

**GSD Holding  
Anonim Őirketi**

**Consolidated Financial Statements  
With Report of Independent Auditors  
December 31, 2004**

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To the Board of Directors of  
GSD Holding Anonim Şirketi :

We have audited the accompanying consolidated balance sheet of GSD Holding Anonim Şirketi (the Company) and its subsidiaries 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 New Turkish Lira (YTL) as of December 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 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.

We did not audit the financial statements of GSD International Limited, a consolidated subsidiary whose statements reflect total assets of USD 5,047,142 and net income of USD 256,207 as of and for the year ended December 31, 2004. Those statements were audited by other auditors whose report was furnished to us and our opinion expressed herein so far as it relates to the amounts included for GSD International Limited, is based solely on the report of the other auditors.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GSD Holding Anonim Şirketi as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Ernst & Young*

April 8, 2005  
İstanbul, Türkiye

## GSD Holding Anonim Şirketi

### CONSOLIDATED BALANCE SHEET

As at December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003
<b>ASSETS</b>			
Cash and balances with the Central Bank	4	164,277	249,324
Deposits with banks and other financial institutions	4	77,447	24,982
Other money market placements	4	17,510	65,673
Reserve deposits at the Central Bank	5	69,212	88,514
Trading securities	6	112,071	88,476
Available for sale securities		249	-
Originated loans and advances, net	7	871,847	752,311
Factoring receivables, net	8	94,355	113,528
Minimum lease payment receivable, net	9	31,726	47,724
Trade receivables		164,692	205,942
Derivative financial instruments	17	2,506	3,753
Unconsolidated associates		539	475
Property and equipment, net	10	74,524	81,508
Intangibles, net	11	2,393	4,515
Deferred tax asset	16	18,692	24,616
Other assets	12	46,912	53,391
<b>Total assets</b>		<b>1,748,952</b>	<b>1,804,732</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from other banks	13	21,570	8,621
Customers' deposits	13	805,415	879,687
Payables due to money market transactions	13	129,803	130,853
Funds borrowed	14	324,567	274,687
Factoring payables	8	24,819	31,481
Trade payables		180,071	210,848
Derivative financial instruments	17	2,351	1,187
Other liabilities and provisions	15	34,627	47,733
Income taxes payable	16	1,073	3,189
Deferred tax liability	16	-	-
<b>Total liabilities</b>		<b>1,524,296</b>	<b>1,588,286</b>
<b>Minority interest</b>	18	<b>45,427</b>	<b>46,413</b>
<b>Equity</b>			
Paid-in share capital	19	165,986	128,616
Share premium	20	4,287	8,714
Currency translation differences		(238)	(240)
Unrealized gain		15	-
Legal reserves and retained earnings	20	9,179	32,943
<b>Total equity</b>		<b>179,229</b>	<b>170,033</b>
<b>Total liabilities and equity</b>		<b>1,748,952</b>	<b>1,804,732</b>

The accompanying policies and explanatory notes on pages 6 through 42 form an integral part of the consolidated financial statements.

# GSD Holding Anonim Şirketi

## CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003
<b>Interest income</b>			
Interest on originated loans and advances		127,288	173,822
Interest on securities		27,264	33,830
Interest from banks		2,430	6,890
Interest on financial leases		5,014	7,685
Factoring interest income		21,263	38,387
Other interest income		2,663	7,811
<b>Total interest income</b>		<b>185,922</b>	<b>268,425</b>
<b>Interest expense</b>			
Interest on deposits		(51,830)	(77,755)
Interest on money market transactions		(28,937)	(46,665)
Interest on funds borrowed		(23,941)	(30,165)
Other interest expense		(182)	(311)
<b>Total interest expense</b>		<b>(104,890)</b>	<b>(154,896)</b>
<b>Net interest income</b>		<b>81,032</b>	<b>113,529</b>
Provision for possible loan, lease and factoring receivables losses		(3,304)	(699)
Foreign exchange gain, net		4,535	9,790
<b>Net interest income after foreign exchange gain and provision for possible loan, lease and factoring receivables losses</b>		<b>82,263</b>	<b>122,620</b>
Sales		1,179,978	1,455,570
Cost of sales		(1,179,738)	(1,455,798)
<b>Gross profit /(loss)</b>		<b>240</b>	<b>(228)</b>
<b>Net interest income after foreign exchange gain, provision for possible loan, lease and factoring receivables losses and gross profit / (loss)</b>		<b>82,503</b>	<b>122,392</b>
<b>Other operating income</b>			
Fees and commissions income		22,020	17,977
Income from banking services		5,995	5,687
Trading income from capital market transactions, net		5,304	7,436
Other income	24	6,109	10,811
<b>Total other operating income</b>		<b>39,428</b>	<b>41,911</b>
<b>Other operating expense</b>			
Fees and commissions expense		(4,431)	(2,971)
Salaries and other employee benefits	23	(40,878)	(37,472)
Depreciation and amortization		(9,441)	(11,458)
Taxes other than on income		(1,954)	(2,162)
Other expenses	24	(31,325)	(28,605)
<b>Total other operating expense</b>		<b>(88,029)</b>	<b>(82,668)</b>
<b>Profit from operating activities before income tax, monetary loss and minority interest</b>		<b>33,902</b>	<b>81,635</b>
Income tax	16	(7,355)	(15,140)
Monetary loss		(15,135)	(15,265)
<b>Net profit from ordinary activities before minority interest</b>		<b>11,412</b>	<b>51,230</b>
Minority interest		(2,233)	(8,629)
<b>Net profit</b>		<b>9,179</b>	<b>42,601</b>
Weighted average number of shares	21, 28	80,000,000,000	80,000,000,000
Earnings per thousand shares (in full New Kuruş)		11	53

The accompanying policies and explanatory notes on pages 6 through 42 form an integral part of the consolidated financial statements.

**GSD Holding Anonim Şirketi**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

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

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

	Paid-in share capital	Adjustment to share capital due to inflation accounting	Share premium	Unrealized gain	Currency translation differences	Legal reserves and retained earnings	Total
At January 1, 2003	43,000	85,616	8,714	-	(480)	(9,658)	127,192
Currency translation differences	-	-	-	-	240	-	240
Net profit for the year	-	-	-	-	-	42,601	42,601
<b>At December 31, 2003</b>	<b>43,000</b>	<b>85,616</b>	<b>8,714</b>	<b>-</b>	<b>(240)</b>	<b>32,943</b>	<b>170,033</b>
Share capital increase							
- Share premium	2,256	155	(2,411)	-	-	-	-
- Extra-ordinary reserves	32,706	2,253	-	-	-	(34,959)	-
- Adjustments due to inflation accounting	2,038	(2,038)	-	-	-	-	-
Transfer to retained earnings	-	-	(2,016)	-	-	2,016	-
Unrealized gain on available for sale securities	-	-	-	15	-	-	15
Currency translation differences	-	-	-	-	2	-	2
Net profit for the year	-	-	-	-	-	9,179	9,179
<b>At December 31, 2004</b>	<b>80,000</b>	<b>85,986</b>	<b>4,287</b>	<b>15</b>	<b>(238)</b>	<b>9,179</b>	<b>179,229</b>

The accompanying policies and explanatory notes on pages 6 through 42 form an integral part of the consolidated financial statements.

**GSD Holding Anonim Şirketi****CONSOLIDATED CASH FLOW STATEMENT****For the year ended December 31, 2004****(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)**

	2004	2003
<b>Cash flows from operating activities</b>		
Interest received	201,371	265,209
Interest paid	(104,407)	(156,815)
Fees and commissions received	22,020	17,977
Income from banking services	5,995	5,687
Trading income, net	5,304	7,436
Recoveries of loans previously written off	1,240	1,379
Fees and commissions paid	(4,431)	(2,971)
Cash payments to employees and other service providers	(40,305)	(36,338)
Cash received from other operating activities	5,705	4,229
Cash paid for other operating activities	(28,660)	(28,478)
Income taxes paid	(6,096)	(16,730)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>57,736</b>	<b>60,585</b>
<b>Changes in operating assets and liabilities</b>		
Net(increase)/ decrease in trading securities	(28,969)	103,334
Net decrease in deposits with banks and other financial institutions	4,194	3,482
Net decrease in reserve deposits at the Central Bank	19,351	512
Net (increase) / decrease in originated loans and advances	(132,612)	191,324
Net decrease in factoring receivables	19,054	3,128
Net (increase) / decrease in minimum lease payments receivable	15,758	(2,962)
Net decrease in other assets and trade receivables	46,543	13,118
Net increase / (decrease) in deposits from other banks	12,949	(12,845)
Net decrease in customers' deposits	(74,943)	(100,905)
Net (decrease) / increase in payables due to money market transactions	(1,050)	20,750
Net (decrease) / increase in factoring payables	(6,662)	2,399
Net decrease in other liabilities	(44,031)	(31,383)
<b>Net cash (used in) / provided by operating activities</b>	<b>(112,682)</b>	<b>250,537</b>
<b>Cash flows from investing activities</b>		
Purchases of available for sale securities	(228)	(3,090)
Proceeds from sale and redemption of available for sale securities	-	2,382
Purchases of property and equipment	(2,465)	(3,218)
Proceeds from the sale of property and equipment	360	545
Purchases of intangible assets	(244)	(770)
<b>Net cash used in investing activities</b>	<b>(2,577)</b>	<b>(4,151)</b>
<b>Cash flows from financing activities</b>		
Proceeds from funds borrowed	314,239	272,495
Repayments of funds borrowed	(264,171)	(258,681)
Dividends paid to minority shares	(3,225)	(484)
<b>Net cash provided by financing activities</b>	<b>46,843</b>	<b>13,330</b>
Foreign exchange gain / (loss) and monetary loss on cash and cash equivalents	(8,141)	(106)
Net increase in cash and cash equivalents	(76,557)	259,610
Cash and cash equivalents at beginning of year	329,004	69,394
<b>Cash and cash equivalents at end of year</b>	<b>252,447</b>	<b>329,004</b>

The accompanying policies and explanatory notes on pages 6 through 42 form an integral part of the consolidated financial statement.

## **GSD Holding Anonim Şirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### **1. CORPORATE INFORMATION**

##### **General**

GSD Holding Anonim Şirketi (the Company) was established in Istanbul in 1986. The registered office address of the Company is Aydınevler Mah. İnönü Cad. Gökçe Sok. GSD Binası No:14, 34854 Maltepe, İstanbul, Turkey. The Company's shares are quoted on the İstanbul Stock Exchange since November 11, 1999.

