

2004
ANNUAL
REPORT

CBANK
C Kredi ve Kalkınma Bankası A.Ş.



TAILORED BANKING

THE GLASS FURNACE

THE PHOTOGRAPHS YOU SEE THROUGHOUT THESE PAGES ARE SHOTS FROM THE GLASS FURNACE IN ISTANBUL THAT WERE TAKEN SPECIFICALLY FOR THIS YEAR'S ANNUAL REPORT.

THE GLASS FURNACE, ONE OF THE FOREMOST GLASSMAKING SCHOOLS IN THE WORLD, INAUGURATED ITS EDUCATIONAL PROGRAM ON 26 MAY 2002. THE PRIMARY GOALS OF THE GLASS FURNACE ARE TO PROVIDE EDUCATION AT INTERNATIONAL STANDARDS IN THE ART OF GLASSMAKING AS WELL AS IN THE FINE ARTS, TO BRING LOCAL AND INTERNATIONAL ARTISTS TOGETHER WITH PEOPLE WHO ARE INTERESTED IN THE ART OF GLASS, TO CONTRIBUTE TO THE DEVELOPMENT OF CONTEMPORARY TURKISH GLASS ART, AND TO CREATE NEW CULTURAL RICHNESSES BY COMBINING THE MODERN WITH THE TRADITIONAL.

A NON-PROFIT ORGANIZATION, THE GLASS FURNACE WAS FOUNDED IN CONSULTATION WITH MANY EXPERTS AT WORLD-RENOWNED GLASSMAKING SCHOOLS AND IS THE CULMINATION OF YEARS OF LONG AND INTENSIVE WORK.

C BANK MANAGEMENT THANKS THE ARTISTS AND MANAGEMENT OF THE GLASS FURNACE FOR THEIR INVALUABLE CONTRIBUTIONS.

PAGE 01 _ C BANK IN BRIEF 04 _ FINANCIAL HIGHLIGHTS AND RATIOS 06 _ C BANK HISTORY & OWNERSHIP
10 _ CHAIRMAN'S MESSAGE 14 _ C GROUP 18 _ STRATEGY AND BUSINESS REVIEW
30 _ OUR PARENT COMPANY: C FACTORING 34 _ BOARD OF DIRECTORS 35 _ SENIOR MANAGEMENT
36 _ AUDITORS' REPORT

C BANK IN BRIEF

C BANK, HEADQUARTERED IN İSTANBUL, IS A FULL-LINE PROVIDER OF “TAILORED BANKING SOLUTIONS”.

C BANK IS A BOUTIQUE PLAYER IN CORPORATE AND INVESTMENT BANKING THAT PROVIDES ITS CUSTOMERS WITH **“TAILORED BANKING”** SOLUTIONS, FOLLOWING THE MAIN PRINCIPLES OF FINANCIAL **SOUNDNESS, EFFICIENCY AND EFFECTIVENESS.**



MELTING OUR STRENGTHS

IN A SINGLE POT FOR THE BLENDING
BENEFIT OF OUR CUSTOMERS



THE THEME OF THIS YEARS' ANNUAL REPORT IS GLASSMAKING. GLASSMAKING REQUIRES HIGH PRECISION, ATTENTION, EXPERTISE, TALENT, AND ABOVE ALL, DEXTERITY IN ORDER TO ACT SWIFTLY.

JUST LIKE OUR TAILORED BANKING BUSINESS APPROACH...

FINANCIAL HIGHLIGHTS AND RATIOS

BASED ON CONSOLIDATED FINANCIALS IN ACCORDANCE WITH IFRS

LOANS AND LEASE
RECEIVABLES / TOTAL ASSETS

68%

CONSOLIDATED CAPITAL
ADEQUACY RATIO

57%

RETURN ON EQUITY (US\$)

32%

RETURN ON ASSETS (US\$)

17%

COST / INCOME RATIO

36%

NON-INTEREST INCOME /
OPERATIONAL EXPENSES

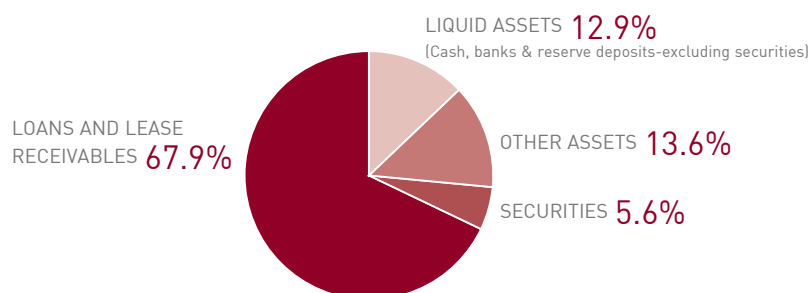
83%

AUDITED AND CONSOLIDATED FIGURES IN US\$ TERMS AS OF DECEMBER 31, 2004

(US\$ MILLION)	2004	2003*
TOTAL ASSETS	111.5	93.5
LOANS AND LEASE RECEIVABLES	75.8	71.7
CONTINGENT LIABILITIES (L/G'S AND L/C'S)	143.4	93.6
TOTAL SHAREHOLDERS' EQUITY	58.8	48.5
NET INCOME	8.4	6.7

* Expressed in equivalent purchasing power at December 31, 2004.

BREAKDOWN OF CONSOLIDATED ASSETS

HIGH LEVEL OF **FINANCIAL SOUNDNESS**

FOCUS ON **EFFICIENCY** RATHER THAN DOMINANCE BY PHYSICAL COVERAGE

HIGHEST LEVEL OF **EFFECTIVENESS** THROUGH THE USE OF TECHNOLOGY AND EXPERTISE

C BANK HISTORY & OWNERSHIP

A STRONG HERITAGE

C BANK IS A MEMBER OF C GROUP,
A HIGHLY RESPECTED CONGLOMERATE
ACTIVE IN THE AREA OF FINANCIAL
SERVICES.

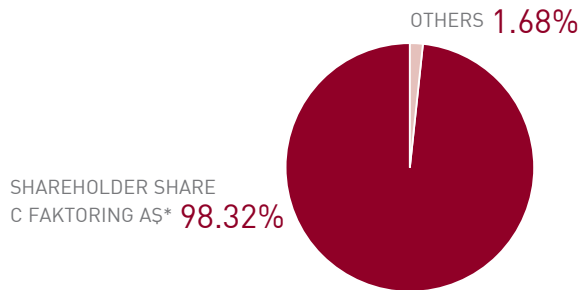
A MATURE APPROACH TO BUSINESS AND HIGH STANDARDS ARE THE CHARACTERISTICS THAT C BANK HAS INHERITED FROM THE PARENT GROUP AND THIS HERITAGE IS WHAT ENABLE C BANK TO DISTINGUISH ITSELF IN THE FIERCE COMPETITION THAT REIGNS IN THE BANKING INDUSTRY TODAY.

C BANK (C KREDI VE KALKINMA BANKASI A.Ş., FORMERLY TOPRAK YATIRIM BANKASI A.Ş.) WAS INCORPORATED IN TURKEY ON 9 APRIL 1999. C FAKTORING A.Ş. ACQUIRED 89.92% OF THE BANK'S SHARES ON 1 NOVEMBER 2002 FROM THE SAVINGS DEPOSIT INSURANCE FUND (SDIF).

