

THE EVOLUTION OF SETTLEMENT AND
CUSTODY SERVICES IN TURKEY...



2005 ANNUAL REPORT

10 years

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1988...



A department is formed within the Istanbul Stock Exchange (ISE) for the settlement of securities transactions.

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Takasbank in Brief

JULY 1991 . . .

The Istanbul Stock Exchange Takas ve Saklama A.Ş. (Takasbank) established by the ISE and its members.

Takasbank ranked second among banks in terms of electronic fund transfer volume for the past eight years and is one of the institutions that pays the highest amount of corporate tax in Turkey.



A department within the Istanbul Stock Exchange (ISE) formed in 1988 began to perform settlement transactions of traded securities. In January 1992, the settlement and custody task was handed over to İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody, Inc.), founded by the ISE and its members. On January 2, 1996, this company was transformed into a sector-specific bank - Takasbank - İMKB Takas ve Saklama Bankası A.Ş. (Takasbank - ISE Settlement and Custody Bank, Inc.). Today the bank serves financial markets and also as an investment bank.

An institution with capital market players as its shareholders, Takasbank is a bridge between money and capital markets and is one of the most important financial institutions of Turkey. Since it has settlement and custody services under one roof, Takasbank has a unique place among similar institutions around the world. Takasbank is also a founding partner and system developer of the Central Registry Agency (CRA), which started its operations in 2005 and completed the transition toward the dematerialization of shares, traded on the ISE.

The Turkish Derivatives Exchange (TURKDEX) launched trading in February 2005. The Capital Markets Board appointed Takasbank as the clearinghouse of the TURKDEX in December 2004; the TURKDEX Clearing Center of Takasbank

started operations in February 2005. Takasbank also monitors the portfolio assets of mutual funds and investment trusts and has assumed various responsibilities regarding Private Pension Funds introduced in 2003 within the context of the Private Pension Savings and Investment System. The Bank also carries out custody, settlement and other related operations of pension fund transactions in capital markets. Takasbank will contribute significantly to the development of private pension fund schemes, which are bound to play a major role in the diversification of Turkish capital markets.

Takasbank has a correspondent relationship with Euroclear Bank, an international custody and clearing institution. In this capacity, Takasbank provides international settlement and custody services for foreign securities such as eurobonds, foreign bonds, depository receipts, etc. With these services, Takasbank has taken its expertise in clearing, settlement and custody services abroad, aiming to make post-trade services accessible to all financial institutions in terms of technical expertise, operational experience and cost. As of the end of December 2005, there are 69 institutions receiving international securities correspondent services from Takasbank.

Offering short-term loans to capital market players through securities purchasing loans (cash credits); Takasbank ensures that money market transactions between banks and brokerage houses are carried out in a transparent, fast and reliable environment via the Money Market that it established. Takasbank ranked second among banks in terms of electronic fund transfer volume for the past eight years and is one of the institutions that pays the highest amount of corporate tax in Turkey.

Amendments Made to the Articles of Association in 2005

No amendment has been made to Takasbank's Articles of Association in 2005.

Summary of Financial Results

JANUARY 1992 . . .

Settlement and custody
tasks handed over to
Takasbank.



At the end of 2005, Takasbank posted a pre-tax profit of TRY 61,483,000 as a result of its operations between January 1 and December 31, 2005. This represents a 34.3% increase over the year-end 2004 figure of TRY 45,791,000. The Bank's after-tax profit reached TRY 42,955,000, after deducting TRY 18,528,000 for its 30% corporate tax. The after-tax net profit for 2005 increased by 38.8% over 2004's figures.

FEBRUARY 1992 . . .

Takasbank starts handling corporate actions on behalf of shareholders.



Takasbank's interest income in the current period reached TRY 41,888,000. A substantial portion of this (TRY 31,782,000) came from interest on securities held until maturity. In the current period, domestic banks were paid TRY 33,000 interest. Fees and commissions collected on non-cash loans were TRY 3,609,000 and commissions paid on non-cash loans and other loans were TRY 926,000. The balance of the Other Operating Income account was TRY 39,607,000. This includes the settlement and custody service fees collected by Takasbank. In the relevant period, provisions for loans and other receivables amounted to TRY 355,000.

MAY 1993 ...

Share certificates deposited with Takasbank now tracked by their serial numbers.

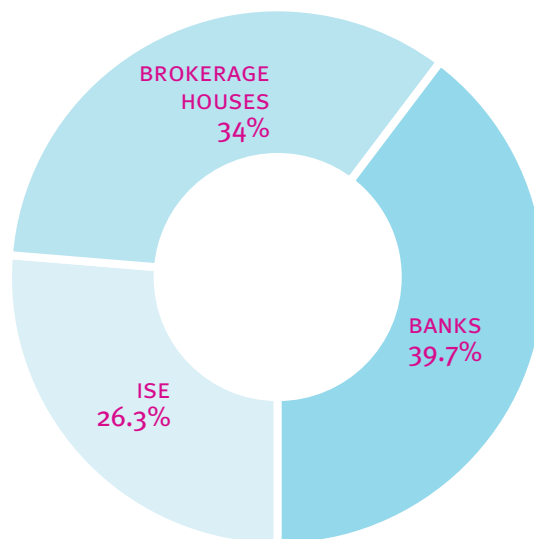


The paid-in nominal capital of Takasbank is TRY 60,000,000. All Class A and Class B shares are registered; the transfer of these shares is only allowed among the ISE and its members and any existing and future gold, foreign currency, derivatives and securities exchanges and their members. No single shareholder can directly or indirectly hold more than 5% of the shares, except for the ISE. Takasbank has 2,000 Class A preferred shares, each with a nominal value of TRY 200. The ISE is the sole owner of the Class A shares, which are non-transferable. No other Class A shares are issued in any capital increase. Class A shares entitle the ISE to have more representatives on the Board of Directors of the Bank.

Titles and Shares of Natural and Legal Persons Holding more than 10% Interest

Takasbank has 90 shareholders including the ISE, which owns 26.3% - corresponding to TRY 15,781,764; it is the single shareholder with more than 10% interest in the Bank. Of Takasbank's capital, 20 banks own 39.7%; 69 brokerage houses own the remaining 34.0%. In 2005, the ISE acquired Takasbank shares from Datek Menkul Değerler A.Ş. for a nominal value of TRY 39,150 and also from İktisat Bankası T.A.Ş. taken over by the Savings Deposit Insurance Fund (SDIF), which transferred shares at a nominal value of TRY 442,726. These acquisitions were recorded in the stock ledger and recorded in Takasbank's capital account.

Takasbank has 90 shareholders and ISE is the only shareholder which owns more than 10% interest in the Bank.





FEBRUARY 1994 . . .

Custody accounts opened with the Central Bank to start settlement on the ISE Bonds and Bills Market Outright Sales, Repo and Reverse Repo Markets.

DECEMBER 1994 . . .

The Capital Markets Board appoints Takasbank as the “Central Custody Agency” for stocks traded on the ISE.



Information on Shares Held by the Chairman and Members of the Board of Directors, Members of the Board of Auditors, the General Manager and Assistant General Managers

The Chairman and members of the Board of Directors of Takasbank, the Board of Auditors, the General Manager and Assistant General Managers do not own any shares in the Bank.

Message from the Chairman



Takasbank is celebrating its tenth anniversary this year. Takasbank, which became an investment bank in January 1996, has set an example for the capital markets of developed and developing countries since its earlier days, with its experienced and competent staff, robust technological infrastructure and innovative practices.

Among other positive factors, the start of accession talks with the European Union became the driving force behind the Turkish economy. Rapid economic growth and the accompanying positive atmosphere pulled inflation down to single-digit levels; the banking sector gained further strength with the arrival of foreign banks; investor and consumer confidence soared and Turkish currency appreciated against other currencies. Positive economic developments and optimistic expectations brought increased volumes to capital markets and the ISE-100 Index broke new records. International rating agencies continued to increase ratings for Turkey and some leading banks. Foreign investors demand for the Treasury's overseas securities offerings increased, maturities became longer and interest rates fell. Foreign institutional investors' transactions on the ISE also increased significantly.

At the beginning of its tenth year, Takasbank transferred its custody operations to Merkezi Saklama Kuruluşu A.Ş. (Central Registry Agency), of which Takasbank is both a shareholder and a systems developer. Takasbank, aiming to switch to a dematerialized system since its inception achieved this objective taking well-planned steps. The necessary platform was developed for the Central Registry Agency. Takasbank's ability

to accurately predict future needs and meet existing needs using state-of-the-art technology contributed much to its success. Takasbank has developed numerous projects in the last decade to carry Turkish capital market to the level of developed capital markets; it will continue to be committed to this mission.

As of December 31, 2005, Takasbank's nominal custody volume reached TRY 12.4 billion. Transaction volume at the Takasbank Money Market, where 66,599 transactions were handled, reached TRY 90.2 billion. Average daily transaction volume in securities purchasing loans in 2005 was TRY 17.1 million. Upon completion of relevant development and testing efforts, the Securities Lending/Borrowing Market was launched at the end of November. Following the launch, Takasbank ceased its securities lending/borrowing transactions. The total volume of electronic fund transfers reached TRY 1,075,332 million in 2005.

Takasbank offers foreign securities and Eurobond settlement/custody services for 24 private pension funds and 22 mutual funds. By the end of the year, total assets of 96 private pension funds established by 11

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pension companies reached TRY 1,277.7 million, whereas the total assets of 288 mutual funds reached TRY 29,317.3 million. Upon the request of the Capital Markets Board, efforts were made to eliminate valuation differences of private pension funds and mutual funds.

The Turkish Derivatives Exchange (TURKDEX) began trading on February 4, 2005 and has continued to carry out settlement and collateralization transactions for the TURKDEX Clearing Center of Takasbank. In 2005, the TURKDEX Clearing Center opened TURKDEX accounts and carried out collateralization, interest accrual, and daily account update and profit/loss payment transactions. The number of futures short positions increased with the rise in the trading volume on the TURKDEX, reaching 140,159 by the end of the year. TURKDEX settlement transactions with a T+1 value date will start in the first quarter of 2006, upon completion of analysis and software development efforts, which began in 2005. In 2006, the Bank plans to diversify futures traded on the TURKDEX, launch trading in gold futures and carry out feasibility studies on options.

As we reach the end of a first decade full of innovative projects, Takasbank is committed to further improving its performance in the future. The Bank has already achieved one of its major targets and switched to the dematerialized system. On behalf of our Board of Directors, I would like to express my gratitude to our distinguished executives and employees.

Osman Birsen
Chairman

Message from the General Manager



Year 2005 was another milestone in the history of Takasbank. One of our earliest objectives was to switch to a dematerialized system. Having completed this transition in 2005, we handed over custody tasks to a new player in our national capital market, the Central Registry Agency, of which Takasbank is both a shareholder and a system developer. The customer-based custody accounts and immobilization system of Takasbank acted as the foundation of the Central Registry Agency and the dematerialized system.

In 2005, trading on the ISE Stock Market totaled TRY 268.5 billion; as a result of the multilateral netting system, one of the most important features contributing to the efficiency of the clearing and the settlement system, TRY 26.9 billion in cash settlements and TRY 91.1 billion securities settlements were performed.

Since November 28, 2005 settlement transactions have been carried out via CRA accounts. Our Bank has an integrated, real-time system with CRA based on synchronized electronic messaging. Transactions integrated with the CRA system include settlement, default, Real Time Gross DVP Settlement, settlement and custody transactions of mutual funds and investment trusts and collateralization transactions.

In 2005, total trading volume on the ISE Bonds and Bills Market Outright Sales and Purchases Market and the Repo and Reverse Repo Market reached TRY 2,340.4 billion; as a result of multilateral netting, cash settlement transactions reached TRY 297.1 billion with securities settlement transactions totaling TRY 1,387.1 billion. As a result of netting of outright sales and purchasing transactions worth EUR 49.4 million and USD 500.3 million on the FX-denominated government domestic debt securities market, cash settlements totaling EUR 49.2 million and USD 462.8 million were finalized through correspondent banks.

Substantial portions of short positions for FX, interest, index and commodity futures issued by the Turkish Derivatives Exchange were composed of FX and stock index futures. In parallel with the rise in the ISE Stock Market trading volume and index, Takasbank loans gained increasing momentum. During the

year, daily average loan volume of 35 brokerage houses reached TRY 17.1 million representing a 68% increase over the previous year. Despite a lower average interest rate, which decreased to 18.9% due to the increased volume of loans granted, interest income on securities purchasing loans rose 21% over 2004 to reach TRY 3.3 million. Similarly, securities lending/borrowing transaction volume increased and Takasbank met 3,095 securities lending/borrowing facility requests from 68 brokerage houses, up 25% compared to 2004; the total number of transactions increased 28%, reaching 4,022. With the introduction of the Securities Lending/Borrowing Market in November, Takasbank discontinued its securities lending/borrowing transactions.

The transaction volume in the Takasbank Money Market reached TRY 90.2 billion (USD 67.4 billion) in 2005. Average daily transaction volume was TRY 355 million, whereas average transaction size was TRY 1.4 million for 66,599 transactions. In 2006, transaction volume in the Takasbank Money Market is expected to increase as a result of the 15% withholding tax and the implementation of the remote access project.

During 2005, almost 46% of Takasbank's revenue came from portfolio management transactions. Takasbank's medium and long-term investment portfolio is composed primarily of Treasury bills and government bonds. These assets constitute the single most important item of the Bank's assets.

In parallel with the rise in the ISE Stock Market trading volume and index, Takasbank loans gained increasing momentum.



Takasbank represents Turkey at ANNA, where National Numbering Agencies from 67 countries are members. Takasbank was elected to chair the Board of Directors of ANNA Service Bureau with a unanimous vote by 55 countries present in the General Assembly held in Zurich on June 9-10, 2005.

Takasbank is an Affiliate Member of the Federation of Euro-Asian Stock Exchanges (FEAS). Through this membership, Takasbank is able to share its international expertise on a broader scale. Takasbank has also applied to become a member of ECSDA, an association established for the development of joint projects by central settlement and custody institutions, ensuring information exchange between them. ECSDA membership will enable Takasbank to cooperate with settlement and custody institutions in EU countries. Takasbank is also working to become a member of EACH (European Association of Central Counterparty Clearing Houses) and similar international unions. Takasbank achieves international recognition and sets an example for many others thanks to its participation in international organizations and its successful performance.

Takasbank is often contacted by other countries for consultation due to its expertise in its region. In 2005, senior executives and experts from the capital markets from Azerbaijan, Palestine, Jordan, Pakistan and Kazakhstan visited Takasbank.

I would like to express my gratitude to the CMB and the ISE for their enormous support and encouragement and to our shareholders and clients for their interest and confidence in Takasbank. I would also like to thank our distinguished hardworking staff for making Takasbank an exemplary institution.

Emin S. Çatana
CEO and Board Member



MARCH 1995 . . .

Council of Ministers decision that transforms Takasbank into a bank is published in the Official Journal.

MAY 1995 . . .

Brokerage houses gain remote access to Takasbank.

CUSTODY OPERATIONS

Pursuant to the CMB Communiqué issued in December 1996 requiring dematerialization of share certificates, Takasbank began preparations for the transition to the dematerialized system. The first step of this transition was taken in September 1997, by starting the conversion of code-based accounts of brokerage houses into customer-name based accounts. The customer name-based Custody System not only became the foundation of the dematerialized system launched on November 28, 2005, but also contributed much to Turkish capital markets.

Central Registry Agency

The customer name-based account system was established to develop the infrastructure necessary for the dematerialized system contemplated in Article 10A of the Capital Market Law. Since 1999, physical certificates representing the stocks traded on the ISE and, upon request, mutual fund participation certificates have been deposited in Takasbank on behalf of investors.

Since 2003, Private Pension Fund transactions have been deposited in a dematerialized system on behalf of the system's participants without any physical custody. Based on the CMB's decision numbered 43/1318 and dated October 28, 2005, records concerning the stocks traded on the market were transferred to the Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency). Records of mutual fund participation certificates are still being transferred according to a pre-specified schedule.

Number of Accounts with an Outstanding Balance

1996	258,000	
1997	391,000	
1998	569,000	
1999	595,000	
2000	1,383,478	
2001	1,233,000	
2002	1,204,914	
2003	1,111,741	
2004	1,108,000	
2005	1,079,217	



OCTOBER 1995 . . .

Share certificates deposited with Takasbank are now classified by client number instead of brokerage house number.



Alo-TAKAS call-center established to allow investors use the Takasbank system to check their stocks accounts with the brokerage houses.

SETTLEMENT OPERATIONS

Stock Settlement Operations

In the ISE Stock Market settlement system, 100 brokerage houses are direct members of the organized market settlement system. In addition to brokerage houses, the users of the settlement system include 15 banks, 96 pension funds, 313 mutual funds and investment trusts, 20 asset management companies and two ISE mutual funds.

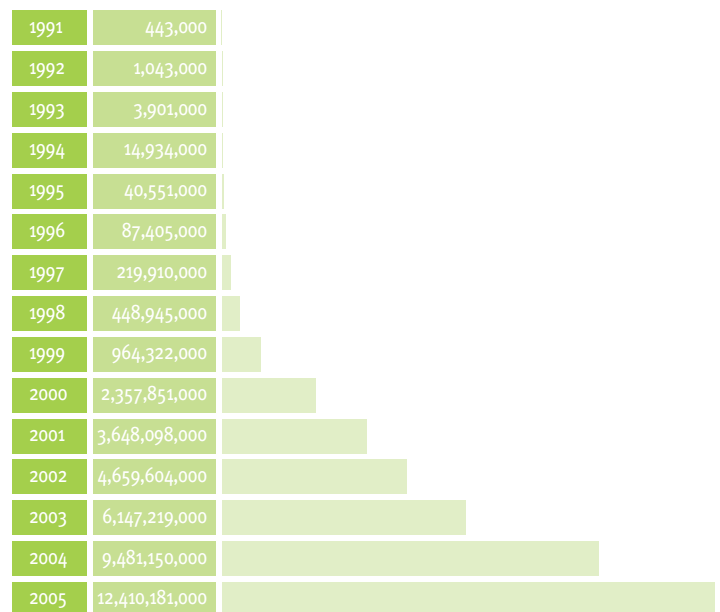
In 2005, the total trading volume of the ISE Stock Market was TRY 268.5 billion.

As a result of the multi-lateral netting system, which is one of the most important features contributing to the efficiency of the clearing and settlement system, TRY 26.9 billion cash settlements (10.0%) and TRY 91.1 billion in securities settlements (33.9%) were performed.

In 2005, the volume of transfers increased 13.9% over 2004 and the market value of these transfers reached TRY 41.2 billion. Real Time Gross DVP Settlement volume increased 116.6% over 2004 totals, corresponding to securities transfers with a market value of TRY 109.8 billion and cash transfers worth TRY 111.0 billion. TRY 2.8 billion of these transactions were performed as Real Time Gross DVP Settlement linked to Stock Exchange Settlement.

Work launched on ISE Mutual Funds based on Article 10 of the Capital Markets Board's Communiqué Series VII, Number 23 on "Principles Concerning ISE Mutual Funds" published in the Official Journal No. 25432 dated April 13, 2004 was completed and the system became operational on November 1, 2004. In 2005, two Exchange Traded Funds completed their start-up work and started fund share creation and redemption transactions using Takasbank screens.

Stock Custody Volume (nominal value-TRY)





JANUARY 1996 . . .

Takasbank is transformed into a sector bank and is renamed “Takasbank İMKB Takas ve Saklama Bankası A.Ş.”. It currently acts as a non-depository bank.

FEBRUARY 1996 . . .

Takasbank develops the “X-25” application for real-time and instantaneous connection with the Central Bank’s EFT System for the first time in Turkey.

Efforts to switch to the dematerialized system, which started in 2004, continued into 2005 and brokerage house accounts opened with Takasbank were transferred to the Central Registry Agency (CRA) on November 28, 2005. Since that time, settlement transactions have been carried out through accounts with the CRA.

The systems of Takasbank and CRA were integrated in a real-time system based on synchronized electronic messaging. Settlement, default, Real Time Gross DVP Settlement transactions, settlement, custody and collateralization transactions of mutual funds and investment trusts are now carried out in coordination with the CRA system.

Since the amendment to the Income Tax Law requires the declaration of cost in share transfers, the formats of the Real Time Gross DVP Settlement and mutual fund/investment trust transfer screens were modified to ensure that members submit such details to the corresponding agency during transfers.

Projects planned for 2006 include improving Exchange Traded Fund settlement transactions; improving and netting preliminary matching transactions for Real Time Gross DVP Settlement and processing SWIFT Real Time Gross DVP Settlement instructions in the settlement system.

Regarding Agricultural Product Exchanges, to be established in line with recent regulations, Takasbank is working toward establishment of a management and custody system for electronic product notes to be traded on such exchanges, to provide technological support for the electronic transaction platform and to clear and settle transactions on this platform.

Takasbank will also focus on settlement of the transactions to be carried out on Emerging Enterprises Markets; there are plans to launch this on an electronic platform in the near future.

Efforts to switch to the dematerialized system, which started in 2004, continued into 2005 and brokerage house accounts opened with Takasbank were transferred to the Central Registry Agency (CRA) on November 28, 2005.

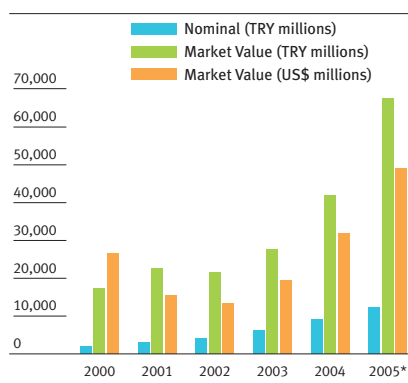
SEPTEMBER 1996 . . .

Takasbank starts extending Turkish Lira securities purchasing loans to facilitate capital market transactions for brokerage houses and allow them to use settlement receivables earlier and increase market volumes.



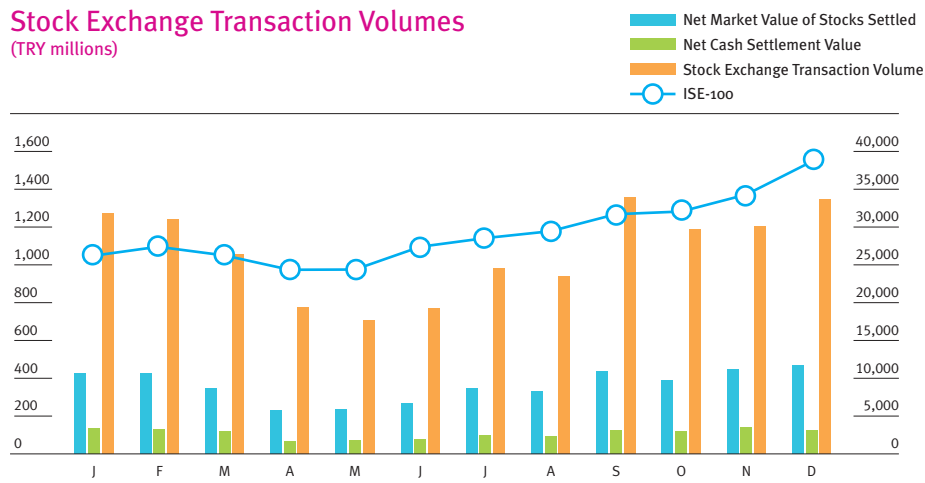
Takasbank launches the Securities Lending/Borrowing Facility, which provides additional revenue by lending redundant or medium-term securities. Using the Securities Lending/Borrowing Facility, brokerage houses can borrow securities up to their individual limits.

Stocks Custody Outstanding Balance



*Custody balance on 25 November 2005. Custody accounts were transferred to accounts opened with Control Registry Agency on 28 November 2005.

Stock Exchange Transaction Volumes (TRY millions)



Transfer Transactions in 2005 (TRY millions)

Months	Total Transfer	Free of Payment Transfer	Conditional Transfer	Conditional Transfer/Total Transfer (%)
J-F	25,753	7,547	18,207	70.7
M-A	20,775	6,263	14,512	69.9
M-J	16,400	5,257	11,143	68.0
J-A	23,040	6,510	16,530	71.7
S-O	31,982	8,522	23,461	73.4
1 N-25 N	16,879	5,591	11,288	66.9
28 N-D	16,154	1,531	14,623	90.5
Total	150,985	41,221	109,764	72.7



Bond and Bill Settlement Operations

In 2005, total trading volume on the ISE Bonds and Bills Outright Sales and Purchases Market and the Repo-Reverse Repo Market reached TRY 2,340.4 billion and as a result of multi-lateral netting, cash settlement transactions reached TRY 297.1 billion while securities settlement transactions totaled TRY 1,387.1 billion. Multi-lateral netting resulted in FX-denominated government domestic debt securities worth EUR 49.4 million and USD 500.3 million, cash settlements totaling EUR 49.2 million and USD 462.8 million were finalized through correspondent banks.

Pursuant to Provisional Article 67 added in relation with Article 30 of Income Tax Law No. 193, necessary changes were made in the ISE Bonds and Bills Market settlement transactions, transfers and Electronic Securities Settlement (EMKT) transactions. Default programs were improved in accordance with the changes in the ISE Bonds and Bills Market's default principles.

Government Bonds and Bills Custody Balances

Year	Nominal (TRY millions)	Market Value (TRY millions)	Market Value (US\$ millions)
2001	11,075.0	7,254.0	5,014.4
2002	16,475.5	13,016.2	7,963.4
2003	29,421.0	24,215.0	17,348.0
2004	34,191.0	29,094.0	21,678.0
2005	43,146.6	35,030.8	26,084.0
Average	26,881.8	21,722.0	15,617.6

CBT December 31, 2005 US\$ buying rate = TRY 1.3430

Bonds and Bills Market Cash and Securities Settlement in 2005

	Stock Exchange		
	Transaction Volume	Cash Settlement	Securities Settlement
TRY (billions)	2,340.41	297.08	1,387.12
US\$ (millions)	500.28	462.77	481.73
Euro (millions)	49.43	49.19	51.72

Redemption and Coupon Payments in 2005

	Redemption	Coupon
TRY (millions)	39,579.9	1,329.1
US\$ (millions)	83.4	3.2
Euro (millions)	10.3	0.3

OCTOBER 1996 . . .

Takasbank Money Market launched to allow brokerage houses to trade in a well-organized and reliable money market, to allow intermarket set-offs, to meet settlement obligations on the Share Certificates and Bonds and Bills Market without delay, and to facilitate settlement transfers, thus offering returns on settlement receivables without delay. The Money Market offers a new portfolio management instrument to banks and presents an alternative to the Central Bank's Interbank Money Market.

FEBRUARY 1997 . . .

Takasbank makes arrangements to allow brokerage houses to perform share certificate transfers, which constitute a major portion of settlement transactions, at their own offices through remote access. Mutual funds were added to the system on 17 March 1997.

In 2006, within the scope of the project for the dematerialization of Government Domestic Borrowing Bills, the Bonds and Bills Settlement and Custody System will be improved in coordination with CRA and the Turkish Central Bank; necessary modifications will be made in the software and functioning of the outright purchase and sale market and the repo/reverse repo market.

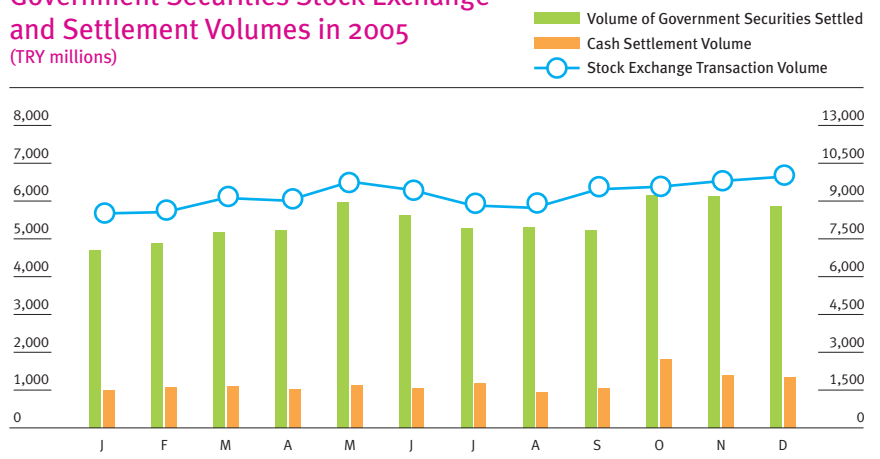
Private Pension Fund and Mutual Fund Transactions

As of December 31, 2005 total assets of 96 Private Pension Funds (PPF) established by 11 pension companies reached TRY 1,277.7 million. This represents a 330.7% rate of growth over the previous year.

