FOCUSING

2005 ANNUAL REPORT

ÇALIK BANK

IN THIS REPORT

WELL-STRUCTURED
WELL-PLANNED
WELL-EQUIPPED
WELL-MANAGED
FOCUSING
BRINGS FUTURE SUCCESS

SINCE ITS FOUNDATION, ÇALIKBANK HAS STEADFASTLY FOCUSED ON SUSTAINABLE GROWTH, OPTIMUM PERFORMANCE AND MAXIMIZED PROFITABILITY.

TRY 64 MILLION TOTAL ASSETS

TRY 56 MILLION SHAREHOLDERS' EQUITY

TRY 8 MILLION PROFIT BEFORE TAX

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CORPORATE PROFILE

FOUNDED IN 1999, ÇALIKBANK ENJOYS THE POSITION OF BEING A LEADING AND HIGHLY RESPECTED INVESTMENT BANK OPERATING WITHIN THE TURKISH FINANCIAL SECTOR. ÇALIKBANK OFFERS ITS CORPORATE AND COMMERCIAL CLIENTS A VARIETY OF BANKING PRODUCTS SUCH AS CORPORATE BANKING, FOREIGN TRADE FINANCE, LEASING, FACTORING, PROJECT FINANCE, AND HIGH ADDED-VALUE CUSTOMIZED CONSULTANCY SERVICES THAT DEMAND EXPERIENCE AND SPECIALIZATION.

SINCE ITS FOUNDATION, ÇALIKBANK HAS STEADFASTLY FOCUSED ON SUSTAINABLE GROWTH, OPTIMUM PERFORMANCE AND MAXIMIZED PROFITABILITY. ÇALIKBANK'S HUMAN RESOURCES REMAIN AS EVER THE DRIVING FORCE BEHIND THE BANK'S SUCCESS COMBINING COMMON SENSE, HIGH PROFESSIONAL QUALIFICATIONS AND A PASSION FOR EFFICIENCY.

ACCORDING TO YEAR-END 2005 DATA, ÇALIKBANK HAS TOTAL ASSETS WORTH TRY 64,177 THOUSAND, TOTAL PLACEMENTS WORTH TRY 57,397 THOUSAND AND ENJOYS A CAPITAL ADEQUACY RATIO OF 77.47%.

HEADQUARTERED IN THE TEKFEN TOWER IN İSTANBUL, ÇALIKBANK IS THE FIRST FINANCIAL SERVICES SUBSIDIARY OF ÇALIK HOLDING.

ÇALIKBANK'S VISION ENCOMPASSES ENHANCING ITS STATUS AS A LEADING SPECIALIZED BANK THAT HAS A WEALTH OF EXPERIENCE IN BOTH GLOBAL AND NATIONAL MARKETS MAXIMIZING OPPORTUNITIES FOR TURKISH INDUSTRIALISTS AND ENTREPRENEURS.

ÇALIKBANK'S SHAREHOLDER STRUCTURE
AS OF 31 DECEMBER 2005

SHAREHOLDER	SHARE (TRY THOUSAND)	SHARE (%)	PAID AMOUNTS (TRY THOUSAND)
ÇALIK HOLDİNG	12,352	91.50	12,352
GAP GÜNEYDOĞU TEKSTİL SAN. VE TİC. A.Ş.	608	4.50	608
AHMET ÇALIK	270	2.00	270
MAHMUT ÇALIK	135	1.00	135
ALİ AKBULUT	135	1.00	135
TOTAL	13,500	100.00	13,500

KEY FINANCIAL INDICATORS

PRESENTED BELOW ARE THE KEY FINANCIAL HIGHLIGHTS FROM ÇALIKBANK'S 2005 FINANCIAL STATEMENTS PREPARED ACCORDING TO IFRS AND PRINCIPAL PERFORMANCE RATIOS BASED ON THIS DATA. THE INDEPENDENT AUDITORS' REPORT ON THE BANK STARTS ON PAGE 24 OF THIS REPORT.

FINANCIAL HIGHLIGHTS	TRY THOUSAND 2005	USD THOUSAND* 2005
BALANCES WITH BANKS & INTERBANK MONEY MARKET PLACEMENTS	6,178	4,585
TRADING SECURITIES (NET)	2,740	2,033
LOANS & FACTORING RECEIVABLES	44,811	33,256
FINANCE LEASE RECEIVABLES (NET)	3,668	2,722
SHAREHOLDERS' EQUITY	55,617	41,275
TOTAL ASSETS	64,177	47,628
GUARANTEES AND WARRANTIES	94,781	70,340
NET INTEREST INCOME	10,850	8,052
NET FEES AND COMMISSIONS INCOME	2,514	1,866
NET OPERATING INCOME	8,349	6,196
NET MONETARY POSITION GAIN/LOSS	0	0
INCOME BEFORE TAXES	8,349	6,196
PROVISION FOR TAXES ON INCOME	-2,753	-2,043
NET PROFIT/LOSSES	5,596	4,153

PERFORMANCE RATIOS	(%)
CAPITAL ADEQUACY RATIO	77.47
RETURN ON EQUITY	10.06
NET AVERAGE RETURN ON ASSETS	8.26
AVERAGE RETURN ON ASSETS (BEFORE TAXES)	12.32
NET FEES AND COMMISSIONS INCOME/OPERATING EXPENSES	48.14
FIXED ASSETS(NET)/EQUITY	11.90
INTEREST BEARING ASSETS/TOTAL ASSETS	89.44

*EXCHANGE RATE AT 31/12/2005: USD= TRY 1.3475

AHMET ÇALIK
CHAIRMAN

FROM THE BOARD OF DIRECTORS

DISTINGUISHED CUSTOMERS, NATIONAL AND INTERNATIONAL BUSINESS PARTNERS,

IN 2005, ÇALIKBANK SUCCESSFULLY COMPLETED ITS SIXTH YEAR OF OPERATION.

A SUMMARY OF THE PAST SIX YEARS: A NATIONAL AND GLOBAL PERSPECTIVE
AS SHORT AS IT MAY SEEM IN RETROSPECT, THIS SIX-YEAR PERIOD WAS A TIME OF PROFOUND CHANGE FOR THE WORLD IN GENERAL AND FOR TURKEY IN PARTICULAR. WHILE THE 9/11 ATTACKS MARKED A MILESTONE IN THE WORLD POLITICS, CONSTANT RISE IN OIL PRICES, CHINA'S RAPID GROWTH AND INCREASING COMPETITIVE TRENDS HAVE BEEN AMONG THE CRUCIAL FACTORS THAT HAVE INFLUENCED THE GLOBAL ECONOMY AND GLOBAL COMMERCE.

ON A NATIONAL LEVEL, TURKEY LEFT BEHIND THE WORST ECONOMIC CRISIS OF HER HISTORY AND BEGAN A BRAVE AND WIDE-RANGING RESTRUCTURING PROGRAM. AT PRESENT, OUR COUNTRY HAS REGAINED AN ECONOMIC STABILITY AND STRENGTH SHOWN BY THE INFLUX OF FOREIGN INVESTMENT INTO TURKEY.

UNINTERRUPTED AND EXCEPTIONALLY SUCCESSFUL MANAGEMENT OF THE DISINFLATION PROCESS HAS RESULTED IN SOUND ECONOMIC PARAMETERS, UNMATCHED IN ANY PHASE OF THE NATIONAL HISTORY. TURKEY HAS ESTABLISHED FOR HERSELF A RESPECTED POSITION IN THE ECONOMY RATINGS LITERATURE AS AN EXEMPLARY CASE OF SUSTAINABLE GROWTH.

IN BANKING AVOIDING RISK IS NOT THE ANSWER. THE KEY IS TO TAKE ON MEASURABLE AND MANAGEABLE RISKS THAT WILL NOURISH GROWTH. THIS IS THE DEFINITION OF RATIONAL GROWTH AND ALSO STANDS FOR THE WAY IN WHICH ÇALIKBANK PERCEIVES AND IMPLEMENTS ITS GROWTH CONCEPT.

A CENTER OF ATTENTION

Justifying our foresight, the shift in the economic milieu has made Turkey a center of attention for international capital. Diverse sectors ranging from telecommunications to energy, from banking to food continued to attract foreign capital, making 2005 a milestone in foreign investment. As Turkey's revenues from privatization achieved record highs, many world giants including Vodafone, BNP, General Electric, Oger Telecom, decided to invest in Turkey.

Foreign capital means, for all of us in Turkey, raising the bar in terms of efficiency, professionalism and competition. Our belief holds firm that Turkey and her institutions are well-poised and well-prepared for such a challenge. Possessing a culture built on working, competing and building strategic partnerships in the international arena, Çalık Group of Companies, and therefore Çalıkbank, will continue to strive for excellence, and to compete as robust, well-established and respected representatives of Turkish commerce.

WHERE WE STAND TODAY HAS BEEN WON FROM ADVERSITY.

Through its six years in operation, Çalıkbank has not only answered all the questions that have been asked of it, it has also thrived in this testing environment.

During this time our Bank has both embraced change and predicted future trends.

Thus Çalıkbank has maintained its sustainable growth and ably balanced profitability and conservatism, expansion and risk.

SUSTAINING GROWTH

From the very beginning Çalıkbank has clearly set its objective as sustainable growth.

In keeping with this, the Bank has continuously developed and refined a risk versus return mechanism and has fostered awareness on common responsibility, therefore each employee at any level is responsible for proper risk management. Our whole concept of risk, from market and credit risks to operational risk, including our attitude to banking in general, is permeated with this vision.

In banking avoiding risk is not the answer. The key is to take on measurable and manageable risks that will nourish growth. This is the definition of rational growth and is how Çalıkbank formulates decision making.

Our team plays a key part in our ability to maintain sustainable growth. While every Çalıkbank employee pursues excellence in customer service, efforts remain focused on building up synergies with other areas of business. Çalıkbank's team maintains a high professionalism and top-notch competencies. Comprising our Bank's intellectual capital, our human resources are focused and poised to offer the best welcome and the best service to every client.

Underlying our aptitude in making growth sustainable is a second crucial fact: the expertise enjoyed in the private sector, in manufacturing and in trading by the Çalık Group. This wealth of experience and know-how act as our guide in correctly managing risk in banking, in increasing our shareholders' equity and in strictly adhering to ethical values.

Today Çalıkbank works to provide the best to its select clientele in its well-defined and clearly-focused market segment.

OUR CORPORATE AND INVESTMENT BANKING ACTIVITIES WILL FURTHER DIVERSIFY AND EXPAND. WE WILL INCREASE OUR EXPOSURE TO LOANS, FACTORING, INSURANCE BUSINESS, AND FOREIGN TRADE TRANSACTIONS. OUR EXPERTISE IN OFFERING PIONEERING AND INNOVATIVE PRODUCTS AND SERVICES WILL DRIVE OUR WIDENED CUSTOMER BASE.

FROM THE BOARD OF DIRECTORS

STRATEGIC VISION, FINANCIAL RESULTS

Our strategic vision is to meet all the service requirements of our corporate and commercial customers fully and maintain a high level of service at all times, while constantly creating value for all our shareholders.