Shares of two consolidated subsidiaries, namely Tekstil Bankası A.Ş. and Tekstil Finansal Kiralama A.Ş. are quoted on the İstanbul Stock Exchange with public ownership of 25.19% (2003- 17.71%) and 43.97% (2003- 43.24%), respectively.

The consolidated financial statements of the Company are authorized for issue by the management on April 8, 2005. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue. %81.60 of the Company's shares are publicly owned.

##### **Nature of Activities of the Company and the Consolidated Group Companies**

For the purposes of the consolidated financial statements, the Company and its consolidated subsidiaries are referred to as "the Group".

The Company is an holding entity; investing in companies in different sectors, realizing the establishment and participating in the management of those companies.

The operations of the consolidated Group companies consist of corporate banking and fund management, retail banking and credit card transactions, factoring, financial leasing and intermediary foreign trade transactions.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Preparation**

The consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standard Board (IASB). The consolidated financial statements have been prepared on an historical cost convention except for the measurement at fair value of derivative financial instruments, trading securities, available-for-sale financial assets and assets held for sale.

The Company and its subsidiaries which were incorporated in Turkey, maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Banking Law, Turkish Commercial Code and Tax Legislation. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their measurement currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements were prepared from statutory financial statements of the Company and its subsidiaries and presented in accordance with IFRS in YTL with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise effects of restatement for the changes in the general purchasing power of YTL, deferred taxation and employee termination benefits.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Functional and Presentation Currency

###### *Functional Currency for the Company and Its Subsidiaries Incorporated in Turkey:*

As a result of a long period of high inflation, the Turkish Lira (TL) has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted in January 31, 2004 to introduce Yeni Türk Lirası (New Turkish Lira, YTL), the new currency unit for the Republic of Turkey. Conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 throughout the period until complete phase-out of TL.

Accordingly the Company's functional and presentation currency as of December 31, 2004 is YTL and comparative figures for the prior year(s) have also been presented in YTL, using the conversion rate of TL1,000,000 / YTL=1.00 and TL 10,000 / Yeni Kuruş=1.00.

The restatement for the changes in the general purchasing power of YTL as of December 31, 2004 is based on IAS 29- Financial Reporting in Hyperinflationary Economies.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. As of December 31, 2004, the three year cumulative rate has been 69.7% (2003 - 181%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics.

Such index and conversion factors as of the end of the three year period ended December 31, 2004 are given below:

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

The main guidelines for the above mentioned restatement are as follows :

- the financial statements of December 31, 2003, including monetary assets and liabilities reported therein are restated in their entirety to the measuring unit current at December 31, 2004,
- monetary assets and liabilities reported in the consolidated balance sheet as of December 31, 2004 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date,
- the inflation adjusted share capital was derived by indexing cash contributions and share premiums from the collection date and, transfers from statutory retained earnings and income from sale of equity investments transferred to share capital from the date the share capital increase was registered,
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity are restated by applying the relevant conversion factors,

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the effect of general inflation on the net monetary position is included in the income statement as monetary gain (loss),
- all items in the income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets.

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Group could realize or settle the same values of assets and liabilities as indicated in the consolidated balance sheets. Similarly, it does not necessarily mean that the Group could return or settle the same values of equity to its shareholders.

#### Functional Currencies of Foreign Subsidiaries

	Local Currency	Functional Currency
GSD International Ltd.	GBP	USD
The Euro Textile Bank Offshore Ltd.	TL	USD

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2004 and are prepared according to the basis set below:

- i) The balance sheets and the income statements of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related shareholders' equity accounts. Intercompany transactions and balances between the Company and the subsidiaries and unrealized gains or losses on these transactions are eliminated,
- ii) Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances,
- iii) Subsidiaries' financial results are included in the consolidated financial statements from the date of transfer of the subsidiary control to the company,
- iv) The equity and net income attributable to minority shareholders' interests, are shown separately in the consolidated balance sheets and consolidated income statements (Note18).

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated subsidiaries and the Group's shareholding percentages at December 31, 2004 and 2003 are as follows:

Subsidiaries	Location	Principal Activities	Effective Shareholding and Voting Rights (%)	
			2004	2003
Tekstil Bankası A.Ş.	Turkey	Banking	74.79	74.79
GSD Yatırım Bankası A.Ş.	Turkey	Banking	100.00	100.00
GSD Dış Ticaret A.Ş.	Turkey	Intermediary Foreign Trade	100.00	100.00
GSD Factoring Hizmetleri A.Ş.	Turkey	Factoring	100.00	100.00
Tekstil Finansal Kiralama A.Ş.	Turkey	Financial Leasing	54.45	54.45
The Euro Textile Bank Offshore Limited (ETB)	Cyprus	Banking	74.79	74.79
Tekstil Menkul Değerler A.Ş.	Turkey	Brokerage Firm	74.78	74.78
GSD International Limited	Isle of Man/England	Investment	100.00	100.00
Tekstil Factoring Hizmetleri A.Ş.	Turkey	Factoring	89.08	89.08

(\*) As described in Note 28, on December 31, 2004 Tekstil Factoring Hizmetleri A.Ş. purchased 100% of the shares of GSD Factoring Hizmetleri A.Ş. from GSD Holding A.Ş. The necessary approvals regarding the acquisition have not been obtained as of the issuance date of the financial statements and therefore the transaction has not been recognized in the consolidated financial statements.

The subsidiaries which are not included in consolidation and their shareholding percentages at December 31, 2004 and 2003 are as follows:

Subsidiaries	Location	Principal Activities	Effective Shareholding and Voting Rights (%)	
			2004	2003
Tekstil Bilişim Hizmetleri A.Ş.	Turkey	IT	74.78	74.78
GSD Eğitim Vakfı	Turkey	Foundation	100.00	100.00
GSD Sigorta Aracılık Hizmetleri A.Ş.	Turkey	Insurance	90.89	90.89

The Company owns more than 50% of the voting rights of above detailed subsidiaries. These companies are not consolidated and carried at cost net of provision for impairment, if any, classified in the "unconsolidated associates" caption in the financial statements since the volume of transactions of the companies are limited and total asset, revenue and off balance sheet items of those subsidiaries are immaterial.

#### Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Company as of respective year-ends are as follows:

Dates	YTL / EUR	YTL / USD
December 31, 2003	1.745072	1.395835
December 31, 2004	1.826800	1.342100

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The monetary and non monetary assets and liabilities of foreign subsidiary ETB and monetary assets and liabilities of GSD International LTD. are translated at the rate of exchange ruling at the balance sheet date. The income statement items are translated by the year-end exchange rates, which is considered as a proxy to restate such income statement amounts at year-end purchasing power of YTL. Differences resulting from the deviation between the inflation rate and the appreciation of foreign currencies against the YTL related to equity accounts of ETB were taken to equity as a translation gain/(loss). GSD International Limited, which is another foreign subsidiary, is considered as an integral operation and the foreign currency difference resulting from the translation of equity items to YTL is booked in the monetary gain/(loss) account in the income statement.

On disposal of a foreign entity, accumulated exchange differences are recognized in the income statement as a component of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction and restated thereafter.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the useful life of the assets as follows :

	Years
Building	50
Furniture and office equipment	3 - 10
Vehicles	5
Leasehold improvement	Lease term, not less than 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. Impairment losses are recognized in the income statement.

#### Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable active market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortized on a straight-line basis over 3 to 15 years.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, they are evaluated again for the impairment and impairment changes are recognized in income statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recognition and Derecognition of Financial Instruments**

The Group recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of a financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. The Group derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

**Investments**

The Group classifies its securities portfolio into three categories:

***Trading securities***

Trading securities are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists.

All trading securities are initially recognized at cost at the acquisition date, being the fair value of the consideration given and including acquisition charges associated with the trading securities.

After initial recognition, trading securities are remeasured at fair value based on quoted bid prices. All related income and loss for fair value accounting is recognized in the income statement.

Interest earned on trading securities is recorded as interest income. Dividends received is included in dividend income.

***Loans originated by bank and loans given to the Treasury***

Debt securities that are purchased from government at original issuance and not classified as trading are classified as originated loans and advances. These securities are carried at amortized cost using the effective yield method less any impairment in value after initial recognition.

***Available for sale securities***

All available for sale securities are initially recognized at cost at the acquisition date, being the fair value of the consideration given and including acquisition charges associated with the available for sale securities. For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment, if any.

After initial recognition, available for sale securities are carried at fair value. Gains or losses on remeasurement to fair value are recognized in equity until its sold.

Interest earned on available for sale investments is recorded as interest income. Dividends received and foreign exchange gains / (losses) are included in dividend income and foreign exchange gain/(loss) accounts in the income statement.

## **GSD Holding Anonim Şirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Repurchase and Resale Transactions**

The Group enters into short-term sale and repurchase agreements on securities. Such securities, which have been sold subject to a repurchase agreement, continue to be recognized in the balance sheet and are measured in accordance with the accounting policy of trading securities or originated loans and advances. The counterparty liability for amounts received under these agreements is included in payables due to money market transactions. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repurchase agreements) are not recognized in the balance sheet, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

##### **Cash and Cash Equivalents**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with central banks, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less. Cash equivalents comprise highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less.

##### **Originated Loans and Advances Given to the Customers**

Loans and advances originated by the Group by providing money directly to the borrower are categorized as loans and advances originated by the Group and are carried at amortized cost less specific or general loan loss reserves and loans written off. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognized when cash is advanced to borrowers.

##### **Provisions for Possible Loan Losses**

Based upon its evaluation of credits granted, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in the Group's loan and receivable portfolio and losses under guarantees and commitments. If there is objective evidence that the Group will not be able to collect all amounts due (principal and interest) according to original contractual terms of the loan; such loans are considered impaired and classified as "loans in arrears". The amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and the fair value of collateral, if the loan is collateralized and foreclosure is probable.

Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant, and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired.

The Group ceases to accrue interest on those loans that are classified as "loans in arrears" and for which the recoverable amount is determined primarily with reference to fair value of collateral.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a loan. Recoveries of loans written off in earlier periods are included in income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for loan losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

**Leases**

***Finance leases (the Group as lessor)***

The Group presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.

***Finance leases (the Group as lessee)***

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

***Operating leases (the Group as lessee)***

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental expense over the lease term on a straight-line basis.

