

Financial Services

AKBANK

As of year-end 2005, Akbank was ranked as Turkey's most profitable private sector bank and also as the largest bank in Turkey in terms of total loans.

In addition to core banking activities, Akbank offers a wide range of retail, commercial, corporate, private banking and international trade finance services. Non-banking financial, capital market and investment services are provided by the Bank's subsidiaries; Ak Securities, Ak Investment Fund, Ak Asset Management and Ak Leasing. Utilizing the latest advances in technology and the proficiency of its experienced bankers, Akbank is focused on providing the highest quality services to a wide-ranging individual and corporate clientele. Akbank operates through its Head Office in Istanbul and 13 regional directorates in Turkey.

With a strong, extensive distribution network of 658 branches and 11,186 employees, Akbank provides services beyond traditional channels of distribution, via its Retail and Corporate Internet Branches, Call Center, 1,502 ATMs, 136 BTMs, 217,198 POS terminals and the latest technology channels such as kiosks, cell phones and pocket PC platforms. Additionally, a "Freedom Banking Area" has been set aside within branch premises to allow customers to use Internet and telephone banking facilities.

Akbank has a branch office in Germany and Malta, a 100% ownership of Akbank NV established in the Netherlands and 65% of the London-based Sabancı Bank. In February 2006, a Shares Purchase Agreement was signed for the sale of Sabancı Bank shares. Akbank previously owned 39.99% of the Istanbul-based BNP-Ak-Dresdner Bank; in 2005, this bank merged with Akbank which acquired the remaining shares from foreign partners.

Customer-focused banking is a priority at Akbank. In this context, determining the financial and non-financial needs of individuals at all stages of their lives and creating strategic partnerships to find answers to individual needs through a variety of products, has been one of the fundamental steps in the transformation of the Bank. Offering customers creative, innovative, highly specialized quality products and services is Akbank's main mission. Akbank's balance sheet and income statement directly reflect this customer-focused approach.

Akbank has become the most profitable private sector bank in Turkey thanks to its strong capital structure, stable deposits, robust asset growth and its ability to secure low cost funding. The Bank's gross profit at the end of 2005 was YTL 2,078 million (approximately US\$ 1,547 million) while total assets were YTL 52,385 million (approximately US\$ 38,098 million). The Bank's capital adequacy ratio of 21.4% is one of the highest in the Turkish banking sector.

By renewing its IT systems and branch network and continuously providing the market with new products, Akbank has become the leading bank for consumer loans and loans to small businesses. During the last four years, Akbank has spent US\$ 350 million in renewing itself. Today, the Bank is equipped with the management expertise, information technology, know-how, brand name and widespread branch network that allow it to compete on any platform, including foreign banks.

As of the end of 2005, Akbank not only stood out as Turkey's most profitable private sector bank but also as Turkey's largest bank in terms of total loans. Akbank's market share in the total loans rose from 12.7% in 2004 to 14.4% in 2005. The Bank's market share of Turkish lira loans was 12.2% in 2004 and rose to 13.6% in 2005. The total loans portfolio increased in this period by 71% and the ratio of loans to total assets increased from 37% to 42%. Despite these developments, the ratio of non-performing loans remained at a negligible level of 1.59%.



The significant growth in total loans stemmed from the increase in loans extended to small and medium-size enterprises (SMEs). Akbank's SME loans exhibited a surge of 116% in 2005 over the previous year, to reach YTL 7.7 billion. Retail loans as well, particularly housing loans, displayed significant increases. Consumer loans went up by 119% and the share of retail and SME loans in the total reached 66%.

Effective strategies to increase deposits were implemented and resulted in a 58% growth rate during the year. There was a significant 157% increase in the volume of Turkish lira deposits, particularly in commercial deposits. There was also important growth in Akbank's share of the deposits market. While Akbank's share in total deposits in 2004 was 10.1%, this ratio stood at 12.5% by the end of 2005, with the share of Turkish lira deposits in total climbing from 6.2% to 10.9%. It is expected that deposits will continue to increase in 2006 as a result of an equalization of tax rates in investment instruments and the liberalization of public deposits in the period ahead.

Akbank's equity capital, which was YTL 6,227 million in 2004, amounted to YTL 6,353 million at the end of 2005 due to the Bank's repurchase of founders' shares during the year. Despite the YTL 1,023 million paid out to founder shareholders, Akbank continued to maintain its position as the private bank with the largest free capital. Among private sector banks, Akbank ranked first in 2005 with its free equity capital standing at YTL 5.1

billion. The first bank in Turkey to repurchase founders' shares, Akbank began this process on June 28, 2005, whereby founders' and usufruct shares were repurchased against payment from the extraordinary reserves.

In 2005, Euromoney Magazine named Akbank as "Turkey's Best Bank" for the seventh time. Akbank's success and its strong position were featured in the October issue of the Institutional Investor, the reputable US business and finance magazine. Taking note of the great interest shown by foreign banks in the Turkish banking sector, the news story points out that Akbank's growth is a reflection of the growth of modern Turkey. The article comments on how Akbank has sustained its leadership by maintaining its autonomy.

