

**ANNUAL REPORT**  
**2005**



**AKBANK**

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# Report of the Supervisory Board

We are pleased to present the financial statements of Akbank N.V. prepared by the Executive Board and audited by KPMG Accountants N.V., for the year ended 31<sup>st</sup> December 2005. As of 10<sup>th</sup> October 2005, Akbank International N.V. changed its legal name to Akbank N.V.

In its third full year of operations, the bank successfully continued its strategy for profitable growth with a pre-tax profit of € 3.3 million. Compared with last year, there was an increase in total assets of 54 %.

There was significant growth in trade finance and treasury activities partly funded by an increase in bank borrowings together with a stable retail deposit base, a Club deal of € 70 million and a subordinated loan of € 25 million from our shareholder. Additionally, this growth was achieved without sacrificing asset quality.

During 2005, six meetings were held between the Supervisory Board and the Executive Board. The agendas addressed many topics including the contents of business strategies, the evaluation of key performance indicators and the financial developments in Turkey as well as in the global markets.

During 2005, a review was undertaken of the representation of Akbank Group in Europe. The decision was taken to establish the bank as the centre of the European network with branches to be established in London (UK) and Essen (Germany) during the course of 2006. As part of this activity, the representation in the Netherlands was rationalised with the closure of the Rotterdam and Amsterdam branches in the Autumn 2005.

We have examined the financial statements for 2005, and propose to the Annual General Meeting of Shareholders to adopt the financial statements for the year 2005 as presented, which adoption will serve to discharge the Executive Board and the Supervisory Board of responsibility in respect of the management and supervision for the year under review. The Supervisory Board has voted to adopt the Executive Board's proposal and to transfer the net profit to other reserves.

We would like to express our appreciation to the members of the Executive Board and staff of Akbank N.V. for their dedication and efforts during the year under review.

Rotterdam, 31<sup>st</sup> March 2006

Supervisory Board

## Report of the Executive Board

Akbank N.V. achieved significant growth its third full year of operations. The bank completed the year with 54 % increase in total assets to reach € 629 million and reported a profit before tax of € 3.3 million, an increase of 141 % compared with 2004.

During the year, trade finance remained one of the core business activities of the bank. By increased collaboration with other financial institutions, the bank completed € 235 million loans and trade finance transactions, mainly emanating from Turkey. Additionally, there was an increase in money market deposits and foreign exchange transactions. Financial Institutions Department continued its forfeiting activities with the major international banks and forfeiting houses.

Treasury Department developed its activities in foreign exchange and fixed income markets while maintaining its prudent approach in relation to interest and liquidity risks. The bank's investment securities portfolio increased in line with the growth in the total asset size to a figure of € 288 million.

On the liabilities side, the total level of retail funds remained stable and was a solid financing base for trade finance and treasury activities. These deposits together with funds borrowed from the market which increased significantly, reflected well-diversified funding base. This was further enhanced by the arrangement in June 2005 of a €70 million Club Loan Facility with the participation of seven banks.

The significant progress of the bank encouraged our shareholder, Akbank T.A.S. to provide a ten-year, € 25 million subordinated loan in June 2005. This reflects the continuing commitment of the shareholder to ensure that the bank is always well capitalised and maintaining a healthy BIS ratio.

We propose that a dividend is not declared but that the post tax profit of € 2.3 million is retained to support our developing business.

The year under review will be viewed as the year in which the strategy for the bank within Akbank Group was redefined. Going forward, the bank is to be the centre of the group's European entities in respect of core banking products and systems.

To this end, branches will be opened in London (UK) and Essen (Germany) during 2006 and the Akbank T.A.S. branch in Frankfurt will be incorporated as a 100% subsidiary of Akbank N.V. As part of this process, the representation in the Netherlands was rationalised in the Autumn 2005 with the closure of the Rotterdam and Amsterdam branches.

In the year ahead, the bank will continue to develop its existing lines of business with its headquarters in Rotterdam and offices in UK and Germany. It aims to strengthen its position to operate competitively in the international environment.