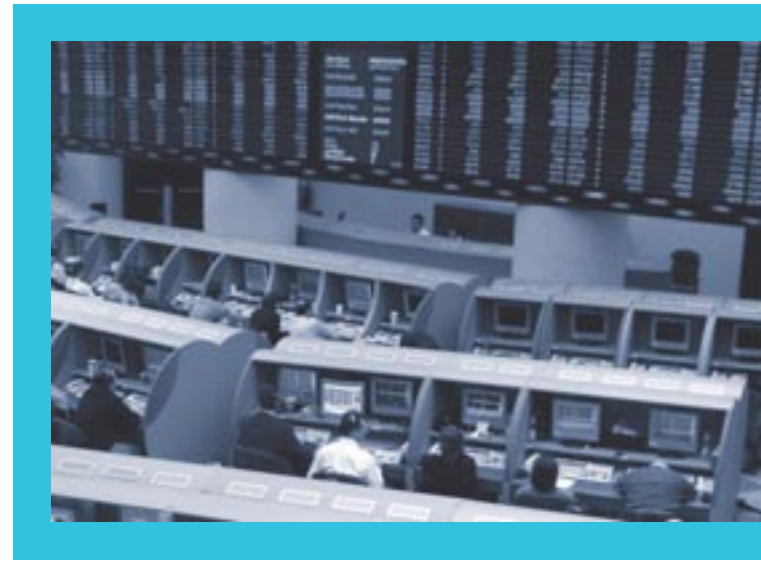
As of December 31, 2005 total assets of 288 mutual funds reached TRY 29,317.3 million.

On June 13, 2005 the software used for sales transactions carried out on behalf of Private Pension Funds and for controlling transfers from pension fund accounts was expanded to include mutual funds.

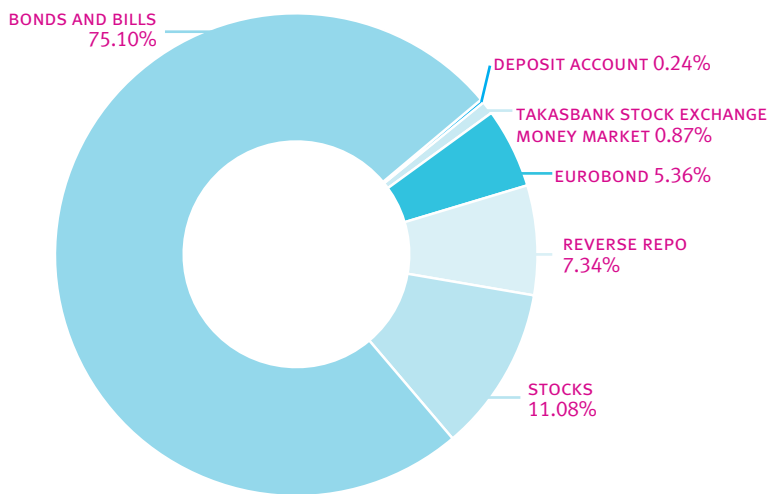
Government Securities Stock Exchange and Settlement Volumes in 2005 (TRY millions)



Upon the request of the Capital Markets Board, improvements were made to eliminate valuation differences of unit share values of private pension funds and mutual funds. Also a new software was launched on October 3, 2005 which forwards electronic bidding orders to Takasbank before the award of Treasury tenders and also allows electronic notification of Takasbank about the options or similar facilities of the market maker-banks used by the funds.

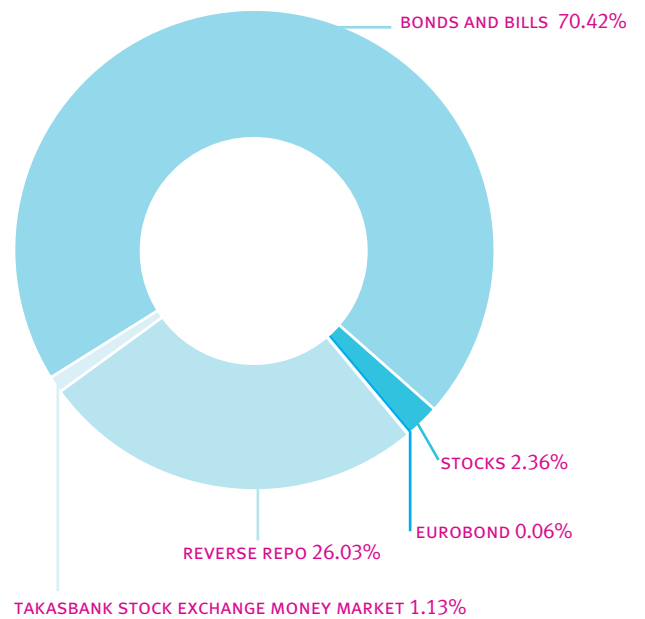


Breakdown of Private Pension Funds Portfolio



In 2006, revisions are planned on Fund Settlement, Custody and Information Flow systems to ensure that the Fund Type Control and Fund Portfolio Restriction Control mechanisms developed for Private Pension Funds are also used for Mutual Funds and Securities Investment Trusts.

Breakdown of Mutual Funds Portfolio



MARCH 1997 . . .

Takasbank launches the “Daily Securities Loan”. This system funds the daily cash needs of brokerage houses up to their individual limits and according to the collaterals available. Using the “Daily Securities Loan”, brokerage houses avoid cash shortages when making payments against delivery as requested by custody banks.



SEPTEMBER 1997 . . .

Takasbank starts the conversion of code-based accounts of brokerage houses into customer-name based accounts.

Derivatives Settlement

Based on the authorization granted by the Capital Markets Board on December 10, 2004 the Turkish Derivatives Exchange (TURKDEX) launched trading on February 4, 2005; the TURKDEX Clearing Center of Takasbank has since carried out the settlement and collateralization transactions of the TURKDEX.

The number of futures short positions increased with the rise in the trading volume on the TURKDEX since February 2005 and by the end of December had reached 140,159. The market value of these short positions was TRY 214.2 million. In 2005, the majority of short positions in FX, interest, index and commodity forward contracts issued by the Turkish Derivatives Exchange were composed of FX and share index futures. The distribution of futures short positions as of the year-end was as follows:

FX	134,063	(FXUSD0206 and FXUSD0406)
Index	5,890	(IX1000206 and IX03000206)

As of the year-end, the total contribution by 52 direct settlement members into the guarantee fund was TRY 15,577,652. Of this amount, TRY 3,077,658 was composed of cash contributions denominated in Turkish lira.

By the end of 2005, the amount of TURKDEX transaction collaterals deposited in Takasbank’s TURKDEX Clearing Center was TRY 100,140,950 of this amount TRY 81,301,441 was composed of cash transaction collaterals.

TURKDEX trading sessions, held from 10:00 AM to 12:00 PM and 1 PM to 3 PM initially, were changed to 9:15 AM to 12:00 PM and 1 PM to 4 PM as of December 19, 2005 upon the request of market participants. Thus, session time was extended by one hour and 45 minutes in parallel with spot markets.

Extending the settlement period from T+0 to T+1 has the highest priority among Takasbank projects in 2006, since this improves interactions between TURKDEX transactions and other local spot markets and stock exchanges. It also ensures that foreign investor transactions are duly processed. The necessary analysis and software development work started in 2005 and settlement transactions with a value date of T+1 will be launched in the first quarter of 2006.

In addition to the extension of settlement time to T+1, another important project in 2006 will be to provide “Give-Up” opportunity, enabling foreign investors to provide collateral on time for their market transactions and to transfer their positions. Other projects for 2006 include the diversification of futures traded on the TURKDEX, the acceptance of gold as collateral within the framework of the launch of gold futures and the performance of a feasibility study on options settlement.

NOVEMBER 1997 ...

Takasbank Electronic Transfer System (TETS) launched together with forty five brokerage houses. The system allows brokerage houses to perform cash (YTL) and securities transfers with other brokerage houses or with Takasbank in an electronic environment linked to the Central Bank's EFT system.

LOANS AND THE TAKASBANK MONEY MARKET

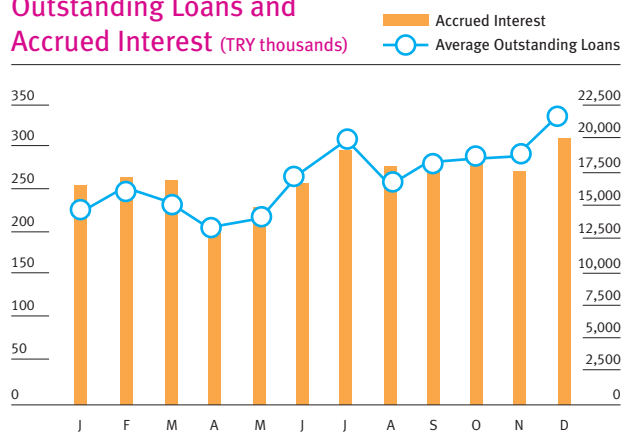
Takasbank offers convenient security purchasing loan services to brokerage houses, allowing them to use Takasbank screens in their own offices to issue their collateral and directly credit loan amounts to their current settlement accounts at Takasbank.

Securities Purchasing Loans

In 2005, in parallel with the rise in the ISE Stock Market trading volume and index, Takasbank loans gained momentum. During the year, the daily average loan volume of 35 brokerage houses reached TRY 17.1 million, representing a 68% increase over the previous year.

Despite the fall in average overnight interest rates, from 26% in 2004 to 18.9% in 2005, due to the increase in the volume of loans extended, interest income on securities purchasing loans increased 21% over 2004, reaching TRY 3.3 million.

Cash Purchasing Loan-Average Outstanding Loans and Accrued Interest (TRY thousands)



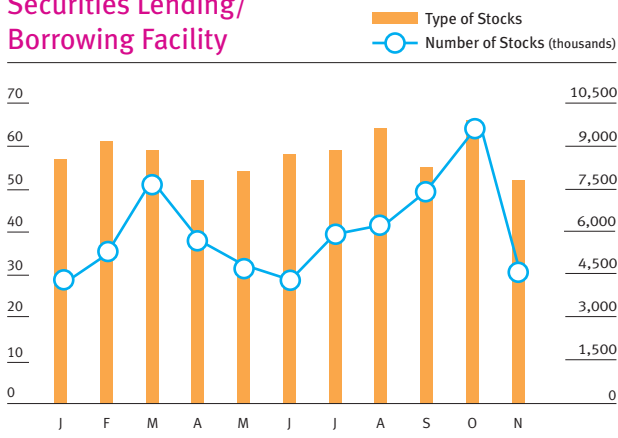


DECEMBER 1997 . . .

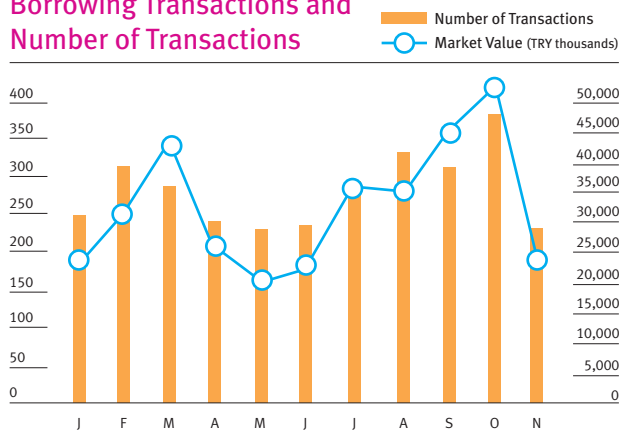
Members start to use terminals in their offices to settle ISE Bonds and Bills Market transactions and perform transfer and custody procedures electronically.



Type and Total of Stocks Subject to Securities Lending/Borrowing Facility



Market Value of Securities Lending/Borrowing Transactions and Number of Transactions



Securities Lending/Borrowing Facility

The increase in the trading volume and index of the ISE Stock Market had a positive effect on Takasbank securities lending/borrowing facility transactions. Takasbank met 3,095 securities lending/borrowing facility requests from 68 brokerage houses, up 25% from 2004; the total number of transactions increased 28%, to reach 4,022.

In 2005, 97 different stocks representing 65.6 million share certificates, up 47% over the previous year, were subject to the securities lending/borrowing facility. The market value of these stocks reached TRY 359 million, a 69% increase over 2004.

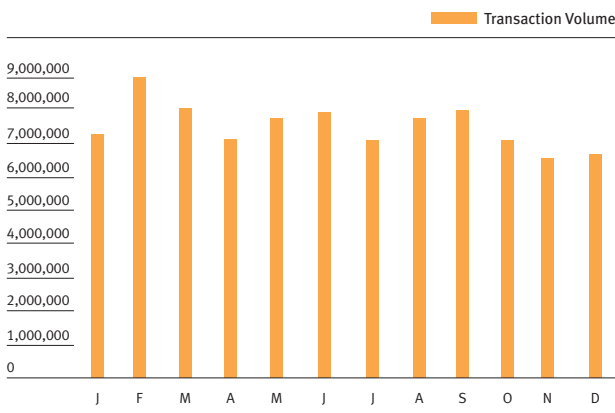
Securities lending/borrowing facility transactions were terminated upon the launch of the Securities Lending/Borrowing Market in November.



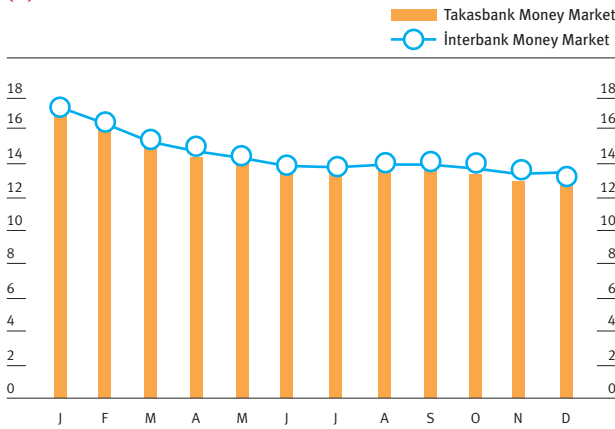
FEBRUARY 1998 . . .

Brokerage houses involved in loan transactions and trading on Takasbank Money Market start to submit their share certificates and mutual fund participation certificates to the collateral and borrowing pool using Takasbank terminals at their offices.

Takasbank Money Market Transaction Volume (TRY thousands)



Average Daily Interests (%)



Securities Lending/Borrowing Market

Intense efforts for the development and testing of the Securities Lending/Borrowing Market (SLBM) continued throughout the year and trading on the SLBM began by the end of November. Employees of brokerage houses were given information and simulated training before the launch of actual trading.

The SLBM was established to provide an organized market environment where the requests of brokerage houses willing to borrow Share Certificates and Exchange Traded Fund Certificates for a certain period by providing the required collateral as determined by Takasbank and approved by CMB are matched with the offers of brokerage houses who lend Share Certificates and Exchange Traded Fund Certificates. These certificates are then returned at the end of the assigned period to increase portfolio returns and minimize potential defaults in the market.

Pursuant to Article 4 of Communiqué Series 5, No. 65, Takasbank acts as an intermediary institution that runs the market and concludes settlement transactions within the limits of the collaterals submitted to the SLBM.

Thanks to the remote access system, brokerage houses use Takasbank terminals in their offices to issue orders on the SLBM for themselves or on behalf of their customers, to revise previous orders and settle due debts.

APRIL 1998 . . .

Brokerage houses allowed to exercise their preemption rights by remote access.

MAY 1999 . . .

Registry numbers and passwords sent to investors under the “Client-Name Based Accounts System”.



MARCH 2001 . . .

Based on the temporal priority principle, cash and security settlement receivables are now automatically credited to member accounts as soon as the settlement fees are paid.

Takasbank Money Market

The number of institutions trading on Takasbank Money Market totaled 105 during 2005. These institutions include 81 brokerage houses, 20 deposit banks and four investment and development banks.

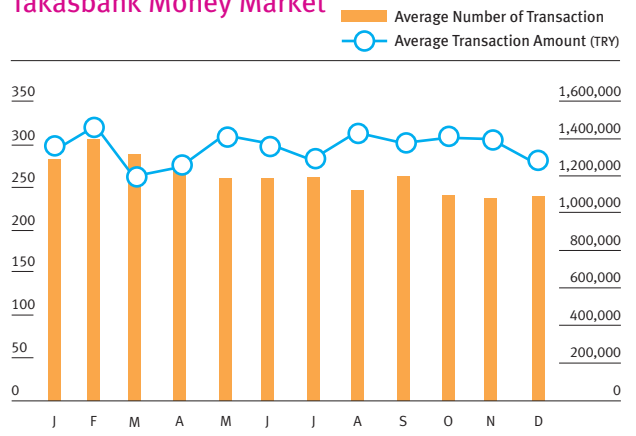
Transaction volume in the Takasbank Money Market reached TRY 90.2 billion (USD 67.4 billion) in 2005. The average daily transaction volume was TRY 355 million and the average amount of 66,599 transactions was TRY 1.4 million.

In 2005, interest rate increments for Takasbank Money Market orders were set as 0.05% after consideration of changing economic conditions and the downward trend in short-term interest rates.

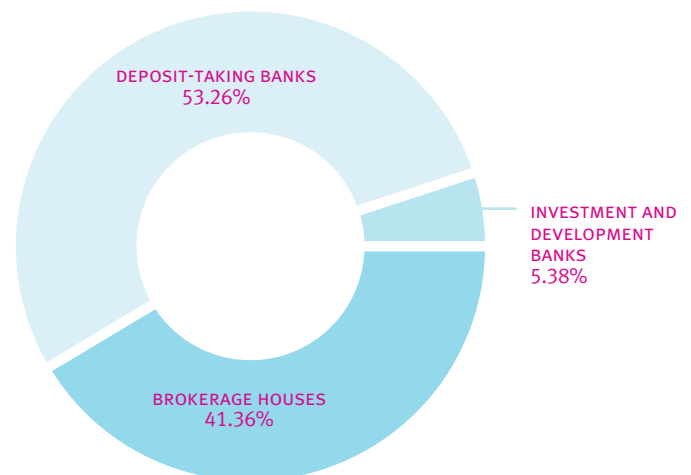
In 2005, the remote access project continued in parallel with the switch to the dematerialized system; necessary software development and testing efforts were completed. Following approval of required regulatory changes and completion of market participant training, the remote access system will be introduced in the early months of 2006.

It is anticipated that Takasbank Money Market trading volume will rise in 2006 as the remote access project becomes operational; the withholding rate has been set at 15% in accordance with new regulations for the taxation of securities and other capital market instruments.

Average Monthly Transactions in the Takasbank Money Market



Breakdown of Takasbank Money Market Transaction Volumes (%)



OCTOBER 2001 . . .

Takasbank launches the “Conditional Transfer System” to reduce operational risks in settlement transactions between custody agencies and brokerage houses especially regarding foreign investor transactions, and to eliminate counterparty risks through the DVP mechanism.



Takasbank Money Market Lowest and Highest Values

Year	Transaction Volume (TRY)				Number of Transactions			
	Lowest	Date	Highest	Date	Lowest	Date	Highest	Date
2001	5,872,000	09.03.2001	655,357,000	20.12.2001	54	09.03.2001	805	06.06.2001
2002	141,246,000	21.02.2002	803,839,000	29.05.2002	184	28.10.2002	787	20.02.2002
2003	32,689,000	10.02.2003	806,243,000	15.04.2003	54	24.11.2003	423	03.01.2003
2004	84,584,000	28.10.2004	573,387,000	20.05.2004	162	28.10.2004	352	07.05.2004
2005	175,192,000	27.12.2005	577,642,000	09.03.2005	169	28.10.2005	335	23.02.2005

Takasbank Money Market Transaction Volume

Year	Workdays	Total Transaction Volume		Daily Average		Number of Transactions	
		TRY	US\$ millions	TRY	US\$ millions	Total	Daily Average
2001	251	95,278,273,500	75,992.11	379,594,715	302.76	163,437	651
2002	253	156,020,472,000	105,547.92	616,681,708	417.19	138,627	548
2003	250	133,016,800,000	88,271.99	532,067,200	353.09	80,356	321
2004	252	94,441,992,000	66,759.98	374,769,810	264.92	70,920	281
2005	254	90,215,307,000	67,359.59	355,178,374	265.20	66,599	262

APRIL 2002 . . .

Takasbank launches the “Conditional Transfer System” which allows simultaneous transfer of cash and securities based on the “payment against delivery” principle in fixed-income securities transfers. The system also offers “assign for settlement” and “chain transaction” options.



Takasbank launches a software package developed to fully automate government bond settlement transactions, to facilitate the settlement process, to prioritize those members who fulfill their obligations earlier, and to ensure the automatic distribution of cash/security receivables at the end of each cash/security settlement.

TREASURY

Takasbank’s main source of income is portfolio management transactions, which include investing its liquid assets, meeting its liquid funding needs and managing its liquidity. In 2005, almost 46% of Takasbank’s income came from portfolio management transactions. Assets included in the balance sheet as a result of these transactions constitute the most important item of the Bank’s assets.

Takasbank’s portfolio management strategy is focused on the most efficient use of the Bank’s liquid assets. Its portfolio management strategy aims to avoid any liquidity risk, optimize risk-return balance, take minimum risk and achieve maximum return on investments.

Total Revenue Compared to Treasury Revenue (TRY)

	Total Revenue	Treasury Revenue	Share of Treasury Revenue in Total (%)
1997	3,943,651	1,924,841	48.8
1998	11,706,063	5,912,927	50.5
1999	21,657,239	12,457,255	57.5
2000	36,719,187	16,101,469	43.9
2001	82,654,720	51,714,509	62.6
2002	84,547,220	51,622,265	61.1
2003	90,343,406	59,247,217	65.6
2004	88,366,896	49,233,332	55.7
2005	83,896,252	38,556,355	46.0



SEPTEMBER 2002 . . .

Takasbank launches a system which allows non-members of the Takasbank EFT system to submit EFT instructions.

INTERNATIONAL SERVICES

International Settlement and Custody Services for Domestic Financial Institutions

Takasbank has a correspondent relationship with Euroclear, an international settlement and custody institution. With Euroclear and SWIFT membership, Takasbank is able to offer international securities correspondent services for all securities accepted by Euroclear and for all national markets connected to it. Takasbank offers international settlement and custody services to both domestic and foreign institutions through its overseas securities and cash correspondent accounts and SWIFT membership.

Institutions Offered International Securities Correspondent Services by the End of 2005

Brokerage Houses	7
Banks	12
Pension Companies	2
Asset Management Companies	1
Pension Funds	24
Mutual Funds	22
Investment Trusts	1
TOTAL	69

In 2005, the average value of securities in international custody (eurobonds, depositary certificates and foreign securities) reached EUR 540 million. The total value of securities settlement was EUR 8.9 billion.

International settlement and custody services include handling of corporate actions related to securities. Services are provided for dividend payments for stocks and principal and interest payments for eurobonds, foreign T-bills and bonds.

International Settlement and Custody Services Yearly Average Custody Balance (Euro)

2001	102,083,333
2002	509,294,872
2003	608,616,944
2004	393,859,167
2005	539,830,000

International Settlement and Custody Services Yearly Total Clearing and Settlement Volumes (Euro)

2001	1,042,000,000
2002	2,855,000,000
2003	2,907,095,000
2004	8,974,073,000
2005	8,913,240,000

AUGUST 2003 . . .

On-line investor information service launched.

OCTOBER 2003 . . .

As an independent organization, Takasbank assumes important responsibilities regarding Private Pension Funds (PPF), such as acting as custody of the PPF portfolio, monitoring participation certificates on a client basis and calculating fund unit share values for control purposes.



Domestic Settlement and Custody Services for Foreign Financial Institutions

Takasbank offers domestic settlement and custody services to foreign financial institutions. By the end of 2005, the nominal value of fixed-income securities that foreign institutions have deposited with Takasbank reached EUR 41 million, while the market value of the stocks amounted to EUR 7.9 million.

International Relations

Association of Global Custodians Questionnaire 2005

The questionnaire prepared by the Association of Global Custodians (the AGC questionnaire) has been responded to by 115 central clearing and custody institutions from 80 countries annually. In 2005, Takasbank completed the AGC Questionnaire, available at Takasbank's website ().

Relations with Regional Capital Markets

Takasbank serves as a consultant to countries in the region. In 2005, senior managers and experts from the capital markets of Azerbaijan, Palestine, Jordan, Pakistan and Kazakhstan visited Takasbank.

Takasbank FEAS Membership

Takasbank's application to the Federation of Euro-Asian Stock Exchanges (FEAS) to become an Affiliate Member was accepted at the FEAS' General Assembly in 2005. As a result of this membership, Takasbank has developed its current relationships and cooperation with other FEAS-member settlement and custody institutions and through the Practice Group it chairs, it will have the opportunity to share its international expertise and experience on a broader scale via FEAS.

ECSDA (European Central Securities Depositories Association) Membership Application

Takasbank has applied to become a member of ECSDA, an association established for the development of joint projects by central settlement and custody institutions and ensuring exchange of information between them. ECSDA members include 19 EU members. The aim of the association is to provide consulting and offer solutions with respect to technical, economic, financial and legal regulations with a view to minimizing risk and maximizing efficiency in cash movements related to custody, preliminary settlement and settlement in line with the interests of the issuers, investors and other market players in Europe. ECSDA developed standards for international settlement transactions and automation of handling of corporate actions related to securities. ECSDA membership will help Takasbank to build relations and cooperate with settlement and custody institutions of EU member states

Activities Related to International Standards

Activities related to applying international standards in Turkey

Takasbank represents Turkey on behalf of the Turkish Standards Institute at the International Standards Organization's ISO TC68/SC4 Committee, which is responsible for developing international standards for securities and associated financial instruments. The 2005 meeting of the ISO TC68/SC4 Committee took place on September 12-13, 2005 in Brussels, where Takasbank gave a briefing on securities standards in Turkey.

The Securities National Market Practice Group-Turkey (NMPG-Turkey), which was established to follow-up on standards concerning securities and other financial instruments under the ISO TC68/SC4 Committee and chaired by Takasbank, continued its efforts in 2005. Members of the Practice Group include Turkish Central Bank, Turkish Bankers Association, the Association of Capital Markets Intermediary Institutions of Turkey, custodian banks, commercial banks, investment banks and brokerage houses.

APRIL 2004 . . .

Client account details introduced into settlement transactions and asset transfer procedures in order to monitor stock movements of brokerage houses on the Takasbank system on a client basis.

“CMB-ISE Supervision Project” launched to improve market supervision and control.



The IBAN (International Bank Account Number) Standard, which is mandatory in the European Union, came into effect on September 1, 2005. Efforts are continuing for the use of IBAN, a customer number standard for financial institutions and organizations other than banks.

Efforts are ongoing to ensure that Turkey implements the ISO 18773 standard, which is related to abbreviations of securities and the FISN (ISO 18774) standard, which is a short definition code for securities, including abbreviations determined under ISO 18773. These standards will be implemented in 2006.

Activities of the National Numbering Agency

National Numbering Agency

Takasbank is the National Numbering Agency of Turkey, authorized by the Capital Markets Board to assign ISIN codes (ISO 6166) and CFI codes (ISO 10962) to securities and other financial instruments issued in Turkey.

ISIN Codes Allocated in 2005

Securities	Number
Stocks	272
Government Bonds and Treasury Bills	83
Mutual Funds	39
TURKDEX Futures	68
TOTAL	462

Association of National Numbering Agencies – ANNA Efforts

Takasbank was elected to ANNA Service Bureau's (ASB) Board of Directors by the unanimous vote of the 50 countries present at the General Assembly held in Zurich on June 9-10, 2005; at that time, it was also appointed to chair the Board of Directors.

In its capacity as ASB Board Chairman, Takasbank held its first meeting in Brussels on July 28, 2005. In 2005, Takasbank also prepared a questionnaire on the use of the ASB database, which was sent to all ANNA members. The ASB database will be improved in line with the outcome of the questionnaire.

Projects

Integration of the Real Time Gross DVP Settlement system using SWIFT

The Real Time Gross DVP Settlement system, which enables synchronized asset and cash transfer between customer accounts of brokerage houses also allows its members to get electronic confirmation between the trading date and the transfer date. This system will be integrated with SWIFT in 2006.

Expanding Scope of International Securities Correspondent Services

Plans have been made to add securities lending/borrowing transactions to international securities settlement and custody services for domestic financial institutions.

FEBRUARY 2005 . . .

Turkey's first private exchange, İzmir Vadeli İşlem ve Opsiyon Borsası A.Ş. (Izmir Derivatives Exchange, Inc.), established. Takasbank starts to perform settlement transactions on this market.

NOVEMBER 2005 . . .

Transition to the dematerialized system completed successfully.

“Securities Lending/Borrowing Market” launched and “Securities Lending/Borrowing Facility” terminated.

DATA PROCESSING CENTER

Takasbank Data Processing Center targets uninterrupted, error-free and reliable services on capital markets; it has once again reached its target in 2005. The Data Processing Center's experienced and competent staff, advanced information technology, technical infrastructure, ongoing investments, well-established operational processes and its innovative approach are the major factors behind this success.

In 2005, the Data Processing Center demonstrated high performance levels with respect to the development and implementation of several projects, especially the CRA integration project. As a result of the projects that have been finalized, the needs of the Bank and the market have been fully met. In addition, the market and other regulatory and supervisory agencies have been offered reliable and quality services, business practices and legal regulations have been abided by and a timely and seamless operation has been guaranteed.

In 2005, the infrastructure of the Takasbank Network, connecting its members to the Bank as well as the TURKDEX and CRA systems via the Bank was reinforced. The infrastructure for the ISDN back-up, a faster and more reliable back-up connection method, was installed and activated. Additional software was also installed for the Bank's system security and the TURKDEX.

In 2005, systems were developed for the infrastructure of a second emergency recovery center. These systems will be implemented in 2006.

Software upgrades and operational modifications were implemented on time in connection with domestic and foreign systems (such as EFT and SWIFT). The systems were tested as required by the Turkish Central Bank and SWIFT. The relevant transition processes have been completed smoothly and on time.