A comprehensive range of performance criteria from day to day operating and budget targets all indicate that Çalıkbank achieved successful results in 2005, sustained by an inspiring and realistic strategic vision.

In 2005, Çalıkbank showed operating profit/pre-tax profit of TRY 8,349 thousand (USD 6,196 thousand). The Bank's asset size at year-end 2005 reached TRY 64,177 thousand (USD 47,628 thousand). Average ROA stood at 12.32% on the basis of pre-tax profit and at 8.26% on net profit basis in 2005, whereas ROE registered 10.06%.

Our placements maintain a healthy outlook. Based on a focused approach to business and long-term business partnership, business volumes with our customers continue to increase.

We hold a balanced risk structure at Çalıkbank that includes a high quality credit portfolio. Optimal balance is secured between the risks the Bank undertakes. The increase in placements and business volumes highlight a new and important step in Çalıkbank's growth strategy, briefly put as access to a broader customer base and a greater number of banking transactions.

Our efforts in 2005 fostered Çalıkbank's profitability and productivity. The strategies implemented throughout the reporting period yielded strong balance sheet performance while the development in commission income having key significance in the banking industry was maintained. Parallel to this, the ratio of net fees and commission income to operating expenses registered 48.14%. On another hand, the ratio of interest-earning assets to total assets enjoys a high 89.44%.

MOMENTUM WILL FURTHER INCREASE

The momentum we achieved in our relationships with our customers will further increase at Çalıkbank in 2006.

Our corporate and investment banking activities will further diversify and expand with additions to be made to the main axes of growth for our Bank consisting of loans, factoring, insurance business, and foreign trade transactions.
Our competency in offering pioneering and innovative products and services will be the driver of our broadened customer base.

Çalıkbank has set itself a clear target. As a specialized institution, our Bank offers the right services to its select customer portfolio. Our products and services are customized to best fit the needs and requirements of our customers. Combined with our solution-oriented and flexible service concept, we have drawn here the roadmap for our corporate growth.

Distinguished customers, national and international business partners,

At Çalıkbank, we will remain committed to create value for all our stakeholders. We hope that your contribution to our growth through selecting our products and services will be constant and we thank you for your cooperation.

On behalf of the Board of Directors,

AHMET ÇALIK
Chairman

SEMİH ERGÜR
Acting General Manager

1- AHMET ÇALIK
CHAIRMAN

2- MEHMET AYHAN BOLAY
VICE CHAIRMAN

3- M. ERTUĞRUL GÜRLER
MEMBER RESPONSIBLE FOR INTERNAL AUDIT SYSTEM

4- HALUK R. ULUSOY
MEMBER

5- SEMİH ERGÜR
MEMBER AND ACTING GENERAL MANAGER

BOARD OF DIRECTORS

OUR TEAM

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FORMING A TEAM OF EMPLOYEES COMPLEMENTING EACH OTHER AND ACTING ON SOUND FINANCIAL PRINCIPLES, ÇALIKBANK PEOPLE MAKE UP THE MOST EFFECTIVE COMPONENT IN FURTHERING OUR BRAND PROFILE.

THE QUALIFICATIONS OF ÇALIKBANK EMPLOYEES AND THEIR BEHAVIOR, SHAPED BY ÇALIK CORPORATE CULTURE, PLAY A KEY ROLE IN ACHIEVING THE TARGETS OF OPERATIONAL EXCELLENCY, CUSTOMER SATISFACTION, AND SUSTAINABLE GROWTH.

1- SEMİH ERGÜR
ACTING GENERAL MANAGER

2- PEKHAN İŞİPEK
ASSISTANT GENERAL MANAGER
COMMERCIAL AND CORPORATE BANKING
AND LOANS

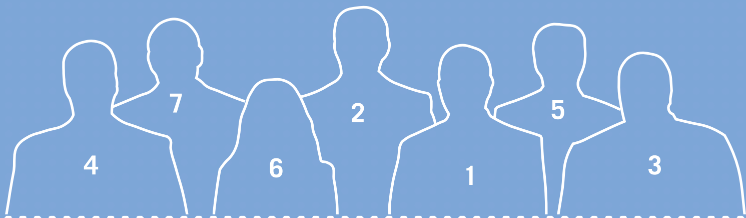
3- GÖKHAN GÜNGÖR
ASSISTANT GENERAL MANAGER
TREASURY, CAPITAL MARKETS
AND FINANCIAL INSTITUTIONS

4- AHMET KAPICIOĞLU
ASSISTANT GENERAL MANAGER
INTERNAL AUDIT AND FINANCIAL
CONTROL

5- SADIK TOPRAK
GROUP HEAD
CUSTOMER RELATIONS

6- GÜLAY ERGÜNEŞ
GROUP HEAD
ACCOUNTING AND INTERNAL SERVICES

7- FERHAT AKLAR
GROUP HEAD
INFORMATION TECHNOLOGIES



SENIOR MANAGEMENT

OUR SERVICES AND PRODUCTS

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THE DRIVING FORCE OF OUR GROWTH

ÇALIKBANK WAS ESTABLISHED TO OFFER TO ITS CHOSEN CUSTOMERS TAILOR MADE SERVICES WITHIN THE FRAMEWORK OF A LONG-TERM BUSINESS PARTNERSHIP. THE GROWTH ATTAINED BY OUR BANK IS A RESULT OF CUSTOMER SATISFACTION. THIS DRIVES OUR FUTURE GROWTH.

SERVICE CONCEPT AT ÇALIKBANK IS BUILT ON THE FOUNDATIONS OF INNOVATION AND CUSTOMER-FOCUS, AND AIMS TO PRESENT HIGH ADDED-VALUE PRODUCTS AND SERVICES.

CORPORATE AND COMMERCIAL BANKING

A COMPREHENSIVE SERVICE FOR LOANS, FACTORING, LEASING AND FOREIGN TRADE FOR CORPORATE AND COMMERCIAL CUSTOMERS

CORPORATE FINANCE

PROJECT FINANCE, STRUCTURED FINANCE, VENTURE CAPITAL, MERGERS AND ACQUISITIONS, ECA CREDITS

OUR CUSTOMERS

TREASURY AND CAPITAL MARKETS, CORRESPONDENT RELATIONS

OFFERING ALL KINDS OF TREASURY PRODUCTS AND SERVICES, CORRESPONDENT BANKING TRANSACTIONS

INSURANCE

ALL TYPES OF NON-LIFE INSURANCE PRODUCTS UNDER INSURANCE BROKERAGE SERVICES AS AN AGENT FOR AXA OYAK, KOÇ ALLIANZ AND GÜNEŞ SİGORTA

INTERNET BANKING

AN AROUND THE CLOCK ONLINE BANKING SERVICES FOR CORPORATE CUSTOMERS WITH HIGH-LEVEL OF SECURITY ACCESSIBLE AT www.calikbank.com.tr

WELL-STRUCTURED FOCUSING

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WELL-STRUCTURED FOCUSING BRINGS FUTURE SUCCESS.

ÇALIKBANK IS FOCUSED ON PRESENTING SPECIALIZED BANKING PRODUCTS AND SERVICES IN NICHE MARKETS, ENSURING CUSTOMER SATISFACTION IS PARAMOUNT.

THIS STRATEGY IS FUNDAMENTAL THROUGHOUT ÇALIKBANK.

THE ABILITY TO HONE BUSINESS FOCUS IS A KEY FOR ÇALIKBANK IN ORDER TO MAINTAIN ITS SUSTAINABLE SUCCESS AND CREATE INCREASING ADDED-VALUE FOR ALL ITS STAKEHOLDERS.

ÇALIKBANK ACHIEVED EXEMPLARY OPERATIONAL AND FINANCIAL RESULTS, DISPLAYING A HEALTHY PERFORMANCE ON THE SERVICES PLATFORM SHAPED BY AND EQUIPPED WITH CUTTING-EDGE TECHNOLOGY.

ÇALIKBANK IN 2005

PERFORMANCE

UNWAVERING FROM DEVELOPMENT POLICIES BUILT UPON THE MODEL OF SUSTAINABLE GROWTH, IN 2005 ÇALIKBANK SUCCESSFULLY CONTINUED TO MEET ITS TARGETS TO KEEP:

- ITS COST BASE LOW
- ITS ABILITY TO CREATE HIGH ADDED-VALUE.

ÇALIKBANK ACHIEVED EXEMPLARY OPERATIONAL AND FINANCIAL RESULTS, DISPLAYING A HEALTHY PERFORMANCE ON THE SERVICES PLATFORM SHAPED BY AND EQUIPPED WITH CUTTING-EDGE TECHNOLOGY.

WELL-PLANNED
FOCUSING

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WELL-PLANNED FOCUSING BRINGS FUTURE SUCCESS.

ÇALIKBANK'S BUSINESS STRATEGY IS BUILT ON STRATEGIC PLANNING.

FROM MARKETING AND CUSTOMER RELATIONS TO PRODUCT AND SERVICE ENGINEERING, FROM HUMAN RESOURCES TO SERVICE DELIVERY, STRATEGIES ARE IMPLEMENTED TO MEET THE NEEDS OF THE CUSTOMERS, THE REALITIES OF THE SECTOR AND THE TARGETS OF THE BANK.

PLANNING IS ONE OF THE MOST IMPORTANT CORNERSTONES OF ÇALIKBANK'S FUTURE GROWTH.

OPTIMAL PORTFOLIO BALANCE

A high priority for Çalıkbank is to populate its client portfolio with high quality customers enjoying high creditworthiness. At year-end 2005, the customer portfolio of the Bank maintained an optimal level in terms of sectoral and customer-based distribution of risk. Having adopted a portfolio management approach relying on risk rating in credit management, Çalıkbank maintains stable growth in its credit portfolio.

The increased number of customers played a significant part in the Bank's augmented consolidated business volume, interest income and non-interest fees and commission income. The greatest share in this increase is taken by letters of guarantee furnished on behalf of our customers to institutions within and outside Turkey. These successes gained significant momentum from the record-growth in national foreign trade volume in recent years.

In 2005, the total commercial foreign currency transaction volume intermediated by Çalıkbank was worth USD 120 million.

CLOSER COOPERATION AT AN INTERNATIONAL LEVEL

The evolving and developing requirements of customers primarily in relation to foreign trade transactions require Çalıkbank to be closer to international money and capital markets. Since its foundation, the Bank attached importance to publicity and accreditation activities in the international arena, and was mindful of developing correspondent relations relying on mutual cooperation.

2006 will see further additions to the institutions with which our Bank cooperates.

WELL-EQUIPPED FOCUSING

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WELL-EQUIPPED FOCUSING BRINGS FUTURE SUCCESS.

CORRECTLY-DEFINED AND WELL-PLANNED STRATEGY CAN BE FORMULATED ONLY IN THE RIGHT ORGANIZATION.