In view of the reorganisation of the bank, the number of employees in 2006 will grow beyond previous levels and additional investments will have to be made. To prepare for this, it is intended to significantly increase the authorised capital of the bank and to raise the paid up capital in good time and to the extent necessary for the growing business volume.

Finally, we would like to express our gratitude to our business partners for their trust and our shareholder for the support that they have given and our appreciation to all our staff for their hard work and dedication.

Rotterdam, 31<sup>st</sup> March 2006

Executive Board

K. Banu ÖZCAN

Dr. Rolf SUTTER

## Balance Sheet as at 31<sup>st</sup> December 2005

(Before proposed result appropriation)

<b>Assets</b>	<b>2005</b>	<b>2004</b>
	€1,000	€1,000
Cash	7	3,229
Short-dated government paper	3,500	1,500
Banks	276,234	189,001
Loans to the private sector	19,105	16,922
Interest bearing securities	288,216	164,012
Property and equipment	1,360	1,968
Prepayments and accrued income	40,288	31,771
<b>Total assets</b>	<b>628,710</b>	<b>408,403</b>
<b>Liabilities</b>		
Banks	358,630	180,047
Funds entrusted	177,166	175,055
Other liabilities	11,278	1,087
Provisions	485	-
Accruals and deferred income	5,835	4,123
	553,394	360,312
Subordinated Debt	25,000	-
Paid-in and called-up capital	50,000	50,000
Other reserves	-/- 1,976	-/- 2,715
Unallocated Profit / Loss	2,292	806
Shareholders' equity	50,316	48,091
<b>Total liabilities</b>	<b>628,710</b>	<b>408,403</b>
<b>Contingent Liabilities</b>		
Confirmed irrevocable letters of credit / Guarantees	3,218	10,857

## Profit and Loss Account for 2005

Interest income	21,188	12,237
Interest expense	<u>13,957</u>	<u>7,452</u>
	<i>Interest</i>	
		7,231
		4,785
Commission income	1,573	1,349
Commission expense	<u>187</u>	<u>21</u>
	<i>Commission</i>	
		1,386
		1,328
Result on financial transactions	226	-/ 13
Other revenue	36	6
	<i>Other income</i>	
		<u>262</u>
		<u>-/7</u>
<b>Total income</b>		
	<b>8,879</b>	<b>6,106</b>
<b>Expenses</b>		
<i>Operating Expenses</i>		
• Staff costs	2,743	2,302
• Other administrative expenses	<u>1,999</u>	<u>1,979</u>
<i>Staff costs and other administrative expenses</i>		
	4,742	4,281
Depreciation	<u>791</u>	<u>434</u>
<b>Total operating expenses</b>	<b>5,533</b>	<b>4,715</b>
<b>Operating result before taxation</b>	<b>3,346</b>	<b>1,390</b>
Taxation	<u>-/1,054</u>	<u>-/ 584</u>
<b>Result after tax</b>	<b><u>2,292</u></b>	<b><u>806</u></b>

## Cash Flow Statement for 2005

<b>Net cash flow from operating activities</b>	<b>2005</b>	<b>2004</b>
	€ 1,000	€ 1,000
Net result	2,292	806
<i>Adjusted for:</i>		
Unrealised revaluation result	969	-1,294
Depreciation	791	434
Additions to provisions	387	-
	<u>4,439</u>	<u>-54</u>
- Due from banks, excluding demand account	-32,280	-52,775
- Due to banks, excluding demand accounts	179,150	136,067
- Saving, deposit and current accounts	2,111	58,921
- Other assets	-9,940	-13,816
- Other liabilities	12,388	1,106
	<u>151,429</u>	<u>129,503</u>
<b>Net cash flow out of investment activities</b>		
Investments in:		
- Investment portfolio	-126,204	-98,485
- Trade finance	-51,926	-25,697
- Property and equipment	-183	-313
	<u>-178,313</u>	<u>-124,495</u>
<b>Net cash flow out of financing activities</b>		
Subordinated Debt	25,000	-
Issue of new capital	-	-
	<u>25,000</u>	<u>-</u>
<b>Net cash flow</b>	<b>2,555</b>	<b>4,954</b>
Cash balance on 1st January	7,429	2,475
Cash balance on 31st December	9,984	7,429
	<u>2,555</u>	<u>4,954</u>
	<u><u>2,555</u></u>	<u><u>4,954</u></u>
<b>Cash comprises of the following Items:</b>		
Current Accounts Banks	9,977	4,200
Cash	7	3,229
	<u>9,984</u>	<u>7,429</u>
Cash at year end	<u><u>9,984</u></u>	<u><u>7,429</u></u>

