



ALBARAKA TÜRK



Chairman's Letter

I am pleased to present you the annual report of Albaraka Türk Participation Bank for the year ending 31st December 2005.

On the coming pages of this report you will find the financials of a dynamic, growing and enthusiastic bank. You will also find how this dynamism and enthusiasm is mixed with the experience of the past 20 years, in one perfect brew to match the satisfaction of its shareholders, its depositors which has trusted their savings in interest-free investment projects and its customers who have enjoyed working with a financial institution to suit all their financing and banking needs.

You will also find the leverage Albaraka Türk has brought to its holding group, Albaraka Banking Group (ABG). The group, established in 2002 in Bahrain, arguably the foremost interest-free banking center in the world today, was built on top of the infrastructure constructed previously by Albaraka Investment and Development Co. The move arose from the need for a truly global interest-free banking service. The consolidation brought about by this move represents the first stage in the evolution from the informal grouping of separate independent banks operating in 10 different countries, established over the last three decades, to a modern banking group, international in scope and activities, financially strong and sound, and ready to meet the challenges of the changing dynamics of the 21st century. The Group has equity of US \$ 550 million, total assets of US \$ 6.2 billion and an authorized capital of US \$ 1.5 billion, as of end of 2005.

The second stage of this move, I am pleased to announce here, is the initial public offering of Albaraka Banking Group, which has grown both in size and profitability, thanks to professional management of group banks, especially Albaraka Türk Participation Bank, one of the group's flagship units.

In 2005, Turkey was able to show the persistence in policies necessary to overcome structural deficiencies and to attain stability in the long run. The curb on inflation was more pronounced this year as inflation fell down to levels below given targets and expectations. The government's performance in keeping public finance and budget under restraint has also been marked as notable.

The stability environment fostered by such improvements has helped the revitalization of the financial sector of Turkey, which was one of the worst hit sectors during the crisis in 2000 - 2001. The performance of Albaraka Türk, meanwhile, has surpassed that of the financial sector in several respects. We were able to achieve a 34 percent (in US Dollar terms) growth in fund collection whilst expanding our fund utilization by 43 percent. As a result of our firm commitment to risk diversion, we further expanded our corporate and retail customer base, both in the range of scale and sectors focused, thus distributing our credit exposure in a more balanced manner. In order to strengthen our capital base in the process of growth, we have increased our paid-up capital to YTL 126 million within the year 2005. We have further increased the paid-up capital of the bank to YTL 160 million in the annual shareholders general assembly held in February of 2006.

By means of a combination of wise management, hard work, ingenious marketing efforts and high service quality, I am delighted to announce that Albaraka Türk has had a spectacular year ending with an after-tax profit of YTL 46,1 million (equivalent to US \$ 34,2 million), an increase in profits by more than 30 percent.

In closing, I definitely look forward to another year of further growth and profitability, and wish that 2006 would bring new opportunities and successes to Turkey and Albaraka Türk Participation Bank.

With my sincere regards,

Adnan Ahmed Yusuf ABDULMALEK
Chairman

General Manager's Letter

Turkey has progressed along the road to further stability in an environment more knit together with increasing global relations, a much needed progress after the previous crises triggered by the structural misalignments of the economy. 2005 was a year of a less pronounced, but reasonable growth when compared to 2004, a theme seen in the majority of the economies in the world. The year, most notable for the low levels of global inflation and relative stability despite the rising oil prices, has seen Turkey concentrating on institutional and structural adjustment under conditions of low inflation and increasing competitive forces.

Given such an environment, the Turkish financial sector has grown at what can be considered as remarkable. The deposits collected at commercial banks rose by 27 % in 2005. The main contributor to this has been the deposit collection of privately owned banks. The reverse currency substitution process, whereby economic agents prefer to substitute from investments and savings denominated in foreign currency to those denominated in local currency, has continued within the year so that the ratio of local currency deposits in total deposits have increased. In 2005 interest-free banks, whose official titles have been changed by the New Banks' Law from the previous Special Finance Houses to Participation Banks, have recorded an increase in funds collected by 44 %.

A more interesting development in the banking sector has been seen in the credit markets. In 2005, banks have increased their credits allocated to their non-financial customers by 54 %. The main factor behind this trend is the reduction in the demand for funds by the public sector. Banks have routed their increasing supplies of funds to the corporate and more importantly to retail customers. They have also adopted alternative products and services in the face of reduction in profit margins and increasing local and foreign competition.

I would like to proudly announce that Albaraka Türk has grown in 2005 higher than the sector averages, while at the same time reaching a profitability level, again much higher than sector averages. We were able to maintain that delicate balance between growth and profitability, providing healthier and higher returns to our valuable customers and shareholders.

Albaraka Türk has kept to certain directing principles to achieve the said balance. These principles are efficiency, quality of service, financial soundness and utilization of potentials. We try to base all our activities on these four points. Our performance clearly gives much indication as to these efforts: Fund collection has risen by 34 %, funds utilized by 43 %. Albaraka Türk, aside from corporate banking where our institution is a brand name in Turkey, has been giving weight to retail banking and alternative distribution channels over the last few years, and as such has been continuously increasing its product range and quality.