**Provision for Finance Lease Receivables**

Based upon its evaluation, management estimates the total credit risk provision that it believes is adequate to cover uncollectible amounts in the Group's lease receivable portfolio and losses under guarantees and commitments. If there is objective evidence that the Group will not be able to collect all amounts due according to contractual terms of the lease; such receivables are considered as impaired. The amount of the loss is measured as the difference between the lease receivable's carrying amount and the expected future cash flows discounted at the lease receivables original effective interest rate or as the difference between the carrying value of the lease receivable and the fair value of collateral, if the receivable is collateralised and foreclosure is probable. Impairment and uncollectibility are measured and recognized individually for receivables that are individually significant, and on a portfolio basis for a group of similar receivables that are not individually identified as impaired.

The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for possible receivable losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

On the portfolio basis, management estimates that a 1.5% lump sum allowance over net investments in direct financing leases to third parties is adequate to cover future, potential or unforeseen uncollectible amounts in rentals receivable.

**Factoring Receivables, Factoring Payables and Provision for Impairment**

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for factoring receivable losses. Factoring payables are recognized at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and then carried at amortized cost. If the net book value of a receivable is not collectible, impairment is measured for the factoring receivables. Provision for impairment is charged in the current period if the book value of an asset exceeds the collectible value of the asset. Write offs are charged against previously established allowances and reduce the principle amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

**Income Tax**

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from goodwill for which amortization is not deductible expense in determining taxable profit or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from negative goodwill which is treated as deferred income or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**Derivative Financial Instruments**

The Group enters into transactions on derivative instruments including forwards, swaps, futures and options in the foreign exchange and capital markets. These derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the balance sheet at cost and subsequently are remeasured at their fair value.

## **GSD Holding Anonim Şirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair values are obtained from quoted market prices, to the extent publicly available, discounted cash flows and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

##### **Fiduciary Assets**

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the consolidated financial statements, since such items are not treated as assets of the Group.

##### **Trade Receivables**

Trade receivables, which have a maximum 90 days terms, are recognized at original invoice amount and carried at amortized cost less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

##### **Deposits and Funds Borrowed**

Deposits and funds borrowed are initially recognized at cost. After initial recognition, all interest bearing liabilities are subsequently measured at amortized cost using effective yield method, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the income statement when the liability is derecognized or impaired. Borrowing costs are recognized as expenses in the period in which they are incurred.

##### **Long-Term Employee Benefits**

###### **(a) Long-Term Defined Benefit Plans**

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Group has reflected a liability calculated using the Projected Unit Credit Method and based upon estimated inflation rates and factors derived using the Group's experience of personnel completing their necessary service period and being eligible to receive such benefits and discounted by using the current market yield on government bonds at the balance sheet date. All actuarial gains and losses are recognized in the income statement.

###### **(b) Long-Term Defined Contribution Plans**

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

## **GSD Holding Anonim Şirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

##### **Trade Payables**

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gain or loss is recognized in the income statement when the liability is derecognized or impaired as well as through the amortization process.

##### **Income and Expense Recognition**

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income recognition is suspended when loans are overdue by more than 90 days and is excluded from interest income until received. Interest income includes coupon payments of available for sale securities and fixed rate marketable securities and interest income accrual on treasury bills.

Factoring commission income represents the upfront charge to the customer to cover the service given and the collection expenses incurred. Factoring commission is accounted for on cash basis.

Sales revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from rendering services is recognized by reference to the stage of completion when it can be measured reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

##### **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.

##### **Use of Estimates**

The preparation of the financial statements in conformity with IFRS 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 balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 3. SEGMENT INFORMATION

Segment information is prepared on the following bases:

##### *Business segments*

The Group conducts the majority of its business activities in the following areas:

##### Year ended December 31, 2004:

	Banking	Leasing	Factoring	Foreign Trade	Holding	Eliminations	Group
Net interest income	62,255	5,018	14,404	(150)	(495)	-	81,032
Provision for possible loan, lease and factoring receivables losses	(2,945)	(240)	(119)	-	-	-	(3,304)
Foreign exchange gain, net	3,503	922	123	(17)	4	-	4,535
Gross sale profit; net	-	-	-	240	-	-	240
Other operating income (external)	32,704	833	1,246	4,530	115	-	39,428
Other operating income (inter segment)	1,052	19	-	33	1,783	(2,887)	-
Other operating expense (external)	(73,631)	(2,416)	(5,577)	(2,941)	(3,464)	-	88,029
Other operating expense (inter segment)	(817)	(819)	(609)	(526)	(116)	2,887	-
<b>Profit from operating activities, net</b>	<b>22,121</b>	<b>3,317</b>	<b>9,468</b>	<b>1,169</b>	<b>(2,173)</b>	<b>-</b>	<b>33,902</b>
Income tax	(4,126)	-	(2,123)	(1,106)	-	-	(7,355)
Monetary (loss)/gain	(9,218)	(2,608)	(5,323)	831	1,183	-	(15,135)
Minority interest	(1,597)	(468)	(168)	-	-	-	(2,233)
<b>Net profit/(loss)</b>	<b>7,180</b>	<b>241</b>	<b>1,854</b>	<b>894</b>	<b>(990)</b>	<b>-</b>	<b>9,179</b>
<b>Total assets</b>	<b>1,462,417</b>	<b>38,026</b>	<b>101,517</b>	<b>204,275</b>	<b>21,033</b>	<b>(78,316)</b>	<b>1,748,952</b>
<b>Total liabilities</b>	<b>1,288,560</b>	<b>16,655</b>	<b>74,493</b>	<b>201,501</b>	<b>21,573</b>	<b>(78,486)</b>	<b>1,524,296</b>

##### Year ended December 31, 2003

	Banking	Leasing	Factoring	Foreign Trade	Holding	Eliminations	Group
Net interest income	83,315	6,233	29,613	(5,097)	(535)	-	113,529
Provision for possible loan, lease and factoring receivables losses	25	(220)	(504)	-	-	-	(699)
Foreign exchange gain, net	8,440	495	83	-	772	-	9,790
Gross sale loss, net	-	-	-	(228)	-	-	(228)
Other operating income (external)	30,557	403	1,602	3,969	5,380	-	41,911
Other operating income (inter segment)	1,432	19	-	204	1,895	(3,550)	-
Other operating expense (external)	(70,550)	(2,291)	(4,384)	(2,040)	(3,403)	-	(82,668)
Other operating expense (inter segment)	(920)	(1,112)	(741)	(608)	(169)	3,550	-
<b>Profit/(loss) from operating activities</b>	<b>52,299</b>	<b>3,527</b>	<b>25,669</b>	<b>(3,800)</b>	<b>3,940</b>	<b>-</b>	<b>81,635</b>
Income tax	(7,614)	422	(7,948)	-	-	-	(15,140)
Monetary (loss)/gain	(9,465)	(4,351)	(6,335)	3,349	1,537	-	(15,265)
Minority interest	(7,696)	161	(1,094)	-	-	-	(8,629)
<b>Net profit/(loss)</b>	<b>27,524</b>	<b>(241)</b>	<b>10,292</b>	<b>(451)</b>	<b>5,477</b>	<b>-</b>	<b>42,601</b>
<b>Total assets</b>	<b>1,415,225</b>	<b>55,812</b>	<b>114,675</b>	<b>233,009</b>	<b>926</b>	<b>(14,915)</b>	<b>1,804,732</b>
<b>Total liabilities</b>	<b>1,250,188</b>	<b>35,468</b>	<b>59,243</b>	<b>249,515</b>	<b>8,787</b>	<b>(14,915)</b>	<b>1,588,286</b>

##### *Geographical segments*

Because the Group conducts the majority of its business activities in Turkey, no geographical segment report is prepared.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 4. CASH AND CASH EQUIVALENTS

	2004	2003
Cash on hand	9,095	10,635
Balances with the Central Bank	155,182	238,689
<b>Cash and balances with the central banks</b>	<b>164,277</b>	<b>249,324</b>
<b>Deposits with banks and other financial institutions</b>	<b>77,447</b>	<b>24,982</b>
Other money market placements	17,510	65,673
<b>Other money market placements</b>	<b>17,510</b>	<b>65,673</b>
<b>Cash and cash equivalents in the balance sheet</b>	<b>259,234</b>	<b>339,979</b>
Less : Time deposits with original maturities of more than three months	(6,643)	(10,837)
Less: Income accruals	(144)	(138)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>252,447</b>	<b>329,004</b>

As of December 31, 2004 and 2003, interest range of deposits and placements are as follows:

	2004				2003			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency
Balances with central banks	17	155,165	13.04	1.04-0.99	28	238,661	18.81	0.93-0.53
Deposits with banks and other financial institutions	24,885	52,562	18.20-24.55	2.00-4.50	1,373	23,609	30.00	1.00-3.50
Funds lent under reverse repurchase agreements	-	-			20	-	16.00	
Interbank placements	17,510	-	18.08		65,653	-	26.00	
	<b>42,412</b>	<b>207,727</b>			<b>67,074</b>	<b>262,270</b>		

#### 5. RESERVE DEPOSITS AT THE CENTRAL BANK

	2004	2003
- YTL	13,186	11,680
- Foreign currency	56,026	76,834
	<b>69,212</b>	<b>88,514</b>

According to the regulations of the Central Bank of the Republic of Turkey (the Central Bank), banks are obliged to reserve a certain portion of their liability accounts as specified in the related decree. Such reserves are deposited with the Central Bank.

As of December 31, 2004 and 2003, reserve deposit rates applicable for YTL and foreign currency liability accounts are 6% and 11%, respectively.

As of December 31, 2004, the interest rates applied for YTL and foreign currency reserve deposits are 13.04% and 1.04% - 0.99% (2003 – 18.81% and 0.93% - 0.53%), respectively.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 6. INVESTMENTS IN SECURITIES

##### Trading Securities:

	2004		2003	
	Amount	Interest Rate %	Amount	Interest Rate %
<b>Debt instruments</b>				
Turkish government bonds (YTL)	96,877	15.90 – 26.02	68,074	25.51 – 26.47
Turkish treasury bills (YTL)	9,370	16.46 – 20.86	14,711	24.83 – 26.74
Eurobonds issued by the Turkish government	1,983	3.71 – 7.76	1,670	4.56 – 7.28
Foreign currency government bonds issued by Turkish government	908	3.48 – 3.82	1,249	1.95 – 2.06
	<b>109,138</b>		<b>85,704</b>	
<b>Others</b>				
Common stocks	2,447		2,250	
Investment Funds	486		522	
	<b>2,933</b>		<b>2,772</b>	
<b>Total trading securities</b>	<b>112,071</b>		<b>88,476</b>	

Carrying value of debt instruments given as collateral under repurchase agreements are:

	2004	2003
Trading securities	91,784	68,793
Originated loans and advances	32,877	66,018

As of December 31, 2004, the carrying value and the nominal amounts (in historical terms) of government securities kept in the Central Bank and in Istanbul Menkul Kıymetler Borsası Takas ve Saklama Bankası Anonim Şirketi (Istanbul Stock Exchange Clearing and Custody Incorporation) for legal requirements and as a guarantee for stock exchange and money market operations are YTL 17,350 and YTL 18,417 (2003 – YTL 8,962 and YTL 9,562), respectively.