# Statement of recognised income and expense

*For the year ended 31<sup>st</sup> December 2005*

*(All amounts in €1,000)*

	2005	2004
Net result after taxes of Akbank N.V.	2,292	806
Cumulative effect of change in accounting principles for employee benefits	<u>-67</u>	<u>-</u>
Total of items recognised directly in equity of Akbank N.V.	<u>-67</u>	<u>-</u>
<b>Total result of Akbank N.V.</b>	<b><u>2,225</u></b>	<b><u>806</u></b>

# Notes to the Financial Statements

## General

Akbank N.V. is incorporated under Dutch Law and registered in Rotterdam, The Netherlands. The financial statements have been prepared in conformity with generally accepted accounting principles in the Netherlands. The financial information will be included in the financial statements of Akbank T.A.S., incorporated in Turkey, the 100% shareholder of the bank. Where necessary, the amounts reported in the financial statements are based on estimates and assumptions.

## Change in accounting principles for employee benefits

RJ 271 "Employee benefits" took effect on 1<sup>st</sup> January 2005. This change had a negative impact on the shareholders' equity of € 67.273, as at 1<sup>st</sup> January 2005. Had the bank still applied the accounting principles applied in 2004 in 2005, the pension charge over 2005 would have been € 32.206 higher. The comparative profit and loss account for 2004 has not been adjusted in connection with the aforementioned change in accounting principles, which is in line with the requirements of RJ 271.

## Principles of valuation and determination of results

Except where otherwise stated, assets and liabilities are recorded at cost, less any allowance deemed necessary. The effects of transactions and other events are recognised when they occur. Revenues and expenses are recognized in the year to which they relate.

Premiums and discounts are accounted for in prepayments and accrued income or accruals and deferred income respectively, and are attributed to the accounting periods throughout the remaining terms of the underlying items.

Interest bearing securities on which a large part or all of the interest receivable or payable is settled on redemption are included at either purchase price or discounted value on issue plus accrued interest.

Where financial instruments are used to hedge risks associated with designated assets or liabilities, the valuation and determination of results on these instruments are effected in accordance with the policies applied to the hedged items. Transactions are qualified as hedges if they are identified as such and there is a substantial correlation between the hedging results and the results of the positions being hedged. Results on the settlement of the hedge are accounted for in the same period as gains or losses on the settlement of the hedged position.

Where loan-related fees exceed initial expenses, the excess is accounted for as interest in the period concerned.

## **Currency conversion**

Assets and liabilities denominated in foreign currencies and financial instruments hedging these assets and liabilities have been converted into euros at the spot rates of exchange prevailing at balance sheet date. Revaluation gains or losses have been accounted for in the profit and loss account. Results on transactions denominated in foreign currencies are converted at the rates prevailing on the transaction date or, insofar as accruals and deferrals are involved, on daily basis.

## **Financial and other fixed assets investments**

Interest-earning securities held in the investment portfolios are stated at redemption value. Results on sales are credited to the income statement in the year the investments are sold. Net capital gains on interest-bearing securities realized prior to redemption date in connection with replacement operations are recognized as interest over the remaining average portfolio duration.

## **Property and equipment**

Refurbishments and fixtures and fittings are fully depreciated using the straight-line method over their estimated useful life with a maximum of ten years. Equipment, computer installations and software purchased from third parties are stated at cost less straight-line depreciation over the estimated useful life. Property in Amsterdam is depreciated over 30 years with an estimated residual value amounting to € 145,264.

## **Pensions**

The pension scheme of Akbank N.V. is a defined benefit plan that is insured with an insurance company. The pension scheme is based on the average salary of the employees. The liability to members in the scheme is based on the awarded pension rights.

