



**VAKIFBANK  
INTERNATIONAL AG**

**ANNUAL REPORT 2004**

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**A N N U A L R E P O R T**

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**For the year ended December 31, 2004**



**VAKIFBANK  
INTERNATIONAL AG**

**VAKIFBANK INTERNATIONAL AKTIENGESELLSCHAFT**

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REUTERS-Dealing: VBIW, SWIFT CODE: TVBAATWW, Tlx: 132085TVB

[www.vakifbank.at](http://www.vakifbank.at)

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## MEMBERS OF THE SUPERVISORY BOARD

**A. Ahmet KACAR**  
Chairman

**Hüseyin DURMAZ**  
Deputy-Chairman

**E. Tosun KARAY**  
Member of the Supervisory Board

**Kerim KARAKAYA**  
Member of the Supervisory Board

**Tanju YÜKSEL**  
Member of the Supervisory Board

**Şahin UĞUR**  
Member of the Supervisory Board

**Emine GÖKALP**  
Member of the Supervisory Board

## MEMBER OF THE EXECUTIVE BOARD

**Numan BEK**  
Chairman

**Vedat PAKDİL**  
Member of the Board

**Metin YILDIRIM**  
Member of the Board

**Muhsin SAĞLAM**  
Member of the Board

## HEADS OF THE DEPARTMENTS

**Birgül DENLİ**  
Correspondent Banking & International Finance

**Kurt FÖRSTER**  
Credit Department

**Mag. Friedrich HAMMER**  
Treasury

**Mag. Franz FASCHING**  
Accounting

**Alfred MANDL**  
Internal Audit

**Uğur YEŞİL**  
Trade Services & Operations

## BRANCH VIENNA

**Muhsin SAĞLAM**  
Manager

Argentinierstrasse 63  
A-1040 Vienna-Austria  
Tel.: +43 1 504 32 12 or +43 1 504 31 83  
Fax.: +43 1 505 39 25

## BRANCH FRANKFURT AM MAIN

**Metin ÖZETCİ**  
Manager

Münchenerstrasse 48  
60329 Frankfurt am Main-Germany  
Tel.: +49 69 27 13 667 11  
Fax.: +49 69 27 13 667 77

## BUSINESS ACTIVITIES AND SHAREHOLDERS OF THE BANK

VakıfBank International AG was established on July 23, 1999 and received full bank licence by the Austrian Ministry of Finance on August 4, 1999. Shareholders are Türkiye Vakıflar Bankası T.A.O. Ankara (90 %) and the pension fund of Türkiye Vakıflar Bankası T.A.O. (10 %).

VakıfBank International AG sees it's core activity in providing support to Austrian and Turkish companies to improve and enlarge the mutual trading relations, based on the experience, the know how, the financial capability and the international reputation of it's parent company. VakıfBank International AG is strongly committed to provide a positive contribution to intensify trade and investment activities.

VakıfBank International AG is offering trade related banking services (L/C, documentary business, guarantees, transfers), the financing of commercial cross border transactions (loans, forfaiting and discounting of L/C) and loans to Austrian and Turkish exporters and importers.

Geographically, VakıfBank International AG is concentrating on Turkey, EU and Central and Eastern Europe. Frankfurt Branch is established in 2002 to expand business in Germany.

VakıfBank International AG is also offering all traditional banking services e.g. account maintenance for private and corporate clients, savings accounts, remittances, retail and commercial loans.

A special service offered by VakıfBank International AG is a prompt and easy handling of money transfer from Austria to Turkey backed by an online link to VakıfBank Ankara.

T. Vakıflar Bankası T.A.O., Ankara was founded in 1954. T. Vakıflar Bankası T.A.O. is currently number 3 of the banks directly or indirectly controlled by the Republic of Turkey. The branch network consists of about 300 units in Turkey, a branch in New York and a participation in Banque de Bosphore in Paris.

The shareholders of T. Vakıflar Bankası T.A.O., Ankara are:

General Directorate of Public Foundations	55 %
Affiliated Foundations	20 %
Pension Fund of Türkiye Vakıflar Bankası T.A.O.	25 %

*The General Directorate of Public Foundations* [GDF] was established in 1924 to administer and regulate existing and future Turkish charitable foundations as a state entity directly reporting to the Prime Minister. GDF is a separate legal entity and has it's own budget. GDF owns the cultural heritage of the Republic of Turkey, like museums, mosques and historic buildings.

*The Affiliated Foundations* are charity organisations, which have been established for the welfare of the general public during the Ottoman Empire. These foundations are also administered by General Directorate of Public Foundations.

*Pension Fund of Türkiye Vakıflar Bankası T.A.O.* substitutes the mandatory social security coverage provided by Social Insurance Institution for the Bank's employees and it is mandatory for all of the Bank's employees to become members of the Pension Fund.