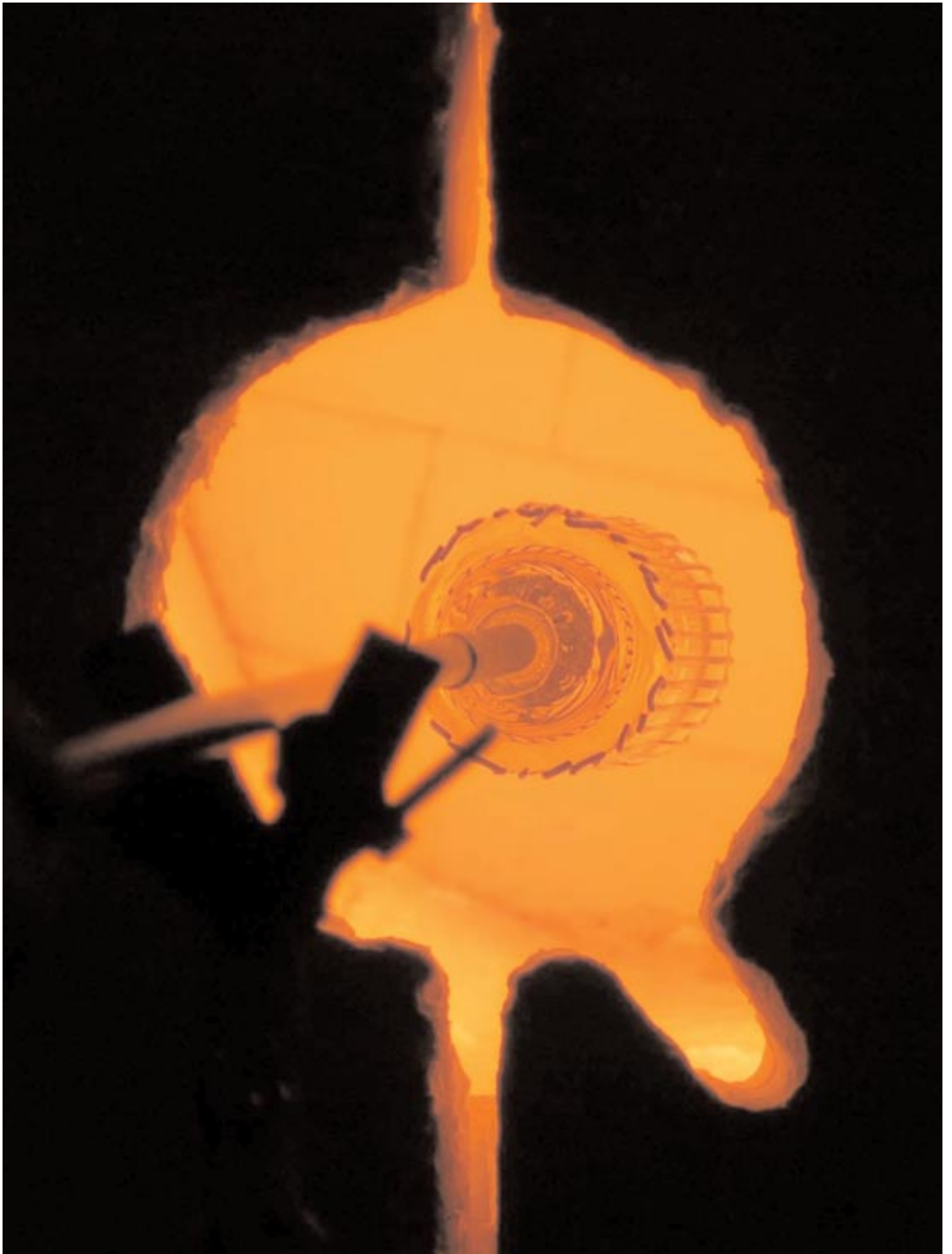
THE NEW OWNERS CHANGED THE NAME OF THE BANK TO C KREDİ VE KALKINMA BANKASI A. Ş. ON 27 JANUARY 2003. C BANK ENJOYS THE PRESENCE OF A STRONG CAPITAL BASE: AS OF DECEMBER 31, 2004 THE BANK'S PAID IN CAPITAL IS YTL 47.5 MILLION, TOTAL SHAREHOLDERS' EQUITY REACHED TO YTL 78.3 MILLION AND ITS CONSOLIDATED CAPITAL ADEQUACY RATIO IS 57.24%, ONE OF THE HIGHEST AMONG ITS PEERS.

SHAREHOLDER STRUCTURE OF C BANK

(as of 31 December 2004)

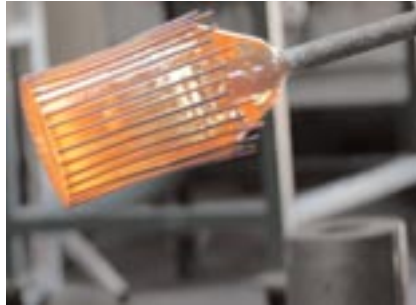
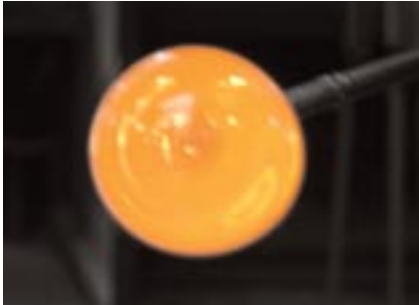


* C Faktoring is the biggest factoring company in Turkey in terms of paid-in capital, which is mainly active in the small to middle size companies in the manufacturing industry. C Faktoring's main shareholder is Ms. Damla Cingilloğlu with 99.53% share.



INSTALLING HIGH VALUES

THAT ARE SHARED BY EVERYONE IN THE COMPANY



GLASS IS AN IMPORTANT PART OF THE MODERN WORLD. ITS USE IS WIDESPREAD, WHETHER AS A SIMPLE DRINKING GLASS OR FOR SOPHISTICATED TECHNICAL EQUIPMENT. INDEED, THE USE OF GLASS ENCOMPASSES SUCH AN IMPORTANT PART OF OUR LIVES THAT WE NOTICE IT LITTLE MORE THAN WE DO ANY OTHER NATURAL PART OF OUR SURROUNDINGS.

CHAIRMAN'S MESSAGE



UNDERSTAND CUSTOMERS AND THEIR NEEDS. BUILD THE TYPE OF RELATIONSHIPS THEY DESIRE.

DELIVER SOLUTIONS THAT MAKE A DIFFERENCE IN THEIR LIVES. DISTILLED TO ITS ESSENCE, THIS IS C BANK'S VISION AND WHAT OUR BANK HAS BEEN WORKING TOWARD FOR MOST OF THE LAST TWO YEARS.

C BANK HAS BEEN STEADILY BUILDING, ADDING, AND SHAPING THE PIECES NECESSARY TO ACHIEVE THAT VISION EVER SINCE.

As we enter a new year, C Bank is also entering an exciting era of convergence. We will witness in the year 2005 the beginning of a period in which our strategic initiatives, employees, customer relationships, products, technology, and insight converge into the ability to provide solutions that make a difference in our customers' lives.

The ability to make a difference presents an incredible opportunity for C Bank. Effective stewardship of this ability in today's increasingly complex world will generate long-term loyalty from customers, leading to long-term success for C Bank, its shareholders, and its employees.