#### 7. ORIGINATED LOANS AND ADVANCES

	2004					
	Amount			Effective interest rate (%)		
	YTL	Foreign currency	Foreign currency indexed	YTL	Foreign currency	Foreign currency indexed
Corporate loans	364,270	279,773	163,589	20.50 – 48.00	4.00 – 11.00	3.00 – 11.00
Loans to Treasury	-	-	38,108			12.00
Consumer loans	1,446	-	272	27.00 – 46.80		7.92 – 15.60
Credit cards	21,190	442	-	83.00	30.00	
<b>Total loans</b>	<b>386,906</b>	<b>280,215</b>	<b>201,969</b>			
Loans in arrears	10,457	-	-			
Less: Reserve for possible loan losses	(7,700)	-	-			
<b>Total</b>	<b>389,663</b>	<b>280,215</b>	<b>201,969</b>			

**GSD Holding Anonim Şirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

**7. ORIGINATED LOANS AND ADVANCES (continued)**

	2003					
	Amount			Effective interest rate (%)		
	YTL	Foreign currency	Foreign currency indexed	YTL	Foreign currency	Foreign currency indexed
Corporate loans	278,796	270,907	97,315	23.20-60.00	3.00-12.00	4.04-12.00
Loans to Treasury	-	5,011	85,413		8.26	10.18-10.52
Consumer loans	3,784	-	1,611	26.00-64.78		7.06-16.77
Credit cards	11,960	496	-	83.00	30.00	
<b>Total loans</b>	<b>294,540</b>	<b>276,414</b>	<b>184,339</b>			
Loans in arrears	2,952	171	-			
Less: Reserve for possible loan losses	(6,105)	-	-			
<b>Total</b>	<b>291,387</b>	<b>276,585</b>	<b>184,339</b>			

As of December 31, 2004, the collaterals obtained by the Company from some credit customers for cash and non-cash credits amount to YTL 254,760 (2003 - YTL 173,028) which consist of mortgages, letter of guarantees, guarantee notes and checks.

Movement in the reserve for possible loan losses is as follows:

	2004	2003
Reserve at the beginning of year	<b>6,105</b>	8,576
Recoveries	<b>(301)</b>	(3,333)
Provision for possible loan losses	<b>3,246</b>	3,286
Provision net of recoveries	<b>2,945</b>	(47)
Loans written off during the year	<b>(469)</b>	(1,029)
Monetary gain	<b>(881)</b>	(1,395)
<b>Reserve at the end of year</b>	<b>7,700</b>	6,105

As of December 31, 2004, loans and advances on which interest is not being accrued, amounted to YTL 10,458 (2003 - YTL 3,123).

**8. FACTORING RECEIVABLES AND PAYABLES**

	2004			
	Amount		Effective interest rate (%)	
	YTL	Foreign Currency	YTL	Foreign Currency
Open accounts	19,784	1,683	25.00 – 38.00	6.00 – 8.00
Checks receivable	72,958	-	25.00 – 38.00	
Notes receivable	-	-		
Doubtful factoring receivables	1,011	-		
<b>Total factoring receivables</b>	<b>93,753</b>	<b>1,683</b>		
Less: Reserve for possible factoring receivable losses	(1,081)	-		
<b>Factoring receivables, net</b>	<b>92,672</b>	<b>1,683</b>		
<b>Factoring payables</b>	<b>23,910</b>	<b>909</b>		
<b>Funds in use, net</b>	<b>68,762</b>	<b>774</b>		

**GSD Holding Anonim Şirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

**8. FACTORING RECEIVABLES AND PAYABLES (continued)**

	2003			
	Amount		Effective interest rate (%)	
	YTL	Foreign Currency	YTL	Foreign Currency
Open accounts	26,675	1,091	30.00-60.00	(*)
Checks receivable	84,439	-	30.00-60.00	
Notes receivable	1,280	-	30.00-60.00	
Doubtful factoring receivables	1,141	-	-	
<b>Total factoring receivables</b>	<b>113,535</b>	<b>1,091</b>		
Less: Reserve for possible factoring receivable losses	(1,098)	-		
<b>Factoring receivables, net</b>	<b>112,437</b>	<b>1,091</b>		
<b>Factoring payables</b>	<b>30,394</b>	<b>1,087</b>		
<b>Funds in use, net</b>	<b>82,043</b>	<b>4</b>		

(\*) As of December 31, 2003, all export factoring transactions were on a commission basis without bearing any interest.

Movement in the reserve for possible factoring receivable losses:

	2004	2003
Reserve at the beginning of year	<b>1,098</b>	642
Recoveries	<b>(50)</b>	(82)
Provision for possible factoring receivables losses	<b>169</b>	623
Provision net of recoveries	<b>119</b>	541
Monetary gain	<b>(136)</b>	(85)
<b>Reserve at the end of year</b>	<b>1,081</b>	1,098

**9. MINIMUM LEASE PAYMENT RECEIVABLES**

Gross investments in minimum lease payments receivables (MLPR):

	2004	2003
Less than one year	<b>24,703</b>	37,112
Between one year and five years	<b>12,627</b>	18,324
<b>Minimum lease payment receivables</b>	<b>37,330</b>	55,436
Less: Unearned interest income	<b>(4,208)</b>	(6,402)
Less: Allowance for doubtful MLPR	<b>(1,396)</b>	(1,310)
<b>Minimum lease payments receivable, net</b>	<b>31,726</b>	47,724

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 9. MINIMUM LEASE PAYMENTS RECEIVABLES (continued)

Net minimum lease payments receivables may be analyzed as follows:

	2004	2003
Less than 1 year	20,416	30,646
Between 1 year and 5 years	11,310	17,078
	<b>31,726</b>	<b>47,724</b>

As of December 31, 2004 the average effective interest rates are 10.68 % for USD, 10.74% for EUR and 29.21% for YTL denominated MLPRs, respectively (2003 – 12.17% for US\$, 12.07% for EUR, varies between 40% and 50% for YTL, respectively).

As of December 31, 2004, the collaterals obtained by the Company from certain lease customers in relation to minimum lease payments receivables amount to YTL 138,768 (in historical terms) (2003 - YTL 166,448) which consist of mortgages, letter of guarantees, guarantee notes and checks.

Movement in the allowance for doubtful MLPR:

	2004	2003
Reserve at the beginning of year	1,310	1,266
Allowance for doubtful MLPR	240	285
Recoveries	-	(79)
Provision net of recoveries	240	206
Monetary gain	(154)	(162)
Reserve at the end of year	<b>1,396</b>	<b>1,310</b>

#### 10. PROPERTY AND EQUIPMENT

	Buildings	Furniture and office equipment	Leasehold improvements	Motor vehicles	Leased assets	Total
<b>At January 1, 2004, net of accumulated depreciation</b>	<b>68,131</b>	<b>7,362</b>	<b>399</b>	<b>2,050</b>	<b>3,566</b>	<b>81,508</b>
<b>Additions</b>	-	473	25	1,548	419	2,465
<b>Disposals</b>	-	(222)	-	(56)	-	(278)
<b>Transfers</b>	-	-	70	(70)	-	-
<b>Impairment</b>	(2,096)	-	-	-	-	(2,096)
<b>Depreciation charge for the year</b>	<b>(1,480)</b>	<b>(3,608)</b>	<b>(161)</b>	<b>(774)</b>	<b>(1,052)</b>	<b>(7,075)</b>
<b>At December 31, 2004, net of accumulated depreciation</b>	<b>64,555</b>	<b>4,005</b>	<b>333</b>	<b>2,698</b>	<b>2,933</b>	<b>74,524</b>
At December 31, 2003						
Cost	73,836	49,645	777	5,001	5,239	134,498
Accumulated depreciation	(5,705)	(42,283)	(378)	(2,951)	(1,673)	(52,990)
Net carrying amount	68,131	7,362	399	2,050	3,566	81,508
<b>At December 31, 2004</b>						
Cost	71,740	49,622	872	5,284	5,658	133,176
Accumulated depreciation	(7,185)	(45,617)	(539)	(2,586)	(2,725)	(58,652)
Net carrying amount	64,555	4,005	333	2,698	2,933	74,524

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 10. PROPERTY AND EQUIPMENT (continued)

The movement in the impairment provision is as follows:

At January 1, 2004	-
Provision for impairment	2,096
<hr/>	
As of December 31, 2004	2,096

#### 11. INTANGIBLES

	Patents and Licenses
<b>At January 1, 2004, net of accumulated amortization</b>	<b>4,515</b>
<b>Additions</b>	<b>244</b>
<b>Disposals</b>	
<b>Amortization charge for the year</b>	<b>(2,366)</b>
<hr/>	
<b>At December 31, 2004, net of accumulated amortization</b>	<b>2,393</b>
<hr/>	
At December 31, 2003	
Cost	15,188
Accumulated amortization	(10,673)
<hr/>	
Net carrying amount	4,515
<hr/>	
<b>At December 31, 2004</b>	
<b>Cost</b>	<b>15,432</b>
<b>Accumulated amortization</b>	<b>(13,039)</b>
<hr/>	
<b>Net carrying amount</b>	<b>2,393</b>

#### 12. OTHER ASSETS

	2004	2003
Assets held for resale, net	22,544	27,368
Value added tax receivable	17,315	20,048
Prepaid expenses	2,128	913
Merchandise	1,137	1,510
Lease receivables	507	581
Other	3,281	2,971
<hr/>		
	<b>46,912</b>	<b>53,391</b>

Assets held for resale are stated at cost less reserve for impairment of YTL 6,925 (2003 – YTL 5,541) based on the valuations made by independent appraisal firms.

