

The biggest, the most widespread, the most global

ANNUAL REPORT 2004



T.C. ZİRAAT BANKASI A.Ş.

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**THESE 3 ATTRIBUTES
DEFINE ZIRAAT BANK.**

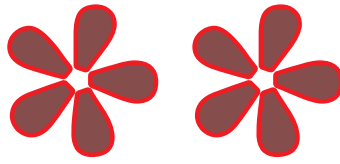


ZİRAAT BANK IS
THE BIGGEST*, THE MOST WIDESPREAD**
AND THE MOST GLOBAL***
TURKISH BANK.





Total assets worth USD 43 billion
21,118 employees



A presence in all 81 of Turkey's provinces
1,137 branches in
1,048 counties and towns



Banking activities in 16 countries
9 international subsidiaries
9 international branches
2 international representative offices

FINANCIAL HIGHLIGHTS

RANKED 115TH IN ITS LIST OF “TOP 1,000 WORLD BANKS” PUBLISHED IN THE JULY 2004 ISSUE OF THE BANKER, T.C. ZİRAAT BANKASI (ZİRAAT BANK) WAS FOUNDED IN 1863.

ZİRAAT BANK OFFERS THE FULL SPECTRUM OF BANKING PRODUCTS AND SERVICES TO MILLIONS OF CUSTOMERS IN THE AREAS OF RETAIL, CORPORATE, COMMERCIAL, AND AGRICULTURAL BANKING. ZİRAAT BANK IS THE BANK THAT SERVES ABSOLUTELY EVERY SEGMENT OF TURKISH SOCIETY FROM FARMERS TO RETIREES AND FROM BUSINESS PEOPLE TO STUDENTS.

SERVING THEM FOR A HUNDRED AND FORTY-ONE YEARS, ZİRAAT BANK CONTINUES TO WORK WITH THE SAME FIRST-DAY ENTHUSIASM AS IT CREATES MORE AND MORE ADDED VALUE FOR TURKEY AND ITS PEOPLE.



Principal Financial Indicators and Rating Information

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2004 in trillion TL.)

	2004*	2003*	2004**	2003**
Total Assets	57,061	52,898	56,994	53,112
Liquid Assets and Banks	5,983	7,021	5,845	6,920
Marketable Securities Portfolio (Net)	38,168	35,607	36,020	32,027
Credits & Loans (Net)	9,316	6,371	9,135	6,259
Deposits	45,817	38,920	45,382	38,537
Shareholders' Equity	5,121	6,794	5,047	6,640
Interest Income	9,045	12,056	9,032	12,023
Interest Expenses	5,355	8,048	5,354	8,049
Net Profit	1,463	1,897	1,531	1,221

* in accordance with IFRS (International Financial Reporting Standards).

** in accordance with BRSA (Banking Regulation and Supervision Agency) regulations.

Ratings (as of April 2005)

Standard & Poor's	Foreign Currency Credit	BB- / B
	Certificates of Deposit	BB- / B
	Outlook	Stable
FitchRatings	Foreign Currency	BB- / B
	National Currency	A-
	Outlook	Stable
Moody's	Bank Deposits	B2/NP
	Financial Strength	E+
	Outlook	Positive

All financial data from page 6 to page 42 are taken from financial statements prepared in accordance with Banking Regulation and Supervision Agency regulations.



Ziraat Bank is number one in Turkey in terms of

- asset size,
- paid-in capital,
- market share of deposits,
- reach of national network,
- scope of international network,
- number of international subsidiaries and equity participations,
- profitability.

ON BEHALF OF THE BOARD OF DIRECTORS



ZİRAAT BANK WILL LEAD US ON OUR
JOURNEY INTO THE FUTURE.

ZİRAAT BANK HAS MUCH MORE THAN
THE DIMENSIONS, THE FINANCIAL
STRENGTH, THE NATIONAL AND GLOBAL
REACH, AND THE HUMAN RESOURCES
NEEDED TO ACCOMPLISH THIS.

Esteemed customers, employees, and business partners of Ziraat Bank:

Our Bank closed its books for 2004 after a year of successful and profitable activity. 2004 will be remembered as a successful year in Ziraat Bank's ongoing journey of change and transformation. The project that was launched to bring about deep-rooted and enduring changes in the Bank with the ultimate goal of its privatization continued without interruption. At the same time, the Bank also continued to offer millions of customers in every segment of society banking products and services that are shaped by a private-sector approach.

Both the economic and the political climates supported the growth of the Turkish banking industry in 2004.

In just three short years Turkey accomplished the seemingly impossible: political stability was achieved while the momentum of sustainable growth took hold; fiscal balance was achieved while GNP growth exceeded set targets; inflation receded to single-digit figures for the first time in recent memory. Turkey's management of the disinflationary process was an outstanding success and the Turkish economy has become one that is spoken praisingly of and is pointed to as a sterling example in the international arena.

The macroeconomic stability so briefly summarized above has created the infrastructure needed for the banking sector to start growing again. Our industry is now rapidly and increasingly returning to its most basic

function: that of providing resources to private individuals and to the real sector.

The EU process

2004 will also be remembered as an important year in the history of Turkey's relations with the European Union. At a summit held in Brussels, it was announced on December 17th that negotiations for our country's full membership would begin in 2005.

We know that this process is going to be a long and difficult one and the generally held view is that it is going to take ten to fifteen years. This process is going to be imposing some very important duties on all of us from politicians to bankers and from the business community to the public at large.

The transformation and restructuring of public-sector banking is everywhere proceeding at full speed. Publicly-owned banks over the last few years have been given autonomous managements as a result of sometimes radical changes. In every case, the goal is to rebuild these institutions with a private-sector approach that is mindful of effectiveness and productivity in everything they do.

Public-sector banking and the situation in our country

The transformation and restructuring of public-sector banking is everywhere proceeding at full speed. Publicly-owned banks over the last few years have been given autonomous managements as a result of sometimes radical changes. In every case, the goal is to rebuild these institutions with a private-sector approach that is mindful of effectiveness and productivity in everything they do.

Looking at the general course of public-sector banking around the world, one can identify a three-stage developmental process that these banks go through. In the first stage, the public sector controls a substantial percentage of the national banking industry. In the middle stage, the public sector's influence begins to decline as a result of public offerings and/or privatizations. In the last stage, the public sector either withdraws entirely from banking or is left with only a minuscule share of it.

Here in Turkey, the involvement of the public sector in banking is still at what corresponds to a first-stage

level in the observed worldwide developmental process. The aggregate share of publicly-owned banks at present has decreased to a level of something over 30%. (1985: 47%)

In the period immediately ahead of us we can expect to be witnesses to a process in which public control of the banking sector in our country is pruned drastically, for Turkey is about to embark on the second stage of which I spoke above. In this process, publicly-funded banks are going to be privatized either through public offerings or block sales. An important point that I want to share with you here is the resoluteness with which the transformation of public-sector banking is being pursued in our country and the excellence of the performance so far.

2005 and beyond

Competition in banking will of course go on. At the same time, the sector will also give birth to new opportunities for growth, particularly in the business of retail banking. As our country's economic development continues, private individuals will become

more and more likely to need and make use of retail banking products and services. Private pensions and mortgages, two products that are new in the Turkish market, will in particular be the triggers of that growth. On the corporate and commercial axis, all customers-but especially small-scale enterprises that are scattered all over the country-make up a market with tremendous potential not just for basic banking products but also for a diverse array of other products from financial leasing to investment vehicles.

Ziraat Bank and its tomorrows

Ziraat Bank possesses a corporate history banking traditions that are a hundred and forty-one years old. Ziraat Bank today is also Turkey's strongest and best-known bank in international markets.

Ziraat Bank's own past sheds light on our country's history. Founded in the ages of the Ottoman Empire, the Bank quite literally experienced the War of Independence and following its victory and the establishment of the Republic of Turkey, it played a crucial role in the ensuing efforts to reconstruct and develop the national economy.

Ziraat Bank will lead us on our journey into the future.

Ziraat Bank has the much more than the dimensions, the financial strength, the national and global reach, and the human resources needed to accomplish this.

In closing and on behalf of the Board of Directors, I thank our customers, our business partners, the members of our management team, and all our employees for making 2004 a successful year for our Bank.



M. Zeki Sayın
Chairman

BOARD OF DIRECTORS



Osman Arioğlu
Member of the Board
(not present in the picture)

Erol Berktaş
Executive Member
of the Board

Murat Ulus
Executive Member
of the Board

Can Akın Çağlar
Executive Member
of the Board, General
Manager, CEO

E. Süha Çayköylü
Member of the Board

M. Zeki Sayın
Chairman

Effective as of July 2005, Ziraat Bank's Board of Directors is as follows:

Prof. İlhan Uludağ, Chairman
Mehmet Mumcuoğlu, Vice-Chairman
Can Akın Çağlar, Member of the Board, General Manager, CEO
Murat Ulus, Member of the Board
Osman Arioglu, Member of the Board

M. Emin Özcan, Member of the Board
Burhanettin Aktaş, Member of the Board
Süleyman Saygı, Auditor
Abdullah Yalçın, Auditor



İbrahim Hakkı Tuncay
Member of the Board

Prof. İlhan Uludağ
Vice-Chairman

Nurzahit Keskin
Executive
Member of
the Board

Süleyman Saygı
Auditor

Mehmet Mumcuoğlu
Executive Member
of the Board

Abdullah Yalçın
Auditor

Burhanettin Aktaş
Member of the Board

GENERAL MANAGER'S MESSAGE



- DURING 2004 ZİRAAT BANK CONTINUED TO
- CREATE MORE ADDED VALUE
 - CARRY OUT TO ITS LONG-TERM TRANSFORMATION STRATEGY WITHOUT INTERRUPTION.

Performance

Our Bank's performance in 2004 was outstanding and a new milestone was passed in our corporate history. Our total assets were up 7% in real terms last year and reached TL 57 quadrillion. During the same period, we saw an 18% rise in the deposits entrusted to us by our customers, which closed the year at TL 45 quadrillion. Our placements, which are the best example of the support our Bank gives to the real sector, were also up 46% as compared with 2003 and reached TL 9 quadrillion.

As a result of its activities in 2004, Ziraat Bank posted a net profit of TL 1.5 quadrillion, thereby qualifying as the most profitable bank in Turkey last year. Shareholders' equity reached TL 5 quadrillion and our capital adequacy ratio for the year was 51%.

These results are something that we can all be proud of and we owe them to the dedicated and heartfelt efforts of the entire Ziraat Bank team.

This success is also an outcome of having taken a private-sector approach to our work.

The picture of superior success that emerges as of year-end 2004 is the clearest possible evidence of what can be achieved when a bank in which the state is a shareholder is managed with a private-sector mindset.

Over the last four years, Ziraat Bank has been completely restructured to bring it into line with private-sector ways of doing business and banking. While completely fulfilling all the duties assigned to it by public authorities, our Bank also conformed to all the requirements of competing under market conditions in all its product and service processes

without exception and it remained watchful of effectiveness and productivity.

As a result of the transformation through which it has gone, Ziraat Bank has shed itself of the archetypal appearance and mechanisms of a state-owned company. Most of the structural changes needed for long-term, stable, and sustainable growth are now firmly in place.

Turkey's biggest, most widespread, and most global bank

Our financial indicators clearly reveal the dimensions and strengths of the Bank. Those dimensions and strengths position Ziraat Bank as Turkey's biggest, most widespread, and most global bank: a description of our Bank that also embodies the growth dynamics that lie at the foundations of our Bank's sustainable growth and competitive strength.

Ziraat Bank is engaged in a never-ending race to be of **service to people in as many locations as is physically possible.**

- Ziraat Bank's 1,137 domestic branches serve customers in every province and in every county seats in Turkey.

453 of these branches are in locations where no other bank has a presence.

- Service points in sixteen different countries from Turkmenistan to Germany and from the USA to Pakistan provide Turkish entrepreneurs with the international support they need to do business.
- Ziraat Bank's domestic subsidiaries enrich and completely round out its array of products and services.

Our position as the world's biggest, most widespread, and most global Turkish bank also reveals the tremendous potential that lies before us. What is important is that we manage our unrivaled resources with the right strategies, in the right way, and at the right time and transform them into added value for all of Turkey.

The axes of our development

The strategies that we have been following unremittingly during the last four years are carrying Ziraat Bank further ahead day by day and are further strengthening its already solid position as the biggest player, market maker and the heart of the payments system in the Turkish banking sector.

- The efforts that Ziraat Bank initiated in 2004 to provide more and more financial support to the real sector continue without letup. The objectives of this program are to stand by entrepreneurs, particularly small businesses, that are productive, create employment, and export and to provide them with the banking services that they need in the best possible way. Recognizing that this is the primary function of banking and the principal source of our income, we plan to rapidly increase our balance sheet's overall share of placements to the real sector.
- Financial support for farmers lies at the core of our 141 year-old tradition and we intend to increase our activities in this line of business. Agricultural credit and loans increased significantly in 2004 and in the years ahead such placements will make up between 20-25% of our balance sheet. We are also determined to further develop the breadth and depth of our high-quality, modern banking services to the agricultural sector.
- We are a bank that serves millions of people. Fifty million transactions a year are performed through all channels

for the retired people who receive their pension checks through our Bank. We pay subsidies to farmers 8 million times and we pay returns on compulsory savings accounts to their beneficiaries 17 million times.

- This huge customer base defines both the area of our growth in retail banking and the tremendous potential for growth that we have. Our objective therefore is clear: increase the banking products and services that we supply to this vast market and become the natural leader of the retail banking segment in our country.
- The progress that we made in this area, particularly in consumer loans, in 2004 provides strong clues about our achievements in this respect. In the medium term we expect to see consumer loans reach about a 50% level of our total placements.
- Customer relations and customer relations management are two other issues that we have been concentrating our attentions upon. We know that the demands of competition require us to see the customer at the focal point of everything that we do. The customer relations management projects that we are presently undertaking in this direction will yield many gains for our Bank and will contribute significantly to our business volumes and profitability in all business lines but especially in retail banking.
- We are focused on providing only high-quality service. We know that quality is a crucial factor and plays a great role in shaping consumers' preferences. Projects that are currently under way will make it possible for us to blend Ziraat Bank's traditional attitudes towards service with modern approaches to quality and serve our customers with a brand-new look. A series of projects launched on issues ranging from branch segmentation to product design will start coming on stream in 2005 and begin enhancing customer satisfaction.
- The Fin@rt information technology project that our Bank undertook and completed has begun to give our Bank a much more effective and productive operational structure. We are now the biggest bank in Turkey with a fully centralized operational structure.
- We are expanding our ATM network. When investments currently in progress are completed in 2005, Ziraat Bank will have one of the biggest ATM networks in Turkey with 2,500 access points.