In 2005, Akbank continued to obtain credits from overseas markets at favorable terms; the amount of these resources reached a total of US\$ 5,217 million.

Akbank's shares are listed on the Istanbul Stock Exchange with a free float of 33.7%. Outside Turkey, the Bank's Level 1 ADRs are traded on the London IOB and the OTC market in the US. As of December 31, 2005, the Bank had a market capitalization of US\$ 14,756 million, making it the company with the second highest market value on the ISE.

Note: Unless otherwise stated, all financial information has been extracted from the unconsolidated financial statements based on BRSa accounting principles.

As of year-end 2005, Akbank was ranked as Turkey's most profitable private sector bank and also as the largest bank in Turkey in terms of total loans.

SABANCI BANK

The London-based Sabancı Bank PLC was originally established in 1983 as Ak International Limited. Over the next twenty years, its activities steadily expanded and now encompass trade finance, corporate banking, treasury, capital markets and personal banking. Its core strategy is to provide quality financial products and services to its corporate, institutional and individual clients, with a particular emphasis on Turkish-related business. The Bank offers specialist knowledge, expertise and capabilities of Turkey in collaboration with Akbank and other Sabancı Group companies. The Bank's strong shareholder equity of £ 119 million, coupled with high liquidity and consistently good performance over the years have enabled it to achieve a highly respectable 'Baa 1' Investment Grade credit rating from Moody's.

In February 2006, a Shares Purchase Agreement was signed for the sale of Sabancı Bank shares.

AKLEASING

AkLeasing was one of the first leasing companies established in Turkey. It has become a leading player in the sector with an equity of YTL 115 million and total assets of YTL 290 million. In 2005, Akbank increased its ownership to 100% up from 40% and changed its name to AkLeasing.

Previously, the company served large-scale companies. After Akbank's 100% takeover, the company focused more on small and medium-size enterprises, offering them leasing services through six recently established regional representative offices and Akbank's widespread branch network in Turkey.

In 2005, AkLeasing recorded a business volume of US\$ 200 million with an increase of 118%, much higher than sector growth, compared to 2004.

AK SECURITIES

Since the establishment of Ak Securities in 1996 as an investment brokerage company, its mission has been to provide the most comprehensive portfolio of services possible. Ak Securities has achieved rapid and steady growth. Boasting some 194,374 investor accounts and with 173 employees, it has become one of the largest brokerage houses in Turkey.

In addition to serving its customers with all basic stock and bond trading transactions including repo, Ak Securities also provides portfolio management, investment advisory services and Amex mutual funds trading. The Institutional Sales Department caters to overseas corporate clients interested in Turkish capital markets by offering a full range of trading services. The Research Department's periodicals along with event-specific publications in Turkish and English cater to the domestic and foreign clients alike, playing a key role in investment decisions.

Ak Securities offers the trading of fixed-income securities to its clients through the Treasury and Derivates Department. It assists clients to determine the investment strategy most suitable to their investment profile. Since the derivatives market is fairly new, the Treasury and Derivates Department informs investors with regard to the instruments traded in this market, profit and loss scenarios and how to use the futures contracts for hedging and speculation purposes.

The Corporate Finance Department, with its qualified staff, offers consultation services to local and foreign companies for public offerings, mergers and acquisitions, as well as buyer and seller consultations for privatization projects.



Ak Securities, with its widespread network, offers these services through its Istanbul Headquarters, 14 Ak Yatırım Branches established in Istanbul, Ankara, Izmir, Adana, G.Antep, Antalya, Bursa, Denizli, Kayseri and through 633 Akbank branches, 32 dealing rooms located in Akbank branches which also serve as Ak Securities agencies. In addition, these services are available to the customers on a 24/7 basis via the Internet.

From its website (www.akyatirim.com) Ak Securities reaches many investors by publishing daily and weekly reports, industry and company reports, quarterly reports as well as macro notes and daily technical analysis reports.

AK INVESTMENT FUND

Ak Investment Fund was the second largest fund in terms of assets among 25 investment funds in Turkey as of year-end 2005.

Ak Investment Fund had a 9.9% market share in terms of investment portfolio size by the end of 2005. The Fund yielded a 45.4% rate of return and its stock traded at an average discount rate of 30.8%.

The Fund's strategy is to diversify its investment portfolio to minimize risk and maximize return. It focuses on domestic market and targets long-term capital appreciation by investing in equities.

AK ASSET MANAGEMENT

Ak Asset Management was established in June 2000 as a wholly owned subsidiary of Akbank with YTL 1.0 million paid-in capital.

Ak Asset Management has 24 different portfolios from four sources; 12 mutual funds from Akbank, one Ak Securities fund, ten Ak Emeklilik pension funds and one Ak Investment Fund. In addition, the Company manages its corporate clients' assets based on their expectations and risk profiles.