**GSD Holding Anonim Şirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

**12. OTHER ASSETS (continued)**

The movement in the impairment provision is as follows:

	<b>2004</b>	2003
At January 1, 2004	<b>5,541</b>	4,070
Provision for impairment	<b>1,384</b>	1,471
	<b>6,925</b>	5,541

**13. DEPOSITS**

Deposits from other banks

	2004				2003			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency
Demand	3	47	-	-	3	80	-	-
Time	21,520	-	20.02-21.52		8,538	-	29.67	
	<b>21,523</b>	<b>47</b>			<b>8,541</b>	<b>80</b>		

Customers' deposits

	2004				2003			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency
<b>Saving</b>								
Demand	6,824	31,013	-	-	4,214	29,527	-	-
Time	130,115	312,040	13.88-28.50		80,046	443,298	19.67-45.31	
	<b>136,939</b>	<b>343,053</b>			<b>84,260</b>	<b>472,825</b>		
<b>Commercial and other</b>								
Demand	52,376	94,639	-	-	56,052	54,416	-	-
Time	88,910	89,498	13.88-28.50		86,668	125,466	19.67-45.31	
	<b>141,286</b>	<b>184,137</b>			<b>142,720</b>	<b>179,882</b>		
	<b>278,225</b>	<b>527,190</b>			<b>226,980</b>	<b>652,707</b>		

**GSD Holding Anonim Şirketi**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

**13. DEPOSITS (continued)**

**Payables due to money market transactions**

	2004				2003			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency
<b>Obligations under repurchase agreements:</b>								
-Due to customers	2,440	-	17.34-22.07		1,782	-	24.60-27.10	
-Due to banks	127,363	-	19.12-19.70		126,225	-	29.66	
	<b>129,803</b>	-			<b>128,007</b>	-		
Interbank deposits	-	-			2,846	-	25.08-26.01	
	-	-			2,846	-		
	<b>129,803</b>	-			<b>130,853</b>	-		

**14. FUNDS BORROWED**

	2004				2003			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency	YTL	Foreign currency
<b>Short-term</b>								
Fixed interest	74,393	238,953	13.40 – 23.20	2.06 – 6.75	76,017	167,474	20.00-50.06	1.25-8.40
Floating interest	1,050	3,967	21.00 – 22.00	2.67 – 5.02	-	6,341		2.63-3.11
<b>Medium/long term</b>								
Fixed interest	-	5,597		2.06 – 2.99	-	19,848		1.29-8.40
Floating interest	-	607		2.71 – 2.80	-	5,007		2.63-2.95
	<b>75,443</b>	<b>249,124</b>			<b>76,017</b>	<b>198,670</b>		

Repayment schedule of medium/long term borrowings are as follows:

	2004		2003	
	Fixed rate	Floating rate	Fixed rate	Floating rate
2004	-	-	18,704	-
2005	940	-	750	4,430
2006	2,102	449	394	487
2007	2,555	158	-	90
<b>Total</b>	<b>5,597</b>	<b>607</b>	<b>19,848</b>	<b>5,007</b>

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 15. OTHER LIABILITIES AND PROVISIONS

##### Other Liabilities

	2004	2003
Payment orders	22,234	31,191
Taxes other than on income	5,303	5,049
Provision for long-term defined employee benefit	3,249	2,999
Other payables and accrued expenses	837	2,088
Other	3,004	6,406
	<b>34,627</b>	<b>47,733</b>

##### Long-term defined employee benefit

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of historical YTL 1,575 (full) at December 31, 2004 (2003- YTL 1,390 (full)) per year of employment at the rate of pay applicable at the date of retirement or termination. In the consolidated financial statements as of December 31, 2004, the Group reflected a liability calculated using the Projected Unit Credit method and based upon factors derived using their experience of personnel completing their necessary service period and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal actuarial assumptions used at the balance sheet date are as follows :

	2004	2003
Discount rate (%)	16	25
Expected rates of salary/limit increases (%)	10	18

Actuarial gains and losses are recognized in the income statement in the period they occur.

	2004	2003
January 1, 2004	2,999	2,358
Interest cost	191	165
Paid	(395)	(232)
Charge for the year, net	573	1,134
Monetary gain	(119)	(426)
<b>December 31</b>	<b>3,249</b>	<b>2,999</b>

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 16. INCOME TAXES

##### General Information

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey.

In Turkey, the corporation tax rate for the fiscal year ended December 31, 2004 is 33% (2003-30%). Effective January 1, 2005, the corporate tax rate will be 30%. Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 33% (2003-30%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from January 1, 2004, taxable income will be derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet will not be subject to corporation tax, and similarly accumulated deficits arising from such application will not be deductible for tax purposes. Moreover, accumulated tax loss carry-forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Effective from April 24, 2003, investment allowances provides a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand-new fixed assets having economic useful life and exceeding YTL 6,000 (full) and directly related with the production of goods and services. Investment allowance that arose prior to April 24, 2003 are taxed at 19.8% (withholding tax) unless they are converted to new type at companies' will. All investment allowances can be carried forward indefinitely.

10% withholding applies to dividends distributed by resident corporations to those who are not liable to income and corporation tax or exempt from income and corporation tax, resident or non-resident real persons and non-resident corporations (excluding those that acquire dividend through a registered office or a permanent representative in Turkey). Dividend distributions by resident corporations to resident corporations subject to corporation tax are not subject to withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate -entity basis.

Major components of income tax expense for the year ended 31 December are:

	2004	2003
<b>Consolidated income statement</b>		
<b>Current income tax</b>		
Current income tax charge	4,413	12,702
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	2,942	2,438
<b>Income tax per consolidated income statement</b>	<b>7,355</b>	<b>15,140</b>

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 16. INCOME TAXES (continued)

As of December 31, 2004 and 2003, prepaid income taxes are netted off with the current income tax liability as stated below :

	2004	2003
Income tax liability	4,267	12,368
Prepaid income tax	(3,194)	(9,179)
Income taxes payable, net	1,073	3,189

A reconciliation between income tax expense calculated by multiplying the net profit/(loss) from operating activities before income tax with the applicable income tax rate and the income tax expense in the consolidated income statement of the Group is as follows :

	2004	2003
Net profit/loss before income tax, monetary loss and minority interest	18,767	66,370
Corporate tax from applicable rate of 33% (2003 – 30%)	6,193	19,911
Non-deductible expenses	479	549
Income not subject to the tax	(561)	(213)
Utilization of tax loss carry forwards on which no tax asset recognized previously	(3,038)	(3,364)
Effect of the first time application of inflation accounting in statutory books	-	(8,142)
Net effect of change in tax rate	(294)	2,774
Other	4,576	3,625
	7,355	15,140

#### Deferred income tax

Deferred income tax at December 31, 2004 and 2003 relates to the following:

	2004	2003
<b>Deferred income tax liabilities</b>		
Effect of financial lease adjustment, depreciation and others	40	(32)
Gross deferred income tax liabilities	40	(32)
<b>Deferred income tax assets</b>		
Loss on valuation of marketable securities	801	1,733
Tax losses carried forward	16,800	21,971
Provision for loans	95	129
Provision for long-term defined employee benefits	1,007	735
Other	29	16
Gross deferred income tax assets	18,732	24,584
Deferred tax asset, net	18,692	24,616

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 16. INCOME TAXES (continued)

Movement in the net deferred tax asset can be presented as follows:

	2004	2003
Balance at January 1,	24,616	30,514
Deferred tax charge recognized in income statement	(2,942)	(2,438)
Monetary loss	(2,982)	(3,460)
<b>Balance at December 31</b>	<b>18,692</b>	<b>24,616</b>

Tekstil Bankası A.Ş. has tax loss carry forward at an amount of YTL 92,076 as of December 31, 2004 (2003 – YTL 108,859) which can be deducted from statutory taxable income. YTL 56,000 (2003 – YTL 73,237) of such amount was included in the calculation of deferred tax as of December 31, 2004.

Tekstil Finansal Kiralama A.Ş. did not recognize deferred tax asset amounting to YTL 15,732 (2003 – YTL 14,675) because of uncertainty on recoverability of this asset.

#### 17. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Company enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include forwards, swaps, futures and options.

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates as of December 31, 2004. Current market rates are considered to be the best estimate of the present value of forward exchange rates by the management due to their short-term nature.

	2004							
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years
<b>Derivatives held for trading</b>								
Forward purchase contract	80	1,456	79,146	44,252	29,626	5,268	-	-
Forward sale contract	1,641	116	79,451	44,392	30,362	4,697	-	-
Currency swap purchase	120	485	13,497	13,497	-	-	-	-
Currency swap sale	512	-	13,332	13,332	-	-	-	-
Futures purchase contract	61	-	37,080	-	37,080	-	-	-
Futures sales contract	6	256	37,359	-	37,359	-	-	-
Option purchase contract	86	38	26,888	26,888	-	-	-	-
Option sale contract	-	-	26,149	26,149	-	-	-	-
	2,506	2,351	312,902	168,510	134,427	9,965	-	-

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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#### 17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2003							
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 months	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years
<b>Derivatives held for trading</b>								
Forward purchase contract	404	229	81,515	63,895	13,160	4,460	-	-
Forward sale contract	900	286	76,602	63,683	12,919	-	-	-
Currency swap purchase	-	501	38,715	38,715	-	-	-	-
Currency swap sale	420	-	38,596	38,596	-	-	-	-
Futures purchase contract	2,029	171	94,989	-	94,989	-	-	-
Futures sales contract	-	-	93,303	-	93,303	-	-	-
Option purchase contract	-	-	4,827	4,827	-	-	-	-
Option sale contract	-	-	4,804	4,804	-	-	-	-
<b>Total</b>	<b>3,753</b>	<b>1,187</b>	<b>433,351</b>	<b>214,520</b>	<b>214,371</b>	<b>4,460</b>	<b>-</b>	<b>-</b>

#### 18. MINORITY INTEREST

Movement in the minority interest for the year ended December 31, 2004 can be presented as follows:

	2004	2003
<b>January 1</b>	<b>46,413</b>	38,187
Minority's share of profit/(loss) recognised in the income statement	2,233	8,629
Minority's share of profit/(loss) recognised in the equity	6	81
Dividends paid to minority	(3,225)	(484)
<b>December 31</b>	<b>45,427</b>	46,413

#### 19. SHARE CAPITAL

As of December 31, 2004, the Company's registered share capital is YTL 80,000,000 (full) (2003 – YTL 43,000,000 (full)) comprising 125,693.023 (A) type shares issued on the name, 125,693.023 (B) type shares issued on the name, 125,693.023 (C) type shares issued on the name and 79,999,622,920.931 (D) type shares issued on the bearer with New Kurus 0.1 par value.