Project documentations were prepared within the framework of existing procedures and standards. Takasbank software manuals used by member and non-member institutions have been prepared and published on the Internet. In 2005, members were provided fast, high quality Help-Desk services.

The Data Processing Center is committed to sustaining and improving the quality of its services and staff.

Management and Corporate Governance

Board of Directors

Name: Osman Birsen

Term: 8 years, 1 month (as of November 5, 1997)

Title: Chairman

Education: Economics & Finance Department, Faculty of Political Sciences, Ankara University

Job Experience:

1968-1979: Deputy Inspector, Ministry of Finance

1979-1983: General Secretary, International Economic Cooperation Organization

1983-1986: Financial Counselor to the Turkish Embassy in Washington D.C.

1987-1988: General Director of Public Finance at the Undersecretariat of Treasury and Foreign Trade

1989-1993: Deputy Permanent Representative of Turkish Delegation to the OECD

1993-1994: Deputy Undersecretary, Prime Ministry

1994-1995: Treasury and Foreign Trade Undersecretary

1995-October 1997: Director, İktisat Bank

1997-present: ISE Chairman

Name: Abdullah Cengiz Makas

Term: 1 year, 9 months (as of March 18, 2004)

Title: Vice President

Education: B.A., Department of Economics, Faculty of Economics and Administrative Sciences, METU M.A., Economics, Social Sciences Institute, Hacettepe University

Job Experience:

1993-1994: Founder and Manager, PRD Ltd.

1994-1996: Legislative Advisor to Turkish Parliament

1996-1997: Advisor to Minister of Finance

1997-1998: Member, Supervisory Board, MTA

1998-2002: Legislative Advisor to Turkish Parliament

2001-2002: Advisor, Samsun Waterworks and Sewage Establishment

Wastewater Treatment Project sponsored by the World Bank

2002-present: Advisor to Minister, Prime Ministry and Advisor to Chairman of the CMB Board

Name: Sezai Bekgöz

Term: 7 years, 9 months (as of March 27, 1998)

Title: Member, Internal Audit and Risk Management

Education: B.A. Faculty of Political Sciences, Ankara University M.A. Economics, Istanbul University

Job Experience:

1983-1992: CMB-Deputy Auditor, Auditor

1992-present: ISE-Chairman of the Internal Audit Board, ISE Vice President

Name: Esin Akbulut

Term: 9 months (as of March 30, 2005)

Title: Member

Education: B.A., Economics and Finance, Faculty of Political Sciences, Ankara University

M.A., Economics and Social Sciences, University of East Anglia

PhD, Faculty of Political Sciences, Ankara University

Job Experience:

1981-1985: Research Assistant, Faculty of Educational Sciences, Ankara University

1985-1993 Assistant Professor, Faculty of Economics, Istanbul University

1993-today: ISE Quotations Manager, ISE Vice President

Name: Hüseyin Erkan

Term: 9 months (as of March 30, 2005)

Title: Member

Education: B.A., Economics, New York University

M.A., International Business and Finance, New York University

Job Experience:

1989-1994: Researcher and Consultant for foreign investors on various capital markets

1994-present: ISE Foreign Affairs Manager, ISE Vice President

Name: Rıza İhsan Kutlusoy

Term: 1 year, 10 months (as of February 9, 2004)

Title: Member

Education: B.A., Business Administration, METU

Job Experience:

1988-present: T. İş Bankası-Deputy Inspector, Inspector Deputy Manager, Group Manager, Securities Manager

Name: Bedii Ensari

Term: 7 years, 9 months (as of March 27, 1998)

Title: Member, Credit Committee

Education: Law School, Ankara University

Job Experience:

1961-1966: Attorney, Mardin Bar Association

1966-1974: Founding Partner and Attorney, Mardin Çimento A.Ş.

1974-1976: Attorney, Istanbul Bar

1976-1977: Trakya Döküm Sanayi A.Ş., Founding Member and Managing Director

1977-1991: General Coordinator, Soyak İnşaat ve Tic. A.Ş.

1991-present: Chairman of Board of Directors,

Marbaş Menkul Değerler A.Ş. and ABC Danışmanlık A.Ş.

Name: Ekrem Nevzat Öztangut

Term: 5 years, 9 months (as of March 30, 2000)

Title: Member, Credit Committee

Education: B.A, Economics, Faculty of Economics and Administrative Sciences, Hacettepe University

Job Experience:

1984-1994: CMB Deputy Auditor, Auditor, Chief Auditor

1994-1995: Advisor, Garanti Investment Bank

1995-1996: Assistant General Manager, Garanti Men. Değ. A.Ş.

1996-today: General Manager, Garanti Men. Değ. A.Ş.

Name: Osman Sencer Tanrıverdi

Term: 1 year, 9 months (as of March 18, 2004)

Title: Member

Education: B.A, Economics, Faculty of Economics, Istanbul University

Job Experience:

1991-1993: Credit and Risk Manager, Koç Holding Diners Club International A.Ş.

1993-1997: Head of Commercial Banking Department, Head of Retail Banking Department, Koçbank

1998-present: Assistant General Manager, General Manager

Delta Men. Değ. A.Ş.

2002-present: Member, ISE Discipline Committee

Name: Ekrem Kerem Korur

Term: 3 years, 9 months (as of March 22, 2002)

Title: Member

Education: B.A., Economics (English), Istanbul University Economics Institute, University of Colorado

Job Experience:

1991-present: Assistant Specialist, Assistant General Manager,

General Manager and Deputy Chairman of the Board of Directors

Hak Men. Değ. A.Ş.

Name: Emin Server Çatana

Term: 8 years, 7 months

Title: General Manager, Member

Education: B.A., Business Administration, Istanbul Economics and Commercial Sciences Academy M.A., Istanbul Economics and Commercial Sciences Academy

Job Experience:

1979-1985: Planning Specialist, Deva Holding A.Ş.

1985-1991: ISE Transactions Manager

1991-1994: General Manager, Brokerage House

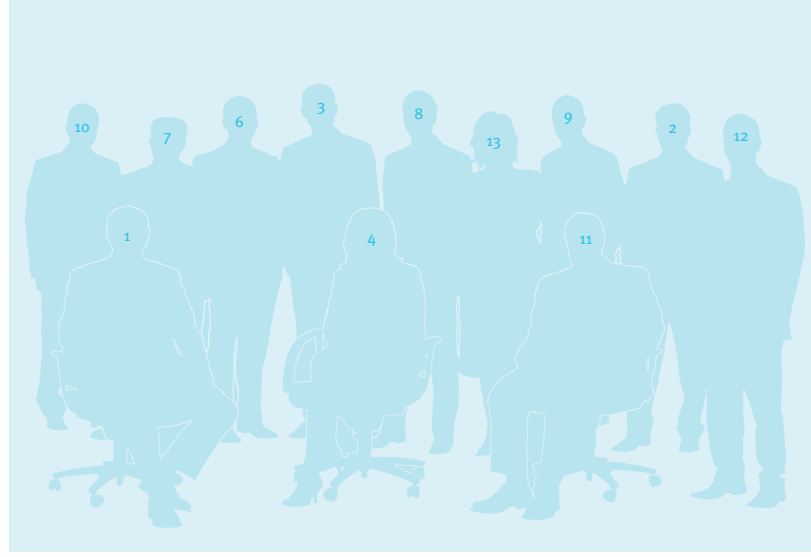
1994-present: Assistant General Manager, Deputy General Manager, General Manager, Board Member, Takasbank

BOARD OF DIRECTORS

1. OSMAN BİRSEN, Chairman **2. ABDULLAH CENGİZ MAKAS**, Deputy Chairman **3. SEZAI BEKGÖZ**, Member (in Charge of Internal Audit and Risk Management) **4. ESİN AKBULUT**, Member **5. HÜSEYİN ERKAN**, Member (not in the picture), **6. RIZA İHSAN KUTLUSOY**, Member **7. BEDİİ ENSARİ**, Member (Credit Committee) **8. EKREM NEVZAT ÖZTANGUT**, Member (Credit Committee) **9. OSMAN SENCER TANRIVERDİ**, Member **10. EKREM KEREM KORUR**, Member **11. EMİN SERVER ÇATANA**, Member, General Manager

BOARD OF AUDITORS

12. İLHAMİ ÖZTÜRK, Member
13. BERRA MİNE KILIÇ, Member



General Manager and Assistant General Managers

Name: Emin Server Çatana

Term: 8 years, 7 months

Title: General Manager, Board Member

Education: B.A., Business Administration, Istanbul Economics and Commercial Sciences Academy M.A., Istanbul Economics and Commercial Sciences Academy

Job Experience:

1979-1985: Planning Specialist, Deva Holding A.Ş.

1985-1991: ISE Transactions Manager

1991-1994: General Manager, Brokerage House

1994-present: Assistant General Manager, Deputy General Manager, General Manager, Board Member, Takasbank

Name: H. Nezir Bakır

Term: 10 years, 11 months (as of January 6, 1995)

Title: Head of Custody, Head of Treasury, Head of Personnel and Training, Head of Security, Head of Administrative Affairs and Procurement

Education: B.A., Economics, Istanbul University

Job Experience:

1976-1984: Specialist, Manager, Assistant General Manager, MEBAN Men. Değ. Bank. ve Fin. A.Ş.

1984-1994: Head of Securities Department, Assistant General Manager, Pamukbank A.Ş.

1994-1995: Advisor to ISE Chairman

1995-present: Takasbank Assistant General Manager

Name: Ahmet Çakırsoy

Term: 10 years, 6 months (as of July 1, 1995)

Title: Head of Operations, Head of Legal Affairs, Head of Accounting, Head of Credits and PPF

Education: B.A., Faculty of Political Sciences, Ankara University

Job Experience:

1972-1995: Officer, Inspector, Assistant Manager in Securities Department, Bahçekapı Branch Assistant General Manager, Head of Securities Department, Taksim and Aşir Efendi Branches

Manager, Assistant General Manager, Yapı Kredi Bankası A.Ş. 1 July 1995-31 December 2005: Takasbank Assistant General

Manager

Name: Yusuf Çiçek

Term: 7 years, 5 months (as of July 1, 1998)

Title: Head of Software, Hardware and Systems Development

Education: B.S., Mathematics, Ankara Gazi University

Job Experience:

1981-1983: Programmer, MTA Institute

1983-1994: Programmer, Specialist Analyst, Project Officer and Assistant Manager

1994-1995: Group Manager, Intertech

1995-today: Takasbank Group Manager, Assistant General Manager

Board of Auditors

Name: İthami Öztürk

Term: 1 year, 9 months (as of March 18, 2004)

Title: Member, Board of Auditors

Education: B.A., Public Administration, Faculty of Political Sciences, Ankara University

Job Experience:

1992-1993: Banking and Commercial Law Research Institute, T. İş Bankası

1994-1994: Deputy Inspector, Tütünbank

1994-1995: Candidate Administrative Judge

1995-1999: Deputy Inspector, Ministry of Finance

1999-today: Specialist, ISE (Inspector)

2002-today: Advisor to the Minister of State and Deputy Prime Minister

Name: Berra Mine Kılıç

Term: 9 years, 7 months (as of May 21, 1996)

Title: Member of the Board of Auditors

Education: B.A., Business Administration, Faculty of Economics and Administrative Sciences, Marmara University M.A. Business Administration, Faculty of Political Science, Ankara University PhD, Business Administration, Faculty of Political Science, Ankara University

Job Experience:

1983-1991: Assistant Specialist, Authorized Assistant Specialist, Specialist, CMB

1991-1997: Assistant General Manager, Board Member, Ata Menkul Kıymetler A.Ş.

1997-1999: General Manager and Board Member, Meksa Menkul Değerler A.Ş.

1999-2000: SDIF representative on the Board of Directors of Esbank T.A.Ş.

1999-2002: SDIF representative on the Board of Directors of Es Menkul Değerler ve Yatırım A.Ş., Chairman, Esfacto Factoring Hizmetleri A.Ş.

2002-2004: General Manager and Board Member, Es Menkul Değ. Yat. A.Ş.

2004-2005: General Manager, Marbaş Men. Değ. A.Ş.

2005-today: General Manager, Turkish Yatırım ve Menkul Değerler A.Ş.

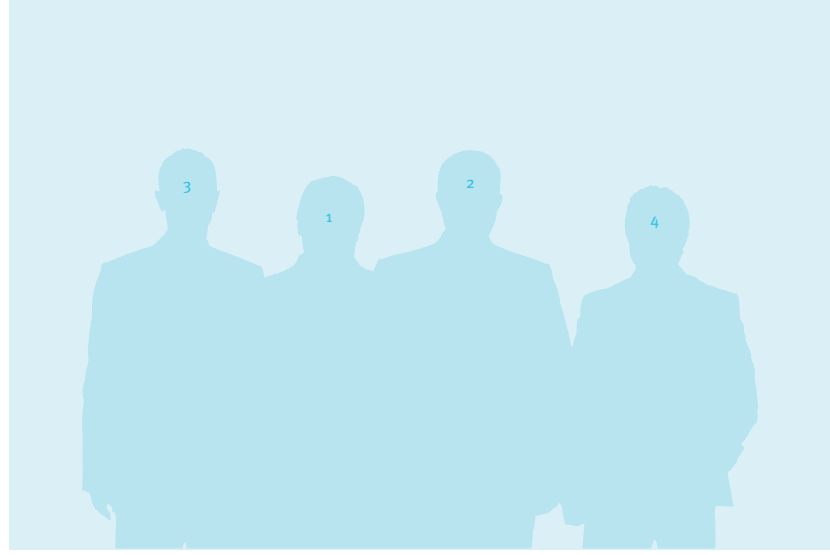
Credit Committee

Emin Server Çatana-Chairman

Bedii Ensari-Member

Ekrem Nevzat Öztangut-Member

1. EMİN S. ÇATANA/General Manager, Board Member
2. H. NEZİR BAKIR/Assistant General Manager
3. ŞEVKET YAŞÖZ/Chairman of the Audit Board
4. YUSUF ÇİÇEK/Assistant General Manager
5. AHMET ÇAKIRSOY/Assistant General Manager
(not in the picture)



RISK MANAGEMENT COMMITTEES



Participation of the Directors and Committee Members at the Relevant Meetings

Board members of Takasbank are elected at Shareholder meetings. Four members of the Board with Class A shares are nominated by the ISE; five members with Class B shares are nominated by the banks and brokerage houses. One member of the Takasbank Board of Directors is appointed by the Capital Markets Board pursuant to Article 275 of the Turkish Commercial Code. Pursuant to the Banking Law, the General Manager is a natural member of the Board of Directors. The composition of Takasbank Board of Directors demonstrates that the Bank is owned by, managed and in service to the sector.

Takasbank Board of Directors meets at least once in a month in compliance with the applicable legislation and its Articles of Association. The Chairman, or in his absence the Deputy Chairman, is responsible for convening the Board, preparing the agenda, chairing the meeting and following-up the decisions of the Board. Takasbank's Articles of Association allows Board members to decide, via written consent, on a proposed decision, provided that none of the directors requests a meeting.

Two directors did not attend the meeting held in July, apart from this, the Chairman, Deputy Chairman and Board Members have attended all meetings.

Although the authority to extend credit lines belongs to the respective Boards of Directors of the Banks, banking legislation permits the delegation of this power to the Credit Committee or General Management. Takasbank's management principles require cash and non-cash credit limits to be extended by the Board of Directors in compliance with the applicable legislation. Takasbank Credit Committee, composed of Bedii Ensari and Ekrem Nevzat Öztangut and chaired by General Manager Emin Çatana, did not meet in 2005; the Takasbank Board of Directors fulfilled all duties of the Credit Committee.

The Takasbank Risk Management Group, structured in accordance with banking legislation, is composed of a Senior Risk Committee reporting directly to the Board of Directors, the subordinate Risk Committee and the lower-level Market and Credit Risks Committee and Operational Risk Committee.

The Senior Risk Committee includes Emin Çatana, General Manager and Board Member, Murat Koç, Head of the Risk Committee and Sezai Bekgöz, Director, Internal Audit and Risk Management who serves as the chair. The committee is responsible for developing Takasbank's risk management strategies and policies, submitting such strategies and policies to the approval of the Board of Directors, monitoring their implementation and carrying out other duties specified in relevant legislation. Takasbank Risk Committee is composed of Murat Koç and Ayşe Arıkan. Both the Takasbank Senior Risk Committee and the Bank Risk Committee meet monthly; chairpersons and members have attended all meetings. The Operational Risk Committee and the Market and Credit Risk Committee that report to the Takasbank Risk Committee are composed of one member each.

The committees of the Risk Management Group continued their operations as specified in the Regulations on Internal Audit and Risk Management Systems of the Bank and Takasbank Risk Regulations.

In 2005, the Risk Management Group monitored and analyzed changes in applicable legislation as well as the developments and expectations of financial markets from a risk management perspective; monitored the liquidity of the Bank and the distribution of its liquid assets by maturity and instrument, monitored compliance of portfolio management transactions with the relevant limits and also monitored the limit, risk and collateral status of members using credit lines based on data in the Bank's system and periodic reports issued by relevant units.

The Banking Regulation and Supervision Agency (BRSA) developed and introduced the Basel-II Transition Roadmap for the Turkish banking industry. The Risk Management Group provided the BRSA with information and reports required for Basel-II. Also, the Takasbank Basel-II Transition Roadmap, developed by the Risk Management Group and approved by the Board of Directors, was submitted to the Banking Regulation and Supervision Agency.

Board Report Addressed to the Shareholders' Meeting

Istanbul, February 10, 2006

Takasbank Board of Directors Report 2005

The positive impact of the economic stability program became more visible in 2005. The maintenance of fiscal discipline to a great extent, the success of anti-inflationary monetary policies, the start of accession talks with the European Union, the progress made in privatization and the increase in foreign capital inflow enhanced expectations and helped achieve the most macroeconomic targets set for 2005.

Also during the year, domestic economic and political stability became the driving force behind the growth of our financial markets. The positive atmosphere pulled inflation down to single-digit levels, exceeding planned targets. In 2005, consumer price inflation was 7.7% and wholesale price inflation was 2.7%. Lower inflation rates, positive budgetary developments and economic and political stability supported optimistic expectations for the national economy and nominal and real interest rates continued to fall.

Economic recovery was also translated into increasing GNP. Expected growth rate in 2005 is 5% and the per capita income will likely be around USD 4,964. The fall in interest rates, which followed structural reforms, increased investments in the private sector, triggered loans and revived consumption. Strong economic growth, declining inflation, falling interest rates and an appreciated Turkish lira stimulated an increase in imports more rapidly than exports and the current account deficit reached USD 22.9 billion during 2005. On the other side of the coin, by the end of 2005, foreign currency reserves of the Turkish Central Bank reached USD 52.4 billion.

Positive economic developments and optimistic expectations have meant increased depth and volume in capital markets. The ISE-100 Index broke new records. By the end of 2005, the total market value of the shares traded on the ISE reached USD 161.7 billion, a 64% increase over 2004. Free-float, which was 27.5% by the end of 2004 increased to 31% by the end of 2005. Recent public offerings, the rise in the number of the investors, contributions to the private pension system, additional funds to be created by the mortgage law soon to be enacted heightened expectations in capital markets for 2006.

Structural reforms helped to achieve the desired economic situation and transition to the New Turkish Lira (TRY) took place at the beginning of 2005. Planned, coordinated and controlled efforts of Takasbank to make its databases and software applications compatible with the TRY, guaranteed a smooth transition for financial institutions using our services.

The Turkish Derivatives Exchange launched trading on February 4, 2005. This institution is critical to market dynamics and risk management instruments; it is the first market in Turkey that has private company status. Takasbank is responsible for the settlement of contracts traded on the Turkish Derivatives Exchange and also for collection, valuation, management and follow-up of collaterals for such transactions in compliance with applicable legislation.

Stocks traded on the ISE were dematerialized on November 28, 2005 as required in Article 10/A of the Capital Markets Law. Upon transition to the dematerialized system, a substantial portion of the custody functions was transferred to Central Registry Agency of which Takasbank owns a 65% interest. Takasbank made significant contributions to developing the system infrastructure of the dematerialized system. The Bank's system is integrated with the CRA system based on real-time electronic messaging. Following the transition to the dematerialized system, stock settlement transactions are now being carried out using accounts opened with CRA.

On November 28, 2005 with the collective dematerialization of stocks traded on the ISE, Takasbank's Securities Lending/Borrowing Facility was converted into a market application and the Securities Lending/Borrowing Market was established. The Securities Lending/Borrowing Market is established to ensure that the requests of brokerage houses willing to borrow securities are matched, in a transparent structure, with the offers of brokerage houses willing to lend securities.

Takasbank had a paid-in capital of TRY 60,000,000 and 90 shareholders by the end of 2005. The largest shareholder is the ISE, with 26.3%. The other capital is owned by 89 shareholders, with no single shareholder owning more than 5%; the balance of the shares is owned by 20 banks (39.7%) and 69 brokerage houses (34%). By the end of 2005, Takasbank's assets increased 36.1% over year-end 2004, to reach TRY 442,767,000. In the same financial period, the Bank's shareholder equity increased 11.4% to total TRY 230,222,000. Asset profitability was 9.7% and shareholder profitability stood at 18.7% at the end of 2005.

Takasbank posted a TRY 61,483,000 pre-tax profit, a 34.3% increase over 2004 by the end of 2005. Since 30% corporate tax was deducted from the pre-tax profit, after-tax net profit for the period was TRY 42,955,000 which is 38.8% above its 2004 level.

Takasbank carries out its operations in conformity with relevant legislation and its Articles of Association. Our report that follows summarizes the results of our operations in the financial period ending December 31, 2005. It provides some basic information about the financial statements during the same period, as audited by independent auditors.

Yours sincerely,

On behalf of the Board of Directors of
İMKB Takas ve Saklama Bankası A.Ş.



Osman BİRSEN
Chairman



Emin ÇATANA
General Manager and Board Member

Report of the Board Member in Charge of Internal Audit and Risk Management

Member in Charge of Internal Audit and Risk Management: Sezai Bekgöz

Evaluation by the Member in Charge of Internal Audit and Risk Management System

Takasbank's internal audit and risk management activities are carried out by the Board of Directors, senior management, employees of the Bank at all levels, the Audit Board, the Internal Audit Center and the Risk Management Group. Our Board of Directors ensures that internal audit and risk management units fulfill their duties in an objective manner and are independent from the core activities of the Bank.

In compliance with the provisions of the Regulation on Internal Audit and Risk Management Systems of Banks, Takasbank has formed independent internal control units including the Board of Internal Auditors, the Internal Audit Center and the Risk Management Group. These units report to the Bank's Board of Director and senior management. In 2005, risk evaluations, audit plans, programs, reports and other documentation submitted to me by these units were controlled and evaluated and the Bank's General Management and Board of Directors were informed based on the efforts of these units.

The general risk level of our operations has an effect on local individuals and institutions as well as international investors planning to invest in Turkish capital markets; international brokerage houses and custody centers are also affected. Takasbank offers services at international standards and utilizes an effective internal audit and risk management mechanism.

Committed to maintaining service quality in accordance with developments in financial markets, Takasbank adopts a global risk policy that requires that our operations be carried out prudently and at minimum risk. Regarding risk that must be taken or carried, an optimum balance is sought between any loss or damage that may be incurred if such risk arises along with the cost of restricting, mitigating and controlling such risk. The Risk Management Group operates in accordance with the decisions of the Bank's Senior Risk Committee, which reports to the Board of Directors and is chaired by myself, in conformity with the general policies of the Bank and relevant legislation.

Takasbank considers the internal audit and control process an integral part of its operations. Reporting modules that allow effective monitoring and control of transactions almost completely in electronic format are integrated with software applications. Necessary controls are carried out during performance of transactions using various techniques such as separating powers and duties regarding critical transactions, applying approval-authorization mechanisms during the performance of operations, examining limits in electronic environment, controlling material components, carrying out inquiry and reconciliation. In addition to the control function of the relevant management level, operation of the units is audited continuously by the Internal Audit Center, which performs examination and audit tasks on behalf of the Bank's Board of Directors and periodically by its Board of Internal Audit.

Authorizations and duties regarding critical transactions are separated and approval-authorization mechanisms are applied during the performance of operations.

The independent audit report states that the financial statements of the Bank fairly reflect the Bank's financial status December 31, 2005 along with the results of its operations and cash flows for the period ending on the same date, in compliance with the accounting principles and standards set forth in relevant regulations under the Banking Law.

Takasbank carries out its operations in conformity with applicable legislation, its general policies and internal arrangements. The Bank's internal audit and risk management units are structured and operate in accordance with the Regulation on Internal Audit and Risk Management Systems of Banks and generates significant added value in line with the major objectives and policies of the Bank.



Sezai BEKGÖZ

Member in Charge of Internal Audit and Risk Management

Recruitment and Promotions

Recruitment

As mentioned in Article 11 of Personnel Regulations, the Personnel Committee makes appointments to vacant or new positions. Existing employees of the Bank are given priority in any appointment, considering their career development plans and performance evaluations. Appointment is made upon the approval of the relevant units and a new employee is recruited for the vacant position. When recruiting an employee, existing applications are examined and those who have similar jobs in the industry are interviewed. If necessary, an advertisement is published in newspapers for new applicants.

Candidates are required to have the qualifications specified in the Bank's Personnel Regulations and must:

- Be a Turkish citizen
- Be at least 18 years of age
- Have completed or postponed military service (for males)
- Be a high school graduate (for operational staff positions)
- Be a graduate of a distance learning program or a two-year university program (for tellers' positions)
- Be a graduate of a two-year higher education program (for officers' positions)
- Be a graduate of a four-year university program (for specialist positions)
- Have no physical disability that may prevent working any place in Turkey
- Not be deprived of civil rights
- Not have been sentenced to imprisonment for infamous offenses such as fraud, forgery and embezzlement
- Have passed the written and oral exam made based on the requirements of the position
- Not be under obligation to provide mandatory service to government agencies, institutions or organizations

Amendment and/or additions to the above conditions may be made depending on the requirements of the relevant duties.

Examination

The Personnel Committee decides whether an examination will be made to recruit new employees. Such examinations may be held for one or more individuals; the type may vary according to the position vacant. Employees who will be appointed as Deputy Inspector, Inspector, Assistant Specialist and Specialist are selected from among those who have passed written and oral examinations from the ISE and those who have passed similar examinations of Banks and are experienced in the same field. Such employees also have to pass a competency exam held by the examination board of the Bank.

While undergoing recruitment, the candidate's references are contacted and if necessary, a security investigation is undertaken by making inquiries about his business, residence and school environments (and if necessary to public agencies).

Persons found suitable by the Manager of the relevant unit and Assistant General Manager and whose job application is accepted by the authorities holding the power to appoint (General Manager, Assistant General Manager in charge of Personnel and Training Department, Head of Personnel and Training Department) are recruited upon completion of all required documentation and an employment contract is prepared. Such persons start their work on the date indicated in the appointment instruction.

The nature of the services offered by the Bank requires giving intense training to employees who have been recruited recently and those who need specialized knowledge.

Each new employee attends Takasbank basic training and orientation program to become familiar with the Bank and its operations. They also attend the rotation program to learn about the transactions of other units and also internal and independent professional training programs when necessary.

Appointment and Promotions

The power to appoint Assistant General Managers resides with the Board of Directors and the power to make appointments and assignments for subordinate positions resides in the General Manager. The appointment, promotion and withdrawal of the Chairman and members of the Audit Board, the managers and members of the Risk Management Department and the Internal Control Center is decided by the Board of Directors.

Promotion means upgrading the position or title of an employee in terms of powers and duties he/she is given and increasing compensation. Any promotion is subject to the approval of the General Management; the Personnel and Training Department is responsible for making the necessary arrangements for the promotion.

In general, the following requirements must be met for a promotion:

- The employee must have performed his/her current duties as stated in the job description and must have displayed the expected performance (must have a positive rating in the performance evaluation)
- There must be a vacant and superior position
- The General Management must approve any appointment to such vacant position
- The employee must possess the skills and qualifications required by the new position and possess the priorities it requires
- The employee must have completed the minimum waiting period in their current position
- The employee must have passed the relevant exam (if any) and successfully completed any training given.

In the event there is a vacant position that must be filled quickly and the superiors of the candidate for such position are confident that given his/her current performance the candidate will be capable to handle additional responsibilities, the above-mentioned minimum waiting period may be shortened, subject to the approval of the General Manager.

Upon the written proposal of the head of the relevant unit, the Personnel and Training Department will evaluate the eligible employee for promotion. Any promotion approved by the Personnel Committee is submitted to the approval of the General Manager or the Board of Directors, according to the title involved. The Personnel and Training Department notify the relevant employee of the promotion decision.

Transactions Carried Out within the Bank's Risk Group

Transactions carried out within Takasbank's risk group include transactions with the Istanbul Stock Exchange (ISE), the largest shareholder of the Bank. A settlement fee is charged to the ISE for settlement of the transactions carried out on the ISE Stock Market and Bonds and Bills Market. The ISE Board of Directors revises the monthly settlement fee each year. In 2005, the total amount paid by the ISE was TRY 3,096,000.

Default interest is charged to members for ISE Stocks and Bonds Market transactions that are not settled on maturity. The default interest collected from the members is transferred to the ISE's Guarantee Fund accounts according to the relevant markets and 10% of the monthly default interest is recorded as an income for Takasbank. ISE Stock and Bonds Guarantee Funds are created to ensure that settlement undertakings of members regarding transactions on the ISE markets are settled on maturity and to avoid any damage to members in case of default. The Other Liabilities item of Takasbank's balance sheet as of December 31, 2005 included TRY 34,080,000 in Stocks Guarantee Fund and TRY 53,116,000 in Bonds Guarantee Fund.

