



T S K B Annual Review 2 0 0 5

Annual Review
2005

What does 55 years mean for a bank? Stability, power, sustainability, resolution... Having left behind its 55th anniversary in 2005, TSKB has successfully adapted to all developments, which took place in Turkey in that span of time. From the changing economic structures to the changing monetary unit, TSKB has always been present in all transitions and transformations. And it will always be there in the years to come...



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About TSKB

- Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB) was established in 1950 with the initiation and cooperation of the World Bank, the Central Bank of the Republic of Turkey, and the leading commercial banks in Turkey.
- TSKB is the first and largest privately owned investment and development bank in Turkey.
- TSKB's fundamental objective is to support private enterprise investments in all economic sectors of Turkey with particular emphasis on industrial investments.
- TSKB offers its investment banking products to the private and public sectors with an experienced team specialized in technical, financial and economic appraisal and valuation.
- Having acquired Sınai Yatırım Bankası A.Ş. (Industrial Investment Bank) in 2002, TSKB has strengthened its place in the banking industry as a market leader in investment and development banking aided with the synergy created by this acquisition.
- As the 18th largest bank in Turkey with an asset size of US\$ 2.3 billion as of September 30, 2005, TSKB performs its activities with a staff of 288 professionals and its overseas branch in Bahrain.

Mission

- Provide medium and long-term financing to the industry and the services sectors
- Support private enterprise investments in all sectors with special emphasis on industrial investments
- Provide advisory services to support foreign capital investments in Turkey
- Offer tailor-made services and solutions to the private sector as well as financing support
- Provide qualified brokerage and asset management services to its customers
- Contribute to the growth of the capital markets in Turkey

Vision

- Invest and develop in and around Turkey

Advantages of TSKB

- Strong capital base and shareholders
- Fund generation capacity with low cost and long maturity
- Deep experience in extending medium and long-term loans
- Ability to reach a widespread client base with low operational costs

- Expertise and high market share in investment banking
- Leading role in launching new products to the market
- Highly qualified staff
- Long-standing relations with international financial institutions as the "Best Local Partner"

Shareholder Structure

Is Bank Group **50.10%**



Vakıfbank **8.38%**



Akbank Group* **7.16%**



Free Float **34.36%**

* Akbank sold its TSKB shares at the ISE in February 2006.

A leading name in investment and development banking, TSKB is the symbol of reliability and continuity in the finance industry with its robust shareholder structure and the ever-rising value of its shares.

Credit Ratings

Republic of Turkey / Country Ratings (December 31, 2005)

	LT Foreign Currency	Outlook
S&P	BB-	Stable
Moody's	Ba3	Stable
Fitch	BB-	Positive

TSKB's Latest Ratings (December 31, 2005)

	Short Term	Long Term	Outlook
Moody's		B1	Positive
Moody's - Financial Strength		D+	Stable
Fitch	B	BB-	Positive

TSKB's Main Shareholders' Ratings (December 31, 2005) - FITCH

	LTFC	Outlook	Support	Individual
Is Bank	BB-	Positive	4	C
Akbank	BB-	Positive	4	C
Vakıfbank	BB-	Positive	4	C/D

The positive ratings given by international credit rating agencies are confirming TSKB's position and power in the Turkish economy.

Board of Directors



CAHİT KOCAÖMER
"In 2005, our Bank has provided approximately US\$ 500 million worth of support for the economy through loans, financial leasing, and equity participations."

HALİL EROĞLU
"Distinguished by many firsts ever since it was established, TSKB's contribution to the Turkish economy and entrepreneurs will continue with increasing momentum in this period marked by the prospect of Turkey's accession to the European Union."



BURHANETTİN KANTAR
"It is in public interest that corporations achieve profitable and sustainable business growth."



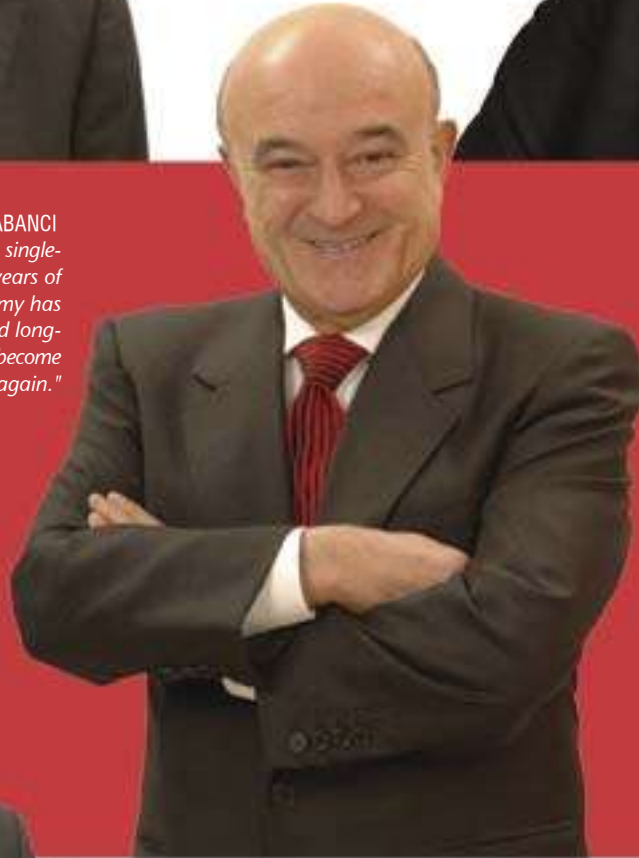
EMRE DURANLI
"Playing a leading role in the growth of investment banking in Turkey, TSKB has expanded its network by diversifying its operations in international and domestic markets, and maximized its know-how."



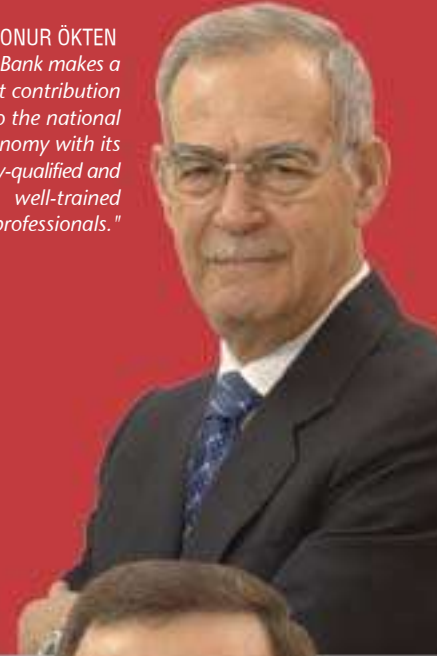
MURAT ULUS
"2005 has been a sparkling year in terms of all macroeconomic indicators."



EROL SABANCI
"Eventually achieving a single-digit inflation after years of struggle, the economy has attained stability, and long-term investments have become appealing again."



ONUR ÖKTEN
"Our Bank makes a great contribution to the national economy with its highly-qualified and well-trained professionals."



MURAT BİLGİÇ
"With decreasing uncertainties leading to more predictable and measurable medium and long-term risks in 2005, TSKB has increased its value in all aspects and improved its effectiveness in the market."



SENAR AKKUŞ
"In the year 2005, TSKB has become one of the most important catalysts for international financial institutions in the Turkish market through high-quality intermediary operations."



YAVUZ CANEVI
"For the first time after a break of seven years, international credit rating agencies have decided to revise Turkey's outlook to positive."



BİLAL KARAMAN
"In 2005, the Turkish banking industry has proved that it is capable of swiftly adapting to the changing conditions. The flow of foreign capital to Turkey has been a turning point in the sector."



ADNAN BALI
"2005 has been a year in which TSKB revealed its potential for the financing of medium and long-term investments driven by globalization and European Union accession."



SERDAR GENÇER
"With the effectiveness of its activities and quality of portfolio, the market value of TSKB has shown a significant increase."



Senior Management



Sitting : BURAK AKGÜÇ, Executive Vice President
LALE GÖKMAN, Executive Vice President
HALİL EROĞLU, CEO, President
ŞENİZ YARCAN, Executive Vice President

Standing : ŞEMSEDDİN ARAT, Executive Vice President
ORHAN BEŞKÖK, Executive Vice President

Message from the Chairman

"Investments in the private manufacturing industry increased in real terms in 2005 and TSKB provided approximately US\$ 500 million worth of support for the economy through loans, financial leasing operations and equity participations. We are committed to ensuring an accelerating trend in our performance in 2006."

Having enjoyed a continuous growth for three consecutive years from 2002 to 2004, the Turkish economy continued its growth trend in 2005. With the contribution of both private and public sectors, the Turkish economy recorded a growth rate of 7.6% in 2005. Aside from private sector expenditures, the remarkable increase in private and public investments provided a major boost to the economic growth.

Despite the slowdown when compared to previous years, the inflation rate continued its downward trend in 2005 with annual CPI inflation declining to 7.72% and annual PPI inflation falling to 2.66% at the end of the year. Persistent budgetary discipline, cautious monetary policy and coherency of predicted and actual inflation levels were factors that sustained the optimistic inflation expectations. The economic environment was favorably affected by the start of full membership negotiations with the European Union, positive developments in structural reforms, successful continuation of the stabilization program, and the monetary reform.

In 2005, increases in consumption and investment expenditures, in line with the effects of the positive economic environment, coupled with relative prices of imports remaining at low levels, caused imports to increase at a higher rate as compared to exports. This in turn caused the trade deficit to widen when compared with 2004. In

2005, Turkey's imports rose by 19% compared with the previous year to US\$ 116 billion. Imports of investment goods increased by 16.9%, semi-finished products by 20.9%, and consumer goods by 15.4%. Turkey's exports rose by 16.2% over the same period to US\$ 73.4 billion. The manufacturing industry exports accounted for 93.7% of total exports.

The positive developments in the overall economy in 2005 were reflected in the banking industry as well. Foreign banks have acquired four banks in the sector and similar developments are expected to continue in 2006. The banking industry credit stock/GNP ratio, which was 15.3% as of the end of 2002, was observed to rise to the level of 32% as of the end of 2005. The significant rise in consumer loans, particularly housing loans, has contributed to the growth in the credit stock in 2005.

Investments in the private manufacturing industry increased in real terms in 2005 and our Bank provided approximately US\$ 500 million worth of support for the economy through loans, financial leasing operations and equity participations. We are committed to ensuring the continuation of our achievements with increasing performance in 2006.



Cahit Kocaömer
Chairman



➤ Message from the Chief Executive Officer

"Established in 1950, TSKB celebrated its 55th anniversary in 2005. Adopting the view that 'change is the only constant', TSKB has been continuously providing substantial added value for its shareholders, clients, partner institutions, and the Turkish economy during these 55 years."

Established in 1950, TSKB celebrated its 55th anniversary in 2005. These 55 years cover an important period in the history of the Republic of Turkey. During this period both the Turkish economy and the Turkish banking industry have undergone significant evolutions. Adopting the view that "change is the only constant", TSKB has been continuously providing substantial added value for its shareholders, clients, partner institutions, and the Turkish economy during these 55 years. Having combined its fundamental mission of development banking with its successful investment banking function, TSKB, with its extensive investment banking activities takes its place among the leading institutions of the sector. TSKB will continue to focus on developing new products according to the industry's needs.

2005 was a year of many firsts for TSKB. In January 2005, the Bank opened its first foreign branch in Bahrain, which signified a crucial step toward source diversification through securing funds from the region. In addition, TSKB signed its first syndication deal and its first murabaha deal in 2005.

Establishment of the Financial Institutions Unit toward the end of 2004, made a considerable contribution to the successful results of 2005 by increasing the number of financial institutions which the Bank cooperates with and as a consequence of these activities the volume of the transactions also increased.

The year 2005 witnessed high productivity in the Turkish banking sector and a significant boost in the credit stock, especially in retail, consumer and housing loans. In line with this development, TSKB reached a record high volume

in medium and long-term financing in 2005. In addition to direct funding, TSKB provides indirect funding to companies through its APEX Banking operations via banks and leasing companies with funds secured from the World Bank (IBRD), European Investment Bank (EIB) and Kreditanstalt für Wiederaufbau (KfW). APEX Banking has enabled particularly small and medium-sized enterprises to reach TSKB funds. Enjoying the privilege of offering leasing services as an investment and development bank, TSKB has achieved a substantial increase in financial leasing volume in 2005. The most significant factor behind these developments is TSKB's expertise and experience in providing customized solutions for its clients.

TSKB took further steps in achieving accomplishments in investment banking activities in 2005. Within the scope of privatization consultancy, TSKB provided services both to sellers and prospective buyers. Additionally, merger and acquisition consultancy carried out within the scope of investment banking activities was given international recognition. In this context, TSKB was awarded as the "Best Merger and Acquisition House" in Turkey by Euromoney.

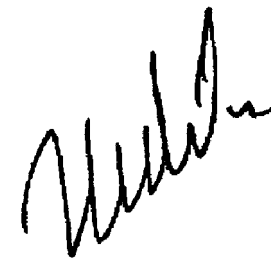
As an institution open to evolving markets and change, TSKB has enhanced its brokerage activities by launching its Asset Management Unit last year. Asset Management offers clients a new alternative to leverage the Bank's expertise to improve the management and expansion of their portfolios. Also as one of the founding partners of the Turkish Derivatives Exchange (TURKDEX), TSKB contributes to the development of Turkish capital markets in line with its mission.

The positive trends in the economy accompanied by the falling inflation have enlivened the real estate market and housing loans as well. Keeping track of these developments, TSKB continues to offer expertise services within the Capital Markets Board (CMB) norms through TSKB Real Estate Appraisal Company founded in the past years. The Company's high quality services have been certified by Euromoney's "Best Real Estate Advisor" award in 2005. Also

in this context, TSKB Real Estate Investment Trust, for which the founding activities were well under way in 2005, is expected to start its operations at the beginning of 2006. TSKB Real Estate Investment Trust will be supporting the industry and contributing to TSKB's profitability with its investments by monitoring the developments in this market.

Another first for TSKB is the Investor Relations Unit founded in 2005. The excellent performance shown by the Bank in 2005 aided with the contribution of the newly founded Investor Relations Unit was the underlying factor behind the extraordinary increase in the Bank's market capitalization, which in US\$ terms was 394%. In the same period the increase in the index of the Istanbul Stock Exchange (ISE) was 59%. Furthermore, with the appetite from foreign investors and trading volume, TSKB shares were listed first in the ISE National-100 Index, then in ISE National-50 Index in the third quarter of 2005, and finally in ISE National-30 Index at the end of the year.

In the period of Turkey's accession to the European Union, the contribution of TSKB to the Turkish economy will continue at an increasing pace.



