at 31 December 2004)****NOTE 22 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Bank at 31 December:

	2004			2003		
	Up to 1 year	Over 1 year	Total	Up to 1 year	Over 1 year	Total
Letters of guarantee issued by the Bank						
- Turkish lira	235,682	851,331	1,087,013	31,982	894,842	926,824
- Foreign currency	289,049	707,515	996,564	89,601	591,993	681,594
Acceptance credits						
- Turkish lira	-	15	15	2	-	2
- Foreign currency	8,865	38,013	46,878	6,021	3,468	9,489
Letter of credit						
- Foreign currency	661,447	121,737	783,184	491,798	112,445	604,243
Other guarantees						
- Turkish lira	17,794	13,633	31,427	3,327	1,728	5,055
- Foreign currency	1,188	-	1,188	682	356	1,038
	1,214,025	1,732,244	2,946,269	623,413	1,604,832	2,228,245

Included in the letters of guarantee and acceptance credits of TL407,512 billion (2003: TL422,960 billion) guarantees were to related parties at 31 December 2004.

The economic sector risk concentrations for outstanding credit related commitments of the Bank were as follows:

	2004	2003
Electricity, gas, water	594,619	204,998
Chemicals	262,978	312,743
Electronics	227,935	138,039
Financial institutions	214,091	241,233
Small-scale retailers	191,310	141,700
Telecommunication	188,087	3,619
Steel and mining	181,501	44,765
Other manufacturing	145,213	61,037
Wholesaling	136,249	339,770
Food and beverage	102,774	14,778
Automotive	97,306	137,232
Textile	82,354	37,319
Construction	55,926	37,320
Transportation	15,988	13,022
Agriculture and forestry	3,942	14,244
Tourism	2,808	7,447
Other	443,188	478,979
	2,946,269	2,228,245

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NOTE 23 - MUTUAL FUNDS

At 31 December 2004, the Bank manages twelve (2003: twelve) mutual funds (Funds) which were established under Capital Markets Board Regulations. At 31 December 2004, the Funds' investment portfolio includes government bonds, treasury bills and share certificates of TL3,706,830 billion (2003: TL3,274,470 billion). In accordance with the Funds' statute, the Bank purchases and sells marketable securities for the Funds, markets their participation certificates and provides other services and charges management fees ranging from 0.010% to 0.012%. At 31 December 2004, management fees earned by the Bank amounted to TL109,130 billion (2003: TL67,425 billion).

NOTE 24 - SEGMENT REPORTING

The Bank is organised in five main business segments:

- i) Retail banking - The Bank offers a variety of retail services such as deposit accounts, customer loans, credit cards, insurance products and wealth management services. The Bank's line of retail banking products and services also include bank cards, automatic payment services, foreign currency trading, safe deposit box rentals, checks, money transfers, investment banking, telephone and internet banking.
- ii) Corporate banking - Corporate banking serves financial solutions and banking services to large and medium - scale corporate customers. Among the products and services offered to corporate and commercial customers are Turkish Lira and foreign currency denominated working capital loans, medium - term financing for investments, foreign trade financing, export factoring, project finance loans, letters of credit and guarantee, foreign currency trading, corporate finance services and cash and deposit management services. In addition, and at customer request, the Bank delivers cash management services that include collection and payment services and liquidity and information management.
- iii) Private banking - Private banking serves the members of the upper-income groups who have expectations for utmost service quality both in banking and investment transactions.
- iv) Treasury activities - The Treasury Unit consists of TL Fund Group, Foreign Exchange Fund Group, Treasury Marketing Group and Special Products Group. The purpose of the Treasury Unit is to generate maximum profit by managing foreign exchange and interest rate risks within the risk parameters set by the Executive Risk Committee. The Unit manages the short and long-term liquidity and the fund surplus of the Bank, taking into consideration market conditions and the country's economic conjuncture. Treasury Unit trades in Turkish lira and foreign currency instruments on a spot and forward basis and trades in domestic securities together with foreign securities with AAA rating. In addition, the Unit carries out pricing and marketing activities of treasury products for corporate customers.
- v) International banking - The Bank provides services for foreign trade financing, foreign currency and Turkish lira clearances. The international banking unit seeks out long-term funding opportunities at prices below that fully reflect country risk and, tries to diversify the sources of funding and create a base of international investors for that purpose.

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NOTE 24 - SEGMENT REPORTING (Continued)

Segment information for the period ended 31 December 2004 is as follows:

	Retail banking	Corporate banking	Private banking	Treasury activities	International banking	Total
Net interest income	1,090,274	447,992	6,202	1,014,510	31,730	2,590,708
Segment result (*)	419,551	393,832	2,006	1,288,010	4,093	2,107,492
Dividend income and income from associates						19,620
Loss on net monetary position						(632,415)
Income before income taxes						1,494,697
Income taxes						(470,205)
Minority interest						(12)
Net income						1,024,480

(*) Segment result includes operating income less dividend income and operating expenses.

Starting from 1 January 2004, the Bank has been following the profitability results of each of its business units, branches, customers and products separately, through a profitability system. "Net interest income", a significant component of the profitability measure, includes the effects of "fund transfer pricing ("FTP")" between the business units for all the interest earning assets and interest bearing liabilities. FTP charge and credit are calculated for interest earning assets and interest bearing liabilities, respectively, on a transaction basis using FTP rates announced daily by the Bank.

Segment information regarding the balance sheet at 31 December 2004 is as follows:

	Retail banking	Corporate banking	Private banking	Treasury activities	International banking	Total
Segment assets	6,633,019	8,136,647	55,197	19,042,600	230,557	34,098,020
Associates and equity securities						280,712
Unallocated assets						1,044,997
Total assets						35,423,729
Segment liabilities	15,690,379	3,360,441	1,160,940	5,006,557	2,720,583	27,938,900
Unallocated liabilities						1,285,266
Shareholders' equity and minority interest						6,199,563
Total liabilities and shareholders' equity						35,423,729
Other segment items:						
Capital expenditure	47,559	9,764	882	9	18	58,232
Depreciation	92,371	9,828	878	1,621	311	105,009
Impairment charge	4,746	412	45	39	15	5,257
Other non-cash expenses	173,689	23,487	246	5,850	82	203,354

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NOTE 25 - SUBSEQUENT EVENTS

- (i) In accordance with the "Shares Sale and Purchase Agreement" signed on 26 January 2005 between the Bank, BNP Paribas, Société Jovacienne de Participations and Dresdner Bank AG, the Bank will purchase 60% of the shares of BNP-AK-DRESDNER Bank A.Ş. for an amount of EUR57,294,000. The transaction will be finalised pursuant to approval of the respective regulatory bodies.
- (ii) Through the enactment of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 31 January 2004, the New Turkish lira ("YTL") and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr. When the prior currency, Turkish lira ("TL"), values are converted into YTL, one million TL (TL1,000,000) shall be equivalent to one YTL (YTL1). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of books, accounts and financial statements.

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AKBANK T.A.Ş.

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AKBANK T.A.Ş.

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

Akbank T.A.Ş.

Headquarters

Sabancı Center 4. Levent

34330 Istanbul / Turkey

Phone : +90 (212) 270 00 44

Telefax : +90 (212) 269 77 87

+90 (212) 269 73 83

Telex : 26 480a+b AKUM TR

http : www.akbank.com