In accordance with the protocol between Takasbank and the ISE, Takasbank charges interest on ISE stocks and bonds Guarantee Funds on the InterBank money market and the InterBank secondary market, thus the Bank earns interest commission. The total amount of default interest and interest commission earned from the ISE in 2005 was TRY 1,970,000.

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

INDEPENDENT AUDITORS' OPINION, FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Convenience Translation of Financial Statements
and Related Disclosures and Notes Originally
Issued in Turkish)

To the Board of Directors of
İMKB Takas ve Saklama Bankası A.Ş.
İstanbul

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

INDEPENDENT AUDITORS' OPINION FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2005

1. We have audited the accompanying balance sheet of İMKB Takas ve Saklama Bankası A.Ş. ("the Bank") as at 31 December 2005 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the accounting rules and policies, and the accounting and auditing standards, set out as per the Banking Act No: 5411 and the provisional Article 1 of this Banking Act. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İMKB Takas ve Saklama Bankası A.Ş. at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411 and the provisional article 1 of this Banking Act.
4. Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in the accompanying notes and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"), have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements are those generally accepted and applied in Turkey, and differ materially from IFRS, principally with respect to the accounting for the effects of hyperinflation and presentation. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with the accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, 20 February 2006



Hasan Kılıç
Partner

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.
INDEPENDENTLY AUDITED FINANCIAL STATEMENTS
AND NOTES TO THE FINANCIAL STATEMENTS TO BE
PUBLICLY ANNOUNCED FOR THE PERIOD
1 JANUARY 2005 TO 31 DECEMBER 2005

TAKASBANK 2005 ANNUAL REPORT

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Headquarters of the Bank	: Şişli Merkez Mah. Abide-i Hürriyet Cad. Mecidiyeköy yolu Sok. No: 286 34381 Şişli/Istanbul
Phone and Facsimile Numbers of the Bank	: (0 212) 315 25 25 / (0 212) 315 25 26
Website of the Bank	: www.takasbank.com.tr
Electronic Mail Address to Contact	: muhasebe@takasbank.com.tr

The accompanying reporting package prepared in accordance with Communiqué Number 17 "Financial Statements, Explanations and Notes to the Financial Statements to be Publicly Announced" consists of the following sections:

- General information about the bank
- Unconsolidated financial statements of the bank
- Explanations on the corresponding accounting policies applied in the related period
- Information on financial structure of the bank
- Explanatory disclosures and footnotes on unconsolidated financial statements
- Other explanations and footnotes
- Independent Auditors' Report

The unconsolidated financial statements and the explanatory notes and disclosures, unless otherwise indicated, are prepared in thousands of New Turkish Lira (YTL), have been independently audited and presented below in accordance with the Regulation on Accounting Practice, related communiqués and the Bank's records.

20 February 2006

Osman Birsen
Chairman of
Board of
Directors

Sezai Bekgöz
Member of the
Board of Directors
Responsible from
Internal Audit and
Risk Management

Emin Çatana
General Manager

Nezir Bakır
Assitant General
Manager

Cengiz Özübek
Deputy
Accounting
Manager

Authorized contact person for questions regarding this financial report:

Name-Surname / Status : Cengiz Özübek / Deputy Accounting Manager
Tel No : (0 212) 315 22 25
Fax No : (0 212) 315 22 34

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

SECTION ONE

GENERAL INFORMATION

1.1. Bank's incorporation date, beginning statue, changes in the existing statue:

The corporation, which was originally set up as a department of the Istanbul Stock Exchange ("ISE"), and whose operations were reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.) (herein after referred to as "Takasbank" or the "Bank"), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551.

1.2. Explanations regarding bank's shareholding structure, shareholders holding directly or indirectly, collectively or individually, the managing and controlling power and changes in current year, if any and explanations on the controlling group of the bank:

The main shareholders and capital structure as at 31.12.2005 are as follows:

Name Surname/Title	Share Capital	Shareholding Rate %	Paid up Capital	Unpaid Capital
Istanbul Stock Exchange	15,782	26.3	15,782	-
Other	44,218	73.7	44,218	-
Total	60,000	100.00	60,000	-

Takasbank shares with nominal value of YTL 39,150 owned by Datek Menkul Değerler A.Ş. and shares owned by İktisat Bankası T.A.Ş. which had been taken over by Savings Deposit Insurance Fund. ("SDIF") with nominal value of YTL 442,726 have been purchased by ISE during 2005 and these sales have been recorded in the statutory shareholders registry.

26.3% of the Bank belongs to ISE. ISE has been founded as a public institution bearing a legal entity, purposefully founded with authority to deal in the purchase and sale, determination and publicizing of prices of securities within the provisions and clauses as specified in the principles outlined in the Decree-Law No: 91 regulating securities exchanges which was published in the Official Gazette No: 18183 dated October 6, 1983. ISE currently holds nominal YTL 200 preference shares of the Bank.

73.7% of the Bank's shares belong to brokerage houses and other banks.

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

TAKASBANK 2005 ANNUAL REPORT

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(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

1.3. Explanations regarding the chairman and the members of board of directors, audit committee, general manager and assistants and their shares in the Bank

Title	Name and Surname	Academic Background	Experience in Banking and Management before appointment
Chairman of Board of Directors	Osman BİRSEN	BA	39 years
Members of Board of Directors	Abdullah Cengiz MAKAS	MA	15 years
	Sezai BEKGÖZ	MA	24 years
	Esin AKBULUT	PhD	26 years
	Hüseyin ERKAN	MA	18 years
	Ekrem Kerem KORUR	BA	16 years
	Rıza İhsan KUTLUSOY	BA	19 years
	Bedii ENSARİ	PhD	41 years
	Ekrem Nevzat ÖZTANGUT	BA	23 years
	Osman Sencer TANRIVERDİ	BA	16 years
	Emin ÇATANA	MA	28 years
Assistant General Managers	H. Nezir BAKIR	BA	31 years
	Yusuf ÇİÇEK	BA	26 years
Auditors	Berra KILIÇ	PhD	24 years
	İlhami ÖZTÜRK	BA	15 years

Chairman of Board of Directors and other members stated above do not own any shares of the Bank. Members of Board of Directors have not changed in the current period.

1.4. Services and Operating Areas of the Bank

Takasbank performs its operating activities as a non-deposit taking bank since 2 January 1996. Takasbank carries out clearing, settlement, custody and other necessary transactions of marketable securities on behalf of brokerage houses. Takasbank also renders customer name based custody services. Head office of Takasbank is located in Istanbul and the Bank has no branches.

Operating areas as stated in the Articles of Association of the Bank are as follows:

- Performing custodianship of the marketable securities, precious metals and other securities and settlement of commitments arising from the purchases and sales of those assets.
- Undertaking every kind of legal, financial and administrative transactions for receiving and delivering these securities to the related parties.
- Providing New Turkish Lira or foreign currency cash and non-cash credit facilities to its customers with or without taking collaterals including gold, marketable securities, notes, time deposits, and other guarantees, lending marketable securities, other securities or cash to ISE members to enable them to realize their settlement transactions on time; discounting/lending or borrowing marketable securities and other money market instruments when necessary; granting New Turkish Lira or foreign currency guarantees, guarantee letters and acceptances.
- Managing the "Stock Exchange Money Market" with the participation of the ISE or other stock exchanges assigned by authorities, and the Central Bank of Turkey ("CB").

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

BALANCE SHEET

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Note	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		Independently Audited CURRENT PERIOD (31/12/2005)			Independently Audited PRIOR PERIOD (31/12/2004)		
		YTL	FC	Total	YTL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	8,574	61	8,635	3,304	20	3,324
1.1.Cash		2	-	2	2	-	2
1.2.Cash in foreign currencies		-	-	-	-	-	-
1.3.Balances with the Central Bank of Turkey		8,572	61	8,633	3,302	20	3,322
1.4.Other		-	-	-	-	-	-
II. TRADING SECURITIES (Net)	(2)	2,192	-	2,192	2,160	-	2,160
2.1.Public sector debt securities		2,192	-	2,192	2,160	-	2,160
2.1.1. Government bonds		1,775	-	1,775	2,057	-	2,057
2.1.2. Treasury bills		417	-	417	103	-	103
2.1.3. Other public sector debt securities		-	-	-	-	-	-
2.2. Share certificates		-	-	-	-	-	-
2.3.Other marketable securities		-	-	-	-	-	-
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	46,000	8,891	54,891	31,309	8,056	39,365
3.1.Due from banks		46,000	8,891	54,891	31,309	8,056	39,365
3.1.1. Domestic banks		46,000	17	46,017	31,309	255	31,564
3.1.2. Foreign banks		-	8,874	8,874	-	7,801	7,801
3.1.3. Branches and offices abroad		-	-	-	-	-	-
3.2.Other financial institutions		-	-	-	-	-	-
IV. MONEY MARKET TRANSACTIONS	(4)	176,847	-	176,847	92,211	-	92,211
4.1.Interbank money market placements		172,500	-	172,500	84,000	-	84,000
4.2.Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3.Receivables from reverse repurchase agreements		4,347	-	4,347	8,211	-	8,211
V. SECURITIES AVAILABLE FOR SALE (Net)	(5)	324	-	324	234	-	234
5.1.Share certificates		324	-	324	234	-	234
5.2.Other marketable securities		-	-	-	-	-	-
VI. LOANS	(6)	18,852	-	18,852	11,551	-	11,551
6.1.Short term		18,852	-	18,852	11,551	-	11,551
6.2.Medium and long term		-	-	-	-	-	-
6.3.Loans under follow-up		-	-	-	-	-	-
6.4.Specific provisions (-)		-	-	-	-	-	-
VII. FACTORING RECEIVABLES	(7)	-	-	-	-	-	-
VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)	(8)	130,996	-	130,996	127,842	-	127,842
8.1.Public sector debt securities		130,996	-	130,996	127,842	-	127,842
8.1.1. Government bonds		130,996	-	130,996	127,842	-	127,842
8.1.2. Treasury bills		-	-	-	-	-	-
8.1.3. Other public sector debt securities		-	-	-	-	-	-
8.2.Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(9)	-	-	-	-	-	-
9.1.Financial investments and associates		-	-	-	-	-	-
9.2.Non-Financial investments and associates		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	(10)	4,825	-	4,825	4,825	-	4,825
10.1. Financial subsidiaries		4,825	-	4,825	4,825	-	4,825
10.2. Non-Financial subsidiaries		-	-	-	-	-	-
XI. OTHER INVESTMENTS (Net)	(11)	-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(12)	-	-	-	-	-	-
12.1. Gross finance lease receivables		-	-	-	-	-	-
12.2. Unearned income (-)		-	-	-	-	-	-
XIII. RESERVE DEPOSITS		-	162	162	3,420	2	3,422
XIV. SUNDRY DEBTORS	(13)	981	-	981	2,648	-	2,648
XV. ACCRUED INTEREST AND INCOME RECEIVABLE	(14)	18,674	1	18,675	15,213	1	15,214
15.1. Loans		18	-	18	7	-	7
15.2. Marketable securities		17,255	-	17,255	13,340	-	13,340
15.3. Other		1,401	1	1,402	1,866	1	1,867
XVI. PROPERTY AND EQUIPMENT (Net)	(15)	9,519	-	9,519	10,932	-	10,932
16.1. Book value		24,973	-	24,973	26,181	-	26,181
16.2. Accumulated Depreciation (-)		(15,454)	-	(15,454)	(15,249)	-	(15,249)
XVII. INTANGIBLE ASSETS [Net]	(16)	332	-	332	390	-	390
17.1. Goodwill		-	-	-	-	-	-
17.2. Other		1,624	-	1,624	1,514	-	1,514
17.3. Accumulated Amortisation (-)		(1,292)	-	(1,292)	(1,124)	-	(1,124)
XVIII. DEFERRED TAX ASSET	(17)	-	-	-	-	-	-
XIX. OTHER ASSETS	(18)	15,536	-	15,536	11,198	-	11,198
TOTAL ASSETS		433,652	9,115	442,767	317,237	8,079	325,316

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

LIABILITIES	Note	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		Independently Audited CURRENT PERIOD (31/12/2005)			Independently Audited PRIOR PERIOD (31/12/2004)		
		YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	(1)	-	-	-	-	-	-
1.1. Interbank deposits		-	-	-	-	-	-
1.2. Saving deposits		-	-	-	-	-	-
1.3. Public sector deposits		-	-	-	-	-	-
1.4. Commercial deposits		-	-	-	-	-	-
1.5. Other institutions' deposits		-	-	-	-	-	-
1.6. Foreign currency deposits		-	-	-	-	-	-
1.7. Precious metals deposits		-	-	-	-	-	-
II. INTERBANK MONEY MARKET	(2)	-	-	-	-	-	-
2.1. Interbank money market borrowings		-	-	-	-	-	-
2.2. Istanbul Stock Exchange money market borrowings		-	-	-	-	-	-
2.3. Funds obtained under repurchase agreements		-	-	-	-	-	-
III. FUNDS BORROWED	(3)	-	-	-	-	-	-
3.1. Funds borrowed from the Central Bank of Turkey		-	-	-	-	-	-
3.2. Other funds borrowed		-	-	-	-	-	-
3.2.1. Domestic banks and institutions		-	-	-	-	-	-
3.2.2. Foreign banks, institutions and funds		-	-	-	-	-	-
IV. MARKETABLE SECURITIES ISSUED (Net)	(4)	-	-	-	-	-	-
4.1. Bills		-	-	-	-	-	-
4.2. Asset backed securities		-	-	-	-	-	-
4.3. Bonds		-	-	-	-	-	-
V. FUNDS	(5)	-	-	-	-	-	-
VI. SUNDRY CREDITORS	(6)	89,928	8,793	98,721	7,091	7,706	14,797
VII. OTHER LIABILITIES	(7)	92,180	-	92,180	85,596	-	85,596
VIII. TAXES AND OTHER DUES PAYABLE	(8)	2,582	-	2,582	3,016	-	3,016
IX. FACTORING PAYABLES	(9)	-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	(10)	-	-	-	-	-	-
10.1. Finance lease payables		-	-	-	-	-	-
10.2. Deferred finance lease expenses (-)		-	-	-	-	-	-
XI. ACCRUED INTEREST AND EXPENSES PAYABLE	(11)	72	-	72	101	-	101
11.1. Deposits		-	-	-	-	-	-
11.2. Borrowings		-	-	-	-	-	-
11.3. Repurchase agreements		-	-	-	-	-	-
11.4. Other		72	-	72	101	-	101
XII. PROVISIONS	(12)	18,990	-	18,990	15,199	-	15,199
12.1. General loan loss provisions		355	-	355	241	-	241
12.2. Reserve for employee termination benefits		107	-	107	107	-	107
12.3. Provisions for corporate income taxes		18,528	-	18,528	14,851	-	14,851
12.4. Insurance technical provisions (Net)		-	-	-	-	-	-
12.5. Other provisions		-	-	-	-	-	-
XIII. SUBORDINATED LOANS	(12)	-	-	-	-	-	-
XIV. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XV. SHAREHOLDERS' EQUITY	(13)	230,222	-	230,222	206,607	-	206,607
15.1. Paid-in capital		60,000	-	60,000	60,000	-	60,000
15.2. Supplementary capital		96,788	-	96,788	96,788	-	96,788
15.2.1. Share premium	(14)	-	-	-	-	-	-
15.2.2. Share cancellation profits		-	-	-	-	-	-
15.2.3. Marketable securities value increase fund	(15)	-	-	-	-	-	-
15.2.4. Revaluation fund	(16)	-	-	-	-	-	-
15.2.5. Revaluation surplus	(17)	-	-	-	-	-	-
15.2.6. Other capital reserves		96,788	-	96,788	-	-	-
15.2.7. Inflation adjustments to paid-in capital		-	-	-	96,788	-	96,788
15.3. Profit reserves		30,479	-	30,479	18,879	-	18,879
15.3.1. Legal reserves	(18)	5,741	-	5,741	3,253	-	3,253
15.3.2. Status reserves		-	-	-	-	-	-
15.3.3. Extraordinary reserves	(19)	21,469	-	21,469	12,357	-	12,357
15.3.4. Other profit reserves		3,269	-	3,269	3,269	-	3,269
15.4. Profit or loss		42,955	-	42,955	30,940	-	30,940
15.4.1. Prior periods profits/losses		-	-	-	-	-	-
15.4.2. Current year profit/loss		42,955	-	42,955	30,940	-	30,940
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		433,974	8,793	442,767	317,610	7,706	325,316

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

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

OFF BALANCE SHEET COMMITMENTS

THOUSANDS OF NEW TURKISH LIRA (YTL)								
		Independently Audited CURRENT PERIOD (31/12/2005)			Independently Audited PRIOR PERIOD (31/12/2004)			
	Note	TL	FC	Total	TL	FC	Total	
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)							
I.	GUARANTEES AND SURETIES	(1),(5)	443,533	-	443,533	804,369	-	804,369
1.1.	Letters of guarantee		-	-	-	-	-	
1.1.1.	Guarantees subject to State Tender Law		-	-	-	-	-	
1.1.2.	Guarantees given for foreign trade operations		-	-	-	-	-	
1.1.3.	Other letters of guarantee		-	-	-	-	-	
1.2.	Bank acceptances		-	-	-	-	-	
1.2.1.	Import letter of acceptance		-	-	-	-	-	
1.2.2.	Other bank acceptances		-	-	-	-	-	
1.3.	Letters of credit		-	-	-	-	-	
1.3.1.	Documentary letters of credit		-	-	-	-	-	
1.3.2.	Other letters of credit		-	-	-	-	-	
1.4.	Pre-financing given as guarantee		-	-	-	-	-	
1.5.	Endorsements		-	-	-	-	-	
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	
1.5.2.	Other endorsements		-	-	-	-	-	
1.6.	Purchase guarantees for securities issued		-	-	-	-	-	
1.7.	Factoring related guarantees		-	-	-	-	-	
1.8.	Other guarantees		443,533	-	443,533	804,369	-	
1.9.	Other sureties		-	-	-	-	804,369	
II.	COMMITMENTS	(1),(5)	-	-	-	-	-	
2.1.	Irrevocable commitments		-	-	-	-	-	
2.1.1.	Asset purchase commitments		-	-	-	-	-	
2.1.2.	Deposit purchase and sales commitments		-	-	-	-	-	
2.1.3.	Share capital commitments to associates and subsidiaries		-	-	-	-	-	
2.1.4.	Irrevocable loan granting commitments		-	-	-	-	-	
2.1.5.	Securities underwriting commitments		-	-	-	-	-	
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	
2.1.7.	Payment commitments for checks		-	-	-	-	-	
2.1.8.	Tax and fund liabilities from export commitments		-	-	-	-	-	
2.1.9.	Commitments for credit card expenditure limits		-	-	-	-	-	
2.1.10.	Receivables from short sale commitments		-	-	-	-	-	
2.1.11.	Payables for short sale commitments		-	-	-	-	-	
2.1.12.	Other irrevocable commitments		-	-	-	-	-	
2.2.	Revocable commitments		-	-	-	-	-	
2.2.1.	Revocable loan granting commitments		-	-	-	-	-	
2.2.2.	Other revocable commitments		-	-	-	-	-	
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	-	-	-	-	
3.1.	Forward foreign currency buy/sell transactions		-	-	-	-	-	
3.1.1.	Forward foreign currency transactions-buy		-	-	-	-	-	
3.1.2.	Forward foreign currency transactions-sell		-	-	-	-	-	
3.2.	Swap transactions related to foreign currency and interest rates		-	-	-	-	-	
3.2.1.	Foreign currency swap-buy		-	-	-	-	-	
3.2.2.	Foreign currency swap-sell		-	-	-	-	-	
3.2.3.	Interest rate swaps-buy		-	-	-	-	-	
3.2.4.	Interest rate swaps-sell		-	-	-	-	-	
3.3.	Foreign currency, interest rate and security options		-	-	-	-	-	
3.3.1.	Foreign currency options-buy		-	-	-	-	-	
3.3.2.	Foreign currency options-sell		-	-	-	-	-	
3.3.3.	Interest rate options-buy		-	-	-	-	-	
3.3.4.	Interest rate options-sell		-	-	-	-	-	
3.3.5.	Securities options-buy		-	-	-	-	-	
3.3.6.	Securities options-sell		-	-	-	-	-	
3.4.	Foreign currency futures		-	-	-	-	-	
3.4.1.	Foreign currency futures-buy		-	-	-	-	-	
3.4.2.	Foreign currency futures-sell		-	-	-	-	-	
3.5.	Interest rate futures		-	-	-	-	-	
3.5.1.	Interest rate futures-buy		-	-	-	-	-	
3.5.2.	Interest rate futures-sell		-	-	-	-	-	
3.6.	Other		-	-	-	-	-	
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		3,241,346,704	95,776	3,241,442,480	14,517,450	101,318	14,618,768
IV.	ITEMS HELD IN CUSTODY		3,238,674,334	-	3,238,674,334	12,243,252	-	12,243,252
4.1.	Assets under management		27	-	27	37	-	37
4.2.	Investment securities held in custody		3,238,672,807	-	3,238,672,807	12,241,715	-	12,241,715
4.3.	Checks received for collection		-	-	-	-	-	-
4.4.	Commercial notes received for collection		-	-	-	-	-	-
4.5.	Other assets received for collection		-	-	-	-	-	-
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		1,500	-	1,500	1,500	-	1,500
4.8.	Custodians		-	-	-	-	-	-
V.	PLEDGED ITEMS		2,672,370	95,776	2,768,146	2,274,198	101,318	2,375,516
5.1.	Marketable securities		2,559,562	94,894	2,654,456	2,229,072	100,436	2,329,508
5.2.	Guarantee notes		4	-	4	-	-	-
5.3.	Commodity		-	-	-	-	-	-
5.4.	Warranty		-	-	-	-	-	-
5.5.	Mortgages		-	-	-	-	-	-
5.6.	Other pledged items		112,804	-	112,804	45,126	-	45,126
5.7.	Pledged items-depository		-	882	882	-	882	882
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTS		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)			3,241,790,237	95,776	3,241,886,013	15,321,819	101,318	15,423,137

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

THOUSANDS OF NEW TURKISH LIRA (YTL)			
	Note	Independently Audited CURRENT PERIOD (01/01/2005-31/12/2005)	Independently Audited PRIOR PERIOD (01/01/2004-31/12/2004)
I. INTEREST INCOME	(1)	41,888	54,632
1.1. Interest on loans		3,276	2,812
1.1.1. Interest on TL loans		3,276	2,812
1.1.1.1. Short term loans		3,276	2,812
1.1.1.2. Medium and long term loans		-	-
1.1.2. Interest on foreign currency loans		-	-
1.1.2.1. Short term loans		-	-
1.1.2.2. Medium and long term loans		-	-
1.1.3. Interest on loans under follow-up		-	-
1.1.4. Premiums received from Resource Utilisation Support Fund		-	-
1.2. Interest received from reserve deposits		329	173
1.3. Interest received from banks		5,518	10,948
1.3.1. The Central Bank of Turkey		-	-
1.3.2. Domestic banks		5,486	10,894
1.3.3. Foreign banks		32	54
1.3.4. Foreign offices and branches		-	-
1.4. Interest received from money market transactions		964	3,090
1.5. Interest received from marketable securities portfolio		31,782	37,582
1.5.1. Trading securities		-	-
1.5.2. Available-for-sale securities		-	-
1.5.3. Held to maturity securities		31,782	37,582
1.6. Other interest income		19	27
II. INTEREST EXPENSES	(2)	(33)	(7)
2.1. Interest on deposits		-	-
2.1.1. Interbank deposits		-	-
2.1.2. Saving deposits		-	-
2.1.3. Public sector deposits		-	-
2.1.4. Commercial deposits		-	-
2.1.5. Other institutions deposits		-	-
2.1.6. Foreign currency deposits		-	-
2.1.7. Precious metals deposits		-	-
2.2. Interest on money market transactions		-	-
2.3. Interest on funds borrowed		(33)	(7)
2.3.1. The Central Bank of Turkey		-	-
2.3.2. Domestic banks		(33)	(7)
2.3.3. Foreign banks		-	-
2.3.4. Branches and offices abroad		-	-
2.3.5. Other financial institutions		-	-
2.4. Interest on securities issued		-	-
2.5. Other interest expenses		-	-
III. NET INTEREST INCOME (I - II)		41,855	54,625
IV. NET FEES AND COMMISSIONS INCOME		2,683	3,019
4.1. Fees and commissions received		3,609	3,965
4.1.1. Cash loans		-	-
4.1.2. Non-cash loans		3,609	3,965
4.1.3. Other		-	-
4.2. Fees and commissions paid		(926)	(946)
4.2.1. Cash loans		-	-
4.2.2. Non-cash loans		(178)	(170)
4.2.3. Other		(748)	(776)
V. DIVIDEND INCOME		-	-
5.1. Trading securities		-	-
5.2. Available-for-sale securities		-	-
VI. NET TRADING INCOME		(2)	(15)
6.1. Profit/losses on securities trading (Net)		-	-
6.1.1. Profit on securities trading		-	-
6.1.1.1. Profit on derivative financial instruments		-	-
6.1.1.2. Other		-	-
6.1.2. Losses on securities trading (-)		-	-
6.1.2.1. Losses on derivative financial instruments		-	-
6.1.2.2. Other		-	-
6.2. Foreign exchange gains/losses (Net)		(2)	(15)
6.2.1. Foreign exchange gains		61	131
6.2.2. Foreign exchange losses (-)		(63)	(146)
VII. OTHER OPERATING INCOME	(3)	39,607	34,242
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		84,143	91,871
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(4)	(355)	(241)
X. OTHER OPERATING EXPENSES (-)	(5)	(22,305)	(21,854)
XI. NET OPERATING PROFIT (VIII-IX-X)		61,483	69,776
XII. INCOME / (LOSSES) FROM ASSOCIATES AND SUBSIDIARIES	(6)	-	-
XIII. GAIN / (LOSS) ON NET MONETARY POSITION		-	(23,985)
XIV. PROFIT BEFORE TAXES (XI+XII+XIII)		61,483	45,791
XV. PROVISION FOR TAXES ON INCOME (-)		(18,528)	(14,851)
15.1. Provision for Current Tax		(18,528)	(14,851)
15.2. Provision for Deferred Tax		-	-
XVI. NET OPERATING PROFIT / (EXPENSES) AFTER TAXES (XIV-XV)		42,955	30,940
XVII. EXTRAORDINARY INCOME / (EXPENSES) AFTER TAXES		-	-
17.1. Extraordinary net income/expense before taxes		-	-
17.1.1. Extraordinary income		-	-
17.1.2. Extraordinary expense (-)		-	-
17.2. Provision for taxes on extraordinary income		-	-
XVIII. NET PROFIT / (LOSS) (XVI+XVII)	(8)	42,955	30,940

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

İMKB TAKAS VE SAKLAMA BANKASI A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSANDS OF NEW TURKISH LIRA (YTL)																
CHANGES IN SHAREHOLDERS' EQUITY	Note	Paid-in Capital	Inflation Adjustment to Paid-in Capital	Share Premium	Share Cancellation	Share Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Revaluation Fund	Revaluation Surplus	Marketable Securities Value Increase Fund	Total
(01/01/2004-31/12/2004)																
I.	Balances at the end of the prior period	60,000	96,788	-	-	-	-	-	-	-	-	38,965	-	-	-	195,753
II.	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at the beginning of the period (I+II)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Net profit or loss	-	-	-	-	-	-	-	-	-	30,940	-	-	-	-	30,940
V.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5.1. Dividends	-	-	-	-	-	-	-	-	-	-	[20,614]	-	-	-	[20,614]
	5.2. Transfers to reserves	-	-	-	-	-	3,253	-	11,829	3,269	-	[18,351]	-	-	-	528
	5.3. Other	-	-	-	-	-	-	-	528	-	-	-	-	-	-	-
VI.	Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.2. Revaluation fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.3. Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.4. Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.5. Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.6. Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.7. Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	6.8. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (I+II+IV+V+VI+VII)		60,000	96,788	-	-	-	3,253	-	12,357	3,269	30,940	-	-	-	-	206,607
(01/01/2005-31/12/2005)																
I.	Balances at the end of the prior period	60,000	96,788	-	-	-	3,253	-	12,357	3,269	-	30,940	-	-	-	206,607
II.	Increases in the period:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Available for sale marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1.	Net fair value gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1.	Net fair value gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Transferred Amounts:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Available for sale marketable securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1.	Transfers to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1.	Transfers to net income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.2.	Transfers to assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Current year profit	-	-	-	-	-	-	-	-	-	42,955	-	-	-	-	42,955
VII.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	7.1. Dividends	-	-	-	-	-	-	-	-	-	-	[19,984]	-	-	-	[19,984]
	7.2. Transfers to reserves	-	-	-	-	-	2,488	-	8,468	-	-	[10,956]	-	-	-	644
	7.3. Other	-	-	-	-	-	-	-	644	-	-	-	-	-	-	-
VIII.	Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.2. Revaluation fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.3. Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.4. Marketable securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.5. Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.6. Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.7. Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	8.8. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (I+II+III+IV+V+VI+VII+VIII+IX)		60,000	96,788	-	-	-	5,741	-	21,469	3,269	42,955	-	-	-	-	230,222

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

THOUSANDS OF NEW TURKISH LIRA (YTL)			
		Independently Audited CURRENT PERIOD	Independently Audited PRIOR PERIOD
	Note	(01/01/2005-31/12/2005)	(01/01/2004-31/12/2004)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1.	Operating profit before changes in operating assets and liabilities (+)	44,664	31,955
1.1.1.	Interest received	23,005	39,418
1.1.2.	Interest paid	(33)	(7)
1.1.3.	Dividends received	-	-
1.1.4.	Fees and commissions received	2,683	3,965
1.1.5.	Other income	38,329	31,607
1.1.6.	Collections from previously written off loans and other receivables	-	-
1.1.7.	Payments to personnel and service suppliers	(14,365)	(13,250)
1.1.8.	Taxes paid	(251)	-
1.1.9.	Extraordinary items	-	-
1.1.10.	Other	(4,704)	(29,778)
1.2.	Changes in operating assets and liabilities	84,664	27,100
1.2.1.	Net (increase) decrease in trading securities	(32)	1,168
1.2.2.	Net (increase) decrease in due from banks and other financial institutions	-	11,385
1.2.3.	Net (increase) decrease in loans	(7,301)	(4,301)
1.2.4.	Net (increase) decrease in other assets	17,044	9,165
1.2.5.	Net increase (decrease) in bank deposits	-	-
1.2.6.	Net increase (decrease) in other deposits	-	-
1.2.7.	Net increase (decrease) in funds borrowed	-	-
1.2.8.	Net increase (decrease) in matured payables	-	-
1.2.9.	Net increase (decrease) in other liabilities	74,953	9,683
I.	Net cash provided from banking operations	129,328	59,055
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	(3,869)	(45,320)
2.1.	Cash paid for purchase of investments, associates and subsidiaries	-	(2,028)
2.2.	Cash obtained from sale of investments, associates and subsidiaries	-	-
2.3.	Fixed assets purchases	(626)	(156)
2.4.	Fixed assets sales	1	149
2.5.	Cash paid for purchase of investments available for sale	(90)	-
2.6.	Cash obtained from sale of investments available for sale	-	-
2.7.	Cash paid for purchase of investment securities	(93,311)	(140,414)
2.8.	Cash obtained from sale of investment securities	90,157	97,129
2.9.	Extraordinary items	-	-
2.10.	Other	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities	(19,984)	(20,613)
3.1.	Cash obtained from funds borrowed and securities issued	-	-
3.2.	Cash used for repayment of funds borrowed and securities issued	-	-
3.3.	Capital increase	-	-
3.4.	Dividends paid	(19,984)	(20,613)
3.5.	Payments for finance leases	-	-
3.6.	Extraordinary items	-	-
3.7.	Other	-	-
IV.	Effect of change in foreign exchange rates on cash and cash equivalents	(2)	(15)
V.	Net increase in cash and cash equivalents (I+II+III+IV)	105,473	(6,893)
VI.	Cash and cash equivalents at beginning of the period	134,900	141,793
VII.	Cash and cash equivalents at end of the period (V+VI)	240,373	134,900

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

IMKB TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

SECTION THREE

ACCOUNTING POLICIES

3.1. Information and Disclosures Related to the Basis of Presentation

3.1.1. Presentation of Financial Statements

As prescribed in the Article 37 of the Banking Act No. 5411, banks shall, in line with the principles and procedures to be established by the Banking Regulation and Supervision Agency ("BRSA") upon consulting the associations of financial institutions and the Turkish Accounting Standards Board taking into consideration international standards, ensure uniformity in their accounting systems; correctly record all their transactions; and timely and accurately prepare their financial reports in a style and format that will meet the requirements of providing information, that is clearly reliable and comparable and that is suitable for auditing, analysis and interpretation.