We are also proud of the level of efficiency achieved by our staff. Albaraka Türk is number one with regards to deposits and profits per branch and per staff member. It is also due to his efficiency that loans-in-arrears level with respect to total utilizations is at record low levels.

Finally I would like to open here a parenthesis concerning the title change. I would like to express that the title "participation banking" is a more descriptive of the nature of interest-free banking. As such the switch from "special finance house" to "participation bank" is nothing beyond a name change. Albaraka Türk has adopted the new title after the publishing of the new Banks' Law in the month of December by an extraordinary shareholders' assembly. Albaraka Türk assures all its customers, investors and shareholders, who have until now worked with confidence with our institution, that there has been no additional change.

The success story we have written today is due to our customers, shareholders and staff. With the full knowledge and responsibility of your continuous support, we at Albaraka Türk will continue to new platforms of success, holding to the balance between growth and profitability as our guiding light.

With my best regards,

Dr. Adnan BÜYÜKDENİZ
General Manager

from 55 % at the end of 2004 to 63 % at the end of 2005. The growth rate of credits extended by the banks to non-financial agents has been very significant in 2005. Due to a rise of 54 % in credits, the ratio of credits to deposits ratio has increased to 58 % from a then-high 48 %. The change has been mainly due to the reduction in the public sector burden on the financial markets and the rise in the supply of funds. The banks have thus diverted their operations to the credit markets, especially the retail credits.

Currently, the stability of the economy seems to hinge on three basic factors:- First of all the initialization of the talks and screening process with the European Union has started after the critical date of October 3. As long as progress is made here, even with slight mishaps, the confidence in the government will linger, at least in the foreseeable future.

Secondly, the current program with the IMF, which is mainly targeted at public reforms and tight fiscal policy, is seen as an anchor by many economic agents. The success of the government and economic policy in achieving positive fiscal results, much over the most optimistic of the expectations, and reducing inflation, has resulted in growing confidence in the government's credibility.

The third anchorage will essentially follow the government's approach to the structural problems of the economy. The two problems of current account deficit and unemployment is now seen as more structural, rather than cyclical problems. The government is also expected to address the demands rising from the real sectors of the economy. The government has responded to these demands by coupling significant rate cuts in the corporate tax with the tax reforms currently at hand. A new system of investment incentives have also been put into operation, with the aim of reducing regional inequalities. Another problematic issue currently in the agenda of the government, and the markets, is the bleeding social security system.

As long as these three anchors keep a stable hold on the economy, the year 2006 will most likely exhibit a similar pattern as that of 2005. A growth rate of 6% for the GNP, 1 point over the government target, is not unlikely. 2006 will be a year when the Central Bank of Turkey will opt for open inflation targeting, rather than an unannounced one that it has declared it has been following for the past two years. The target inflation rate is 5 % with two basis points of tolerance. It is possible to expect that inflation rates between 5 % and 6 %, given that no external shock prevails. The exchange rates are expected to follow the line, with a slight correction not totally impossible. The interest rates will most likely continue its slow slide downwards.

World Economy

Following the economical growth of around 5 percent achieved in 2004, there were some factors that negatively influenced the expectations of growth in the global economy in 2005. Not only the war in Iraq but also devastating effects of the Katrina hurricane and continuing rise in the prices of crude oil and primary commodities have caused the expectations about the world economy in 2005 to shrink.

In spite of these expectations, growth of the global economy has been observed to stay around 4-5 percent in 2005. It was the first time in the world economy, since 1970s, that the economy has been growing also in two consecutive years with such an acceptable rate. Global trade volume has also increased in 2004 and 2005 without interruption by 10 % and 7 % respectively. When we look into unemployment figures in developed countries during this period we can see a little bit of better results in general.

At the beginning of this year there was a fear about the oil prices, reaching 70 US\$ per barrel, to continue rising towards the end of the year. This implied that developing countries would experience an inflationary pressure against their growth rates. However the rate of inflation in the world has been realized around 3.7 % in 2005 which was not much different from the figures attained in recent years. We have, however, observed that the gradually increasing cost of oil has increased the costs of consumer goods. For example in the United States of America, the producers' price index has displayed a significant rise of in late Autumn, not observed within the last decade in the USA, resulting in a sharp increase in the consumer prices by about 5 percent. In G7 countries, the inflation rates were announced to have reached their peaks of recent years in autumn. Also European countries, the inflation rates were observed to be well over the projections set by the European Central Bank. Despite expectations and higher results towards the end of the year, global inflation was not high, at least for the year 2005. Accompanied by overall trend of growth in global economies, lower inflation rates have caused dampening of the interest rates in developing as well as developed countries and resulted in considerable revaluation of investment instruments primarily in capital markets and real-estate markets. Cheaper financial facilities have generated capital investments (that have been decreasing in the aftermath of 2001 capital market bubble) to regain inertia. Thus in 2005, investments, fresh capital influxes and profits have increased.