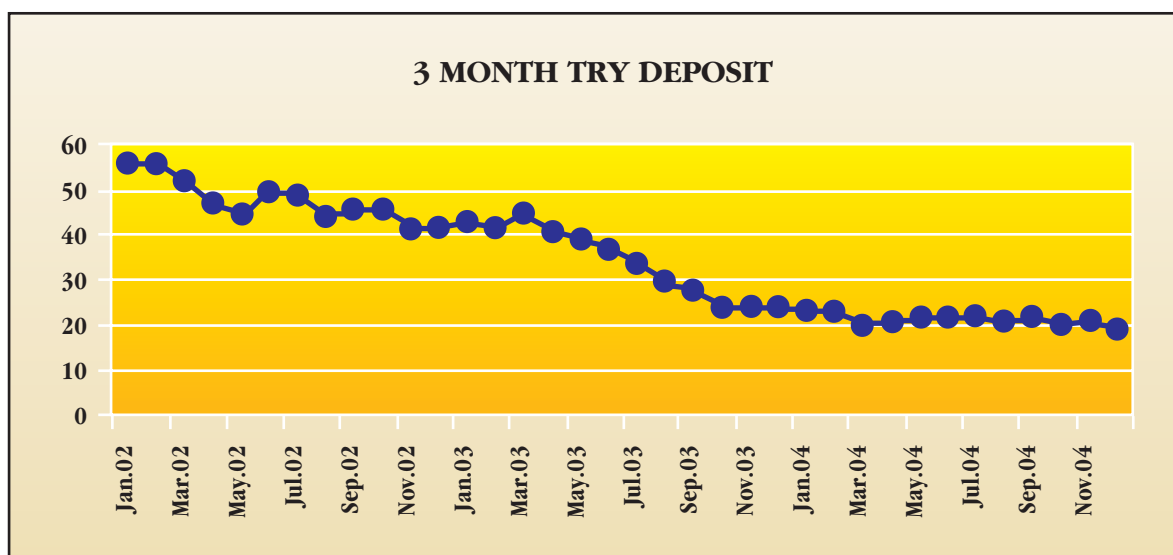
## KEY FIGURES OF THE FINANCIAL YEAR 2004

	(in Mio. EUR)	
	2004	2003
Balance Sheet	282,0	190,5
Claims against Customers	61,5	37,6
Claims against Credit Institutions	71,9	62,9
Liabilities to Credit Institutions	145,1	98,9
Liabilities to Customers	102,2	61,8
- hereof: Saving Deposits	44,3	34,8
Net Interest Income	7,2	6,3
Operating Earnings	7,9	7,4
Operating Expenditures	4,3	3,8
Operating Result	3,6	3,5
Result of Ordinary Business Operation	4,0	3,3
Annual Surplus	2,6	2,2
Equity Resources	28,2	27,9
Statutory Minimum Equity	8,0	6,3

## SITUATION REPORT FOR THE FINANCIAL YEAR 2004

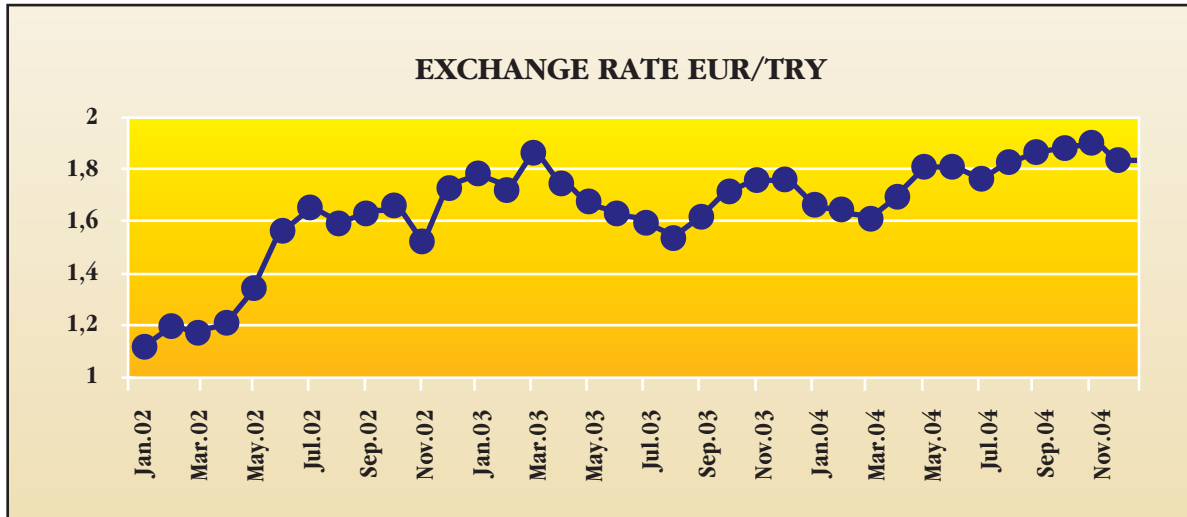
2004 was characterized by huge differences of the global economic growth. While the US economy (+4,4 %) and Southeast Asia (+7,5 %) performed excellent, the EU showed a growth rate of just 1,8 %. The Austrian Economy showed a growth of 2 % being slightly above the EU average. The rise in crude oil prices (above USD 50 per barrel) dampened growth rates in general. Imbalances in the world's balance of payments have been a main reason for the depreciation of the USD against the EUR. The USD reached a historical low of 1,36 in December 2004 against the Euro. This trend was intensified by changes in the currency reserve policy of Asian central banks. The US central bank started to increase interest rates during 2004, while the European Central bank kept their policy unchanged.

The positive economic development of Turkey remained unchanged during 2004. The growth rate reached 8,5 % and annual inflation fell to 13 % after 18 % in 2003. In the first months of 2005 CPI was reported at 8,9 %. As a result of this favorable trend in inflation the Turkish central bank lowered their base rates from 25 % to 21%.



The exchange rate of TRY (TRL) showed no major deterioration in 2004. Starting 2005 six digits of the TRL had been canceled and TRL was renamed in TRY.