- Special care is given to keeping our cost base strictly under control. We know that we absolutely must keep our productivity high, for that is one of the most important requirements of managing with a private-sector approach. We are committed to rapidly increasing our customers' use of our alternative delivery channels so as to reduce our branches' operational workloads.

“Accompany Turkish business people wherever they may go or get there before they do.”

These words sum up Ziraat Bank's international strategy.

We are at the service of customers in sixteen countries other than Turkey. This international reach makes it possible for us to serve the needs of the Turkish business community on nearly every continent. At the same time, our extensive and strong network of correspondent relationships allows us to offer our customers the very best in all their export, import, and structured finance dealings.

We are aware of the heavy duties that are incumbent upon us as Turkey's most global bank. In line with those duties, we will continue to strengthen our presence in international markets and to open new service outlets as well. Our objective in this is to support and serve the innate enterprise of the Turkish people wherever they may be in the world.

Privatization

The prior item on Ziraat Bank's agenda today is the matter of its upcoming privatization. Activities leading to this are being carried out intensively.

Ziraat Bank is committed to ensuring that its privatization will be yet another outstanding success story and that it will also be pointed to as a sterling example in the international arena.

A change of watch: Thanks and congratulations

As this annual report is being readied for publication, a major change of watch is taking place on Ziraat Bank's Board of Directors: Bank chairman M. Zeki Sayın; Board of Directors members Emin Süha Çayköylü and İbrahim Hakkı Tuncay; and Executive Committee members Erol Berktaş and Nurzahit Keskin will all be leaving as their terms of office run their course. I take this occasion on behalf of our entire team to extend our thanks to all our beloved colleagues, with a special acknowledgement to Mr. Sayın, for their dedicated efforts and to offer our best wishes for success in their new posts. It is thanks to those efforts over the last two years that they will forever have a place of special honor in Ziraat Bank's corporate history.

Our Bank's current vice chairman, Prof. İlhan Uludağ, henceforth will serve as company chairman and give us the benefit of her vast knowledge and experience and of her continued guidance. I congratulate Prof. Uludağ on her new post.

We shall continue to be the leader of the Turkish banking industry in a future in which being the biggest, the most widespread, and the most global are the most important determinants of competition. Our Bank's 21,000 employees continue their own exemplary and dedicated efforts to ensure that leadership remains strong.

In closing, I thank all our customers, correspondents, and team members for their unwavering confidence in us and for their contributions to our success in 2004.



Can Akın Çağlar
General Manager

EXECUTIVE COMMITTEE



Erol Berktaş
Executive Member
of the Board

Nurzahit Keskin
Executive Member
of the Board

Can Akın Çağlar
Executive Member
of the Board,
General Manager, CEO

Mehmet Mumcuoğlu
Executive Member
of the Board

Murat Ulus
Executive Member
of the Board

Can Akın Çağlar

Executive Member of the Board,
General Manager, CEO

Born in 1962, Can Akın Çağlar graduated from the Faculty of Economics of Istanbul University after which he received his Master's degree in Money and Banking from the same university. He completed a second master's degree in banking and finance at Boston University in the United States. In 1985 Mr. Çağlar became a sworn bank auditor for the Undersecretariat of Treasury. In 1997 he joined Egebank as an assistant general manager and later became general manager of that bank's brokerage firm, Ege Yatırım Menkul Değerler. In 1998 he began serving as general manager of a private finance house. Can Akın Çağlar joined Ziraat Bank in 2003.

Erol Berktaş

Executive Member of the Board

Born in 1959, Erol Berktaş is a graduate of the Faculty of Engineering of Middle East Technical University. He holds master's degree from the Institute of Banking of Marmara University. Between 1986 and 1999 he served in various management capacities at Garanti Bank in such areas as automation, correspondent banking, international relations, authorized branches, funds management planning, planning and budget, and credit marketing. Mr. Berktaş served as an accounting, financial control, and risk management manager for a multinational firm and joined Ziraat Bank in 2003.

Murat Ulus

Executive Member of the Board

Born in 1965, Murat Ulus is a graduate of the Faculty of Political Sciences of Ankara University. He holds a master's degree in financial economics from Boston University in the United States. Between 1987 and 1995 he served as a sworn bank auditor for the Undersecretariat of Treasury and as an assistant general manager for Egebank in 1995-1996. In 1996 he took part in the formation of Asya Finans Kurumu, a private finance house, serving as its founding chief executive officer until 2000. Between 2001 and 2003 he was a vice president of Okur Ulusal Pazarlama Satış ve Dağıtım Hizmetleri. Mr. Ulus joined Ziraat Bank in 2003.

Mehmet Mumcuoğlu

Executive Member of the Board

Born in 1952, Mehmet Mumcuoğlu is a graduate of the Faculty of Business Administration of Istanbul University. He started out in professional life as a sworn bank auditor for Akbank after which he served in various capacities as inspector, assistant branch manager, personnel manager, and head of the board of inspectors at Akbank and Dışbank. He served in a variety of management and consultancy positions with a number of private-sector companies and joined Ziraat Bank in 2003.

Nurzahit Keskin

Executive Member of the Board

Born in 1962, Nurzahit Keskin is a graduate of the Afyon Faculty of Economic and Administrative Sciences of Anadolu University and received a master's degree in international banking from the Institute of Banking and Insurance of Marmara University. Mr. Keskin worked as an instructor at Marmara University for a time after which he entered the private sector, serving as an independent auditor and management consultant for a multinational company and as a senior-level human resources manager for a number of national and multinational firms. Lastly he was in Manchester University for his PhD and joined Ziraat Bank in 2003.

SENIOR MANAGEMENT



Mustafa Nazlıoğlu
Assistant General
Manager
Balance Sheet
Consolidation and
External Reporting,
Risk Management and
Internal Audit (not
present in the picture)

Lütfi Coşkun Özek
Assistant General
Manager
Retail Banking

Dr. Muzaffer Şahin
Assistant General
Manager
Corporate,
Commercial and
Retail Loans &
Non-Performing
Loans

Ömer Elmas
Chief Legal
Consultant

Erol Berktaş
Executive
Member of
the Board

Senih Boyacıgil
Assistant
General
Manager
Commercial
and Agricultural
Banking

Nurzahit Keskin
Executive
Member of
the Board

Cem Özşen
Assistant
General
Manager
Treasury
Management

Can Akın Çağlar
Executive Member
of the Board,
General Manager,
CEO



Atilla Çetiner
Assistant General
Manager
Correspondent
Banking
and International
Relations-Subsidiaries

Mehmet Mumcuoğlu
Executive
Member of
the Board

Murat Ulus
Executive
Member of
the Board

Aysun Yoltar
Assistant
General
Manager
Financial
Control
and Planning

Emin Çubıkcı
Assistant General
Manager
Agricultural Loans

Cenap Ergün
Head of Audit
Board

Yusuf Bilmez
Assistant
General
Manager
Operations
and Services

Şeref Aksaç
Assistant General
Manager
Organization and
Human Resources

OVERVIEW OF THE YEAR 2004

ZİRAAT BANK HAS LONG BEEN ONE OF THE MOST IMPORTANT DYNAMOS OF TURKEY'S ECONOMIC GROWTH AND DEVELOPMENT PROCESS. IN THE 141 YEARS OF ITS CORPORATE HISTORY, THE BANK HAS ACTED AS A TRAILBLAZER AND LEADER IN TRANSFORMING PEOPLE'S DREAMS INTO REALITY AND HAS BEEN AN INEXHAUSTIBLE FOUNTAINHEAD OF RESOURCES WITH WHICH TO SUPPORT ECONOMIC ACTIVITIES OF EVERY KIND BUT ESPECIALLY THOSE OF AGRICULTURE.

ZİRAAT BANK TODAY IS THE STRONGEST TURKISH BANK FROM THE STANDPOINT OF FINANCIAL RESOURCES, THE MOST WIDESPREAD FROM THE STANDPOINT OF ITS SERVICE NETWORK, AND THE MOST GLOBAL FROM THE STANDPOINT OF ITS INTERNATIONAL REACH. THE BANK IS CURRENTLY ENGAGED IN A MAJOR EFFORT TO TURN ITSELF INTO A MASS BANK WHOSE COST BASE IS LOW AND WHOSE SALES AND SERVICE QUALITY IS HIGH.

THIS TRANSFORMATION, WHICH IS EXPECTED TO HAVE A MULTIPLIER EFFECT IN TERMS OF RAISING CUSTOMER SATISFACTION, WILL ALSO HELP ZİRAAT BANK REDEFINE ITS RELATIONSHIPS WITH THE REAL SECTOR ON A MUCH DEEPER AND SOUNDER FOOTING.



As of year-end 2004, Ziraat Bank:

- was the most profitable bank in Turkey, having booked a net profit amounting to TL 1.5 quadrillion
- had seen its total placements increase 46% and reach TL 9 quadrillion
- had registered higher year-on volumes in all lines of business, particularly in its agricultural (up 283%), commercial (up 158%), and personal (up 111%) loans
- was entrusted with the same rock-solid deposit base, which it traditionally enjoys and which corresponds to 22% of total bank deposits in Turkey.

The transformation goes on

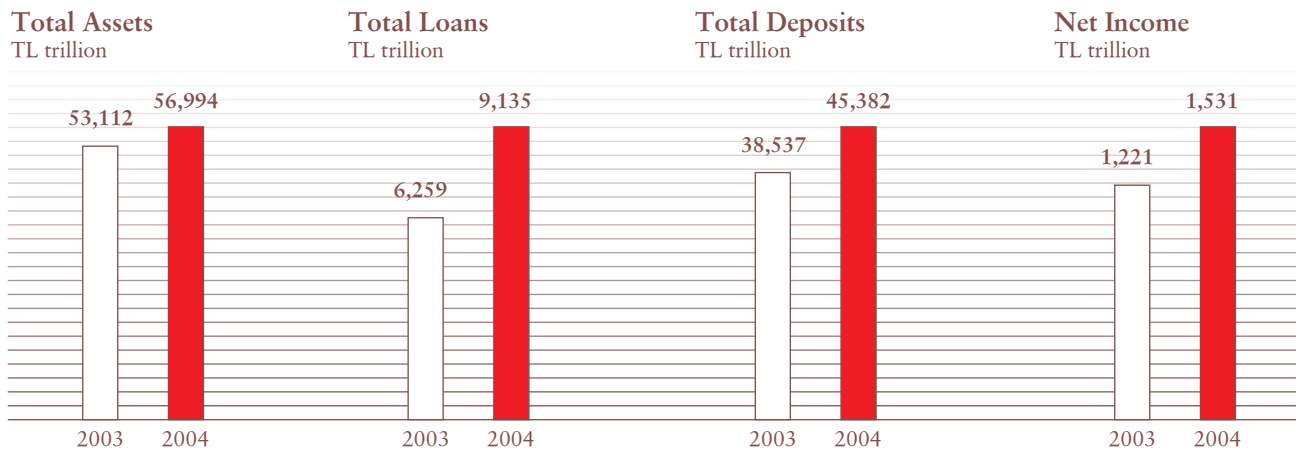
The Ziraat Bank Transformation Project that was launched in 2001 called for sweeping changes in the Bank's infrastructure and superstructure at levels hitherto

unheard-of in the banking industry. Project efforts continued along a number of different axes in 2004 while Ziraat Bank continued to put the tremendous strength that it wields to work for the Bank as it asserted itself in the areas of personal, corporate, commercial, and agricultural banking.

Institutions like Ziraat Bank whose roots reach deeply into history have very important functions and duties in the life of society as well. In its awareness of that social responsibility, the Bank serves customers at no fewer than 453 localities in Turkey at which no other bank has a presence, providing the confidence and peace of mind symbolized by its corporate logo: a golden ear of wheat.

For better and higher-quality customer service

With many years of experience in managing the most extensive customer relations and communications in our country, Ziraat Bank continued its efforts in 2004



to improve the quality and productivity of its products and services as well as the speed with which they are provided.

The Fin@rt project which was undertaken to achieve this and which is regarded as one of the most comprehensive information technology projects of this nature in our country ever, has been successfully completed. Thanks to this project, the Bank now has a completely centralized information technology infrastructure that will not only allow us to manage customer relations more effectively but also to develop new products, increase service speed, and raise the level of quality in every respect. The work of centralizing the entire Ziraat Bank ATM network so that it can be managed from headquarters was completed in September 2004.

With the completion of the Fin@rt project, Ziraat Bank has become the biggest bank in Turkey with a fully centralized operational system.

Customer relations

In customer relations management, Ziraat Bank's goal is to develop strategies that will enable it to improve its ability to increase its customers' loyalty towards the Bank's products and services, maintain close relationships with loyal and profitable customers, and gain new customers.

Work is currently in progress on the formulation of a customer-focused model that involves understanding

customers' needs and dividing customers into meaningful segments, adapting the product portfolio according to customer needs, and developing and using suitable delivery channels.

In line with this objective, the Bank began concentrating on customer-oriented projects with the conclusion of the centralization project. A Private Banking Branch has been opened in Ankara for this purpose and is now successfully serving private banking customers.

The rehabilitation of 69 Special Transaction Centers (which mostly handle pension disbursements) has also been completed. The rehabilitation of the premises of these centers involved enlarging customer waiting rooms, installing counters, seating for customers, and lighting, and general redecorating of the interiors to make the centers physically more comfortable and visually more attractive.

A very important part of the customer segmentation project involves a plan to move the bulk of the Bank's payment and collection-related transactions out of branches in general wherever it can. This new structure will make it possible for Ziraat Bank to fulfill its social obligations (the recurring pension, savings fund, and direct subsidy payments that it makes) faster and more effectively and in a way that will not only increase the satisfaction of those customers but also allow the Bank to serve its other customers better.

Ziraat Bank believes that its customer segmentation project will create new momentum, particularly along



Ziraat Bank handles the biggest volume of banking transactions of Turkey.

In addition to its normal banking functions, Ziraat Bank is also charged with a number of social responsibilities that are of the utmost concern to every segment of society.

the axes of customer relations management and the development of the customer portfolio while also playing a role in fostering the spread of the Bank's private-sector approach to management.