Banks shall not settle their balance sheets without ensuring reconciliation with legal and auxiliary books and records, branches and domestic and foreign correspondents.

In accordance with the provisional Article 1 of the Banking Act No.5411, "Any legislation, which has been put into force, based on repealed provisions and the provisions shall remain in force and effect until decrees, regulations and communiqués to be put into effect in accordance with this Law take effect, that are not in conflict herewith."

The Bank prepares its statutory books, financial statements, and all related documents that provide a basis for those financial statements in accordance with Article 13 of the Banks Act No.4389 and Turkish Commercial Code and Tax Legislation.

The Bank prepares its financial statements according to the prevailing Regulation on Accounting Practice ("RAP") and related communiqués and other regulations applicable in accordance with the Article 13 under the heading of 'Accounting and Recording' of the revoked Banks Act No.4389, as per the provisional Article 1 of the Banking Act No.5411.

Accounting Principles

The accounting principles and valuation methods used in the preparation of current period financial statements for the year ended 31 December 2005 have been applied consistently with the prior year, other than the exclusion of inflation accounting application since 1 January 2005 as explained below.

The effect of the differences between the accounting principles summarized in the accompanying notes and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS), have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements are those generally accepted and applied in Turkey, and differ materially from IFRS, principally with respect to the accounting for the effects of hyperinflation and presentation. Accordingly, the accompanying financial statements are not intended to present the Company's financial position and results of its operations in accordance with the accounting principles generally accepted in such countries of users of the financial statements and IFRS.

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

3.1.2. Basis of Accounting

The accompanying financial statements have been prepared based on the Bank's statutory books. The Bank has performed inflation accounting restatements to its statutory records starting from 30 June 2004 to 31 December 2004 in accordance with the Act No: 5024 amending the Tax Procedural Code. On the other hand, 31 December 2003 financial statements were prepared based on the historical cost convention, except for the revaluation of fixed assets. As prescribed in RAP Communiqué 14 "Preparation of Financial Statements in Hyperinflationary Periods" ("RAP 14") aiming to present more accurate information, 31 December 2004 financial statements include inflation accounting adjustments and related classifications.

Inflation Accounting

The accompanying financial statements have been adjusted in accordance with RAP 14 requiring that in hyperinflationary periods financial statements must be expressed in the purchasing power of money as at the balance sheet date. To adjust the effects of changes in the purchasing power of money from the financial statements, all financial statements prepared before 31 December 2004 are restated for the effects of inflation.

Article 25 of RAP 14 states that if the indicators of a hyperinflationary economy as described in Article 5 of the same Communiqué cease to exist then financial institutions do not have to prepare their financial statements in accordance with this Communiqué since hyperinflationary period is over.

BRSA issued a circular on 28 April 2005 numbered 2 indicating that the main indicators of hyperinflationary period which are summarized below elaborated and resulted that the indicators confirming the existence of a hyperinflationary economy cease to exist. As a result, the inflation accounting in the banking sector will no longer be applied for periods after 1 January 2005 as per the BRSA decision number 1623 dated 21 April 2005.

The main indicators referred to above were as follows;

- a) Increase in the weight of New Turkish Lira deposits and a corresponding decrease in the weight of the foreign currency deposits within total deposits as of January 2005.
- b) Increase in the weight of New Turkish Lira loans and a corresponding decrease in the weight of the foreign currency loans within the total banking industry loan portfolio as of January 2005.
- c) Interest rates being a less important factor in short term price determination.
- d) Ceasing the practice of issuing government bonds based on price indices.
- e) Monthly increases in the Wholesale Price Index (WPI) issued by Turkish State Institute of Statistics (SIS) falling below pre determined levels.

As per the circular, the restatement differences which were followed under 'inflation adjustments to paid in capital' account until 31 December 2004 was transferred to 'other capital reserves' as of 1 January 2005. Other inflation adjustment differences on other components of the equity have been presented on these balances.

3.2. Information and Disclosures Related to Forward Transactions, Options and Derivative Instruments

The Bank has no derivative instruments used for hedging purposes as at the balance sheet date.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

3.3. Information and Disclosures Related to Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is 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 to realize the asset and settle the liability simultaneously. Otherwise, assets and liabilities are not offset.

3.4. Information and Disclosures Related to Interest Income and Expenses

Interest income and expenses are recognized in the income statement on an accrual basis; and the income generating transactions and profits are recorded along with the related costs and expenses in accordance with periodicity and accrual principles of accounting. When the Bank management estimates and judges that the collection becomes doubtful, then interest income is not recognized until the collection is made.

3.5. Information and Disclosures Related to Fee and Commission Income and Expenses

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the ISE and on other stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services.

Due to the above operations, the Bank receives custody and service commission income from its customers. These fees and commissions are accrued on a monthly basis under other operating income.

3.6. Information and Disclosures Related to Trading Securities

Trading securities are initially recorded at their acquisition costs and presented in the financial statements at their fair values. Government Bonds and Treasury Bills which are traded on Istanbul Stock Exchange (ISE) are valued using the weighted average prices on ISE as at the balance sheet date, those which are quoted on ISE but not traded as at the balance sheet date are valued using the weighted average prices of the last transaction date and those which are not traded on ISE are valued using the prices determined by the Central Bank of Turkish Republic.

The difference between cost and fair values of the trading securities are recorded under interest income accruals account or under diminution in value of securities. As explained in detail in Section VI: "Other Explanations and Notes", the realized gains and losses and related interest income/expense accruals of the trading securities are recorded in related income statement accounts, unless the securities belong to problematic securities intermediary members.

3.7. Information and Disclosures Related to Sales and Repurchase Agreements and Securities Lending Transactions

Marketable securities which are subject to repurchase agreements are classified in "Trading Securities" and "Available for Sale" in line with holding objective of these securities and are valued in accordance with their classification. As at the balance sheet date, the Bank has no repurchase agreements.

Reverse repo transactions are accounted under "Receivables from Reverse Repurchase Agreements". The difference between purchase and resale price determined by these agreements is accrued over the life of repurchase agreements according to effective interest rate method. The Bank has receivables from reverse repo transactions amounting to YTL 4,347 as at the balance sheet date. The interest income accrual calculated is disclosed under other liabilities as a liability when repurchase agreements are related to problematic securities intermediary members, as described in detail in Section Six: "Other Explanations and Notes".

The Bank has no marketable securities subject to securities lending transactions.

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

3.8. Information and Disclosures Related to Investment Securities Held-To-Maturity, Securities Available-For-Sale and Originated Loans and Receivables

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. Originated loans and receivables are the financial assets which are created by lending money, rendering services or delivery of goods and those are not trading or available-for-sale financial assets. Available for sale assets are those that are not originated loans and receivables or held-to-maturity assets or trading assets. Held-to-maturity investments, available-for-sale assets and originated loans and receivables are initially recorded at cost.

The Bank's portfolio of held-to-maturity investment securities consist of government bonds denominated in New Turkish Lira.

Held-to-maturity investment securities are accounted for at their amortized cost; determined by using internal rate of return, net of provision for diminution in value.

Originated loans and receivables are financial assets made for supplying money, good and service to debtors. Originated loans and receivables are initially accounted for at their cost and determined at amortized cost using the internal rate of return. Expenses incurred related to the assets taken as collateral for loans granted are not accepted as part of their cost but reflected to income statement.

3.9. Information and Disclosures Related to Originated Loans and Receivables and Specific Provisions

The Bank extends loans in order to provide funds for intermediary securities brokerage houses. The Bank provides general loan loss provision, according to the provisions of "Communiqué Related to Principles and Procedures on Determining the Classification of Loans and Other Receivables with Required Reserves" published in the Official Gazette No. 24448 dated 30 June 2001. There is no specific provision made for loans and other receivables since not deemed uncollectible as per the evaluation and estimations of the Bank's management, in line with the regulations.

3.10. Information and Disclosures Related to Goodwill and Other Intangible Assets

The Bank has no goodwill in its accounts as at the balance sheet date.

Other intangible assets consist of software license balances.

Other intangible fixed assets are expressed by deducting the indexed amortizations from the indexed acquisition costs as of the balance sheet date. Other intangible assets are amortized over their expected useful lives by using straight-line method. No change has been made for the amortization method during the current period.

The annual amortization rate used for intangible fixed assets which have been included in the Bank assets before 1 January 2004 is 20% (5 years). The intangible fixed assets acquired after 1 January 2004 are amortized using the amortization rates determined over their economic useful lives.

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3.11. Information and Disclosures Related to Property and Equipment

Property and equipment are initially recorded at cost plus adding expenses incurred over purchase prices of assets to make them operational.

Property and equipment are depreciated on a straight-line basis. The depreciation rates for the property and equipment acquired before 1 January 2004 are as shown below. Property and equipment acquired after 1 January 2004 are depreciated by using rates determined by the Ministry of Finance.

	Expected Useful Lives(Year)	Depreciation Rate
Buildings	50	2%
Furniture and Fixtures	5	20%

Property and equipment are stated at purchase values of related assets less accumulated depreciation and provision for impairment and carried at restated amounts in the balance sheet. Along with the statement of the property and equipment, effects of any revaluation according to related regulations are eliminated.

3.12. Information and Disclosures Related to Leasing Transactions

The Bank enters into leasing transactions as lessee. The assets acquired under financial leases are accounted under fixed assets by using the lower of discounted total lease payments or market value and the corresponding entries are recorded as financial lease payables in liabilities. The financing costs of leasing transactions are spread over leasing period by calculating a constant periodic rate of return. Assets acquired under financial leases are depreciated over their useful lives. Impairment provision is made if necessary. Leasing payments are deducted from leasing payables.

The Bank has not terminated any finance lease agreements before their lease periods expire during the period. The Bank does not engage in finance leasing transactions as a lessor.

3.13. Information and Disclosures Related to Provisions and Contingent Liabilities

Provisions and contingent liabilities are accounted for in accordance with APR, Communiqué 8.

As at the balance sheet date, the Bank does not have any contingent liability as a result of past events that can be measured reliably.

As of the balance sheet date, as per the information obtained from the internal legal department of the Bank, there are 3 continuing cases against the Bank. One of them is related with the cancellation of payment by Kent Yatırım to 8th Execution Court and rest of them are cases related with petitory action in relation to custody shares. There are no continuing cases filed by the Bank in the current period.

3.14. Information and Disclosures Related to Obligations for Employee Benefits

Provision for notice pay and employment termination benefit liability is 1.61% which is the simple arithmetic average of five years payment ratios.

As at 31 December 2005, the Bank has no employees with fixed period employment contracts, with expiry date of more than 12 months starting from the balance sheet date.

As at 31 December 2005, 25 of the Bank's 199 employees participated to the İMKB Takas ve Saklama Bankası Guarantee Fund (the "Fund") which was established in order to pay to the Bank any probable deficit or charge or abuse which might be due by these 25 members. The Bank has no liability to the Fund.

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

3.15. Information and Disclosures Related to Taxes

Required provisions are made based on the current period operations of the Bank for income tax and Corporation Tax. YTL 18,528 tax provision was made for the current year.

The Bank has calculated deferred tax according to the APR; Communiqué 18 "The Standard of Accounting for Taxes" published by BRSA on 12 August 2004, but it has not included the calculated deferred tax asset in the accompanying financial statements in accordance with the conservatism principle.

3.16. Information and Disclosures Related to Additional Explanations on Borrowings

The Bank accounts for borrowing instruments as per APR, Communiqué 1. Hedging techniques are not applied for accounting and valuation of borrowing instruments and any liabilities representing borrowing instruments.

The Bank has not issued any convertible bonds. The Bank has not also issued any borrowing instruments.

ISE Guarantee Fund

The ISE Guarantee Fund is created from the sources of ISE in order to prevent possible delays in the settlement of marketable securities. The Fund assures that members with receivable balances are not affected by delays in payments by members for balances due. The ISE Guarantee Fund is recorded in the Interbank Money Market Placements in assets and Other Liabilities components of the balance sheet.

Turkish Derivative Exchange Cash Guarantees

Exchange of contracts, which are bought and sold in Turkish Derivative Exchange ("TDE"), and other operations related to the exchange such as transfer of guarantees to related accounts, valuation, and administration and transaction monitoring are followed by the Bank in the way compatible with related current law. The Bank have received in total cash guarantee of YTL 86.660, YTL 83.569 as the operation commitments and YTL 3.091 as guarantee fund commitments, from the members of TDE. TDE cash guarantees obtained have been classified in Interbank Money Market Placements and in Other External Resources on the financial statements.

3.17. Information and Disclosures Related to Paid-In Capital and Stocks

The Bank has not issued any shares and therefore has not realized any share issue expenses.

As of the date of this report, the Bank has not announced any earnings per share subsequent to the balance sheet date.

3.18. Information and Disclosures Related to Acceptances

The Bank performs acceptances with its customers simultaneously and follows them in off balance sheet liabilities.

The Bank has no acceptances that have been included as a liability against an asset.

3.19. Information and Disclosures Related to Government Grants

As at the balance sheet date, the Bank has no government grants.

3.20. Information and Disclosures Related to the Reporting According To Classification

As the Bank predominantly renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments. Therefore, related segmental reporting and explanations have not been prepared.

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SECTION FOUR

NOTES TO THE FINANCIAL STRUCTURE

4.1. Strategy of Using Financial Instruments and Explanations on Foreign Currency Transactions

The Bank has placed its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in interbank money markets. The most significant financing resource is the shareholders' equity of the Bank. The other resources consist of the short-term placements of the members with the Bank which are then placed by the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has no area of operations for which a return is achieved above the average rate of return and off-balance sheet risks.

In accordance with the Articles of Association, the Bank carries transactions only in interbank money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. Related to the transactions in interbank money markets, transaction limits determined in these markets are established as risk limits.

The Bank has no available-for-sale foreign currency equity instruments. In order to hedge interest rate risks arising from fixed or floating rate instruments, the Bank prefers short-term transactions.

The Bank hedges exchange rate risk arising from foreign currency denominated transactions by matching foreign currency liabilities with foreign currency assets.

The Bank has no investments in foreign entities.

4.2. Information and Disclosures Related to Capital Adequacy

The capital adequacy ratio calculated based on the inflation adjusted financial statements of the Bank was 304.21% as at 31 December 2005.

Bank uses standard method in determination of capital adequacy ratio.

As per the Banking Law, related with capital adequacy standard ratio calculation, risk weighted assets, liabilities, and non-cash loans are classified according to guarantee groups and evaluated in related risk group.

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Capital adequacy ratio:

	Risk Weights Bank			
	0%	20%	50%	100%
Risk Weighted Assets, Liabilities and Non-Cash Loans				
Balance Sheet items (Net)	200,688	54,010	265	30,300
Cash and Cash Equivalents	2	-	-	-
Due From Banks	8,633	53,039	-	1,852
Interbank Money Market Placements	172,500	-	-	-
Receivables From Reverse Repo Transactions	4,347	-	-	-
Reserve Requirements	162	-	-	-
Special Finance Companies	-	-	-	-
Loans	-	-	-	18,852
Overdue Loans (Net)	-	-	-	-
Subsidiaries, Associates and Sec.Available For Sale	-	-	-	-
Sundry Debtors	1	971	-	9
Securities Held to Maturity (Net)	-	-	-	-
Advances For Assets Acquired by Financial Leasing	-	-	-	-
Financial Lease Receivables	-	-	-	-
Leased Assets (Net)	-	-	265	-
Property and Equipment (Net)	-	-	-	9,254
Other Assets	15,043	-	-	333
Off- Balance Sheet items	375,472	65,655	-	3,826
Guarantees and Sureties	375,092	64,633	-	3,808
Commitments	-	-	-	-
Other Off -Balance Sheet Items	-	-	-	-
Transactions Related with Derivative Financial Instruments	-	-	-	-
Interest and Income Accruals	380	1,022	-	18
Not Risk Weighted Accounts	-	-	-	-
Total Risk Weighted Assets	576,160	119,665	265	34,126

Summary Information on the Capital Adequacy Ratio of the Bank

	Bank	
	31.12.2005	31.12.2004
Total Risk Weighted Assets	58,192	44,942
Amount Subject To Market Risk	15,750	13,075
Shareholders' Equity	224,936	201,433
Shareholders' Equity / (RWA+ASMR) * 100	304.21	347.20

*RWA: Total risk weighted assets

ASMR: Amount subject to market risk

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	31.12.2005	31.12.2004
CORE CAPITAL		
Paid-in Capital	60,000	60,000
Nominal capital	60,000	60,000
Capital Commitments (-)	-	-
Adjustment to paid-in capital	96,788	96,788
Share premium	-	-
Legal reserves	5,471	3,253
First legal reserve (Turkish Commercial Code 466/1)	5,362	3,071
Second legal reserve (Turkish Commercial Code 466/2)	379	182
Other legal reserve per special legislation	-	-
Status reserves	-	-
Extraordinary reserves (*)	24,738	15,626
Reserves allocated by the General Assembly	24,738	15,626
Retained earnings	-	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
Profit	42,955	30,940
Current year profit	42,955	30,940
Prior years' profits	-	-
Loss (-)	-	-
Current year loss	-	-
Prior years' losses	-	-
Total Core Capital	230,222	206,607
SUPPLEMENTARY CAPITAL		
Revaluation Fund	-	-
Furniture, fixture and vehicles	-	-
Properties	-	-
Profit on sale of associates, subsidiaries and properties to be transferred to share capital	-	-
Revaluation fund of leasehold improvements	-	-
Revaluation fund	-	-
Foreign exchange differences	-	-
General provisions	355	241
Provisions for possible losses	-	-
Subordinated loans	-	-
Marketable securities and investment securities value increase fund	-	-
Associates and subsidiaries	-	-
Investments available-for-sale	-	-
Investments held for structural transactions	-	-
TOTAL SUPPLEMENTARY CAPITAL	355	241
TIER III CAPITAL	-	-
CAPITAL	230,577	206,848

(*) Other profit reserves of YTL 3,269 have been included in extraordinary reserves.

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	31.12.2005	31.12.2004
DEDUCTIONS FROM THE CAPITAL	(5,641)	(5,415)
Investments in financial companies whose main activities are money and capital markets, insurance and that operate with licenses provided in accordance with special laws	(5,149)	(5,059)
Leasehold Improvements	-	-
Start up Costs	-	-
Prepaid Expenses	(492)	(356)
The negative Difference Between the Market Values and the Carrying Amounts for Unconsolidated Investments, Subsidiaries, Other Investments, and Consolidated Fixed Assets	-	-
Subordinated Loans Given to Other Banks Operating in Turkey	-	-
Goodwill (Net)	-	-
Capitalized expenses	-	-
TOTAL SHAREHOLDERS EQUITY	224,936	201,433

4.3. Information and Disclosures Related to Credit Risk

The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

The credit limits are determined according to the types of the loans of the Bank. The credit limits are determined as cash and non-cash limits by taking into consideration the types of loans. The loans given are classified as (1-12) month, (12-24) month or (24+) month maturities. However, the Bank extends short-term loans for a maximum of 1 month. The loans of the Bank aim to fund the liquidity needs of securities intermediary institutions in shares, bonds and bills markets. Since the Bank guarantees securities lending operations when a security is not returned by the borrower, and guarantees payments and collections in the Takasbank money market, which is similar to interbank money market; these transactions are followed under non-cash loan items. In addition, the Bank also extends loans to its employees in accordance with the legislation.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Independently audited financial statements prepared as per the regulation of Capital Markets Board are examined for the loans extended. The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors. Limit change requests are revised on a six monthly basis unless substantive changes occur in the financial positions of customers.

The Bank has no forward and option contracts or any other similar agreements.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short term, there is no specific need to enter into any transaction to decrease or terminate its credit exposure.

The Bank has no defaulted non-cash loans, restructured loans or long-term commitments.

The Bank has no banking and lending activities in foreign countries.

The Bank has 11 cash loan customers as at the balance sheet date.

The Bank has 34 non cash loan customers as at the balance sheet date.

The Bank calculates general provisions for credit risk and receives liquid collaterals.

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Information according to geographical concentration:

	Assets	Liabilities	Non-cash loans	Equity Investments ***	Net profit
Current Period					
Domestic	428,744	442,767	443,533	5,149	42,955
European Union Countries	7,018	-	-	-	-
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	1,856	-	-	-	-
Other Countries	-	-	-	-	-
Unallocated Assets/liabilities**	-	-	-	-	-
Total	437,618	442,767	443,533	5,149	42,955
Previous Period					
Domestic	312,456	325,316	804,369	5,059	30,940
European Union Countries	3,680	-	-	-	-
OECD Countries *	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-
USA, Canada	4,121	-	-	-	-
Other Countries	-	-	-	-	-
Unallocated Assets/liabilities**	-	-	-	-	-
Total	320,257	325,316	804,369	5,059	30,940

* OECD Countries other than EU countries, USA and Canada

** Unallocated assets / liabilities that could not be distributed consistently.

*** Equity investments are written in "Equity Investments" column, and these amounts are excluded from "Assets" column.

Industry concentrations for cash loans

	Current Period				Previous Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agricultural	-	0.00	-	0.00	-	0.00	-	0.00
Farming and Raising Livestock	-	0.00	-	0.00	-	0.00	-	0.00
Forestry	-	0.00	-	0.00	-	0.00	-	0.00
Fishing	-	0.00	-	0.00	-	0.00	-	0.00
Manufacturing	-	0.00	-	0.00	-	0.00	-	0.00
Mining	-	0.00	-	0.00	-	0.00	-	0.00
Production	-	0.00	-	0.00	-	0.00	-	0.00
Electric, Gas and Water	-	0.00	-	0.00	-	0.00	-	0.00
Construction	-	0.00	-	0.00	-	0.00	-	0.00
Services	18,848	100.00	-	0.00	11,551	100.00	-	0.00
Wholesale and Retail Trade	-	0.00	-	0.00	-	0.00	-	0.00
Hotel, Food and Beverage Services	-	0.00	-	0.00	-	0.00	-	0.00
Transportation and Telecommunication	-	0.00	-	0.00	-	0.00	-	0.00
Financial Institutions	18,848	99.98	-	0.00	11,551	100.00	-	0.00
Real Estate and Renting Services	-	0.00	-	0.00	-	0.00	-	0.00
Self-Employment Services	-	0.00	-	0.00	-	0.00	-	0.00
Education Services	-	0.00	-	0.00	-	0.00	-	0.00
Health and Social Services	-	0.00	-	0.00	-	0.00	-	0.00
Other	4	0.02	-	0.00	-	0.00	-	0.00
Total	18,852	100.00	-	0.00	11,551	100.00	-	0.00

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4.4. Information and Disclosures Related to Market Risk

Fund management strategy is established for the purpose of preventing liquidity problems, supplying optimization in the risk-return equilibrium and utilization of resources with maximum productivity by taking the minimum level of risk. In accordance with the fund management strategy applied, transactions are carried out only with banks approved by the Board of Directors, unnecessary foreign currency transactions are not performed and a square foreign currency position is kept, derivative instruments are not used, and no securities other than Public Sector Debt Securities are included in the securities portfolio of the Bank. The strategy applied by the Bank has focused on the estimation of the changes in the YTL interest rates to obtain optimum maturity distribution by utilizing long term instruments when interest rates are expected to fall, and short term instruments when increase in the interest rates are expected to rise.

The management of the Bank continuously monitors the Bank's portfolio by maturity and by instruments. The transactions of the treasury are done with the approval and instructions of the senior management and the fund management strategy, if deemed necessary due to the changes in the markets, is revised by the senior management. The realized transactions are followed and controlled by the Internal Control Unit and Risk Management Group, which are reporting directly to the Board of Directors.

The amount subject to market risk is calculated and reported with the Standard Method described in the 4th section of the "Communiqué related to the Measurement and Evaluation of Banks' Capital Adequacy", published in the Official Gazette No. 24657 dated 31 January 2002. Market risk is measured on a monthly basis.

	Amount
Capital To Be Employed For Interest Rate Risk – Standard Method	1,260
Capital To Be Employed For General Market Risk	1,260
Capital To Be Employed For Specific Risk	-
Capital To Be Employed For Options Subject To Interest Rate Risk	-
Capital To Be Employed For Common Stock Position Risk – Standard Method	-
Capital To Be Employed For General Market Risk	-
Capital To Be Employed For Specific Risk	-
Capital To Be Employed For Options Subject To Common Stock Position Risk	-
Capital To Be Employed For Currency Risk – Standard Method	-
Capital Liability	-
Capital To Be Employed For Options Subject To Currency Risk	-
Total Value-At-Risk (VAR)-Internal Model	-
Total Capital To Be Employed For Market Risk	1,260
Amount Subject To Market Risk	15,750

4.5. Information and Disclosures Related to Currency Risk

The Bank is subject to the reserve requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Derivatives Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of banks and brokerage firms except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-weekly periods in ratios designated in blocked accounts of the Central Bank of Turkey ("CB"). The foreign currency amounts, kept due to the reserve requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities.

Since the Bank is not exposed to foreign currency risk, there are no derivatives used to hedge the risks associated with foreign currency debt instruments and net foreign currency investments.

The Bank's foreign currency risk management strategy is to use asset liability management in order to avoid the foreign currency risk of foreign currency denominated assets and liabilities.

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The Bank's foreign exchange bid rates as of the date of the financial statements and five working days prior to that date:

	1 USD	1 Euro	1 British	1 Japanese
	Dollars		Pound	Yen
	31.12.2005	31.12.2005	31.12.2005	31.12.2005
A. "FC Valuation Rate" of the Bank	1.3418	1.5875	2.3121	0.0114
Previously				
30 December 2005 (Day 1)	1.3430	1.5904	2.3092	0.0114
29 December 2005 (Day 2)	1.3422	1.5994	2.3306	0.0114
28 December 2005 (Day 3)	1.3433	1.5929	2.3300	0.0115
27 December 2005 (Day 4)	1.3424	1.5922	2.3273	0.0115
26 December 2005 (Day 5)	1.3435	1.5943	2.3325	0.0115

The simple arithmetical average of the Bank's foreign exchange bid rates for the last thirty days is YTL 1.3455 for 1 US Dollar, YTL 1.5957 for 1 EURO, YTL 2.3472 for 1 GBP and YTL 0.0113 for 1 JPY.