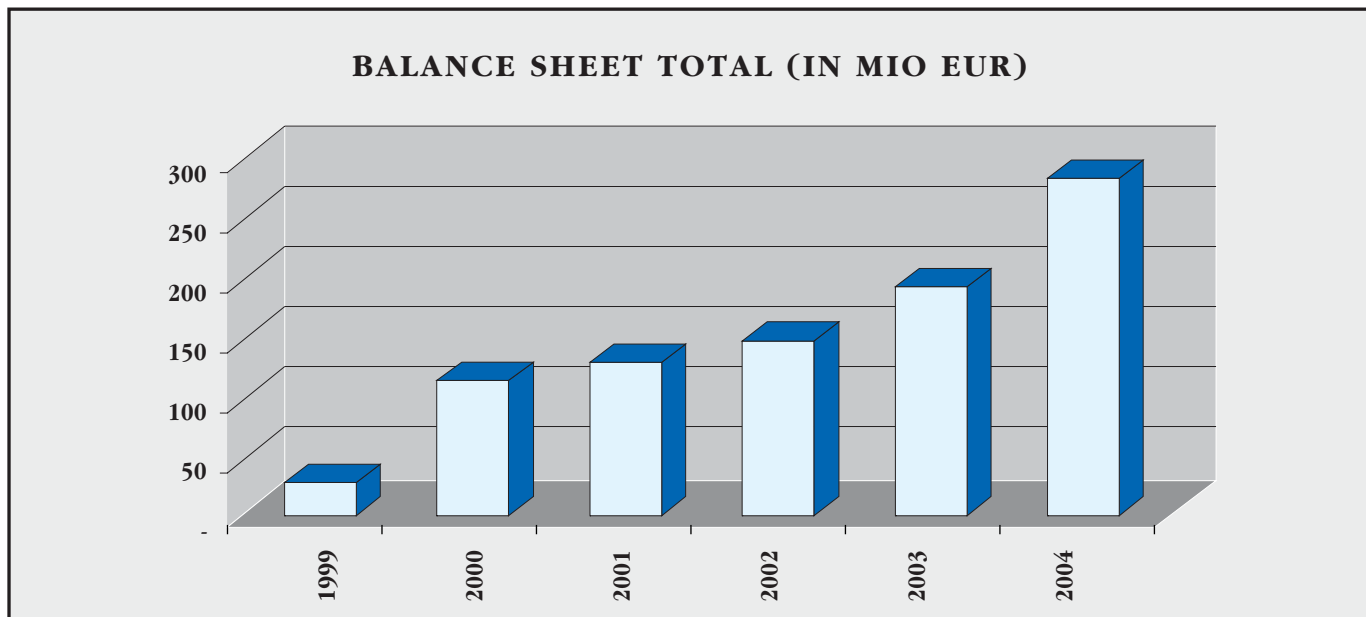




The start of membership negotiations with the EU in 2005 was the main topic in the Turkish politics. All the positive aspects resulted in an upgrading of the Turkish country risk to BB- by international rating agencies S&P and Fitch.

#### Business Activities

The balance sheet total amounted to EUR 281 Mio by the end of 2004 showing an increase of 48 % compared to 2003. This resulted from the increase of commercial loan activities by 79 %, the bond portfolio by 57 % and the forfeiting portfolio by 28 %.



### Risk reporting

The risk management analyses and evaluates market risk, credit default risk, liquidity risk and the operational risk. The supervisory board defines the risk profile, the risk tolerance and the measures of risk monitoring.

### Market risk

Market risk is evaluated by using the Value at Risk approach. As an average duration 15 days are used for current assets and 240 days are used for fixed assets. By using a confidence interval the value at risk amounted to Euro 2.4 Mio by 2004 year-end.

### Credit default risk

Monitoring of credit default risk is based on the evaluation of the solvency of the counterpart. For measuring credit default risk probabilities of default published by Standard & Poors are generally used. In the case of a not rated counterpart an internal rating system (10 categories) is used.

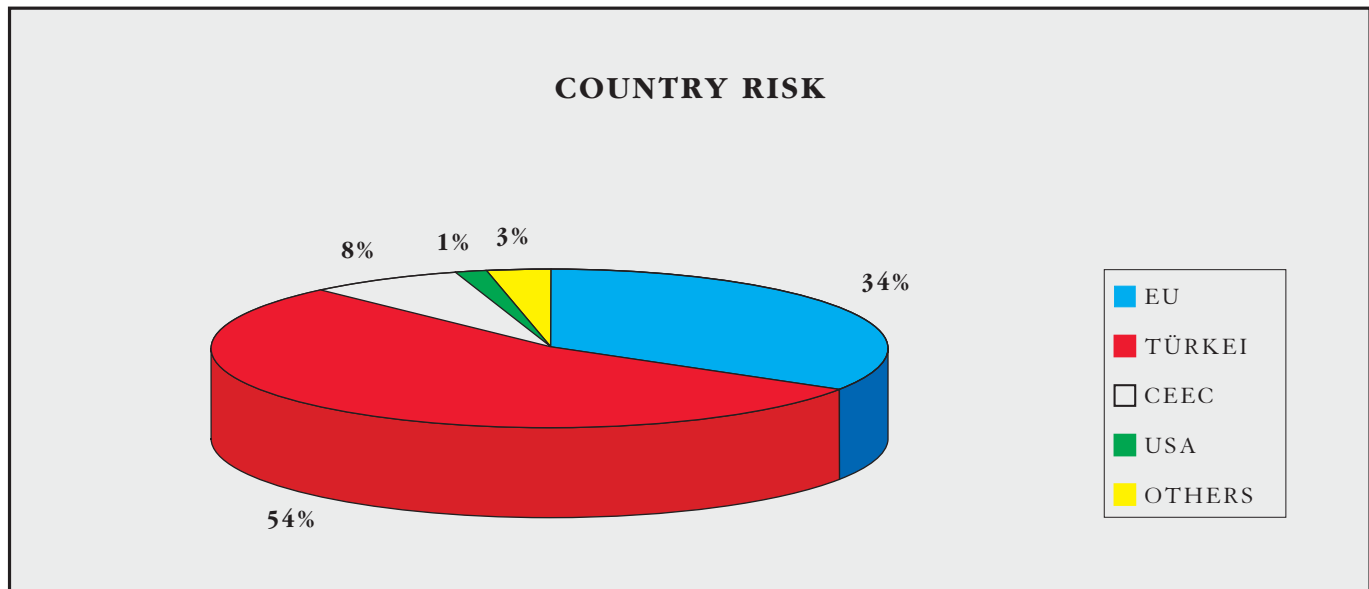
### Liquidity risk

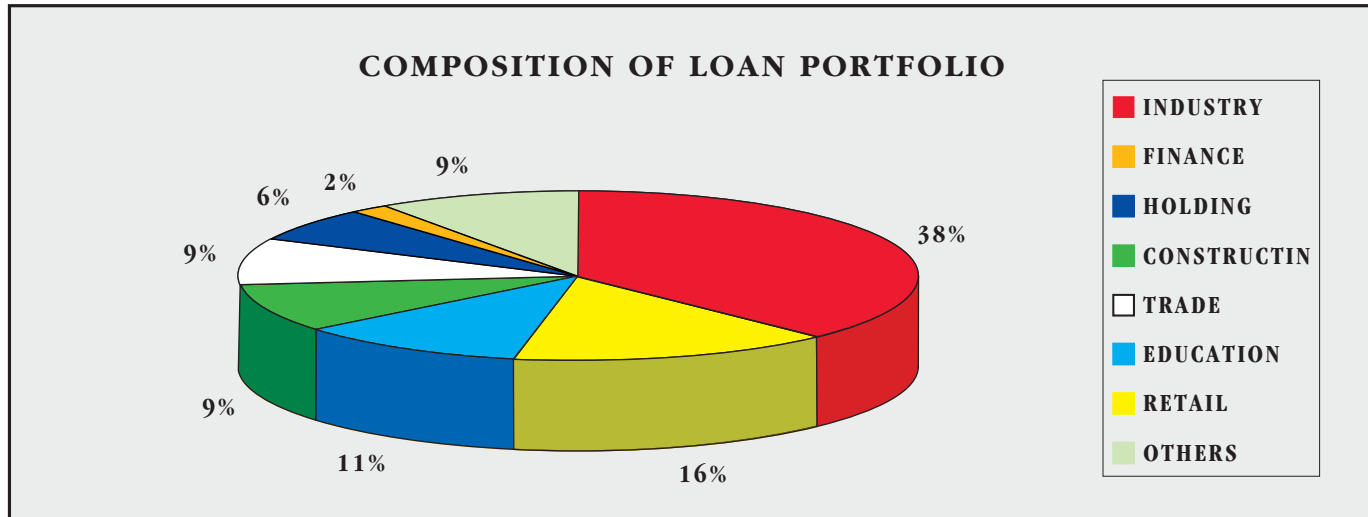
As part of the liquidity management short and medium term liquidity of the bank is analyzed to ensure the coverage of liquidity needs.