There was a concern due to Iraq war that the regional oil producers would feel some disturbances in their economical and political stabilities. However, although this has actually caused oil prices to increase, it has also yielded accumulation of capital in these economies and resulted in extraordinary vividness in their markets. For instance, construction and infrastructural sectors in the Gulf countries have gained an enormous inertia. On the other hand the accumulated extra capital has also increased the volume of globally floating capital, resulting in enlivenment of other regions of the world.

In the USA, the Katrina hurricane which caused New Orleans city to be invaded by flood was feared of triggering an interruption in the positive developments of the US economy. Taking into consideration the record-high current account deficits and minimal savings, the increasing interest rates so far had made the USA the primary base of investment for globally moving capital. Analysts started talking about a possible stagnation in the US economy which would not only result in severe losses in foreign investments in the US, but also cause the international trading of goods and services to shrink, thus influence all economies in the world negatively. In spite of these anticipations the American economy has survived to continue growing in 2005, albeit with a decreasing inertia. It has been foreseen that in 2006 this inertia will go on with the decreasing dynamics, which will loosen the consumer confidence to slacken in the US economy. Accompanied by the signals given by the FED about loosening of interest-rate policies in the near future, these anticipations are taken seriously.

In the European Community the economical implications of the enlargement process were felt more deeply, especially based on the Dollar/Euro rates that were quite high at the beginning of 2005. Eventually the EU has closed the year with a rather low rate of growth. Nevertheless, new members of EU taking a more liberal path have generated higher growth rates than conventional EU members. However, the EU has not been able to curb down the increasing unemployment in the community. U.S. Dollar continued its downfall which started in 2004, despite the increasing demand for Dollar (that was mostly required by those countries which had to pay more Dollars to the oil they have been importing). During the second half of 2005 the Euro also has lost value against US\$. No satisfying projection could be made as to the future trend of the Euro-Dollar rates. The current account deficit in the USA which has reached to 7 percent of its GNP was considered to be the main reason of the downfall of Dollar. US economy needs foreigners to keep US\$ as reserves so that this deficit could continue to be financed. Parallel to this, the Euro was not able to gain value in the EU region because of internal developments in the Community as well as the fear that Italy may not survive staying in the Euro zone. On the other hand, countries like China that maintain high US\$ reserves, have played an important role in the global economy: China has abandoned its policy of keeping its national currency "Yuan" indexed to the US\$ and adopted floating currency regime. Yet China has been able to maintain foreign currency stability by the help of interventions done against free floatation of currencies. It seems that this exercise will be repeated in other countries of Asia.

Particularly India, Malaysia and other developing countries of Asia whose growth rates were observed in 2005 to be realized by 5-8 percent seem to become new economical powers of the world in the future.

Albaraka Türk in Brief

Albaraka Türk Participation Bank, shortly Albaraka Türk is the first interest-free finance house in Turkey. It had completed its establishment by the year 1984 and started operating since the beginning of the year 1985. Based on the resolution adopted by its Extraordinary General Assembly of Shareholders on 21.12.2005 the title of the company was amended to be "Albaraka Türk Katılım Bankası A.Ş." (Albaraka Türk Participation Bank A.S). Operations of Albaraka Türk are subject to new Bank's Law Nr.5411.

The bank has been initiated by The Albaraka Banking Group, one of the most prominent groups in the Middle East, The Islamic Development Bank (IDB) and a local industrial group having served the Turkish economy for more than a half of a century. In the present shareholding structure the foreign shareholders hold 83.80 percent and the local shareholders hold 16.20 percent of the shares. The shareholding structure of Albaraka Türk itself is the very guarantee of confidence and high standing.

The Shareholding Structure of Albaraka Türk Participation Bank*

Foreign shareholders	% 83.80
Albaraka Banking Group	% 67.76
The Islamic Development Bank	% 9.83
Alharthy Family	% 4.33
Other Foreign Shareholders	% 1.88

Local Shareholders	% 16.20
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*As of December 31st, 2005

Albaraka Türk generates funds by means of current accounts, profit and loss participation accounts, and in return, allocates these funds in the ways of retail financing, trade financing, leasing and project based profit/loss partnerships to the retail and the corporate clients as to meet their financial requirements. In so doing it provides gains for the national economy. Albaraka Türk is authorized to conduct all types of national and international banking operations within the framework of interest-free banking.

The bank has set up its vision as to become the regional top player in offering financial products and services between Turkey and the countries in the Gulf, Middle East and North Africa where Albaraka Türk's major shareholder ABG (Albaraka Banking Group) banks are operating. It is also offering fast pace, high quality and secure foreign trade (import, export and foreign exchange) intermediary services by means of its network of more than 200 correspondent banks based in more than 60 countries worldwide, spreading from Singapore to the United Kingdom, from South Africa to Morocco, from Australia to Kazakhstan. Albaraka Türk is also becoming strong in retail banking, and sparing no effort in adding value to its shareholders, employees, clients, community and to the environment by being a universal bank. As end of 2005, it has total of 43 branches where 21 branches are located in Istanbul and 22 branches are spread around important industrial and trading centres, employing a workforce of 910 people.