The biggest banking transaction volume in Turkey

Ziraat Bank handles the biggest volume of banking transactions of Turkey. In addition to its normal banking and functions, the Bank is also charged with a number of social responsibilities that are of the utmost concern to every segment of society.

Under the heading of those duties in 2004, the Bank paid:

- pensions 34 million times under the four different public pension programs
- returns on compulsory savings accounts to 17.5 million people
- direct subsidies to 8 million farmers
- student loan and scholarship entitlements to 2 million beneficiaries.

These numbers clearly show why Ziraat Bank handles the biggest volume of banking transactions of any

bank in Turkey in a single year but they are also evidence that the Bank has the capacity to process such a huge volume of payments.

Increasing use of alternative delivery channels for greater productivity and effectiveness

Effective cost management is one of the foundation stones of one's ability to compete successfully in the business of banking. Ziraat Bank's objective is to increase the flow of products and services through alternative delivery channels and to use such channels as an effective tool in keeping its cost base under control.

In 2004 Ziraat Bank launched one of the biggest ATM projects ever undertaken in Turkey and completed the procurement of 800 new ATM units.

The installation of all these new machines is to be completed by the end of 2005 and as each phase of the installation program is finalized, the units will be added to Ziraat Bank's network. Under the heading of its information technology activities, the Bank is currently working on projects to increase both the services that can be provided through the

ATM network and the functions of the machines themselves.

Another important project that the Bank is currently working on is its internet banking module. The design, coding, installation, and initial testing stages of the project have been completed. It is currently being tested by personnel. Ziraat Bank's internet branch will be opened to customers in 2005.

A bank for farmers

For a hundred and forty one years, Ziraat Bank has been a farmers' bank and a source of financial support for farmers.

Since it was founded in 1863, the Bank has always stood by the country's farmers and agricultural enterprises, has successfully fulfilled all the difficult and heavy responsibilities made incumbent upon it by this

historical corporate mission, and has been the most effective practitioner of agricultural banking in our country.

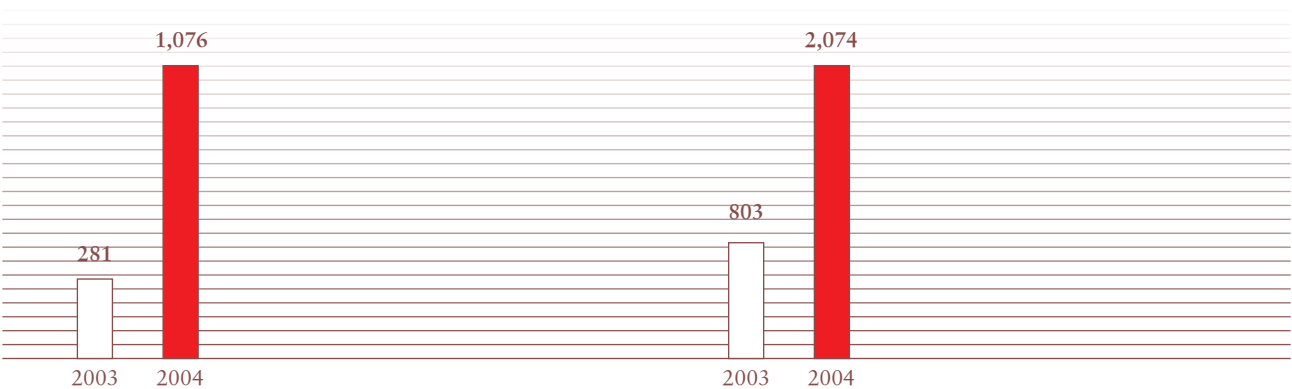
As it goes through its restructuring process, the Bank's point of view about the agricultural sector is changing too. In addition to traditional agricultural credit and loans for its existing and potential agricultural customers, the Bank has also begun offering them other banking products and services as well in line with the principles of profitability and effectiveness so as to provide them with better service.

Growth in agricultural loans

The scope of Ziraat Bank's mission to support agriculture was expanded to encompass the entire country in 2004. The mission continued to be carried out through branches authorized to grant agricultural loans. Within the framework of its lending policies in

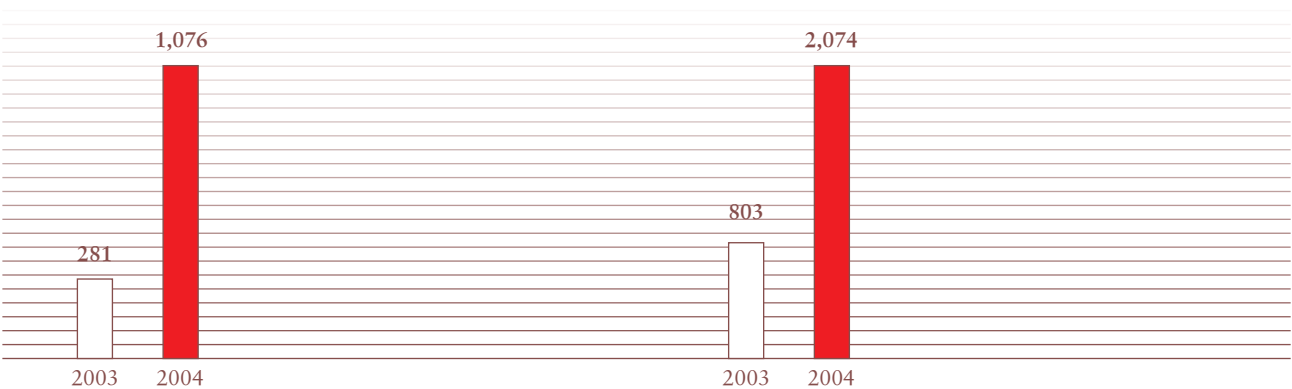
Agricultural Loans

TL trillion



Commercial Loans

TL trillion





Ziraat Bank serves a huge customer base of business enterprises located all over the country and ranging from major corporations to commercial concerns and small businesses.

The Bank strives to provide this vast group with a complete range of banking products while taking a customer-focused approach to service.

2004, Ziraat Bank extended subsidized credit to the agricultural sector to finance such activities as organic farming, livestock production, certified seed use, greenhouse production, etc. Under this program, the Bank extended a total of TL 413 trillion in subsidized loans to 48,500 producers.

The total of all Ziraat Bank placements to the agricultural sector reached TL 1,076 trillion in 2004, a year in which the Bank registered a 283% rate of growth in its agricultural banking activities and the share of agricultural loans in total loans amounted to 19%.

The volume of non-performing agricultural loans continued to decline in 2004 as a result of the general increase in the Bank's total placements on the one hand and, on the other, improved collections on and the restructuring of loans in default.

Special programs for the agricultural sector

Under the heading of its agricultural banking practices, Ziraat Bank also conducts a variety of special programs and campaigns targeted at the agricultural sector.

Under the World Bank-sponsored Agricultural Reform Implementation Project (ARIP) in 2004, the Bank paid out TL 2.7 quadrillion as direct income support to nearly 2.8 million farmers in 5.6 million separate transactions. Other payments under the same program consisted of TL 327 trillion in diesel fuel subventions and TL 1.5 trillion in hazelnut subventions. Total ARIP payments in 2004 amounted to TL 3 quadrillion.

In 2005 and the years that follow, Ziraat Bank will continue to be the mainstay of the agricultural sector, helping it play its vitally important role for the national economy. Agricultural banking is Ziraat Bank's principal business activity: the one for which it was originally established and the one in which its own roots run the deepest.

A bank for business enterprises

Ziraat Bank serves a huge customer base of business enterprises located all over the country and ranging from major corporations to commercial concerns and small businesses. The Bank strives to provide this vast group with a complete range of banking products while taking a customer-focused approach to service.

The most important developments last year in this segment, which is dominated by commercial customers and small businesses, are summarized below.

- The total volume of the Bank's commercial lending rose 158% year-on and reached TL 2.1 quadrillion.
- In keeping with the Bank's growth strategy, lending to small businesses increased the fastest. The rate of growth in this category, in which the average loan amounts to TL 10.8 billion, was 361%.
- The process of lending to companies that were selected to receive loans from resources provided by the Council of Europe Development Bank (CEB) has begun.
- In March an agreement was signed with the European Investment Bank (EIB) under which Ziraat Bank will be extending loans to small to medium-sized enterprises from a credit facility in the amount of EUR 250 million that has been guaranteed by the Turkish Treasury.
- Loans amounting to TL 142.5 trillion were made through 195 chambers of commerce. The total volume of such lending reached TL 153 trillion.
- Loans amounting to TL 15.5 trillion were made under protocols signed with 33 tradesmen's and artisans' chambers.
- A protocol to provide loans to support small to medium-sized enterprises' exports was signed with the Small and Medium Industry Development Organization.
- Loans amounting to a total of USD 41.1 million have been extended to 450 firms under this program.

Greater diversification in cash management services

The Bank signed ten new protocols covering cash management services in 2004. These agreements not only increased the diversification of the Bank's cash

management services but also resulted in significant rises in transaction volumes.

A bank for people

Ziraat Bank is growing steadily in the business of retail banking.

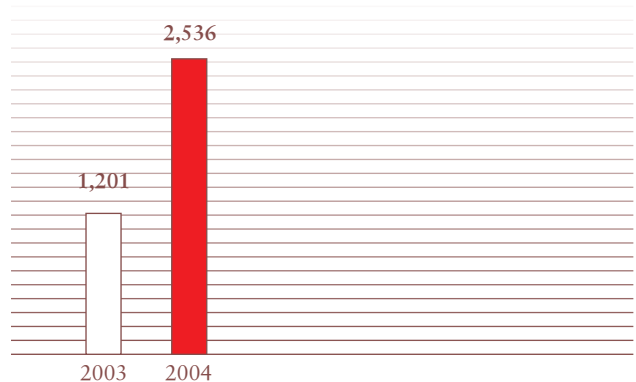
The Bank offers its retail customers a diversified range of products and services from credit cards to consumer loans.

In light of the positive macroeconomic developments registered in 2004 and the market demand nourished by them, the Bank continued to increase both the breadth and the depth of its retail customer portfolio.

In addition to customers who receive their salaries or collect their pensions through the Bank, Ziraat Bank has also begun reaching out to other customer groups through new ventures in loans to finance the purchase of automobiles and homes.

Retail Loans

TL trillion





Ziraat Bank is growing steadily in the business of retail banking.
The Bank offers its retail customers a diversified range of products and services from credit cards to consumer loans.

The total volume of the Bank's consumer loans in 2004 was up 100% year-on and reached TL 2.5 quadrillion. The biggest rise was in consumer loans though the growth in both the automobile and the home-ownership loan segments was also strong.

Consumer loans make up about 44% of Ziraat Bank's loan portfolio. Those loans gave the Bank a 10% share of the sector's total retail loans in 2004 and a 29% share of its consumer loans. Ziraat Bank's market shares of the automobile and home-ownership loans increased to 7% and 11%, respectively.

A richer array of products

In addition to expanding the volume of its retail banking business, Ziraat Bank is also offering a greater variety of retail banking products as well.

During 2004 Ziraat Bank introduced education, career, personal development and hobby, wedding, retail purchase, vacation, building completion, repair, and decoration loans for its customers all of which have been instrumental in increasing the Bank's market share.

Ziraat Bank is currently working on a project to lay the foundations of a system of long-term home-

ownership loans (mortgages) that it expects to offer in collaboration with the Housing Development Administration. When it becomes operational, the mortgage system will energize not only the housing industry but also collateral sectors as well by making low-cost, long-term financing available for people to become homeowners.

Ziraat Bank is determined to continue diversifying its retail banking products and services in 2005 and thereafter and to increase the share of retail banking in its overall portfolio.

Retail banking is seen as a line of business that is strategically important for Ziraat Bank both as another source of revenue and as a way of broadening its risk exposure and reducing sectoral and customer concentration. The Bank's extensive reach and its wide access to customers will continue to contribute to the Bank's growth in this area.

Credit cards, Bankkart, and telephone banking

Under the heading of retail banking activities, the Bank issues its customers VISA and MasterCard credit cards. As of year-end 2004, Ziraat Bank had more than a million credit card customers.

Bileşim A.Ş., a bank subsidiary, is in charge of managing the Bank's credit card business effectively and rapidly so as to achieve customer satisfaction. Credit card spending limits were increased across the board during 2004.

Bankkart is the name of Ziraat Bank's bank card. Cards were issued to 3.2 million new Bankkart customers in 2004 and as of the end of the year, the number of bank cards in active use stood at 8.5 million.

Determined to increase its share of the credit card market in Turkey, Ziraat Bank is currently working on projects to add new features to its credit card system such as installments, patronage points, multi-products, and similar derivatives.

Increasing transaction volumes in treasury management

The growth in Ziraat Bank's treasury management business volumes paralleled the Bank's expanding market presence in 2004.

The volume of the Bank's trading in Turkish Lira government borrowing instruments and in eurobonds was up 74% year-on. As of year-end 2004, 16% of the total stock of public debt was being carried on the Bank's balance sheet.

Under the market maker system introduced by the Treasury in September 2002, Ziraat Bank was chosen to be the market maker for Turkish government paper.

The Bank retained that distinction when the third round of selections was made in September 2004.

Greater productivity in treasury management through Fin@rt

Fin@rt, which provides the infrastructure for the centralization of all banking operations, became operational throughout the Bank during 2004. Thanks to this system, it is now possible to electronically monitor all treasury management transactions and generate reports of treasury activities faster and more effectively.

A meticulous and prudent money and capital markets policy

Ziraat Bank continued to abide by its meticulous and prudent money and capital markets policy in 2004.

The Bank sets its deposit interest rates in line with market conditions, always maintaining a positive margin between the return on its assets and the cost of its liabilities and carefully avoiding any action that would create pressure on the Bank deposit market. Furthermore by supplying markets with a considerable amount of liquidity, the Bank helped reduce the overall level of the sector's interest costs.

Prestige and respect in international markets

Ziraat Bank has the most extensive organizational reach of any Turkish bank.



Ziraat Bank has the most extensive organizational reach of any Turkish bank.

With strong correspondent relationships and a solid funding base, Ziraat Bank is able to offer highly competitive terms when negotiating its customers' foreign trade transactions.

With banking subsidiaries, companies, branches, and representatives in sixteen different countries, the Bank ranks high in European and world league tables in terms of the assets under its control, its profitability, and its rate of growth. Ziraat Bank's credit rating is identical with that of the Republic of Turkey.