### Operational risk

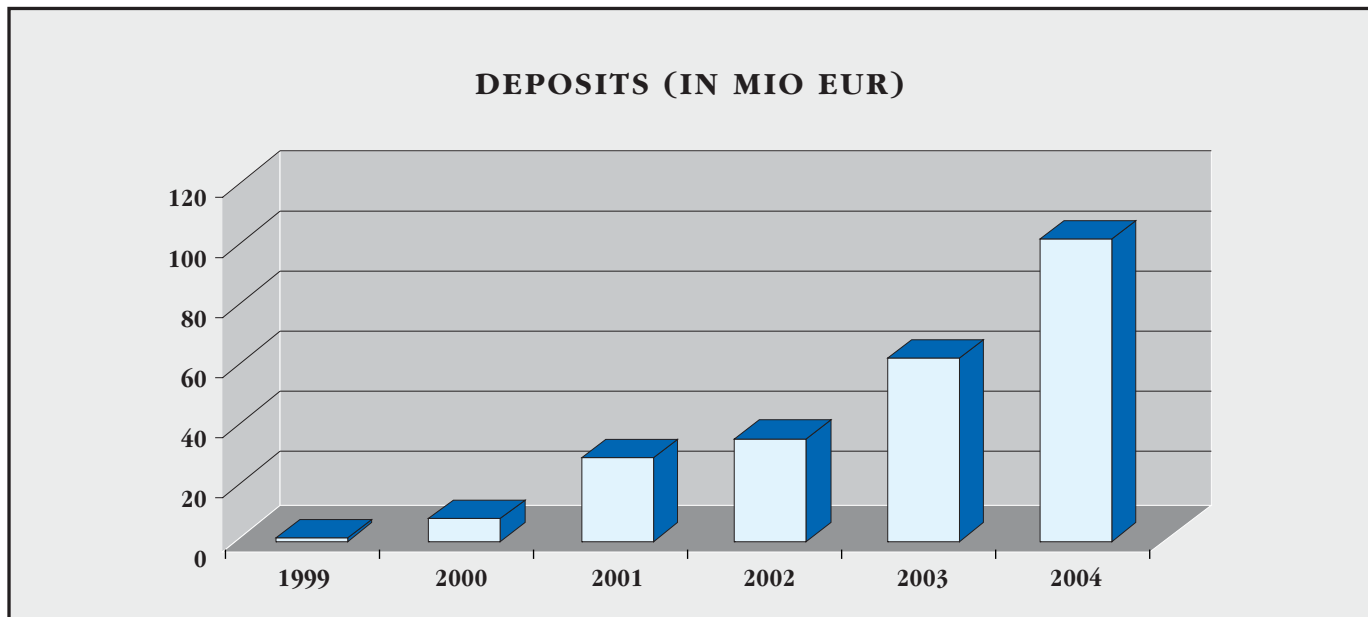
Operational risk is calculated by using the basic indicator approach defined in the Basel II agreement.

The structure of country risk profile remained nearly unchanged.





The development of savings accounts and time deposits for the financial year was very satisfactory. While the amounts held in savings accounts and time deposits in general doubled this year to EUR 102 Mio, our branch in Frankfurt/Main achieved to increase its figures in this field by 230 %.



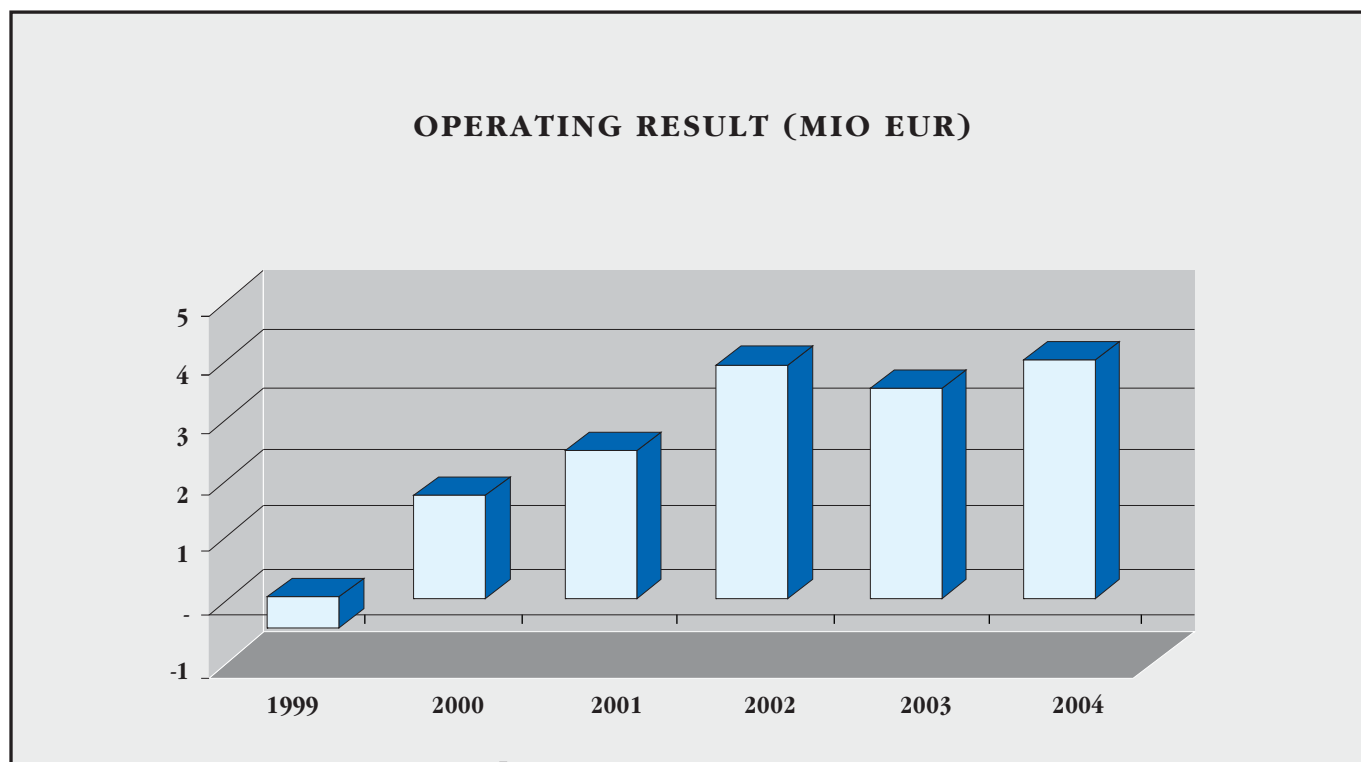
#### Own funds of the bank (BWG §23-Austrian Banking Act)