Halil Eroğlu
CEO, President

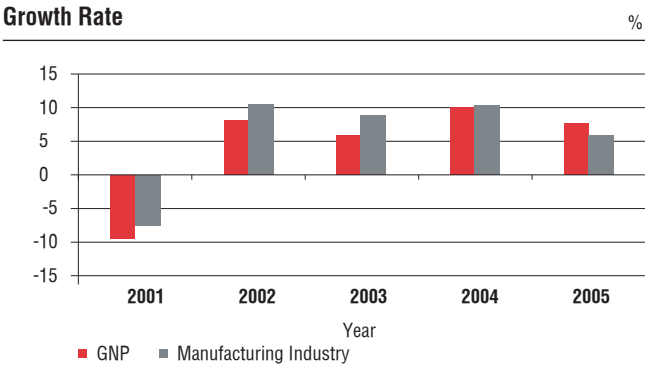
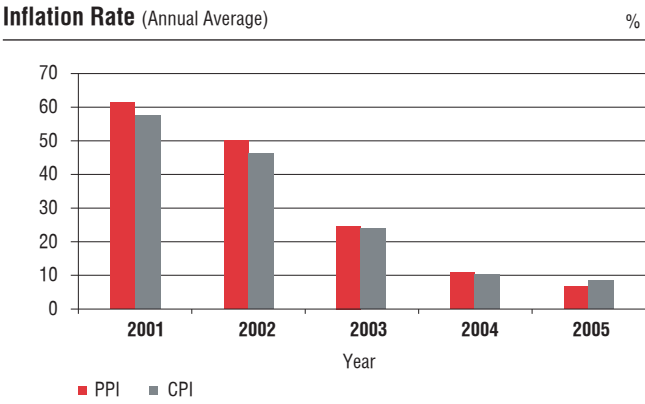
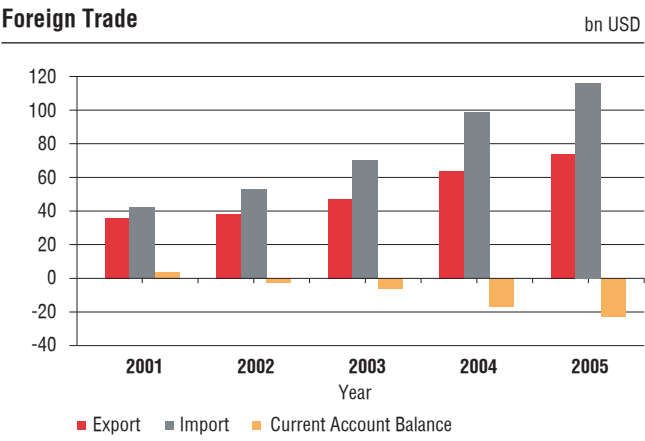


AGYO	2.35	2.34	2.35	51979	16633	25042	0.04	BFREI	217
AKALT	4.82	4.80	4.82	10911	2542	651	0.06	BISAS	1
AKBNK	11.40	11.40	11.50	1013890	121478	242903	0.10	BJKA	3
AKCNS	9.10	9.05	9.10	50155	4823	5062	0.60	BOLU	3
AKENR	6.55	6.55	6.60	161500	9803	11685	0.15	BOSS	1
AKGRT	7.00	6.95	7.00	23377	2255	7570	0.10	BOYN	3
AKIPD	3.72	3.70	3.72	14904	150	1616	0.04	BRISA	9
AKSA	11.90	11.80	11.90	37192	20447	9807	0.10	BRME	1
AKSUE	6.05	6.00	6.05	6752	1000	198	0.15	BROV	1
AKYO	2.25	2.25	2.26	64090	755	6765	0.04	BRSA	12
ALARK	57.50	57.00	57.50	16051	2774	2555	1.50	BRYA	7
ALCAR	21.40	21.40	21.50	6984	1315	1481	0.10	BSOK	3
ALCTL	7.55	7.50	7.55	75764	3490	5547	0.15	BSPR	38
ALGYO	64.00	64.00	64.50	1036	311	569		BTCIL	8
ALKA	1.66	1.65	1.66	313567	22168	5899	0.06	BUCIL	19
ALKIM	6.00	5.95	6.00	67369	900	391	0.30	BURC	27
ALNTE	2.86	2.84	2.88	347476	32000	17210	0.12	BURV	1
ALTIN	2.82	2.82	2.84	110610	6269	13398	0.04	CBSB	0
ALYAG	1.87	1.87	1.88	142056	11543	17670	0.02	CELH	5
ANACM	6.55	6.55	6.60	36114	5179	4705	0.15	CEMT	6
ANHYT	5.90	5.85	5.95	60409	2176	5203	0.20	CEYLI	3
ANSGR	4.20	4.15	4.25	145759	6143	18716	0.06	CIMS	10
ARAT	1.50	1.45	1.50	72732	27000	0.01	CLEB	31	
ARCL	1.94	1.94	1.94	15263	36066	0.20	CMBT	29	
AREN	1.06	1.06	1.06	990	1440	0.05	CMEN	10	
ARFY	1.00	1.00	1.00	35600	12496	0.06	CYTA	4	
ARSA	1.00	1.00	1.00	6850	15467	0.03	DARD	1	
ASELS	1.02	1.02	1.02	20343	7483	0.25	DENC	7	
ASLA	1.01	1.01	1.01	61	102	1.00	DENIZ	10	
ASUZ	1.02	1.02	1.02	79	0.20	DENT	2		
ATAYO	1.00	1.00	1.00	500	0.20	DERM	2		
ATEKS	1.05	1.05	1.05	251	DESA				
ATLAS	5.00	4.88	5.00	3853	0.15	DEVA			
				1988	0.04				
				1151	175	0.00			

Turkish Economy 2005

With an extraordinary success record in both political and economic stability during the past few years, Turkey has ensured the two "sine qua non" conditions dictated by the market economy. Subsequent to remarkable reforms, Turkey started taking decisive steps toward meeting the political Copenhagen criteria. Furthermore, the government has shown firm resolution in improving the macroeconomic indicators. Supported by the efforts of the Central Bank of the Republic of Turkey, the fight against inflation -the archenemy of development and prosperity for many years- has been at last successful to a significant extent. For the first time in many years, the rate of inflation has receded to single-digit figures in 2004, with a decrease of the consumer price index to 9.3%, followed by a further fall to 7.7% in 2005. The Gross National Product (GNP) has

doubled the 2002 figure in 2004 and reached US\$ 300 billion, with an increase of 9.9% over 2003. The figure has risen to US\$ 360 billion in 2005. On the other hand, the increase in imports triggered by the economic growth has led to a current account deficit of US\$ 23 billion (6.4% of GNP) in 2005; however, paralleling this development, the rising level of confidence in corporations and banks has enabled Turkey to finance this deficit with the inflow of foreign capital. Net capital inflow has by far exceeded the current account deficit and the Central Bank reserves have risen considerably. Meanwhile, as the IMF program eliminated the overall uncertainty and as inflation dropped to single-digit figures, a cumulative 3-year growth of 25% was realized.



TSKB's Core Business Activities





Corporate Banking Activities

TSKB's long-term stable relations with existing clients as well as newly established relations with enterprises open to new investment and growth possibilities have enabled the Bank to provide support for about US\$ 2 billion worth of capital investments in 2004 and 2005.

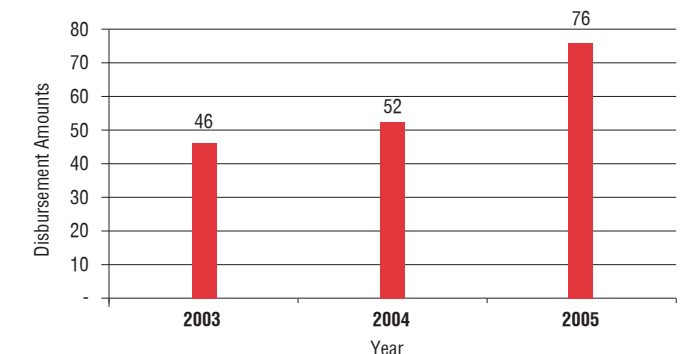
TSKB has been supporting the Turkish private sector capital investments ever since its establishment. In 2005 the Bank carried on this mission with a greater volume compared to the previous years. TSKB's long-term stable relations with existing clients as well as newly established relations with enterprises open to new investment and growth possibilities have enabled the Bank to provide support for about US\$ 2 billion worth of capital investments in 2004 and 2005.

While providing financing to increasing amounts of investments each year, TSKB has also created a more diversified and highly qualified client portfolio by utilizing different tools of investment banking together with the conventional long-term project lending.

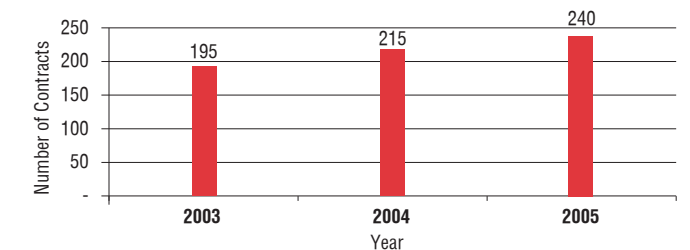
In addition to providing direct and indirect loans, TSKB also finances investments and investors through leasing operations. Establishing the necessary structure for smaller volume transactions besides the larger ones, a substantial increase in financial leasing activities has been achieved in 2005. In 2005 the transaction volume in foreign trade financing has also shown a considerable increase. In 2006 a further boost is targeted in foreign trade transactions together with the cross selling opportunities backed by the diversification of the products and services.

Leasing Disbursements

mn USD



Number of Loan and Leasing Contracts

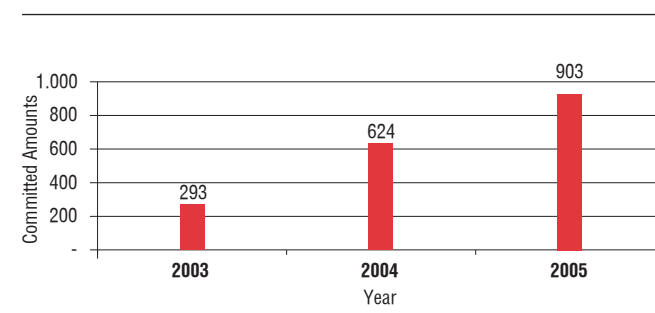


The architect and developer of productive projects and partnerships: TSKB



Loan and Leasing Commitments

mn USD

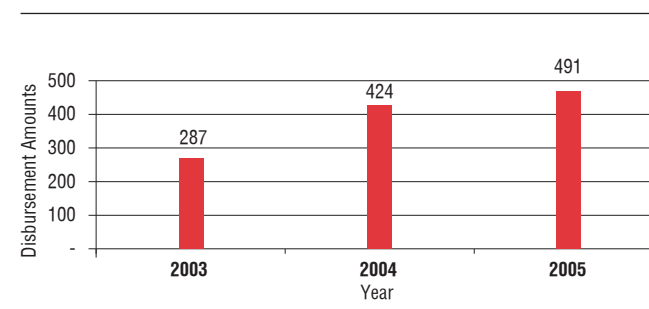


In 2005, as a result of TSKB's activities in financing private sector investments, the medium and long-term loans including leasing commitments rose by 45% compared to 2004 and reached US\$ 903 million. Of this amount, leasing contracts accounted for US\$ 95 million and APEX contracts accounted for US\$ 495 million. In 2005 loan and leasing disbursements rose by 16% compared to 2004 and reached US\$ 491 million. This amount consists of US\$ 76 million leasing transactions and US\$ 167 million APEX deals. Both amounts stand out as the highest commitment and cash

disbursement amounts that TSKB has ever achieved in a single year. Tourism, energy and logistics industries which have recently increased their shares in the Turkish economy, have started getting a larger share from TSKB's funds.

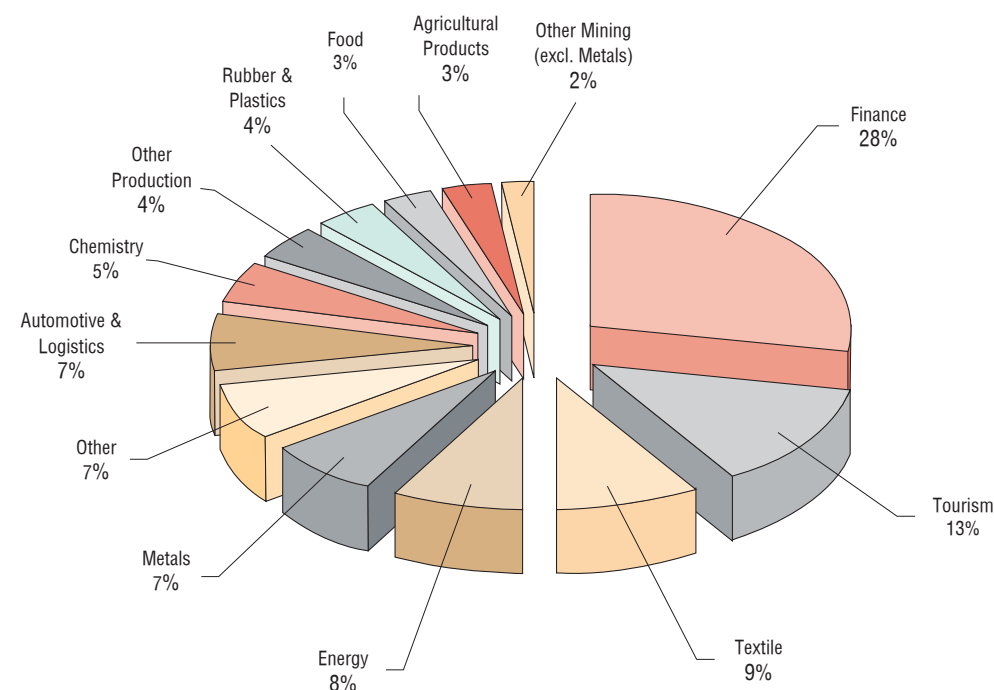
Loan and Leasing Disbursements (including APEX Disbursements)

mn USD



With the objective of diversifying its client portfolio and rendering better services across the country as well as enhancing its support for private sector investments, TSKB has enlarged its marketing team in 2005 and has given start to two new branches in Ankara and İzmir. The decision has been implemented in a very short period of time, and necessary steps have been taken. In 2006, with the expanding team and the new branches, it will be possible for TSKB funds to reach a much wider client base.