ÇALIKBANK IS WELL-EQUIPPED WITH ITS HIGH QUALITY HUMAN RESOURCES AND STATE OF THE ART INFRASTRUCTURE. ENJOYING HIGH LEVELS OF PROFESSIONALISM, ITS HUMAN RESOURCES CONSTITUTE THE BANK'S MOST VALUABLE ASSET AND ITS INTELLECTUAL CAPITAL. EVER SINCE ITS FOUNDATION, ÇALIKBANK HAS STOOD OUT WITH ITS HUMAN RESOURCE POLICY THAT IS OPEN TO INNOVATIVE THINKING AND THAT VALUES CUSTOMER SATISFACTION ABOVE ALL ELSE.

IMPLEMENTING THE MOST UP TO THE MOMENT INFORMATION TECHNOLOGY, THE BANK ENSURES THE FASTEST DELIVERY AND THE HIGHEST SECURITY OF SERVICES TO ITS CUSTOMERS.

REALITIES OF THE NEW MARKET

The conditions of the banking market have been completely transformed thanks to the disinflationary process in Turkey. Now we enjoy downward trending inflation, low interest rates predominating in the money markets, and increases in the capital markets.

This radical change resulted in the re-designing and execution of strategies targeted at risk-return balances.

Taking care to present treasury and capital market products that fulfill customer needs, Çalıkbank makes the very best of opportunities in the treasury and capital markets, based on a risk-focused approach that leads to a return on equity. Çalıkbank will continue to grow in the field of money and capital markets and to produce effective solutions that dovetail to the demands of its customers.

OPTIMUM COST BASE DETERMINES OUR COMPETITIVE STRENGTH

As the cost base of Çalıkbank was realized optimally also in 2005, the performance indicators preserved their satisfactory levels.

WELL-MANAGED
FOCUSING

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WELL-MANAGED FOCUSING BRINGS FUTURE SUCCESS.

ÇALIKBANK IS A DYNAMIC INSTITUTION ENJOYING SUPERB LEVELS OF MANAGEMENT EFFICIENCY.

HAVING SUCCESSFULLY STEERED ITS BUSINESS THROUGH THE TRIALS AND THE OPPORTUNITIES PRESENTED BY OUR COUNTRY AND BY THE WORLD THROUGH ITS SIX-YEAR HISTORY, ÇALIKBANK IS AN INSTITUTION THAT SKILLFULLY EXECUTES ITS TARGET-ORIENTED STRATEGIES. SINCE THE FIRST DAY OF OPERATION, ÇALIKBANK HAS BEEN RECEPTIVE TO INNOVATIVE THINKING AND GREW TOGETHER WITH ITS CUSTOMERS.

ÇALIKBANK ENJOYS A TEAM OF PEOPLE WHO ARE DEDICATED TO THEIR WORK AND HAVE A HIGH DEGREE OF TASK CONCENTRATION. THIS IS THE KEY TO OUR BANK'S SUCCESS.

A COMPETENT TEAM

Çalıkbank enjoys the privilege of possessing expert, highly competent human resources. The human resources make up one of the key factors that create differentiation for the Bank.

In human resources, Çalıkbank:
- attaches the utmost importance to maximizing the skills of its staff. To this end, the Bank invests systematic and planned time and effort in training;
- upholds the happiness, job satisfaction and welfare of its employees. Promotion within Çalıkbank is founded on the principles of merit, performance, and contribution to the Bank's success;
- encourages teamwork;
- values and rewards personal creativity;
- is steadfast in its belief that teamwork bears the best and the most accurate outcomes;
- upholds customer-focus as a key element in staff expertise.

2005 saw further Bank investment in allowing its human resources to enrich their professional abilities, develop their customer relations, competencies, and build on their leadership skills. Çalıkbank enjoys a team of people who are dedicated to their work and have a high degree of task concentration.

THE OUTLOOK FOR 2006

We foresee that stability and growth will continue during 2006. The next year will witness further expansion for Turkey, our business world, our Group and our Bank.

Foreign trade with Turkey will begin to grow, as economic units allocate greater funds to investments. These developments can only benefit our sector.

Çalıkbank will continue to provide a world-class service to our clients in these changing market conditions. Our Bank is committed to ensure the best possible execution of its strategy focused on customers and on growth. The Bank has the strength to fine-tune its products and services as necessary according to the requirements and needs of our customers. Çalıkbank takes pride in being an effective and dynamic institution.

Çalıkbank will continue to work with an increasing portfolio of corporate and commercial firms within the domestic markets. Çalıkbank is determined to be the business partner of corporations that will further leverage credit quality, and to support the real economy.

ÇALIK GROUP

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A GROUP OF COMPANIES OPERATING IN A MULTITUDE OF SECTORS

CONTINUING TO GROW IN THE CONSTRUCTION, ENERGY, TEXTILE AND FINANCIAL SERVICES SECTORS, THE ÇALIK GROUP PROVIDES EMPLOYMENT FOR ALMOST FIFTEEN THOUSAND PEOPLE THROUGH ITS BUSINESS ENTERPRISES IN DIFFERENT COUNTRIES. IT IS A MATTER OF PRINCIPLE THAT IT ALWAYS CONTRIBUTES TO THE WELFARE OF THE SOCIETIES IN GEOGRAPHIES WHERE IT OPERATES.

TEXTILES

GAP Güneydoğu Tekstil San. ve Tic. A.Ş.
Turkmenbashi Jeans Complex (JV)
Turkmenbashi Textile Complex (JV)
A/O Balkan Dokuma
Serdar Pamuk Eğrici Fabriği

CONSTRUCTION & INVESTMENT

GAP İnşaat Yatırım ve Dış Ticaret A.Ş.
GAP İnşaat Turkmenistan Branch
GAP Sudan
GAP Ukraine

A STRONG AND COMPETITIVE PLAYER IN THE GLOBAL MARKET WITH ITS PRODUCTS AND SERVICES, THE ÇALIK GROUP LAUNCHED NEW INITIATIVES IN UKRAINE, DUBAI, SUDAN AND ALBANIA. HOWEVER, TURKEY AND NEIGHBORING REGIONS CONTINUE TO BE THE FOCUS OF ITS OPERATIONS.

THE ÇALIK GROUP

İstanbul-based Çalık Group is a group of companies that are active in construction, energy, textiles, financial services, and trade through which it provides an extensive customer base ranging from multinationals to private individuals high added-value products and services at world standards of quality.

Çalık Group's products and services make it a strong and competitive player in global markets. During the last years, Çalık Group companies focused particularly on the hinterland of its national market. Çalık Group's goal is to pursue region-focused growth while always maintaining its global reach and competitive strength.

New Çalık Group ventures launched in Ukraine, Dubai, Sudan, and Albania have begun to take our 22 years of experience working and doing business in the real sector into those countries' markets as well.

The Group is determined to further strengthen its identity as a "corporate citizen" who is mindful of its stakeholders, society at large, and the environment and is firmly committed to the rules of ethics. Çalık Group provides employment for about 15,000 people through its ventures based in different countries. Çalık Group is a corporate group that places great importance on operational perfection, technology, institutionalization, and ethical values and is sensitive of social and environmental issues in all its activities.

A commitment to success, honesty ant transparency, customer satisfaction, globalization, and contributing to society are the fundamental value of Çalık Group and driving forces of its corporate strategy.

The Çalık Group is an integrated whole formed by its employees and corporate values. The Çalık Group's primary responsibilities are to create value for all its stakeholders by acting in line with its vision and mission statements and to be a respected and exemplary corporate citizen by virtue of its principles and behaviour.

ENERGY & TELECOMMUNICATIONS

Çalık Enerji Dağıtım Sanayi ve Ticaret A.Ş.
Çalık Enerji Turkmenistan Branch
Bursagaz Bursa Şehiriçi Doğalgaz Dağıtım Tic. ve Taah. A.Ş.
Naturelgaz San. ve Tic. A.Ş.
GAPOIL Inc.
Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.
Cetel Çalık Enerji Telekomünikasyon Hizm. A.Ş.

FINANCE

Çalık Yatırım Bankası A.Ş.
Çalık-Şeker Konsorsiyum Yatırım A.Ş.

TRADE

Gap Pazarlama A.Ş.
Ortadoğu Tekstil Tic. ve San. A.Ş.
GAP-PA Textiles Inc.
Çalık USA Inc.

THE ECONOMIC ENVIRONMENT IN 2005

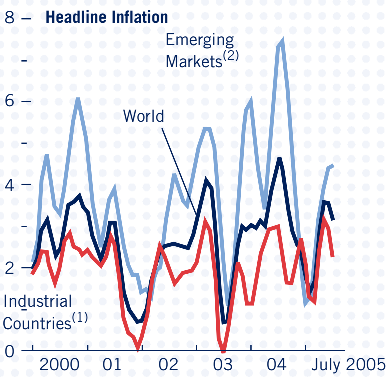
WORLD ECONOMY

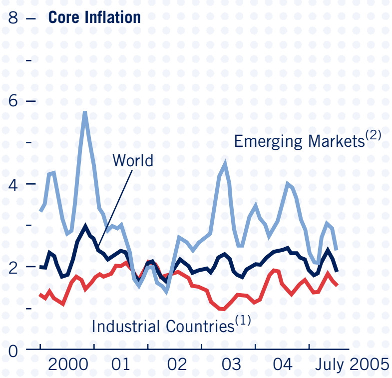
DEVELOPMENTS IN 2005

- The world economy is estimated to have grown 4.3% in 2005. Global growth slowed down in the reporting period. The oil prices that increased by 47.5% take the lead among the key factors that led to the deceleration in economic growth. On the other hand, the low-level maintained particularly in long-term interest rates and the positive conditions in global liquidity appeared as the primary factors that nourished the growth environment in a positive direction.
- The American economy grew 3.5% in 2005. As the price increases in the housing market supported the improvements in the labor markets, the increase in the domestic demand contributed to the economic growth. The growth lost momentum compared to the prior year, impacted by the natural disasters that shook the American economy and by the increasing oil prices. The high budget and current account deficits continue to be the major economic issues in this country.
- The growth in the Euro zone registered around 1.3%. Despite the positive impact in the Euro zone of the increased foreign demand that paralleled the vitality in the global economy, the weak domestic demand resulted in limited growth. The domestic demand floated at low levels particularly in big economies such as Germany and Italy.
- The Japanese economy, on the other hand, grew 2.8%, owing to the revived domestic demand stemming from increased employment and investments.
- The US Federal Reserve Bank upped its short-term interest rates from 2.25% to 4.25% with 25 base point increments, in parallel with the market expectations. In the Euro zone, the short-term interest rates that stood at 2% level were increased to 2.25% as of 1 December 2005, due to increased inflationary pressures.
- Although it displayed some weakness against the Euro in the beginning of 2005, the US dollar gained value against this currency towards the end of the year due to the continued interest increases implemented by the Federal Reserve Bank, the positive data relating to the US economy and the political uncertainties in the EU.
- In 2005, Brent-type oil prices that stood at USD 39.8 per barrel at year-end 2004 rose to USD 58.7 per barrel at year-end 2005. Average oil prices, on the other hand, went up to USD 54.4 per barrel at end-2005, from its level of USD 38.4 per barrel at end-2004.
- Despite the imbalances that accompanied the increase in oil prices and the rapid growth, it is estimated that global growth will be around 4.3% also in 2006.