Information on currency risk of the bank:

	EURO	USD	Yen	Other FC	Total
Current Period					
Assets					
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	61	-	-	61
Due from other banks and financial institutions	565	8,324	-	2	8,891
Trading securities	-	-	-	-	-
Money market placements	-	-	-	-	-
Investment securities available-for-sale	-	-	-	-	-
Loans	-	-	-	-	-
Investments in subsidiaries and associates	-	-	-	-	-
Investment securities held-to-maturity	-	-	-	-	-
Property and equipment	-	-	-	-	-
Goodwill	-	-	-	-	-
Other assets	-	163	-	-	163
Total Assets	565	8,548	-	2	9,115
Liabilities					
Interbank deposits	-	-	-	-	-
Foreign currency deposits	-	-	-	-	-
Money market placements	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	-	-
Marketable securities issued	-	-	-	-	-
Sundry creditors	(551)	(8,242)	-	-	(8,793)
Other liabilities	-	-	-	-	-
Total liabilities	(551)	(8,242)	-	-	(8,793)
Net On Balance Sheet Position	14	306	-	2	322
Net Off Balance Sheet Position	-	-	-	-	-
Financial derivative assets	-	-	-	-	-
Financial derivative liabilities	-	-	-	-	-
Non-cash loans	-	-	-	-	-
Previous Period					
Total Assets	28	8,050	-	1	8,079
Total Liabilities	(13)	(7,693)	-	-	(7,706)
Net On Balance Sheet Position	15	357	-	1	373
Net Off Balance Sheet Position	-	-	-	-	-
Non-cash loans	-	-	-	-	-

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4.6. Information and Disclosures Related to Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank. General and specific interest rate risk tables in the standard method, by including assets and liabilities, are taken into account in determination of Capital Adequacy Standard Ratio and to calculate the overall interest rate risk of the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyzes. Cash requirement for every maturity period are determined based on maturity distribution analysis. In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

“Interest rate sensitivity of assets, liabilities and off-balance sheet items” (remaining period to repricing date):

Current Period End	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 Year and Over	Demand	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	8,635	8,635
Due from banks and other financial institutions	29,891	25,000	-	-	-	-	54,891
Trading securities	207	225	372	1,077	311	-	2,192
Money market placements	176,847	-	-	-	-	-	176,847
Investment securities available-for-sale	-	-	-	-	-	324	324
Loans	18,852	-	-	-	-	-	18,852
Investment securities held-to-maturity	-	7,524	23,869	38,445	61,158	-	130,996
Other assets	1,592	2,197	6,019	7,045	1,983	31,194	50,030
Total assets	227,389	34,946	30,260	46,567	63,452	40,153	442,767
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-
Sundry creditors	(86,660)	-	-	-	-	(12,061)	(98,721)
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	(91,543)	-	-	-	-	(637)	(92,180)
Other liabilities	-	-	-	-	-	(251,866)	(251,866)
Total liabilities	(178,203)	-	-	-	-	(264,564)	(442,767)
On Balance Sheet Interest Sensitivity Gap	49,186	34,946	30,260	46,567	63,452	(224,411)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
Total Interest Sensitivity Gap	49,186	34,946	30,260	46,567	63,452	(224,411)	-

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Previous Period End	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 Year and Over	Demand	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	3,324	3,324
Due from banks and other financial institutions	20,664	15,000	-	-	-	3,701	39,365
Trading securities	281	940	220	704	15	-	2,160
Money market placements	92,211	-	-	-	-	-	92,211
Investment securities available-for-sale	-	-	-	-	-	234	234
Loans	11,551	-	-	-	-	-	11,551
Investment securities held-to-maturity	4,075	11,858	15,566	58,658	37,685	-	127,842
Other assets	5,860	2,868	3,099	5,852	957	29,993	48,629
Total assets	134,642	30,666	18,885	65,214	38,657	37,252	325,316
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-
Sundry creditors	(3,443)	-	-	-	-	(11,354)	(14,797)
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	(84,682)	-	-	-	-	(914)	(85,596)
Other liabilities	-	-	-	-	-	(224,923)	(224,923)
Total liabilities	(88,125)	-	-	-	-	(237,191)	(325,316)
On Balance Sheet Interest Sensitivity Gap	46,517	30,666	18,885	65,214	38,657	(199,939)	-
Off Balance Sheet Interest Sensitivity Gap	-	-	-	-	-	-	-
Total Interest Sensitivity Gap	46,517	30,666	18,885	65,214	38,657	(199,939)	-

Average interest rates applied to monetary financial instruments in the current period:

Current Period	EURO %	USD %	JPY %	YTL %
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	10.25
Due from banks and other financial institutions	-	3.92	-	18.03
Trading securities	-	-	-	19.60
Money market placements	-	-	-	13.60
Investment securities available-for-sale	-	-	-	-
Loans	-	-	-	17.39
Investment securities held-to-maturity	-	-	-	19.60
Liabilities				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Sundry creditors	-	-	-	18.03
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	-	-	-	18.03

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Average interest rates applied to monetary financial instruments in the prior period:

Prior Period	EURO %	USD %	JPY %	YTL %
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey				
	-	-	-	12.50
Due from banks and other financial institutions				
	-	1.98	-	24.61
Trading securities				
	-	-	-	25.21
Money market placements				
	-	-	-	20.08
Investment securities available-for-sale				
	-	-	-	-
Loans				
	-	-	-	23.40
Investment securities held-to-maturity				
	-	-	-	25.21
Liabilities				
Interbank deposits				
	-	-	-	-
Other deposits				
	-	-	-	-
Money market borrowings				
	-	-	-	-
Sundry creditors				
	-	-	-	24.61
Marketable securities issued				
	-	-	-	-
Funds provided from other financial institutions				
	-	-	-	24.61

4.7. Information and Disclosures Related to Liquidity Risk

The Bank management takes guarantees for Stock Exchange Money Market and settlement transactions and places YTL funds in short-term in order to remain liquid. The Bank is trying to maintain a square foreign currency position.

The effective management of the risks arising from money market instruments is the fundamental strategy of the management. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and has a position as fund provider in the Interbank Money Market and CB Interbank markets. The Bank has no term borrowings. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the senior management and monitored by the internal audit and inspection units.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity needs are met by its own resources.

The Bank's cash inflows are utilized in short term investments and public sector debt securities depending upon its equity and the funds of cash collaterals obtained due to the amounts remaining in the unrestricted accounts of the members, stock exchange money market, derivatives market, securities trading loans and securities lending operations. There is no need for maintaining liquidity by overnight or one-week placements in interbank money market.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.

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Presentation of assets and liabilities according to their maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and over	Undistributed (*)	Total
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	8,635	-	-	-	-	-	-	8,635
Due from banks and other financial institutions	-	29,891	25,000	-	-	-	-	54,891
Trading securities	-	207	225	372	1,077	311	-	2,192
Money market placements	-	176,847	-	-	-	-	-	176,847
Investment securities available-for-sale	324	-	-	-	-	-	-	324
Loans	-	18,852	-	-	-	-	-	18,852
Investment securities held-to-maturity	-	-	7,524	23,869	38,445	61,158	-	130,996
Other assets	16,025	1,592	2,197	6,019	7,045	1,983	15,169	50,030
Total assets	24,984	227,389	34,946	30,260	46,567	63,452	15,169	442,767
Liabilities								
Interbank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial instruments	-	(91,543)	-	-	-	-	(637)	(92,180)
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Sundry creditors	(12,061)	(86,660)	-	-	-	-	-	(98,721)
Other liabilities	-	(2,654)	(18,528)	-	-	-	(230,684)	(251,866)
Total liabilities	(12,061)	(180,857)	(18,528)	-	-	-	(231,321)	(442,767)
Net Liquidity Gap	12,923	46,532	16,418	30,260	46,567	63,452	(216,152)	-
Prior Period								
Total Assets	20,748	134,642	30,666	18,885	65,214	38,657	16,504	325,316
Total Liabilities	(11,354)	(91,242)	(14,851)	-	-	-	(207,869)	(325,316)
Net Liquidity Gap	9,394	43,400	15,815	18,885	65,214	38,657	(191,365)	-

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short periods such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and loans under follow-up are included in this column.

4.8. Information and Disclosures Related to Presentation of Assets and Liabilities with Their Fair Values

The table below shows book value and fair value of financial assets and liabilities which are not shown in Bank's financial statements at fair value.

Current period investment securities compose of only interest bearing securities held to maturity. Held to maturity financial assets have been valued at amortized cost. The fair value of the held to maturity financial assets have been determined by quoted market price in an active market or in cases where this was not possible, the quoted market price of a similar asset have been used with similar interest, maturity and other criteria.

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

	Book Value		Fair value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	363,058	259,652	383,827	278,292
Due from banks and other financial institutions	231,738	131,576	232,830	133,191
Investment securities available-for-sale	324	234	324	234
Investment securities held-to-maturity	130,996	127,842	150,673	144,867
Financial Liabilities	98,721	14,797	98,721	14,797
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Marketable securities issued	-	-	-	-
Sundry Creditors	98,721	14,797	98,721	14,797

4.9. Information and Disclosures Related to Activities Carried Out On Behalf and Account of Third Parties

The Bank carries out trading, custody, management and consulting services on others' behalf and account.

According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and the clearing and settlement of cash and security commitments arising from the purchases and sales on stock exchanges. The Bank realizes transactions necessary for transfers, settlement, entrance, and discharge of debts, securities obtained for custody and other marketable securities; obtaining bonus share, use of preemptive rights, collection of interest and principle at maturity, dividends, and changes of documents representing the securities and other instruments and similar financial services.

Assets under management worth YTL 27 shown in the off balance sheet commitments include outstanding confirmed sale instruction due to brokerage transactions performed within ISE.

The Bank has no fiduciary transactions.

4.10. Information and Disclosures Related to Operational Segments

4.10.1.1. The Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities such as private banking, current accounts, deposits, credit cards and ATM cards, and consumer loans.

4.10.1.2. The Bank does not deal with corporate banking activities such as fund transfers, current accounts, deposits, overdrafts, loans and other credit facilities, forward transactions and options and other similar derivative instruments.

4.10.1.3. The Bank does not deal with investment banking activities such as trading in financial instruments, fund management, structured financial instruments, leasing, and merger and acquisition advisory services.

4.10.1.4. The Bank has no activities in corporate finance transactions and IT sector including computer services.

4.10.1.5. As the Bank predominantly renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments. Therefore, related segmental explanations and notes have not been prepared.

4.10.2. Operational segments more than 10% of the Bank's total assets:

The Bank renders settlement and custody services under its non-deposit taking bank status.

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4.10.3. Recognition and presentation of the revenues generated through transactions with other departments, internal transfers and the Bank's main principles on pricing of these transfers and any changes:

As the Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments. Therefore, related segmental explanations and notes have not been prepared.

4.10.4. Economical, financial and political factors that would affect operational segments:

As the Bank renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments. Therefore, related segmental explanations and notes have not been prepared.

SECTION FIVE

NOTES TO THE FINANCIAL STATEMENTS

5.1. Information And Disclosures Related to Assets:

5.1.1. Information Related to Account of the Central Bank of Turkey

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Amount	8,572	61	3,302	20
Restricted Amount	-	-	-	-
Total	8,572	61	3,302	20

5.1.2. Information Related to Trading Securities

5.1.2.1. Trading securities given as collateral or blocked:

The Bank has no trading securities given as guarantee or blocked as at 31 December 2005 and 2004.

5.1.2.2. Trading securities subject to repurchase agreements:

The Bank has no trading securities subject to repo transactions as at 31 December 2005 and 2004.

5.1.3. Information Related to Placements with Foreign Banks

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	7,018	3,680	-	-
USA, Canada	1,856	4,121	-	-
OECD Countries(*)	-	-	-	-
Off-Shore Regions	-	-	-	-
Other	-	-	-	-
Total	8,874	7,801	-	-

(*) OECD countries are other than European Union countries, USA and Canada.

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5.1.4. Information Related to Reverse Repo Transactions

	Current Period		Prior Period	
	YTL	FC	YTL	FC
From domestic transactions	4,347	-	8,211	-
Central Bank of Turkey	-	-	-	-
Banks	4,347	-	8,211	-
Brokerage Firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-
From foreign transactions	-	-	-	-
Central Banks	-	-	-	-
Banks	-	-	-	-
Brokerage Firms	-	-	-	-
Other financial institutions	-	-	-	-
Other institutions	-	-	-	-
Real persons	-	-	-	-

5.1.5. Information Related to Available For Sale Assets

5.1.5.1. Types of available for sale assets:

Available for sale securities consist of the investment in which the Bank has 3% shareholding in İzmir Vadeli İşlemler Borsası ("Turkish Derivatives Exchange" in İzmir) which the Bank has acquired on 21 June 2002.

5.1.5.2. Information on investment securities available-for-sale

	Current Period	Prior Period
Debt securities	-	-
Quoted on a stock exchange	-	-
Not quoted	-	-
Share certificates	324	234
Quoted on a stock exchange	-	-
Not quoted	324	234
Impairment provision (-)	-	-
Total	324	234

5.1.5.3. Information on available for sale securities given as collateral and their carrying value

As at 31 December 2005 and 2004, the Bank has no available-for-sale securities given as collateral.

5.1.5.4. Information on the available for sale securities given as guarantee/ blocked

As at 31 December 2005 and 2004, the Bank has no available-for-sale securities given as guarantee/ or blocked.

5.1.5.5. Available-for-sale securities subject to repo transactions

As at 31 December 2005 and 2004, the Bank has no available-for-sale securities subject to repo transactions.

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5.1.6. Information Related to Loans

5.1.6.1. Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-cash loans	Cash Loans	Non-cash loans
Direct loans granted to shareholders	14,580	81,940	10,055	375,235
Corporate shareholders	14,580	81,940	10,055	375,235
Real person shareholders	-	-	-	-
Indirect Loans granted to shareholders	-	-	-	-
Loans granted to employees	4	-	-	-
Total	14,584	81,940	10,055	375,235

5.1.6.2. Standard loans and other receivables, loans and other receivables closely monitored and restructured and rescheduled loans and receivables

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or Rescheduled	Loans and other receivables	Restructured or Rescheduled
Cash Loans				
Non-specialized loans	18,852	-	-	-
Discount Notes	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	18,848	-	-	-
International loans	-	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Precious metals loans	-	-	-	-
Other	4	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	18,852	-	-	-

5.1.6.3. Loans according to their maturity structure

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or Rescheduled	Loans and other receivables	Restructured or Rescheduled
Short-term loans	18,852	-	-	-
Non-specialized loans	18,852	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans	-	-	-	-
Non-specialized loans	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

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5.1.6.4. Information on Consumer Loans

	Short Term	Medium and Long Term	Total	Accrued Interest and Income
Consumer Loans-YTL				
Housing Loans	-	-	-	-
Vehicle Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-
Consumer Loans-FC Indexed				
Housing Loans	-	-	-	-
Vehicle Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-
Consumer Loans-FC				
Housing Loans	-	-	-	-
Vehicle Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-
Retail Credit Cards-YTL				
Installment based	-	-	-	-
Without-installment	-	-	-	-
Retail Credit Cards-FC				
Installment based	-	-	-	-
Without-installment	-	-	-	-
Personnel Loans-YTL				
Housing Loans	-	-	-	-
Vehicle Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	4	-	-	-
Personnel Loans-FC Indexed				
Housing Loans	-	-	-	-
Vehicle Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-
Personnel Loans-FC				
Housing Loans	-	-	-	-
Vehicle Loans	-	-	-	-
Consumer Loans	-	-	-	-
Other	-	-	-	-

The Bank has no consumer loans as at 31 December 2005 and 31 December 2004.

5.1.6.5 Information on commercial loans with installment and corporate credit cards:

The Bank has no commercial loans with installment and corporate credit cards as at 31 December 2005 and 31 December 2004.

5.1.6.6. Loans according to type of borrowers

	Current Period	Prior Period
Public sector	-	-
Private sector	18,852	11,551
Total	18,852	11,551

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5.1.6.7. Domestic and Foreign Loans

	Current Period	Prior Period
Domestic loans	18,852	11,551
Foreign loans	-	-
Total	18,852	11,551

5.1.6.8. Loans granted to subsidiaries and associates

There are no loans given to subsidiaries and associates as at the balance sheet date.

5.1.6.9. Specific provisions provided against loans

There are no specific loan loss provisions as at the balance sheet date.

5.1.6.10. Information on overdue loans (Net)

5.1.6.10.1. Information on loans and other receivables restructured or rescheduled from overdue loans

There are no overdue loans and other receivables rescheduled or restructured.

5.1.6.10.2. Movement of overdue loans and other receivables

The Bank has no overdue loans and other receivables.

5.1.6.10.3. Information on foreign currency overdue loans and other receivables

The Bank has no foreign currency overdue loans and other receivables.

5.1.6.11. Information on the policy adopted in collection of uncollectible overdue loans and other receivables

The Bank has no uncollectible overdue loans and other receivables

5.1.7. Information Related to Factoring Receivables of the Bank

The bank has no factoring receivables as at the balance sheet date.

5.1.8. Information on Investment Securities Held-to-Maturity (Net)

5.1.8.1. Information on investment securities held-to-maturity

	Current Period	Prior Period
Debt securities	130,996	127,842
Quoted on a Stock Exchange	130,996	127,842
Not Quoted on a Stock Exchange	-	-
Impairment Provision (-)	-	-
Total	130,996	127,842

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5.1.8.2. The movement of investment securities held-to-maturity

	Current Period	Prior Period
Beginning Balance	127,842	84,557
Effect of inflation accounting	-	(10,280)
Foreign currency differences on monetary assets	-	-
Purchases during year	93,311	140,414
Disposals through sales and redemptions	(90,157)	(86,849)
Impairment provision (-)	-	-
Period end balance	130,996	127,842

5.1.8.2.1. Information on accounts in which investment securities held-to-maturity recorded

	Current Period				Prior Period			
	Historical Cost		Carrying Value		Historical Cost		Carrying Value	
	YTL	FC	YTL	FC	YTL	FC	YTL	FC
Investment securities held-to-maturity								
Given as collateral or blocked	130,996	-	148,065	-	127,842	-	140,972	-
Subject to repo transactions	-	-	-	-	-	-	-	-
Held for structural position	-	-	-	-	-	-	-	-
Receivables from securities lending	-	-	-	-	-	-	-	-
Collaterals on securities lending	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	130,996	-	148,065	-	127,842	-	140,972	-

5.1.8.2.2. Investment securities held-to-maturity given as collateral or blocked

YTL	Current Period		Prior Period	
	FC	YTL	FC	YTL
Bills	-	-	-	-
Bonds and similar investment securities	130,996	-	127,842	-
Other	-	-	-	-
Total	130,996	-	127,842	-

5.1.8.2.3. Held-to-maturity securities subject to repo transactions

The Bank has no held-to-maturity securities subject to repo transactions.

5.1.8.2.4. Held-to-maturity securities for structured position

The Bank has no held-to-maturity securities for structured position.

5.1.9. Information on Investments in Associates (Net):

5.1.9.1. Information on associates

The Bank has no associates as at the balance sheet date.

5.1.9.2. Financial information on associates

The Bank has no associates as at the balance sheet date.

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5.1.9.3. Movement table of associates:

The Bank has no associates as at the balance sheet date.

5.1.9.4. Valuation of investments in associates

The Bank has no associates as at the balance sheet date.

5.1.9.5. Sectoral information on associates and recorded amounts

The Bank has no associates as at the balance sheet date.

5.1.9.6. Associates quoted on stock exchange

The Bank has no associates as at the balance sheet date.

5.1.9.7. Associates sold in the current period

The Bank has no associates sold in the current period.

5.1.9.8. Associates purchased in the current period

The Bank has not acquired any associates during the current period.

5.1.10. Information on Subsidiaries (Net)

5.1.10.1. Information on subsidiaries:

Description	Address (City/Country)	Bank's share percentage-If different voting percentage (%)	Bank's risk group share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş.	Istanbul	28.57	65.00

Although the Bank's share in Merkezi Kayıt Kuruluşu A.Ş. ("Central Securities Registry Agency") is 65%, the Bank has not consolidated this subsidiary since its voting right is 2/7 and it has no control power according to its Articles of Association. The subsidiary is carried at cost amounting to YTL 4,825 in the financial statements.

5.1.10.2. Information on subsidiaries

Company Title	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
Merkezi Kayıt Kuruluşu A.Ş. (*)	4,076	5,386	209	543	(3,855)	(1,554)	-

(*) Information obtained from the unaudited financial statements as at 31 December 2005.

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5.1.10.3. Information on subsidiaries

	31.12.2005	31.12.2004
Balance at the beginning of the period	4,825	2,797
Movements in period	-	2,028
Purchases	-	2,028
Free shares obtained	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment provision	-	-
Balance at the end of the period	4,825	4,825
Capital commitments	-	-
Share percentage at the end of the period (%)	65	65

5.1.10.4. Valuation of subsidiaries

	31.12.2005	31.12.2004
Valuation at cost	4,825	4,825
Valuation at fair value	-	-
Valuation at equity method	-	-

5.1.10.5. Sectoral information of subsidiaries and the related historical carrying amounts in the legal books

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Finance companies	-	-
Other financial investments	4,825	4,825

5.1.10.6. Subsidiaries quoted on stock exchange

As at 31 December 2005 and 2004, the Bank has no subsidiaries quoted on the stock exchange.

5.1.10.7. Subsidiaries sold in the current period

The Bank has no subsidiaries sold in the current period.

5.1.10.8. Subsidiaries purchased in the current period

The Bank has no subsidiaries acquired in the current period.

5.1.11. Information Related to Other Investments

5.1.11.1. The commitments of the Bank relating to joint ventures apart from other commitments, capital commitments or its share of capital commitments with other ventures, its share in capital commitments of joint ventures in other companies

The Bank has no commitments of the Bank relating to joint ventures apart from other commitments, capital commitments or its share of capital commitments with other ventures, its share in capital commitments of joint ventures in other companies.

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5.1.11.2. Information on joint ventures

The Bank has no jointly controlled entities.

5.1.11.3. Information regarding the joint ventures in the non consolidated financial statements of the Bank which does not prepare consolidated financial statements

The Bank has no jointly controlled entities.

5.1.12. Information on Finance Lease Receivables (Net):

5.1.12.1. Presentation of remaining maturities of net investments in finance leases

As at 31 December 2005 and 2004, the Bank has no finance lease receivables.

5.1.12.2. The information on net investments in finance leases

As at 31 December 2005 and 2004, the Bank has no finance lease receivables.

5.1.12.3. Explanation with respect to finance lease agreements, the criteria used in determination of contingent rents, conditions for revisions or purchase options, updates of leasing amounts and the restrictions imposed by lease arrangements, whether arrays in repayment occur, whether the terms of the contract are renewed, if renewed, the renewal conditions, whether the renewal results any restrictions, and other important conditions of the leasing agreement

As at 31 December 2005 and 2004, The Bank has no investments in finance leases.

5.1.13. Information on Receivables Arising from Forward Sales of Assets Included in Sundry Debtors:

As at 31 December 2004 and 2003, there are no receivables arising from forward sales of assets included in sundry debtors.

5.1.14. Information on Accrued Interest and Income Receivables:

5.1.14.1. Information on accrued interest and income receivables

Accrued interest and income receivables	31.12.2005		31.12.2004	
	YTL	FC	YTL	FC
Interest receivables	-	-	-	-
Interest accruals	18	-	7	-
Loan commissions and other income receivables	-	-	-	-
Loan commissions and other income accruals	-	-	-	-

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5.1.14.2. Information on other accrued interest and income receivables

Other accrued interest and income	31.12.2005		31.12.2004	
	YTL	FC	YTL	FC
Trading securities	186	-	210	-
Investment securities available-for-sale	-	-	-	-
Investment securities held-to-maturity	17,069	-	13,130	-
Interest accruals on reverse repo transactions	2	-	3	-
Interest accruals on reserve deposits	248	-	181	-
Income accruals on financial derivative instruments	-	-	-	-
Interest and income accruals	-	-	-	-
Income accrual on foreign exchange gains	-	-	-	-
Accruals on factoring receivables	-	-	-	-
Other	1,151	1	1,682	1
Total	18,656	1	15,206	1

5.1.15. Information on Fixed Assets (Net)

	Land and buildings	Leased fixed assets	Vehicles	Other tangible fixed assets	Total
Prior Period End:					
Cost	12,499	8,646	1,072	4,971	27,188
Accumulated depreciation (-)	(3,030)	(7,168)	(665)	(4,386)	(15,249)
Impairment	(1,007)	-	-	-	(1,007)
Net book value	8,462	1,478	407	585	10,932
Current Period End:					
Net book value at beginning of the period	8,462	1,478	407	585	10,932
Additions	-	-	-	516	516
Disposals (-)	-	-	-	(1,724)	(1,724)
Disposals (*)	-	-	-	1,723	1,723
Impairment (-)	-	-	-	-	-
Depreciation (-)	(169)	(1,213)	(150)	(396)	(1,928)
Currency translation differences resulting from foreign investments (-)	-	-	-	-	-
Closing cost	11,492	8,646	1,072	3,763	24,973
Closing accumulated depreciation (-)	(3,199)	(8,381)	(815)	(3,059)	(15,454)
Closing net book value	8,293	265	257	704	9,519

(*) Disposals as scrapped fixed assets that have been written off by the bank.

5.1.15.1. The amount of impairment of an individual asset provided or released in the current period

5.1.15.1.1. The amount of impairment of an individual asset provided or released in the current period

The Bank has commissioned an independent appraisal of its building. As per the valuation report, the total net book value has been evaluated as YTL 8,462 and an impairment of YTL 2,100 would have to be recognized during the period. A net income statement effect of YTL 245 was realized as a result of the release from the impairment loss of YTL 2,345 the Bank have recognized recognized in the prior period.

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5.1.15.1.2. The total amount of impairment provided or released in the financial statements

The Bank has commissioned an independent appraisal of its building. Based on the appraisal reports, an impairment of YTL 2,100 has been calculated for the current period and YTL 2,345 for the prior period. As a result, YTL 245 was released in the current period statement of income.

5.1.15.2. Other impairment provisions provided or released during the period which are individually immaterial to overall financial statements but material if considered on an asset group basis

There are no other impairment provisions provided or released during the period which are individually immaterial to overall financial statements but material if considered on an asset group basis during the period.

5.1.16. Information on Intangible Assets (Net)

5.1.16.1. Useful lives and amortization rates used

Useful lives and depreciation rates are changed during the current year. The Bank has booked the inflation adjustments to its statutory records since 1 January 2004 according to the Law No: 5024 amending the Tax Procedural Code. While prior years' depreciation rates were used for the property and equipment acquired before 1 January 2004, new depreciation rates were applied as per their useful lives for those acquired after 1 January 2004.

5.1.16.2. Amortization methods used

The intangible fixed assets are amortized principally on straight line basis which amortize the assets over their expected useful lives.

5.1.16.3. Cost and accumulated amortization at the beginning and end of the period

	31.12.2005	31.12.2004
Cost	1,624	1,514
Accumulated amortization	(1,292)	(1,124)
Net book value	332	390

5.1.16.4. Movement of cost and accumulated amortization for the period

	31.12.2005	31.12.2004
Beginning balance	390	529
Amounts internally developed	-	-
Additions due to mergers, transfers and acquisitions	110	38
Not used and disposed items	-	-
Increases or decreases in the revaluation fund	-	-
Impairment charges	-	-
Reversal of impairment charges	-	-
Amortization charges (-)	(168)	(177)
Currency translation differences arising from foreign investments	-	-
Other differences in book values	-	-
Closing balance	332	390

5.1.16.5. The net book value, description and the remaining amortization period of any material individual intangible asset in the financial statements

As at the balance sheet date, the Bank has no single intangible asset which is material in the financial statements as a whole.

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5.1.16.6. Information on intangible assets which have been acquired with government incentives and initially recognized at fair value, their fair value and book value on the date of acquisition

As at the balance sheet date, the Bank has no assets acquired with government incentives.

5.1.16.7. Information about the valuation method subsequent to the initial recognition for intangible assets that were acquired with government grants and initially recognized at fair value

As at the balance sheet date, the Bank has no assets acquired with government incentives.

5.1.16.8. Information on the net book value of intangible assets with restricted use or pledged

As at the balance sheet date, there are no intangible assets with restricted use or pledged.

5.1.16.9. The information on commitments given for the acquisition of intangible assets

As at the balance sheet date, the Bank has no commitments given for the acquisition of intangible assets.

5.1.16.10. Information on intangible assets that are revalued

As at the balance sheet date, the Bank has no intangible assets that are revalued.

5.1.16.11. Amount of research and development costs expensed in the current period, if any

The Bank has no research and development costs expensed in the current period.

5.1.16.12. Information on positive or negative goodwill

As at the balance sheet date, the Bank has no goodwill.

5.1.16.13. The carrying value of goodwill at beginning and end of the period, and movements within the period

As at the balance sheet date, the Bank has no goodwill in the accompanying financial statements.