Sectoral Breakdown of Loan Portfolio

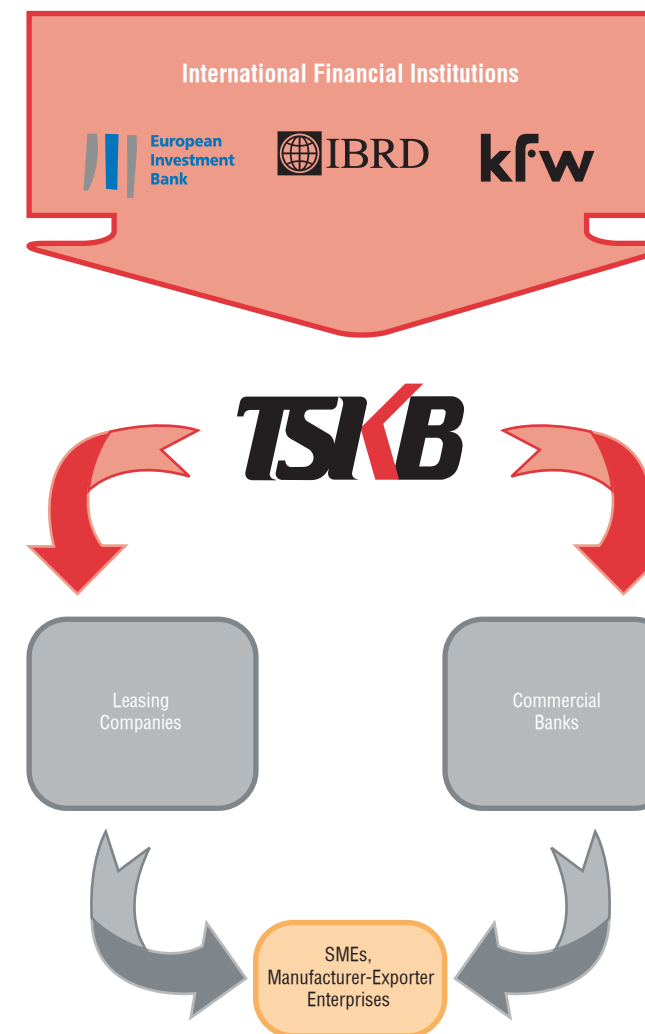


Note: The share of the finance sector increased by the funds disbursed to banks and leasing companies under the APEX Banking activities.

APEX Banking Activities

Committed to offer its expertise in securing and extending funds, TSKB has also initiated APEX Banking activities. Within the scope of the APEX Banking activities, TSKB facilitates the flow of funds from the World Bank (IBRD), European Investment Bank (EIB) and Kreditanstalt für Wiederaufbau (KfW), through commercial banks and leasing companies, to small and medium-sized enterprises as well as manufacturer and exporter companies. As of the end of 2005, there were four facilities in line with this objective.

APEX Banking Process Flow



As a result of successfully undertaking and fulfilling the Intermediary (APEX) Bank functions for the Export Finance Intermediation Loan II (EFIL II) secured from the World Bank in 2004, TSKB secured a similar loan (EFIL III) from the World Bank in 2005. The Small Business APEX Global Loan (APEX SME Loan) from European Investment Bank was also secured in 2005. In addition to these facilities the SME loan secured from KfW in 2002 is still being utilized.

In 2005, TSKB signed agreements with 3 commercial banks and 6 leasing companies within the scope of the World Bank EFIL III, and the disbursement of the loan amounting to US\$ 201 million and € 80.4 million was started in December of the same year. Under the APEX SME Loan secured from European Investment Bank, agreements were signed with 2 commercial banks and 8 leasing companies and the disbursement of the loan of € 150 million was started as of April 2005. As for KfW loan, a total of € 21.3 million will be disbursed under the contracts signed with 2 commercial banks. As TSKB's one of the main functions is to support the SMEs in Turkey, TSKB continues to serve as the intermediary bank in relation to these facilities and successfully reaches more investors.

2005 Achievements

- Achieved a significant increase in volume and amount of leasing transactions.
- Increased the trade finance volume.
- Ensured an increase of up to 45% in medium and long-term loan and leasing commitments.
- Provided continuous acceleration of APEX Banking services.

2006 Targets

- To get more involved in large-scale project financing activities.
- To enable the Bank's loans to reach a greater number of investors through the expanded marketing team and new branches.
- To structure foreign trade products and other TSKB products in accordance with investors' needs.
- APEX Banking activities will be continued at an increasing pace.



Investment Banking Activities

TSKB has attained a distinctive place in capital markets through its 55 years of experience in investment banking, not only with the value it has created through various cooperation with international institutions but also with its pioneering role in new projects and products.

2005 has been a year of favorable conditions for the development of investment banking in the Turkish economy. Besides the improvements in the general economic environment, the progress toward accession to the European Union has made Turkey a shining star in merger and acquisition activities in emerging markets, leading to record privatization revenues and foreign capital investments.

TSKB has attained a distinctive place in capital markets through its 55 years of experience in investment banking not only with the value it has created through various cooperation with international institutions but also with its pioneering role in new projects and products. Besides rendering intermediation services for public offerings, TSKB offers financial advisory services regarding key strategic issues such as mergers and acquisitions, restructurings and project financing to its customers including private sector companies, public institutions and foundations.

TSKB's Corporate Finance team undertakes the management of projects pertaining to asset acquisition and divestiture, public offerings and privatizations. The primary services offered in this context can be listed as the preparation of business plans, detailed review of operations and financial structure, appraisal of target companies, preliminary activities and documentation, ensuring access to prospective investors, and review of the financing aspect of the investment.

Recognized by many national and international institutions for its powerful presence in capital markets, its in-depth knowledge in the area of privatizations, mergers and acquisitions, and its creative services in public offerings and project financing activities, TSKB has been awarded the "Best M&A House" by Euromoney in 2005.

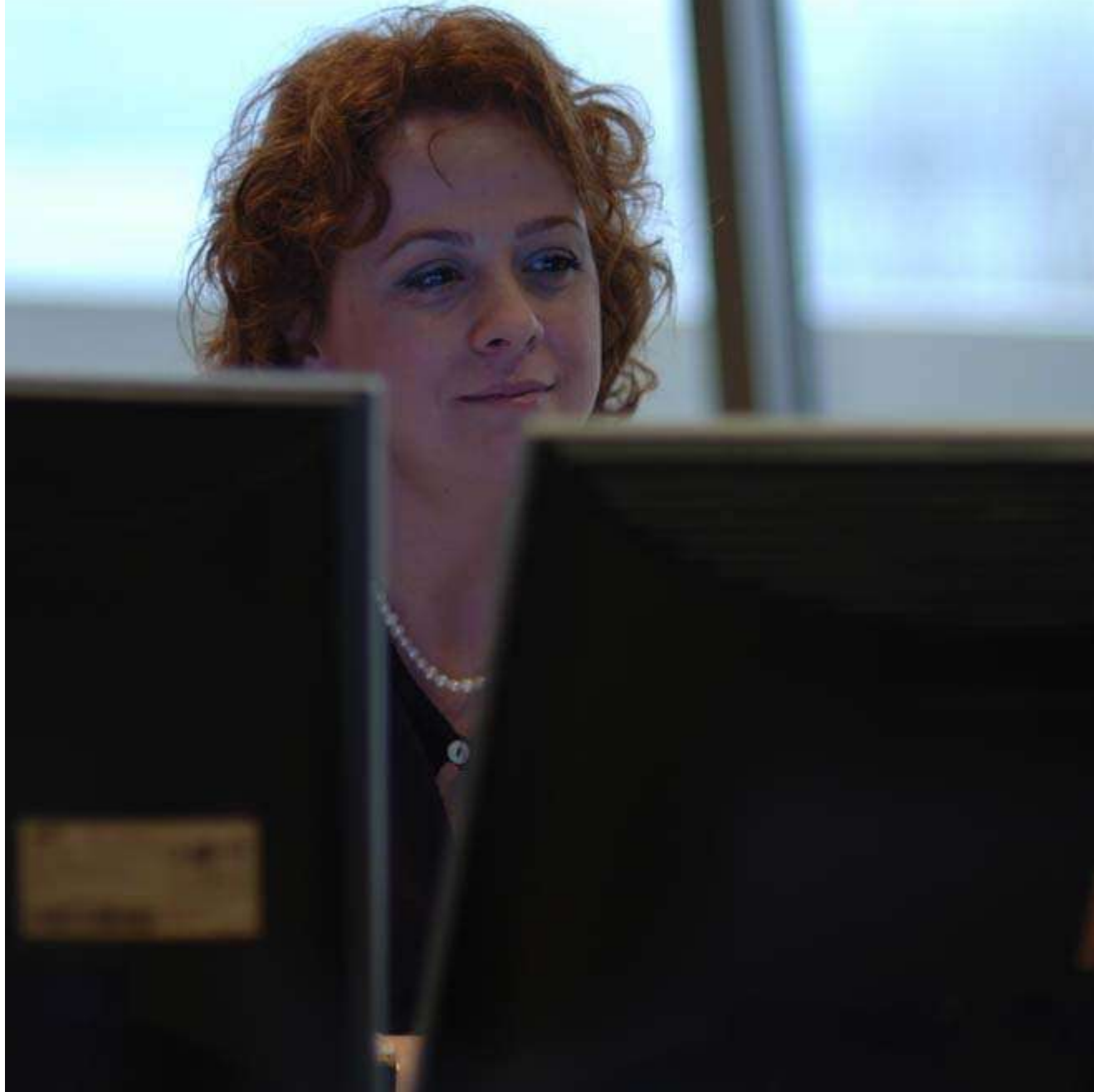
2005 Achievements

- Sell-side advisor to Alfa Auto Fleet Services in its acquisition (of 51%) by ALD Automotive GmbH.
- Sell-side advisor to the Savings Deposit Insurance Fund (SDIF) in the sale of Uzan Media Group companies:
 - Star TV for US\$ 306 million

- Super FM for US\$ 33.1 million
- Metro FM for US\$ 22.85 million
- Buy-side advisor to Limak Group in SDIF's sale of Ergani Cement Factory for US\$ 120.75 million.
- Sell-side advisor to Privatization Administration in the privatization of ports of the Turkish State Railways:
 - Port of Mersin for US\$ 755 million
 - Port of Iskenderun for US\$ 80 million
- Sell-side advisor in the sale of Ticaret Menkul Değerler A.Ş. to BBF Partners.
- Buy-side advisor to France Telecom in the sale of Telsim (the 2nd largest Turkish GSM operator) assets.
- On behalf of SDIF and creditor banks, TSKB carried out valuation studies and elaborated the fund generation capabilities of some big groups in Turkey.

2006 Targets

- In the next few years, as Turkey's credit ratings are upgraded to 'Investment Grade' and as the risk perceptions decline, there will be an increase in foreign direct investments, public offerings, and mergers and acquisitions. TSKB will continue to focus on qualified public offerings, mergers and acquisitions and structured products within the scope of its investment banking activities, by differentiating its services to maintain its leading role in capital markets.
- Some of the projects to be undertaken in 2006 are as follows:
 - As part of the service provided for the Republic of Turkey Prime Ministry Privatization Administration, advisory services for the privatization of the remaining four ports belonging to the Turkish State Railways (İzmir, Samsun, Bandırma and Derince).
 - As a part of the consultancy services given to SDIF regarding the sale of Uzan Media Group companies, asset sales of Joy FM, Joy Türk, Star Newspaper, Kral TV and Kral FM to be sold in 2006.
 - Considering the boom in real estate development projects, advisory and consultancy services for the sellers with support from TSKB Real Estate Appraisal Company in order to meet demands of both local and multinational companies.
 - Distinguished IPO intermediation and new consultancy services.
- In 2006, TSKB will continue to meet all expectations of its clients with its experienced and well-educated Corporate Finance team. TSKB will also be one of the active players in the league of investment banking with its experience and know-how.



➤ Asset Management and Brokerage Activities

Closely monitoring capital markets, TSKB guides its clients in line with current developments in the market.

Brokerage Activities

Recognizing the vital importance of competent and well-informed personnel in performing brokerage services, TSKB employs an experienced team of professionals with "Advanced Licenses" required by the Capital Markets Board (CMB), to support clients in the area of brokerage and asset management activities. In addition to conventional

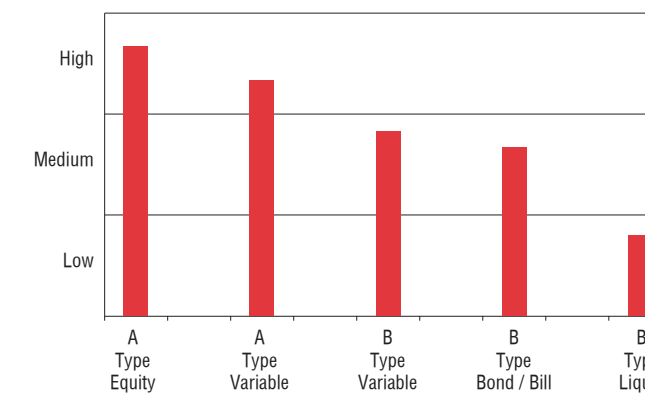
products such as fixed income securities, stocks and foreign exchange traded in organized and over-the-counter markets; the Bank has also started rendering intermediary services for the futures and options traded in the Turkish Derivatives Exchange (TURKDEX) as of the beginning of 2005.

TSKB's commitment to maximizing the net worth of its clients is complemented by services providing information about new tax regulations in effect, newly established markets, and comprehensive company and market reports prepared by the Research Unit of TSKB.

Mutual Funds and Asset Management

In a highly competitive mutual funds market, TSKB provides its clients with expert advice, innovative solutions and comprehensive access to the capital markets by using its intellectual capital and market insight to help them capture opportunities while managing risk. Through two "Type A" and three "Type B" mutual funds under TSKB management, TSKB's clients have the opportunity to diversify their portfolios between a variety of assets with different levels of risk.

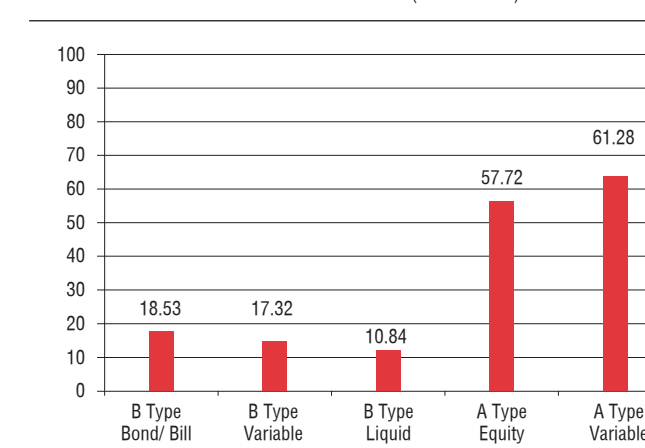
Risk Levels of TSKB Mutual Funds



In 2005, mutual fund portfolios of TSKB have been successfully managed under the existing market conditions, a consistent level of returns has been maintained, and the targets have been achieved.

According to 2005 year-end results, all mutual funds under TSKB management have exceeded their benchmarks and obtained higher levels in fund performance league tables compared to previous years. In this respect, especially "Type A" funds reached high level rankings among similar asset-risk mutual funds, based on the returns they have generated to the investors.

Returns of TSKB Mutual Funds in 2005 (in TRY terms)



The size of total mutual fund portfolio managed by TSKB has reached TRY 38 million (US\$ 28 million) by the end of 2005.