GLOBAL INFLATION
(Annual change calculated on the basis of quarterly moving averages)
The inflation rose as a consequence of the high levels of crude oil prices and the increase that took place in the core inflation of certain developing countries.

Regional Aggregates

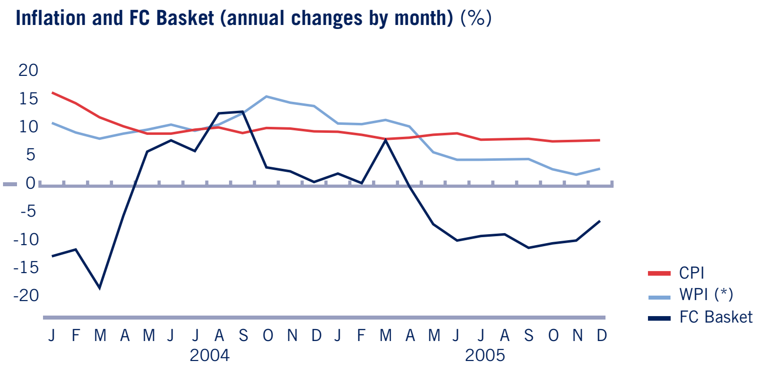




Source:
Haver Analytics; and IMF staff calculations.

(1) Canada, Denmark, euro area, Japan, Norway, Sweden, the United Kingdom, and the United States.

(2) Brazil, Chile, China, India, Indonesia, Hungary, Korea, Mexico, Poland, South Africa, and Taiwan Province of China.

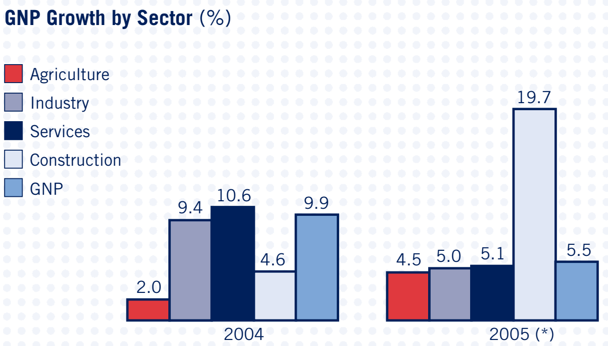


(*) In the chart above the figures for the year 2005 represent the Producer Price Index (PPI). The Turkish Statistical Institute has been announcing PPI instead of Wholesale Prices Index (WPI) since the beginning of 2005.

THE TURKISH ECONOMY

DEVELOPMENTS IN THE REAL SECTOR IN 2005

- Although the Turkish economy slowed down in the first three quarters of 2005 on a year-over-year basis, it registered 5.5% growth. While the services and industry sectors were accountable for the highest contribution to growth in the first three quarters of the year, there was also a rise in the contribution of the construction sector.
- In the reporting period, exports reached USD 73.1 billion, up 15.8% on a year-over-year basis, as imports had a year-on increase of 19%, coming to USD 116 billion. Exports lost momentum in 2005; the gradual slow-down in the global growth, political and economic uncertainties in the EU that represents an important export market, and the increased input costs depending on the rising oil prices all played a part in this development.
- The increasing foreign trade deficit in the face of the deceleration in the growth rate has been a telling factor in the expanded current deficit. The current deficit figure reached USD 22.9 billion in 2005. While the current deficit was largely financed through portfolio investments and the funds secured by banks and companies from international sources, an increase took place in the direct foreign investments in the recent months.
- The downward trend in inflation has been ongoing in 2005. Remaining below the targeted level of 8%, the inflation in CPI registered 7.72% in 2005, while the PPI stood at 2.66%.
- Interest on overnight borrowing that was at 18% level by the beginning of 2005 plummeted to 13.50% by the end of the year. Pointing to 20% at the start of 2005, the compounded return on government securities accepted as benchmark slipped down to 13.83% at year-end.
- As TRY lost value by 0.4% against the US dollar in 2005 based on the Central Bank of Turkish Republic foreign exchange rates, our national currency gained value by 12.9% against Euro and 6.4% against the foreign currency basket consisting of USD 1 + EUR 0.77.
- As the loans significantly expanded their share within the balance sheet sizes of the Turkish banking sector in the recent years, the share of marketable securities portfolio in assets adopted a gradually descending trend.
- The Turkish banking sector attracted intensified attention and interest from the foreign capital during the EU adhesion process and as a result of the positive developments secured in the economy. In parallel to the continued economic growth and increased demand for loans born out of the declining interest rates, the loans volume in the banking sector boosted by 51.6% in the year under review.
- The Turkish government identified the priorities of its Medium-Term Program covering the 2006-2008 period as securing high levels and sustainability in economic growth, increasing employment, further decreasing the inflation and bringing it down to the levels in developed countries, zeroing the public sector borrowing need at the end of the program period, and maintaining the downward trend in the ratio of public sector borrowing need to national income.



* January-September 2005

INDEPENDENT AUDITORS' REPORT, FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

Deloitte.

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To the Board of Directors of
Çalık Yatırım Bankası A.Ş.

1. We have audited the accompanying balance sheet of Çalık Yatırım Bankası A.Ş. ("the Bank") as at 31 December 2005 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in New Turkish Lira as at 31 December 2005. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Financial Reporting Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As explained in note 3.b in detail, the Bank ceased the application of restatement pursuant to IAS 29 (Financial Reporting in Hyperinflationary Economies) effective from 1 January 2005. If the Bank had applied IAS 29, the total assets, total equity and net income would be thousand NTL 64,319, NTL 55,719 and NTL 4,407.

4. In our opinion, except for the effects on the financial statements and corresponding figures of not applying restatement effect of IAS 29 effective from 1 January 2005 as described above paragraph, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2005, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards ("IFRS").

Denetim Serbest Mali Müşavirlik A.Ş.

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

İstanbul, 9 February 2006

ÇALIK YATIRIM BANKASI A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (NTL '000) unless otherwise stated.)

		31 December		31 December	
ASSETS	**Note**	**2005 NTL '000**	**2005 (*) USD '000**	**2004 NTL '000**	**2004 (*) USD '000**
Cash and Cash Equivalents	5	93	69	314	234
Balances with The Central Bank	6	212	157	311	232
Balances with Banks	7	6,178	4,585	3,991	2,972
Interbank Money Market Placements		-	-	2,502	1,863
Funds Lent Under Securities Resale Agreements	9	871	646	5,023	3,740
Investments Held for Trading	8	1,869	1,387	2,182	1,625
Derivative Financial Instruments	26	6	4	1	1
Reserve Deposits At the Central Bank	6	393	292	920	685
Loans and Advances (Net)	10	48,479	35,978	49,368	36,763
Investments in Associates (Net)	11	4,376	3,248	4,358	3,245
Premises and Equipment (Net)	12	1,009	749	1,161	865
Intangible Assets (Net)	13	125	93	187	139
Other Assets	14	566	420	1,003	747
Deferred Tax Assets	18	-	-	-	-
Total Assets		**64,177**	**47,628**	**71,321**	**53,111**

31.12.2005 Exchange Rate: 1 USD=1,34746 NTL
31.12.2004 Exchange Rate: 1 USD=1,34287 NTL

(*) The amounts translated into US Dollar in these financial statements as at and for the year ended is presented for information purposes only and have been computed on the basis set forth in Note 3 to the accompanying financial statements.

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

ÇALIK YATIRIM BANKASI A.Ş.
BALANCE SHEET AS AT 31 DECEMBER 2005
(Amounts expressed in New Turkish Lira (NTL '000) unless otherwise stated.)

		31 December		31 December	
		2005	2005 (*)	2004	2004 (*)
LIABILITIES	**Note**	**NTL '000**	**USD '000**	**NTL '000**	**USD '000**
Obligations Under Repurchase Agreements	15	864	641	4,760	3,545
Borrowings	16	4,236	3,143	7,049	5,249
Provisions	19	413	307	407	303
Current Tax Liabilities	18	602	447	1,299	967
Sundry Creditors	17	1,226	910	3,274	2,438
Other Liabilities	20	1,219	905	4,518	3,365
Total Liabilities		**8,560**	**6,353**	**21,307**	**15,867**
Equity					
Share Capital	21				
Nominal Capital		13,500	10,019	13,500	10,053
Inflation Adjustment to Capital		26,113	19,379	26,106	19,440
Total Paid-In Capital		39,613	29,398	39,606	29,493
Legal Reserves	21	1,610	1,195	1,610	1,199
Retained Earnings		14,394	10,682	8,798	6,552
Total Equity		55,617	41,275	50,014	37,244
Total Liabilities and Shareholders' Equity		**64,177**	**47,628**	**71,321**	**53,111**
COMMITMENTS AND CONTINGENCIES	**25**	**94,781**	**70,340**	**74,143**	**55,212**

31.12.2005 Exchange Rate: 1 USD=1,34746 NTL
31.12.2004 Exchange Rate: 1 USD=1,34287 NTL

(*) The amounts translated into US Dollar in these financial statements as at and for the year ended is presented for information purposes only and have been computed on the basis set forth in Note 3 to the accompanying financial statements.

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

ÇALIK YATIRIM BANKASI A.Ş.
STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (NTL '000) unless otherwise stated.)

	Note	2005 NTL '000	2005 (*) USD '000	2004 NTL '000	2004 (*) USD '000
Interest Income					
Interest on Loans		10,166	7,545	9,729	7,245
Interest on Securities		443	329	1,427	1,063
Interest Received From Banks		226	168	538	401
Interest on Interbank Money Market		92	68	790	588
Interest on Financial Leasing		245	182	328	244
Other Interest Income		15	10	-	-
		11,187	**8,302**	**12,812**	**9,541**
Interest Expenses					
Interest on Interbank Money Market Borrowings		-	-	(32)	(24)
Interest on Borrowings		(337)	(250)	(608)	(453)
		(337)	**(250)**	**(640)**	**(477)**
Net Interest Income		**10,850**	**8,052**	**12,172**	**9,064**
Fees and Commission Income		2,539	1,884	2,628	1,957
Fees and Commission Expenses		(25)	(18)	(33)	(24)
Net Fee Income		**2,514**	**1,866**	**2,595**	**1,933**
Net Foreign Currency Gains		515	382	113	84
Net Securities Trading Gains		158	117	544	405
Net Banking Income		**14,037**	**10,417**	**15,424**	**11,486**
Operating Income	22	28	21	230	171
Operating Expenses	23	(5,716)	(4,242)	(5,214)	(3,883)
Net Operating Income		**8,349**	**6,196**	**10,440**	**7,774**
Share of Loss of Associated Company		-	-	(58)	(43)
Monetary Loss		-	-	(5,833)	(4,344)
Profit from Operating Activities Before Income Tax		**8,349**	**6,196**	**4,549**	**3,387**
Income Tax Expense	18	(2,753)	(2,043)	(520)	(387)
Net Profit		**5,596**	**4,153**	**4,029**	**3,000**

31.12.2005 Exchange Rate: 1 USD=1,34746 NTL
31.12.2004 Exchange Rate: 1 USD=1,34287 NTL

(*) The amounts translated into US Dollar in these financial statements as at and for the year ended is presented for information purposes only and have been computed on the basis set forth in Note 3 to the accompanying financial statements.