Awarded pension rights are financed by means of annual premiums paid to an insurance company. A provision for pension commitments or a receivable is included as at balance sheet date for a negative or positive balance respectively of the present value of the awarded pension entitlements as at balance sheet date less the fair value of the plan assets. Account is taken of the actuarial results not yet recognised in the result as at balance sheet date when the balance of the receivable or liability is calculated. If the balance of the present value of the awarded pension rights, less the fair value of the plan assets is positive, a receivable is included which is maximised at the sum of:

- Any negative actuarial results not yet recognised in the result as at balance sheet date;
- The charges for past service still to be allocated to the coming financial years;
- The present value of reimbursements from the scheme or lowering of future contributions to the scheme.

A qualified actuary calculated the pension liability and the pension charge using the projected unit credit method.

If the accumulated actuarial results exceed 10% of the present value of the pension rights and 10% of the fair value of the plan assets, the excess amount is recognised in the profit and loss account over the expected average remaining service of the active participants. The pension charges are calculated actuarially on the basis of expectations in the current financial year concerning the movements of the present value of the pension rights and plan assets, and the portion of accumulated actuarial results not yet recognised in the profit and loss account that should be allocated to the current financial year.

## **Taxes**

In determining the effective tax rate, all timing differences between pre-tax profit determined on the basis of Akbank N.V. accounting policies and the taxable amount in accordance with tax legislation, are taken into account. Deferred tax liabilities are discounted to their present value on the basis of the net interest. Deferred tax assets are accounted for only if there is sufficient assurance that they are collectable.

## **Income and expenses**

Income and expenses are attributed to the period in which they arise or in which the service was provided.

## **Cash flow statement**

The cash flow statement gives details of the source of liquid funds, which became available during the year and the application of the liquid funds over the course of the year. The cash flow statement has been drawn up in accordance with the indirect method, distinguishing between cash flows from operating activities, investment activities and financing activities. Cash balances include cash in hand and current accounts with banks.

## **Related Parties**

As at 31<sup>st</sup> December the bank had short term loans and deposits and a subordinated loan outstanding with the following related parties: Akbank T.A.S. - Istanbul, AK Finansal Kiralama A.S. – Istanbul, Exsa UK Ltd. – London, Universal Trading LTD. – Jersey. During the course of the year the bank had a net expense of € 300 thousand (2004: - € 42) from related party transactions.

## Notes to the Balance Sheet as at 31<sup>st</sup> December 2005

<u>Assets</u>	2005	2004
	€1,000	€1,000
<b>Cash</b>	<b>7</b>	<b>3,229</b>
Cash in hand		
<b>Short-dated government paper</b>	<b>3,500</b>	<b>1,500</b>
Dutch Treasury Certificates held for collateral purposes by the Dutch Central Bank. The remaining maturity is 6 months.		
<b>Banks</b>	<b>276,234</b>	<b>189,001</b>
This item comprises of nostro accounts, loans and advances to credit institutions and central banks.		
<i>Including Related parties balances:</i>	<i>13,259</i>	<i>4,480</i>
<b>Loans to the private sector</b>	<b>19,105</b>	<b>16,922</b>
This item comprises of loans to corporate customers.		
<b>Interest bearing securities</b>	<b>288,216</b>	<b>164,012</b>
This item comprises of Turkish Government Bonds		
Movements in the portfolio:		
Balance sheet as at 1 <sup>st</sup> January	164,012	66,527
Purchased during book year	138,219	128,502
Redemptions during book year	-/-14,015	-/-31,017
Balance sheet as at 31 <sup>st</sup> December	<u>288,216</u>	<u>164,012</u>
	*	
<b>* Includes the following assets:</b>		
Nominal value pledged as collateral	167,900	96,181
Against loans taken	172,433	88,886
Market value of pledged assets per 31 <sup>st</sup> December	188,269	107,752
Total market value of the portfolio 31 <sup>st</sup> December	300,272	180,042

	<b>2005</b>	<b>2004</b>
	<i>€1,000</i>	<i>€1,000</i>
<b>Property and equipment</b>	<b>1,360</b>	<b>1,968</b>

With the exception of the property, all assets are fully depreciated over the estimated economic life of the asset using the straight-line method.