In 2005, TSKB focused on improving the distribution channels to ensure simpler and more effective means of access to its clients as well as on developing various mutual fund options to meet specific portfolio requirements. Toward this end, the distribution channels of Yatırım Finansman A.Ş., one of TSKB subsidiaries, are also utilized. Furthermore, it is possible to trade TSKB mutual funds 24/7 over the Internet.

In addition to the success achieved in the mutual funds market, TSKB aims to undertake a leading role in individual and corporate asset management in the years ahead. All necessary groundwork has been completed in 2005 to ensure that clients can benefit from the asset management service of TSKB by the beginning of 2006.

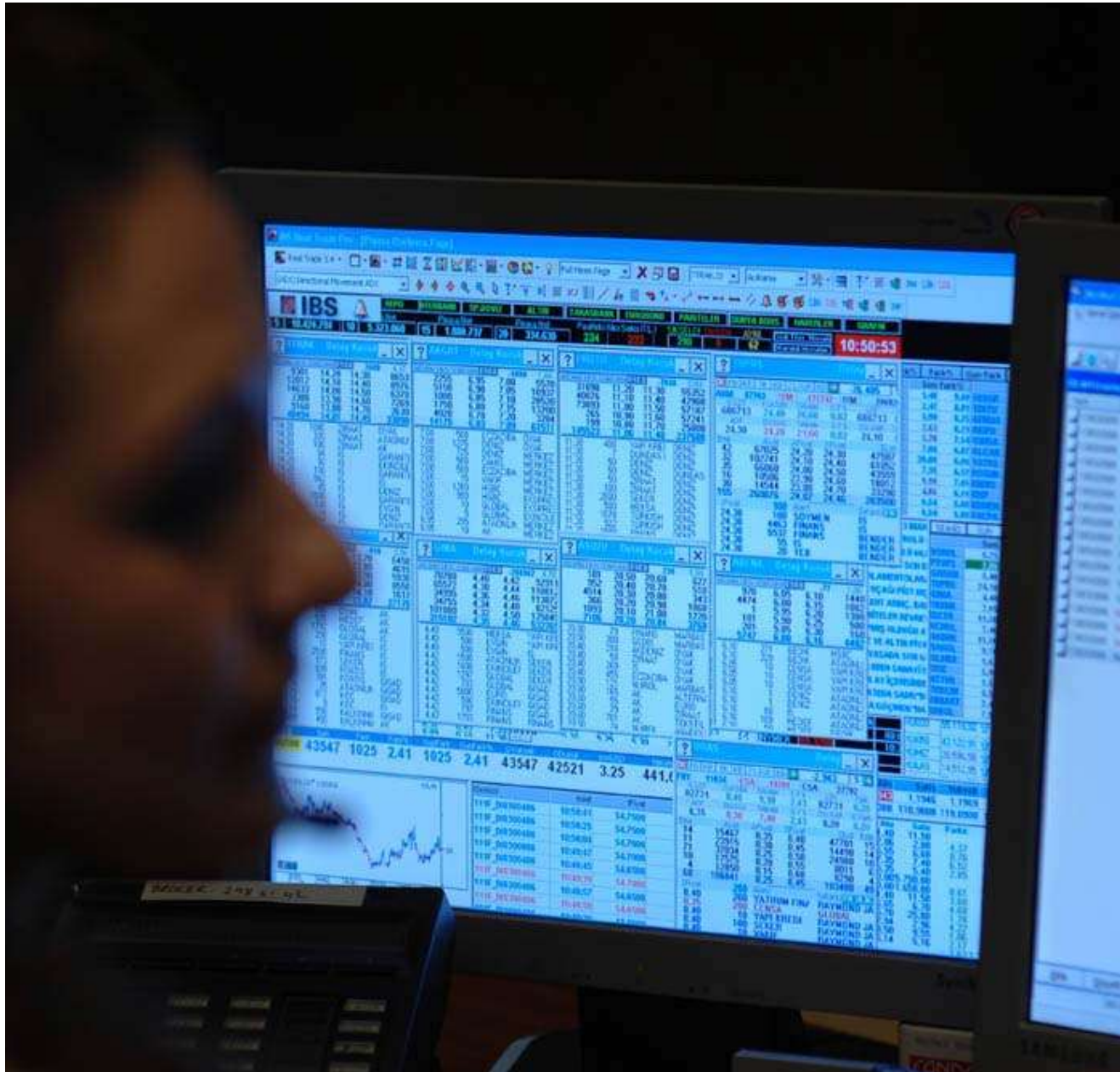
2005 Achievements

- TSKB mutual funds have secured stable returns due to their effectively designed portfolio.
- Achieved higher levels at the fund performance listings compared to the peer mutual funds of other financial institutions.
- Completed the steps toward utilization of alternative products and distribution channels.
- Started offering asset management services.

2006 Targets

- TSKB aims to maximize the returns from its mutual funds in 2006.
- Asset Management activities, initiated in 2005, will be continued.
- Another target for 2006 is to offer new products to TSKB clients in accordance with their needs and risk perceptions.
- Client base will be quantitatively and qualitatively improved and broadened.

*By your side for 55 years
transforming your assets
into value: TSKB*



Treasury Activities

TSKB is positioned in the market as a strategic consultant and a reliable partner for its clients. The Bank has the capability to offer both standard and tailor-made products to investors within the framework of treasury activities in capital and money markets.

Expertise requires not only knowledge and experience, but also being ready and well equipped to face new challenges. One of the most distinctive attributes of TSKB's expertise is the adoption and implementation of this approach across the organization.

In 2005 Turkey was one of the best performing countries among emerging markets and attracted the interest of local and international investors. Considering the expanding investor base, market development and the diversity of financial instruments, it is becoming more and more important for investors to work with institutions that have deep market knowledge and expertise.

TSKB is well positioned in the market as a strategic advisor and a reliable partner for its clients. The Bank has the capability to offer both standard and tailor-made products to its client base within the framework of treasury activities in the capital and money markets.

TSKB has always been at the front lines of the development of domestic financial markets. It offers services in the below areas with its dedicated and experienced team of professionals in treasury products:

- Fixed Income Securities Market
- Foreign Exchange Market
- Money Markets
- Derivative Products Market
- Research

The Treasury Department is responsible for TSKB's liquidity and asset management. It is crucial to regularly monitor the possible shifts in the Bank's position in terms of maturities, exchange rates and interests, and to take the necessary steps without delay. The Treasury Department manages such risks in line with the daily reports and the decisions taken in the weekly Asset-Liability Committee meetings with due attention to the prevailing market conditions.

Aside from liquidity management, the Treasury Department conducts activities, which contribute to TSKB's profitability, and carries out effective transactions in local and foreign money and capital markets. In 2005, the Structured Products and Derivatives Unit comprised of experienced professionals was constituted within the Treasury Department with the objective of regularly tracking and managing the market, interest and foreign exchange risks of the Bank as well as offering a wide variety of products to TSKB's customers.

TSKB reaches corporate clients and investors through the Treasury Marketing Unit (TMU). With the ability to offer a full spectrum of financial products, the TMU is organized as a one-stop shopping place for the clients to satisfy their complex investment, hedging and liability management needs. The dedicated team approach and strong client relationships stand TSKB out from its peer group.

2005 Achievements

- Became one of the founders of the Turkish Derivatives Exchange (TURKDEX).
- Ranked within top three in the Turkish Derivatives Exchange (TURKDEX) in terms of total volume of transactions.
- Started to provide more competitive treasury products to foreign investors through the newly opened Bahrain Branch.
- Offered a wide range of products to clients through the Structured Products and Derivatives Unit established within the year.
- Undertook the co-manager role in the "2020 Maturity Republic of Turkey Eurobond" issue.

2006 Targets

- The new tax regulations to come into effect in 2006 will have a positive impact especially on the issuing of corporate bonds. In order to support clients in this area, a new unit has been created within TSKB, comprising professional team members specialized in the corporate bond market. From the beginning to the end of the process, the Unit aims to provide excellent and high-quality services with regard to the issuing of these bonds.
- Concurrent with the changing risk profiles of investors and products, new derivative products will be offered to meet the needs of clients. In this connection, combinations of existing and advanced derivative products will be used.
- The existing IT infrastructure will be further enhanced, the efficiency of daily transactions will be increased, and integration with other divisions such as Risk Management will be maximized.

The conversion edge of the savings into value: TSKB





Relations with Financial Institutions

The main objective of the Financial Institutions Unit is to add value to TSKB's performance through the synergy created by combining expertise and know-how with the experience in international financial markets.

Having been established in September 2004, the Financial Institutions Unit aims to continue developing new and successful relationships with financial institutions for a well-recognized presence in international financial markets. The unit aspires to have an ongoing development process and an internationally value-added business by creating synergy through combining TSKB's unique knowledge in the financial sector. In order to provide services at international standards, TSKB secures its success by investing in human capital and giving emphasis on mutual cooperation with its correspondent banks.

In 2005, the Financial Institutions Unit organized roadshows to various regions including Europe, USA and the Gulf region, and had meetings with 208 correspondent banks from 8 countries. These visits have enabled the Bank to expand its correspondent banking network and enhanced the possibilities of cooperation with international financial institutions pertaining to various products. With the establishment of the Financial Institutions Unit, new treasury

and trade finance limits have been set by more than 50 banks from 16 countries.

The Financial Institutions Unit, in coordination with the Corporate Marketing Division, has focused on TSKB's corporate client base in order to expand TSKB's trade finance volume. As a result, the trade finance volume has increased by 25% compared to 2004. In line with TSKB's strategy in making more effective use of the Bank's strong corporate base, the boost is expected to continue at higher momentum in 2006.

In 2005, apart from import financing of capital goods, TSKB has also started to finance commercial transactions including oil import financing and other structured products such as promissory notes, and secondary loan trading. For the first time in its history, TSKB has established a GSM limit in line with the requirements of corporate clients importing agricultural products from USA. Generating customized solutions for its clients in trade finance is an important priority for TSKB. With its extensive correspondent banking network as well as its credibility among international banks, the Bank enjoys a high capacity for creating alternative financing and co-financing options.

Syndication and Murabaha Loans

In 2005, for the first time in its 55-year history, TSKB tapped international financial markets twice to seek short-term funding alternatives and secured a syndicated loan of US\$ 120 million and a murabaha syndication loan of US\$ 50 million. The murabaha loan is significant in terms of being the first of its kind secured by a Turkish bank in Turkey. Both deals attracted considerable interest from international financial markets and TSKB has confirmed its success in different tracks as well.

Club Deal

Deal Amount: US\$ 120 million

Date Signed: 06.04.2005

Maturity: 10.04.2006

MLAs: Arab Banking Corporation (B.S.C.), American Express Bank GmbH, BayernLB, BHF-BANK Aktiengesellschaft, Citibank N.A., Commerzbank Aktiengesellschaft, Dresdner Kleinwort Wasserstein (represented by Dresdner Bank Luxembourg S.A.), Erste Bank der Oesterreichischen Sparkassen AG, Gulf International Bank BSC, HVB Group, Raiffeisen Zentralbank Oesterreich, Standard Bank London Limited, Sumitomo Mitsui Banking Corporation Europe Limited and WestLB AG, London Branch.

Murabaha Deal

Deal Amount: US\$ 50 million

Date Signed: 21.10.2005

Maturity: 31.10.2006

Participant Banks: Arranged by WestLB AG London Branch, Finansbank (Holland) N.V., HSH Nordbank and Raiffeisen Zentralbank Oesterreich joined as Arrangers; Abu Dhabi Islamic Bank, Alpha Bank, BAWAG and Mashreqbank joined as Managers.

2005 Achievements

- New treasury and trade finance lines were secured from more than 50 banks from 16 countries
- Attained an increase of 25% in foreign trade transactions volume as of 2005.
- Set a GSM limit for the first time in TSKB's history, in line with the requirements of corporate clients importing agricultural products from USA.
- Finalized a murabaha syndication deal, the first of its kind signed by a Turkish bank in Turkey.

2006 Targets

- Alternative funding from international markets will continue in 2006 and onwards.
- Relations with financial institutions will be further enhanced and diversified.



Strategic advisor,
reliable partner: TSKB

TSKB Bahrain Branch

TSKB Bahrain Branch, subject to Bahrain Monetary Agency (BMA) regulations, started operations at the beginning of 2005. Despite the fact that it was the first year of its operations, the contribution of the Branch to the productivity of the Bank's activities has been beyond expectations. TSKB expects further contributions to the Bank's profitability and volumes in 2006 as the activities of the Bahrain Branch are more widely recognized by clients and financial institutions. The Branch officials make visits to leading investment banks in Bahrain and in the region to invite them to take advantage of services offered by TSKB and its subsidiaries and to invest in Turkey.





TSKB's Sources of Funds

Ever since its foundation in 1950 as the first investment and development bank in Turkey, TSKB has been cooperating with international financial institutions. The Bank has been offering the funds secured from a wide range of highly recognized institutions to its customers.

Ever since its foundation in 1950 as the first investment and development bank in Turkey, TSKB has been cooperating with international financial institutions such as the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB), Agence Française de Développement (AFD), Kreditanstalt für Wiederaufbau (KfW), Islamic Development Bank (IDB), International Finance Corporation (IFC), Japan Bank for International Cooperation (JBIC), and Black Sea Trade and Development Bank (BSTDB). TSKB extends medium to long-term funds secured from these multinational financial institutions in order to support private sector investments in Turkey.

Long-Term Funds

In 2005, TSKB continued to provide funding for fixed capital investments of the Turkish private sector through the "Industrial Sector Global IV Loan" and "Industrial Pollution Abatement Loan" from EIB, "SME Loan" from CEB, "Industrial Pollution Abatement Loan" from KfW, and the funds secured from AFD mostly directed to energy, health and education

projects. In addition to the above facilities, TSKB utilized the "Renewable Energy Project Loan" from IBRD to support private sector companies generating electricity using renewable sources of energy such as hydroelectricity, wind and geothermal energy.

Short-Term Funds

In 2005, TSKB secured its first syndicated loan for US\$ 120 million with a maturity of 1 year, signed by the participating 14 international banks. Again in 2005, the Bank secured a murabaha loan for its Bahrain branch at an amount of US\$ 50 million, with a maturity of 1 year and with the participation of 8 international banks from 5 countries. This loan is the first murabaha loan ever secured by a bank in Turkey.