As of December 31, 2004 and 2003, the composition of shareholders and their respective % of ownership can be summarized as follows:

	2004		2003	
	Percentage of ownership (%)	Amount (YTL)	Percentage of ownership (%)	Amount (YTL)
Shareholders				
Publicly owned	81.60	65,281	88.25	37,949
GSD Yatırım Bankası A.Ş.	3.37	2,694	3.37	1,448
GSD Dış Ticaret A.Ş.	0.84	670	0.34	145
GSD Eğitim Vakfı	0.46	366	0.46	197
M. Turgut Yılmaz	12.64	10,115	5.50	2,365
Diğer	1.09	874	2.08	896
	<b>100.00</b>	<b>80,000</b>	100.00	43,000
Restatement effect of inflation accounting	-	85,986	-	85,616
<b>Total</b>		<b>165,986</b>		128,616

## **GSD Holding Anonim Şirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

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#### **19. SHARE CAPITAL (continued)**

##### **Privileges**

(A) group share can only be transferred to (B) group shares and (B) group shares can only be transferred to (A) group shares.

(A) and (B) group shares cannot be transferred to the same group, to (C) &(D) group nor to the third parties.

The Company's board of directors consists of 9 members which are selected by the general assembly according to Turkish Commercial Code. 5 members of the board of directors are selected from the candidates of (A) group shareholders, 2 members from the candidates of (B) group shareholders and 2 members from the candidates of (C) group shareholders by the general assembly.

Auditors are selected from the candidates proposed by (A) group shareholders. The re-election of the auditors is possible.

The canceling of privileges given to (A) group shareholders is possible only with a quorum for meeting and decision of 51% of the (A) group shareholders, the quorum for decision being independent from the numbers of shareholders who attend to assembly.

The canceling of privileges given to (B) group shareholders is possible only with a quorum for meeting and decision of 51% of the (B) group shareholders, the quorum for decision being independent of the numbers of shareholders who attend to assembly.

The canceling of privileges given to (C) group shareholders is possible only with a quorum for meeting and decision of 51% of the (C) group shareholders, the quorum for decision being independent of the numbers of shareholders who attend to assembly.

#### **20. SHARE PREMIUMS, LEGAL RESERVES AND ACCUMULATED PROFITS**

##### **Legal Reserves**

The Company's statutory retained earnings consists of the ordinary reserves and the first and the second legal reserves.

Publicly held companies make their dividend appropriation in accordance with CMB regulations as follows:

The legal reserves consist of the first and the second legal reserves in accordance with the Turkish Commercial Code. 5% of statutory profits is appropriated as the first legal reserve until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The amount resulting from the first balancing transaction of inflation adjusted financial statements according to the Communiqué Serial: XI, No: 25 Section Fifteen, article 399 and booked in "accumulated deficit" has to be considered as a deductible amount when computing the distributable profit from the inflation adjusted financial statements regarding dividend appropriation according to CMB regulations. In addition to this, "accumulated deficit" amount can be netted off from the current year profit, if any, and retained earnings, the extraordinary reserves, legal reserves, and reserves arising from the restatement of equity accounts, respectively.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 20. SHARE PREMIUMS, LEGAL RESERVES AND ACCUMULATED PROFITS (continued)

Regarding the net profit for the year 2004 on the financial statements prepared in accordance with the Communiqué Serial: XI No: 25 or IFRS, dividend distribution of at least 30% (2003 - 20%) of the distributable profit is obligatory. This distribution will be made either in cash, or in free shares, or part in cash and part in free shares provided total distribution being not less than 30% of distributable income depending on the decisions of the Company's General Assembly.

Moreover, dividend distributions of publicly held companies in accordance with CMB regulations could not exceed the net distributable amount that is calculated according to the Turkish Commercial Code and Tax Procedural Law.

In accordance with the regulations of CMB, the profits of consolidated subsidiaries, joint ventures and associates, are not included in the calculation of distributable earnings unless the general assemblies of those companies decide for dividend distribution from respective earnings.

As of December 31, 2004 share premiums, reserves and accumulated profits held by the Company as per the statutory financial statements are as follows:

	2004
Share premiums	6,303
Legal reserves	8,314
Extraordinary reserve	98,989

As of December 31, 2004, share premiums, reserves and accumulated profit held by the Company restated as explained in Note 16 are as follows:

	2004
Share premium	4,287
Legal reserves	-
Extraordinary reserve	-
Prior year losses	-
Net income of the year	9,179

#### 21. EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year adjusted, if "Bonus Shares" are issued to shareholders without any consideration as explained below, subsequent to the date of financial statements, but before their authorization.

In Turkey, companies can increase their share capital by making a prorata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and restatement differences. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments made in the form of free shares are regarded similarly. Accordingly the weighted average number of shares used in EPS calculation is derived by giving retroactive effect to the issue of such shares.

Since the share capital of the Company, which uses registered share capital system, has been increased from YTL 43,000 to YTL 80,000 after the balance sheet date but before the financial statements are issued, being registered on March 3, 2004, the number of shares after this share capital increase is used in the earnings per share computation for the year 2003.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 21. EARNINGS/(LOSS) PER SHARE (continued)

The following reflects the data used in the basic earnings per share computations:

	2004	2003
Basic earnings per thousands shares (in full New Kuruş)	11	53
Number of ordinary shares (adjusted for share capital increases from internal resources)	80,000,000,000	80,000,000,000

#### 22. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these consolidated financial statements, unconsolidated subsidiaries and other companies of the shareholders are referred to as related parties. Related parties also include individuals that are principle owners, management and members of the Company's Board of Directors and their families.

In the course of conducting its business, the Group conducted various business transactions with related parties on commercial terms and at rates which approximate market rates. The Group has cash loan, non cash loan, deposit and leasing receivable balances with the related parties amounting to YTL 8,140 (2003 – YTL 8,581), YTL 7,592 (2003 – TL 17,346), YTL 6,683 (2003 – YTL 3,418) and YTL 651 (2003-YTL 1,389) respectively.

The executive and non-executive members of the Board of Directors and management received remuneration and fees totaling YTL 3,019 (2003 - YTL 3,121) in 2004.

#### 23. PERSONNEL EXPENSES AND PROVISION FOR EMPLOYEE TERMINATION BENEFITS

	2004	2003
<b>Personnel expenses</b>		
Wages and salaries	29,023	27,948
Other social benefits	8,113	7,079
Provision for employee termination benefits	573	1,134
Bonuses	2,320	315
Other expenses	849	996
<b>Total</b>	<b>40,878</b>	<b>37,472</b>
Average number of employees	1,093	1,069

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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#### 24. OTHER INCOME/(EXPENSE )

##### Other Income

	2004	2003
Reversal of provision for the indemnity case (*)	-	5,204
Recoveries from loans written off in prior years	1,240	1,379
Fund management income	952	304
Other income	3,917	3,924
	<b>6,109</b>	10,811

(\*) A lawsuit was filed against the Company by Güneş Giyim Sanayi ve Ticaret A.Ş. (Güneş Giyim) to determine the invalidity of the commitment given by the claimant in order not to sell its shares for a certain period of time, to cancel the restriction on the selling of the shares with a nominal value of YTL 43 and to deliver the said shares back to the claimant. In addition, an indemnity case amounting to YTL 2,774 has been filed by Güneş Giyim and both cases were combined. The Company provided a reserve of YTL 5,204 in the financial statements as of December 31, 2002. The two cases were dismissed at the trial dated April 3, 2004 and resulted in favour of the Company. The Company then reversed the provision as of December 31, 2003 by booking the amount as other income. Güneş Giyim has filed an appeal against the dismissal which was dismissed by the Supreme Court approving the former decision. Güneş Giyim has asked for judicial review of the appeal decision but Supreme Court rejected this request and the case was closed in favor of the Company.

##### Other Expense

	2004	2003
General administrative expenses	(7,508)	(9,440)
Rent expenses	(4,833)	(4,726)
Saving deposit insurance fund premium	(1,963)	(3,050)
Provision for impairment on fixed assets	(3,480)	(1,471)
Other expenses	(13,541)	(9,918)
<b>Total other expenses</b>	<b>(31,325)</b>	(28,605)

#### 25. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	2004	2003
Letters of guarantee	870,765	637,093
Letters of credit	237,544	224,361
Acceptance credits	26,024	21,903
Prefinancing given as guarantee	4,325	2,384
Other guarantees	28,425	54,636
Total non-cash loans	1,167,083	940,377
Other commitments	54,351	35,087
Credit card limit commitments	102,411	58,813
	<b>1,323,845</b>	1,034,277

## **GSD Holding Anonim Şirketi**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**December 31, 2004**

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#### **25. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Litigations**

A customer has sued Tekstil Bankası A.Ş. (the Bank) a consolidated subsidiary of the Company, with the claim that his deposit has been withdrawn from his account with fake documents. The amount of the case is Australian Dollars 1,299,213 (approximately YTL 1,352). The trial is in progress. In the opinion of the Bank management and the Bank's legal advisor there is no need to provide any provisions for this since the case progresses favourably for the Bank.

A lawsuit was filed against the Company and a third party, by the deputy of Hit Hazır Giyim İmalat ve Ticaret A.Ş. to determine that some D group shares of GSD Holding A.Ş. of the Company with a nominal value of YTL 14, claimed to be belonging to a third party, were actually belonging to Hit Hazır Giyim İmalat ve Ticaret A.Ş., to prevent the conflict between the two parties and to ensure the delivery to the claimant of the shares which are currently under the custody of Takasbank. The case is still on court and no provision has been appropriated since the possible outcome of the case is uncertain.

A lawsuit was filed against the Company and a third party, by the deputy of Cemil Tekstil Ürünleri Tic. San. Ltd. Şti., to ensure the return to the claimant of some D group shares of the Company with a nominal value of YTL 21 together with some A, B and C group shares of the Company, claimed to belong to a third party; considering all increases in value that might occur from the date of court filing to the actual payment date. The case is still on court and the Company has not provided any reserve since the outcome of the case is uncertain.

##### **Other**

The Group manages four investment funds (2003-4) which were established under the regulations of the Turkish Capital Market Board. In accordance with these regulations, charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

#### **26. FINANCIAL RISK MANAGEMENT**

##### **Credit Risk**

Financial instruments contain an element of risk that the counter parties of the Group may be unable to meet the terms of the agreements, totally or partially.

The Credit Evaluation and Monitoring Departments in the Group's banks are responsible to manage the credit risk. The leasing company of the Group has a department which follows up the risk of the leasing receivables besides the credit risk monitoring department.

In Group banks, a rating system related with the follow-up of the credit risk on company and group basis has been initiated, and the top management is informed regularly about the company and group risks.

In Group banks, the procedure of credit allocation are being executed in compliance with the credit limits determined in the Banking Law No. 4389, 11. article entitled as "General Credit Limits and Credits to Participations, Shareholders and Employees" on customer and group basis and the Internal Control and Risk Management Departments regularly monitors the limit and condition of availability of credits.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

There are control limits upon the forward transaction agreements and for those instruments the credit risk is assessed together with the other potential risks derived from the market fluctuations.