To deliver on this promise we must recognize and understand what our customers face every day in their hectic lives; continue to use customer knowledge to achieve insight into their needs; build lasting, mutually beneficial relationships with them; and bring it all together to provide true solutions. Since its first day in business, C Bank has been building the infrastructure and adding the elements needed to make this vision a reality.

We have developed a technology base to provide data from which we can build a sophisticated understanding of our existing and potential customers: their profitability, their potential, and their future needs. C Bank has established itself as an innovative leader among banks in interactive delivery channels and with the introduction of our tailored banking solutions.



2004: A YEAR OF EXCELLENT FINANCIAL RESULTS FOR C BANK

Our Bank achieved a 15% real rate of growth in 2004. According to year-end figures, C Bank had total assets amounting to YTL 149.6 million (YTL 130.5 million in 2003).

At the end of 2004 C Bank's total shareholders' equity rose to YTL 78.9 million up from its level of YTL 67.7 million in 2003. As of December 2004, C Bank ranked among the top banks in Turkey in terms of capital adequacy, with a ratio of 57.24% that is well above banking sector's average.

CHAIRMAN'S MESSAGE

C Bank reported net income of YTL 11.3 million in 2004 (YTL 9.4 million in 2003). This corresponds to a return on average equity of 32% and a return on average assets of 17% in US\$ terms in 2004.

In 2004, we further demonstrated our commitment to corporate banking, taking on new corporate customers and increasing our transaction volumes across the board. We significantly enhanced our level of expertise in corporate banking and made substantial gains in credit and loans, our Bank's core competency. In 2004 our Bank worked intensively with customers in the food and agriculture, energy, construction, tourism, shipping and transportation, and textile sectors. All these activities are the clearest possible evidence that C Bank is committed to doing real banking and that its only business is banking.



In 2004, total placements of C Bank reached YTL 120.9 million. At the same time, the superior quality of our loan portfolio continues to be a source of pride. An analysis based on loans extended following the Bank's acquisition reveals that C Bank's NPL ratio was only 0.4% at year-end 2004. Taking into consideration that the sectoral average of NPL was 6% (September 2004) this excellent performance is also evidence of our Bank's skill in risk management.

C Bank is not a bank that focuses on transaction volumes or market share. What is most essential for us is **financial strength, efficiency, effectiveness, and profitability**. What is important to us is doing the business that we do best: **real banking**.

C Bank continued to build on its strong presence and reputation in international markets in 2004. The network of international relationships that we have created continuously expands and grows stronger and this is what enables C Bank to provide its customers with the high added-value and often complex structured financing opportunities that they need

WE POSSESS THE CAPITAL REQUIRED TO ACQUIRE NEW BUSINESS THAT MEETS OUR STRATEGIC OBJECTIVES AND TO CONTINUE OUR INVESTMENTS IN TECHNOLOGY.

C BANK IS WELL-POSITIONED FOR THE FUTURE.

We are by intent and reputation a relationship bank. Our goal is to address the total financial needs of corporate and merchant customers with a complete spectrum of products, services, and solutions. Our culture and organization are defined by our commitment to these relationships, as evidenced by the increasing number of customers who view us as a resource for solving all their financing needs.

We possess the capital required to acquire new business that meets our strategic objectives and to continue our investments in technology. Our core business—corporate banking—provides a strong platform for expansion into new markets.

ACKNOWLEDGEMENTS

I would like to acknowledge the exceptional efforts of all the C Bank people who worked as a team to meet the many challenges of the year. They maintained the highest standard of service to our customers and successfully met every challenge. I thank each of them for their extraordinary performance.

To each of our directors, I express my gratitude for the time, effort, and wise counsel that they bring to the important mission of corporate governance.

On behalf of C Bank, I thank our customers and our correspondents for their continued support and trust.

As the Turkish economy strengthens, we at C Bank look ahead with the confidence of knowing that we are well positioned for our continued success.



Hasan Akçakayalıoğlu
Chairman and CEO

C GROUP



THE C GROUP SERVES A MULTINATIONAL PORTFOLIO OF CUSTOMERS THROUGH FIVE FINANCIAL INSTITUTIONS LOCATED IN SEVEN COUNTRIES:

- TURKEY • HOLLAND • BELGIUM • GERMANY
- BULGARIA • KAZAKHSTAN • KYRGYZSTAN

DEMIR-HALK BANK (NEDERLAND) NV

Rotterdam-based DHB Bank, the first Turkish-owned bank in the Netherlands and the EU, serves customers through its twelve branches in the Netherlands, Germany, and Belgium. The Bank had total assets worth US\$ 2,649 million as of year-end 2004.

For more information: www.dhbbank.com

D COMMERCE BANK AD

A commercial bank based in Sofia with total assets worth US\$ 37 million as of year-end 2004, the Bank also has an office in Varna.

For more information: www.demirbank.bg

DEMIR KAZAKHSTAN BANK

Based in Alma Aty and serving customers in Kazakhstan, the Bank had total assets worth US\$ 35 million as of year-end 2004. The Bank also has an office in Atyrau.

For more information: www.demirbank.kz

DEMIR KYRGYZ INTERNATIONAL BANK

The first international bank to be set up in the Kyrgyz Republic, Demir Kyrgyz International had total assets worth US\$ 27 million as of year-end 2004. The Bank is based in Bishkek and also has an office in Osh.

For more information: www.demirbank.kg

C FACTORING

C Factoring controls a 99% stake in C Bank and is the largest factoring company in Turkey in terms of paid-in capital. (US\$ 45.6 million as of year-end 2004.)

C SECURITIES

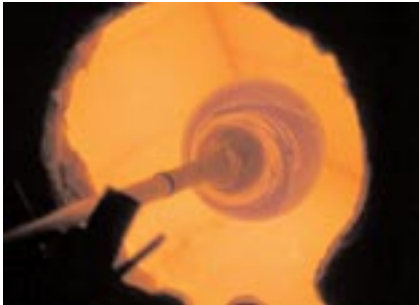
C Securities provides boutique-quality security trading services to customers with high net-worth.

C BİLİŞİM

C Bilişim is C Bank's subsidiary in the business of information technology. The company offers high quality IT services and solutions to C Group and also to other domestic and foreign institutions in the financial sectors.



ACTING ASTUTELY AND DYNAMICALLY TO GET MAXIMUM ADVANTAGE FROM MARKET OPPORTUNITIES



IN CHEMICAL AND PHYSICAL TERMS, GLASS IS REFERRED TO AS A LIQUID. CURIOUSLY THEREFORE, MANY OF THE VESSELS DESIGNED TO HOLD LIQUIDS ARE ACTUALLY LIQUIDS THEMSELVES. WHEN COOLED TO RIGIDITY GLASS HAS ALL THE BASIC QUALITIES WE ARE FAMILIAR WITH BUT WHEN IT IS HEATED, THOSE QUALITIES CHANGE ENTIRELY. IT BEGINS TO SOFTEN AND THEN BECOMES DUCTILE AND IF IT IS HEATED SUFFICIENTLY IT WILL FLOW LIKE WATER.

STRATEGY & BUSINESS REVIEW

C BANK ASPIRES TO BECOME A NICHE MARKET PLAYER IN THE CORPORATE AND INVESTMENT BANKING ARENA.