Club Deal

Date Signed: 06.04.2005
Deal Amount: US\$ 120 million
Maturity: 10.04.2006

Murabaha Deal

Date Signed: 21.10.2005
Deal Amount: US\$ 50 million
Maturity: 31.10.2006

Long-Term Loan Agreements Signed in 2004-2005 (mn)

	Amount	Tenor	Maturity	
World Bank (IBRD)	Renewable Energy Project Loan	\$ 202	12 yrs	2016
	Export Finance Intermediation Loan II (EFIL II)	\$ 303	16 yrs	2020
	Export Finance Intermediation Loan III (EFIL III)	\$ 201 € 80	16 yrs 16 yrs	2021 2021
Agence Française de Développement (AFD)	€ 50	12 yrs	2017	
European Investment Bank (EIB)	Industrial Sector Global IV Loan	€ 250	12 yrs	2015
	Industrial Sector Global V Loan	€ 250	12 yrs	2017
	Small Business APEX Global Loan	€ 150	12 yrs	2016
Council of Europe Development Bank (CEB)	€ 200	11 yrs	2015	
International Finance Corporation (IFC)	\$ 50	7 yrs	2011	



➤ Appraisal and Valuation Services

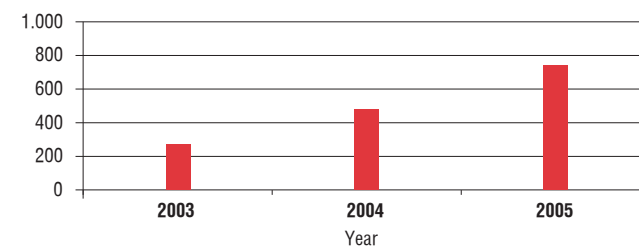
Appraisal and Valuation Services, which constitute the core of TSKB's lending and investment banking activities, are carried out by the Technical Services Division composed of the Economics and Research, Financial Analysis, and Engineering Departments.

The Technical Services Division focuses on duly preparing extensive and prudent appraisal reports of superior quality. Activities in this respect are generally based on comprehensive reporting. The Technical Services Division provides customized studies to meet requirements, which are related to ongoing funding and advisory projects. The Division gives emphasis to developing particular corporate information and know-how as well as extending this accumulated knowledge to the service of various divisions within the Bank.

The approach based on the expertise derived from TSKB's 55 years of knowledge and experience is recognized as an important and valuable asset by the financial and industrial organizations in Turkey as well as the international business partners such as the World Bank (IBRD), European Investment Bank (EIB) and Kreditanstalt für Wiederaufbau (KfW).

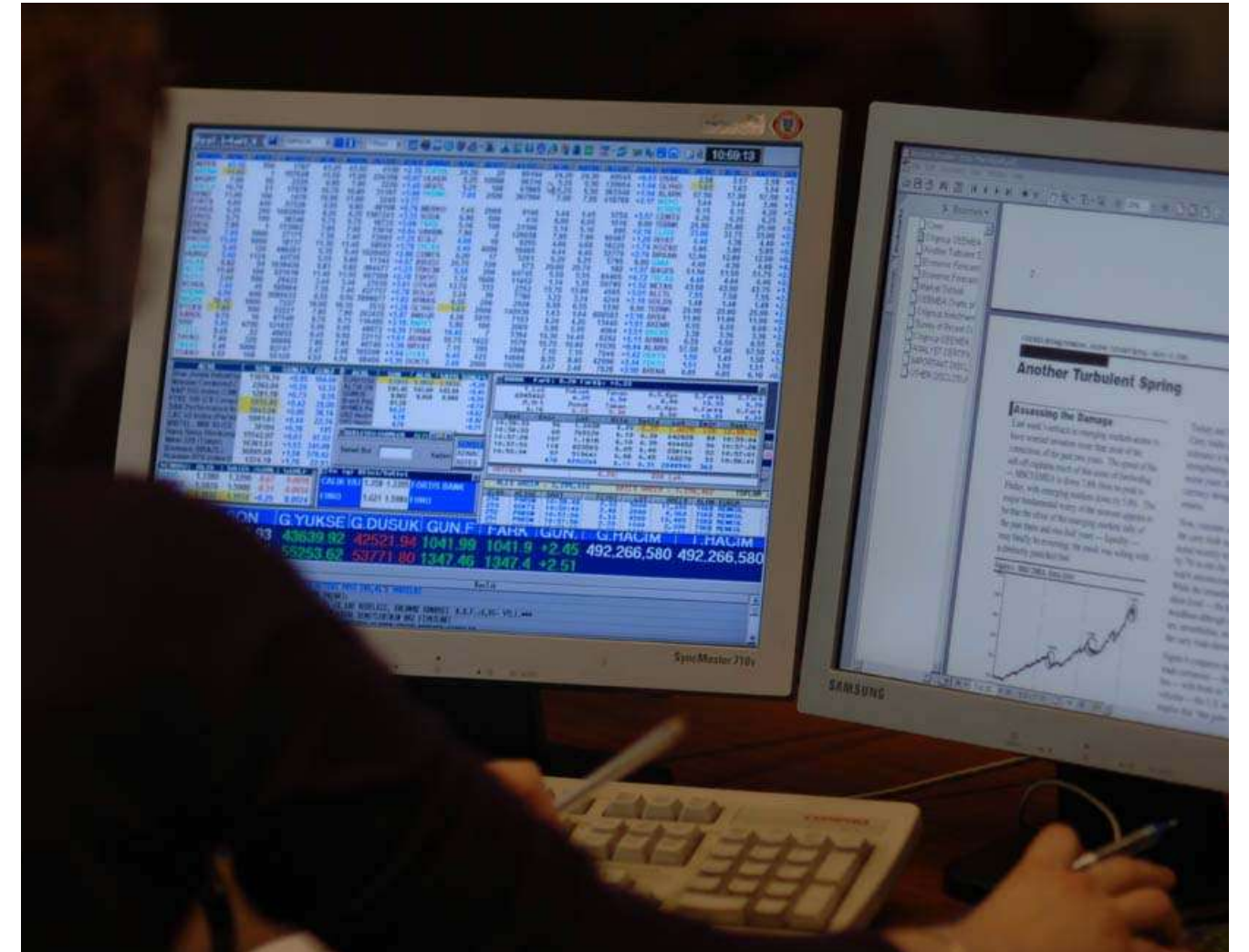
In pursuing its activities, the Technical Services Division will keep on maintaining a good balance between theory and practice and aim to ensure minimum cost and maximum quality.

The Number of Activities Undertaken by the Technical Services Division*



* Includes projects, appraisals, sectoral studies, real estate appraisal reports and project implementations reviewed in the scope of APEX Banking.

In 2005, with the increase in lending activities, it had become a necessity to establish the Loans Department in order to monitor and analyze risks arising from these operations. The Department aims to specialize in monitoring and managing the clients' risks in fund allocation and disbursement stages and therefore is organized on a sectoral basis in order to follow developments and risks closely in different industries. In line with the Bank's credit policies, the Loans Department is committed to taking sound collaterals and spreading the risks on sectoral, geographical and client-group basis. Within this scope, the Department keeps close track of clients and market developments, determines possible risks, and takes the necessary steps to restructure or liquidate the loans if they become problematic and carry out the necessary reporting.



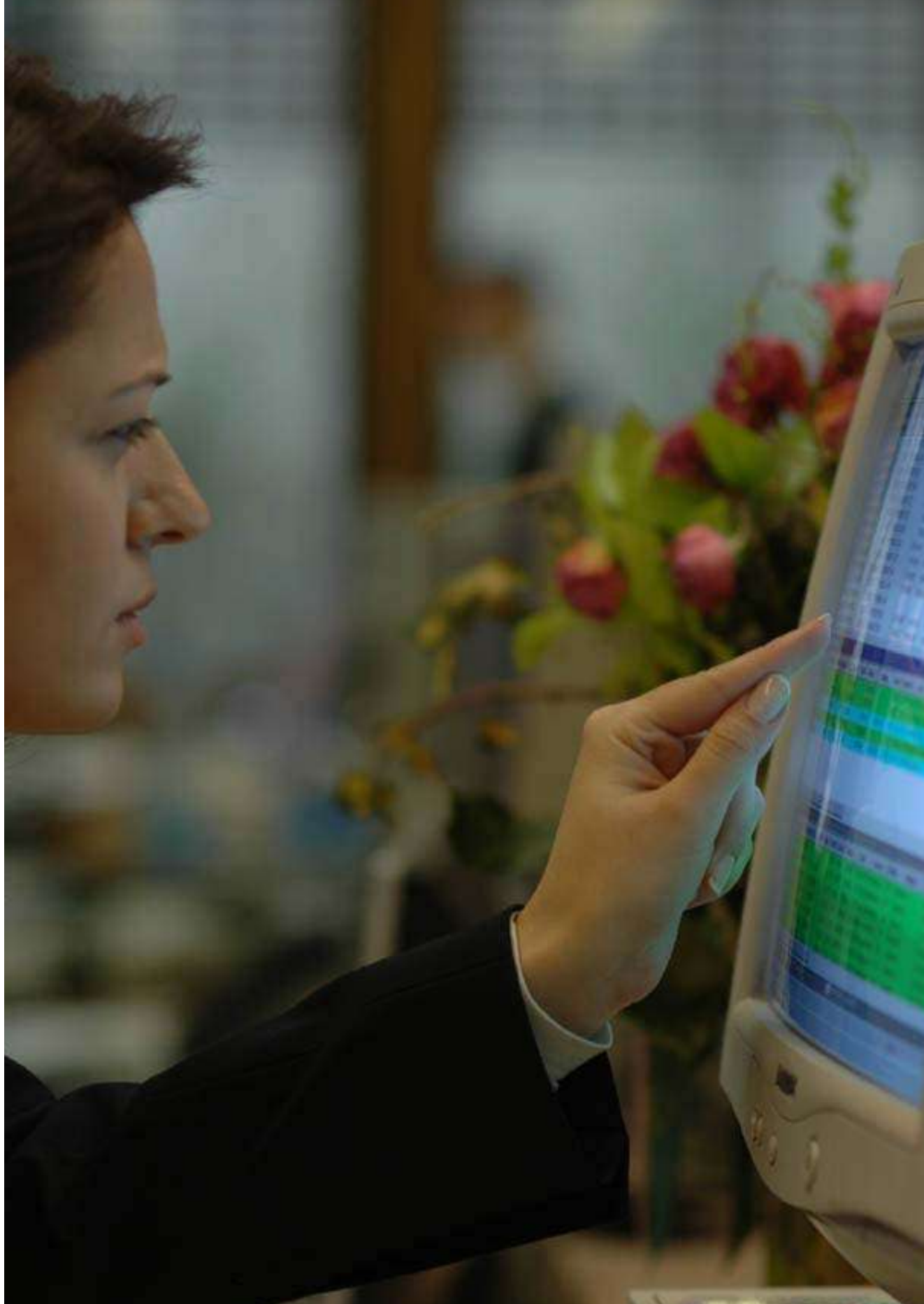
➤ Research

Aware of the critical importance of continually updated information in the dynamic environment of finance, TSKB aims to extend the highest quality services by combining professional expertise with research experience. The Research Unit focuses especially on equity markets and covers Istanbul Stock Exchange-50 (ISE-50) and some other industry stocks. Holdings, automotives, media, telecom, energy, steel, durables, cement and banking stocks are the core of the research coverage.

The Research Unit produces a minimum of 20 industry analysis reports each year. In addition, recommendation lists and one-pagers are issued on a regular basis. The Unit also prepares a "top 5 picks list" comprised of 5 recommended equities with the highest potential to move up. Equity research is mostly augmented with economic forecasts and analysis, and almost all research is based on macroeconomic assumptions. Economic and political scenarios are continuously generated and potential consequences are evaluated accordingly.

There has traditionally been a "scenario team" regulating the research activities of TSKB since the early 1990s. This approach supports a broad perspective and a long-term vision, also adding an almost "academic flavor" to what would otherwise have become a somewhat standard account of company financials. TSKB's Research Unit also supports the Asset Management team and issues frequent recommendations and comments regarding general trends. The Unit aims at further enhancing the financial market surveys with model-based quantitative finance exercises in 2006.

The bank that believes in the power of information: TSKB



Information Technology

Evolving technology makes a dramatic impact on the banking industry just like on all other industries. With its modern outlook and dynamic structure, TSKB keeps up with the latest developments in information technology (IT) and supports its operations with state-of-the-art technology solutions.

The numerous factors shaping the utilization of technology in banking are considered in two basic categories by the TSKB Information Technology team. One of these is the diversity and speed brought to the markets and products by the ever-increasing competition and globalization, and the other is the shaping of client relations and alternative distribution channels by the possibilities directly resulting from new technologies. In these circumstances, TSKB has always taken a proactive approach to banking technologies with the aim of creating solutions by increasing its capacity. TSKB relies on its own IT human resources to develop all fundamental banking applications, management information systems, workflow automation systems, and Internet online service infrastructure, and also to meet the IT requirements of the Bank's subsidiaries.

Current IT focus areas of TSKB are security, continual development of alternative distribution channels, increasing the efficiency of internal processes, reducing bureaucracy across the organization, and ensuring that decision and risk management systems effectively support TSKB's management.

2005 IT Activities

- The new disaster recovery center, one of the most critical measures regarding business continuity, has become operational.
- With further enhancements, TSKB APEX Banking Automation Project has become a model IT solution serving as an example to other developing countries.
- TSKB's "Corporate On-Line Branch" has been developed and implemented.
- TSKB's loan process, beginning from the initial application of the client through the disbursement stage, also including the fundamental evaluation and approval steps, has been incorporated into the scope of electronic workflow.
- The first "Branch IT Applications" of TSKB has been developed for the Bahrain Branch.
- Asset management and derivative product applications have been developed.