5.1.16.14. The carrying value of negative goodwill at beginning and end of the period, and movements within the period

As at the balance sheet date, the Bank has no goodwill in the accompanying financial statements.

5.1.17. Information on Deferred Tax Assets:

5.1.17.1. Amount of deferred tax due to timing differences, losses carried forward, tax deductions and exemptions

According to the APR Communiqué number 18, published on 12 August 2004 and valid from 1 July 2004, deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized, except for general loan loss provisions, to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. According to this communiqué, deferred tax asset amounting YTL 1,594 (net) has been calculated over the deferred tax basis, which consists of prior years' statutory tax losses carried forward, retirement pay liability, impairment and other provisions and valuation differences. However, the Bank has not reflected the calculated deferred tax asset and the deferred tax benefit in its financial statements.

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5.1.17.2. Timing differences for which no deferred tax asset were calculated or recorded in the prior periods and their expiry dates, amount of tax losses, deductions and exemptions

As the balance sheet date, the bank has no deferred tax asset.

5.1.17.3. Devaluation for deferred tax and deferred tax assets arising from cancellation of provision for devaluation

As the balance sheet date, the bank has no deferred tax asset.

5.1.18. Information Related to Other Assets

5.1.18.1. Information about prepaid expenses, taxes and other similar transactions

Prepaid expenses account of YTL 492 include, prepaid rent, insurance and other expenses. Prepaid taxes include advance corporate taxes calculated for the year 2005 as per the Tax Procedural Code, amounting to YTL 15.043.

5.1.18.2. Deferred tax asset calculated in extent to the related adjustments and tax deductible loss amount that constitutes a base for the deferred tax asset calculation

The detailed information about deferred tax asset amount and its calculation have been provided in Section Five, Information and Disclosures Related to Assets, Note 5.1.17.1.

5.1.18.3. The description and amounts for items, which constitute at least 20% of other assets if other assets exceed 10% of total assets, excluding off-balance sheet commitments

There are no other assets that exceeds 10% of the total assets excluding the off-balance sheet commitments.

5.2. Information and Disclosures Related to Liabilities

5.2.1. Information Related to Deposits:

5.2.1.1. Maturity structure of the deposits: Current Period (31.12.2005)

Since the Bank is a non-deposit taking bank it does not accept any deposits.

5.2.1.2. Maturity structure of the deposits: Prior Period (31.12.2004)

Since the Bank is a non-deposit taking bank it does not accept any deposits.

5.2.1.3. Information on saving deposits under the guarantee of saving deposit insurance fund and exceeding the limit of deposit insurance fund

Since the Bank is a non-deposit taking bank it does not accept any deposits.

5.2.1.4. Information about the saving deposits of Turkish branches of banks abroad if covered by insurance in the country of the foreign bank

Head office of the Bank is in Turkey.

5.2.1.5. Saving deposits, which are not under the guarantee of deposit insurance fund?

Since the Bank is a non-deposit taking bank it does not accept any deposits.

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5.2.2. Information Related to Funds Provided from Repurchase Agreements

At 31 December 2005 and 2004, the Bank has no funds provided from repurchase agreements.

5.2.3. Information on Borrowings:

5.2.3.1. Information on borrowings:

At 31 December 2005 and 2004, the Bank has no borrowings.

5.2.3.2. Additional information about the concentrated areas of liabilities and the reasons of concentration based on the customers, sectors or other criteria leading to such concentration:

The liabilities of the Bank consist of taxes payable and similar payables and cash collaterals and current accounts of the members. The Bank also has liabilities regarding the amounts held due to the fact that it is managing the guarantee funds established for common stock, government bond and treasury bill markets on the Istanbul Stock Exchange.

5.2.4.1. Information Related to Securities Issued:

5.2.4.1.1. Information related to securities issued within the current period (31.12.2005)

As at 31 December 2005, the Bank has no securities issued.

5.2.4.1.2. Information related to marketable securities issued within the prior period (31.12.2004)

As at 31 December 2004, the Bank has no securities issued.

5.2.4.2. Information on convertible bonds

The Bank has no convertible bonds.

5.2.4.3. Explanation on maturity structure, interest structure and currency type of marketable securities issued:

5.2.4.3.1. Current period (31.12.2005)

At 31 December 2005, the Bank has no securities issued.

5.2.4.3.2. Prior period (31.12.2004)

At 31 December 2004, the Bank has no securities issued.

5.2.5. Information Related to Funds Used:

5.2.5.1. Current period (31.12.2005)

As at 31 December 2005, the Bank has no funds used.

5.2.5.2. Prior period (31.12.2004)

As at 31 December 2004, the Bank has no funds used.

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5.2.6. Information Related to Sundry Creditors:

	31.12.2005	31.12.2004
Total amount of cash collaterals obtained	89,694	9,631
Unrestricted Member and Special Purpose Accounts	8,806	5,062
Other Sundry Debtors	221	104
Total	98,721	14,797

5.2.7. Information Related to Taxes and Other Dues Payable

5.2.7.1. Deferred Tax Liability Calculated as per Related Regulations:

Bank has no deferred tax liability.

5.2.7.2. The Description and Amounts For Items, Which Constitute At Least 20% Of Other Liabilities If Other Liabilities Exceed 10% Of Total Assets, Excluding Off-Balance Sheet Commitments

	31.12.2005	31.12.2004
ISE Guarantee Fund - Share Certificates	34,080	29,857
ISE Guarantee Fund - Bonds	53,116	46,614
Other	4,984	9,125
Total	92,180	85,596

5.2.8. Information Related to Taxes and Other Dues Payable:

5.2.8.1. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	-	-
Taxation of securities	1,727	2,158
Property tax	-	-
Banking Insurance Transaction Tax (BITT)	232	298
Foreign Exchange Transaction Tax	-	-
Value added tax payable	4	7
Other	394	340
Total	2,357	2,803

5.2.8.2. Information on other dues

	Current Period	Prior Period
Social Security Premiums-Employee	85	80
Social Security Premiums-Employer	122	116
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment insurance-Employee	6	6
Unemployment insurance-Employer	12	11
Other	-	-
Total	225	213

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5.2.9. Information Related to Factoring Payables:

As at 31 December 2005 and 2004, the Bank has no factoring payables.

5.2.10. Information Related to Financial Leasing:

5.2.10.1. General information about important terms of the leasing contracts, including criteria used to determine contingent installments of financial lease contracts, existing conditions for renewals and purchase options, and any restrictions in the contract bringing material liabilities to the bank

The financial leasing agreements do not include restrictions and material liabilities to the Bank.

5.2.10.2. Detailed explanations about changes in the contracts and the new liabilities incurred due to such changes

There are no changes in financial leasing contracts.

5.2.10.3. Liabilities incurred due to financial leasing agreements

There are no liabilities incurred due to financial leasing agreements.

5.2.10.4. Explanations and disclosures on operating leases

The Bank has no operational leasing.

5.2.10.5. Explanations on contractual conditions and special terms for the lessee and the lessor related to sale and lease back transactions

The Bank does not engage in sale and lease back transactions.

5.2.11. Information Related to Accrued Interest and Expenses Payables:

	31.12.2005		31.12.2004	
	YTL	FC	YTL	FC
Accrued interest on deposits	-	-	-	-
Accrued interest on borrowings	-	-	-	-
Accrued interest on bonds	-	-	-	-
Accrued interest on repurchase agreements	-	-	-	-
Accrued interest on financial derivative instruments	-	-	-	-
Accrued interest and expenses	-	-	-	-
Foreign exchange losses accrued	-	-	-	-
Accruals on factoring payables	-	-	-	-
Other interest and expense accruals	72	-	101	-
Total	72	-	101	-

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5.2.12. Information Related to General Provisions And Subordinated Loans:

5.2.12.1. Information on general provisions

	31.12.2005	31.12.2004
General provisions	355	241
Provisions for First Group Loans and Receivables	294	213
Provisions for Second Group Loans and Receivables	-	-
Provisions for Non Cash Loans	61	28
Others	-	-

5.2.12.2. Information on retirement pay provision and notification indemnity

	5 PP	4 PP	3 PP	2 PP	Prior Period	Current Period
Actual Payments of Employee Termination Benefits	98	30	59	51	55	442
Employee Termination Benefits and Notification Indemnity	3,406	3,194	3,634	3,856	4,211	4,317
Actual Payment Ratio	2.88	0.93	1.62	1.32	1.31	10.24
Ratio of reserve for Employee Termination Benefits and Notification Indemnity						1.61
Possible reserve for Employee Termination Benefits and Notification Indemnity						70

The expected retirement pay provision and notification indemnity calculated based on actual payment rates was YTL 70. Because the expected retirement pay provision and notification indemnity calculated as at the balance sheet date is lower than that of the previous period, the previous year balance of YTL 107 have not been changed.

5.2.12.3. Liabilities resulting from retirement benefits

5.2.12.3.1. Liabilities for retirement foundations established in accordance with “National Social Security System (NSS)”:

The Bank has no retirement foundations established in accordance with NSS as of the balance sheet date.

5.2.12.3.2. All kinds of liabilities for pension funds and foundations that provide benefits for the employees after retirement:

As at 31 December 2005, 25 of the Bank's 199 employees participated to the İMKB Takas ve Saklama Bankası Guarantee Fund (the “Fund”) which was established in order to pay to the Bank any probable deficit or charge or abuse which might be due by these 25 members. The Bank has no liability to the Fund.

5.2.12.4. Explanation on nature of provisions, amount and timing for the expected payment by giving reference to related uncertainties

The Bank accounts for general loan loss provisions and retirement pay provision for the period ended as per the conservatism principle. There is no uncertainty on nature, timing and payments for these provisions.

5.2.12.5. Information on provisions for possible risks

There are no provisions for possible risks as at the balance sheet date.

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5.2.12.6. Detail explanations on the number of subordinated loans, maturity, interest rate, creditor institution, and, if any, the option of conversion to stocks

The Bank has no subordinated loans as at the balance sheet date.

5.2.12.7. Information on subordinated loans

The Bank has no subordinated loans as at the balance sheet date.

5.2.13. Information on Shareholders' Equity:

5.2.13.1. Presentation of paid-in capital

	<u>31.12.2005</u>	<u>31.12.2004</u>
Common stock	60,000	60,000
Preferred stock	-	-

The Bank has YTL 200 preferred shares owned by Istanbul Stock Exchange as at 31 December 2005.

5.2.13.2. Amount of paid in capital, explanation about whether the registered share capital system is used, if this system is used the amount of registered share capital

The registered capital system is not used in the Bank.

5.2.13.3. Information on share capital increases and their sources; other information on increased capital in current period

The Bank has no capital increase during the current period.

5.2.13.4. Information on share capital increases from revaluation funds

The Bank has no share capital increases from revaluation funds in the current period.

5.2.13.5. Significant share capital commitments until the end of the fiscal year and the subsequent interim period, the general purpose of these commitments and the estimated resources for these capital commitments

The Bank has no capital commitments until the end of the fiscal year and the subsequent interim period.

5.2.13.6. Explanation on possible effects of uncertainties and commitments on capital resources of the Bank and past performance indications about the major revenues, profitability and liquidity of the Bank

In spite of the challenging conditions in the Turkish economy which adversely affected the whole sector in recent years, due to its liquid position and good relations with foreign banks, Takasbank have the possibility to provide low cost financing from abroad and place internally which would lead to profits. It can be predicted that profitability will increase and this will improve the equity of the Bank with retained profits.

5.2.13.7. Summary information about preferences given to shares representing the capital

As at 31 December 2005, the Bank has preferred stocks with a nominal value of YTL 200. These preferred stocks belong to Istanbul Stock Exchange which give the right to be presented with more members in the Board of Directors.

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5.2.14. Stock Issue Premiums, Shares and Equity Instruments:

	31.12.2005	31.12.2004
Number of shares (Thousand)	599,998	599,998
Preferred stock (Thousand)	2	2
Common stock issue premium	-	-
Common stock cancellation profit	-	-
Other equity instruments	-	-
Total stock issued	600,000	600,000

5.2.15. Information Related to Marketable Securities Value Increase Fund:

5.2.15.1. Information on marketable securities value increase fund

5.2.15.1.1. Information on marketable securities value increase fund

As at the balance sheet date, there is no marketable securities value increase fund

5.2.15.1.2. Information on foreign exchange marketable securities value increase fund

The Bank has no foreign currency associates, subsidiaries and available-for-sale equity shares.

5.2.15.2. Information on the presentation of foreign exchange gains arising from foreign currency associates, subsidiaries and available-for-sale securities in the financial statements

The Bank has no foreign currency associates, subsidiaries and available-for-sale equity shares.

5.2.15.3. Explanation on the amount of cumulative foreign exchange differences relating to prior years and included in shareholders' equity as a separate line item when the accounting standard on the effect of changes in foreign exchange rates initially applied

The Bank has no cumulative foreign exchange differences relating to prior years and included in shareholders' equity.

5.2.16. Information Related to Revaluation Fund:

There is no revaluation fund which the Bank has generated from the revaluation of its assets or; from gain on sale of shares of associates, subsidiaries and properties.

5.2.17. Information Related to Revaluation Surplus:

The bank has eliminated the revaluation funds accumulated until 31 December 2003 after the application of Act No: 5024 of Tax Procedural Code and have not made any revaluation in 2004 and 2005.

5.2.18. Legal Reserves:

	31.12.2005	31.12.2004
I. Legal reserves	5,362	3,071
II. Legal reserves	379	182
Other legal reserves appropriated as per special legislation	-	-
Total	5,741	3,253

In its annual shareholders meeting on 18 March 2005, the Bank decided appropriate YTL 2,488 legal reserve out of YTL 30,940 profit calculated in accordance with APR standards for the year ended 31 December 2004.

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5.2.19. Information Related to Extraordinary Reserves:

	31.12.2005	31.12.2004
Reserves appropriated by the General Assembly	9,112	12,357
Retained Earnings	12,357	-
Accumulated losses	-	-
Foreign currency share capital exchange differences	-	-
Total	21,469	12,357

5.2.20. Information on shareholders having more than 10 % shareholding, minority interest or voting right:

Name/Commercial title	Share Amounts (*)	Share Percentage	Paid-in capital	Unpaid portion
ISE	15,782	26.30%	15,782	-

(*) Refers to nominal amounts

39.70% of the remaining 73.70% of the shares belongs to banks and 34.00% belongs to brokerage houses.

5.3. Information and Disclosures Related to Income Statement

5.3.1. Interest Income Received from associates and subsidiaries:

5.3.1.1. Information on interest income received from associates and subsidiaries

There is no interest income received from associates and subsidiaries.

5.3.1.2. Information on financial leasing income

There is no financial leasing income.

5.3.1.3. Interest received from reverse repo transactions

There is no interest received from reverse repo transactions. In the Receivables from Reverse Repurchase Agreements account, the Bank has investment securities purchased under commitments to resell amounting to YTL 4.347. These relate to problematic brokerage houses and therefore, corresponding income accruals are recorded under other liabilities without recognizing them in the income statement.

5.3.1.4. Information on interest from the factoring receivables

There is no interest from the factoring receivables.

5.3.2. Interest Expenses Given:

5.3.2.1. Information on interest expenses given to associates and subsidiaries

There are no interest expenses given to associates and subsidiaries.

5.3.2.2. Information on financial leasing expenses

There are no financial leasing expenses.

5.3.2.3. Interest expenses on deposits by original opening maturities

There are no interest expenses on deposits since the Bank is not accepting deposits.

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5.3.2.4. Interest expenses given to repo transactions

There are no interest expenses given to repurchase agreement transactions.

5.3.2.5. Information on interest on factoring transactions

There is no interest expense given to factoring transactions.

5.3.3. Information Related with Other Operating Income:

Other operating income mainly consists of commission and fee income obtained related with common stock and public sector debt securities custody, customer name based custody, account maintenance, bonus share collection and stock exchange settlement operations in line with the main activities of the Bank.

Extraordinary income resulting from extraordinary transactions and the nature and the quantity of these extraordinary transactions:

As at the balance sheet date, the Bank has not generated any extraordinary income resulting from extraordinary transactions.

The other operating income of YTL 39,607 consists of banking service income amounting to YTL 36,120, other non interest income amounting to YTL 3,242 and reversal of impairment provision amounting to YTL 245.

5.3.4. Provision Expenses Related to Loans and Other Receivables Of The Bank:

	2005	2004
Specific provisions for loans and other receivables	-	-
III. Group	-	-
IV. Group	-	-
V. Group	-	-
General provision expenses	355	241
Provision expenses for possible losses	-	-
Foreign exchange differences on foreign currency losses	-	-
Marketable securities impairment expenses	-	-
Trading securities	-	-
Investment securities available for sale	-	-
Impairment provisions*	-	-
Investment and Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Investment securities held to maturity	-	-
Other	-	-
Total	355	241

*Impairment expenses on associates, subsidiaries and securities held to maturity.

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5.3.5. Information Related to Other Operating Expenses:

5.3.5.1. Information related to other operating expenses

	2005	2004
Personnel expenses	14,365	13,248
Reserve for employee termination benefits	-	-
Bank social aid fund deficit provision	-	-
Depreciation charges for property and equipment	1,928	2,021
Amortization charges for intangible assets	168	177
Other operating expenses	4,831	4,294
Maintenance expenses	81	62
Advertisement expenses	51	443
Other expenses	4,699	3,789
Loss on sales of assets	-	-
Operational leasing expenses	-	26
Other	1,013	2,088
Total	22,305	21,854

5.3.5.2. The nature and amount of expenses due to extraordinary items and tax effect of extraordinary items

There are no expenses due to extraordinary items in the current year.

5.3.5.3.1. The income statement item in which goodwill amortization is included

The Bank has no goodwill.

5.3.5.3.2. A statement whether the negative goodwill, if any, is determined in accordance with principles identified in article 16 of the accounting standard on the Accounting for Mergers Takeovers of Banks and Acquisitions of Entities by Banks, the timing and amount of anticipated expenses and losses, the periods in which the negative goodwill will be recognized as income, and the income statement items in which this income is recorded

The Bank has no negative goodwill.

5.3.6. Income and Expenses from Associates and Subsidiaries:

5.3.6.1. The profit and losses from subsidiaries and associates

There is no profit and loss from subsidiaries and associates.

5.3.6.2. The profit or loss from associates accounted for under the equity method

The Bank has no associates that are accounted for at the equity method.

5.3.6.3. Income or expenses arising from the transaction with the Bank's own group

The information on gains and losses on transactions entered with real and judicial persons in the Bank's own risk group is given in section "5.8. Information and Disclosures Related to Bank's Own risk Group".

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5.3.7. Explanations for Tax Provisions:

5.3.7.1. Calculated current tax charge/(credit) and deferred tax charge/(credit)

The Bank's tax charge for the period is YTL 18,528. The Bank has not reflected the calculated deferred tax asset and consequently deferred tax benefit to the accompanying financial statements.

5.3.7.2. Deferred tax charge/(credit) arising from temporary differences

The Bank has not reflected the calculated deferred tax asset and consequently the deferred tax benefit to the accompanying financial statements.

5.3.7.3. Deferred tax charge/(credit) recognized on temporary differences, tax losses, tax deductions and exemptions

The Bank has not reflected the calculated deferred tax asset and consequently the deferred tax benefit to the accompanying financial statements.

5.3.8. Information Related with Net Income/Loss for the Period:

5.3.8.1. Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for understanding the performance of the Bank in the current period

The Bank has generated a total of YTL 41,888 interest income, YTL 33 interest expense and YTL 2,638 net fee and commission income from banking operations. On the other hand, YTL 39,607 income and YTL 22,305 expense have been recognised for all non banking related operations.

5.3.8.2. The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There are no changes in the accounting estimates and accordingly any effect on the income/loss for the period.

5.3.8.3. Minority share of profit and loss

There is no profit and loss from minority interest in the accompanying financial statements.

5.3.9. Nature And Amount of Changes in Accounting Estimates, Which Materially Affect the Current Period and are Expected to Affect the Following Periods:

There are no changes in the accounting estimates of the Bank which materially affect the current period and are expected to affect the following periods.

5.4. Information and Disclosures Related to Off-Balance Sheet Items

5.4.1. Information Related to Contingent Liabilities:

5.4.1.1. Explanation related to all the matters explained below separately from other contingent liabilities

5.4.1.1.1. Contingent liabilities arising from joint ventures and share in contingent liabilities together with other ventures

The Bank has no joint ventures.

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5.4.1.1.2. Share in contingent liabilities of joint venture

The Bank has no joint ventures.

5.4.1.1.3. Bank's contingent liabilities arising from its responsibility due to the liabilities of other ventures in joint ventures

The Bank has no joint ventures.

5.4.1.2. Accounting for contingent assets and liabilities, disclosure in the financial statements and possibility of realization of contingent liabilities:

5.4.1.2.1. Contingent assets, if the probability of the occurrence is virtually certain, are accounted for, but if the probability of the occurrence is high, are disclosed in the notes.

The Bank does not have any contingent asset.

5.4.1.2.2. For contingent liabilities, if the probability of the occurrence is high and the liability can be reliably measured, a provision is booked for this liability, but if it cannot be measured reliably, this liability is disclosed in the notes to the financial statements. In addition, if the probability of the occurrence of the contingent liability is low or no probability, it is disclosed in the notes.

i. Estimations for the financial effects of contingent assets and liabilities

The Bank has no contingent asset or liability.

ii. Expected realization date of contingent gains or losses

The Bank has no contingent gain or loss.

5.4.2. Explanation Related to Derivative Financial Instruments:

The Bank has no derivative financial instruments as at 31 December 2005, and 2004.

5.4.3. Information Related to Off-Balance Sheet Items:

5.4.3.1. Types and Amounts of Irrevocable Loan Commitments

The Bank has no irrevocable loan commitments.

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5.4.3.2. Probable losses and obligations arising from off-balance sheet items:

5.4.3.2.1. Non-cash loans including guarantees, banker's acceptances, letters of credit and other financial guarantees:

The Bank plays an intermediary role between the buyer and the seller on the stock exchange money market and provides guarantees in default; and follows such risks in this market under non-cash loan accounts. Limits are set for the members for stock exchange money market transactions and there is continuous liability for keeping collaterals for these limits. Such collaterals are kept in the Bank at multipliers of loan limits determined according to the extent, which they can be sold. The non-cash loans of the Bank amount to YTL 443,533 as at 31 December 2005. The total value of collaterals received is YTL 2,445,601 (which includes cash, public sector debt securities, letters of guarantees and of common stocks).

Previously, the number of mutual fund certificates included in pledged items have been multiplied by 0,001YTL to account for them within the system in line with those of shares. Currently, with the introduction of New Turkish Lira, this procedure has been revoked and the actual number of certificates are recorded on a unit basis.

5.4.3.2.2. Long standing guarantees, temporary guarantees, sureties and similar transactions

The Bank has no long standing guarantees, temporary guarantees, sureties or similar transactions.

5.4.4. Segmental Distribution of Non-Cash Loans:

As the Bank predominantly renders settlement and custody services under its non-deposit taking bank status and does not engage in commercial banking activities and has no activity in the context of reporting according to segments. Therefore, related segmental reporting and explanations have not been prepared.

5.4.5. Total Non-Cash Loans:

5.4.5.1. Total amount of non-cash loans

	31.12.2005	31.12.2004
Guarantees given against cash loans	-	-
With maturity of 1 year or less	-	-
With maturity of more than 1 year	-	-
Other non-cash loans	443,533	804,369
Total	443,533	804,369

5.4.5.2. Restrictions on fixed assets such as lien and mortgages, capital expenditures and commitments for fixed asset acquisitions

The Bank has no restrictions on fixed assets such as lien and mortgages. Furthermore, the Bank has no capital expenditures and commitments for fixed asset acquisitions.

5.4.6. Information Related to Services Delivered In The Name And Account Of Others:

The Bank, carries out settlement, custody and other necessary transactions for marketable securities, precious metals and other securities and executes the settlement of commitments and receivables arising from cash and securities purchase and sale in the stock exchanges. Besides, the Bank opens custody accounts for its customers, institutional investors and companies quoted on the Istanbul Stock Exchange and on other stock exchange markets, performs the transfers, settlements and offsets between the accounts of the intermediary companies and the individual investors; performs the procedures related to the obtaining of bonus shares, use of preemptive rights, on time collection of dividends, principal and interest, replacement of certificates representing the marketable and other securities and additional financial services.

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5.4.7. Brief Information Related to Rating Carried Out By International Rating Firms:

There is no rating of the Bank carried out by international rating firms.

5.4.8. Risk Concentration:

5.4.8.1. Industry risk concentrations of non-cash loans

	31.12.2005				31.12.2004			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agricultural	-	0.00	-	0.00	-	0.00	-	0.00
Farming and raising livestock	-	0.00	-	0.00	-	0.00	-	0.00
Forestry	-	0.00	-	0.00	-	0.00	-	0.00
Fishing	-	0.00	-	0.00	-	0.00	-	0.00
Manufacturing	-	0.00	-	0.00	-	0.00	-	0.00
Mining	-	0.00	-	0.00	-	0.00	-	0.00
Production	-	0.00	-	0.00	-	0.00	-	0.00
Electric, gas and water	-	0.00	-	0.00	-	0.00	-	0.00
Construction	-	0.00	-	0.00	-	0.00	-	0.00
Services	443,533	100.00	-	0.00	804,369	100.00	-	0.00
Wholesale and retail trade	-	0.00	-	0.00	-	0.00	-	0.00
Hotel, food and beverage services	-	0.00	-	0.00	-	0.00	-	0.00
Transportation and telecommunication	-	0.00	-	0.00	-	0.00	-	0.00
Financial institutions	443,533	100.00	-	0.00	804,369	100.00	-	0.00
Real estate and renting services	-	0.00	-	0.00	-	0.00	-	0.00
Self-employment services	-	0.00	-	0.00	-	0.00	-	0.00
Education services	-	0.00	-	0.00	-	0.00	-	0.00
Health and social services	-	0.00	-	0.00	-	0.00	-	0.00
Other	-	0.00	-	0.00	-	0.00	-	0.00
Total	443,533	100.00	-	0.00	804,369	100.00	-	0.00

5.4.8.2. Information related to first and second group non-cash loans

	I. Group		II. Group	
	YTL	FC	YTL	FC
Non-cash loans	443,533	-	-	-
Letters of guarantee	-	-	-	-
Bank acceptances	-	-	-	-
Letters of credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Other guarantees and commitments	443,533	-	-	-

5.5. Information and Disclosures Related to Shareholders' Equity

5.5.1. Information on Adjustments Arising from the Application of The Standard On Accounting For Financial Instruments in the Current Period:

5.5.1.1. Information on the increase arising from the revaluation of securities available-for-sale

The Bank has not revalued its available-for-sale securities.

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5.5.1.2. Information on increases in the cash flow hedges

The Bank has no derivative or non-derivative assets or liabilities designated as hedging instrument with respect to cash flow hedge.

5.5.1.2.1. Beginning and ending cash flow hedges and their reconciliation

There are no cash flow hedge transactions.

5.5.1.2.2. Information on the amount of profit or loss arising from cash flow hedges relating to a financial derivative or non-derivative instrument which is included in shareholders' equity

There are no cash flow hedge transactions.

5.5.1.2.3. Reconciliation between beginning and ending balances for foreign currency differences

There are no cash flow hedge transactions.

5.5.2. Information Related to Adjustments Arising From The Application Of The Accounting Standard On Accounting for Financial Instruments in the Current Period:

5.5.2.1. Information on available-for-sale investments

Information on amount of gains or losses arising from the fair valuation which is recorded in equity and transferred to the income statement for available-for-sale investments (excluding hedging instruments):

No amount has been transferred from equity to the income statement during the period..

5.5.2.2. Information on cash flow hedges

During the period, there was no gain or loss arising from the hedging instrument and recorded in the income statement which was previously recorded under shareholders' equity in relation to cash flow hedges.

5.5.3. Information About Dividends:

5.5.3.1. Amount of dividends declared after the balance sheet date but before the issue of the financial statements:

As of the date of this report, the Bank has not yet calculated its distributable profit and earnings per share for the approval in the General Assembly. Accordingly, a statement of profit distribution is not disclosed in the accompanying financial statements.

5.5.3.2. Net dividend per share proposed after balance sheet date:

There are no dividends proposed by the Bank after the balance sheet date.

5.5.4. Amounts Transferred to Legal Reserves:

	31.12.2005	31.12.2004
Amount transferred to legal reserves from retained earnings (+)	2,488	3,253

In its annual shareholders meeting on 18 March 2005, The Bank decided to distribute YTL 30,940 profit calculated in accordance with APR standards for the year ended 31 December 2004 and appropriate the first legal reserve of YTL 2,290 and the second legal reserve of YTL 198.

(Amounts are expressed in thousands of New Turkish Lira [YTL] unless otherwise stated)

5.5.5. Information Related to Securities Issued:

The Bank has no rights, privileges, or restrictions on dividends and redemption of shares for any shareholder classes.

5.5.6. Explanations Related to the Other Capital Increase Items in the Shareholders Equity Movement Table:

The Bank had no other share capital increases during the current period.

5.6. Information And Disclosures Related To Statement Of Cash Flows:

5.6.1. Explanations about Other Cash Flows Items and the Effect of Changes in Foreign Exchange Rates in Cash and Cash Equivalents:

YTL 61,483 operating profit figure includes YTL 41,888 of interest income, YTL 33 of interest expense, YTL 2 of foreign exchange losses, YTL 39,607 of other operating income, YTL 355 of provisions for loan losses, YTL 22,305 of other operating expenses and YTL 2,683 of net fee and commissions received.