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

ÇALIK YATIRIM BANKASI A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (NTL '000) unless otherwise stated.)

	Share Capital NTL '000	Inflation Adjustment To Capital NTL '000	Legal Reserves NTL '000	Retained Earnings NTL '000	Total NTL '000
Balance as of 1 January 2004	13,500	26,106	1,235	5,144	45,985
Capital increase	-	-	-	-	-
Legal reserves	-	-	375	(375)	-
Net period profit	-	-	-	4,029	4,029
Balance as of 31 December 2004	**13,500**	**26,106**	**1,610**	**8,798**	**50,014**
Balance as of 1 January 2005	13,500	26,106	1,610	8,798	50,014
Restatement of capital	-	7	-	-	7
Restated balance as of 1 January 2005	**13,500**	**26,113**	**1,610**	**8,798**	**50,021**
Capital increase	-	-	-	-	-
Legal reserves	-	-	-	-	-
Net period profit	-	-	-	5,596	5,596
Balance as of 31 December 2005	**13,500**	**26,113**	**1,610**	**14,394**	**55,617**

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

ÇALIK YATIRIM BANKASI A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (NTL '000) unless otherwise stated.)

		2005 NTL '000	2004 NTL '000
Cash Flows from Operating Activities:			
Net Profit for the Year		5,596	4,029
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation of property and equipment booked in operating expenses	12	170	286
Amortization of intangible assets	13	92	278
Provision for losses on loan, leasing receivables and advances to customers	10	500	-
Employment termination benefits	19	4	15
Other provision expenses	19	1	168
Gains on sale of property, plant & equipment		28	-
Accrued income, net		345	681
Share of loss of associated company		-	(58)
Inflation and unrealized gains/losses effect on non-operating activities		26	43
Operating profits before changes in operating assets/liabilities		**1,166**	**1,413**
Changes in operating assets and liabilities:			
(Increase)/decrease loans, leasing receivables and advances to customers		14	(3,565)
(Increase)/decrease in resale agreements		4,152	(760)
(Increase)/decrease in securities		280	7,412
(Increase)/decrease in other assets		432	(425)
Increase/(decrease) in obligations under repurchase agreements		(3,896)	895
Increase/(decrease) in borrowings		(6,075)	(1,788)
Increase/(decrease) in provisions		(698)	(1,885)
Increase/(decrease) in other creditors, taxes & liabilities		187	2,408
		(5,604)	**2,292**
Income taxes paid		(3,450)	(2,765)
Net Cash (used in) Operating Activities		**(7,888)**	**940**
Cash Flows from Investing Activities:			
(Increase) in reserve requirements with the CBRT	6	527	1,046
(Increase) in available for sale investments	11	(18)	(4,306)
Purchase of premises and equipment	12	(163)	(970)
Sale of premises and equipment		117	-
Purchase of intangible assets	13	(30)	(36)
Net cash (used in)/provided by investing activities		**433**	**(4,266)**
Cash flow from financing activities:			
Increase in capital		-	-
New borrowings		354,738	411,309
Repayment of borrowings		(348,718)	(411,108)
Repayment of obligations under finance lease		(4,779)	(5,140)
Net cash (used in)/provided by financing activities		**1,241**	**(4,939)**
Net increase in cash and cash equivalents		(618)	(4,236)
Effect on inflation adjustment		7	-
Effect of FX rates changes on cash and cash equivalents		(24)	(43)
Cash and cash equivalents at the beginning of the year		**7,118**	**11,397**
Cash and cash equivalents at the end of the year		**6,483**	**7,118**

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

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (NTL '000') unless otherwise stated)

1. GENERAL INFORMATION

Çalık Yatırım Bankası A.Ş. (the "Bank") was incorporated in Turkey in July 1999.

The Bank operates as an "investment bank" and is mainly involved in corporate services such as granting any sort of loan, either cash or non-cash, financial leasing, factoring, corporate lending and project finance. As an investment bank, the Bank borrows funds from banks, financial markets, its counterparties, partners and credit customers, but is not entitled to receive deposits from customers.

The head office of the Bank is located at Tekfen Tower Levent/Istanbul, and the Bank has also one branch in Merter/Istanbul.

The Bank has cooperation with Gap Pazarlama and Tariş in their project of e-commerce in Agromarket. The established company, which is 44.27% owned by the Bank, engages in e-sales of cotton.

The Bank has another cooperation with Şekerbank T.A.Ş. and Çalık Holding A.Ş. in their project of investing in domestic or foreign oriented banks in Çalık-Şeker Konsorsiyum Yatırım A.Ş. The share of the Bank in this company is 24%.

	Place of Incorporation	Effective Shareholding		Voting rights (%)	
		2005	2004	2005	2004
Agromarket (*)	Turkey	44.27	44.27	44.27	44.27
Çalık Şeker Konsorsiyum A.Ş. (*)	Turkey	24	24	24	24

(*) These associates have not been accounted under equity pick up method at the attached financial statements. Please refer to note 11 for detailed information.

During the conduct of its business the Bank had various significant transactions and balances with related parties during the year. Balances and transactions with related parties as at the balance sheet date are set out in note 24.

The Bank employs 28 people as of 31 December 2005 (31 as of 31 December 2004).

2. ADOPTION OF NEW AND REVISED IFRSs

In the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for periods beginning 1 January 2005.

At the date of authorization of these financial statements, additional Standards and Interpretations were in issue but not yet effective. The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Bank.

IFRS 6	Explorations for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC 3	Emission Rights
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2

3. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of Presentation of Financial Statements:

The Bank maintains its books of account and prepares its financial statements in accordance with the Turkish Banking Law, based on accounting principles regulated by the Banking Regulation and Supervision Agency ("BRSA") and regulations regulated by the Turkish Commercial Code and Turkish tax legislation and relevant accounting rules and regulations.

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (NTL '000') unless otherwise stated)

The accompanying financial statements are based on the statutory records, which are maintained under the historical cost convention, except for those items measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS. These financial statements are presented in New Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The accompanying IFRS financial statements adopt the accounting principles and policies applied by the BRSA in the Bank's statutory financial statements wherever those do not conflict with IFRS.

The effects of the differences between IFRS and generally accepted accounting principles in other countries than Turkey have not been quantified in the accompanying notes to the financial statements. In the opinion of the Bank's management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the period have been made in the accompanying financial statements.

b) 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 to 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%. Such cumulative rate in Turkey is 33.2% for the three years ended 31 December 2005 based upon the producer price index announced by the Turkish State Institute of Statistics ("SIS").

Due to BRSA as of 28 April 2005 circular No:5 details for indicators of hyperinflation periods are observed and concluded that, the most of the indicators of hyperinflation period no longer exist. For this reason, due to BRSA as of 21 April 2005 circular No:1623, inflation accounting for banking regulations are quitted by 1 January 2005.

Main indicators of hyperinflation period are as follows;

a) As of January 2005, data of banking sector verify that Turkish Lira deposits constitutes the majority of total deposits and foreign currency deposits are following a decreasing trend;

b) As of January 2005, data of banking sector verify that Turkish Lira loans constitutes the majority of total loans and foreign currency deposits are following a decreasing trend;

c) For the short term transactions prices are generally determined without interest cost;

d) Government bonds and treasury bills did not issue in respect of price index;

e) Wholesale price index ("WPI") announced by Turkish State Institute of Statistics as of March 2005, last three years' cumulative inflation ratio is 57.83% and for last twelve months ratio is 8.16%

Based on all of the above factors, management of the Bank believes that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 were not applicable in Turkey in 2005 and therefore decided to discontinue the inflation accounting application effective from 1 January 2005.

The restatement was calculated by means of conversion factors derived from the wholesale price index announced by SIS (1994 index: 100). Such index and the conversion factors used to restate the accompanying financial statements as of the end of each year to 31 December 2004 are given below:

	Index	Conversion Factor
31 December 2002	6,478.8	1.2971
31 December 2003	7,382.1	1.1384
31 December 2004	8,403.8	1.0000

The annual change in the NTL exchange rate against the US Dollar and Euro can be compared with the rates of general price inflation in Turkey according to the PPI as set out below:

Years	2005	2004	2003	2002
Currency devaluation US Dollar-%	(0.02%)	(3.85%)	(14.6%)	13.5%
PPI inflation-%	2.7%	13.8%	13.9%	30.8%

ÇALIK YATIRIM BANKASI A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005
(Amounts expressed in New Turkish Lira (NTL '000') unless otherwise stated)

The main guidelines for the IAS 29 restatement are as follows:
• All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (SSI). Corresponding figures for previous periods are similarly restated.
• Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
• Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value.
• Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.
• All items in the statement of income, except non-monetary balance sheet items that have effect on statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.
• The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

c) New Turkish Lira
A new law number 5083 was enacted with effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish republic, the Turkish Lira (“TL”), to form a new currency the New Turkish Lira (“NTL” or “YTL”). Thus 1 NTL=1,000,000 TL. The New Turkish Lira is divided into 100 New Turkish cents (“YKr”). The accompanying financial statements including comparatives are presented in New Turkish Lira (“NTL”) since it is the official currency as at the balance sheet date.

d) Accounting Convention
The accompanying financial statements have been prepared in accordance with IFRS. The financial statements have been prepared on the historical cost basis except for those items measured at fair value. Effect has been given in the financial statements to adjustments and reclassifications, which have not been entered in the general books of account of the Bank, and its subsidiary maintained in conformity with accounting practices prevailing in Turkey as set out in note 2.

e) Income and Expense Recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Interest and other income and expenses are recognized on an accrual basis, except for fees and commissions for various banking services rendered which are recognized as income when received. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income on overdue loans is recognized on a cash basis when collected. Income and expenses are recognized at fair value or amortized cost basis. For the purpose of convenience, certain income and expenses are recognized on a straight-line basis wherever does not materially differ from fair value or amortized cost method.

f) Foreign Currencies
In preparing the financial statements of the individual entities, transactions in currencies other than NTL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, are included in profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the Bank enters into forward contracts and swaps (see below for details of the Bank's accounting policies in respect of such derivative financial instruments).

ÇALIK YATIRIM BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (NTL '000') unless otherwise stated)

As at 31 December 2005 foreign currency assets and liabilities of the Bank are mainly in US Dollar and Euro. As at 31 December 2005 exchange rates of US Dollar and Euro are as follows:

	31 December 2005	31 December 2004
1 US Dollar	1.34746	1.34287
1 Euro	1.60133	1.83140

Average rates are as follows:

	1 January-31 December 2005	1 January-31 December 2004
1 US Dollar	1.34701	1.42916
1 Euro	1.67616	1.77641

g) Financial Instruments

The term financial instruments include both financial assets and financial liabilities, and also derivatives. Financial assets and financial liabilities are recognised on the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument. Financial instruments are fundamental to the Bank's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Bank. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Bank's balance sheet. The Bank trades in financial instruments for customer facilitation and as principal.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Bank has the expressed intention and ability hold to maturity (held-to-maturity debt securities) are measured at amortized cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

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

The Bank's investments primarily represents Turkish Republic Government bonds, Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices and subsequently measured as explained above in accordance with their classification.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Loans and other receivables

Loans and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence

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that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Bank are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The Bank does not have equity instruments. The accounting policies adopted for specific financial liabilities are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Bank's accounting policy for borrowing costs.