C BANK HAS DEFINED THE FOLLOWING FACTORS AS THE KEYS TO ITS SUCCESS AS A NICHE AND BOUTIQUE CORPORATE AND INVESTMENT BANK:

- HIGH LEVEL OF **FINANCIAL SOUNDNESS** (CONSERVATIVENESS AND LOW RISK PROFILE) HIGH LEVEL OF CAPITAL ADEQUACY, A CONSERVATIVE APPROACH, AND A FOCUS ON ITS PRINCIPAL BUSINESS: TRADE FINANCE RATHER THAN PURSUING SPECULATIVE EARNINGS.
- FOCUS ON **EFFICIENCY** RATHER THAN DOMINANCE THROUGH PHYSICAL PRESENCE. FLAT AND STREAMLINED ORGANIZATIONAL STRUCTURE, A LIMITED BRANCH NETWORK ONLY CONSISTING OF MARKETING PEOPLE, AND CENTRALIZED OPERATIONS AND DECISION-MAKING MECHANISMS.
- HIGHEST LEVEL OF **EFFECTIVENESS** THROUGH THE USE OF TECHNOLOGY AND EXPERTISE. NEW SOFTWARE, HIGHLY EXPERIENCED STAFF, DEEP KNOWLEDGE IN SELECTED SECTORS, AND EXPERTISE IN TRADE AND PROJECT FINANCE.

IN LINE WITH THESE OBJECTIVES, THE PRIORITIES OF C BANK ARE IN THE AREAS OF FINANCIAL STRENGTH, RISK MANAGEMENT, QUALITY IN BUSINESS, AND PROFITABILITY RATHER THAN PLAYING AT THE MARKET SHARE AND VOLUME GAME. THIS REQUIRES A UNIQUE APPROACH IN ORDER TO DISTINGUISH OURSELVES IN THE MARKET.

A COMBINATION OF HIGH-TOUCH SERVICE AND EXPERTISE WITH INDUSTRY-LEADING TECHNOLOGY.

SERVICES OFFERED

C Bank serves its corporate customers in their commercial and investment activities with the highest-quality financial services by means of a strong capital structure, expert and continuously-improving staff, and a strong infrastructure using all the tools that technology makes available.

The Bank's activities and services are grouped under five categories:

Corporate banking

C Bank is active in trade finance and offers mainly transaction-based cash & non-cash facilities to its corporate customers.

Leasing

As an investment bank, C Bank has a leasing license and offers its customers competitively-priced financial leasing services. This unique attribute separates C Bank from commercial banks and generates both synergies and comparative advantage in the sector.

Project financing

C Bank has a special interest in project financing activities. Some of the main projects that C Bank has provided financing for are financial & debt restructuring projects, ship construction projects, and hotel construction projects.

Corporate finance

C Bank's corporate finance services are offered together with corporate banking and leasing as a whole to meet customer requirements more efficiently. These include M&A consultancy, public offerings, venture capital, and privatization consultancy.

Investment services

C Bank provides advisory services to individual and corporate investors in portfolio management, fixed income securities brokerage, and research activities. C Bank manages two fixed income funds and an equity fund.

C BANK HAS A LEAN ORGANIZATIONAL STRUCTURE AND IS A HIGHLY EFFICIENT BANK.

In line with its strategy of **concentrating on big-ticket corporate banking transactions with a principal focus on trade finance**, the Bank carries out its main activities such as credit functions, operations, trade finance, and treasury operations through its head office located in Istanbul. In addition to the Istanbul office, C Bank has two branches, one each in Ankara and İzmir, that are used exclusively as marketing offices.

C BANK'S POSITION IN THE SECTOR

Good relationships lead to customer loyalty, which manifests itself as customer preference. Without customer preference, we are merely a commodity in today's financial services arena and doomed to compete on price alone. In short, meaningful customer relationships are mission-critical. C Bank leads the way as one of the most productive and profitable banks in the Turkish banking industry.

C Bank's unique boutique banking strategy gives it a remarkable degree of flexibility in pricing its products and services independently of the sector's often cut-throat competitive price structure.

C Bank has identified specific industries within the medium-to-large corporate segment in which it has particular expertise and in-depth knowledge. These are **energy, tourism, shipping, transportation, construction, and foods & agriculture**.

In these sectors, the Bank offers its products and services to corporate customers whose working principles are deemed to be suitable and whose projects are believed to be valid and profitable. We are pleased to say that in just two years of operation, C Bank has achieved full penetration in the sectors it has identified and with the customers that it has targeted.

C Bank's principal market niche is trade finance and special project financing for medium-to-large corporate customers. Expertise in carefully chosen sectors and our streamlined business processes give C Bank a competitive edge and the ability to make quick decisions. Because of this, C Bank is able to act much more nimbly than other players in the Turkish banking industry can. Rather than chasing after large numbers of small-volume transactions, C Bank focuses instead on precisely targeted lending to medium-to-large corporate customers.

\$75.8 MN

TOTAL CASH
RISK EXPOSURE

\$143.4 MN

NON-CASH
LOAN PORTFOLIO

83%

NON-INTEREST INCOME /
OPERATIONAL EXPENSES

68%
LOANS /
TOTAL ASSETS

17%
RETURN ON
ASSETS (US\$)

32%
RETURN ON
EQUITY (US\$)

PORTFOLIO, SECTORAL CONCENTRATION, COLLATERALIZATION POLICY, AND NPL

- As of 31 December 2004, C Bank's total cash risk exposure amounted to US\$ 75.8 million, 64.57% of which consists of cash loans mainly for trade financing. The remaining 35.43% of the portfolio consists of leasing receivables mainly from machinery and equipment transactions. The non-cash loan portfolio amounted to US\$ 143.4 million as of the same date. Our non-cash risk exposure consists of letters of credit and letter of guarantee, mainly bid bonds and performance bonds.

- C Bank's cash loan portfolio accounts for 67.9% of the Bank's total assets, while the non-cash loan portfolio corresponds to 128.6% of total assets. A breakdown of C Bank's loan portfolio at year-end 2004 shows that 89% of it consisted of loans extended to customers in the tourism, food and agriculture, shipping and transportation, energy, construction and textiles sectors. The Bank will continue to be active in all these sectors in 2005 with the exception of textiles.

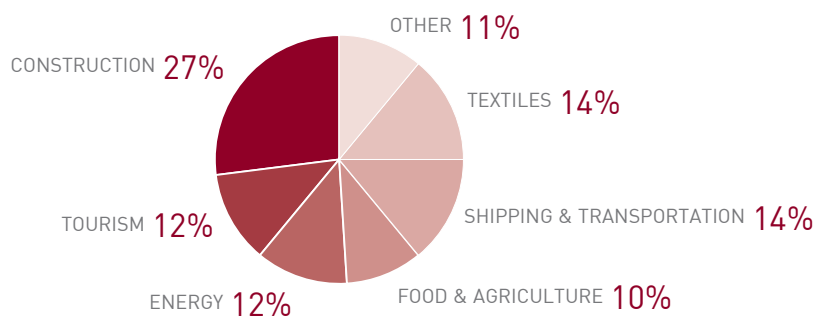
- With more than a 50% share of food-related loans, seed oil has become an area in which the Bank has gained a considerable degree of expertise.

- 99% of the Bank's cash loan portfolio is strongly collateralized.

- Loans extended under the new management following the Bank's acquisition from the SDIF had an NPL ratio of 0.4% as of 31 December 2004.