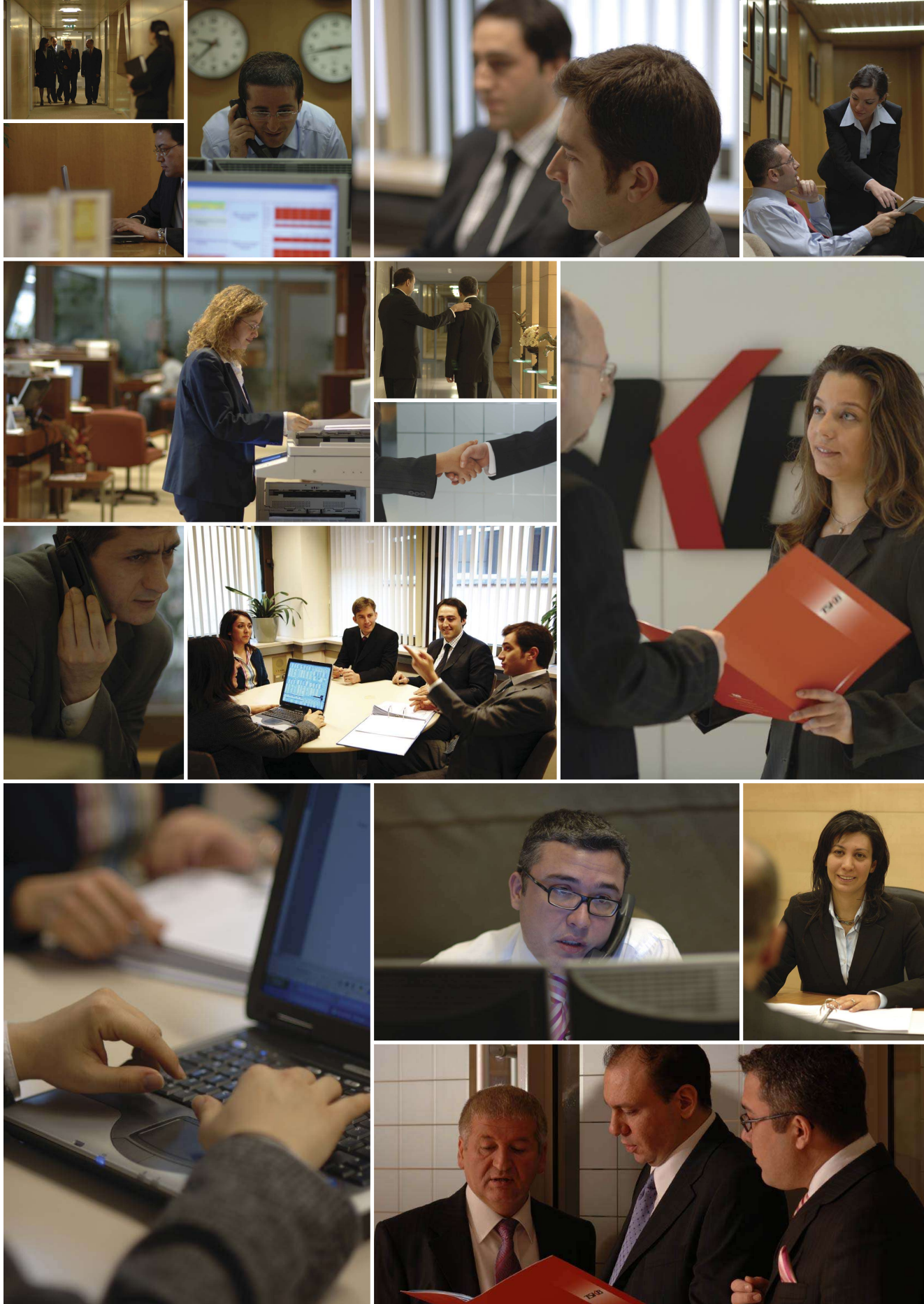


2006 Targets

Process improvement efforts launched in 2005 will be expanded to cover all the banking systems of TSKB in 2006, and the remodeled TSKB processes will be optimized in line with the Total Quality perspective. Upon completion of these undertakings, TSKB will be one of the first banks in the industry that manages its processes, workflows and resources with maximum efficiency and transparency and organizes not only its internal audit and risk management systems in compliance with Basel II but also its IT processes in conformity with COBIT. In addition, 2006 will be a year in which TSKB CRM systems will be moved to the forefront in private and corporate banking services. With its new projects in the new period, the Information Technology Division aims to carry TSKB to higher levels in terms of security, efficiency and competitive edge.

The bank that follows the latest trends in IT: TSKB





Human Resources

The main driving force behind the continuous growth and progress of TSKB is its professional team. 2005 has been a year of accomplishments for TSKB with its team of experts equipped with the skills and vision that make them the industry model.

The TSKB team is one step ahead of the competition in terms of the quality of their education, their professionalism, and their commitment to the organization. Result-oriented approach, effective analysis and problem solving skills, and a strategic mindset are among the primary competencies of the team members.

Statistical data clearly indicate that the male-female distribution in TSKB is balanced; its team is highly educated and has proficiency in foreign languages. The high commitment to the organization is revealed through numerical indicators such as the average seniority of 8.7 years.

Language Proficiency of Bankers	81%
Distribution of Bankers by Education Level	Total Staff
University	197
Other	29
Grand Total	226

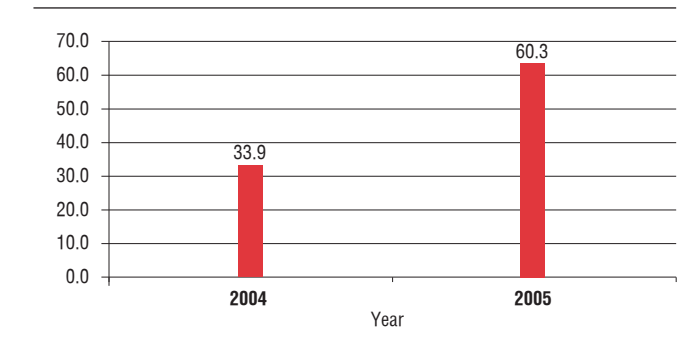
Total Number of Employees (BANKERS & NON BANKERS)	288	100%
Females	143	50%
Males	145	50%
Average Seniority - years	8.71	
Females	8.90	
Males	8.53	
Average age	36.33	
Females	35.87	
Males	36.79	

The Performance Management System in TSKB is based on objectives and core competencies covering all human resources activities including the determination of training requirements, career management, and motivation and compensation practices. Within the framework of human resources' policies and applications, periodic employee satisfaction surveys are conducted to emphasize employee participation. Accordingly, necessary revisions and improvements are realized based on the survey feedbacks.

In 2005, TSKB's Human Resources Department conducted interviews for open positions and recruited new team members. Adopting the principle of promoting its managers from within the organization, TSKB has recruited 26 new graduates from prestigious universities as MTs to be trained as prospective managers within the "Management Trainee Program" implemented for the first time in the Bank's history.

TSKB has extended the scope of its efforts directed to supporting both technical and soft core training needs of its employees and recorded a remarkable increase in the number of training hours per employee in 2005.

Training Hours Per Employee



The "Vision Meeting and Outdoor Training" planned with the objective of celebrating the TSKB family's 55th anniversary and sharing the Bank's future vision was successfully organized in Antalya in 2005.



The bank that believes in human power and competence: TSKB



➤ Risk Management

Having adopted a risk management culture, TSKB strives to ensure the perception of risk management as a dynamic and continuously developing process. The Banking Regulation and Supervision Agency (BRSA) imposed on banks the necessary disciplines regarding risk management procedures by the regulations issued on February 8, 2001. The Risk Management Group within TSKB comprises of the Executive Risk Committee, Bank Risk Committee, Credit Risk Committee, Market Risk Committee, Operational Risk Committee, and the Risk Management Unit. The areas of responsibility and task definitions of the Committees and the Risk Management Unit have been described in the "Risk Management Group Guidelines" approved by the Board of Directors of TSKB. In accordance with the principle of segregation of duties, the Risk Management Group reports directly to the Board of Directors. Together with the senior management of the Bank, the Risk Management Group is responsible for developing the required policies and procedures subject to Board approval. These policies cover risk appetite, risk tolerances and limits as well as operational principles. Potential risks are defined in the Risk Catalogue prepared by the senior management and the Risk Management Group and further approved by the Board.

Credit Risk

In TSKB, credit risk is managed with due consideration to the credit structure and features, loan agreement terms and financial conditions, risk profile of credit portfolio, guarantees and collaterals, internal ratings and possible

changes thereof within the risk exposure period, and concentrations and compliance with limits set by the Board of Directors.

Market Risk

Market risk is managed by taking into account consistent risk methodologies such as the "Value at Risk" calculations (based on historical simulation and variance/covariance measurements), stress test and scenario analysis, compliance with the established risk limits, definition and awareness of risks and setting of proper controls, and reporting of market risk to all required levels in the organization.

Operational Risk

Operational risk is managed by taking into account improvement of processes, employment of highly qualified personnel, establishing effective risk management and internal control systems, setting authority and approval mechanisms in accordance with the segregation of duties principle, using risk mitigation techniques, developing a common risk language and risk awareness.

TSKB prepared the business continuity and disaster recovery plans. The review of the historical operational loss data set has revealed that the Bank has been subject to no severe losses. TSKB maintains collection of error and loss data and calculates operational risk based on Basel II standard approach.



➤ Investor Relations

After December 17, 2004, many international investors increasingly perceived of Turkey as a "convergence play". Ahead of this development, TSKB established an Investor Relations Unit at the beginning of 2005. Many multinational funds and investors kept an eye on TSKB throughout 2005 and, as a result, foreign participation exceeded 22% in TSKB's share by the year-end. The Investor Relations Unit's main objective is to make sure TSKB's performance and its objectives are adequately portrayed in full transparency to potential foreign investors.

By the end of February 2005, after a successful visit to London, TSKB has become a key participant in many international investor roadshows. Last year, TSKB participated in 8 roadshows, spanning 84 one-on-one meetings. The market capitalization of TSKB has gone up to US\$ 686 million by the end of 2005, stemming well ahead from

US\$ 139 million of the year-end 2004. Since January 2006, TSKB shares are listed in the ISE National-30 Index based on transaction volume and market price criteria. TSKB now appeals to the funds that are legally restricted to invest in the ISE-30 blue-chip stocks only. Considering the above-mentioned progress and the ongoing foreign interest in the Turkish banking sector, TSKB Investor Relations Unit will continue to be active in investor meetings and roadshows going forward.





TSKB share certificate

Corporate Governance

TSKB believes that the implementation of corporate governance principles is important from the perspective of the evolving national and international capital markets as well as the interests of the Bank.

Corporate Governance Compliance Statement

TSKB believes that the implementation of corporate governance principles is at least as important as financial performance from the perspective of the evolving national and international capital markets as well as the interests of the Bank. TSKB is committed to ensuring maximum compliance with these principles and is taking the necessary steps in this respect. The Bank's Policy of Informing the Shareholders has also been formed within this frame. It is TSKB's fundamental policy to make public disclosures which are not considered as confidential information (other than those specified by laws and regulations) accurate, correct, comprehensible, interpretable, cost-effective and easily accessible and equally announced to all its shareholders as well as individuals/corporations that will benefit from such information.

In 2005, the Investor Relations Unit has been set up. The Unit is responsible for keeping reliable, secure and up-to-date records concerning the shareholders as well as providing them all sorts of information they require about the Bank. In addition, the Unit monitors all developments related with the public disclosure, follows the legislation about the General Assembly, provides the necessary documentation and reports the results of voting.

As efforts toward forming the TSKB Corporate Governance Committee continue, the relevant legal regulations are expected to be finalized.

General Assembly

It is ensured that the regulations in force at the general assembly meeting comply with the Bank's articles of association and other internal regulations. The procedures preceding the meeting of the General Assembly are also carried out in line with the laws and regulations. Official minutes and records of the General Assembly are submitted to the shareholders at the end of the meeting. Starting from 2005, shareholders who were unable to attend the meeting, can access all information at TSKB's web site (www.tskb.com.tr in Turkish and www.tskb.com in English).

Board of Directors

The members of the Board of Directors and the Auditors are chosen by the General Assembly in line with banking legislation and the provisions of the Turkish Commercial Code. In accordance with the law, the CEO is automatically a member of the Board of Directors. TSKB Board of Directors consists of non-executive members, with the exception of the CEO.

The roles of the Chairman of the Board of Directors and the CEO are fulfilled by different people. As no real person has a controlling share, the Board has the advantage of being able to work independently and therefore ensure that when decisions are taken, the interests of the Bank and its Stakeholders have priority above everything else. The members of the Board of Directors are subject to the ban on competing and doing business with the Bank and hence they are not involved in any procedures or activities, which would require permission from the General Assembly.

Special Case Disclosures

Special Case Disclosures are made in line with the regulations of the Capital Markets Board.

Web Site

TSKB's web site (www.tskb.com) provides information related to the commercial registry, the recent status of the shareholder and management structure, the recent version of the articles of association, special case disclosures, the annual reports, the periodic financials and reports, the agendas, participant lists, minutes and the proxy voting forms for the General Assembly meetings, and the last two years minutes and participant forms of General Assembly meetings.

Insider Information

In order to prevent the use of insider information, all necessary precautions are taken and TSKB managers who are allowed to access information that may influence the capital market value of TSKB are disclosed through the "Corporate Governance Compliance Report".

Code of Ethics

TSKB has adopted the "Ethical Principles of Banking" issued by the Banks Association of Turkey.

Financial Statements 

ASSETS	AUDITED					
	CURRENT PERIOD December 31, 2005			PREVIOUS PERIOD December 31, 2004		
	TC	FC	Total	TC	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	357	130	487	455	7	462
1.1.Cash	106	-	106	197	-	197
1.2.Foreign currency	-	14	14	-	-	-
1.3.Balances with the Central Bank of Turkey	251	116	367	258	7	265
1.4.Other	-	-	-	-	-	-
II. TRADING SECURITIES (Net)	532	-	532	374	-	374
2.1.Public sector debt securities	-	-	-	-	-	-
2.1.1.Government bonds	-	-	-	-	-	-
2.1.2.Treasury bills	-	-	-	-	-	-
2.1.3.Other public sector debt securities	-	-	-	-	-	-
2.2. Share certificates	-	-	-	-	-	-
2.3.Other marketable securities	532	-	532	374	-	374
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	40.710	85.745	126.455	50.025	2.049	52.074
3.1.Due from banks	40.710	85.745	126.455	50.025	2.049	52.074
3.1.1.Domestic banks	40.710	47.449	88.159	50.025	601	50.626
3.1.2.Foreign banks	-	38.296	38.296	-	1.448	1.448
3.1.3.Branches and offices abroad	-	-	-	-	-	-
3.2.Other financial institutions	-	-	-	-	-	-
IV. MONEY MARKET SECURITIES	-	-	-	-	-	-
4.1.Interbank money market placements	-	-	-	-	-	-
4.2.Istanbul Stock Exchange money market placements	-	-	-	-	-	-
4.3.Receivables from reverse repurchase agreements	-	-	-	-	-	-
V. INVESTMENT SECURITIES AVAILABLE FOR SALE (Net)	803.103	309.396	1.112.499	388.783	269.380	658.163
5.1.Share certificates	16.373	-	16.373	13.947	-	13.947
5.2.Other marketable securities	786.730	309.396	1.096.126	374.836	269.380	644.216
VI. LOANS	359.295	1.165.556	1.524.851	106.013	1.098.154	1.204.167
6.1.Short term	22.318	33.482	55.800	7.292	6.321	13.613
6.2.Medium and long term	336.977	1.132.074	1.469.051	98.721	1.091.833	1.190.554
6.3.Loans under follow-up	35.506	8.937	44.443	38.017	21.188	59.205
6.4.Specific provisions (-)	(35.506)	(8.937)	(44.443)	(38.017)	(21.188)	(59.205)
VII. FACTORING RECEIVABLES	-	-	-	-	-	-
VIII. INVESTMENT SECURITIES HELD TO MATURITY (Net)	-	-	-	-	-	-
8.1.Public sector debt securities	-	-	-	-	-	-
8.1.1.Government bonds	-	-	-	-	-	-
8.1.2.Treasury bills	-	-	-	-	-	-
8.1.3.Other public sector debt securities	-	-	-	-	-	-
8.2.Other marketable securities	-	-	-	-	-	-
IX. INVESTMENTS AND ASSOCIATES (Net)	138.922	-	138.922	72.342	-	72.342
9.1.Financial investments and associates	124.050	-	124.050	57.618	-	57.618
9.2.Non-Financial investments and associates	14.872	-	14.872	14.724	-	14.724
X. SUBSIDIARIES (Net)	30.550	-	30.550	30.550	-	30.550
10.1.Financial subsidiaries	30.231	-	30.231	30.231	-	30.231
10.2.Non-Financial subsidiaries	319	-	319	319	-	319
XI. INVESTMENTS (Net)	-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	1.078	232.313	233.391	-	185.322	185.322
12.1.Gross finance lease receivables	1.265	273.509	274.774	-	215.524	215.524
12.2.Unearned income (-)	(187)	(41.196)	(41.383)	-	(30.202)	(30.202)
XIII. RESERVE DEPOSITS	-	25.011	25.011	109	494	603
XIV. MISCELLANEOUS RECEIVABLES	410	1.153	1.563	256	476	732
XV. ACCRUED INTEREST AND INCOME RECEIVABLE	33.516	30.923	64.439	30.238	14.664	44.902
15.1.Loans	5.705	22.634	28.339	4.748	10.943	15.691
15.2.Marketable securities	24.856	5.665	30.521	25.384	2.329	27.713
15.3.Other	2.955	2.624	5.579	106	1.392	1.498
XVI. PROPERTY AND EQUIPMENT (Net)	37.386	14	37.400	26.738	-	26.738
16.1.Book value	75.919	18	75.937	64.307	-	64.307
16.2.Accumulated Depreciation (-)	(38.533)	(4)	(38.537)	(37.569)	-	(37.569)
XVII. INTANGIBLE ASSETS [Net]	177	-	177	199	-	199
17.1.Goodwill	-	-	-	-	-	-
17.2.Other	1.734	-	1.734	1.696	-	1.696
17.3.Accumulated Amortisation (-)	(1.557)	-	(1.557)	(1.497)	-	(1.497)
XVIII. DEFERRED ASSETS FOR TAX	1.910	-	1.910	-	-	-
XIX. OTHER ASSETS	22.510	3.318	25.828	6.088	2.735	8.823
TOTAL ASSETS	1.470.456	1.853.559	3.324.015	712.170	1.573.281	2.285.451