Property ( <i>Residual value €145,264</i> )	30 years
Fixtures and fittings	10 years
Refurbishments	5 years
Computer hard- and software head office	5 years
Computer hard- and software branches	3 years

	Property	Equipment	Total 2005	Total 2004
Book value as at 1 <sup>st</sup> January	593	1375	1,968	2,089
Additions	-	183	183	313
Depreciation**	-5	-133	-138	-434
Written off	-	-653	-653	-
Book value as at 31 <sup>st</sup> December	<b>588</b>	<b>772</b>	<b>1,360</b>	<b>1,968</b>
	<u>43</u>	<u>587</u>	<u>630</u>	<u>492</u>
Accumulated depreciation				

\*\* Due to the fact that Akbank N.V. relocated its head office in Rotterdam, all investments in the old head office were written off in the year under review. Furthermore due to the fact that the branches in Rotterdam and Amsterdam were closed, all investments in these branches were also written off in the year under review. The bank is the economic owner, and not the legal owner, of the premises in Rotterdam. The premises in Amsterdam will be sold during 2006.

	<b>2005</b>	<b>2004</b>
	<i>€1,000</i>	<i>€1,000</i>
<b>Prepayments and accrued income</b>	<b>40,288</b>	<b>31,771</b>
• Accrued interest receivable	16,074	6,276
<i>Including related parties accruals</i>	55	-
• Deferred tax and VAT receivable	28	919
• Unrealised revaluation results FX forward transactions	-	10,572
• Other advanced payments	24,186	14,004

#### Asset breakdown

	< 3 =>3 mths			=> 12	Total
	Demand	mths < 12	mths	mths	
Cash	7				7
Banks	10,217	62,705	182,422	20,890	276,234
Loans		4,479	2,804	11,822	19,105
Interest bearing securities			29,529	262,187	291,716
Property and equipment	1,360				1,360
Accruals and prepayments	40,288				40,288
<b>Total 2005:</b>	<b>51,872</b>	<b>67,184</b>	<b>214,755</b>	<b>294,899</b>	<b>628,710</b>
<b>Total 2004:</b>	<b>40,074</b>	<b>79,286</b>	<b>112,377</b>	<b>176,733</b>	<b>408,403</b>

<b><u>Liabilities</u></b>	<b>2005</b> €1,000	<b>2004</b> €1,000
<b>Banks</b>	<b>358,630</b>	<b>180,047</b>
This item includes the borrowings from the shareholder and other financial institutions and loro accounts.		
<i>Including Related parties balances:</i>	568	806
<b>Funds entrusted</b>		
Includes current accounts and savings and time deposits placed by customers.	<b>177,166</b>	<b>175,055</b>
<i>Including Related parties balances:</i>	6.380	-
<b>Other liabilities</b>	<b>11,278</b>	<b>1,087</b>
Creditors, Corporation and income tax	281	94
Other liabilities	1,134	993
Unrealised revaluation results FX forward transactions	9,863	-
<b>Provisions</b>	<b>485</b>	<b>-</b>
Pension Provisions	95	-
Reorganisation Provisions	390	-
<b>Accruals and deferred income</b>	<b>5,835</b>	<b>4,123</b>
Accrued interest payable	3,340	2,383
<i>Including Related parties accruals</i>	50	-
Interest and commission received in advance	2,495	1,740
<b>Subordinated Debt</b>	<b>25,000</b>	<b>-</b>
Loan from Akbank T.A.S. maturity date 30 <sup>th</sup> June 2015 Terms: 6 months LIBOR + 2% Current rate 4.64125 % p.a.		