Off balance sheet commitments and contingencies

The Bank deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, prefinancing loans, etc. The Bank's exposure to losses arising from these instruments is represented by the contractual amount of those instruments.

Derivative financial instruments and hedge accounting

The Bank's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. In the normal course of business, the Bank enters into a variety of derivative transactions principally in the foreign exchange and interest rate markets. These are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including placements, lending and securities investment. The majority of the counterparties in the Bank's derivative transactions are banks and other financial institutions.

The Bank uses derivative financial instruments (primarily foreign currency forward and swap contracts) to hedge its risks associated with foreign currency fluctuations relating to forecasted transactions. The significant interest rate risk arises from placements, securities invested, loans extended, deposits and bank borrowings.

The use of financial derivatives is governed by the Bank's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Bank's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealised gains and losses on these instruments are included in the statement of income. Unrealised gains and losses on these instruments are not deductible for tax purposes.

Fair value considerations

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Bank may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparison with similar financial instruments that do have active markets, and calculation of present values on an IRR basis. Where no reliable estimate of fair value is available, amortized cost is used as the carrying value. As there is a wide range of valuation techniques, it may be inappropriate to compare the Bank's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would never differ significantly from market rates.

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

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Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.

Securities investments: Fair value is estimated using quoted market prices wherever applicable. For those where no market price is available, the carrying amounts in the books are estimated to be their fair values.

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

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase (“Repos”) are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities.

The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held to maturity or investments available for sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale (“reverse repos”) are separately disclosed under assets as “funds lent under securities resale agreements” and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

Loans and loan loss provisions

Loans are financial instruments extended by the Bank and accounted for at amortized cost using the effective interest rate method, except for certain loans wherever straight-line accrual basis does not materially differ from amortized cost method.

Based on its evaluation of the current status of the loans granted, the Bank makes specific loan loss provisions, which it considers are adequate to cover estimated uncollectible amounts in the loan portfolio and losses under guarantees and commitments. The estimates are reviewed periodically and, as adjustments become necessary, they are reflected in the statement of income in the periods in which they become known.

The Bank classifies any loan, which is not adequately collateralized, or the management believing borrowers lost their creditworthiness into overdue loans. The Bank ceases to recognize income on overdue loans and receivables.

The loan loss provisions and the general loan provision follow the requirements as specified by Turkish Banking regulations. In accordance with the prevailing provisioning legislation, banks in Turkey should appropriate 0.5% general provision for cash loans and other receivables and 0.1% general provision for non-cash loans.

h) Premises and Equipment

Premises and equipment are carried at inflation adjusted cost less inflation adjusted accumulated depreciation at the equivalent purchasing power as at the reporting date. Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates, which write off the assets over their expected useful lives:

	Useful lives
Vehicles, Furniture and Fittings	3 - 8
Leasehold Improvements	4 - 5

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

The costs of a major inspection or overhaul that are accounted as a separate asset component are capitalized. Subsequent expenditures incurred on the premises and equipments are added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the entity. All other subsequent expenditures and major inspection or overhaul costs that are embodied in the item of property and equipment are recognized as an expense when it is incurred.

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Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income.

i) Computer Software Development Costs

The Bank generally recognizes computer software development costs as expenses when incurred. However, if it is probable that future economic benefits will flow to the Bank, to the extent that expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditure associated with the maintenance of the existing computer software is recognized as expense in the period in which it is incurred.

Computer software development costs capitalized as assets are amortized on a straight-line basis over their expected useful lives:

	Useful lives
Intangibles	3 - 15

j) Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases. Lease receivables are classified under loans

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) Provisions
Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

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m) Retirement Benefits

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. Such payments are based on number of years' service and final salary at the date of retirement or leaving.

International Accounting Standard No. 19 “Employee Benefits” (“IAS 19”) has been applied in the accompanying financial statements. A provision is maintained for the present value of the defined benefit obligation, in respect of service up to the balance sheet date, based on the projected unit credit method. The charge in the income statement comprises current service cost and interest on the obligation.

n) Related Parties

For the purpose of the accompanying financial statements shareholders of the Bank and related companies, and non-equity participations and related companies, directors and key management personnel together with their families and related companies and other companies in the Çalık Group Companies are referred to as "Related Parties" in this report.

o) Taxation and Deferred Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

p) Use of Estimates

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

q) 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.

4. CHANGE IN ACOUNTING POLICIES

The Bank adopted to change the prior year financial statements wherever applicable and required based on the revised standards of IFRS, where there were no significant changes as compared to prior year financial statements.

In summary:

IAS1 “Presentation of Financial Statements”, IAS 21 “The effects of Changes in Foreign Exchange Rates”, IAS 24 “Related Party Disclosures”, IFRS 3 “ Business Combinations”, IAS 36 “Impairment of Assets”, IAS 38 “ Intangible Assets”, IAS 8 “ Accounting Policies, Changes in Accounting Estimates and Errors”, IAS 10 “Events After the Balance Sheet Date”, IAS 16 “ Property Plant and Equipment”, IAS 17 “Leases”,

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IAS 27 " Consolidated and Separate Financial Statements", IAS 28 " Investments in Associates", IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39" Financial Instruments: Recognition and Measurement" (all revised) and IFRS 4 "Insurance Contracts" and IFRS 5 " Non-current Assets Held for Sale and Discontinued Operations" had no material effect on the Bank's accounting policies.

5. CASH AND CASH EQUIVALENTS

	2005	2004
Cash balances - New Turkish Lira ("NTL")	33	84
Cash balances - Foreign currencies ("FC")	60	230
	93	**314**

6. BALANCES WITH THE CENTRAL BANK

a) Balances with the Central Bank

	2005	2004
Demand deposits - NTL	51	-
Time deposits - FC	161	311
	212	**311**

b) Reserve Deposits at the Central Bank

	2005	2004
New Turkish Lira reserves	-	74
Foreign currency reserves	393	846
	393	**920**

The liquidity requirements are to be maintained as cash in special New Turkish Lira accounts for New Turkish Lira liabilities and in special US Dollar and Euro accounts for respective foreign currency liabilities with the Central Bank of Turkey. Such New Turkish Lira and foreign currency reserves maintained with the Central Bank earn interest at the interest rates determined by the Central Bank. Reserve deposits earn interest at 10.25% for NTL deposits and 2.03% for foreign currency deposits (2004: 13% and 1%, respectively).

Banks have to maintain minimum amounts of cash-on-hand, deposits with the Central Bank and government bonds in their portfolio against their liabilities, computed on the basis of certain rates that are prescribed in the related regulation, as follows:

Liabilities	Liquidity Ratio
New Turkish Lira	6
Foreign currency	11

7. BALANCES WITH BANKS

	2005	2004
Domestic Banks		
Demand deposits - New Turkish Lira	1	-
Time deposits - New Turkish Lira	3,825	2,001
Time deposits - Foreign currency	1,887	-
	5,713	**2,001**
Banks Abroad		
Demand deposits - Foreign currency	61	244
Time deposits - Foreign currency	404	1,746
	465	**1,990**
Total	**6,178**	**3,991**

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The time deposits above mature within 1 month and earn average interest at rate of 4.2% (2004: 2%) for foreign currency and 14.73% for NTL per annum. (31 December 2004: 19% for NTL)

8. INVESTMENTS

Investments held for trading:

	2005	2004
Financial assets at fair value through profit and loss	-	-
Held for trading	1,869	2,182
	1,869	**2,182**

Held for trading:

	2005	2004
Government bonds & Treasury bills	1,869	2,182
	1,869	**2,182**

Income on debt instruments at fair value is included in the statement of income as interest income. Gains and losses on investments held for trading are included in the trading income.

9. FUNDS LENT UNDER SECURITIES RESALE AGREEMENTS

	2005	2004
Government bonds & Treasury bills	871	5,023
	871	**5,023**

10. LOANS AND ADVANCES (NET)

	2005	2004
Short term loans	47,505	45,645
Medium and long term loans	567	4,042
Overdue loans	1,056	15
Less: Provision for loan losses	(515)	(15)
Unearned income (Leasing)	(134)	(319)
	48,479	**49,368**

Movements in the provision for loan losses are as follows:

	2005	2004
Provision For Cash Loans:		
As at 1 January	15	15
Charge for the period	500	-
As at 31 December	515	15

Loans can be further analysed by customer, currency and sector as follows:

	2005	2004
Customer		
Commercial customers	48,479	49,368
	48,479	**49,368**

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Currency

	2005	2004
New Turkish Lira	45,020	40,235
US Dollar	-	69
Euro	1,735	5,465
CHF	1,724	3,599
	48,479	**49,368**

Sectoral analysis shown as below as 31 December 2005 and 31 December 2004:

Sector	2005	2005 (%)	2004	2004 (%)
Trade	15,039	31.02	14,043	28.45
Production	10,275	21.19	12,587	25.50
Transportation and communication	764	1.58	1,266	2.56
Health	541	1.12	-	-
Construction	11,576	23.88	9,216	18.67
Real estate	130	0.27	-	-
Financial institutions	8,985	18.53	12,190	24.69
Other	1,169	2.41	66	0.13
	48,479	**100.00**	**49,368**	**100.00**

Classification	2005	2004
Loans	39,931	37,926
Leasing	3,668	9,066
Factoring	4,880	2,376
	48,479	**49,368**

Included in the loans above, finance lease receivables are as follows:

	2005	2004
Within one year	3,234	5,343
One year and above	568	4,042
	3,802	**9,385**
Less: Unearned interest income	(134)	(319)
	3,668	**9,066**

Interest rates charged for short-term loans varied between 14.55% and 28% for New Turkish Lira loans (2004: 20%-45.96%) and 11.19% and 11.74% (2004: 9.44%-10.57%) for foreign currency loans per annum during the period.

11. INVESTMENTS IN ASSOCIATES

Investee	Ownership %	2005	2004
Çalık Şeker Konsorsiyum A.Ş.	24	4,376	4,358
		4,376	**4,358**

The main establishment purpose of Çalık Şeker Konsorsiyum A.Ş., (associate) is the transactions related with purchase of Bank Kombatare Tregtare in Albania. Even though, sales transactions with Saving Deposits and Insurance Fund has been completed as at balance sheet date, the share transfer has not been settled.

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Due to this fact, and taking one of the basic principles of accounting "materiality" into consideration, the associate is accounted at cost instead of accounted under equity method, in the accompanying financial statements.

The Bank has cooperation with Gap Pazarlama and Tariş in their project of e-commerce in Agromarket. The established company, which is 44.27% owned by the Bank, engages in e-sales of cotton. In the accompanying financial statements, the Bank set 100% impairment provision for this associate.