BOARD OF DIRECTORS

Chairman

Adnan Ahmed Yusuf ABDULMALEK

Vice Chairman (Authorized Director)

Yalçın ÖNER

Member (Authorized Director)

Osman AKYÜZ

Member

Osman Ahmed SULIMAN

Member

Ibrahim Fayez Humaid AL SHAMSI

Member

Faisal Abdulaziz AL ZAMEL

Member (Authorized Director)

Dr. Adnan BÜYÜKDENİZ

GENERAL MANAGEMENT

GENEL MANAGER : Dr. Adnan BÜYÜKDENİZ

Senior Assist. General Manager : Fahrettin YAHŞI
Assistant General Manager : Temel HAZIROĞLU
Assistant General Manager : Bülent TABAN
Assistant General Manager : M. Ali VERÇİN
Head of Legal Counsel : Nihat BOZ
Head of Auditing Group : Mitat AKTAŞ
International Banking Division : İhsan Fehmi SÖZKESEN
Corporate Banking Division : Hüseyin TUNÇ
Retail Banking Division : Ömer Lütfi TAMA
Operations Division : Mahmut Esfa EMEK
Marketing Division : Osman ÇELEBİ
Marketing Division : İsmail KUZ
Marketing Division : Hasan ALTUNDAĞ
Marketing Division : Kenan Can GÖKPINAR
Financial Affairs Division : Ahmet OCAK
Risk Monitoring Division : Kemal YAYLA
Information Technology Division : Ahmet GÜZEL
Administrative Affairs Division : İbrahim USUL
Human Resources Division : Erdal DERİNDERE

Services Rendered

1. Fund Generation

A- Current Accounts

These are sight deposit accounts that may be withdrawn in whole or part whenever requested by the depositor. Such accounts may be opened either in local or foreign currencies. Holders of current accounts are neither paid any profit nor any sort of money under whatever name, but only paid the principal. Holders of current accounts are being offered all types of banking services (such as money orders, transfers, collection of cheques/promissory notes etc.). All current accounts of real persons held in Albaraka Türk are under the guarantee of The Deposit Insurance Fund, upto an amount of 50,000 YTL (or its foreign currency equivalent for accounts denominated in foreign currency) for each real person.

B- Profit / Loss Participation Accounts

a) Profit / Loss Participation Accounts (in General)

These are time deposit accounts in Turkish Lira, US Dollar and Euro currencies, and are opened against a "pass book" on the basis of profit/loss participation whereby the funds thus collected are directly used in interest-free financing of trade and industry and the due profit shares are paid out to the account holders. Participation accounts may be opened for 30 days, 90 days, 180 days, 360 days or for longer terms. Deposit Insurance Fund covers a balance upto the equivalent of YTL 50,000 per depositor in Albaraka Türk, ensuring his/her principal in any currency inclusive of profit shares. All profit/loss participation accounts of real persons held in Albaraka Türk are under the guarantee of The Deposit Insurance Fund, upto an amount of 50,000 YTL (or its foreign currency equivalent for accounts denominated in foreign currency) for each real person.

b) Profit / Loss Participation Accounts (on Periodical Payment Basis)

Albaraka Türk also added profit / loss participation accounts with periodical payment basis to its product range in 2003. Our customers find the opportunity to receive higher profit shares through these accounts that may be opened for both legal entities and individuals. These accounts are opened for 1 year term while the accumulated profit shares are paid up at the end of each quarter.

Participation accounts can be opened at Albaraka Türk branches, and where our branches are not available they can be opened through our correspondent bank branches. Also, the principal and profit shares could be collected from the same branches by the clients. All Akbank branches are currently offering correspondent banking services nationwide.

Clients residing abroad can open Participation accounts through our below referred correspondent banks.

a) For Euro currency

The Bank of New York, Frankfurt : Account Nr: 0049 609710
Commerzbank AG, Frankfurt : Account Nr: 400 886 3078 01
Citigroup Global Markets
Deutschland AG und Co. KGAA,
Frankfurt : Account Nr: 411/5041/016

b) For US Dollar

The Bank of New York, New York : Account Nr: 890-0033-150
Citibank N.A., New York : Account Nr: 36112821

The transfers for the participation accounts sent through correspondent banks are operative as of the day they are credited to the accounts. The due profit shares relating the Participation accounts are calculated every weekend at the end of each Friday working hours. The due profit shares are announced on the daily newspapers as of the beginning of each week.

2. Fund Utilization

A-Corporate Finance

Albaraka Türk, as for its founding principles which does not deal in treasury bills, government securities and other similar financial instruments, from the establishment date onwards, utilizes its sources in meeting the requirements of trade and industry. In connection to this, by means of a team of experts having proper experience and knowledge of trade and industry inside out, it had built a very selective credit loans portfolio, and thus was able to survive successfully from all the economic crises that had hit the local economy in the recent years. Albaraka Türk, in evaluating the corporate marketing and the credit loan requests is using the most advanced and universal banking techniques; by taking into account the factors of security, organization and productivity, it runs a selective process on segmental basis so as to enable risk diversification and to increase productivity.