Ak Asset Management is the country's second largest mutual fund management company in terms of managed assets. Assets under management reached US\$ 3.0 billion by the end of 2005. Ak Asset Management, has the second highest market share in the mutual fund sector with 12.8%. With regard to pension funds, the Company is the leader with a market share of 17.2%.

Ak Asset Management is aware of the importance of risk management and thus implements a clearly defined and well-disciplined investment strategy. The Company's general strategy for asset management is to beat benchmarks determined for each portfolio, minimize short-term market risk and maximize long-term capital growth, while providing liquidity and diversification.

Established in 1960, Aksigorta is one of the leading non-life insurance companies in Turkey in terms of premium generation, shareholders' equity and financial strength.

Ak Portfolio Management strives to be a leader and a pioneer in the asset management sector in terms of market share and new product innovation.

AKSIGORTA

Established in 1960, Aksigorta is one of the leading non-life insurance companies in Turkey in terms of premium generation, shareholders' equity and financial strength.

Headquartered in Istanbul, Aksigorta offers fire, accident, marine, engineering, agriculture and health insurance coverage to its clients. It operates ten regional offices located in Istanbul (4), Izmir, Adana, Ankara, Trabzon, Bursa and Antalya. Aksigorta has additional three representative offices throughout Turkey.

To provide better quality service to its corporate and individual customers, the Company's insurance products are marketed and distributed through a wide network consisting of 1,063 agents and 658 Akbank branches. These channels are supported by the Aksigorta Service Center and website, which provide various services on a 24/7 basis ranging from claims follow up to other insurance services.

Aksigorta, with its customer-focused service philosophy, has increased quality and customer satisfaction as it continues to offer outsourced assistance services for vehicle, household, business and health related products. In addition, Aksigorta continues to offer the best quality service in the shortest time through contracted car repair services and health care institutions. For Aksigorta, these assistance services make up an integral part of the insurance business.

Until the beginning of 1996, Aksigorta operated in both life and non-life insurance segments. That same year, it transferred its life insurance operations to Akhayat - the life insurance subsidiary of the Sabancı Group. Within this new structure, Akhayat was converted to a pension fund and renamed as Ak Emeklilik A.Ş. Currently, Aksigorta holds a 99.4% share of Ak Emeklilik.

Aksigorta established a Quality Control System and was certified by the BVQI with Quality Standards BS EN ISO 9001: 1994 in 1998. On July 12, 2004, this certificate was renewed in accordance with the ISO 9001: 2000 and on September 22, 2004, Aksigorta extended the validity of the certificate until July 2, 2007.

Aksigorta continues to do its part in raising social consciousness. Within the framework of the Investing in the Future Project, which was initiated in 1995, YADEM (the Fire and Earthquake Simulation Center) became operational in 1996 and provides training to children in the 7 to 14-year age group, informing them what actions need to be taken during potential disasters such as fire and earthquakes. This program has reached more than 40,000 visitors so far.

Aksigorta has been named 'the Most Trustworthy Insurance Company' in terms of quality and was awarded the Consumer 2006 Quality Prize in an annual competition held by Tüketici Dergisi (Consumer Magazine).

Aksigorta's shares are listed on the Istanbul Stock Exchange with a free float of 38%.



AK EMEKLİLİK

Ak Emeklilik dealt exclusively in life and health insurance provision until 2002 under the name of Akhayat Sigorta A.Ş. Following authorization from the Treasury in December 2002, the Company changed its name to Ak Emeklilik A.Ş. and started to operate in the field of private pension systems.

After extensive preparations for the advent of private pension systems, which Ak Emeklilik sees as the most effective solution for the social security problem in Turkey, the Company was among the first in Turkey to receive an operating permit from the Treasury in this field. Ak Emeklilik operates in both life insurance and private pensions provision.

In 2005, Ak Emeklilik has become the market leader in pension business in terms of assets under management. Furthermore, the Company received "The Most Admired Pension Company" Award (voted by corporate professionals) from Capital, Turkey's prestigious economy magazine. Market research shows that Ak Emeklilik has the highest brand awareness among pension companies in Turkey.

Ak Emeklilik, strives to build and maintain customer confidence via its team of more than 450 well trained, professional financial advisers and its nationwide distribution network comprised of 13 regional offices with headquarters in Istanbul, 58 independent agencies and more than 600 Akbank branches. Ak Emeklilik also established the Independent Financial Advisers team, an innovative service that differentiates the Company from its competitors.

As of year-end 2005, Ak Emeklilik, with its YTL 209 million assets under management, is the market leader with a share of 17.1%. Ak Emeklilik signed 95,609 contracts out of the market total of 705,138. Ak Emeklilik, outperforms its competitors in the field of corporate participants as well; 120 different companies with a total of 25,189 employees participate in its private pension plans.