The Bank has an extensive correspondent network of 725 banks in 91 countries. Ziraat Bank is one of the first choices of international banks doing business in Turkey. During 2004, the Bank continued its efforts to deepen its relationships with its international business partners and increase its business volumes.

In addition to banking subsidiaries in nine countries (Azerbaijan, Bosnia and Herzegovina, Bulgaria, France, Germany, Kazakhstan, Russia, Turkmenistan, and Uzbekistan), Ziraat Bank has four branches in the Turkish Republic of Northern Cyprus and one branch each in New York, London, Sofia, Skopje, and Tbilisi. The Bank intends to round out its globalization process by establishing new international presences for itself in markets where it sees untapped growth potential. In line with this, it opened a representative's office in Kabul (Afghanistan) on 26 October 2004 and another

in Karachi (Pakistan) in January 2005. A third representative's office is opened in Tehran in the first half of 2005. Permission has been obtained from both Turkish and Iraqi authorities to open a branch in Baghdad. This new branch should become operational before the end of 2005.

Sarajevo-based Turkish Ziraat Bank Bosnia dd is a Ziraat Bank subsidiary in which Ziraat Bank International AG controls a 32% stake. With the opening of new branches in Tuzla and Zenica, the Bank now has a presence at three locations in Bosnia and Herzegovina.

Developments in international transactions

With strong correspondent relationships and a solid funding base, Ziraat Bank is able to offer highly competitive terms when negotiating its customers' foreign trade transactions.

In 2004 the Bank handled foreign trade financing worth a total of USD 1,859 million (imports: USD 1,484 million; exports: USD 375 million). It also issued letters

of guarantee worth a total of USD 116 million. The total volume of money transfers was worth USD 4,226 million, USD 2,301 million of which originated in Turkey.

Western Union: Network Expansion award

Ziraat Bank is a member of the Western Union system, which has a presence in 194 countries all over the world. In 2004 the Bank was recognized as ranking second among the fastest-growing Western Union agents and received the WU “network expansion award”.

Ziraat Bank is a huge family whose members are spread out all over the country.

At year-end 2004, the number of Ziraat Bank employees was 21,118.

Ziraat Bank regards ensuring the ongoing development of its employees' skills and specializations as one of the fundamental elements of its human resources policy. Intensive training activities again took place at the Bank all year long in 2004. A total of 19,950 people took part in these programs in which total training time amounted to 1,128 days.

Because it sees training as essential to its corporate survival, the Bank purchased a separate learning management system to begin its own distance learning activities. This system has been integrated with Fin@rt's own distance learning modules and is now in operation.

The Ziraat Bank School of Banking

The Ziraat Bank School of Banking, which first opened its doors in 1989 and suspended operations in 2001 as part of the Bank's restructuring that year, resumed instruction in 2004 with its 13th academic year in line with the requirements of the Bank's new organizational structure. The school has been completely reorganized according to areas of basic specializations and is dynamically structured with programs that address the needs of increasingly higher levels of expertise.

The school's curriculum, which takes twelve months to complete, begins with nine months of training in theory of which the first 87 days are basic education and are followed by another 83 days of specialized courses in marketing, credit investigation, foreign trade, and financial control functions. Nine months of theoretical training are followed by a three-month on-the-job training program in which students are given a chance to put their theoretical knowledge to work in branches and headquarters units.

RISK MANAGEMENT AND CONTROL AT ZİRAAT BANK



The two fundamental objectives of the Ziraat Bank risk management and control group are to:

- identify in advance the risks that the Bank might be exposed to in the conduct of its activities and take measures to deal with any losses that might be sustained because of them
- possess an effectively operating control system that ensures the validity of the Bank's records and also conforms to international standards.

Risk management and control

Ziraat Bank gives great importance to effective risk management in all its business processes. During 2004, activities were carried out to measure and monitor market risk and asset/liability management risks.

- Work continued on projects related to Basel II rules to achieve more sensitive measurement of the risks the Bank assumes and set capital aside for them. As requested by the Banking Regulation and Supervision Agency (BRSA), Ziraat Bank took part in a Quantitative Impact Study (QIS-TR) beginning in June 2003 and supported three other banks as a “Consultant Bank”.
- Ziraat Bank participated in the third quantitative impact study (QIS3) conducted internationally by BIS to determine the impact of Basel II rules on significantly higher capital adequacy requirements. It also took part in BRSA's QIS-TR project to determine the possible impact of those rules on Ziraat Bank.

The Board of Inspectors

Carrying out its activities within the framework of a risk-focused approach to inspection, the Ziraat Bank Board of Inspectors worked in coordination with the Bank's new control units.

The board recommends methods that can be employed to take measures to head off any action that might be detrimental to the Bank. It also reports on administrative, financial, and punitive action that may be taken against those involved.

Ziraat Bank's goal is to ensure that risk management becomes an integral part of all its business processes and that it is implemented fully and effectively everywhere in the Bank.

CONTRIBUTING TO SOCIETY, SCIENCE, CULTURE, THE ARTS, AND SPORTS

THE BASIC PHILOSOPHY THAT UNDERLIES ZİRAAT BANK'S SENSITIVITY TOWARDS SUCH MATTERS AS SOCIETY, THE ARTS, CULTURE, AND SPORTS AND INFORMS ALL OF ITS CONTRIBUTIONS TO THEM IS ITS SPIRIT OF SOCIAL SHARING. IN ITS CONDUCT OF SUCH ACTIVITIES, THE BANK'S MISSION IS TO ADD ENDURING VALUE TO SOCIETY, SCIENCE, THE ARTS, CULTURE, AND SPORTS AND TO HELP ENSURE THAT OUR NATIONAL VALUES CAN BE PASSED ON TO FUTURE GENERATIONS IN PERFECT CONDITION.



The Bank was involved in a variety of socially-oriented projects throughout 2004.

The Ziraat Bank Art Collection

The core of the Ziraat Bank Art Collection was created in 1926, three years after the birth of the Turkish Republic. Including one of the richest painting collections in Turkey today, the Ziraat Bank Art Collection is the most tangible evidence possible of the Bank's ongoing support for Turkish art and artists.

The number of paintings in the Bank's collection reached 1,807 in 2004.

Art Galleries

Ziraat Bank has two art galleries in Ankara and one each in İstanbul and Safranbolu. There is also an exhibition hall in Samsun and a foyer exhibition hall in Tandoğan-Ankara.

- In 2004 the Bank hosted 51 exhibitions that were attended by more than 60,000 art lovers.
- On the occasion of the Bank's 141st anniversary, 38 works were exhibited at the Ankara Kuğulu Art Gallery in a joint exhibition of paintings by Ziraat Bank employees that was held between 22 November and 10 December last year.
- An exhibition of paintings of Mostar Bridge was held in the Bank's Tandoğan exhibition hall on 8-23 October 2004.

Ziraat Bank Cinema

The Ziraat Bank Cinema is also the auditorium of the Mithatpaşa Exhibition Center.

Twenty-nine movies selected from the films released in 2004 were shown to a total of nearly 90,000 filmgoers for 31 weeks in all. The auditorium also played host to pupils from a number of primary schools as part of a program to foster an appreciation for the cinema in young children.

The Mithatpaşa Exhibition Center auditorium is Turkey's only bank-owned cinema and theater that is available for the benefit of the general public.

The Ziraat Bank Museum

The Ziraat Bank Museum is the first private museum in Turkey to be devoted to banking. The museum provides an overview of the commercial, economic, political, cultural, artistic, and educational changes that banking in Turkey has undergone and the progress that has been made. A great many objects of historical value and importance in the history of banking in our country are on display in the historical atmosphere of the Bank's headquarters building in the Ulus district of Ankara.

The museum, which is open to the public, is also used as a drama workshop for university students and is frequently visited by school children on field trips. Some of the objects from the museum's collections are also on display at a permanent Ziraat Bank stand at the Atatürk Mausoleum.

Other Activities

During 2004 the Bank sponsored a large number of publications both in Turkey and abroad as part of its ongoing sponsorship and promotional program. These activities are carried out on a programmed basis in order to enhance the recognition and visibility of the Bank's trademark in both national and international markets.

Ziraat Bank sponsorship highlights in 2004:

- Atatürk Orman Çiftliği Reforestation Project
- 73rd İzmir International Fair
- 5th World Convention of Turkish Businessmen
- Turkey Disabled's Education and Solidarity Foundation's Life Center Project
- "SME Financing Issues in Turkey" seminar
- Ziraat Bank Technical Lycee
- Activities carried out jointly with the Turkish Philanthropists Association.

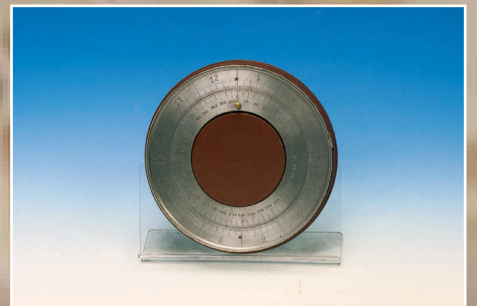
Ziraat Bank's cultural publication in 2004 was Atatürk'le Yaşayanlar, a book of reminiscences about Atatürk by the people who were close to him.

ZİRAAT BANK MUSEUM

The Ziraat Bank Museum is the first private museum in Turkey to be devoted to banking. The museum provides an overview of the commercial, economic, political, cultural, artistic, and educational changes that banking in Turkey has undergone and the progress that has been made. A great many objects of historical value and importance in the history of banking in our country are on display in the historical atmosphere of the Bank's former headquarters building in the Ulus district of Ankara.

The museum, which is open to the public, is also used as a drama workshop for university students and is frequently visited by school children on field trips. Some of the objects from the museum's collections are also on display at a permanent Ziraat Bank stand at the Atatürk Mausoleum.





ZİRAAT BANK'S INTERNATIONAL SERVICE NETWORK



Ranked as the 115th biggest bank in the world by The Banker, Ziraat Bank has banking subsidiaries in **Azerbaijan, Bosnia and Herzegovina, France, Germany, Kazakhstan, Russia, Turkmenistan, and Uzbekistan**, four branches in the Turkish Republic of Northern Cyprus, and one branch each in New York, London, Sofia, Skopje, and Tbilisi.

Three other service points that play a role in the Bank's global service network are its representative's offices in Kabul, Tehran and Karachi.

The Bank's international strategy is summed up in the words “Accompany Turkish business people wherever they may go or get there before they do.”

In line with this strategy, Ziraat Bank plans to enter new markets and further expand the scope of its global reach. Permission has been obtained from both Turkish and Iraqi authorities to open a branch in Baghdad. The new branch is intended to become operational before the end of 2005.

ZİRAAT BANK INTERNATIONAL AG

With EUR 108 million in paid-in capital and more than EUR 148 million in equity, Ziraat Bank International AG is in the front ranks of Turkish-owned banks that are active in the European Union today.

Ziraat Bank International AG serves customers in the areas of corporate, commercial, and retail banking. Supplying cash and non-cash credit to finance trade between Turkey and European Union countries makes up an important part of the Bank's corporate and commercial banking services.

Ziraat Bank International AG's branches in Berlin, Hamburg, Hanover, Duisburg, Cologne, Frankfurt, Stuttgart, and Munich concentrate mainly on retail banking at present.

In 2004 the Bank acquired a 32% stake in Turkish Ziraat Bank Bosnia dd. Ziraat Bank International AG posted a profit of EUR 1.8 million as a result of its activities in 2004.

TURKISH ZİRAAT BANK BOSNIA dd

Turkish Ziraat Bank Bosnia dd was founded in 1997 as that country's first bank to be financed entirely with foreign capital. The Bank provides customers with the full range of corporate, commercial, and retail banking services through its Sarajevo, Tuzla, and Zenica branches.

As the first bank in Bosnia and Herzegovina to provide credit card services, Turkish Ziraat Bank Bosnia dd offers credit card (VISA, MasterCard, and Maestro) and call center services, Turkish Ziraat Bank Bosnia dd is currently developing other delivery channels such as advanced internet banking, Western Union money orders, and an extensive ATM network. As of year-end 2004, the Bank had total assets worth USD 55 million and a gross profit of USD 2.4 million.

ZİRAAT BANK (MOSCOW) CJSC

Ziraat Bank (Moscow) CJSC commenced operations in 1993. The Moscow-based bank takes a customer-focused approach to service as it strives to satisfy its Russian and Turkish customers' needs for banking services of every kind. Ziraat Bank (Moscow) introduced Western Union money-order services in 2004, a year in which the Bank's assets were worth USD 15.1 million and its equity amounted to USD 3.3 million.

KAZAKHSTAN-ZİRAAT INTERNATIONAL BANK

Kazakhstan-Ziraat International Bank was the first bank in Kazakhstan in which there was a foreign capital interest. The Bank takes a superior, fast, reliable, and customer-focused approach as it provides service at international standards of quality. Kazakhstan-Ziraat International Bank significantly increased the size of its loan portfolio in 2004 and its total assets reached USD 25.7 million.



UZBEKISTAN TURKISH BANK (UT-BANK)

UT-Bank was founded in 1993 as a joint venture of Ziraat Bank and AT Pakhta Bank in which each controls an equal stake. UT-Bank is licensed to perform the full range of banking transactions and also has an extensive international correspondent network as well. Last year the Bank's total assets increased 26%, its loans 158%, and its deposits 17%. According to year-end 2004 figures, the Bank's total assets were worth USD 10.8 million.

TURKMEN TURKISH COMMERCIAL BANK (TTC BANK)

TTC Bank was founded in 1993 as a joint venture of Ziraat Bank and Dayhan Bank, one of the largest publicly-owned banks in Turkmenistan, in which each controls an equal stake.

Offering a complete range of banking services, the Bank has been playing an important role in strengthening the economic, commercial and social ties between two countries since its inception. As of year-end 2004, the Bank's paid-in capital amounted to USD 5 million and it had assets worth a total of USD 11.4 million.

AZER TÜRK BİRGE SEHİMDAR KOMMERSİYA BANK (AZER-TÜRK BANK)

Azer-Türk Bank is a jointly-owned subsidiary of Ziraat Bank and Agrar Senaye Bank (Azerbaijan) that was founded in 1995. Azer-Türk Bank's objective is to play an influential role in Azerbaijan's international trade. As of year-end 2004, Azer-Türk Bank's assets stood at USD 18.4 million in value.

Azer-Türk Bank is frequently cited by official bodies and by local and foreign business circles as an excellent example of performance. In 2004 it gained recognition as ranking 12th among the top 20 Turkish-origin firms paying the most tax in Azerbaijan and was awarded.