Our basic aim in the corporate banking, amid the constant change and high competition at the financial markets, is to offer our clients project-based solutions in providing them with more effective and productive financial means responding to their respective banking needs and to build long run relations with them.

In 2005, we introduced a financing policy that concentrates on including small and medium scale companies to our customer portfolio so as to reduce the median of our risks per beneficiary while increasing our return on assets. Accompanied by our interactive marketing strategies, this policy has yielded higher effectiveness of the collaterals, liquidity and overall efficiency measured in the bank. The same and similar strategies will continue to be implemented in following years.

The fund utilization methods offered in relation to the corporate finance are as follows:

- Trade Financing

Such financing is provided to corporate customers applying to buy raw / finished or semi-finished materials, machinery and equipment for their operations. Within the principles of a contract signed between the parties involved, Albaraka Türk purchases the goods in cash from third parties on behalf of the customer and sells to them on credit basis.

- Financial Leasing

In accordance with the Financial Leasing Law no. 3226, Albaraka Türk procures movable and immovable goods and leases them. Period of the leasing contract should not be less than 4 years (for some types of goods this period may be decreased to 2 years). After collecting the installment proceeds in accordance with a pre-determined schedule between Albaraka Türk and its client, the ownership of the leased goods is transferred to the client at the end of the contract period.

- Profit/Loss Participation

Such instrument is operated to provide funds to retail and/or corporate customers in return for participating to their profit/loss which may occur from their all or particular activities or from buying/selling of a particular good. In order to provide funds to persons and enterprises in return for profit/loss participation, Albaraka Türk signs a "Profit&Loss Participation Investment "contract" with them, and participates in profit and/or loss at the rate determined in the contract. The due share and the guarantees to be received by Albaraka Türk relating to the profit/loss participation would be indicated very clearly in the referred contract.

- Negotiating on Documents Against Goods

In accordance with the Incoterms and current regulations on foreign exchange regime, Albaraka Türk can buy documents representing import goods against cash in order to resell to the party using the funds on deferred payment basis at a higher price based on a contract signed between Albaraka Türk and the party using the funds.

- Documentary Credits

Albaraka Türk renders all documentary credit transactions of its clients as issuing letters of guarantee in favour of domestic or foreign authorities, import letters of credit, adding confirmation to export letters of credit, accepting avalisation. All such services are rendered to the customers within the framework of the Banking Law, the related regulations and the corporate banking principles.

B- Retail Finance

This is such a facility where Albaraka Türk pays sellers for the goods or services on behalf of buyers by debiting the buyer subsequently. Such funds are available only for retail use by individuals and not for any business purposes and corporate customers. This instrument includes:

- Housing Finance
- Vehicle Finance
- Consumer Finance

3 - International Banking Services

Albaraka Türk, just like the other conventional banks, is authorized to render all types of intermediary and consultancy services on foreign trade and foreign exchange. All types of import payment methods and procedures such as letters of credit, cash against documents, cash against goods, cash payments, acceptance credits and transit trade are carried out within the framework of international banking rules and practices by highly qualified and experienced staff using the most advanced banking means and opting only for client satisfaction.

The bank is also assertive in export services, as this trade is vital to the Turkish economy. Albaraka Türk is offering intermediary and consultancy services for all types of export operations. It has a widespread international correspondent banking network. Albaraka Türk is one of the very few Turkish banks adding confirmation to the export letters of credit issued through Afro-Asian region, especially such countries like Algeria, Egypt, and Sudan. The bank's major shareholder ABG (Albaraka Banking Group) banks are operating in a very wide geography including North Africa and the Middle East. These include Banque Al Baraka d'Algerie in Algeria, B.E.S.T Bank in Tunisia, Egyptian Saudi Finance Bank in Egypt, Jordan Islamic Bank in Jordan, Al Baraka Bank in Lebanon, Albaraka Islamic Investment Bank and Al Amin Bank in Bahrain, Albaraka Bank Sudan in Sudan and Albaraka Bank Ltd. in South Africa. All the referred banks provide a formidable synergy to Albaraka Türk Participation Bank in foreign trade.

Albaraka Türk offers fast, high quality and secure foreign trade (export and import) and international banking services through its network of more than 200 correspondent banks in more than 60 countries, ranging from, Singapore to United Kingdom, South Africa to China, Australia to Kazakhstan and including renowned banks on its list such as The Bank of New York, Citibank NA, Commerzbank AG, Banca Intesa SpA, UniCredito Italiano SpA, Societe Generale, Lloyds TSB Bank plc.