In forward transactions, the fulfilment of rights and acts materialize at maturity. However, in order to minimize the risk, the risk is closed by purchasing the reverse position from the market if necessary.

For credit transactions carried out abroad, a structure considering the country risk and market conditions of the related countries exists, nevertheless, such risks do not exist in the portfolio. When the activities of the Group in the international banking market are assessed, the concentration of the international credit risk is considered to be low.

The breakdown of cash and non-cash loans as to industrial groups is as follows:

	2004		2003	
	Cash	Non-cash	Cash	Non-cash
Textile	137,287	136,647	119,725	108,727
Loans granted to Treasury	34,656	-	86,467	-
Finance	101,207	75,918	37,069	84,177
Construction	67,271	313,001	53,487	245,813
Food and Beverage	81,842	79,329	45,192	32,423
Foreign trade	38,349	45,511	24,265	36,923
Tourism	29,324	21,842	31,807	18,430
Service	42,626	48,352	31,670	21,762
Electronics	24,664	36,811	30,286	41,415
Main metal products and processed materials	15,292	26,059	46,038	71,354
Energy	37,511	92,140	6,352	56,951
Agriculture	21,467	19,165	33,221	31,132
Chemical Industry	41,109	33,152	29,457	20,614
Wholesale and retail trade	-	-	-	4,011
Automotive Industry	35,707	40,010	24,498	23,416
Production	83,906	138,136	100,421	125,331
Paper Production and Publishing	6,202	12,742	7,006	5,817
Other	45,640	44,921	20,698	10,240
Corporate loans	844,060	1,163,736	727,659	938,536
Consumer loans	22,974	3,329	17,285	1,841
Interest accruals (*)	2,056	-	10,349	-
Loans in arrears	10,457	18	3,123	-
Provision for possible loan losses	(7,700)	-	(6,105)	-
	<b>871,847</b>	<b>1,167,083</b>	<b>752,311</b>	<b>940,377</b>

(\*) Including accumulated foreign exchange gain / (loss) on loans indexed to a foreign currency.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

##### Liquidity Risk

Liquidity risk occurs when there is an insufficient amount of cash or cash inflows to meet the cash outflows in full and on time, resulting from the unstable cash inflows.

Liquidity risk may occur when positions cannot be closed on a timely basis with an appropriate price and sufficient amount due to unfavorable market conditions. In factoring companies, in order to mitigate the liquidity risk from the cheques received, the Group attaches importance to the collectibility of cheques.

In the Group banks, the liquidity position is evaluated on a daily basis. In weekly meetings of the Asset-Liability Committee, three month-period cash flow projections are reviewed and the extent of positions to be taken is decided accordingly. Alternative strategies that will be taken in case of lack of liquidity are assessed. The existing limits and limit gaps of the Group within Interbank, Istanbul Stock Exchange, Money Market and secondary markets are followed instantly. The maximum limits in the balance sheet of the Group related with the maturity risk are determined by the Board of Directors.

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

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<b>As at December 31, 2004</b>						
<b>Assets</b>						
Cash and balances with the Central Bank	164,277	-	-	-	-	164,277
Deposits with banks and other financial institutions	74,103	39	3,305	-	-	77,447
Other money market placements	17,510	-	-	-	-	17,510
Reserve deposits at the Central Bank	69,212	-	-	-	-	69,212
Trading securities	12,376	1,546	21,119	25,847	51,183	112,071
Available for sale securities	-	-	-	-	249	249
Originated loans and advances	273,600	236,033	251,660	63,600	46,954	871,847
Factoring receivables, net	-	94,355	-	-	-	94,355
Minimum lease payments receivable, net	2,017	4,131	5,360	8,908	11,310	31,726
Derivative financial instruments	1,155	1,144	207	-	-	2,506
Unconsolidated associates	-	-	-	-	539	539
Property and equipment, net	-	-	-	-	74,524	74,524
Intangible assets, net	-	-	-	-	2,393	2,393
Deferred tax asset	-	-	-	-	18,692	18,692
Other assets and trade receivables	4,812	184,062	80	55	22,595	211,604
<b>Total assets</b>	<b>619,062</b>	<b>521,310</b>	<b>281,731</b>	<b>98,410</b>	<b>228,439</b>	<b>1,748,952</b>
<b>Liabilities</b>						
Deposits from other banks	21,570	-	-	-	-	21,570
Customers' deposits	658,144	87,410	39,026	17,143	3,692	805,415
Payables due to money market transactions	129,803	-	-	-	-	129,803
Funds borrowed	48,563	46,781	166,091	57,792	5,340	324,567
Factoring payables	-	24,819	-	-	-	24,819
Derivative financial instruments	1,077	1,075	199	-	-	2,351
Other liabilities, trade payables and provisions	11,844	178,961	200	716	22,977	214,698
Income taxes payable	-	1,052	21	-	-	1,073
<b>Total liabilities</b>	<b>871,001</b>	<b>340,098</b>	<b>205,537</b>	<b>75,651</b>	<b>32,009</b>	<b>1,524,296</b>
<b>Net liquidity gap</b>	<b>(251,939)</b>	<b>181,212</b>	<b>76,194</b>	<b>22,759</b>	<b>196,430</b>	<b>224,656</b>
<b>As at December 31, 2003</b>						
Total assets	865,453	492,159	270,061	112,108	64,951	1,804,732
Total liabilities	984,230	418,464	117,196	54,588	13,808	1,588,286
<b>Net liquidity gap</b>	<b>(118,777)</b>	<b>73,695</b>	<b>152,865</b>	<b>57,520</b>	<b>51,143</b>	<b>216,446</b>

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

##### Currency Risk

Foreign currency risk, which indicates the possibility that the Group will incur losses due to adverse movements between currencies, is managed by close monitoring of the top management and taking positions in accordance with approved limits.

Currency risk is followed on foreign currency/YTL and foreign currency/ foreign currency basis and different risk techniques, methods and instruments are used for each of them. The Group hedges the risk in foreign currency/ foreign currency position with spot/forward arbitrage and future transactions.

In the Group banks the share capital liability arising from foreign currency risk is calculated by considering all foreign currency assets and liabilities and derivative financial instruments of the Group. The net short and long positions in terms of YTL of each foreign currency are computed. The position with the greater absolute value is determined as the basis for share capital liability computation.

The concentrations of assets, liabilities and off balance sheet items:

	YTL	US Dollars	Euro	Others	Total
<b>As at December 31, 2004</b>					
<b>Assets</b>					
Cash and balances with the Central Bank	3,097	158,695	2,269	216	164,277
Deposits with banks and other financial institutions	24,885	45,687	5,506	1,369	77,447
Other money market placements	17,510	-	-	-	17,510
Reserve deposits at the Central Bank	13,186	881	55,145	-	69,212
Trading securities	109,180	2,060	831	-	112,071
Available for sale securities	-	249	-	-	249
Originated loans and advances, net	389,663	322,138	159,237	809	871,847
Factoring receivables, net	92,672	285	1,352	46	94,355
Minimum lease payments receivable, net	615	9,141	21,970	-	31,726
Derivative financial instruments	2,463	43	-	-	2,506
Unconsolidated associates	539	-	-	-	539
Property and equipment, net	74,521	-	-	3	74,524
Intangible assets, net	2,393	-	-	-	2,393
Deferred tax asset	18,692	-	-	-	18,692
Other assets and trade receivables	52,457	158,794	353	-	211,604
<b>Total assets</b>	<b>801,873</b>	<b>697,973</b>	<b>246,663</b>	<b>2,443</b>	<b>1,748,952</b>
<b>Liabilities</b>					
Deposits from other banks	21,523	44	-	3	21,570
Customers' deposits	278,225	359,203	162,249	5,738	805,415
Payables due to money market transactions	129,803	-	-	-	129,803
Funds borrowed	75,443	204,470	44,654	-	324,567
Factoring payables	23,910	280	582	47	24,819
Derivative financial instruments	2,275	-	76	-	2,351
Other liabilities, trade payables and provisions	40,230	167,264	6,877	327	214,698
Income taxes payable	1,073	-	-	-	1,073
<b>Total liabilities</b>	<b>572,482</b>	<b>731,261</b>	<b>214,438</b>	<b>6,115</b>	<b>1,524,296</b>
<b>Net balance sheet position</b>	<b>229,391</b>	<b>(33,288)</b>	<b>32,225</b>	<b>(3,672)</b>	<b>224,656</b>
<b>Net off-balance sheet position</b>	<b>3,695</b>	<b>17,760</b>	<b>(24,353)</b>	<b>3,218</b>	<b>320</b>
Net notional amount of derivatives	3,695	17,760	(24,353)	3,218	320
Non-cash loans (*)	414,231	539,230	184,039	29,583	1,167,083
<b>At December 31, 2003</b>					
Total assets	945,903	654,950	194,991	8,888	1,804,732
Total liabilities	709,827	615,779	254,516	8,164	1,588,286
Net balance sheet position	236,076	39,171	(59,525)	724	216,446
Net off-balance sheet position	(15,651)	(47,222)	70,518	(904)	6,741

(\*) Not included in off-balance sheet position.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

##### Interest Rate Risk

Interest rate risk is the probability of loss due to changes in interest rates depending on the Group's position regarding the interest bearing financial instruments

Interest rate risk arises as a result of maturity mismatch on re-pricing assets and liabilities, changes in the correlation between interest rates of different financial instruments and unexpected changes in the shape and slope of yield curves. Exposure to interest rate risk arises when there is a mismatch between rate sensitive assets and liabilities.

The Group handles the interest rate risk within the context of market risk and asset-liability management. The Group monitors the interest rates in the market on a daily basis and updates its interest rates when necessary.

The table below summarizes the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing date.