BANQUE DU BOSPHORE

Commencing operations in 1991, Banque du Bosphore was the first Turkish bank to be established in France.

Banque du Bosphore is licensed to perform the complete range of banking transactions. Banque du Bosphore plays an active role in financing international trade between Turkey and EU countries and is particularly specialized in the importation of goods into Turkey. As of year-end 2004, Banque du Bosphore's assets were worth close to EUR 137.4 million and the Bank had posted a net profit of EUR 1.2 million.

ZİRAAT BANK SUBSIDIARIES IN TURKEY



The synergistic collaboration that Ziraat Bank has created through the financial services group of which it is the leader enables the Bank to provide its customers with a rich and diverse range of financial products and services from brokerage services to private pensions.

Strong relationships with its domestic subsidiaries make it possible for the Bank to increase its cross-sale opportunities and also gain access to even wider audiences of potential customers.



BAŞAK SİGORTA A.Ş. *

Founded in 1959, Başak Sigorta is one of the best-established and most respected insurance companies in our country. Başak Sigorta is highly regarded for its innovative products, its approach to service, and its conscientiousness in the payment of damages. In addition to making use of Ziraat Bank's extensive branch network, the company also has deep-rooted relationships with its agents.

In 2004 Başak Sigorta generated TL 392.4 trillion in premiums and posted a technical profit of TL 11.5 trillion. During the year the company paid out a total of TL 209 trillion in damages.

BAŞAK EMEKLİLİK A.Ş. *

Founded in 1997 and turned into a private pension company in 2003, Başak Emeklilik is one of the leading players in Turkey's private pension system. In addition to private pensions, the Bank also designs and sells life and personal accident insurance products.

In private pensions, Başak Emeklilik offers its customers 4 different groups of pension plans and 64 different investment options. In addition to its own extensive agency network, Başak Emeklilik also uses Ziraat Bank's branch network as an effective delivery channel for its products and services. Başak Emeklilik generated a total of TL 81.2 trillion in premiums in 2004 and posted a total technical profit of TL 19 trillion. The company had receipts worth TL 8.1 trillion on its private pension portfolio.

* Control of Ziraat Bank's shareholding interests in Başak Sigorta A.Ş. and Başak Emeklilik A.Ş. was transferred to the Privatization Authority effective 30 December 2004.

ZİRAAT FİNANSAL KİRALAMA A.Ş.

Founded in 1991, Ziraat Leasing is one of the most respected members of Turkey's financial leasing industry.

As a result of increased marketing activities in 2004, the company booked the highest transaction volume in its history and wrote 925 new financial leasing agreements worth a total of USD 70.6 million. The company's paid-in capital is TL 20 trillion and its total assets were worth close to TL 95 trillion at year-end 2004.

ZİRAAT YATIRIM MENKUL DEĞERLER A.Ş.

Ziraat Yatırım Menkul Değerler is a Ziraat Bank brokerage house that was founded in 1997. The company serves customers through its headquarters offices, 5 branches, 7 investment centers in its agencies, Ziraat Bank branches acting as its agents, an e-branch, and the Ziraat Express internet module.

In the twelve months to year-end 2004, the company's stock market transaction volume reached TL 2.1 quadrillion while its ISE repo and reverse repo transactions in the same period amounted to TL 16.8 quadrillion. Total trading on the bond and bill market was worth TL 6.8 quadrillion last year.

The number of Ziraat Yatırım Menkul Değerler customers increased 21% in 2004 and reached 23,500.

ZİRAAT PORTFÖY YÖNETİMİ A.Ş.

Ziraat Portföy Yönetimi is an asset management company that became operational in late 2002. The company provides management services for customers' portfolios of capital market vehicles.

Ziraat Portföy Yönetimi is also responsible for the management of Ziraat Bank's seven mutual funds and of Başak Emeklilik's five private pension funds.

At year-end 2004 the total value of the assets under Ziraat Portföy Yönetimi's management stood at TL 1,596 trillion, a figure that gives the company a 6.48% share of its sector.

BİLEŞİM ALTERNATİF DAĞITIM KANALLARI VE ÖDEME SİSTEMLERİ A.Ş.

Bileşim, which commenced operations in 1998, serves Ziraat Bankası, Halk Bank, and Turkish Ziraat Bank Bosnia dd in the areas of alternative delivery channels and payment systems.

In 2004 the company completed service modules incorporating state-of-the-art technology such as customer loyalty programs, installment purchase programs, and SMS delivery of account statements. Projects were carried out for the issue and acceptance of the EMV-chip credit cards developed by VISA and MasterCard. Among the other projects completed by Bileşim last year were the changeover to the new Turkish Lira and a system for paying highway and bridge tolls using credit cards and pre-filled cards.

FİNTEK TEKNOLOJİ HİZMETLERİ A.Ş.

Fintek, a joint venture of Ziraat Bank and Halk Bank, was founded in 2001. Fintek provides both banks with information technology services in the areas of infrastructure, support and operations, application development, and technical consultation.

Fin@rt was the most important project undertaken by Fintek in 2004. Fin@rt has made it possible for Ziraat Bank's formerly very heterogeneous computer architecture to be transformed into a fully centralized system. The project, which commenced in April 2004, was completed in a very short period of time of 7 months and the new system became operational on November 22nd.

Under the Fin@rt project, the Bank's ATM system was fully centralized and the Bank2000-based applications used in headquarters units were integrated into Fin@rt basic banking applications. In the course of the year, Fintek continued to provide infrastructure, support, and operational services to the approximately 1,800 branches and 30,000 personnel of both banks.

ARAB-TURKISH BANK

Founded in 1977 as a joint venture of Turkish and Arab financial institutions, Arab-Turkish Bank provides the full range of banking products and services. The Bank is especially active in trade finance thanks to its strong correspondent relationships and business experience in the international arena, particularly in Arab countries.

The Bank's paid-in capital amounts to TL 29 trillion. As of year-end 2004, the Bank had assets worth

INDEPENDENT AUDITOR'S REPORT

T.C. ZİRAAT BANKASI A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2004
AND 2003





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TO THE BOARD OF DIRECTORS OF
TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.
ANKARA

INDEPENDENT AUDITOR'S REPORT

1. We have audited the accompanying consolidated balance sheet of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. (the "Bank") and its subsidiaries as of 31 December 2004 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 referred to above present fairly, in all material respects, the financial position of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and its subsidiaries as of 31 December 2004, and the results of their operations and their cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following matter:

4. In accordance with an actuarial report prepared for T.C. Ziraat Bankası A.Ş. ve Türkiye Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı ("the Fund") dated February 2005, the Fund has an actuarial surplus of TL 8,032 Billion as at 31 December 2004 using a technical interest rate of 8%. However, actuarial analyses performed by actuaries in Turkey do not necessarily comply with the methodology required by IAS 19. The actuarial results of the Fund could differ had an actuarial analysis been performed in accordance with IAS 19.

Ankara, 20 April 2005

Denetim Serbest Mali Müşavirlik A.Ş.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2004 AND 2003

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2004 in Billion TL (note 2))

		31 December 2004	31 December 2003
ASSETS	Note	TL Billion	TL Billion
Liquid Assets	4	325,362	439,630
Balances with the Central Bank	5a	890,964	735,164
Balances with Banks	6	2,965,560	2,823,874
Interbank Funds Sold		1,800,900	3,021,853
Securities Portfolio - Net	7	38,168,312	35,607,278
Reserve Deposits at the Central Bank	5b	2,044,392	1,926,348
Loans - Net	8	9,316,132	6,370,961
Available For Sale Participations - Net	9	168,803	217,304
Premises & Equipment - Net	10	739,253	819,679
Sundry Debtors & Other Assets	11	538,000	866,373
Deferred Tax Assets	19	103,431	69,957
TOTAL ASSETS		57,061,109	52,898,421

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2004 AND 2003

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2004 in Billion TL (note 2))

LIABILITIES	Note	31 December 2004 TL Billion	31 December 2003 TL Billion
Deposits	12	45,816,837	38,919,969
Obligations to Repurchase Securities		436,849	467,859
Borrowings	13	20,409	20,013
Interbank Funds Borrowed	14	453,129	903,868
Corporation Taxes Payable	19b	256,196	314,262
Taxes & Dues Payable	15	95,602	119,964
Provisions	16	375,040	434,935
Funds	17	3,589,865	4,032,902
Sundry Creditors & Other Liabilities	18	876,230	822,940
		51,920,157	46,036,712
Minority Interest		20,023	67,999
Shareholders' Equity			
Capital	20	6,436,557	9,068,437
Legal Reserves		3,118,278	2,604,517
Increase in value of securities available for sale		126,218	23,572
Accumulated (Loss)		(4,560,124)	(4,902,816)
		5,120,929	6,793,710
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		57,061,109	52,898,421

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

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

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2004 in Billion TL (note 2))

	Note	31 December 2004 TL Billion	31 December 2003 TL Billion
INTEREST INCOME			
Interest on Loans		1,126,914	863,622
Interest on Bank Balances		323,019	427,022
Interest on Interbank Funds		297,247	878,240
Interest on Securities Portfolio		7,268,093	9,866,473
Other Interest Income		29,242	20,828
		9,044,515	12,056,185
INTEREST EXPENSE (-)			
Interest on Deposits		(5,244,944)	(7,769,457)
Interest on Borrowings		(3,079)	(21,907)
Interest on Interbank Funds		(103,962)	(255,986)
Other Interest Expenses		(3,041)	(375)
		(5,355,026)	(8,047,725)
NET INTEREST INCOME		3,689,489	4,008,460
Provision for Loan Losses (-)		(101,581)	(58,351)
Net Interest Income After Provisions		3,587,908	3,950,109
OTHER OPERATING INCOME	21	975,867	1,910,412
OTHER OPERATING EXPENSES (-)	22	(1,520,894)	(2,386,135)
PROFIT BEFORE TAXATION		3,042,881	3,474,386
Taxation (-)	19a	(778,626)	(1,063,757)
NET MONETARY LOSS (-)		(800,707)	(518,499)
MINORITY INTEREST		(961)	5,023
NET PROFIT FOR THE PERIOD		1,462,587	1,897,153

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

CASH FLOW STATEMENTS FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2004 in Billion TL (note 2))

	31 December 2004 TL Billion	31 December 2003 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit for the Period	1,462,587	1,897,153
Adjustments to Reconcile Net Profit to Net Cash Flows		
From Operating Activities:		
Depreciation	38,758	51,532
Retirement Pay Provision and Other Provisions	173,726	10,056
Loan Loss Provision	101,581	58,351
Deferred Taxes	(33,474)	210,268
Changes in Operating Assets and Liabilities:		
Reserve Deposits	(118,044)	108,137
Loans	(3,046,752)	(857,113)
Other Assets	328,373	70,568
Deposits	6,896,868	2,081,580
Taxes	(82,428)	(15,515)
Other Liabilities	(631,067)	242,259
NET CASH GENERATED BY OPERATING ACTIVITIES	5,090,128	3,857,276
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investments	48,501	14,536
Marketable Securities	(2,458,388)	(2,834,936)
Purchases of Premises & Equipment - net	41,668	(38,099)
NET CASH (USED IN) INVESTING ACTIVITIES	(2,368,219)	(2,858,499)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings -Net	(30,614)	(181,972)
Dividends Paid	(3,228,370)	-
Securities Issued	-	(26)
Funds	(443,037)	475,465
Minority Interest	(45,294)	21,888
Conversion effect of foreign participations	(4,939)	(5,955)
Other	(7,390)	15,147
NET CASH (USED IN)/GENERATED BY FINANCING ACTIVITIES	(3,759,644)	324,547
(DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	(1,037,735)	1,323,324
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	7,020,521	5,697,197
CASH & CASH EQUIVALENTS AT THE END OF THE PERIOD	5,982,786	7,020,521

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIODS 31 DECEMBER 2004 AND 2003

(All amounts are expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2004 in Billion TL (note 2))

	Paid-In Capital TL Billion	Legal Reserves TL Billion	Accumulated (Losses) TL Billion	Increase in Value Of Securities Available For Sale TL Billion	Total TL Billion
As of 1 January 2003	9,068,437	2,598,935	(6,780,007)	-	4,887,365
Transfers	-	10,402	(10,402)	-	-
Conversion effect of foreign participation	-	(4,820)	(1,135)	-	(5,955)
Increase in value of securities available for sale	-	-	-	23,572	23,572
Dividends paid	-	-	-	-	-
Increase in capital of participations	-	-	(8,425)	-	(8,425)
Net Profit for the Year	-	-	1,897,153	-	1,897,153
As of 31 December 2003	9,068,437	2,604,517	(4,902,816)	23,572	6,793,710
Transfers	(369,926)	536,676	(166,750)	-	-
Dividends	(2,261,954)(*)	-	(966,416)	-	(3,228,370)
Conversion effect of foreign participation	-	(4,570)	(367)	-	(4,937)
Increase in value of securities available for sale	-	-	-	102,646	102,646
Changes in minority	-	(197)	2,880	-	2,683
Effect of Başak Sigorta deconsolidation (see Note 2)	-	(18,148)	10,758	-	(7,390)
Net profit for the year	-	-	1,462,587	-	1,462,587
As of 31 December 2004	6,436,557	3,118,278	(4,560,124)	126,218	5,120,929

(*) During the extraordinary General Assembly meeting of the Bank held as of June 2, 2004, it has been decided that capital reserves (the indexation effect of capital) amounting to TL 2,500,000 Billion would be distributed in accordance with the principals predetermined by Treasury. Out of the total balance subject to distribution TL 351,390 Billion has been set as legal reserves, TL 214,861 Billion has been paid as dividend and income withholding tax and the remaining TL 1,933,749 Billion has been distributed to Treasury in the form of treasury bills and government bonds (balances are expressed in the equivalent purchasing power of Turkish Lira as of 30.06.2004). Hence, "Dividends" shown in the paid in capital column per above table represent the dividends paid to Treasury and the related dividend and income withholding tax amounting to TL 2,261,954 Billion and the "Transfers" in the paid in capital column per above table represent balance of capital reserve set as legal reserve amounting to TL 369,926 Billion.

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

1. ACTIVITIES OF THE BANK

The establishment of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. is based on Homeland Funds founded in 1863. In 1883, Homeland Funds were replaced with Benefit Funds. The Bank was officially established by reorganisation of the Benefit Funds in 1888, to grant loans to farmers, to accept interest-bearing deposits and to act as a moneylender and as an intermediary for agricultural operations. The Bank which was given the authority to perform all banking activities has its head office located in Ankara and all shares of the Bank belong to the Turkish Treasury.