4 - Other Services

A- Credit Cards

Albaraka Türk credit cards are used in many areas as many as in 220 countries. On the other hand, as another area of credit cards, the bank is offering point of sale (POS) services for the members through ABATPOS possessing terminals. The bank became a member of Interbank Card Centre in 2004, thus usage of Albaraka Türk credit card is made available at every ATM of member banks within the country. With new services like ABATPOS, ABATMOBILPOS, ABAT MAILORDERPOS, we have been successful to increase the total number of POS holders to 7,520 by which the business volume reached to YTL 517 million.

In 2005 the bank supplied Business Card to serve for its corporate customers' need.

In 2005 the bank disbursed YTL 141 million for retail housing projects of its customers, out of the 217 million YTL for retail finance in general, which represents 30 percent increase with respect to previous year figures.

B- Alternative Distribution Channels

Technological developments and clients' willingness for faster and easier services have driven the financial services beyond the physical bank branches. Alternative distribution channels (ATM, Internet, Call Centre) allowing the banking services to be extended beyond the traditional brick-n-mortar branches are also used at our bank. Soon, such other alternative distribution channels as WAP banking, SMS and telephony banking will be implemented for the use of our customers efficiently.

In the bank we are planning to provide new services to our customers in 2006 like having access to their accounts with Albaraka Türk and withdrawing money from their accounts by using the cards we issued, from more than 7,500 points-of-sales nationwide.

Also in 2005 we have gained more penetration in the financial market by the help of retail and corporational internet banking facilities that were provided to our clients through our web pages renewed.

At our individual Internet branch, our clients are able to take advantage of non-stop services for the 365 days a year and 24 hours a day without coming up to our branches. Benefiting from the easiness and comfort of our internet branch every customer may gain access to such services for checking their available balance and recent movements, EFT, transfers, foreign currency buying/selling, credit card payments, opening participation account, cheque operations, payment orders, paying bills.

C- Other services

- Issuing of cheques
- Intermediating for collection of cheques and bills
- Buying / selling of foreign currencies
- Domestic / international transfers
- Automatic payment services
- Insurance services (intermediary)
- Safe deposit boxes

Activities in 2005

Fund Collection

During the year in 2005, funds collected by Albaraka Türk under “current accounts” and “profit/loss participation accounts” have shown around 33.67 % increase in Turkish Lira terms. As of the end of 2005, the total funds collected by the bank have reached to 1,714 trillion Turkish Liras. Foreign currency accounts constitute about 52.6% of these funds. Current accounts have raised by 44.68% reaching to 344 million and 150 thousand New Turkish Liras. Share of current accounts in total funds increased to 20.07%. Compared to the previous year, profit and loss participation funds reaching One billion and 370 million New Turkish Lira, increased by 31.16%. In 2005 the average size (volume) of funds collected in Albaraka Türk per branch was calculated as 30 million US \$ and 1,4 million USD per staff. These are the indicators of the best performance among the participation banks in Turkey.

Fund Collection

	2005		2004		Change	
	YTL	USD	YTL	USD	YTL	USD
Local Currency Deposits	812,617	602,832	453,263	337,727	79.28%	78.50%
Current Accounts	146,423	108,622	89,922	67,001	62.83%	62.12%
Participation Accounts	666,194	494,209	363,341	270,726	83.35%	82.55%
Foreign Currency Deposits	901,831	669,014	829,329	617,934	8.74%	8.27%
Current Accounts	197,727	146,682	147,947	110,236	33.65%	33.06%
Participation Accounts	704,104	522,332	681,381	507,698	3.33%	2.89%
USD Accounts	414,760	307,685	419,815	312,805	-1.20%	-1.64%
EUR Accounts	289,344	214,647	261,566	194,893	11.62%	10.13%
TOTAL DEPOSITS	1,714,448	1,271,846	1,282,592	955,660	33.67%	33.09%

Table-1: Collected funds (Thousand YTL and Thousand USD)

1\$=1,3421 YTL (2004)
1\$=1,348 YTL (2005)

Albaraka Türk's Fund Utilization performance is presented herebelow :

(YTL : Thousand) (USD: Thousand)	2005		2004		Change	
	YTL	USD Equiv.	YTL	USD Equiv.	YTL	USD Equiv.
Trade Financing (Corporate&Retail)	1,347,753	999,817	869,677	647,997	54.97 %	54.29 %
Financial Leasing	128,474	95,307	141,103	105,136	-8.95 %	-9.35 %
Profit&Loss Participation	5,051	3,747	5,090	3,793	-0.77 %	-1.20 %
Other	1	1	5,585	4,161	-99.98 %	-99.98 %
TOTAL	1,481,279	1,098,877	1,021,455	761,087	45.02 %	44.38 %

Table-2: Fund Utilization (in Thousand USD and Thousand YTL)

1\$=1,3421 YTL (2004)
1\$=1,348 YTL (2005)

The cumulative sum of the funds disbursed from Albaraka Türk in 2005 displayed 45.02% increase, reaching to YTL 1.48 billion. The same was recorded in 2004 as 31.68% rise.

a) Trade Financing (Corporate&Retail)