Based on the financial results of 2004, the available own funds to be taken into account according to § 23 BWG could be increased to EUR 28,2 million from EUR 27,9 million in the previous year.

## Earnings

Net interest income increased to EUR 7,23 Mio (+14 %), the net commissions income was at EUR 0,57 Mio (-30 %). This fall was caused by a change in the accounting system on the one hand (participation fees and commitment fees are partially posted as net interest income), and by decreasing cross border transfer activities on the other.

Operating costs rose to EUR 4,26 Mio (+12 %) whereas operating earnings could be increased to EUR 7,86 Mio (+6 %) in 2004, thereby leaving the operating result unchanged at EUR 3,59 Mio. The results from ordinary operations amounted to EUR 4 Mio, constituting a 21 % rise from EUR 3,3 Mio in 2003. Our Branch in Frankfurt/Main made a profit for the first time in it's history with the result of ordinary operations being EUR 0,13 Mio.



Although still substantially lower than the sector average, the cost/income ratio rose from 52% to 54%, caused by higher personnel costs and a lower commission income.

## OUTLOOK

In consideration of the implementation of Basel II there will be inevitably a shift in the medium to long-term strategy of the bank. While the share of Turkish risk in the short term will remain unchanged at around 50 % we will have to decrease Turkish investments in the long-term to around 35 %. In order to keep the existing margin structure this goal can only be achieved by substituting Turkish assets by investments in countries situated in risk categories 3 and 4 in terms of Basel II. In the financial year we were able to increase the share of assets bearing floating interest rates to 42 %. By continuing this strategy we aim to increase the share of floating rate investments to 55 % in 2005.

Our goal for the balance sheet total for 2005 is EUR 350 Mio, which would constitute a more than 30 % rise compared to 2004. Intensifying our business in the credit and forfeiting areas shall help to achieve this growth. By participating in the syndicated loans market and by intensifying our core business trade finance we want to diversify our country risk profile.

We are planning to open another branch in Cologne in the first half of 2005 in order to have a better access to primary business, in the medium term we are evaluating the pros and cons of establishing representative offices in Romania and Bosnia Herzegovina in order to create new business relations in Southeast Europe.

After the closing of the balance sheet no significant events are to be reported.

## REPORT OF THE SUPERVISORY BOARD

The supervisory board held 8 meetings during 2004. The supervisory board was continuously informed about the current development and the proper conduct of business by the executive board. The supervisory board accomplished its duties by passing the necessary resolutions and taking the necessary decisions.

The external auditors, Deloitte Wirtschaftsprüfungs GmbH, Vienna examined the annual balance sheet and the report of the executive board and gave their unqualified opinion thereon.

The annual statement of accounts 2004, drawn up by the executive board, was examined by the elected committee (§ 92 AKTG) and endorsed by the supervisory board, which is thus final under § 125 (2) AKTG.

The supervisory board agrees to the presented proposal of profit distribution and thanks the management and the staff for the performance achieved.

Vienna, 08.04.2005

Hüseyin DURMAZ  
Chairman of the Supervisory Board

## AUDITOR'S OPINION

Pursuant to the final result of the audit of the financial statement as of December 31, 2004 of

VakıfBank International AG

Vienna,

we are now in a position to give an unqualified opinion as follows:

*“As the result of our audit we certify that the accounting records and the financial statements comply with the legal regulations.*

*The financial statements give a true and fair view of the company's assets, the liabilities, financial position and profit or loss is in conformity with generally accepted accounting principles. The management report corresponds with the financial statements.”*

The following auditor's report and financial statements were prepared for use in Austria. As such, the accompanying financial statements utilize accounting principles, procedures and reporting practices generally accepted in Austria and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Austria. The standards, procedures and practices utilized to audit such financial statements are those generally accepted and applied in Austria.“

Vienna, March 24, 2005

**Deloitte**  
**Wirtschaftsprüfungs GmbH**

Univ. Doz. MMag. Dr. Philip Göth  
Chartered accountant



Dr. Peter Bitzyk  
Chartered accountant

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**VAKIFBANK INTERNATIONAL AG**  
**FINANCIAL STATEMENTS FOR THE YEARS ENDED**  
**DECEMBER 31, 2004**  
**PROFIT AND LOSS ACCOUNT 2004**

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**NOTES TO THE BALANCE SHEET AND**  
**TO THE PROFIT AND LOSS ACCOUNT**

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## BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2004

ASSETS	31.12.2004		31.12.2003	
	EUR	EUR	EUR	EUR
1. Cash in hand and balances with central banks		6.714.495,12		3.039.559,41
2. Debt instruments issued by public bodies		21.007.094,93		15.367.255,67
a) due on a daily basis	10.364.880,19		21.903.030,68	
b) other claims	<u>61.553.290,37</u>	71.918.170,56	<u>40.990.311,59</u>	62.893.342,20
3. Loans and advances to customers		61.459.159,47		37.649.160,95
4. Bonds and other fixed income instruments				
a) issued by public borrowers	61.180.705,26		35.660.920,09	
b) issued by other borrowers	<u>49.958.014,33</u>	111.138.719,59	<u>29.648.538,17</u>	65.309.458,26
5. Shares and other non-fixed interest securities		2.020,00		2.020,00
6. Intangible non current assets		154.176,80		192.874,69
7. Tangible fixed assets				
thereof:				
land and buildings used by the credit institution in the course of its own business: EUR 420.140,35 (2003:470 T EUR)		566.375,81		668.776,65
8. Other Assets		8.896.086,47		5.276.212,17
9. Accrued items		<u>96.141,02</u>		<u>96.080,47</u>
		<u>281.952.439,77</u>		<u>190.494.740,54</u>
off balance sheet items				
<b>1. Foreign Assets</b>		<u>236.908.695,93</u>		<u>165.129.305,31</u>