## Provisions Movement Schedule

	Pension	Reorganisation	Total
Balance Per 1 <sup>st</sup> January	98	0	98
Additions	128	390	518
Withdrawals	131	0	131
Balance per 31 <sup>st</sup> December	<b>95</b>	<b>390</b>	<b>485</b>

*The provision for reorganisation is a short-term provision.*

*The provision for pension is a long-term provision.*

## Liabilities breakdown

	=>3 mths				Total
	Demand	< 3 mths	< 12 mths	=> 12 mths	
Banks	240	206,914	129,984	21,492	358,630
Funds entrusted	93,306	20,795	18,380	44,685	177,166
Other Liabilities	11,278				11,278
Provisions	485				485
Accruals and deferred income	5,835				5,835
Subordinated Debt				25,000	25,000
Shareholders' equity				50,316	50,316
<b>Total 2005:</b>	<b>111,144</b>	<b>227,709</b>	<b>148,364</b>	<b>141,493</b>	<b>628,710</b>
<b>Total 2004:</b>	<b>115,884</b>	<b>82,105</b>	<b>105,034</b>	<b>105,381</b>	<b>408,403</b>

<b>Shareholders' equity</b>	<b>2005</b>	<b>2004</b>
	€1,000	€1,000
<b>Paid up capital</b>	<b>50,000</b>	<b>50,000</b>

The authorised share capital amounts to € 100 million, and consists of 2,000,000 shares with a nominal value of € 50 per share of which 1,000,000 shares have been issued and are fully paid up. *(No change during 2005)*

<b>Other reserves and Unallocated Profit / Loss</b>	<b>316</b>	<b>- 1,909</b>
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The changes in this item were as follows:

• Other reserves per 1 <sup>st</sup> January	- 1,909	- 2,715
• Adjustment re RJ 271 'Employee benefits'	-67	-
• Unallocated Profit / Loss	2,292	806
• Balance after appropriation	316	-1,909
<b>Total Shareholders equity per 31<sup>st</sup> December</b>	<b>50,316</b>	<b>48,091</b>

*In line with local regulations Akbank N.V. introduced RJ 271 'Employee benefits' with effect from 1 January 2005. This created a one-off charge net of deferred tax liabilities of €67 thousand, which was taken directly to the shareholders equity.*

## Capital Adequacy

The BIS ratio of the bank as at 31<sup>st</sup> December 2005 is 15.97 % (2004: 12.41%)

	<b>2005</b>	<b>2004</b>
Total capital available	50,316	48,091
*Minimum capital required including additional requirement for country risk	40,326	33,939
*Solvency ratio including additional requirements for country risk	15.97 %	12.41 %
*Solvency ratio excluding additional requirement for country risk	22.43 %	21.01 %

The minimum required BIS ratio is 8%.

The tier 1 capital of the bank equals the total capital available.

\*The Dutch Central Bank (DNB) requires additional solvency of 150%, due to Turkish country risks. In 2004 the additional solvency required was 200%.

## Movement in the (net) pension provision 2005

	31 <sup>st</sup> December 2005	1 <sup>st</sup> January 2005
Present value of awarded pension rights	548	356
Fair value of the fund's investments	392	258
Shortfall in the fund	-/- 155	-/- 98
Not-yet-amortised actuarial results	60	0
<b>(Net) pension provision</b>	<b>95</b>	<b>98</b>

### Changes in the (net) pension provisions by virtue of defined benefit plans:

#### Movement of (net) pension provision 2005

Balance as at 1 <sup>st</sup> January	98
Pension charge recognised in the profit and loss account	128
Premium payments	-/- 131
<b>Balance as at 31<sup>st</sup> December</b>	<b>95</b>

Key actuarial principles. (Weighted average)	2005	2004
Discount rate	4.25%	4.75%
Expected income from plan assets	4.25%	4.75%
Future salary increases	2.50%	2.50%
Indexation of pensions	0.50%	0.50%
Inflation	2.00%	2.00%

### Commitments and contingencies

#### Rentals.

The annual amount of rental commitments to third parties with respect to the office amounts to € 233,200 (2004: € 456,000)

### Foreign Exchange Risk

The foreign currency position of the bank per 31<sup>st</sup> December can be specified as follows:

	Spot	Forward	Total
2005: € 1,000,000	+4	-4	0
2004: € 1,000,000	+136	-136	0

## **Risk Management**

All activities within Akbank involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The most important types of risk are credit risk, market risk, liquidity risk and operational risk.