The most significant reason for the cash inflows in other assets is the decrease of reserve requirements by YTL 3,260 and YTL 1,667 in other receivables. On the contrary, the decreases in prepaid taxes, prepaid expenses, and office supply inventory lead to a cash outflow by YTL 4,338 in other assets.

YTL 83,924 of cash inflows in other liabilities were due to increase in other liabilities and YTL 6,584 of cash inflows were due to other payables. On the contrary, there has been a cash outflow of YTL 434 from the tax payable balance.

The effect of foreign currency change on cash and cash equivalents was YTL 2.

5.6.2. Information about Cash Flows from Acquisition of Associates, Subsidiaries, and Other Investments:

	31.12.2005	31.12.2004
Cash and Cash Equivalents on Acquired Investment	-	-
Loans	-	-
Other Assets	90	2,028
Funds Obtained from Other Financial Institutions	-	-
Other Liabilities	-	-
Goodwill	-	-
Cash Payments on Acquisitions	90	2,028
Foreign Currency Gains	-	-
Acquisition Cost	90	2,028
Cash and Cash Equivalents of Subsidiaries Acquired	-	-
Cash Outflows from Acquisitions	90	2,028

5.6.3. Information About Disposal Of Associates, Subsidiaries, and Other Investments:

There is no cash inflow due to disposal of associates, subsidiaries and other investments in the current and prior period.

5.6.4. Information Related to Cash and Cash Equivalents at the Beginning of the Period:

All items constituting the cash and cash equivalents balance and their accounting policy will have to be explained. The effect of any changes made in the accounting policy will have to be disclosed in accordance with the related standard. It is necessary to confirm the balances constituting cash and cash equivalents recorded on the balance sheet with the balances on the statement of cash flows.

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	01.01.2005	01.01.2004
Cash	7,025	3,057
Cash and Foreign Currency	2	7
Central Bank -Demand Deposit	3,322	2,269
Banks and Other Financial Institutions-Demand Deposit	3,701	781
Cash Equivalents	127,875	138,736
Money Market Transactions	92,211	45,754
Banks and Other Financial Institutions - Time deposit with maturity less than 3 months	35,664	92,982
Total Cash and Cash Equivalents	134,900	141,793

5.6.5. Information on Cash and Cash Equivalents at the End of the Period:

	31.12.2005	31.12.2004
Cash	15,675	7,025
Cash and Foreign Currency	2	2
Central Bank-Demand Deposit	8,633	3,322
Banks and Other Financial Institutions-Demand Deposit	7,040	3,701
Cash Equivalents	224,698	127,875
Money Market Transactions	176,847	92,211
Banks and Other Financial Institutions-Time deposit with maturity less than 3 months	47,851	35,664
Total Cash and Cash Equivalents	240,373	134,900

5.6.6. Amount and Nature of Cash and Cash Equivalents of the Bank That Are Not Freely Useable Due to Legal Restrictions or Other Reasons:

There are no cash and cash equivalents of the Bank that are not freely useable due to legal restrictions or other reasons.

5.6.7. Additional Information Related to Financial Position and Liquidity of The Bank:

5.6.7.1. Any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities

There are not any unused financial borrowing facility which can be utilized in banking operations and unpaid capital commitments and any restrictions on such facilities.

5.6.7.2. Apart from the cash flows needed to run ordinary operations of the Bank, total of cash flows that shows the increase in the operation capacity of the Bank.

Under current economical conditions, there is no need for additional cash flows to increase the capacity of the Bank, in addition to that of maintaining the current operations of the Bank.

5.7. Information and Disclosures Related to Accounting for Bank Mergers and Transfers and Acquisitions

5.7.1. For All Business Combinations Including Takeovers, the Name and Type of Merging Entities, Accounting Policy Used to Account for the Business Combination, Effective Date of the Merger and Discontinued Operations

The Bank has not performed any merger transactions during the period.

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5.7.2. Information on Acquisitions:

5.7.2.1. Explanation about the period acquisitions performed:

The Bank has not performed any acquisitions during the period.

5.7.2.2. Net book value of provisions provided on each acquisition:

The Bank has not performed any acquisitions during the period.

5.7.2.3. For an acquisition, reasons if fair value of assets and liabilities or acquisition value can not be measured reliably at the date of acquisition and information on any corrections made, if any, on the temporarily estimated fair values.

The Bank has not performed any acquisitions during the period.

5.7.3. For Mergers and Takeovers, Information Disclosed In The Financial Statements of The Period in Which the Transaction Occurs

5.7.3.1. Description and number of shares issued, share exchanges, and share percentage for each shareholder:

The Bank has not performed any mergers or takeovers during the period.

5.7.3.2. Amounts of assets and liabilities that have been allocated to the merger by each bank:

The Bank has not performed any mergers or takeovers during the period.

5.7.3.3. Pre-merger or takeover sales revenue, other operating income, extraordinary income and expenses, and net profit or losses which are included in the financial statements prepared subsequent to merger or takeover

The Bank has not performed any mergers or takeovers during the period.

5.7.4. Information on Bank Mergers after The Balance Sheet Date But Before The Financial Statements Are Approved For Issue or Reasons If an Explanation Cannot Be Provided

The Bank has not realized any merger and/or takeover transactions after the balance sheet date.

5.8. Information and Disclosures Related to Bank's Own Risk Group

5.8.1. Information on the Volume Of Transactions Related to The Bank's Own Risk Group, Outstanding Loan and Deposit Transactions and Income and Expenses of the Period:

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5.8.1.1 Current Period (31.12.2005)

Bank's Own Risk Group (*)

	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Others Included in the Same Risk Group	
	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Loans and other Receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Interest and commission income received	-	-	3,096	-	-	-

* Defined in the Paragraph 2 of the Article 20 of the "Regulation on the Establishment and Operations of Banks".

5.8.1.2. Prior period (31.12.2004)

Bank's Own Risk Group (*)

	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Others Included in the Same Risk Group	
	Cash	Non-Cash	Cash	Cash	Non-Cash	Cash
Loans and other Receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	-	-
Interest and commission income received	-	-	2,832	-	-	-

* Defined in the Paragraph 2 of the Article 20 of the "Regulation on the Establishment and Operations of Banks".

5.8.1.3. Information on deposit held by Bank's own risk group

The Bank has no deposits belonging to the Bank's own risk group.

5.8.1.4. Information on forward, option and other similar agreements made with Bank's own risk group

The Bank has no forward, option and other similar agreements with the Bank's own risk group.

5.8.2. Information Related to Bank's Own Risk Group

5.8.2.1. Regardless of the existence of any transactions between the parties, Bank's relations with the Bank's own risk group and with the entities controlled by the Bank

There are no entities in The Bank's own risk group that is controlled by The Bank.

5.8.2.2. In addition to the relations, types of the transactions, their amount and their share in total volume, the amounts of major balances and their proportion in the total, pricing policy and other issues

	Risk Group	Total	Share
Other Liabilities	87,196	92,180	%94.59

The amount related to the risk group in the other liabilities' consists of ISE Guarantee Fund. ISE Guarantee Fund is established from its own resources in order to prevent delays in custody transactions. The Fund assures that members with receivable balances are not affected by delays in payments by members for balances due.

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5.8.2.3. Except for the instances that require separate explanations about their effects in the financial statements, information for similar transactions:

None.

5.8.2.4. Transactions accounted for under the equity method:

There were no transactions accounted for under the equity method.

5.8.2.5. Trading of property and other assets, services performed, agency agreements, leasing contracts, transferring the know-how, licensing dealings, financing (including loans and cash capital and capital in kind contributions), guarantees, commitments and management agreements.

The information on relations and transactions with Bank's own risk group is given in the note 5.8.2.2. of section "5.8. Information and Disclosures Related to Bank's Own risk Group".

5.9. Information and Disclosures Related to Inflation Accounting

5.9.1. Explanation Related to The Adjustments Made In The Accompanying Financial Statements To Compensate For The Effect Of Changes in the General Purchasing Power Of Turkish Lira as of the Balance Sheet Date

BRSA issued a circular on 28 April 2005 numbered 2 by examining main indicators of a hyper inflation period. As a result of this examination, it was BRSA's opinion that the indicators confirming the existence of a hyper inflationary economy ceased to exist. As a result, inflation accounting will not be applied as per the BRSA' decision number 1623 dated 21 April 2005 commencing 1 January 2005. Detailed explanation related to this subject has been provided in the 'Information and Disclosures Related with Accounting Policy Presentation Basis' section above.

5.9.2. Explanation Related With the Cost Basis Applied Before the Financial Statements Are Adjusted For Inflation

The accompanying financial statements are prepared based on the historical cost convention and statutory records and have been restated with the related indexes to represent the purchasing power as at 31 December 2004.

5.9.3. Explanation About Conversion Factors Used to Restate The Accompanying Financial Statements, and The Wholesale Price Index Used to Restate The Financial Statements and the Level Of The Index As At The Balance Sheet Date and Movements In the Last Two Years:

The cumulative three-year inflation rate as at the balance sheet date was 35.61% and 4.54% at the current year based on the countrywide wholesale price index announced by the Turkish State Institute of Statistics ("SIS"). Indexation adjustments were calculated by using wholesale price indices published by the BRSA and the SIS.

Such index and conversion factors used to restate the accompanying financial statements as of the end of each period to 31 December 2004 are given below:

	Price index	Conversion factor
31 December 2002	6,478.80	1.2971
31 December 2003	7,382.10	1.1384
31 December 2004	8,403.80	1.0000

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5.9.4. Adjustments To Non-Monetary Items:

Non-monetary items are restated until 31 December 2004 by multiplying initial acquisition costs with factors that are derived by dividing the current year end index with the index at the initial acquisition date of the non-monetary item and deducting accumulated depreciation calculated from the restated amounts and allowances provided for impairment losses, if any.

5.9.5. Explanation Related With the Useful Lives, Depreciation Calculations Made According To The Related Regulations and The Restated Amounts Of Depreciable Assets, Together with Explanation About The Existence Of Any Appraisal Reports For Determination of Fair Value of Such Assets

The Bank depreciates its depreciable assets which were acquired after 1 January 2004 using the new depreciation rates subsequent to Act No: 5024 of the Tax Procedural Code. Those assets which were acquired before 1 January 2004 are amortized as below.

The Bank determines the expected useful lives of the assets that are subject to depreciation as 50 and 5 years for buildings and other fixed assets, respectively. The Bank reviews the expected useful lives of its depreciable assets periodically.

The Bank commissioned TSKB Gayrimenkul Ekspertiz to carry out an appraisal valuation for its headquarters building located in Şişli. Based on the opinion of the appraisers, the value of the building is determined as YTL 8,462 and the restated value of the building has brought down to its appraisal value by decreasing YTL 2,100.

5.9.6. Explanation Related With Legal Reserves and Paid-in-Capital That is Calculated According to The Regulations Of The Turkish Commercial Code and The Bank's Articles Of Association:

In the Board of Directors meeting dated 31 January 2003 No:106/1, the accumulated losses of balance sheet as at 31 December 2002 were decided to be offset in the financial statements prepared as at 31 December 2003 against, in the order of, the net profit of the year 2002, extraordinary reserves, legal reserves and capital reserves arising from the inflation adjustment, as per the Article 28 of Communiqué Number 14.

As at 31 December 2004, the nominal paid-in capital in the legal books of the Bank is YTL 60,000 and capital reserves arising from the inflation adjustment was YTL 123,856. As referred to in the above paragraph, after offsetting against accumulated losses the remaining capital reserve was YTL 96,788.

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As at 31 December 2004, the inflation adjusted legal reserves of the Bank were YTL 19.844. The inflation adjusted legal reserves of the Bank amounting to YTL 16.591 arising from prior years have been fully offset against the accumulated losses. Legal reserves existing in the balance sheet amounting to YTL 5.741 consist of legal reserves appropriated from the year 2004 and year 2003 profits.

As at 31 December 2004, The inflation adjusted extraordinary reserves of the Bank were YTL 16.532. The inflation adjusted extraordinary reserves of the Bank amount to YTL 4.175 arising from prior years have been fully offset against the accumulated losses. Extraordinary reserves existing in the balance sheet amounting to YTL 21.469 consist of extraordinary reserves appropriated from the year 2004 and year 2003 profits.

5.9.7. Purchasing Power Gain or Loss From Monetary Items, Interest and Foreign Currency Income or Expenses Related to the Net Monetary Position Gain (Loss) From the Funds Borrowed Or Received For Items That Were Deducted From The Net Monetary Gain (Loss) and Disclosed Separately In The Income Statement:

There were no items that that were deducted from the net monetary gain (loss) and disclosed separately in the income statement.

5.9.8. Information Whether The Previous Period Financial Statements Have Been Audited:

Financial statements of the Bank for the prior year were audited by Denetim Serbest Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu) and an unqualified opinion was issued.

5.9.9. Explanation About Retained Earnings/(Accumulated Losses) Until The Beginning Of The First Period For Which Financial Statements Were Adjusted For Inflation for the First Time, Previous Year Income(Loss) Calculated By Deducting Inflation Adjusted Total Liabilities And Shareholders' Equity From Total Assets:

There were no retained earnings/(accumulated losses) balance as a consequence of the first time application of inflation accounting.

5.9.10. Explanation Related With Income And Expenses That Accrued During The Period And Expenses Incurred And Income Generated Throughout The Period, Or The Fact That There Are No Objective Criteria Which Confirm The Existence Of Seasonality Or Equal Distribution In The Income And Expense Transactions:

There were no objective criteria which confirm the existence of seasonality or equal distribution in the income and expenses for income and expenses that accrued during the period and expenses incurred and income generated throughout the period.

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5.10. Information and Disclosures Related to the Domestic, Foreign Offshore Branches and Foreign Representations of the Bank

	Number	No of Employees			
Domestic Branch	1	199			
			Country of Incorporation		
Foreign Rep Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch	-	-	-	-	-
Off-share Banking Region Branches	-	-	-	-	-

5.11. Information and Disclosures Related to Subsequent Events

5.11.1. Information and Disclosure Related to Subsequent Events and Effects on Financial Statements

There are no subsequent events after the balance sheet date.

5.11.2. Significant Changes in the Foreign Exchange Rates After The Balance Sheet Date Which May Affect The Users Of The Financial Statements During The Analysis Of The Financial Position and Affect The Bank's Foreign Operations

There are no significant changes in foreign exchange rates after the balance sheet date until the date of this report.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

6.1. Other Explanations and Notes

As at 31 December 2005, under the trading securities account, the Bank has government bonds and treasury bills amounting to YTL 2,192, of which government bonds of YTL 1,775 and treasury bills of YTL 417 belong to problematic brokerage houses. In addition, under the Receivables from Reverse Repurchase Agreements account, the Bank has investment securities purchased under commitments to resell amounting to YTL 4,347 which also belongs to problematic brokerage firms. The corresponding liability accounts used for these securities are sundry creditors. The increase in the fair values of these government bonds and treasury bills amounting to YTL 186 and the income accrual of the reverse repo transactions amounting to YTL 2 based on the difference between the sale and repurchases prices, are recorded under other liabilities without recognizing the amounts in the income statement.

In accordance with the RAP Communiqué Number 15 "Preparation of Consolidated Financial Statements, Accounting for Subsidiaries, Associates and Joint Ventures", the Bank has no obligation to prepare consolidated financial statements.

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SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

7.1. Explanations for Independent Auditors' Report

Financial statements as at 31 December 2005 have been independently audited by Denetim Serbest Mali Müşavirlik A.Ş. ("Member Firm of Deloitte Touche Tohmatsu").

The independent auditors' report is presented at the beginning of the financial statements and related notes.

7.2. Explanations and Notes Prepared by Independent Auditor

There have not been any necessary explanations and notes not expressed in sections above related with Bank's operations.

Evaluation of financial condition, profitability and solvency

As of December 31, 2005, Takasbank assets had increased 36.1%, from TRY 325,316,000 to TRY 442,767,000. Details of this asset growth are as follows:

- Interbank money market placements increased 105%
- Loans increased 63%
- The “banks and other financial institutions” item increased 39%
- Tangible fixed assets decreased 13%.

Interbank money market placements, the largest item in the bank’s balance sheet, increased 105%, from TRY 84,000,000 to TRY 172,500,000. By the end of 2005 the loan portfolio of the bank reached TRY 18,852,000, increasing 63% over the 2004 figure of TRY 11,551,000. Interest and income accruals and rediscount balance of the bank reached TRY 18,675,000, increasing 23% over the 2004 figure of TRY 15,214,000.

As of the balance sheet date, there were no domestic or foreign loans by Takasbank in the last two years. The paid-in capital of the bank did not change, remaining at TRY 60,000,000. The highest increase in the bank’s liabilities occurred in the “Other Payables” item, at a rate of 567%. This item reached TRY 98,721,000 by the end of 2005, compared to a 2004 year-end figure of TRY 14,797,000. This increase mainly occurred due to cash collaterals worth TRY 86,660,000 collected from members for the Turkish Derivative Exchange launched on February 4, 2005. Shareholder equity in the bank grew 11% in the current period, increasing from TRY 206,607,000 to TRY 230,222,000 by the end of 2005. Return on assets, which stood at 9.5% by the end of 2004, reached 9.7% by the end of 2005, while return on equity increased from 15% to 18.7% during the same period.

Disbursements, assets, liabilities and interest rates are compatible with each other. Since there is no incompatibility between the ratios, it is not necessary to measure any potential influence on profitability. Short and long-term liquidity requirements of the bank are covered with its own funds. The bank manages its liquidity risk by maintaining adequate cash and cash equivalents to pay for its current and potential obligations, ensuring that short positions are covered and loan obligations are funded.

Risk Management Policies

Risk management policies for different types of risk

Takasbank adopts a global risk policy which requires it to act prudently and at minimum risk. Almost all transactions are performed electronically and in accordance with the business practices and transaction rules specified in applicable legislation. Software applications used for transactions are developed in-house. Incorporation of risk mitigation and control techniques into the business principles and software applications at the development stage ensures that operations are carried out prudently.

In accordance with banking legislation, an annual Risk Review Report is issued in written form which evaluates risk presented by the bank's operations and assesses the efficiency of risk management practices. This report is submitted to the Banking Regulation and Supervision Agency (BRSA) upon the approval of the Board of Directors.

Basel-II Transition Roadmap of Turkish Banking Industry, developed by BRSA, requires the launch of Basel-II calculations in August 2007 in parallel with Basel-I and implementation of Basel-II provisions by the beginning of 2008. At the early stages of the transition to Basel-II, Takasbank plans to use standard methods in calculating and reporting assets exposed to loan, market and operational risk.

Takasbank carries risk similar to that of other financial institutions; loan, market and operational risk.

Loan Risk Management

In the past, Takasbank loan applications composed of cash loans were known as "Securities Purchasing" loans, non-cash loans were called "Securities Lending/Borrowing Facilities" and "Takasbank Money Market Transactions." On November 28, 2005 when the stocks traded on the ISE were collectively dematerialized, the "Securities Lending/Borrowing Facility" was transformed into a more advanced application called "Securities Lending/Borrowing Market."

Securities Lending/Borrowing Market transactions are not considered non-cash loans granted by the bank, since the bank does not act as a guarantor with regards to receivables and payables arising from transactions by members of the Securities Lending/Borrowing Market, but instead operates the market by acting as an intermediary for concluding the settlement.

Loan services present risk of failure by the borrowing members or guarantors to fulfill their contractual obligations (loan risk).

Credit lines are updated according to the changes in the members' financial situation and no loan is granted before the necessary collaterals have been provided. Operational errors are minimized by continuously controlling limits, risk and collaterals electronically and on a transaction basis.

Credit lines are extended using a simple internal rating system evaluating the financial structure and trade volume of the relevant brokerage house and other criteria defined by the bank. Upon request of a member, the Board of Directors is proposed a credit line based on financial review, intelligence and analysis; the credit line comes into force following its approval by the Board.

Since the loans granted by Takasbank do not require the making of a special provision, only a general provision is made for such loans. Pursuant to applicable regulations, liquid and/or liquid-equivalent collaterals are secured against loans.

In an effort to manage concentration risk of loan collaterals, a quota is allocated on a per period basis for each stock collateral by statistically assessing certain data regarding stocks traded on the ISE and used as collaterals.

Loan risk is managed by maintaining an effective and strong collateralization mechanism and assigning appropriate limits. To date, the bank has not suffered from any loss arising from bad debts whose collaterals were insufficient or could not be liquidated.

Market Risk Management

Takasbank portfolio management strategy aims to avoid any liquidity risk, optimize risk-return balance, take minimum risk and achieve maximum return on investment.

Based on the bank's portfolio management strategy, transactions are carried out with banks who are extended credit lines by the Board of Directors. Unless necessary, the bank does not perform FX transactions, carry FX positions or use derivatives; the portfolio of the bank only includes government bonds.

Optimum term concentration is achieved by using long-term instruments when interest rates for TRY are expected to fall and short-term instruments when they are expected to increase.

The value exposed to market risk is calculated and reported by using the standard method defined in Article 18 of the Regulation on Measuring and Assessing Capital Adequacy of Banks, issued by BRSA and published in the Official Journal of January 31, 2002, Number 24657. Interest rate risk is calculated by placing interest-sensitive assets and liabilities in the relevant term and time slots based on tier analysis. According to the standard method, the weight of a risk increases with the term of the portfolio asset (government bonds).

The bank's management and internal control and risk management units continuously monitor the concentration of the portfolio on a term and instrument basis and monitor developments in the market. Senior management is informed of and gives instructions for all portfolio transactions; it also revises the portfolio management strategy in light of market developments.

The bank does not have any liabilities that can be withdrawn under extraordinary circumstances. The ISE Guarantee Fund and collaterals received during operations are entered into the 'other payables' or 'provisional liabilities' accounts and liquid assets are made available on the asset side to cover these. Given the bank's current assets, loan quality, loan collateral concentration and asset structure; given the depth of the securities markets, it is quite improbable for the bank to experience liquidity problems due to non-matching maturities when paying its obligations.

Current assets are liquid enough to cover the entire liabilities of the bank. Since assets and liabilities are denominated in the same currency, the bank can maintain its asset-liability balance in case of sudden rate fluctuations.

The bank effectively manages its liquidity risk by meeting short and long-term funding needs with its own funds and maintaining adequate cash and cash-equivalents to pay for its current and potential obligations.

Operational Risks Management

Operational risk is defined as losses which may be incurred due to (i) inappropriate or non-functional business processes; (ii) human factor; (iii) systems; or (iv) external factors. All non-financial risk is considered operational risk.

Almost all operations of the bank are performed electronically. In accordance with its global policy, the bank does not procure its software applications externally but prefers to develop these internally. This policy offers a major advantage to the establishment of an effective risk management and internal audit system. State-of-the-art software applications not only enable operational units to implement the necessary procedures, but also allow continuous and effective tracking and control of procedures through reporting modules and components.

Although Takasbank believes that human resources are its most important asset, operations are not focused on individuals but on systems and processes, with a view toward achieving an institutional structure.

IT-related operational risk is managed effectively by keeping the required software, hardware and their backups available at all times, copying data concurrently in different environments, maintaining an uninterrupted communication and power supply, ensuring that necessary human resources are available at all times and preparing contingency plans.

Authorities and responsibilities for critical transactions are separated from each other. Approval-authorization mechanisms ensure management control on procedures. In addition to controls carried out within the management hierarchy, procedures are continuously audited by the Internal Control Center, reporting to the Board of Directors and periodically by the Board of Auditors.

Unsolicited Evaluation of our Settlement and Custody Systems by Thomas Murray Risk Rating Organization

Rule 17f-7 issued by the US Securities and Exchange Commission (SEC) in 1999 requires global custodian banks to provide their mutual fund clients with risk assessment reports and analyses regarding the central securities depositories.

The UK-based company, Thomas Murray Custody Risk Rating serves global capital markets and rates the reliability and efficiency of the settlement and custody rules and practices on capital markets and undertakes risk assessment for central securities depositories and clearing houses who are Takasbank's global counterparts. The assessment issued by Thomas Murray Custody Risk Rating on September 28, 2005 states that operational risk arising from the physical existence, theft, loss or damage of the assets would be reduced to a great extent upon transition to dematerialization. The report also mentioned that the liquidity risk of the settlement process could also be reduced since all the assets would be collected in a single center.

As a result of these assessments, Takasbank's operational risk was rated "AA" (very low risk), while country risk (market rating), liquidity risk and financial risk were rated "A" (low risk). The current volume of foreign portfolio investments in Turkey's capital markets is an indication of an effective and reliable settlement and custody system operating smoothly and in accordance with international standards.

Five-Year Financial Review

Financial Highlights

(TRY thousands)	2005*	2004*	2003*	2002*	2001
Total Assets	445,027	326,386	277,030	210,755	132,829
Shareholder Equity	188,337	174,755	119,385	70,226	38,902
Paid-in Capital	60,000	60,000	60,000	60,000	33,540
Pre-Tax Profit	62,672	68,532	74,882	69,741	61,037
Interest and Portfolio Revenue	41,888	51,944	59,263	53,847	59,176
(US\$ thousands)**	2005	2004	2003	2002	2001
Total Assets	331,664	243,191	198,469	128,941	92,270
Shareholder Equity	140,361	130,210	85,530	42,965	27,024
Paid-in Capital	44,716	44,706	42,985	36,708	23,299
Pre-Tax Profit	46,707	51,063	53,647	42,668	42,399
Interest and Portfolio Revenue	31,218	38,703	42,457	32,944	41,107
Financial Ratios (%)	2005	2004	2003	2002	2001
Pre-Tax Profit / Total Assets	14.08	21.0	27.0	33.1	46.0
Equity / Total Assets	42.32	53.5	43.1	33.3	29.3
Pre-Tax Profit / Shareholder Equity	33.28	39.2	62.7	99.3	157.0
Asset Growth	36.35	17.8	31.5	58.7	138.4
EMPLOYEES	2005	2004	2003	2002	2001
Number of Employees	199	232	226	230	233

* To enable comparisons against previous years, historical values have been used for 2002, 2003 and 2005 year-end figures and the accounting standard published by the Banking Supervision and Regulation Agency, which went into effect on July 1, 2002 concerning the adjustment of financial statements for inflation, has not been taken into consideration. Since inflation accounting started in 2004 as a result of the amendment of the Tax Procedure Law through Law No. 5024, 2004 figures have been prepared in conformity with the provisions of the Tax Procedure Law. With a view to presenting the changes in equity and profitability in a way that would enable comparisons, pre-tax profits for the years 2002, 2003, 2004 and 2005 have been excluded from the shareholders' equity in line with the previous balance sheet format and practice of banks.

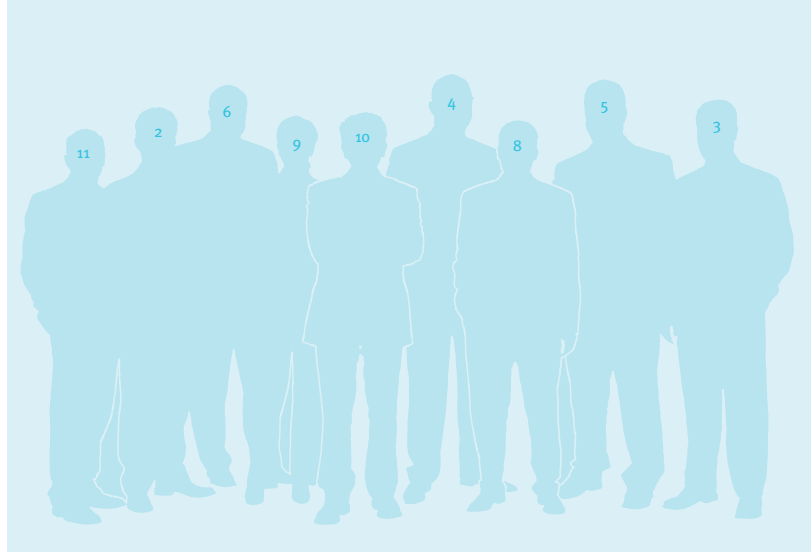
** US\$ figures have been calculated using the US dollar buying rates announced by the Central Bank of the Republic of Turkey (CBRT) on the last day of the relevant year.

CBRT's US dollar buying rates used in valuation are as follows:

December 31, 2001: TRY 1.4396
 December 31, 2002: TRY 1.6345
 December 31, 2003: TRY 1.3958
 December 31, 2004: TRY 1.3421
 December 31, 2005: TRY 1.3418

Management

1. GÜLCAN TOK, Administrative Affairs and Purchasing Manager (not in the picture) 2. SUAT SEVAND, Treasury Manager 3. TOLGA SOMUNCUOĞLU, Custody Manager 4. MEHMET GÜNAL, Credits and TakasBank Money Market Manager 5. ENDER AYBULUS, Software and Hardware Manager 6. TANJU GÜNEL, Operations Manager 7. İBRAHİM SAMANCI, Accounting Manager (not in the picture) 8. MUSTAFA ŞENTÜRK, Personnel and Training Manager 9. ARZU ÖZTÜRK, System Development Manager 10. CAHİT GİRGIN, Legal Counsel 11. EŞREF HATİPOĞLU, Security Manager



TAKASBANK

ISE Settlement and Custody Bank, Inc.

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