12. PREMISES AND EQUIPMENT (NET)

	Leasehold Improvements	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed Assets	Total
Acquisition Cost						
Opening balance, 1 January 2005	700	659	290	614	11	2,274
Additions	26	41	89	7		163
Disposals	-	(16)	(129)	-	-	(145)
Closing balance, 31 December 2005	726	684	250	621	11	2,292
Accumulated Depreciation						
Opening balance, 1 January 2005	277	464	170	191	11	1,113
Charge for the period	101	61	44	96	-	302
Disposals	-	(3)	(129)	-	-	(132)
Closing balance, 31 December 2005	378	522	85	287	11	1,283
Net book value at 31 December 2005	348	162	165	334	-	1,009

	Leasehold Improvements	Machinery and Equipment	Vehicles	Furniture and Fixture	Other Fixed Assets	Total
Acquisition Cost						
Opening balance, 1 January 2004	288	540	290	175	11	1,304
Additions	412	119	-	439	-	970
Disposals	-	-	-	-	-	-
Closing balance, 31 December 2004	700	659	290	614	11	2,274
Accumulated Depreciation						
Opening balance, 1 January 2004	206	357	121	134	9	827
Charge for the period	71	107	49	57	2	286
Disposals	-	-	-	-	-	-
Closing balance, 31 December 2004	277	464	170	191	11	1,113
Net book value at 31 December 2004	423	195	120	423	-	1,161

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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13. INTANGIBLE ASSETS (NET)

	Intangible Assets Total
Acquisition cost	
Opening balance, 1 January 2005	1,648
Additions	30
Closing balance, 31 December 2005	**1,678**
Accumulated depreciation	
Opening balance, 1 January 2005	1,461
Charge for the period	92
Closing balance, 31 December 2005	**1,553**
Net Book Value, as of 31 December 2005	**125**

	Intangible Assets Total
Acquisition cost	
Opening balance, 1 January 2004	1,612
Additions	36
Closing balance, 31 December 2004	**1,648**
Accumulated depreciation	
Opening balance, 1 January 2004	1,183
Charge for the period	278
Closing balance, 31 December 2004	**1,461**
Net Book Value, as of 31 December 2004	**187**

14. OTHER ASSETS

	2005	2004
Prepaid Expenses	226	257
Transitory Accounts	315	608
Advances Given	-	5
Premium Income Accruals	-	110
Others	25	23
	566	**1,003**

15. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The securities sold under repurchase agreements and corresponding obligations are as follows:

	2005 Carrying Value of Underlying Securities	2005 Carrying Value of Corresponding Liability
Investments held for trading	871	864
	871	**864**

	2005 Carrying Value of Underlying Securities	2004 Carrying Value of Corresponding Liability
Investments held for trading	5,023	4,760
	5,023	**4,760**

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The repurchase agreements have maturity periods of one day. The Bank has applied interest rates of 8.24 -10.56%. (2004: 11.54-17.80%)

16. BORROWINGS

	2005	2004
Domestic Banks - NTL	1,002	-
Domestic Banks - Foreign currency	-	1,343
Banks Abroad - Foreign currency	3,234	5,706
	4,236	**7,049**

2005:

Maturity	Currency	Effective Interest Rate(%)	Amount
26.01.2006	NTL	13.95	1,002
30.01.2007	EUR	4.05	492
22.12.2011	USD	5.75	1,028
18.10.2006 - 26.03.2007	CHF	3.40 - 4.05	1,714
			4,236

2004:

Maturity	Currency	Effective Interest Rate(%)	Amount
03.01.2005	USD	2.35	1,343
16.06.2005 - 30.01.2007	EUR	4.01 - 6.00	2,138
18.10.2006 - 26.03.2007	CHF	3.40 - 4.05	3,568
			7,049

17. SUNDRY CREDITORS

	2005	2004
Payable to suppliers	1,226	3,274
	1,226	**3,274**

18. TAXATION ON INCOME

Corporate Tax

The Bank is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements based on the Bank's results for the year. Tax legislation in Turkey does not allow companies to file their tax returns on a consolidated basis but on a stand-alone basis.

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

The effective rates of tax are as follows:
- In 2003: 30%
- In 2004: 33%
- In 2005: 30%

In Turkey, advance tax returns are filed on a quarterly basis at 30%.

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

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by 15 April in the next year following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends that are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2004. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax was also calculated in 2003 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2004. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

Inflation Adjusted Tax Calculation

For 2004 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2004 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". Since the actual rate of inflation as at the balance sheet date did not exceed the thresholds specified in the taxation legislation, the statutory financial statements have not been inflation adjusted.

Deferred Tax

The Bank recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

In the accompanying financial statements corporate tax and deferred tax asset/liability are comprised of the following:

a) Balance sheet:

	2005	**2004**
Corporate tax	602	1,299
Advance taxes	-	-
	602	**1,299**

b) Income statement:

	2005	**2004**
Corporate tax charge	2,753	1,299
Deferred tax charge	-	(779)
	2,753	**520**

The deferred taxes on major temporary differences as at the balance sheet are as follows:

	2005	**2004**
Useful life difference on fixed assets	32	(61)
Retirement pay provision	(52)	(48)
General loan loss provision	(360)	(358)
Deferred tax (asset)/liability	(380)	(467)
Less: Valuation allowance	380	467
Net deferred taxes	-	-

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19. PROVISIONS

	2005	2004
General loan loss provision	360	359
Retirement pay provision	52	48
Other Provisions	1	-
	413	**407**

	2005	2004
Provision For Retirement Pay		
Provision at 1 January	48	38
Provision for the period	4	15
Net effect of indexation	-	(5)
Provision at 31 December	52	48
General Loan Loss Provision		
Provision at 1 January	359	222
Provision for the period	1	164
Net effect of indexation	-	(27)
Provision at 31 December	360	359

Retirement Pay Provision:
Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of NTL 1,727.15 (2004: NTL 1,547.74) for each period of service at 31 December 2005.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2005, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6.175% and a discount rate of 12%, resulting in a real discount rate of approximately 5.49%.

20. OTHER LIABILITIES

	2005	2004
Payables to Compulsory Government Funds	44	19
Customer Accounts (*)	533	3,473
Payment Orders	-	22
Transitory Accounts	394	737
Taxes and Due Payable	212	219
Others	36	48
	1,219	**4,518**

(*) As at 31 December 2005, NTL 174 Thousand comprised of the Customer Accounts to the Group companies (31 December 2004: NTL 1,527 Thousand).

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21. EQUITY

Share Capital

		2005		2004
		Paid-In		Paid-In
Shareholders	**%**	**Capital**	**%**	**Capital**
Çalık Holding A.Ş.	91.5	12,352	91.5	12,352
Gap Güneydoğu Tekstil San.ve Tic.A.Ş.	4.5	608	4.5	608
Ahmet Çalık	2.0	270	2.0	270
Mahmut Çalık	1.0	135	1.0	135
Ali Akbulut	1.0	135	1.0	135
	100	**13,500**	**100**	**13,500**

	2005	2004
Components of Capital:		
Nominal capital	13,500	13,500
Unpaid portion	-	-
Effect of inflation	26,113	26,106
	39,613	**39,606**

Legal reserves:

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

22. OPERATING INCOME

	2005	2004
Other	28	230
	28	**230**

23. OPERATING EXPENSES

	2005	2004
Personnel expenses	2,588	2,241
Taxes and dues other than on income	213	312
Depreciation and amortization	394	564
Donations paid	188	16
Rent expenses	416	282
Communication expense	438	442
Provision expenses	502	177
Other administrative expenses	977	1,180
	5,716	**5,214**

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24. RELATED PARTY TRANSACTIONS AND BALANCES

The accompanying financial statements include the following balances due from or due to related parties:

	2005	2004
Balances with related parties:		
Balances due from related parties		
Loans and advances (Net)	24,856	28,959
Balances to related parties		
Other liabilities (customer accounts)	174	1,527
Balances related off balance sheet transactions		
Non-cash loans	42,922	53,295

Total salaries and other benefits paid to the board of members and upper management during the year is NTL 1,172 (2004: NTL 887).

Transactions with related parties:

	2005	2004
Interest income on loans	5,842	6,017
Commission income	1,291	1,508
Rent expenses	(18)	(89)
Other administrative expenses	(83)	(54)

25. COMMITMENTS AND CONTINGENCIES

	2005	2004
Letters of guarantee	78,702	49,897
Letters of credit and other commitments	16,079	24,246
	94,781	**74,143**

26. DERIVATIVE FINANCIAL INSTRUMENTS

	2005 Assets	2005 Liabilities	2004 Assets	2004 Liabilities
Forward transactions	-	-	1	-
Currency swaps	6	-	-	-
	6	**-**	**1**	**-**

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Bank is committed are as follows:

	2005	2004
Forward foreign exchange contracts - buy	2,701	130
Forward foreign exchange contracts - sell	2,722	129
Swap foreign exchange contracts - buy	5,445	-
Swap foreign exchange contracts - sell	5,415	-

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27. DIVIDENDS

During the year 2005, no dividend was paid to shareholders. (2004: None)

28. RISK MANAGEMENT

Through its normal operations, the Bank is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. Risk management department exercises its functions according to the Internal Risk Management Policies of the Bank, and directly reports to Board of Directors.

Liquidity risk

Liquidity risk is a substantial risk that is exposed to a certain degree of mismatch between the maturities of its assets and liabilities.

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

The Bank uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

As at 31 December 2005 the estimated maturity analysis for certain assets and liabilities;
The maturity analysis for certain asset and liability items is estimated;

	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Unallocated	Total
ASSETS								
Cash and cash equivalents	93	-	-	-	-	-	-	93
Balance with the Central Bank	51	161	-	-	-	-	-	212
Balances with banks	62	6,116	-	-	-	-	-	6,178
Funds lent under securities resale agreements	-	-	-	-	871	-	-	871
Investments held for trading	-	-	-	289	1,580	-	-	1,869
Derivative financial assets	-	6	-	-	-	-	-	6
Reserve deposits at the Central Bank	-	393	-	-	-	-	-	393
Loans and advances (net)	-	38,092	6,204	1,198	1,889	555	541	48,479
Investment in associates	-	-	-	-	-	-	4,376	4,376
Premises and equipment (net)	-	-	-	-	-	-	1,009	1,009
Intangible assets (net)	-	-	-	-	-	-	125	125
Other assets	315	-	-	-	-	-	251	566
Deferred tax assets	-	-	-	-	-	-	-	-
Total	**521**	**44,768**	**6,204**	**1,487**	**4,340**	**555**	**6,302**	**64,177**
LIABILITIES								
Obligations under repurchase agreements	-	864	-	-	-	-	-	864
Borrowings	-	1,163	350	445	930	1,348	-	4,236
Provisions	-		-	-	-	-	413	413
Current tax liability	-	-	-	602	-	-	-	602
Sundry Creditors	-	147	304	335	440	-	-	1,226
Other liabilities	789	430	-	-	-	-	-	1,219
Share capital	-	-	-	-	-	-	39,613	39,613
Legal reserves	-	-	-	-	-	-	1,610	1,610
Retained earnings	-	-	-	-	-	-	14,394	14,394
Total	**789**	**2,604**	**654**	**1,382**	**1,370**	**1,348**	**56,030**	**64,177**