LIABILITIES	AUDITED					
	CURRENT PERIOD December 31, 2005			PREVIOUS PERIOD December 31, 2004		
	TC	FC	Total	TC	FC	Total
I. DEPOSITS	-	-	-	-	-	-
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	391.745	83.189	474.934	149.169	26.702	175.871
2.1.Interbank money market takings	-	-	-	-	-	-
2.2.Istanbul Stock Exchange money market takings	19.284	-	19.284	5.633	-	5.633
2.3.Funds provided under repurchase agreements	372.461	83.189	455.650	143.536	26.702	170.238
III. FUNDS BORROWED	29.042	2.099.648	2.128.690	16.292	1.585.967	1.602.259
3.1.Funds borrowed from the Central Bank of Turkey	-	-	-	-	-	-
3.2.Other funds borrowed	29.042	2.099.648	2.128.690	16.292	1.585.967	1.602.259
3.2.1.Domestic banks and institutions	18.500	207.270	225.770	5.750	191.066	196.816
3.2.2.Foreign banks, institutions and funds	10.542	1.892.378	1.902.920	10.542	1.394.901	1.405.443
IV. MARKETABLE SECURITIES ISSUED (Net)	1	-	1	1	-	1
4.1.Bills	1	-	1	1	-	1
4.2.Asset backed securities	-	-	-	-	-	-
4.3.Bonds	-	-	-	-	-	-
V. FUNDS	232	-	232	686	-	686
VI. MISCELLANEOUS PAYABLES	2.257	3.561	5.818	2.475	7.145	9.620
VII. OTHER EXTERNAL RESOURCES	-	-	-	-	-	-
VIII. TAXES AND OTHER DUTIES PAYABLE	1.708	-	1.708	1.605	-	1.605
IX. FACTORING PAYABLES	-	-	-	-	-	-
X. FINANCE LEASE PAYABLES (Net)	-	717	717	-	330	330
10.1.Finance Leasing Payables	-	767	767	-	345	345
10.2.Deferred finance leasing expenses (-)	-	(50)	(50)	-	(15)	(15)
XI. ACCRUED INTEREST AND EXPENSES PAYABLE	4.372	35.178	39.550	239	13.748	13.987
11.1.Deposits	-	-	-	-	-	-
11.2.Borrowings	24	33.241	33.265	36	11.274	11.310
11.3.Repurchase agreements	154	1.026	1.180	171	1	172
11.4.Other	4.194	911	5.105	32	2.473	2.505
XII. PROVISIONS	43.741	7.188	50.929	22.034	6.397	28.431
12.1.General provisions	2.904	7.188	10.092	1.115	6.397	7.512
12.2.Reserve for employee termination benefits	856	-	856	893	-	893
12.3.Provisions for income taxes	32.146	-	32.146	12.041	-	12.041
12.4.Insurance technical reserves (Net)	-	-	-	-	-	-
12.5.Other provisions	7.835	-	7.835	7.985	-	7.985
XIII. SUBORDINATED LOANS	-	67.300	67.300	-	66.950	66.950
XIV. DEFERRED LIABILITIES FOR TAX	-	-	-	4.053	-	4.053
XV. SHAREHOLDERS' EQUITY	552.755	1.381	554.136	380.138	1.520	381.658
15.1.Paid-in capital	200.000	-	200.000	142.500	-	142.500
15.2.Supplementary capital	223.613	1.381	224.994	176.766	1.520	178.286
15.2.1.Share premium	-	-	-	-	-	-
15.2.2.Share cancellation profits	-	-	-	-	-	-
15.2.3.Marketable securities value increase fund	105.657	1.381	107.038	39.326	1.520	40.846
15.2.4.Revaluation fund	2.223	-	2.223	-	-	-
15.2.5.Value increase in revaluation fund	6.580	-	6.580	-	-	-
15.2.6.Other capital reserves	109.153	-	109.153	-	-	-
15.2.7.Adjustment to paid-in capital	-	-	-	137.440	-	137.440
15.3.Profit reserves	29.117	-	29.117	13.735	-	13.735
15.3.1.Legal reserves	9.679	-	9.679	4.859	-	4.859
15.3.2.Status reserves	4.540	-	4.540	2.183	-	2.183
15.3.3.Extraordinary reserves	11.978	-	11.978	3.773	-	3.773
15.3.4.Other profit reserves	2.920	-	2.920	2.920	-	2.920
15.4. Profit or loss	100.025	-	100.025	47.137	-	47.137
15.4.1.Prior year income/loss	-	-	-	-	-	-
15.4.2.Current year income/loss	100.025	-	100.025	47.137	-	47.137
TOTAL LIABILITIES	1.025.853	2.298.162	3.324.015	576.692	1.708.759	2.285.451

Türkiye Sınai Kalkınma Bankası A.Ş. Bank-Only Income Statement

Thousands TRY

INCOME STATEMENT

AUDITED		
	CURRENT PERIOD (01/01-31/12/2005)	PREVIOUS PERIOD (01/01-31/12/2004)
I. INTEREST INCOME	244.126	181.036
1.1.Interest on loans	82.263	62.070
1.1.1.Interest on TC loans	14.560	8.575
1.1.1.1.Short term loans	1.965	1.436
1.1.1.2.Medium and long term loans	12.595	7.139
1.1.2.Interest on foreign currency loans	65.372	51.242
1.1.2.1.Short term loans	332	589
1.1.2.2.Medium and long term loans	65.040	50.653
1.1.3.Interest on loans under follow-up	2.331	2.253
1.1.4.Premiums received from Resource Utilisation Support Fund	-	-
1.2.Interest received from reserve deposits	131	24
1.3.Interest received from banks	3.529	3.860
1.3.1.The Central Bank of Turkey	-	-
1.3.2.Domestic banks	2.571	3.827
1.3.3.Foreign banks	958	33
1.3.4.Branches and offices abroad	-	-
1.4.Interest received from money market transactions	254	432
1.5.Interest received from marketable securities portfolio	147.878	107.302
1.5.1.Trading securities	123	-
1.5.2.Available-for-sale securities	147.755	107.172
1.5.3.Held to maturity securities	-	130
1.6.Other interest income	10.071	7.348
II. INTEREST EXPENSE	(108.552)	(62.079)
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	(9.644)	(5.924)
2.3.Interest on funds borrowed	(74.987)	(46.617)
2.3.1.The Central Bank of Turkey	-	-
2.3.2.Domestic banks	(10.422)	(13.967)
2.3.3.Foreign banks	(9.342)	(4.833)
2.3.4.Branches and offices abroad	-	-
2.3.5.Other financial institutions	(55.223)	(27.817)
2.4.Interest on securities issued	-	-
2.5.Other interest expense	(23.921)	(9.538)
III. NET INTEREST INCOME (I - II)	135.574	118.957
IV. NET FEES AND COMMISSIONS INCOME	8.331	9.321
4.1.Fees and commissions received	14.109	14.170
4.1.1.Cash loans	9.082	8.804
4.1.2.Non-cash loans	1.401	972
4.1.3.Other	3.626	4.394
4.2.Fees and commissions paid	(5.778)	(4.849)
4.2.1.Cash loans	(1.250)	(2.328)
4.2.2.Non-cash loans	(8)	(8)
4.2.3.Other	(4.520)	(2.513)
V. DIVIDEND INCOME	1.057	80
5.1.Trading securities	-	-
5.2.Available-for-sale securities	1.057	80
VI. NET TRADING INCOME	8.811	2.213
6.1.Profit/losses on trading account securities (Net)	421	(917)
6.1.1.Profit on trading account securities	24.484	16.362
6.1.1.1.Profit on derivative financial instruments	10.334	3.904
6.1.1.2.Other Profit on trading account securities	14.150	12.458
6.1.2.Losses on trading account securities (-)	(24.063)	(17.279)
6.1.2.1.Losses on derivative financial instruments	(12.850)	(5.074)
6.1.2.2.Other Losses on trading account securities	(11.213)	(12.205)
6.2.Foreign exchange gains/losses (Net)	8.390	3.130
6.2.1.Foreign exchange gains	216.431	543.142
6.2.2.Foreign exchange losses (-)	(208.041)	(540.012)

Thousands TRY

AUDITED

INCOME STATEMENT

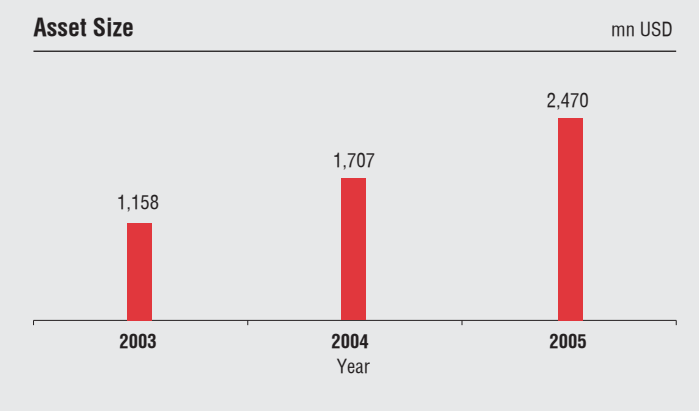
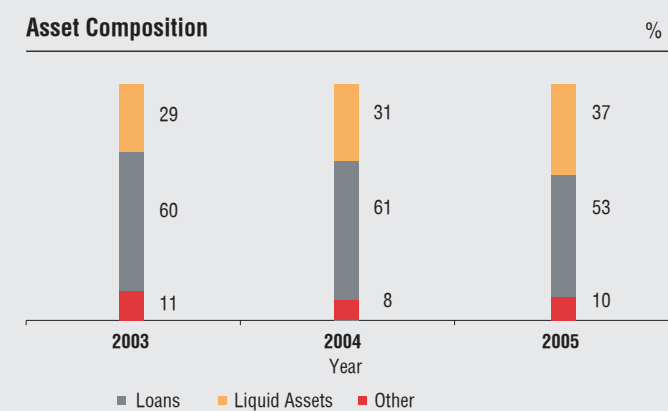
	CURRENT PERIOD (01/01-31/12/2005)	PREVIOUS PERIOD (01/01-31/12/2004)
VII. OTHER OPERATING INCOME	28.556	26.630
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)	182.329	157.201
IX. PROVISION FOR LOAN LOSSES OR OTHER RECEIVABLES (-)	(9.039)	(37.965)
X. OTHER OPERATING EXPENSES (-)	(49.777)	(33.175)
XI. NET OPERATING INCOME (VIII-IX-X)	123.513	86.061
XII. PROFIT/LOSSES FROM ASSOCIATES AND SUBSIDIARIES	2.002	1.904
XIII. NET MONETORY POSITION GAIN/LOSS	-	(28.477)
XIV. INCOME BEFORE TAXES (XI+XII+XIII)	125.515	59.488
XV. PROVISION FOR TAXES ON INCOME (+/-)	(25.490)	(12.351)
15.1.Current Tax Provision	(32.146)	(12.041)
15.2.Deferred Tax Provision	6.656	(310)
XVI. NET OPERATING INCOME/EXPENSE AFTER TAXES (XIV+XV)	100.025	47.137
XVII. EXTRAORDINARY INCOME/EXPENSE 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/LOSSES (XVI+XVII)	100.025	47.137
Earnings/Losses per share	0,500	0,331