- During 2004, the Bank wrote nearly YTL 30.8 million worth of new leasing business with its customers. As of year-end 2004, C Bank's leasing receivables amounted to YTL 36.6 million.

SECTORAL RISK DISTRIBUTION





SHAPING OUR PRODUCTS AND SERVICES

IN A CUSTOMIZED, INNOVATIVE, AND SKILLFUL WAY



IT IS WIDELY BELIEVED THAT GLASS WAS DISCOVERED ACCIDENTALLY. THE MOST FREQUENTLY QUOTED ACCOUNT OF ITS DISCOVERY IS THAT OF PLINY, A ROMAN HISTORIAN. ACCORDING TO HIS NATURAL HISTORY, SOME MERCHANTS SET UP CAMP ON A RIVER BANK AFTER COMING ASHORE FROM THEIR SHIP. THEY LIT A FIRE IN THE RIVERBED AND THE NEXT MORNING THEY FOUND PIECES OF A TRANSPARENT, GLEAMING MATERIAL AMONG THE ASHES OF THE PREVIOUS DAY'S FIRE. IN ITS EARLIEST STAGES, THE ART OF GLASSMAKING WAS PARTICULARLY ADVANCED IN EGYPT AND MESOPOTAMIA, WHERE IT IS THOUGHT THAT WOOD-FUELED GLASS FURNACES EXISTED.

AN IDEAL AND LOW COST BASE

In 2004 C Bank reached its customer base with cost ratios that were much better than average in the Turkish banking sector.

As of year-end 2004, the Bank's cost/income ratio was 35.7% and its non-interest income/non-interest expense ratio was 82.9%. C Bank will be further lowering its cost ratios in 2005 with the aim of becoming an even more cost-efficient bank: The Bank has set a cost/income ratio of 30.7% and a non-interest income/operational expenses ratio of 85% as its targets in 2005.

C Bank is also committed to the non-cash loan business and seeks to cover at least four-fifth of its operational costs with the proceeds from commission income on non-cash credit.

The ultimate goal of C Bank is to cover all of its operating expenses by means of non-interest income.

INTERNATIONAL CREDIBILITY: A KEY COMPONENT OF SUSTAINABLE SUCCESS

With Turkey becoming more and more a part of the global economy, expertise in international banking has become crucial to attracting and keeping customers. The decision at the EU summit on 17 December 2004 to start full-membership negotiations with Turkey in 2005 has created new challenges for banks from the standpoints of international trade and of integration with EU markets. C Bank is well aware that having credibility in international markets is a key component of sustainable success. Only banks that are strong in their international relations can hope to play a role and be important in Turkey's foreign trade as the country's EU accession process unfolds. Such developments will also make significant contributions to the Bank's non-interest income as well.

Although it has only been in operation for two years, C Bank has already built up a strong network of international relations. Working with nearly 150 correspondents, C Bank's credit lines are continuously expanding. Thanks to them our trade financing activities gained significant momentum in 2004, reaching a total volume of US\$ 400 million.

In the area of trade finance, C Bank customers are offered the full range of documentary credit, letter of credit, letter of guarantee, foreign currency loan, and ECA covered financing (CCC/GSM, HERMES, SACE etc) facilities.

36%
COST/INCOME

\$400 MN
TRADE FINANCE VOLUME

AS OF DECEMBER 2004, C BANK RANKED AMONG THE TOP BANKS IN TURKEY IN TERMS OF CAPITAL ADEQUACY, WITH A BIS RATIO OF 57.24%.

\$55.6 MN
FREE CAPITAL

EXCELLENT CAPITAL RATIOS AND STRONG CAPITAL-GENERATION POWER

The objective of C Bank is to pursue **sustainable grow that is nourished by balanced revenues**. The Bank seeks balanced revenue growth that is weighted according to market demand and conditions.

As of December 2004, C Bank ranked among the top banks in Turkey in terms of capital adequacy, with a **BIS ratio of 57.24%** that is well above the banking sector's average.

C Bank's free capital is TL 74.5 trillion (US\$ 55.6 million). C Bank's shareholders believe that having a strong capital base is the most important strength C Bank can have in order to do business around the world as a small-sized boutique bank. At the end of 2004, the ratio of C Bank's free capital to its shareholders' equity is 94%.

C Bank also enjoys a **high degree of economic capital-generation power**. In the last two years, the Bank has not made any dividend payments to shareholders, who voted to have all the profits from banking operations retained in the Bank instead.

BUSINESS-INTEGRATED TECHNOLOGY

A bank cannot offer solutions without insight.

That is why we have invested heavily in information technology that provides us with the ability to intimately understand the complex relationships between C Bank and each of its customers.

2004 witnessed the development and implementation of the **Core Banking Software (CBS) Project** and the introduction of a key software module.

In line with its technology-based strategy, the Bank launched its new banking project—CBS—in 2003. In April 2004, the development and implementation phases were completed and C Bank began using its new banking software. Internet banking modules have been developed and implemented. TÜBİTAK (The Scientific and Technical Research Council of Turkey) and the World Bank have both cited CBS, one of the major components of the Bank's infrastructure, as a "new technology" project for the banking sector.

Our customers and correspondents have all commented on the benefits created by C Bank's new technological infrastructure, which has also resulted in greater customer satisfaction while reducing operational costs. The newly-developed banking software allows full automation and increased security levels in all operational transactions while also supporting business growth potential.

RISK MANAGEMENT & AUDIT FUNCTIONS

Risk Management and Internal Control

C Bank has management and internal audit functions, systems, and structures that are in full compliance with current laws and regulations in Turkey, international standards and EU directives, and capable of carrying out effective risk management and internal control process without interruption. Ultimate responsibility for the Bank's risk management organization is Can Karaşıklı, a member of the Bank's board of directors.

C Bank monitors and controls its risks according to BASEL principles in three main areas in line with its main ethical principles and the policies and limits of the Board of C Bank.

1- Credit risk management process

- The Credit Committee is established. Credit approval authority is only given to the Board and Credit Committee in line with the Banking Law and generally accepted banking customs.
- Segregation of duties: Credit marketing and risk analysis & follow-up departments are established independently.
- Limits for concentration risks such as sector, country and customer concentration are set.
- To minimize the subjectivity of the credit granting process, a rating system is developed and implemented. Every new client is rated through this system and every 6 months all clients in the portfolio are evaluated based on their financial statements.
- Codes of ethics are written and C Bank management is prohibited by the Board to grant credit to certain customers and to customers that operate in certain business areas in line with FATF recommendations.
- Monthly credit risk reports are prepared and distributed to the senior management, which concern analyses of the cash and non-cash loan portfolio by means of group concentration, sectoral concentration, collateralizations, maturity mismatch, loans in arrears, and internal and legal limits

2- Market risk management process

- The total investment limit in marketable securities is limited by the Board to 15% of the total assets of C Bank. As of 31 December 2004, the total securities portfolio is 5.6% of the total assets and it consists of Floating Rate Notes (FRN), which protects the Bank against fluctuations in the market rates and bears a rather lower risk than discountable notes.
- The Board has set conservative foreign exchange position limits in line with BRSA regulations. As of 31 December 2004, the total long foreign currency position was 0.07% of shareholders' equity.
- Conservative stop loss limits and take profit limits are set by the Board for daily trading activities of the Treasury Department.
- In case of a market crisis, treasury control authority is also given to ALCO.
- Daily Treasury government bond trading limits are announced by the internal control department and monitored and reported by the Risk Management Group.