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As at 31 December 2004 the estimated maturity analysis for certain assets and liabilities;
The maturity analysis for certain asset and liability items is estimated;

	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Unallocated	Total
ASSETS								
Cash and cash equivalents	314	-	-	-	-	-	-	314
Balance with the Central Bank	-	311	-	-	-	-	-	311
Balances with banks	244	3,747	-	-	-	-	-	3,991
Interbank money market placements	-	2,502	-	-	-	-	-	2,502
Funds lent under securities resale agreements	-	-	-	-	4,941	82	-	5,023
Investments held for trading	-	-	-	-	1,871	311	-	2,182
Derivative financial assets	-	1	-	-	-	-	-	1
Reserve deposits at the Central Bank	-	920	-	-	-	-	-	920
Loans and advances (net)	-	9,017	13,953	16,562	5,484	4,352	-	49,368
Investment in associates	-	-	-	-	-	-	4,358	4,358
Premises and equipment (net)	-	-	-	-	-	-	1,161	1,161
Intangible assets (net)	-	-	-	-	-	-	187	187
Other assets	640	-	-	-	-	-	363	1,003
Deferred tax assets	-	-	-	-	-	-	-	-
Total	**1,198**	**16,498**	**13,953**	**16,562**	**12,296**	**4,745**	**6,069**	**71,321**
LIABILITIES								
Obligations under repurchase agreements	-	4,760	-	-	-	-	-	4,760
Borrowings	-	1,591	402	1,034	1,512	2,510	-	7,049
Provisions	-		-	-	-	-	407	407
Current tax liability	-	-	-	1,299	-	-	-	1,299
Sundry creditors	-	178	367	404	924	1,401	-	3,274
Other liabilities	3,716	802	-	-	-	-	-	4,518
Share capital	-	-	-	-	-	-	39,606	39,606
Legal reserves	-	-	-	-	-	-	1,610	1,610
Retained earnings	-	-	-	-	-	-	8,798	8,798
Total	**3,716**	**7,331**	**769**	**2,737**	**2,436**	**3,911**	**50,421**	**71,321**

Credit risk

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

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

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The credit portfolio is monitored according to various criteria including and risk categories. The geographical concentration of asset liabilities and other credit related commitments are as follows:

31 December 2005	**Total Assets**	**%**	**Total Liabilities**	**%**	**Other Credit Related Commitments**	**%**
Turkey	63,712	99	59,717	93	74,165	78
Euro Zone	22	-	1,717	3	-	-
USA and Canada	420	1	-	-	-	-
OECD Countries	23	-	1,714	3	-	-
Other	-	-	1,029	1	20,616	22
	64,177	**100**	**64,177**	**100**	**94,781**	**100**

31 December 2004	**Total Assets**	**%**	**Total Liabilities**	**%**	**Other Credit Related Commitments**	**%**
Turkey	69,331	97	62,431	87	74,143	100
Euro Zone	133	-	8,980	13	-	-
USA and Canada	1,846	3	-	-	-	-
OECD Countries	11	-	-	-	-	-
	71,321	**100**	**71,321**	**100**	**74,143**	**100**

Market risk

The Bank takes on exposure to market risks. Market risk arises from open positions in interest rate and currency, which are exposed to general and specific market movements. The interest rate and exchange rate risks of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy, the amount subject to Value at Risk (VAR) is taken into consideration by the standard method.

The Board of Directors of the Bank determines the risk limits for primary risks carried by the Bank and periodically revises these limits. The Bank aims to balance the foreign currency position, collateralize the loans and manage liquidity.

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

Interest Rate Risk

The Bank is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest sensitive assets and liabilities. The Bank funds its NTL assets through its shareholders' equity. (as of 31 December 2005, total shareholders' equity comprises of 87% of the total assets) The Bank manages interest rate sensitivity of the assets, liabilities and off-balance sheet items. Progressive forecasting is determined with reports, interest rate fluctuations effect are identified with reports and analysis. The cash need in the terms is determined with Gap analysis

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The below table summarizes the Bank's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the reprising date:

31 December 2005:

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Non interest bearing	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	93	93
Balance with the Central Bank	161	-	-	-	-	51	212
Balances with banks	6,116	-	-	-	-	62	6,178
Funds lent under securities resale agreements	-	-	-	871	-	-	871
Investments held for trading	-	-	289	1,580	-	-	1,869
Derivative financial assets	6	-	-	-	-	-	6
Reserve deposits at the Central Bank	393	-	-	-	-	-	393
Loans and advances (net)	38,076	6,204	1,198	1,889	555	557	48,479
Investment in associates	-	-	-	-	-	4,376	4,376
Premises and equipment (net)	-	-	-	-	-	1,009	1,009
Intangible assets (net)	-	-	-	-	-	125	125
Other assets	-	-	-	-	-	566	566
Deferred tax assets	-	-	-	-	-	-	-
Total	**44,752**	**6,204**	**1,487**	**4,340**	**555**	**6,839**	**64,177**
LIABILITIES							
Obligations under repurchase agreements	864	-	-	-	-	-	864
Borrowings	1,163	350	445	930	1,348	-	4,236
Provisions		-	-	-	-	413	413
Current tax liability	-	-	602	-	-	-	602
Sundry creditors	147	304	335	440	-	-	1,226
Other liabilities	36	-	-	-	-	1,183	1,219
Share capital	-	-	-	-	-	39,613	39,613
Legal reserves	-	-	-	-	-	1,610	1,610
Retained earnings	-	-	-	-	-	14,394	14,394
Total	**2,210**	**654**	**1,382**	**1,370**	**1,348**	**57,213**	**64,177**

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The below table summarizes the Bank's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the reprising date:

31 December 2004:

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Non interest bearing	Total
ASSETS							
Cash and cash equivalents	-	-	-	-	-	314	314
Balance with the Central Bank	311	-	-	-	-	-	311
Balances with banks	3,747	-	-	-	-	244	3,991
Interbank money market placements	2,502	-	-	-	-	-	2,502
Funds lent under securities resale agreements	-	-	-	4,941	82	-	5,023
Investments held for trading	-	-	-	1,871	311	-	2,182
Derivative financial assets	1	-	-	-	-	-	1
Reserve deposits at the Central Bank	920	-	-	-	-	-	920
Loans and advances (net)	9,001	13,953	16,562	5,484	4,352	16	49,368
Investment in associates	-	-	-	-	-	4,358	4,358
Premises and equipment (net)	-	-	-	-	-	1,161	1,161
Intangible assets (net)	-	-	-	-	-	187	187
Other assets	-	-	-	-	-	1,003	1,003
Deferred tax assets	-	-	-	-	-	-	-
Total	**16,482**	**13,953**	**16,562**	**12,296**	**4,745**	**7,283**	**71,321**
LIABILITIES							
Obligations under repurchase agreements	4,760	-	-	-	-	-	4,760
Borrowings	1,591	402	1,034	1,512	2,510	-	7,049
Provisions		-	-	-	-	407	407
Current tax liability	-	-	1,299	-	-	-	1,299
Sundry creditors	178	367	404	924	1,401	-	3,274
Other liabilities	44	-	-	-	-	4,474	4,518
Share capital	-	-	-	-	-	39,606	39,606
Legal reserves	-	-	-	-	-	1,610	1,610
Retained earnings	-	-	-	-	-	8,798	8,798
Total	**6,573**	**769**	**2,737**	**2,436**	**3,911**	**54,895**	**71,321**

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As at 31 December 2005, a summary of average interest rates for different assets and liabilities are as follows:

	Euro	US Dollar	CHF	NTL
	%	%	%	%
Assets				
Balances with banks	-	4.20	-	14.73
Funds lent under securities resale agreements	-	-	-	14.19
Investments held for trading	-	-	-	14.13
Loans and advances (net)	-	11.39	-	21.25
Liabilities				
Obligations under repurchase agreements	-	-	-	8.27
Borrowings	4.05	5.75	3.74	13.95

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign currency risk indicates the possibility of the potential losses that the Bank is subject due to the exchange rate movements in the market.

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

The below tables summarize the foreign currency position of the Bank as at 31 December 2005:

	EURO	USD	Other Foreign Currencies	Total
Assets				
Cash and cash equivalents & Central Bank	5	194	22	221
Balances with banks	14	2,310	28	2,352
Loans and advances (net) *	1,735	425	1,724	3,884
Reserve deposits	-	393	-	393
Other assets	-	31	-	31
Total Assets	**1,754**	**3,353**	**1,774**	**6,881**
Liabilities				
Borrowings	(492)	(1,028)	(1,714)	(3,234)
Sundry Creditors	(1,226)	-	-	(1,226)
Other liabilities	(1)	(276)	(5)	(282)
Total Liabilities	**(1,719)**	**(1,304)**	**(1,719)**	**(4,742)**
Net Balance Sheet Position	35	2,049	55	2,139
Off Balance Sheet Position				
Forwards and swaps to sell agreements	(2,722)	(5,415)	-	(8,137)
Forwards and swaps to buy agreements	5,445	2,701	-	8,146
Net Off Balance Sheet position	2,723	(2,714)	-	9
Net Position	2,758	(665)	55	2,148

* USD column includes foreign currency indexed loans (NTL 425 thousand)

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The below tables summarize the foreign currency position of the Bank as at 31 December 2004:

	EURO	USD	Other Foreign Currencies	Total
Assets				
Cash and cash equivalents & Central Bank	109	432	-	541
Balances with banks	85	1,845	60	1,990
Loans and advances (net)*	5,465	738	3,599	9,802
Reserve deposits	-	846	-	846
Other assets	-	32	-	32
Total Assets	**5,659**	**3,893**	**3,659**	**13,211**
Liabilities				
Borrowings	2,138	1,343	3,568	7,049
Sundry Creditors	3,274	-	-	3,274
Other liabilities	172	2,706	108	2,986
Total Liabilities	**5,584**	**4,049**	**3,676**	**13,309**
Net Balance Sheet Position	75	(156)	(17)	(98)
Off Balance Sheet Position				
Forwards and swaps to sell agreements	-	(129)	-	(129)
Forwards and swaps to buy agreements	-	-	130	130
Net Off Balance Sheet Position	-	(129)	130	1
Net Position	75	(285)	113	(97)

* USD column includes foreign currency indexed loans (NTL 669 Thousand)

Operational risk

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

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Fair values of financial instruments

As at 31 December 2005 and 31 December 2004, fair values of financial assets and liabilities are as follows:

	31 December 2005		31 December 2004	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Balances with banks	6,178	6,178	3,991	3,991
Investments held for trading	1,869	1,869	2,182	2,182
Loans and advances	48,479	48,479	49,368	49,368
Financial assets	56,526	56,526	55,541	55,541
Borrowings	4,236	4,236	7,049	7,049
Financial liabilities	4,236	4,236	7,049	7,049

29. APPROVAL OF FINANCIAL STATEMENTS

The statutory financial statements (Banking Regulation Supervision Agency (BRSA)) were approved by the Board of Directors and authorized for issue on 2 February 2006.

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