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
<b>As at December 31, 2004</b>								
<b>Assets</b>								
Cash and balances with the Central Bank	154,855	-	-	-	-	-	9,422	164,277
Deposits with banks and other financial institutions	69,996	39	3,304	-	-	-	4,108	77,447
Other money market placements	17,509	-	-	-	-	-	1	17,510
Reserve deposits at the Central Bank	68,348	-	-	-	-	-	864	69,212
Trading securities	31,816	6,712	21,119	25,847	23,644	-	2,933	112,071
Available for sale securities	-	-	-	-	249	-	-	249
Originated loans and advances, net	453,181	138,834	197,526	50,077	13,520	-	18,709	871,847
Factoring receivables, net	-	94,355	-	-	-	-	-	94,355
Minimum lease payment receivable, net	2,017	4,218	5,447	8,996	11,048	-	-	31,726
Derivative financial instruments	1,154	1,144	208	-	-	-	-	2,506
Unconsolidated associates	-	-	-	-	-	-	539	539
Property and equipment, net	-	-	-	-	-	-	74,524	74,524
Intangible assets, net	-	-	-	-	-	-	2,393	2,393
Deferred tax asset	-	-	-	-	-	-	18,692	18,692
Other assets and trade receivables	-	-	-	-	-	-	211,604	211,604
<b>Total assets</b>	<b>798,876</b>	<b>245,302</b>	<b>227,604</b>	<b>84,920</b>	<b>48,461</b>	<b>-</b>	<b>343,789</b>	<b>1,748,952</b>
<b>Liabilities</b>								
Deposits from other banks	21,520	-	-	-	-	-	50	21,570
Customers' deposits	473,297	87,410	39,026	17,143	3,692	-	184,847	805,415
Payables due to money market transactions	129,803	-	-	-	-	-	-	129,803
Funds borrowed	43,408	51,849	166,033	56,565	6,711	-	1	324,567
Factoring payables	-	24,819	-	-	-	-	-	24,819
Derivative financial instruments	1,001	1,151	199	-	-	-	-	2,351
Other liabilities, trade payables and provisions	57	158,175	168	326	655	-	55,317	214,698
Income taxes payable	-	-	-	-	-	-	1,073	1,073
<b>Total liabilities</b>	<b>669,086</b>	<b>323,404</b>	<b>205,426</b>	<b>74,034</b>	<b>11,058</b>	<b>-</b>	<b>241,288</b>	<b>1,524,296</b>
<b>Total interest sensitivity gap</b>	<b>129,790</b>	<b>(78,102)</b>	<b>22,178</b>	<b>10,886</b>	<b>37,403</b>	<b>-</b>	<b>102,501</b>	<b>224,656</b>

## GSD Holding Anonim Şirketi

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#### 26. FINANCIAL RISK MANAGEMENT (continued)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
<b>As at December 31, 2003</b>								
<b>Assets</b>								
Cash and balances with the Central Bank	249,319	-	-	-	-	-	5	249,324
Deposits with banks and other financial institutions	23,362	-	953	-	-	-	667	24,982
Other money market placements	65,673	-	-	-	-	-	-	65,673
Reserve deposits at the Central Bank	88,514	-	-	-	-	-	-	88,514
Trading securities	993	3,580	26,740	44,138	10,254	-	2,771	88,476
Available for sale securities	-	-	-	-	-	-	-	-
Originated loans and advances, net	327,027	139,142	219,223	54,800	11,959	-	160	752,311
Factoring receivables, net	-	113,528	-	-	-	-	-	113,528
Minimum lease payment receivables, net	4,433	5,317	7,940	12,953	17,081	-	-	47,724
Derivative financial instruments	1,220	2,412	56	-	-	-	65	3,753
Unconsolidated associates	-	-	-	-	-	-	475	475
Property and equipment, net	-	-	-	-	-	-	81,508	81,508
Intangible assets, net	-	-	-	-	-	-	4,515	4,515
Deferred tax asset	-	-	-	-	-	-	24,616	24,616
Other assets and trade receivables	2,196	-	227,525	-	-	-	29,612	259,333
<b>Total assets</b>	<b>762,737</b>	<b>263,979</b>	<b>482,437</b>	<b>111,891</b>	<b>39,294</b>	<b>-</b>	<b>144,394</b>	<b>1,804,732</b>
<b>Liabilities</b>								
Deposits from other banks	8,621	-	-	-	-	-	-	8,621
Customers' deposits	741,190	107,181	19,145	11,853	318	-	-	879,687
Payables due to money market transactions	130,853	-	-	-	-	-	-	130,853
Funds borrowed	57,248	52,343	100,269	60,570	4,257	-	-	274,687
Factoring payables	-	31,481	-	-	-	-	-	31,481
Derivative financial instruments	733	170	-	-	-	-	284	1,187
Other liabilities, trade payables and provisions	1,099	-	211,374	-	-	425	45,683	258,581
Income taxes payable	-	-	-	-	-	-	3,189	3,189
<b>Total liabilities</b>	<b>939,744</b>	<b>191,175</b>	<b>330,788</b>	<b>72,423</b>	<b>4,575</b>	<b>425</b>	<b>49,156</b>	<b>1,588,286</b>
<b>Total interest sensitivity gap</b>	<b>(177,007)</b>	<b>72,804</b>	<b>151,649</b>	<b>39,468</b>	<b>34,719</b>	<b>(425)</b>	<b>95,238</b>	<b>216,446</b>

#### Market Risk

Market risk is the risk of loss from Group's on-off balance sheet items, caused by the volatility in interest rates, stock prices and foreign currency exchange rates.

The top management closely monitors the amount of market risk, to which the Group has been exposed or can be exposed with regards to its position. Therefore, Market Risk Committees are constituted in the Group's banks and the market risks are measured by employing the measurement models in accordance with the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and reported to the top management.

Furthermore, the market risk is mitigated by determining the scope of buy/sell transactions, the instruments used in buy/sell transactions, the markets that buy/sell transactions are realized and the limits regarding the buy/sell transactions that can generate market risk in the Group's banks.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

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#### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

##### Fair Values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Below table gives a comparison of the Group's financial instruments that are not carried at fair values in the consolidated financial statements.

	Carrying amount		Fair value	
	2004	2003	2004	2003
<b>Financial assets</b>				
Originated loans and advances	871,847	752,311	875,223	761,163
Minimum lease payment receivables	31,726	47,724	29,903	48,368
Factoring receivables	94,355	113,528	94,355	113,528
		-		-
	<b>997,928</b>	913,563	<b>999,481</b>	923,059
<b>Financial liabilities</b>				
Deposits from banks	21,570	8,621	21,570	8,621
Customers' deposits	805,415	879,687	805,588	879,581
Funds borrowed	324,567	274,687	325,394	274,931
Factoring payables	24,819	31,481	24,819	31,481
	<b>1,176,371</b>	1,194,476	<b>1,177,371</b>	1,194,614

The following methods and assumptions were used to estimate the fair values of the financial instruments:

- Fair values of certain financial assets and liabilities carried at cost or amortized cost, including cash and cash equivalents, balances with the Central Bank, deposits with banks and other financial institutions, other money market placements and deposits, reserve deposits at the central banks, are considered to approximate their respective carrying values due to their short-term nature.
- Fair values of other financial instruments are determined by using estimation techniques that include taking reference to the current market value of another instrument with similar characteristics or by discounting the expected future cash flows at prevailing interest rates.

#### 28. SUBSEQUENT EVENTS

- On December 31, 2004, Tekstil Factoring Hizmetleri A.Ş. purchased 100% of the shares of GSD Factoring Hizmetleri A.Ş. from GSD Holding A.Ş. for a consideration of YTL 6,000 and on March 2, 2005, GSD Holding A.Ş. purchased 88% of the shares of Tekstil Factoring Hizmetleri A.Ş. for a consideration of YTL 23,000 from GSD Dış Ticaret A.Ş. On December 30, 2004, the Board of Directors of Tekstil Factoring Hizmetleri A.Ş. decided to merge with GSD Factoring Hizmetleri A.Ş. after the share transfer. As of the date of the issuance of these financial statements, necessary approvals regarding this acquisition and merger have not been obtained from the Turkish Competition Authority and the Undersecretariat of Treasury.
- At the annual general meetings of GSD Dış Ticaret A.Ş. and GSD Yatırım Bankası A.Ş., it has been decided to distribute dividends amounting to YTL 23,000 and YTL 4,750 on February 25, 2005 and on April 5, 2005, respectively, such amounts belonging to the Group and not including any share attributable to minority interests.

## GSD Holding Anonim Şirketi

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – In thousands of New Turkish Lira (YTL) in equivalent purchasing power at December 31, 2004)

#### 28. SUBSEQUENT EVENTS (continued)

- The ordinary general assembly dated February 28, 2004 of Tekstil Bankası A.Ş. (the Bank) decided to increase the registered share capital of the Bank to YTL 145,000 from YTL 122,500, YTL 20,200 of which is to be paid in cash and the remaining YTL 2,300 of which is to be realized through the transfer of reserves arising from inflation adjustment of the equity accounts. On December 30, 2004, the Board of Directors of GSD Holding A.Ş. decided to contribute to the share capital increase through cash injection of YTL 20,200 in its share percentage and to underwrite the whole capital increase if preemptive rights are not used by the remaining shareholders.
- The ordinary general assembly dated March 25, 2005 of Tekstil Finansal Kiralama A.Ş. decided not to distribute dividend from IFRS current year income and to transfer it to extraordinary reserves since the Company incurred loss in its statutory financial statements and to offset the statutory loss for the year 2004 from legal and extraordinary reserves.
- The share capital decrease from USD 6,485,000 to USD 1,000,000 of The Euro Tekstil Bank Offshore Ltd. (the Bank) decided on the extraordinary general assembly of the Bank dated April 9, 2004 was not realised. The share capital decrease from USD 6,485,000 to USD 4,000,000 decided on the extraordinary general assembly of the Bank dated December 10, 2004 has not been made certain to be executed by the date of the issuance of the financial statements.
- The maximum payment for retirement pay liability per year of employment is increased to YTL 1.65 effective from January 1, 2005.

#### 29. OFFSETTING OF ACCUMULATED LOSSES

On September 2, 2004, the Board of Directors of the Company decided to offset the accumulated loss according to the decision of Ordinary General Assembly dated May 13, 2004. The accumulated loss amounting to YTL 62,925 restated to June 30, 2004 purchasing power was offsetted from 2003 net profit, legal and extraordinary reserves and inflation adjustment effects on legal and extraordinary reserves and share premium in the balance sheet as of June 30, 2004.

The breakdown of the accounts restated to December 31, 2004 purchasing power and used for the offsetting is as follows:

<b>Account Name</b>	<b>Debit</b>	<b>Credit</b>
Inflation adjustment loss of prior years	-	66,245
Net income for the year 2003	42,601	-
Extraordinary reserves	648	-
First legal reserve	2,418	-
Second legal reserve	28	-
Extraordinary reserves inflation adjustment	12,666	-
First legal reserve inflation adjustment	4,083	-
Second legal reserve inflation adjustment	1,785	-
Share premium inflation adjustment	2,016	-
	<b>66,245</b>	<b>66,245</b>