C BANK IS WELL POSITIONED COMPETITIVELY TO GROW AND ATTRACT NEW BUSINESS IN THE YEARS AHEAD...

- The Rating Based Liquidity Risk is measured by the Risk Management Department and reported to ALCO and the Board.
- Sensitivity analysis and scenario analysis are performed periodically by the Risk Management Department.
- The ultimate purpose of the Board and the upper management of the Bank is zero maturity mismatch, and the performance as of 31 December 2004 is presented in Note 23 of the annual audit report.

3- Operational risk management process

- The Internal Control Department performs daily system-based control of all transactions on a real time basis and physical control of all entries on the following business day.
- The Internal Control Department writes workflows and procedures for core business processes.
- The system access rights of all the Bank employees are given by the Internal Control Department.
- Periodic reviews of subsidiaries are performed.
- In order to minimize the losses from uncontrollable operational risks, C Bank is insured under the Bankers' Blanket Bond policy.

Board of Auditors

C Bank Board of Auditors acts as a supervisory committee for all risk management and internal control functions. Also they perform scheduled or unexpected audits of all departments and subsidiaries of C Bank. The Board of Auditors is the keystone of the quality assurance of all banking transactions in C Bank and its financial subsidiaries.

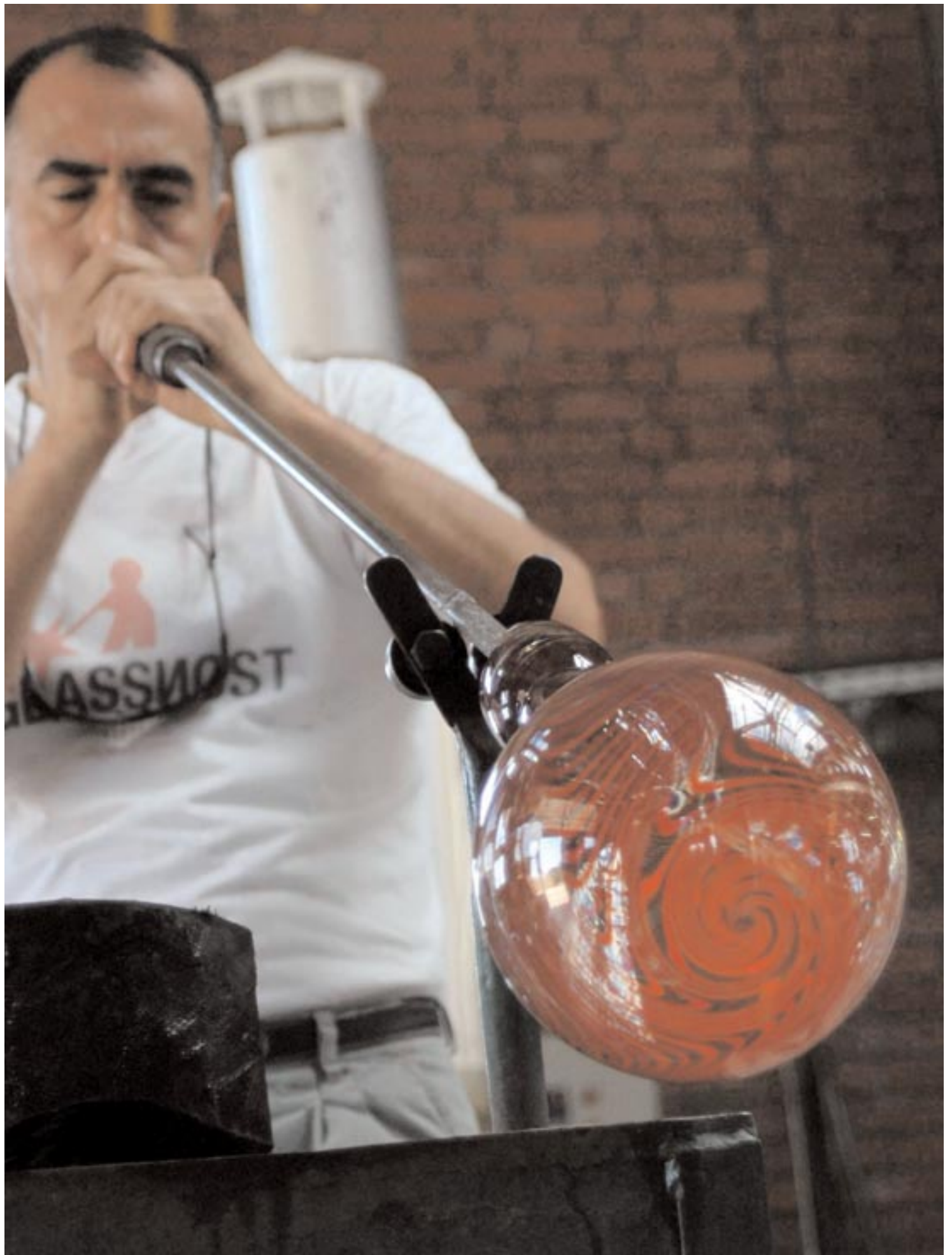
Although it is not a legal requirement, C Bank has established an **Audit Committee** as an additional audit function, which aims verification of conformity of the financial information provided by the Bank, evaluation of the internal control system and assuring efficiency of internal audit functioning.

The human factor

C Bank is a young and dynamic bank with **an average employee age of 33**.

C Bank is an organism that thinks, creates, and grows. The ideas of each and every one of our 49 employees are valuable for the contributions they can make to our business processes. The Bank gives unlimited support to creative and productive minds and for this reason; communication among employees is encouraged and kept continuously open.

Employee performance is closely monitored and motivational methods are developed and employed to improve employees' efficiency.



PRIORITIZING EXPERTISE AND TALENT

TO ACHIEVE PERFECTION IN EVERY DETAIL



ÇEŞMİBÜLBÜL IS THE NAME GIVEN TO TURKISH FILIGREE. IT IS A FEATURE OF ANATOLIAN WORKSHOPS AS WELL AS THOSE FURTHER AFIELD. IT IS A TECHNIQUE THAT EVEN THE TECHNOLOGICAL ADVANCES OF MODERN GLASS CAN NOT SURPASS THE FINEST FILIGREE CRAFTMANSHIP OF THE PAST.

OUR PARENT COMPANY: C FAKTORING

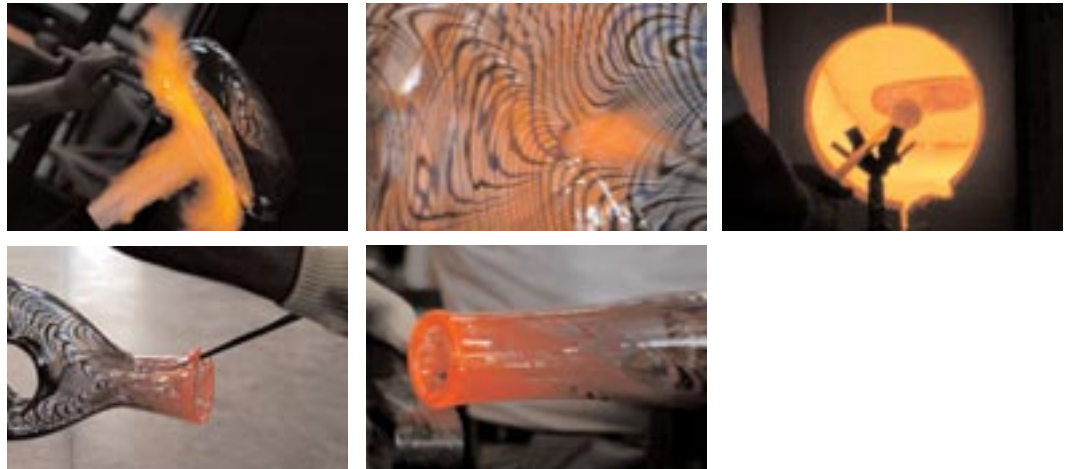
THE BIGGEST FACTORING COMPANY IN TURKEY IN TERMS OF PAID IN CAPITAL.