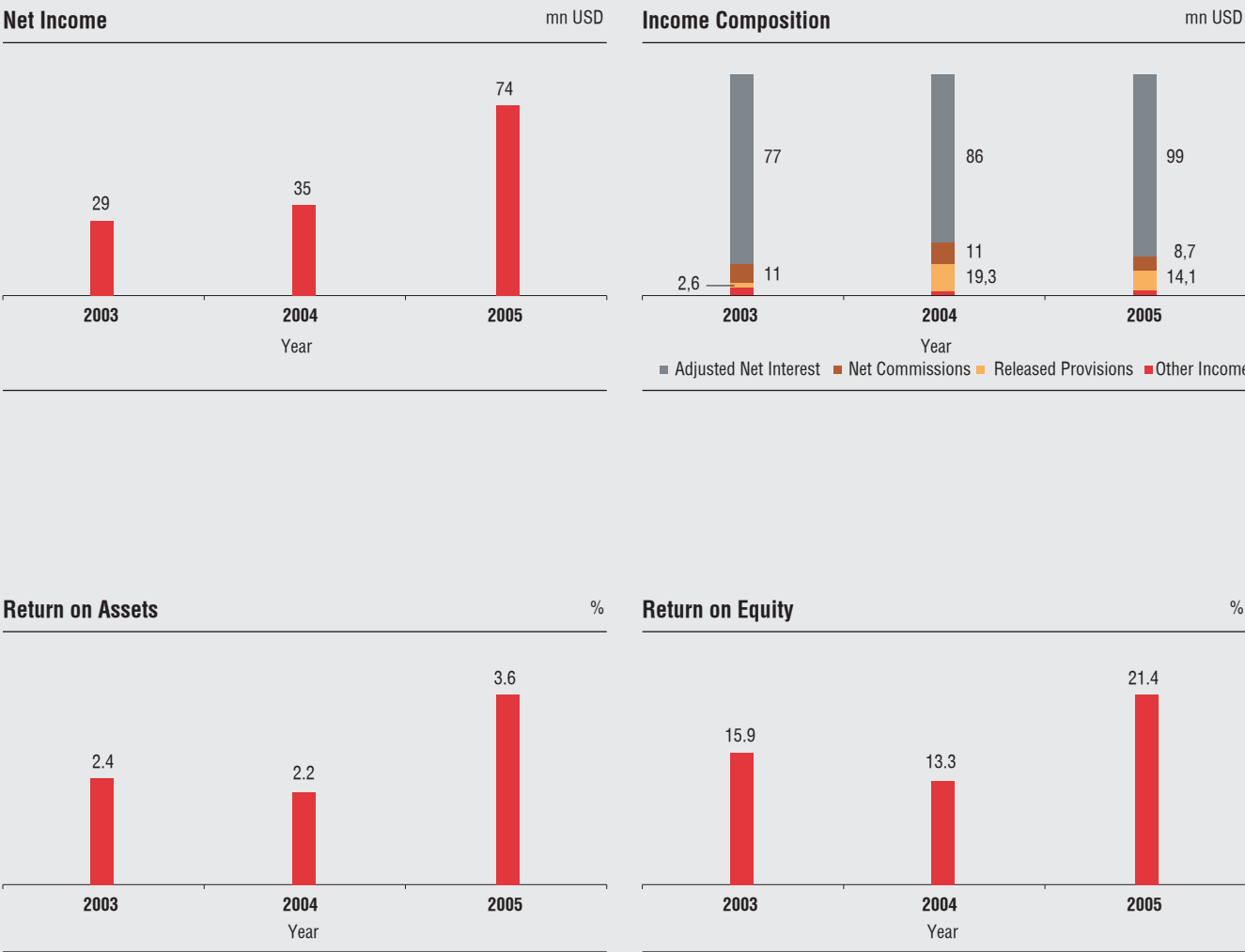
Financial Highlights

	mn TRY*			
	2002	2003	2004	2005
Asset Size	1,604.4	1,618.8	2,285.4	3,324.0
Loan Portfolio	906.1	964.3	1,389.4	1,758.2
Shareholders' Equity	199.7	285.7	381.6	554.1
Net Income	18.0	40.8	47.1	100.0
Return on Average Equity	10.9%	15.9%	13.3%	21.4%
Return on Average Assets	1.5%	2.4%	2.2%	3.6%
Capital Adequacy Ratio	22.7%	32.3%	42.8%	36.8%
Number of Employees	300	273	268	288

* Expressed in terms of purchasing power in respective year.

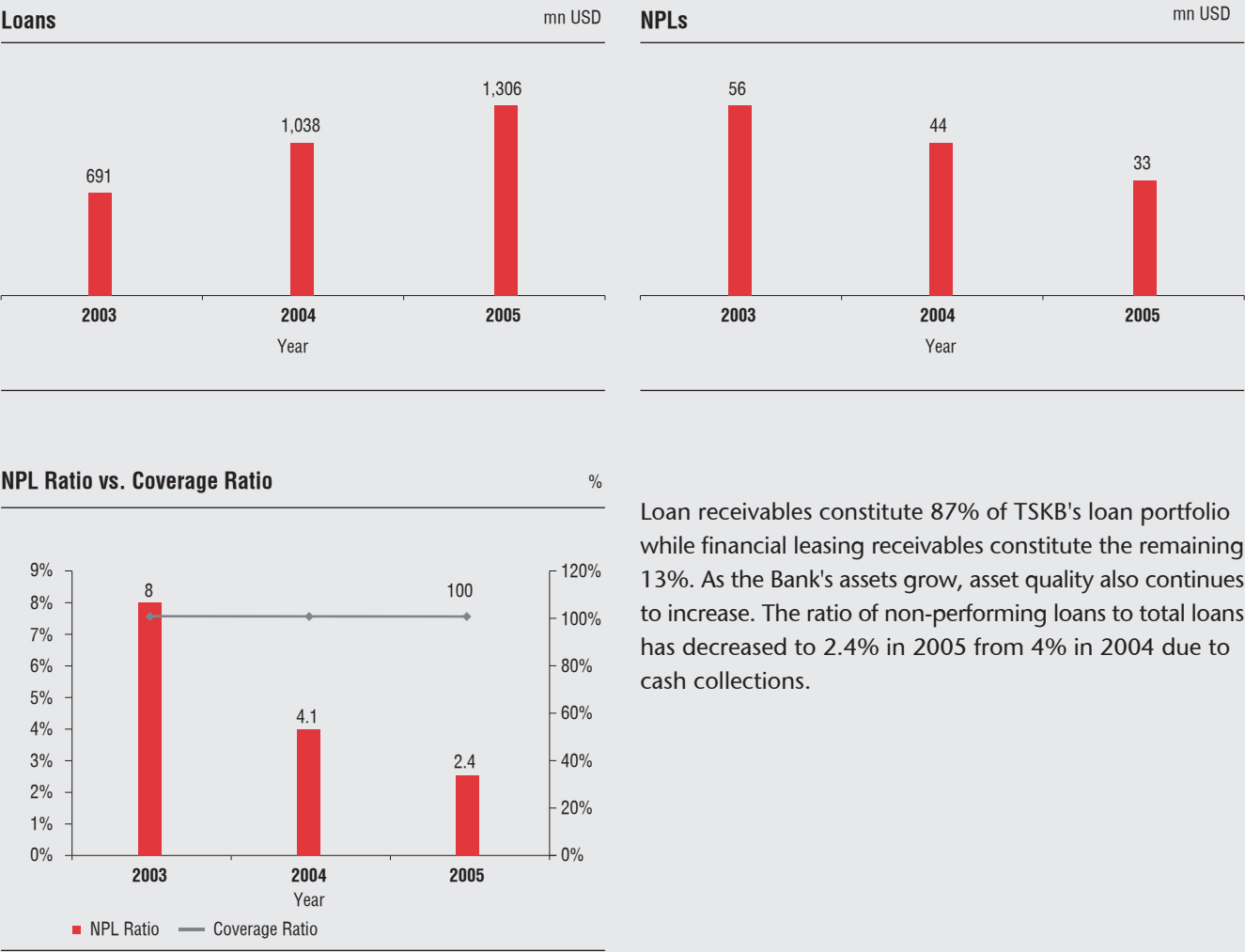


Increasing Profitability and Productivity

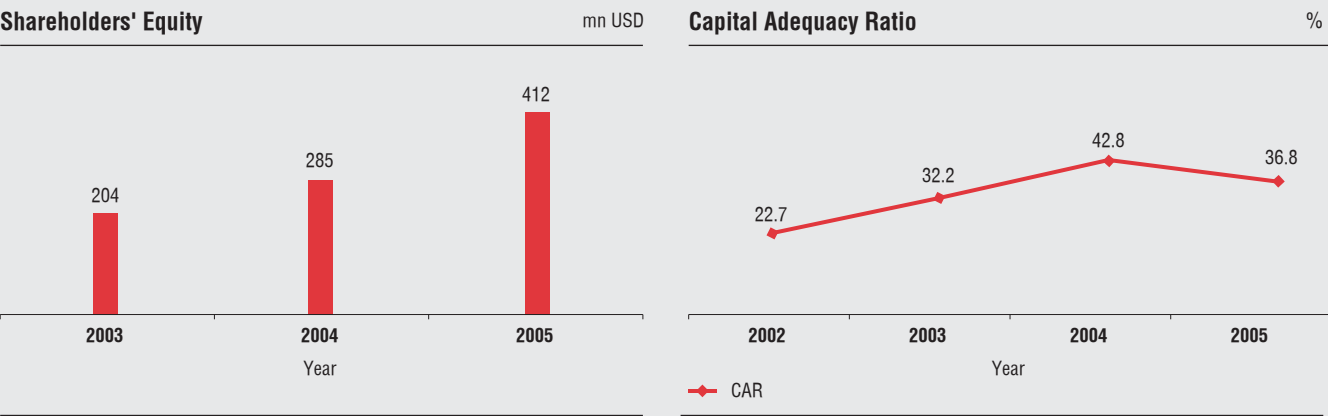


With growing assets and expanding transaction volumes, TSKB has reached high profitability levels in recent years. A net profit of TRY 100 million has been attained in 2005 with an increase of 113% over the previous year. Gross profit before taxes and provisions has been TRY 135 million. Coupled with the expanding loan and leasing volume, commission based income from investment banking activities had a significant effect on profitability. Another crucial factor was effective cost control.

Loan Portfolio



Shareholders' Equity and Capital Adequacy Ratio



With a capital adequacy ratio well above the sector, TSKB has a capital structure that will drive the Bank's growth in the years ahead.

TSKB's Major Participations & Subsidiaries

Entity	Industry	Company Capital (TRY)	Share (%)	Web Site
TSKB Menkul Değerler A.Ş.	Finance	1,675,000	91.79	www.tskbmenkul.com.tr
Yatırım Finansman Menkul Değerler A.Ş.	Finance	10,000,000	88.44	www.yfas.com.tr
TSKB Gayrimenkul Değerleme A.Ş.	Real Estate	300,000	80.00	www.tskb.com.tr/Gayrimenkul
TSKB Yatırım Ortaklığı A.Ş.	Finance	12,000,000	30.17	www.tskb.com
İş Finansal Kiralama A.Ş.	Finance	50,000,000	28.56	www.isleasing.com.tr
Gözlük Sanayi A.Ş.	Production	354,131	21.71	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Finance	22,500,000	16.67	www.isgirisim.com.tr
İş Factoring Finansman Hizmetleri A.Ş.	Finance	16,000,000	14.75	www.isfactoring.com.tr
Yatırım Finansman Yatırım Ortaklığı A.Ş.	Finance	5,000,000	10.78	-
TSKB Gayrimenkul Yatırım Ortaklığı A.Ş.	Finance		*	www.tskb.com

* Incorporated in the beginning of 2006

TSKB's Credit Ratings

Fitch Ratings

On December 8, 2005, Fitch Ratings upgraded TSKB's National Credit Rating and changed the outlook on deposit ratings to positive.

Foreign Currency	
Long-Term	BB-
Outlook	Positive
Turkish Lira	
Long-Term	BB-
Outlook	Positive
National	
Long-Term	A (tur)
Outlook	Stable
Individual	C/D
Support	3

Moody's

Having rated TSKB for the first time in July 2005, Moody's Investor Services upgraded the Bank's Deposit Ratings on December 20, 2005 and announced the below credit ratings:

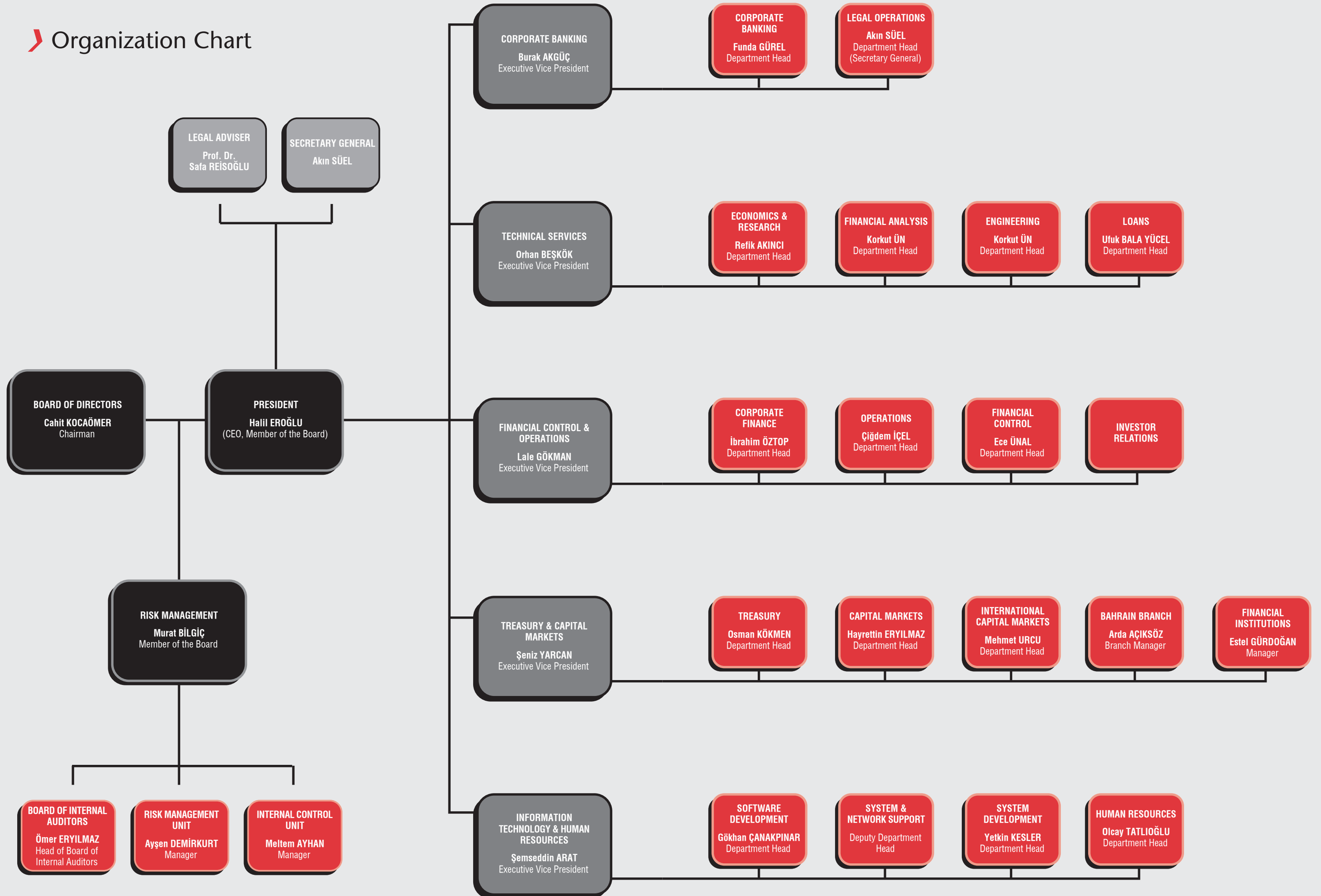
Financial Strength Rating	D+
Outlook	Stable
Foreign Currency Long-Term Deposit	B1
Outlook	Positive

Capital Intelligence

TSKB's performance was assessed as below in the Capital Intelligence report dated August 20, 2005:

Financial Strength Rating	BBB-
Support	2
Foreign Currency Long-Term Deposit	BB-
Outlook	Stable

Organization Chart





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