In 2005 the funds we have disbursed for the purpose of corporational and individual trade financing, expressed in Local Currency, have reached to YTL 1.35 billion, displaying 54.97% increase with respect to the last year. The share of Trade Finance disbursements out Total finance in 2005 was recorded as 90.99%. The same ratio was observed to be 84.92% in 2004.

b) Financial Leasing

Disbursement of our funds for Financial Leasing Operations decreased by 8.95% in 2005, depleting the cumulative volume from 141 million YTL to 128 million YTL. The share of Financial Leasing was observed to constitute 8.67% of our Total credit facilities availed in 2005, while it was 13.81% in 2004.

c) Profit and Loss Sharing Projects

The profit and loss sharing projects realized in the year 2005 constitute 0.03% of the total funds in 2005, falling from 0.04% in 2004. Profit&Loss Sharing (PLS) projects decreased to 5 million YTL from 5.1 million YTL of 2004, corresponding to 0.77% decrease.

International Banking Services

Also in the year 2005, Albaraka Türk has rendered a wide range of international banking services to its clients. As of December 31, it was maintaining 42 accounts with foreign banks in 10 different currencies. By the end of the year 2005 the number of the correspondent banks abroad has reached 200. The international banking activities of Albaraka Türk would be summarized hereunder:

INTERNATIONAL BUSINESS	2005	2004	Change (%)
Exports	351,389.39	253,109.77	38.83
Imports	690,095.77	508,906.44	33.60
Invisible transactions	928,193.88	533,658.34	73.93
Total (\$)	1,969,679.04	1,295,674.55	52.02

Table-3: Volume of international business, carried through (USD Thousand)

1\$=1,3421 YTL (2004)

1\$=1,3480 YTL (2005)

Risk Rating:

An international rating agency, FITCH RATINGS, rated Albaraka Türk in 2005, assigning "B" both for short term and long term, in local and foreign currencies. While declaring our long term rating with the national "BBB(tur)" the agency has pointed out the increasing profitability and asset quality as "stable" like the structure of our funds.

INDEPENDENT AUDITORS' REPORT

ALBARAKA TÜRK KATILIM BANKASI ANONİM ŞİRKETİ FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION OF A REPORT AND FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH - SEE SECTION THREE NOTE XXIV)

To the Board of Directors of Albaraka Türk Katılım Bankası Anonim Şirketi:

- 1 .We have audited the balance sheet of Albaraka Türk Katılım Bankası A.Ş. (the Bank) as of December 31, 2005 and the related statements of income, changes in equity and cash flow for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors is to issue an audit report on these financial statements based on our audit.
- 2 .We conducted our audit in accordance with the standards on accounting, recording and auditing which were determined under the provisions of the Banking Law Number 5411. These standards require that the audit should be planned and performed to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 .The Bank prepared its financial statements in accordance with the provisions of Accounting Application Regulations (AAR) based on Article 13 named "Accounting and Recording System" of the Banking Law 4389 starting from accounting periods beginning on January 1, 2005, and since the financial statements of the preceding periods were not subject to the AAR, the accompanying financial statements and the notes to financial statements are not presented comparatively as required by the related standards of AAR.
- 4 .In our opinion, except for the effects of the matter explained in paragraph three above, the accompanying financial statements present fairly, in all material respects, the financial position of Albaraka Türk Katılım Bankası Anonim Şirketi as of December 31, 2005 and the results of its operations and cash flows for the year then ended in accordance with the accounting principles and standards set forth by the regulations in effect as per Article 37 and temporary Article 1 of the Banking Law Number 5411.

Additional paragraph for convenience translation to English:

- 5 .Accounting principles and standards set forth by the regulations in effect as per Article 37 and temporary Article 1 of the Banking Law differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The effects of the differences between these accounting principles and accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in the countries of users of the financial statements and IFRS.

Güney Serbest Muhasebecilik Mali Müşavirlik Anonim Şirketi
An Affiliated Firm of Ernst & Young International

Müşfik Cantekinler
Partner

February 3, 2006
Istanbul, Türkiye

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
BALANCE SHEET AS OF DECEMBER 31, 2005
(Currency – Thousands of YTL)