The bank holds direct and indirect equity participations in companies mainly operating in the financial sector. The Bank's consolidated equity participations are listed in note 2. The Bank and its consolidated subsidiaries are hereinafter referred to as "the Group". All the adjusted assets and liabilities of the Bank and its consolidated subsidiaries have been included in the accompanying consolidated financial statements of the Group. The consolidated income and expenses include all the income and expenses of the Group companies. Equity and income belonging to other third party shareholders are presented as "Minority Interest".

2. BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The main accounting policies used in the preparation of the financial statements are presented below:

Presentation of Financial Statements

The Bank maintains its books of account in Turkish Lira and prepares its statutory financial statements in accordance with the reporting requirements of Banking Law, the Uniform Chart of Accounts issued in accordance with Banking Law, Turkish Commercial Practice and Tax Legislation. The Bank's equity participations maintain their books of account and prepare their statutory financial statements in accordance with regulations prevailing in their area of specialization, Commercial Practice and Tax Regulations.

The accompanying financial statements are based on the statutory records with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Statements of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Committee. IFRS adjustments and reclassifications reflected to the accompanying financial statements have not been entered in the statutory accounts of the Bank.

Inflation Accounting

The Group maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code and tax regulations. Prior to 2004, the statutory books have been kept on historical basis. For the year ended 31 December 2004, adjustments related to the inflation accounting have been included in the legal books of the Bank in accordance with the regulation of Banking Regulation and Supervision Agency published in the Official Gazette of July 16, 2004 numbered 25524.

One characteristic that leads to the classification of an economy as hyperinflationary, necessitating the application of IAS 29 restatement, is a cumulative three year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey was 69.7% for the three years ended 31 December 2004 based on the wholesale price index announced by the Turkish State Institute of Statistics. Although the increase in the price index was less than 100%, IAS 29 inflation adjustments have been applied in the accompanying financial statements because other criteria defined in IAS 29 for a hyperinflationary economy are considered to be still valid. These criteria include the preference of individuals for keeping their savings primarily in foreign currencies; indexation of interest rates, wages and prices to changes in general price indices; and determination of prices by including an amount to compensate for the effects of losses in purchasing power even for short credit periods. The restatement has been calculated by means of conversion factors based on the Turkish countrywide wholesale prices index ("WPI") published by the State Institute of Statistics.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

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

	Index	Adjustment Factors
31 December 2000	2,626.0	3,2002
31 December 2001	4,951.7	1,6971
31 December 2002	6,478.8	1,2971
31 December 2003	7,382.1	1,1384
31 December 2004	8,403.8	1.0000

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

Year:	2004	2003	2002	2001	2000
Currency Deflation US \$	(3.8%)	(14.6%)	13.5%	114.3%	24.4%
WPI Inflation	13.8%	13.9%	30.8%	88.6%	32.7%

The main guidelines for the restatement are as follows.

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the wholesale price index). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and the components of shareholders' equity are restated by applying the relevant conversion factors reflecting the increase in the wholesale price index from the date of acquisition or initial recording to the balance sheet date. Revaluations made on any other basis in the statutory records are eliminated.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the Group's net monetary position is included in the statements of income as monetary gain or loss.

Consolidation

The financial statements of the entities listed below have been consolidated with those of the Bank in the accompanying financial statements. The method of consolidation is set out in note 3. The ownership percentages, listed below, comprise the total of the Bank's direct and indirect holdings. The entities controlled by the Bank:

Türkiye Cumhuriyeti Ziraat Bankası			
Ownership %			
Subsidiary	Sector	31 December 2004	31 December 2003
Ziraat International A.G. (Germany)	Banking	100.00	100.00
Başak Sigorta A.Ş. (Turkey) (*)	Insurance	-	56.67
Ziraat Finansal Kiralama A.Ş. (Turkey) (**)	Leasing	50.00	55.67

(*) All shares of Başak Sigorta A.Ş. have been transferred to Republic of Turkey Prime Ministry Privatization Administration as of December 2004. Hence, the financial statements of Başak Sigorta A.Ş. have not been included in the consolidation as of 31.12.2004.

(**) Due to the situation explained above, equity shares of Ziraat Finansal Kiralama A.Ş. held by Başak Sigorta A.Ş. have also been transferred to Republic of Turkey Prime Ministry Privatization Administration. Therefore the effective holding percentage of Ziraat Finansal Kiralama A.Ş. has been reduced to 50.00% from 55.67% as of 31.12.2004.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

The Bank's investment other than those stated above, in which the right to vote is greater than 20%, but not more than 50%, is accounted using the equity method:

Türkiye Cumhuriyeti Ziraat Bankası Ownership %			
Equity Participation	Sector	31 December 2004	31 December 2003
Banque du Bosphore (France)	Banking	26.00	26.00

Other subsidiaries (Note 9) are not consolidated in the accompanying financial statements as the effect on the financial statements will be immaterial or participation rates are insignificant.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Accounting Convention

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

3.2 Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except for fees and commissions for various banking services rendered, dividends from equity participations and interest income from overdue loans, which are recognized as income when received. All income and expense items are restated in equivalent purchasing power at the balance sheet date.

3.3 Provisions for Loan Losses

The Bank makes provision for loan losses and losses under guarantees and commitments as a result of the evaluation of the current status of loans given. These provisions are reviewed periodically, and as adjustments become necessary, they are reported in the statement of income in the period in which they become known.

3.4 Foreign Currency Transactions

Gains or losses arising from foreign currency transactions are reflected in the statement of income as realized during the course of the year. Foreign currency assets and liabilities have been translated into Turkish lira at the rates prevailing at the balance sheet date. All exchange gains and losses arising on settlement and conversion of foreign currency items are included in the statement of income.

3.5 Securities Portfolio

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

The Group designates its securities portfolio in accordance with IAS 39 as follows.

Securities held for trading:

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

Securities held to maturity:

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity and are presented with their discounted (amortised) values. Gains or losses on held to maturity securities are included in net profit or loss for the period.

Securities available for sale:

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

Investments in equity instruments that do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, are accounted for at cost. Securities that do not have a fixed maturity are measured at cost.

3.6 Equity Participations

In the accompanying financial statements, equity participations are accounted as securities available for sale, in accordance with IAS 39, and are accounted for using the policy set out in note 3.5 above. In cases where there is evidence of permanent impairment in value, recorded amounts are reduced by a provision for such impairment, charged to the statement of income.

3.7 Premises and Equipment

Property, plant and equipment are carried at restated cost and depreciated on a straight-line basis. The depreciation and amortization rates for property, plant and equipment, which approximate the economic useful lives of the assets, are as follows:

Buildings	2-10%
Vehicles, furniture and office equipment	20-50%
Leasehold improvements	20% or lease term

3.8 Impairment

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

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

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

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

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

3.9 Provisions for Employee Termination Benefits

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") effective from 01 January 1999 has been applied in the accompanying financial statements, where the retirement payment to be received in the future is discounted to its value as of the balance sheet date using the net of an estimated inflation rate and an appropriate discount rate, including the following:

- An expected inflation rate and an appropriate discount rate are determined, the net of these being the real discount rate. This real discount rate is used to discount future retirement obligations to their present value at the balance sheet date.
- The anticipated rate of forfeitures is considered.

3.10 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.

T.C. Ziraat Bankası A.Ş. ve T. Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı ("the Fund") is a separate legal entity and a foundation recognized by an official decree, providing all qualified Bank employees with pension plan 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 fixed contributions.

The liability to be recognized 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 recognized in the balance sheet in respect of defined benefit pension plans. The defined benefit obligation is calculated annually by independent actuaries. Based on the report of the actuary dated February 2005, the Fund had an actuarial surplus amounting to TL 8,032 Billion using a technical interest rate of 8%.

3.11 Taxation and Deferred Taxes

Taxes on income for the year comprise of current tax and the change in deferred taxes. The Group accounts for current and deferred taxation on the results for the period, in accordance with IAS 12 (Revised).

Provision is made in the financial statements for the Group's estimated liability to Turkish corporation tax on its results for the year. The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income. Taxation on income to be paid can be netted off against prepaid taxes, as they are related. Similarly, deferred tax assets and liabilities can be netted off.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred income tax assets and liabilities are also offset.

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

Based on the latest amendments made to the Turkish Tax Code, entities are to calculate their taxation on inflation adjusted financial statements. Therefore, restatement of fixed assets will no longer create a timing difference between the legal books of companies and their inflation adjusted financial statements apart from instances such as the making of useful life adjustments. Deferred taxes have been calculated on tangible and intangible fixed assets based on such differences.

3.12 Securities under Resale or Repurchase Transactions

Purchases or sales of securities under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Securities sold with agreements to repurchase ("Repos") are retained in the balance sheet and the corresponding obligation to the counter party is included separately under liabilities. The net gain or loss on such transactions is accrued over the period to maturity.

3.13 Offsetting

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

3.14 Use of Estimates

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

3.15 Fair Value of Financial Assets and Liabilities

Fair value is the amount for 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 Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate market value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Group could realise in a current market exchange.

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

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

Financial Assets:

Deposits with Central Bank and banks: The fair value of such assets is considered to approximate the carrying values due to their short-term nature.

Marketable securities: The fair value of securities including treasury bills, government bonds, shares and investment funds are estimated using quoted or published market prices wherever applicable.

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

Financial Liabilities:

Deposits and borrowings: The fair values of deposits and borrowings from banks are considered to approximate their respective carrying values due to their short term nature.

Securities under resale and repurchase transactions: The fair value is considered to approximate the carrying values due to their short-term nature.

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Off balance sheet items: The Bank's off-balance sheet financial instruments also include swap contracts as at the balance sheet date. All gains and losses on these instruments as of balance sheet date are included in the statement of income.

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

Balances with banks, loans, contingent liabilities such as letters of guarantee, letters of credit and derivative instruments such as forward transactions, swaps etc. are significant financial instruments which would have negative effects on the financial structure of the Bank, if the counter party failed to comply with the terms and conditions of the agreement.

Financial instruments that potentially subject the Bank to significant concentration of credit risk consist principally of balances with banks, loans, deposits, borrowings and off balance sheet commitments and contingencies such as letters of guarantee and letters of credit. The Bank's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

3.16 Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and enterprises controlled by the Bank and the consolidated companies are as explained in note 2. Adjustments are made to eliminate intercompany interest income and expense, intercompany receivables and payables and intercompany equity investments.

Entities in which the Bank, directly or indirectly, has above 50% shareholding or above 50% interest of voting rights or otherwise has power to exercise control over operations, and which affect the Bank's financial statements materially, have been fully consolidated. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. In cases where the consolidated entities are not 100% owned, the shareholders' equity and net income which belong to third party shareholders are separately disclosed as minority interest.

An associate is an enterprise over which the Bank is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. Enterprises in which the Bank has significant influence with 20% to 50% ownership or interest of voting rights but does not have a power to control operations would be accounted under the equity method.

Other equity participations in which the Bank has less than 20% ownership or interest in voting rights, and those entities in which the shareholding is above 20% but the effect of consolidation or the equity method would be small, are accounted for at cost.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank and other members of the Group.

3.17 Risk Management

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

Liquidity risk

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

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

Credit risk

Credit risk arises where the possibility exists of a counterparty defaulting on its obligations. The most important step in managing this risk is the initial decision whether or not to extend credit. The granting of credit is authorised at Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Turkey.

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

Market risk

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

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

Operational risk

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

4. LIQUID ASSETS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Cash - Turkish Lira	228,158	341,680
Cash - Foreign Currency	97,198	97,905
Other	6	45
TOTAL	325,362	439,630

5. BALANCES WITH AND RESERVE DEPOSITS AT THE CENTRAL BANK

a) Balances with the Central Bank:

	31 December 2004 TL Billion	31 December 2003 TL Billion
Demand deposits Turkish Lira	889,459	735,164
Demand deposits Foreign Currency	1,505	-
TOTAL	890,964	735,164

b) Reserve Deposits

Reserve deposits- Turkish Lira	926,016	861,511
Reserve deposits- Foreign Currency	1,118,376	1,064,837
TOTAL	2,044,392	1,926,348

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Under the Turkish Central Bank regulations, Banks are required to deposit with the Central Bank a proportion of all domestic liabilities.

6. BALANCES WITH BANKS

	31 December 2004	31 December 2003
	TL Billion	TL Billion
Domestic Banks		
Demand deposits - Turkish Lira	18	1,446
Demand deposits - Foreign Currency	2,743	23,909
Time deposits - Turkish Lira	345,028	285,594
Time deposits - Foreign Currency	151,296	230,899
	499,085	541,848
Banks Abroad		
Demand deposits - Turkish Lira	-	7,323
Demand deposits - Foreign Currency	141,547	141,565
Time deposits - Foreign Currency	2,286,189	2,132,833
Time deposits - Turkish Lira	37,000	-
	2,464,736	2,281,721
Interest Accrual	1,739	305
TOTAL	2,965,560	2,823,874

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7. SECURITIES PORTFOLIO - Net

The securities portfolio can be summarised as follows:

	31 December 2004 TL Billion	31 December 2003 TL Billion
a) Trading Portfolio		
Securities in Foreign Currency	122,828	3,178,021
Treasury Bills and Government Bonds	3,433,625	4,910,433
Investment Funds Participation Certificates	-	1,866
Gold	2,363	3,298
Equity Shares	-	704
Other	1,325	228
Repurchase Agreements	-	2,993
Provision for Diminution in Value of Securities	(8)	(87)
Interest Accruals	160,086	632,524
	3,720,219	8,729,980
b) Securities Available For Sale		
Government bonds and Treasury Bills	5,530,620	695,738
Other	2,542,874	763,045
Interest Accrual	649,773	39,600
Provision for Diminution in Value of Securities	(133)	-
	8,723,134	1,498,383
c) Securities Held to Maturity		
Securities in Foreign Currency	1,534,088	3,038,719
Treasury Bills and Government Bonds	19,811,061	19,294,983
Repurchase Agreements	426,529	332,143
Other	2,645,177	1,876
Interest Accrual	1,308,104	2,711,194
	25,724,959	25,378,915
TOTAL	38,168,312	35,607,278
	31 December 2004 TL Billion	31 December 2003 TL Billion
Government Bonds and Treasury Bills	31,198,652	25,233,296
Accrued interest	2,031,210	3,257,278
Less: Provision for diminution in value	(6)	-
Total Book Value	33,229,856	28,490,574
Fair value of above securities	33,314,547	28,492,808

Government bonds and treasury bills mature between January 2005 and October 2010. TL 133,496 Billion (USD 100,000 Thousand and TL 1 Billion) of securities is kept as guarantee for İstanbul Stock Exchange transactions, TL 1,318,037 Billion (USD 253,020 Thousand, EUR 70,040 Thousand, TL 852,838 Billion) for Interbank transactions repo guarantees, TL 1,553,864 Billion (TL 1,300,000 Billion, USD 190,160 Thousand) for liquidity guarantee, TL 228,645 Billion (EUR 100,000 Thousand, USD 35,000 Thousand) for Foreign Currency Transactions guarantee and TL 567,333 Billion for New Turkish Lira (regarding the conversion of Turkish Lira to New Turkish Lira) guarantee.