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. This risk arises principally from lending, trade finance and treasury activities. Market risk includes foreign exchange, interest rate and equity price risks.

Liquidity risk is the risk arising from mismatches in the cash position of the bank. Such mismatches can occur when funding commitments together with deposits and withdrawals do not match.

Operational risk is the risk of loss arising through fraud, unauthorised activities, error, omission, inefficiency, and systems failure or from external events. It is inherent to every business organisation and can cover a wide spectrum of issues.

Akbank has only two specific risk committees due to the small size of the bank.

A Credit Committee manages the credit risk of the bank, and an Asset and Liability Committee (ALCO) manages the market, interest and liquidity risk of the bank. During the ALCO meetings the “Liquidity GAP Analysis” as well as the interest rate risk is reviewed and monitored. The Executive Board, Internal Auditor and Manager Credit and Risk Management monitor all other risks and are also responsible for the application and maintenance of the Dutch Central Bank’s “Regulation on Organisation and Control”.

### **Interest rate risk**

The bank is exposed to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. These exposures are managed using natural hedges that arise from offsetting interest rate sensitive assets and liabilities and the use of interest rate derivatives.

### **Credit risk**

All loans, advances and contingent commitments to banks and corporate clients are unsecured.

The geographical distribution of investment securities, loans, advances and contingent commitments is 89.96% Turkey and 7.51% European Union and 2.53% other.

*(2004: 81.35% Turkey and 17.94% European Union and 0.71% other.)*

Distribution is 48.08% financial, 49.40% sovereign and 2.54% other.

*(2004: 54.38% financial, 41.84% sovereign and 3.78% other.)*

## Market risk

When determining the capital adequacy requirement, both the existing and future credit risk is taken into account. To this end the current potential loss, i.e. the positive replacement value based on the market conditions at balance sheet date, is increased by a percentage of the relevant notional amount, depending on the nature and the remaining term of the contract. This method takes into account the possible adverse development of the positive replacement value during the remaining term of the contract.

		Notional amount				Positive replacement value
		< 1 year	1- 5 years	> 5 years	Total	
<b>Derivatives</b>						
<b>Currency contracts</b>						
OTC						
<i>Forwards</i>	2005	191,006	-	11,248	202,254	251
	2004	182,034	-	-	182,034	12,829
<i>Interest Rate Swap</i>	2005	-	21,492	-	21,492	-
	2004	-	21,492	-	21,492	-
			<b>Non weighted 2005</b>	<b>Weighted 2005</b>	<b>Non weighted 2004</b>	<b>Weighted 2004</b>
<b>Credit Equivalent</b>						
<b>Currency contracts</b>						
OTC						
<i>Forwards</i>			202,254	2,472	182,034	1,820
<i>Interest Rate Swap</i>			21,452	107	21,452	322

## Fair value of financial instruments

The fair value of interest-bearing securities is considered to be € 300,272 (2004: €180,042) of which € 188,269 (2004: €107,752) have been pledged as collateral for € 172,433 (2004: €88,886) liabilities to banks. (Amounts in € 1,000)

The fair value of financial instruments, including cash, due from banks, short term placements, and other financial deposits, funds borrowed (short-term) and other financial liabilities plus the respective accrued interests are considered to approximate their carrying values due to their short term nature.

## Notes to the Profit and Loss account 2005

	<b>2005</b>	<b>2004</b>
	€1,000	€1,000
<b>Net interest income</b>	<b>7,231</b>	<b>4,785</b>
<ul style="list-style-type: none"> <li>• Net Income from investment portfolio</li> <li>• Income from deposits</li> <li>• Income from trade finance</li> <li>• Other interest income</li> <li>• Interest paid on bank borrowings</li> <li>• Interest paid on savings accounts</li> <li>• Other interest paid</li> </ul>	14,400 3,686 2,444 658 -7,304 -6,570 -83	6,687 1,462 2,789 1,299 -2,827 -4,620 -5
<i>Includes net interest expense from related parties</i>	-306	-42
<b>Net commission income</b>	<b>1,386</b>	<b>1,328</b>
<ul style="list-style-type: none"> <li>• Remittances</li> <li>• Transfers</li> <li>• Letters of credit</li> <li>• Other</li> <li>• Commission expenses</li> </ul>	371 108 152 942 -187	276 87 233 753 -21
<i>Includes net commission from related parties</i>	6	-
<b>Other Income</b>	<b>262</b>	<b>-7</b>
Result on other financial transactions	226	-13
Other revenue	36	6