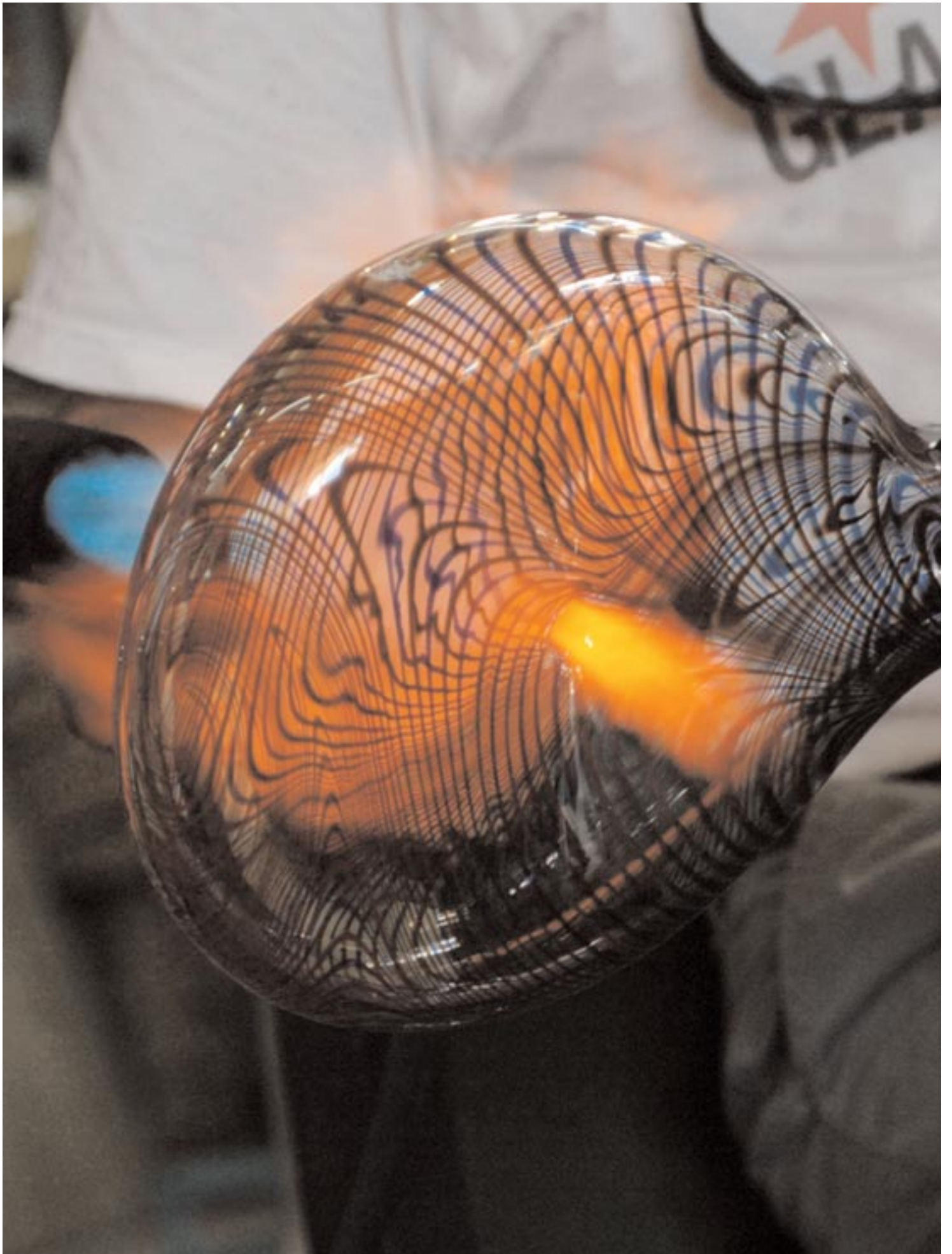
C FAKTORING, OUR BANK'S PRINCIPAL STOCKHOLDER, IS THE BIGGEST FACTORING COMPANY IN TURKEY IN TERMS OF PAID IN CAPITAL AND IS THE ONLY TURKISH FACTORING COMPANY TO OWN A BANK.

IN AN ENVIRONMENT OF TOUGH COMPETITION AND LOW PROFIT MARGINS, THE PRIORITIES OF C FAKTORING ARE COST MANAGEMENT AND EFFICIENCY. IN LINE WITH THIS, THE COMPANY'S MARKETING STRATEGIES ARE FOCUSED ON RESULTS. C FAKTORING DOES NOT SEEK TO WORK WITH A LARGE NUMBER OF CUSTOMERS FROM MANY DIFFERENT SECTORS BUT RATHER DEVELOPS LONG-TERM AND MUTUALLY BENEFICIAL BUSINESS RELATIONSHIPS WITH REPUTABLE COMPANIES IN TARGETED SECTORS.

AS A RESULT OF ITS SUCCESSFUL MARKETING ACTIVITIES, C FAKTORING HAS BUILT UP AN EXTENSIVE CUSTOMER BASE IN TURKEY'S LEADING INDUSTRIAL AND COMMERCIAL CENTERS. C FAKTORING BOOKED A TURNOVER OF US\$ 110 MILLION IN 2004, MAINLY FROM DOMESTIC FACTORING.

SHARING THE SAME BUSINESS CULTURE AND PHILOSOPHY, C FAKTORING AND C BANK TOGETHER CREATE EXCELLENT SYNERGIES AND COOPERATION IN THE FINANCIAL SERVICES THAT ARE OFFERED TO THEIR CUSTOMERS.





INVESTING OUR RELATIONSHIPS WITH UNIQUE AND VALUE-CREATING APPROACHES



ÇEŞMİBÜLBÜL IS A HIGHLY SKILLED TECHNIQUE.

EACH STAGE OF THE FORMATION OF THE VESSEL IS CARRIED OUT IN STRICT SEQUENCE, AND MUST BE COMPLETED IN A VERY SHORT TIME. THE TECHNIQUE MAY NOT DIFFER, BUT EACH CRAFTMAN' S APPROACH TO IT WILL BE DIFFERENT (STYLE).

THERE IS ALSO NO ROOM FOR ERROR WITH THIS TECHNIQUE. ONCE AN ERROR HAS BEEN MADE, IT IS ALMOST IMPOSSIBLE TO CORRECT IT, SO ALL THE TECHNICAL RULES OF GLASSMAKING MUST BE CARRIED OUT TO THE LETTER WITH GREAT PRECISION.