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8. LOANS - Net

	31 December 2004 TL Billion	31 December 2003 TL Billion
SHORT TERM LOANS		
Guaranteed export loans	107,682	15,584
Guaranteed other loans	800,251	577,202
Non-guaranteed other loans	1,416,194	624,020
Agricultural loans (Bank sourced)	926,163	241,881
Agricultural loans (Fund sourced)	5,352	202,152
Agricultural Credit Co-operative loans (Bank sourced)	36,334	24,990
Agricultural Credit Sales Co-operative loans (Fund sourced)	1,021,735	998,685
Rescheduled loans	574	1,278
Non cash loans turned to cash	340	97
Loans given to financial sector	548,795	657,724
	4,863,420	3,343,613
MEDIUM AND LONG TERM LOANS		
Guaranteed other investment and operating loans	109,030	-
Non Guaranteed other investment and operating loans	146,850	22,108
Guaranteed other loans	1,291,914	153,409
Non-guaranteed other loans	52,868	24,796
Agricultural loans (Bank sourced)	111,040	10,017
Agricultural loans (Fund sourced)	208,164	114,304
Housing loans (Bank sourced)	279,235	25,997
Housing loans (Fund sourced)	723,556	525,366
Agricultural Credit Co-operative loans (Bank sourced)	1,479	3,810
Agricultural Credit Co-operative loans (Fund sourced)	1	23
Agricultural Sales Co-operative loans (Fund sourced)	1,428,244	2,055,483
Rescheduled loans	260	601
	4,352,641	2,935,914
OVERDUE LOANS	389,404	519,328
Interest Accruals on Loans	162,752	77,079
TOTAL LOANS	9,768,217	6,875,934
Less: Provision for loan losses (Special Provision)	(327,420)	(441,479)
Less: Provision for loan losses (General Provision)	(124,665)	(63,494)
TOTAL PROVISION FOR LOAN LOSSES	(452,085)	(504,973)
TOTAL LOANS -NET	9,316,132	6,370,961

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Loans can be analysed by currency as follows;

	31 December 2004 TL Billion	31 December 2003 TL Billion
Turkish Lira Loans		
Short Term	4,180,477	2,638,350
Medium & Long Term	4,083,852	2,867,435
Foreign Currency Loans		
Short Term	682,943	705,263
Medium & Long Term	268,789	68,479
Overdue Loans	389,404	519,328
TOTAL LOANS	9,605,465	6,798,855
Provision for Loan Losses	(452,085)	(504,973)
	9,153,380	6,293,882
Interest Accruals	162,752	77,079
TOTAL LOANS - Net	9,316,132	6,370,961

As of 31.12.2004, the general provision for agricultural loans amounts to TL 25,000 Billion. Furthermore the Bank has set a general provision for consumer loans amounting to TL 50,000 Billion.

TL 470,644 Billion of loans given to the financial sector consist of loans granted to Eximbank amounting to EUR 258,709 Thousand. EUR 38,346 Thousand portion of the loan has been repaid in July 2004. The loans, which mature as of August, September, October, and December 2004, are renewed by agreement since Eximbank did not declare to repay the loan.

A summary of the sectoral spread of commercial loans as of 31 December 2004 and 2003 is as follows:

Sector	As of 31 December 2004		As of 31 December 2003	
	Cash Loans %	Non-Cash Loans %	Cash Loans %	Non-Cash Loans
Energy	4.38	2.71	-	8.96
Services	66.01	47.01	70.09	42.62
Manufacturing	26.89	42.05	19.59	32.86
Construction	1.50	6.61	6.32	12.82
Textile	1.22	1.62	4.00	2.74
	100.00	100.00	100.00	100.00

A summary of the sectoral spread of agricultural loans as of 31 December 2004 and 2003 is as follows:

Sector	31 December 2004 Agricultural Loans %	31 December 2003 Agricultural Loans %
Vegetal Production	45.77	38.99
Stockbreeding	44.97	56.85
Agricultural Tools	8.25	3.37
Water Products	1.01	0.79
Total	100.00	100.00

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The Bank has applied the following average interest rates for the stated loan types during 2004:

Loan Types	2004 Interest Rates %
Agricultural Loans:	
Agricultural Loans Given to Small Scale Industries	30.16
Agricultural Loans Given to Production with Agreements	30.16
Agricultural Loans Given to Large Scale Industries	30.16
Agricultural Loans Given to Farming Industries	30.16
Commercial Loans:	
Short Term Commercial Loans (Simple)	30.92
Short Term Commercial Loans (Compound)	34.69
Penalty Interest	42.97
Annual Consumer Loans (Annual Compound):	
Vehicle	28.18
Consumer	32.07

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9. AVAILABLE FOR SALE PARTICIPATIONS - NET

	31 December 2004		31 December 2003	
	Participation Rate %	Indexed Value TL Billion	Participation Rate %	Indexed Value TL Billion
Banks				
IMKB Tak. Ve Sakl. Bank A.Ş.	4.86	9,377	4.86	9,377
T.C. Merkez Bankası A.Ş.	19.18	2,016	19.18	2,016
T. Vakıflar Bankası TAO	<1	927	<1	920
T. Ticaret Bankası	<1	533	<1	533
Uzbekistan Turkish Bank (USD)	50.00	5,399	50.00	6,414
Turkmen Turkish Commercial Bank (USD)	50.00	3,338	50.00	3,964
Azerbaycan Türkiye Birge Sahimdar K.Bank (USD)	50.00	2,338	50.00	2,042
Ziraatbank (Moscow) CJSC	99.22	9,864	100.00	11,888
Turkish Ziraat Bank Bosnia D.D.(DEM)	100.00	47,204	100.00	26,365
Kazakhstan Ziraat International Bank (USD)	93.88	21,668	98.08	26,567
Banque Du Bosphore (Eur)	26.00	9,999	26.00	11,175
Arap Türk Bankası	15.00	31,186	15.00	29,779
Bankservice AD	<1	2	<1	-
Other Financial Institutions				
Bileşim Ziraat Halk ADK ve Ödeme Sist. A.Ş.	32.50	3,114	55.00	3,961
Ziraat Yatırım Menkul Değerler A.Ş.	74.00	21,004	98.60	28,415
Bankalararası Kart Merkezi	17.98	2,091	17.98	2,092
Fintek Fin. Tekn. Hizm. A.Ş.	31.80	652	38.00	994
Kredi Kayıt Bürosu A.Ş.	9.09	2,600	9.09	2,120
Ziraat Portföy Yönetimi A.Ş.	50	1,112	50.00	1,112
Insurance				
Milli Reasürans T.A.Ş.	2.5	4,330	2.5	7,273
AXA Oyak Sigorta A.Ş.	19.65	27,862	19.77	27,237
Başak Hayat Sigorta A.Ş.	0.00	-	79.00	38,242
Başak İnam Sigorta A.Ş.	0.00	-	49.00	657
Manufacturing				
Mensa Mensucat San. ve Tic. A.Ş.	0.00	-	<1	44
Mepa Merkez. Pazarlama A.Ş.	0.00	-	<1	3
Service				
Başak Depoculuk A.Ş.	0.00	-	99.99	10,791
Antalya Meyve Sebze Pazar A.Ş.	30	428	30.00	429
TOTAL		207,044		254,410
Increase of value		757		898
Diminution in value of participations		(38,998)		(38,004)
TOTAL		168,803		217,304

The term “available for sale” was introduced by IAS 39 (applicable from 1 January 2001) as standard terminology, and does not indicate that the Group has any current intention of selling participations. Increase of value results from the foreign currency valuation of participations denominated in foreign currency.

“Diminution in value of equity participations” as of 31.12.2004 is composed of provisions for Arap Türk Bankası; Bileşim Ziraat Halk ADK ve Ödeme Sist. A.Ş.; Kredi Kayıt Bürosu A.Ş.; Milli Reasürans T.A.Ş.; Bankalararası Kart Merkezi; T. Vakıflar Bankası TAO; T. Ticaret Bankası; Antalya Meyve Sebze Pazar A.Ş.; Fintek Fin. Tekn. Hizm. A.Ş.; Uzbekistan Turkish Bank; Ziraatbank (Moscow) CJSC; and Kazakhstan Ziraat International Bank amounting to TL 20,512 Billion, TL 1,467 Billion, TL 1,229 Billion, TL 1,126 Billion, TL 768 Billion; TL 724 Billion, TL 533 Billion, TL 428 Billion, TL 91 Billion, TL 1,476 Billion, TL 6,459 Billion, and TL 4,185 Billion respectively.

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“Diminution in value of equity participations” as of 31.12.2003 is mainly composed of the provisions set for Arap Türk Bankası; Ziraatbank (Moscow) CJSC; Kazakhstan Ziraat International Bank; Uzbekistan Turkish Bank; T. Vakıflar Bankası TAO; Fintek Fin. Tekn. Hizm. A.Ş; and provision set for several other participations amounting to TL 19,092 Billion; TL 7,673 Billion; TL 4,970 Billion; TL 1,753 Billion; TL 730 Billion; TL 354 Billion; and TL 3,432 Billion respectively.

10. PREMISES & EQUIPMENT - Net

	31 December 2004 TL Billion	31 December 2003 TL Billion
Land	56,865	54,861
Buildings	1,175,418	1,265,716
Furniture & Fixtures	312,771	334,266
Vehicles	26,481	27,710
Leasehold Improvements	27,930	30,448
Construction in Progress	7,614	7,478
Other Fixed Assets	97,722	85,998
Accumulated Depreciation (-)	(965,548)	(986,798)
TOTAL - Net	739,253	819,679

11. SUNDRY DEBTORS & OTHER ASSETS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Advances Given	8,518	7,954
Prepaid Expenses	2,259	3,511
Other	97,341	342,856
Total Other Assets	108,118	354,321
Receivables from Banking Services	150,975	132,508
Receivables from Insurance Premiums	73,865	90,867
Other	205,042	288,677
Total Sundry Debtors	429,882	512,052
Total Sundry Debtors and Other Assets	538,000	866,373

12. DEPOSITS

	Demand TL Billion	Time TL Billion	31 December 2004 Total
TL Deposits			
Saving	1,439,502	20,731,447	22,170,949
Official, Commercial and Other Institutions	5,221,762	6,957,701	12,179,463
Banks	9,221	-	9,221
Foreign Currency Deposits			
Saving	2,337,508	8,296,211	10,633,719
Official, Commercial and Other Institutions	10,513	81,803	92,316
Banks	15,578	395,635	411,213
Interest Accrual	-	319,956	319,956
TOTAL	9,034,084	36,782,753	45,816,837

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	Demand TL Billion	Time TL Billion	31 December 2003 Total
TL Deposits			
Saving	1,444,507	15,648,075	17,092,582
Official, Commercial and Other Institutions	4,990,291	6,281,202	11,271,493
Banks	6,903	-	6,903
Foreign Currency Deposits			
Saving	1,280,950	6,778,565	8,059,515
Official, Commercial and Other Institutions	731,919	1,054,904	1,786,823
Banks	38,830	266,459	305,289
Interest Accrual	-	397,364	397,364
TOTAL	8,493,400	30,426,569	38,919,969

During 2004, the interest rates the Bank applied for the deposits in terms of maturity are as follows:

	General Management Authority Interest Rates of Deposits (%)	Branch Authority Interest Rates of Deposits (%)
Demand	1.00%	1.00%
Between 32-44 days	24.33%	20.33%
Between 45-60 days	24.33%	20.33%
Between 61-92 days	24.33%	20.33%
Between 93-119 days	23.50%	19.33%
Between 120-184 days	23.50%	19.33%
Between 185-365 days	23.50%	19.33%

During 2004, the amounts of saving and official, commercial and other institutions deposits are as follows:

	Saving Deposits	Official, Commercial and Other Institutions Deposits
0-10 Billion	14,317,920	840,829
11-50 Billion	10,623,082	134,441
51-250 Billion	6,500,161	104,171
251-1 Trillion	190,291	1,915,651
More than 1 Trillion	1,173,214	9,697,121
TOTAL	32,804,668	12,692,213

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13. BORROWINGS

Loans used from banks and other institutions are presented below:

	31 December 2004 TL Billion	31 December 2003 TL Billion
Loans Borrowed from Domestic Banks - Turkish Lira	17,710	6,596
Loans Borrowed from Dom. Banks - Foreign Currency	924	12,167
Loans Borrowed from Abroad - Foreign Currency	8	811
Loans Borrowed from Other Domestic Institutions	920	-
Interest Accrual	847	439
Total	20,409	20,013

14. INTERBANK FUNDS BORROWED

Interbank funds borrowed consist of TL 453,129 Billion with maturities in January 2005 and interest rates between 1.00% and 1.13% (2003: TL 903,868 Billion)

15. TAXES AND DUES PAYABLE

	31 December 2004 TL Billion	31 December 2003 TL Billion
Banking and Insurance Transaction Tax	14,299	12,421
Income Tax on Capital Gains	67,055	83,707
Other	14,248	23,836
TOTAL	95,602	119,964

16. PROVISIONS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Retirement Pay Provision	278,605	219,692
Technical Reserves for Insurance	-	164,028
Other	96,435	51,215
TOTAL	375,040	434,935

Lump sum payments are made to all employees who retire from the Group or whose employment is terminated as a result of resignation and for reasons other than misconduct. Except in the Bank, the amount payable is 30 days gross pay for each year of service. The rate of pay ruling at 31 December 2004 is subject to a maximum of TL 1,574,740,000 per month. The upper limit was raised to TL 1,649,000,000 per month as at 01 January 2005. In the Bank, the amount payable depends on position and years of service, as defined in T.C. Emekli Sandığı rules.