LIABILITIES AND SHAREHOLDER'S EQUITY	31.12.2004		31.12.2003	
	EUR	EUR	EUR	EUR
<b>I. Amounts owed to credit institutions</b>				
a) repayable on demand	9.699.764,84		<b>5.083.335,83</b>	
b) with agreed maturity dates or period of notice	<u>135.445.586,18</u>	145.145.351,02	<u>93.843.940,77</u>	98.927.276,60
<b>2. Amounts owed to customers</b>				
a) saving deposits thereof:				
aa) with agreed maturity dates or period of notice	44.278.176,52		<b>34.837.529,79</b>	
b) other liabilities				
ba) repayable on demand	9.004.595,75		<b>12.493.053,86</b>	
bb) with agreed maturity dates or period of notice	<u>48.895.773,32</u>	102.178.545,59	<u>14.476.051,23</u>	61.806.634,88
<b>3. Other liabilities</b>		2.495.509,96		<b>1.015.457,12</b>
<b>4. Deferred items</b>		554.807,61		<b>133.217,34</b>
<b>5. Provisions</b>				
a) Provisions for severance payments	56.223,00		<b>57.623,45</b>	
b) Provisions for taxes	57.200,00		<b>0,00</b>	
c) other provisions	<u>747.940,62</u>	861.363,62	<u>458.873,85</u>	516.497,30
<b>6. Subscribed capital</b>		16.000.000,00		<b>16.000.000,00</b>
<b>7. Capital reserves</b>				
a) free		4.000.000,00		<b>4.000.000,00</b>
<b>8. Profit reserves</b>				
a) statutory reserve	590.000,00		<b>454.200,00</b>	
b) other reserves	<u>6.386.558,18</u>	6.976.558,18	<u>4.453.601,17</u>	4.907.801,17
<b>9. Reserve according to section 23 (6) ABA</b>		1.413.961,73		<b>1.199.961,73</b>
<b>10. Accumulated profit</b>		2.326.342,06		<b>1.932.957,01</b>
<b>11. Untaxed reserves</b>				
a) other untaxed reserves thereof:				
aa) Investment allowance (IFB) according to section 10 Income Tax Act 1988				
Investment Allowance 2000		0,00		<b>54.937,39</b>
		<b>281.952.439,77</b>		<b>190.494.740,54</b>
1. Contingent liability		7.254.616,41		8.516.508,72
2. Credit risk		6.985.199,82		11.500.089,02
3. Own funds to be taken into account according to § 23 ABA		28.236.343,11		27.902.782,61
4. Basis for computation of own funds according to § 22 (1) ABA		7.956.000,00		6.322.950,60
5. Foreign Liabilities		87.189,470,13		53.966.465,81

## PROFIT AND LOSS STATEMENT FOR THE YEAR 2004

	2004		2003	
	EUR	EUR	EUR	EUR
1. Interest and similar income thereof: from fixed interest securities EUR 7.598.281,97 (2003: 5.919 EUR)		13.466.314,04		10.261.133,44
2. Interest and similar expenses		-6.236.420,09		-3.920.677,78
<b>I. NET INTEREST INCOME</b>		<b>7.229.893,95</b>		<b>6.340.455,66</b>
3. Fee and commission income		775.382,95		906.406,17
4. Fee and commission expenses		-207.727,37		-92.113,21
5. Income / Expenses from financial transactions		-39.110,74		42.722,30
6. Other operating income		98.772,81		156.469,96
<b>II. OPERATING INCOME</b>		<b>7.857.211,60</b>		<b>7.353.940,88</b>
7. General administrative expenses				
a) Personnel expenses thereof:				
aa) Salaries and wages	-1.750.181,12		-1.624.420,28	
bb) Compulsory social security contribution	-514.553,13		-396.832,17	
cc) Other social expenses	-41.196,74		-38.149,71	
dd) Expenses for pension benefits	-22.586,38		-18.897,44	
ee) Expenses for severance payments and contributions to external pension funds	-98.215,44	-2.426.732,81	-21.315,36	-2.099.614,96
b) Other administrative expenses		-1.640.203,13		-1.463.157,64
8. Depreciation for intangible and tangible fixed assets		-187.385,15		-195.311,34
9. Other operating expenses		-8.809,06		-49.148,41
<b>III. OPERATING EXPENSES</b>		<b>-4.263.130,15</b>		<b>-3.807.232,35</b>
<b>IV. OPERATING RESULT</b>		<b>3.594.081,45</b>		<b>3.546.708,53</b>
10. Allocation to/Releases of provisions of loan losses and income/loss from sale/valuation of liquidity reserve		375.702,70		-2.008.204,95
11. Income/Expenses from sale/valuation of securities valued as financial fixed investments		31.068,51		1.747.851,01
<b>V. RESULT FROM ORDINARY ACTIVITIES</b>		<b>4.000.852,66</b>		<b>3.286.354,59</b>
12. Income tax		-1.377.820,56		-1.108.982,85
13. Other taxes		-1.827,43		-2.634,46
<b>VI. ANNUAL SURPLUS</b>		<b>2.621.204,67</b>		<b>2.174.737,28</b>
14. Changes in reserves				
a) Allocation to reserve according to section 23 (6) ABA	-214.000,00		-170.593,57	
b) Allocation to statutory reserves	-135.800,00		-111.000,00	
c) Reversal of other untaxed reserves (IFB 2000)	54.937,39	-294.862,61	39.813,30	-241.780,27
<b>VII. ANNUAL PROFIT</b>		<b>2.326.342,06</b>		<b>1.932.957,01</b>
15. Profit carried forward		0,00		0,00
<b>VIII. ACCUMULATED PROFIT</b>		<b>2.326.342,06</b>		<b>1.932.957,01</b>