	<b>2005</b>	<b>2004</b>
	€1,000	€1,000
<b>Total Operating Expenses</b>	<b>5,533</b>	<b>4,715</b>

This item can be broken down as follows:

• Staff costs		
○ Salaries	2,401	1,968
○ Pension	128	267
○ Social security costs	92	67
○ Other Personnel costs	122	-
• Telecommunication and IT expenses	696	766
• Office Rental, service charges and maintenance	694	525
• Other Expenses	609	688
• Depreciation	791	434
	<hr/>	<hr/>
	<u>5,533</u>	<u>4,715</u>

#### **Pension charges**

Current service cost	126
Interest charges (= interest added to provision)	17
Expected income from plan assets	(15)
Allocated actuarial results	0
<b>Pension charges</b>	<hr/> <b>128</b> <hr/>

<b>Taxes</b>	<b>-1,054</b>	<b>-584</b>
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Tax payable (31.50%) for the financial year in respect of the operating income as stated in the profit and loss account.	-1,054	-486
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Revaluation in the value of the tax assets due to reduction of corporation tax rate from 35% p.a. to 31.5% p.a. per 1 <sup>st</sup> January 2005.	-	-98
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	<b>2005</b>	<b>2004</b>
	<i>€1,000</i>	<i>€1,000</i>

### **Remuneration**

The remuneration of the Executive Board is as follows:

Mrs. K. B. Özcan	232	220
Mr. R. J. Sutter	230	220

The remuneration of the Supervisory Board is as follows:

Mr. D. Long	14	14
Mr. F. B Deiters	21	16

The bank has not granted any loans, advances or guarantees to members of the Executive Board or to members of the Supervisory Board.

Total number of full time employees per 31 <sup>st</sup> December	26	30
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# Auditors Report

## *Introduction*

We have audited the company financial statements which are part of the Annual Report of Akbank N.V., Rotterdam as set out on pages 4 to 22. These company financial statements are the responsibility of the company's Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit.

## *Scope*

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

## *Opinion*

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31<sup>st</sup> December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the Report of the Executive Board is consistent with the company financial statements.

Amstelveen, 31<sup>st</sup> March 2006

KPMG ACCOUNTANTS N.V.

M.A. Huiskers RA

# Profit Appropriation

## Introduction

The Executive Board proposes to add the net result of € 2,292 (2004: € 806) to the other reserves. After result appropriation the other reserves will amount to € 316 (2004: € -1,909). (Amounts in € 1,000)

The result appropriation has been proposed in conformity with article 25 of the Articles of Association, which states (translation from the original Dutch text):

### *Article 25*

1. The company may only make distributions to the shareholders and other rightful claimants for the profit available for distribution to the extent that the own equity exceeds the amount of the paid-up capital and called part of the capital plus the reserves that must be maintained by law.
2. Once per year the general meeting of the shareholders decides which part of the profit, appearing out of the profit and loss fixed by the general meeting of the shareholders, will be used for allocation to the other reserves.
3. The, related to the last paragraph, remaining profit shall be at the disposal of the general meeting of the shareholders.

## Decision

The Supervisory Board agrees with the proposal of the Executive Board.

# Corporate Information.

## *Supervisory Board*

**Mr. Mehmet Akin Kozanoğlu,**  
Chairman of the Board since December 2000

**Mr. Denis Long**  
Member of the Board since February 2002

**Mr. Frederik B. Deiters**  
Member of the Board since May 2003

**Mr. Eyup Engin**  
Member of the Board since November 2003

## *Executive Board*

**Mrs. K. Banu Özcan**  
Managing Director since October 2001

**Mr. Rolf J. Sutter**  
Managing Director since December 2003

## *Address*

### *Headoffice*

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