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

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

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IAS 19 (revised), came into effect for accounting periods beginning on or after 1 January 1999, and accordingly has been applied in the accompanying financial statements. The main change arising from applying the revised standard is that the future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as the net of an expected inflation rate and an appropriate discount rate. Actuarial calculations are not available for the Group's accrued liability but for the purposes of these financial statements a calculation has been prepared, assuming a real discount rate of 5.45% (the net of inflation of 10% and a discount rate of 16%).

Technical reserves for insurance in 2003 arise from Başak Sigorta A.Ş. and consist of deferred income, unknown damages, life mathematical, dividend and earthquake reserves.

17. FUNDS

	31 December 2004 TL Billion	31 December 2003 TL Billion
Government Incentive and Price Stabilization Fund	2,396,456	3,109,227
Short Term Funds	881	480,306
Donation Loan Fund to Agricultural Village Development Co-operatives	35,478	40,276
Other	1,157,050	403,093
TOTAL	3,589,865	4,032,902

A Council of Ministers decision dated 13 October 1988 numbered 88/13384 established a Government Incentive and Price Stabilization Fund. Loans are issued from the Government Incentive and Price Stabilization Fund by means of the Bank to Agricultural Sales Co-operatives Unions, for crop purchases, to subsidize various agricultural products, to protect producers against price movements and to develop the export of agricultural products. A commission of 0.5% is being collected when the loan is issued for loans given after 01 July 2000.

The Bank acts only as an intermediary in issuance of the loans and is therefore not exposed to losses from any failure in collecting the loans.

18. SUNDRY CREDITORS & OTHER LIABILITIES

	31 December 2004 TL Billion	31 December 2003 TL Billion
Blocked Money	180,917	186,367
Payment Orders	35,102	24,736
Unearned Income	2,677	6,086
Defence Industry Support Fund	1	9,010
Government Incentive & Price Stabilization Fund	7,382	2,717
Insurance & Reinsurance Depos	-	1,964
Insurance & Reinsurance Current Accounts	-	6,943
Advance to be netted off	112,459	309,460
Other	537,692	275,657
TOTAL	876,230	822,940

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19. TAXATION

Corporate Tax

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

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

The effective rates of tax are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (the funds contribution was abolished for 2003).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).
- In 2005: 30%

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004. The applicable rate is determined as 30% for 2005.

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

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

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for resident companies in Turkey receiving dividends from resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

Tax Computations Based on Inflation Adjusted Balances

In 2003 and previous years, taxation was calculated based on profits not adjusted for inflation accounting, except for the effect of the annual revaluation of the fixed assets and the depreciation calculated thereon. Law 5024 published in the Official Gazette of 30 December 2003 numbered 25332 requires the application of inflation accounting in 2004 and the following periods provided that the inflation rate reaches the limits set out by the Law. Methods for inflation accounting in accordance with the tax legislation do not differ materially from the methodology of IAS 29 "Financial Reporting in Inflationary Economies".

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Deferred Tax

The Group calculates deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with IFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with IFRS. Timing differences are calculated on differences between the values of fixed assets (excluding land), intangible assets, inventory and prepaid expenses in the legal books and the inflation adjusted financial statements and on the discount of receivables, retirement pay provision and investment incentives.

Due to the increase in the tax rate to 33% taking place in 2004, 30% has been taken into account in the calculation of deferred taxes. For investment incentives transferred from 2001, deferred taxes have been calculated using 13.2%.

In previous years, deferred taxes were being calculated on differences between the inflation adjusted net book value of fixed assets and the nominal net book value in the legal books. Due to the Law 5024 published in the Official Gazette of 30.12.2003, it has become mandatory to eliminate the effect of inflation arising from the previous periods and to continue with such inflation adjustments in 2004 and the following periods, provided that the inflation rate is higher than the limits set out in the Law. Therefore, some of the temporary timing differences arising from differences due to the inflation adjustments on fixed assets in accordance with International Financial Reporting Standards will no longer be created. Hence, the calculation of deferred taxes on fixed assets will only arise from the usage of alternate depreciation rates in legal books and financial statements prepared in accordance with IFRS and from other unique cases. Therefore, in the accompanying financial statements, deferred taxes calculated on differences between the historic and inflated values of fixed assets have been reversed in 2003.

a. Income Statement:

	31 December 2004	31 December 2003
	TL Billion	TL Billion
Corporation taxes & funds	(856,610)	(853,489)
Deferred tax (*)	77,984	(210,268)
TOTAL	(778,626)	(1,063,757)

(*) Effective tax rate times the balance of gains from available-for-sale financial assets which are recognised directly in equity amounts to TL 44,510 Billion. This amount has been written as taxation income and was netted off from the gains under equity since there exists temporary timing difference between the legal books and the IFRS financial statements on when the gains on the securities would be recognised for taxation purposes. Hence; the deferred tax benefit for year 2004 differs by TL 44,510 Billion when the deferred tax asset as of 31.12.2004 amounting to TL 103,431 Billion minus the deferred tax asset as of 31.12.2003 amounting to TL 69,957 Billion is considered.

b. Balance Sheet: Corporation Taxes Payable

	31 December 2004	31 December 2003
	TL Billion	TL Billion
Corporation taxes & funds - net	256,196	314,262

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Deferred tax on temporary differences as of 31 December 2004 is presented below:

	31 December 2004 TL Billion	31 December 2003 TL Billion
Bank		
Restatement of premises & equipment	4,337	-
Retirement pay provision	(83,527)	(65,217)
Other provisions	(21,046)	(2,726)
Diminution in value of equity participations	(7,451)	-
Securities portfolio valuation difference	4,256	-
	(103,431)	(67,943)
Consolidated Subsidiaries		
Retirement pay provision	(54)	(624)
Marketable Securities Income Accrual	-	(241)
Capital Lease Adjustment	3,100	378
Prorata adjustment of technical reserves	-	(1,085)
Doubtful receivable provision	(8,048)	-
Other	-	(442)
	(5,002)	(2,014)
Allowance for deferred tax asset	5,002	-
Total deferred tax (asset)	(103,431)	(69,957)

Since there is no relevant evidence on the future profitability of Ziraat Finansal Kiralama A.Ş., provision is set for the 5,002 Billion TL deferred tax asset as of 31.12.2004.

20. CAPITAL

	%	31 December 2004 TL Billion	31 December 2003 TL Billion
Turkish Treasury	100	2,221,978	2,221,978
Indexation effect		6,846,459	6,846,459
Effect of distribution of capital reserves		(2,631,880)	-
Indexed Share Capital		6,436,557	9,068,437

During the extraordinary General Assembly meeting of the Bank held as of June 2, 2004, it has been decided that capital reserves (the indexation effect of capital) amounting to TL 2,500,000 Billion would be distributed in accordance with the principals predetermined by Treasury. Out of the total balance subject to distribution TL 351,390 Billion has been set as legal reserves, TL 214,861 Billion has been paid as dividend and income withholding tax and the remaining TL 1,933,749 Billion has been distributed to Treasury in the form of treasury bills and government bonds (balances are expressed in the equivalent purchasing power of Turkish Lira as of 30.06.2004). Hence, "Effect of distribution of capital reserves" shown in the above table is composed of dividends paid to Treasury and the related dividend and income withholding tax amounting to TL 2,261,954 Billion and the balance of capital reserve set as legal reserve amounting to TL 369,926 Billion.

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NOTES TO THE FINANCIAL STATEMENTS

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21. OTHER OPERATING INCOME

	31 December 2004 TL Billion	31 December 2003 TL Billion
Insurance Sector Income	-	645,819
Fees & Commissions	427,872	327,976
Dividend Income	5,872	638
Securities Trading Gains - Net	123,915	623,110
Foreign Currency Gains - Net	153,616	46,325
Other	264,592	266,544
TOTAL	975,867	1,910,412

22. OTHER OPERATING EXPENSES

	31 December 2004 TL Billion	31 December 2003 TL Billion
Insurance Sector Expenses	-	579,246
Personnel Expenses	711,133	776,131
Taxes & Dues Other than on Income	84,670	99,743
Savings Deposit Insurance Fund Premiums	122,872	142,712
Other Provisions	173,726	33,825
Depreciation expense	38,758	51,532
Commissions and Fees	28,466	49,670
Other	361,269	653,276
TOTAL	1,520,894	2,386,135

23. COMMITMENTS & CONTINGENCIES

As of 31 December 2004, the Bank's commitments and contingencies are as follows:

	31 December 2004 TL Billion	31 December 2003 TL Billion
Letters of Guarantee	1,046,618	1,000,616
Acceptance Loans	21,860	1,275
Letters of Credit	605,241	661,409
Swap & Forward Agreements	311,571	1,058,468
	1,985,290	2,721,768

24. FOREIGN EXCHANGE POSITION

The Group's (as of 31 December 2004, Türkiye Cumhuriyeti Ziraat Bankası A.Ş. and Ziraat International A.G.'s) foreign exchange position is presented below:

	31 December 2004 TL Billion	31 December 2003 TL Billion
Total assets denominated in foreign currency	12,241,960	11,691,456
Total liabilities denominated in foreign currency	(12,066,527)	(11,647,975)
Net foreign currency position	175,433	43,481
Off Balance Sheet Instruments:		
Forward to buy agreements	128	63,075
Forward to sell agreements	(128)	(63,152)
Swap to buy agreements	158,453	469,207
Swap to sell agreements	(152,862)	(463,034)
Net foreign currency position after off balance sheet instruments	181,024	49,577

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS ENDED 31 DECEMBER 2004 AND 2003

25. MATURITY ANALYSIS OF ASSETS & LIABILITIES

The maturity analysis for selected balance sheet items as of 31 December 2004 is as follows:

	Up to 1 Month TL Billion	1-3 Months TL Billion	3-12 Months TL Billion	12 + Months TL Billion	TOTAL
ASSETS					
Liquid Assets & Banks	4,157,039	-	21,372	3,475	4,181,886
Interbank Transactions	1,800,900	-	-	-	1,800,900
Securities subject to Repo agreements	-	-	-	426,529	426,529
Marketable Securities - Net	2,745,333	435,403	5,142,129	29,418,918	37,741,783
Reserve Deposits	2,044,392	-	-	-	2,044,392
Loans - Net	2,859,980	597,978	2,259,714	3,598,460	9,316,132
Investments - Net	-	-	-	168,803	168,803
TOTAL	13,607,644	1,033,381	7,423,215	33,616,185	55,680,425
LIABILITIES					
Deposits	14,769,867	22,848,335	3,626,815	4,571,820	45,816,837
Liabilities due to Repo transactions	436,849	-	-	-	436,849
Interbank Funds Borrowed	453,129	-	-	-	453,129
Borrowings	19,452	-	957	-	20,409
Funds	-	-	-	3,589,865	3,589,865
TOTAL	15,679,297	22,848,335	3,627,772	8,161,685	50,317,089

The maturity analysis for selected balance sheet items as of 31 December 2003 is as follows:

	Up to 1 Month TL Billion	1-3 Months TL Billion	3-12 Months TL Billion	12 + Months TL Billion	TOTAL
ASSETS					
Liquid Assets & Banks	3,925,520	25,088	48,060	-	3,998,668
Interbank Transactions	3,021,853	-	-	-	3,021,853
Securities subject to Repo agreements	-	-	-	332,143	332,143
Marketable Securities - Net	3,544,772	145,020	4,609,285	26,976,058	35,275,135
Reserve Deposits	1,926,348	-	-	-	1,926,348
Loans - Net	2,220,704	276,915	1,218,619	2,654,723	6,370,961
Investments - Net	220	-	-	217,084	217,304
TOTAL	14,639,417	447,023	5,875,964	30,180,008	51,142,412
LIABILITIES					
Deposits	13,509,070	20,471,361	4,857,024	82,514	38,919,969
Liabilities due to Repo transactions	467,859	-	-	-	467,859
Interbank Funds Borrowed	903,868	-	-	-	903,868
Borrowings	3,497	1,207	14,998	311	20,013
Funds	865,351	-	732,066	2,435,485	4,032,902
TOTAL	15,749,645	20,472,568	5,604,088	2,518,310	44,344,611

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

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26. SEGMENTAL INFORMATION

	Banking	Other Financial Institutions	Insurance	Consol.	Total
As of 31 December 2004	TL Billion	TL Billion	TL Billion	Eliminations	TL Billion
Interest Income	9,045,751	1,070	-	(2,306)	9,044,515
Interest Expense	(5,355,970)	(1,362)	-	2,306	(5,355,026)
Net Interest Income	3,689,781	(292)		-	3,689,489
Provision for Loan Losses	(101,581)	-	-	-	(101,581)
Other Operating Income	962,893	10,625	-	2,349	975,867
Other Operating Expense	(1,508,482)	(4,627)	-	(7,785)	(1,520,894)
					-
Net Operating Income/(Expense)	(545,589)	5,998	-	(5,436)	(545,027)
Profit Before Taxation and Monetary Loss	3,042,611	5,706	-	(5,436)	3,042,881

	Banking	Other Financial Institutions	Insurance	Consol.	Total
As of 31 December 2003	TL Billion	TL Billion	TL Billion	Eliminations	TL Billion
Interest Income	12,036,633	164	23,264	(3,876)	12,056,185
Interest Expense	(8,050,747)	-	(307)	3,329	(8,047,725)
Net Interest Income	3,985,886	164	22,957	(547)	4,008,460
Provision for Loan Losses	(58,351)	-	-	-	(58,351)
Other Operating Income	1,246,478	21,248	652,574	(9,888)	1,910,412
Other Operating Expense	(1,816,418)	(7,360)	(610,785)	48,428	(2,386,135)
Net Operating Income/(Expense)	(569,940)	13,888	41,789	38,540	(475,723)
Profit Before Taxation and Monetary Loss	3,357,595	14,052	64,746	37,993	3,474,386

27. POST BALANCE SHEET EVENTS

- i) The termination indemnity ceiling has increased to TL 1,649 Million commencing on 1 January 2005.
- ii) A new law number 5083 was enacted with effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish Republic, the Turkish Lira ("TL"), to form a new currency the New Turkish Lira ("YTL"). Thus 1 YTL = 1,000,000 TL. The New Turkish Lira is divided into 100 New Turkish cents ("YKr"). The accompanying financial statements are presented in "old" Turkish Lira (TL) since that was still the official currency as at the balance sheet date.

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