BOARD OF DIRECTORS

HASAN AKÇAKAYALIOĞLU CHAIRMAN

AHMET KURUTLUOĞLU VICE CHAIRMAN

İMRE BARMANBEK MEMBER

THEODOOR JOSEPH BARK MEMBER

CAN KARAŞIKLI MEMBER

OKAN BALKÖSE MEMBER & GENERAL MANAGER



OKAN BALKÖSE
GENERAL MANAGER



CAN KARAŞIKLI
EXECUTIVE DIRECTOR
RISK MANAGEMENT



KILIÇ ASLAN GEDİK
ASSISTANT GENERAL MANAGER
CREDITS



ATASEL TUNCER
ASSISTANT GENERAL MANAGER
HUMAN RESOURCES & TECHNOLOGY



KADİR ÇEVİK
ASSISTANT GENERAL MANAGER
CORPORATE BANKING



AYŞE MURADOĞLU
MANAGER
OPERATIONS



MEHMET YALÇIN
MANAGER
FINANCIAL CONTROL



METİN TOPÇUOĞLU
MANAGER
ACCOUNTING



SELÇUK MURAT ÖZKEFELİ
HEAD OF TREASURY



BUĞRA KAYRA
HEAD OF FINANCIAL INSTITUTIONS



UFUK DİNÇ
MANAGER
HUMAN RESOURCES &
TECHNOLOGY

AUDITORS' REPORT

FOR THE COMPLETE VERSION OF C BANK'S 2004 AUDITORS' REPORT AND FINANCIAL STATEMENTS PLEASE VISIT WWW.CBANK.COM.TR/ENG

To the Board of Directors of
C KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

We have audited the accompanying consolidated balance sheet of C Kredi ve Kalkınma Bankası Anonim Şirketi (the Bank - a Turkish corporation) and its subsidiaries (collectively the Group) as of December 31, 2004 and the related consolidated income, changes in equity and cash flow statements for the year then ended, all expressed in the equivalent purchasing power of Turkish lira as of December 31, 2004. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 consolidated financial statements are free of material misstatement. An audit also includes examining, on a test basis evidence supporting the amounts and disclosures in the consolidated 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.

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2004 and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.



February 14, 2005
Istanbul, Turkey

C KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET

As at December 31, 2004

(Currency - In billions of Turkish Lira, in equivalent purchasing power at December 31, 2004)

ASSETS	Notes	2004	2003
Cash and balances with Central Bank	3	36	18
Deposits with banks and other financial institutions	3	13,732	10,354
Other money market placements	3	5,518	3,147
Reserve deposits at the Central Bank	4	9,168	5,398
Investments in securities	5	8,410	4,910
Receivables from customers due to brokerage activities		3,419	852
Originated loans and advances	6	65,088	84,853
Minimum lease payments receivable	7	36,584	15,165
Derivative financial instrument assets	16	386	574
Premises and equipment	9	2,102	3,309
Intangible assets	10	2,262	718
Prepayments and other assets	11, 15	2,333	1,159
Deferred tax asset	15	593	-
Total assets		149,631	130,457
LIABILITIES AND EQUITY			
Other money market deposits	12	4,295	525
Funds borrowed	13	36,079	33,693
Derivative financial instrument liabilities	16	8	135
Other liabilities and provisions	14	30,272	27,392
Income taxes payable	15	51	647
Deferred tax liability	15	-	397
Total liabilities		70,705	62,789
Equity			
Share capital	17	67,732	76,975
Unrealized gains (losses)		97	137
Legal reserves and accumulated deficit	18	11,097	(9,444)
Total equity		78,926	67,668
Total liabilities and equity		149,631	130,457

C KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ

CONSOLIDATED INCOME STATEMENT

C BANK ANNUAL_REPORT_2003
38_39

For the year ended December 31, 2004

(Currency - In billions of Turkish Lira, in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003
Interest income			
Interest income on originated loans and advances		18,145	11,678
Interest on securities		1,397	2,275
Interest on deposits with banks and other financial institutions		1,446	3,024
Interest on other money market placements		929	2,818
Leasing interest income		2,120	419
Other interest income		582	94
Total interest income		24,619	20,308
Interest expense			
Interest on banking deposits		-	(1)
Interest on other money market deposits		-	(81)
Interest on funds borrowed		(2,175)	(767)
Other interest expense		(1,459)	(446)
Total interest expense		(3,634)	(1,295)
Net interest income		20,985	19,013
Provision for possible loan and lease receivable losses, net of recoveries	6	(185)	(2,188)
Foreign exchange gain, net		1,530	65
Net interest income after foreign exchange gain and provision for possible loan and lease receivable losses		22,330	16,890
Other operating income			
Fees and commissions income on loans		4,820	1,470
Commission income on brokerage activities, net		2,304	818
Trading income		130	1,858
Other income	21	336	2,664
Total other operating income		7,590	6,810
Other operating expenses			
Salaries and employee benefits	20	(5,134)	(2,947)
Depreciation and amortization	9,10	(623)	(476)
Fees and commission expenses		(302)	(852)
Taxation other than on income		(534)	(1,324)
General and administrative expenses	21	(3,949)	(2,396)
Other expenses	21	(395)	(1,367)
Total other operating expense		(10,937)	(9,362)
Profit from operating activities before income tax and monetary loss		18,983	14,338
Income tax credit (provision)	15	641	(2,996)
Monetary loss		(8,326)	(1,988)
Net income		11,298	9,354

C KREDİ VE KALKINMA BANKASI ANONİM ŞİRKETİ
CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2004

(Currency - In billions of Turkish Lira, in equivalent purchasing power at December 31, 2004)

	2004	2003
Cash flows from operating activities		
Interest received	24,808	19,854
Interest paid	(3,498)	(669)
Fees and commissions received	7,124	2,288
Trading income	130	1,858
Fees and commissions paid	(302)	(852)
Cash payments to employees and other parties	(5,106)	(2,947)
Cash received from other operating activities	336	2,270
Cash paid for other operating activities	(4,878)	(8,722)
Income taxes paid	(1,498)	(2,083)
Cash flows from operating activities before changes in operating assets and liabilities	17,116	10,997
Changes in operating assets and liabilities		
Receivables from customers due to brokerage activities	(2,671)	-
Originated loans and advances	9,090	(80,653)
Reserve deposit	(4,404)	(5,386)
In minimum lease payments receivable	(23,263)	(14,844)
Other assets	(5)	2,416
Other money market deposits	3,834	-
Other liabilities	6,066	(9,130)
Net cash from operating activities	5,763	(96,600)
Cash flows from investing activities		
Purchase of available-for-sale securities	(8,074)	(852)
Proceeds from of available-for-sale securities	3,978	
Purchase of premises and equipment	(866)	(9,434)
Proceeds from sale of premises and equipment	1,479	7,023
Purchase of intangibles	(1,678)	(674)
Net cash (used in) investing activities	(5,161)	(3,937)
Cash flows from financing activities		
Proceeds from issuance of share capital	-	44,963
Proceeds from funds borrowed	35,332	33,461
Repayments of funds borrowed	(29,374)	-
Dividends paid	-	-
Net cash provided by financing activities	5,958	78,424
Effect of net foreign exchanges and monetary difference on monetary transactions	852	(3,937)
Net increase in cash and cash equivalents	6,560	(22,113)
Cash and cash equivalents at beginning of year	11,874	39,569
Cash and cash equivalents at end of year	19,286	13,519



CBANK
C Kredi ve Kalkınma Bankası A.Ş.

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