## DEVELOPMENT OF FIXED ASSETS

Appendix III/1

	Acquisition cost	Additions	Disposals	Reclassifications	Acquisitions cost	Appreciation	Accumulated	Book value	Book value	Depreciation
	as of Jan. 01, 2004	EUR	EUR	EUR	as of Dec. 31, 2004	current period	Depreciation	as of Dec. 31, 2004	as of Dec. 31, 2003	current period
A = Appreciation										
<b>I. FINANCIAL INVESTMENTS</b>										
a) Securities										
aa) Issued by public sector	15,185,360,00	8,265,941,90	2,451,750,00	0,00	20,999,551,90	29,902,01 <sup>1)</sup>	7,543,03	21,007,094,93	15,266,425,67	62,067,64 <sup>2)</sup>
bb) Issued by other borrowers	38,971,107,34	28,286,983,20	983,000,00	0,00	66,275,090,54	214,372,73 <sup>1)</sup>	23,783,33	66,251,307,21	39,239,124,91	492,449,28 <sup>2)</sup>
	<b>54,156,467,34</b>	<b>36,552,925,10</b>	<b>3,434,750,00</b>	<b>0,00</b>	<b>87,274,642,44</b>	<b>244,274,74</b>	<b>31,326,36</b>	<b>87,258,402,14</b>	<b>54,505,550,58</b>	<b>554,516,92</b>
<b>II. SHARES AND OTHER NON-FIXED INTEREST SECURITIES</b>	<b>2,020,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>2,020,00</b>	<b>0,00</b>	<b>0,00</b>	<b>2,020,00</b>	<b>2,020,00</b>	<b>0,00</b>
<b>III. INTANGIBLE NON CURRENT ASSETS</b>										
a) Rights and licences	193,799,32	7,753,60	0,00	0,00	201,552,92	0,00	94,369,41	107,183,51	123,634,69	24,204,78
b) Startup cost	131,687,04	3,500,00	0,00	0,00	135,187,04	0,00	88,193,75	46,993,29	69,240,00	25,746,71
	<b>325,486,36</b>	<b>11,253,60</b>	<b>0,00</b>	<b>0,00</b>	<b>336,739,96</b>	<b>0,00</b>	<b>182,563,16</b>	<b>154,176,80</b>	<b>192,874,69</b>	<b>49,951,49</b>
<b>IV. TANGIBLE FIXED ASSETS</b>										
a) Leasehold Improvements	839,524,80	13,606,11	0,00	0,00	853,130,91	0,00	432,990,55	420,140,36	494,233,06	87,698,81
b) Furniture and equipment	294,857,05	18,431,44	0,00	0,00	313,288,49	0,00	181,605,34	131,683,15	154,473,86	41,222,15
c) Vehicles	25,587,16	0,00	0,00	0,00	25,587,16	0,00	11,034,86	14,552,30	20,069,73	5,517,43
d) Low value assets	0,00	2,995,27	2,995,27	0,00	0,00	0,00	0,00	0,00	0,00	2,995,27
	<b>1,159,969,01</b>	<b>35,032,82</b>	<b>2,995,27</b>	<b>0,00</b>	<b>1,192,006,56</b>	<b>0,00</b>	<b>625,630,75</b>	<b>566,375,81</b>	<b>668,776,65</b>	<b>137,433,66</b>

1) Appreciation of discount on a pro rata basis of securities valued as financial investment according § 56 (3) ABA

2) Depreciation of premium on a pro rata basis of securities valued as financial investment according § 56 (2) ABA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2004

### General Regulations

The annual accounts of VAKIFBANK INTERNATIONAL AG were prepared for the financial year 2004 in observance of the principles of regular bookkeeping and the general standard which requires a true and fair view of the assets, financial and revenue position of the company to be given. The balancing, valuation and reporting of the individual items in the annual accounts have been undertaken in accordance with the rules laid down in the Austrian Commercial Code (ACC) and in accordance with the rules of the Austrian Banking Act (ABA) in the latest version.

### Balancing and valuation methods

Balance sheet and income statement were prepared according to appendix 2 section 43 ABA. Items, which have not been showing a balance whether in the previous year and in the current year, are not included. During the preparation of the financial statements the principle of completeness was taken into consideration and the continuation of the bank was assumed. The valuation of each asset was made according to the valuation principle.

Due to the principle of careness only realised profits were included and all risks and expected losses were taken into consideration as per the year end.

Foreign currencies were translated according to section 58/1 ABA with medium exchange rates as per balance sheet date December 31st, 2004.

### Name and Headquarter of the parent company

Financial statements of VakıfBank International AG have been consolidated in the financial statements of Türkiye Vakıflar Bankası T.A.O., Atatürk Bulvarı No: 207 Kavaklıdere 06680 Ankara, Turkey. The consolidated financial statements are available at the Headquarter.

### Assets

Available for sale securities are reported at lower of costs or market at the balance sheet date. Securities held to maturity were valued according to section 56/2 ABA or according to section 56/3 ABA.

All securities mentioned are fixed interest rate bearing, listed, domestic and foreign securities. A trading book according to section 22 B section 1 ABA is not set up.

The participation investment was valued at acquisition costs. Intangible and tangible fixed assets are valued at the acquisition or production costs, reduced by planned amounts of linear depreciation. Development of fixed asset items and of annual depreciation are shown in the table “development of fixed assets” (Appendix III/1).

Intangible and tangible fixed assets	Years
Intangible fixed assets	5 - 10
Investments in premises	10
Furniture and Fixture	10
Office machines and EDP equipments	4
Vehicles	5

Low value fixed assets (section 13 ITA) are fully depreciated in the year of acquisition and are shown in the table “development of fixed assets” in the columns additions, disposals and amortisation of the current year.

## Liabilities

Provisions for severance payments were calculated due to financial mathematical principles considering retirement age as 60 (women) or 65 years (men) and a calculating interest rate of 4 %. All risks recognizable at the date of preparation of the financial statement, together with the contingent liabilities, were taken into account in the amount of other provisions according to the principle of reasonable business appraisal.

Other provisions were set up mainly for vacation, consultancy and auditing costs.

## Capital stock

The capital stock is amounting to EUR 16 Mio. with 1 EUR nominal value for each. Shareholders are Türkiye Vakıflar Bankası T.A.O., Atatürk Bulvarı No: 207 Kavaklıdere Ankara, Turkey with 14,40 Mio. shares and Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, Atatürk Bulvarı No: 87/7 Kavaklıdere Ankara, Turkey with 1,60 Mio. shares.

## NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

### Schedule of period of maturity (section 64/1/4 ABA)

Accounts receivable with maturity are listed below with following period of time:

	Accounts receivable			
	Financial Institutions		others	
	31.12.2004 in EUR	31.12.2003 in T EUR	31.12.2004 in EUR	31.12.2003 in T EUR
Up to 3 months	9.561.051,96	5.751	3.070.715,53	1.978
More than 3 monts up to 1 year	42.849.239,79	20.919	10.575.895,14	12.942
More than 1 year up to 5 years	9.142.998,62	14.320	45.477.336,90	24.438
More than 5 years	0,00	0	0,00	0
Total	61.553.290,37	40.990	59.123.947,57	36.358

The total amount of assets which are presented in foreign currency amounted to EUR 50.763.088,98 (previous year (PY) EUR 42,09 Mio.).

Liabilities included amounts with the following terms of maturity (total period of maturity):

	Liabilities			
	Financial Institutions		Others	
	31.12.2004 in EUR	31.12.2003 in T EUR	31.12.2004 in EUR	31.12.2003 in T EUR
Up to 3 months	135.445.586,18	79.969	8.040.926,36	5.090
More than 3 monts up to 1 year	0,00	13.875	38.638343,25	24.400
More than 1 year up to 5 years	0,00	0	41.097.797,43	17.728
More than 5 years	0,00	0	5.396.882,80	2.096
Total	135.445.586,18	93.844	93.173.949,84	49.314

The total amount of liabilities which are presented in foreign currency amounted to EUR 26.777.613,32 (PY EUR 8,93 Mio.).

### Securities and other fixed interest bearing securities

Securities and other fixed interest bearing securities increased from EUR 80,68 Mio. to EUR 132,15 Mio. as per end of the year. Hereof EUR 16,27 Mio. are maturing in the year 2005.

At the balance sheet date securities amounting to EUR 87,27 Mio. (PY EUR 54,16 Mio.) had been valued at acquisition cost which are valued as fixed assets according to section 56/1 ABA.

The difference between higher acquisition costs and repayment amount of securities which are classified as financial investments is amortized during the period until maturity date due to section 56/2 second sentence of ABA. In the year 2004 amortization amounted to EUR 0,55 Mio. (PY EUR 0,03 Mio.)

The difference between lower acquisition costs and repayment amount of securities which are classified as financial investments is credited during the period until maturity date due to section 56/3 ABA. In the year 2004 EUR 0,24 Mio. (PY EUR 0,23 Mio.) were credited.

The difference between acquisition costs and fair value of the available for sale portfolio amounted to EUR 1,79 Mio. (PY EUR 0,69 Mio.).

Securities amounting to EUR 20,34 Mio. were pledged in favour of other financial institutions, short term repo transactions with financial institutions amounted to EUR 72,58 Mio. on balance sheet date. In the year before securities amounting to EUR 27,99 were pledged in favour of other financial institutions and EUR 29,09 Mio. were subject to repo transactions.

	Available own funds	
	31.12.2004 in EUR	2003 in 1.000 EUR
Subscribed capital	16.000.000,00	16.000
Capital free reserve	4.000.000,00	4.000
Profit reserve	6.976.558,18	4.908
Liability reserve	1.413.961,73	1.200
Tax free reserve	0,00	55
Free capital reserve	0,00	1.933
Intangible fixed assets	- 154.176,80	- 193
Own funds	28.236.343,11	27.903
in % according to section 22/2 ABA	28,84	35,62
Requirement in %	8,00	8,00

#### **Notes to relationship to affiliated companies**

Accounts receivables and liabilities are existing to our parent company, T. Vakıflar Bankası T.A.O. The assets are amounting to EUR 22,14 Mio., hereof in foreign currency EUR 10,37 Mio. Liabilities are amounting to EUR 25,70 Mio. (PY EUR 13,01 Mio.), hereof in foreign currency EUR 0,67 Mio. (PY EUR 0,84 Mio.). Guarantees taken from T.Vakıflar Bankası are amounting to EUR 4,46 Mio., which are containing mainly guarantees and loan granting commitments.

#### **Other assets**

Other assets amounting to EUR 8,90 Mio. (PY EUR 5,30 Mio.). They contain accrued interest from securities, forfeitings and loans amounting to EUR 6,63 Mio. (PY EUR 4,30 Mio.) and adjustment item for Hedging transactions amounting to EUR 0,93 Mio. (PY EUR 0,70 Mio.).

#### **Other liabilities**

Other liabilities amounting to EUR 2,50 Mio. (PY EUR 1,01 Mio.) and include accrued interest amounting to EUR 1,41 Mio. (PY EUR 0,33 Mio.).

#### **Off-Balance sheet items**

Loan granting commitments contain an irrevocable commitment to Turkish Treasury Department (Ministry of Finance of Rep. Turkey) amounting to USD 9,25 Mio. (EUR-equivalent 6,79 Mio.).

#### **Others**

Liabilities due from using assets which are not mentioned in the balance sheet are amounting to EUR 163.852,10 for the financial year 2004. The total of liabilities for the following 5 years are amounting to EUR 843.160,14. The option to capitalize deferred tax assets pursuant to section 198 (10) ACC amounting to TEUR 7,60 was not exercised.

As of balance sheet date forward transactions amounting to EUR 24,42 Mio. (PY EUR 14,85 Mio.).

Notes to financial instruments according to section 237a /1/1 ACC:

At the balance sheet date an Interest Rate Swap with nominal value EUR 3,70 Mio. was recorded in the books. The fair value of the Interest Rate Swap is –45 TEUR. The book value of interest rate swap is –42 TEUR. The Interest Rate Swap is used as a microhedge for a bond with same nominal value and same maturity.



#### **Details concerning executive bodies and staff**

The average number of staff during the financial year amounted to 39 (PY 31).

#### **The Supervisory Board was made up as follows during the year 2004:**

A. Ahmet Kacar, CEO  
Hüseyin Durmaz, Deputy-CEO  
Tanju Yüksel, Member  
Kerim Karakaya, Member  
E. Tosun Karay, Member  
Emine Gökalp, Member  
Şahin Uğur, Member since 23.11.2004  
Yusuf Yeşilirmak, Deputy-CEO till 23.11.2004

#### **The Executive Board was made up as follows during the year 2004:**

Selçuk Gözüak, General Manager till 29.10.2004  
Numan Bek, General Manager since 21.09.2004  
Vedat Pakdil, Deputy General Manager  
Metin Yıldırım, Member  
Muhsin Sağlam, Member since 02.11.2004

Grants amounting to EUR 3.500,00 were given to members of the executive board. In the year 2004 the total amount of salaries for the members of Executive Board amounted to EUR 415.038,26 (PY EUR 336.110,18).

Vienna, March 2005

VakıfBank International AG



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