Audited
31.12.2005

ASSETS	Notes	YTL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	109,054	22,622	131,676
1.1 Cash		11,677	-	11,677
1.2 Foreign Currency (FC)		-	20,578	20,578
1.3 Balances with the Central Bank of Turkey		97,377	2,044	99,421
1.4 Other		-	-	-
II. TRADING SECURITIES (Net)	(2)	-	-	-
2.1 Common stocks		-	-	-
2.2 Other securities		-	-	-
III. BANKS AND OTHER FINANCIAL INSTITUTIONS		76,070	97,596	173,666
3.1 Due from banks and special finance houses		76,070	97,596	173,666
3.1.1 Due from domestic banks and special finance houses		76,070	40,660	116,730
3.1.2 Due from foreign banks and special finance houses	(3)	-	56,936	56,936
3.1.3 Branches and head office abroad		-	-	-
IV. MONEY MARKET PLACEMENTS		-	-	-
V. SECURITIES AVAILABLE FOR SALE (Net)	(4)	-	-	-
5.1 Common stocks		-	-	-
5.2 Other securities		-	-	-
VI. LOANS	(5)	1,342,030	4,204	1,346,234
6.1 Short term		896,008	4,055	900,063
6.2 Medium and long term		438,871	-	438,871
6.3 Loans under follow-up		19,617	11,564	31,181
6.4 Specific provisions (-)		(12,466)	(11,415)	(23,881)
VII. SECURITIES HELD TO MATURITY (Net)	(6)	-	-	-
VIII. UNCONSOLIDATED ASSOCIATES (Net)	(7)	4,844	13	4,857
8.1 Financial associates		-	-	-
8.2 Non-financial associates		4,844	13	4,857
IX. UNCONSOLIDATED SUBSIDIARIES (Net)	(8)	-	-	-
9.1 Financial subsidiaries		-	-	-
9.2 Non-financial subsidiaries		-	-	-
X. UNCONSOLIDATED OTHER INVESTMENTS	(9)	-	-	-
XI. LEASE RECEIVABLES (Net)	(10)	128,474	-	128,474
11.1 Finance lease receivables		143,841	-	143,841
11.2 Unearned income (-)		(15,367)	-	(15,367)
11.3 Operational lease receivables		-	-	-
XII. RESERVE DEPOSITS		-	96,164	96,164
XIII. MISCELLANEOUS RECEIVABLES	(11)	406	258	664
XIV. PROFIT SHARE AND INCOME RECEIVABLES AND ACCRUALS	(12)	26,745	417	27,162
14.1 Loans		25,613	58	25,671
14.2 Securities		-	-	-
14.3 Other		1,132	359	1,491
XV. TANGIBLE ASSETS (Net)	(13)	49,690	-	49,690
15.1 Book value		76,122	-	76,122
15.2 Accumulated depreciation (-)		(26,432)	-	(26,432)
XVI. INTANGIBLE ASSETS (Net)	(14)	474	-	474
16.1 Goodwill		-	-	-
16.2 Other		1,253	-	1,253
16.3 Accumulated amortization (-)		(779)	-	(779)
XVII. DEFERRED TAX ASSET	(15)	8,966	-	8,966
XVIII. OTHER ASSETS	(16)	1,538	33	1,571
TOTAL ASSETS		1,748,291	221,307	1,969,598

The accompanying notes are an integral part of these balance sheets. (See: Pages 29 to 35)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
BALANCE SHEET AS OF DECEMBER 31, 2005
(Currency – Thousands of YTL)

Audited
31.12.2005

LIABILITIES	Notes	YTL	FC	Total
I. FUNDS COLLECTED	(1)	812,617	901,831	1,714,448
1.1 Current Accounts		146,423	197,727	344,150
1.2 Participation Accounts		666,194	704,104	1,370,298
II. MONEY MARKET BORROWINGS		-	-	-
III. FUNDS BORROWED	(2)	-	-	-
3.1 Funds borrowed from the Central Bank of Turkey		-	-	-
3.2 Other funds borrowed		-	-	-
3.2.1 Domestic banks and institutions		-	-	-
3.2.2 Foreign banks, institutions and funds		-	-	-
IV. SECURITIES ISSUED (Net)	(3)	-	-	-
V. MISCELLANEOUS PAYABLES	(4)	37,865	5,362	43,227
VI. OTHER EXTERNAL RESOURCES	(5)	-	-	-
VII. TAXES AND OTHER DUTIES PAYABLE	(6)	4,901	-	4,901
XIII. FINANCIAL LEASE PAYABLES (Net)	(7)	-	188	188
8.1 Finance lease payables		-	194	194
8.2 Deferred finance lease expenses [-]		-	[6]	[6]
IX. ACCRUED PROFIT SHARE AND OTHER EXPENSES	(8)	8,195	3,066	11,261
9.1 Participation accounts		8,195	3,066	11,261
9.2 Funds borrowed		-	-	-
9.3 Other		-	-	-
X. PROVISIONS	(9)	10,157	2,926	13,083
10.1 General provisions		5,569	2,653	8,222
10.2 Reserve for employee termination benefits		3,607	-	3,607
10.3 Provisions for income taxes		-	-	-
10.4 Other provisions		981	273	1,254
XI. SUBORDINATED DEBT	(9)	-	-	-
XII. DEFERRED TAX LIABILITY		-	-	-
XIII. MINORITY INTEREST		-	-	-
XIV. EQUITY	(10)	182,490	-	182,490
14.1 Paid-in capital	(10)	126,000	-	126,000
14.2 Supplementary capital		577	-	577
14.2.1 Share premium	(11)	-	-	-
14.2.2 Share cancellation profits		-	-	-
14.2.3 Securities value increase fund	(12)	-	-	-
14.2.4 Revaluation fund	(13)	-	-	-
14.2.5 Value increase in revaluation fund	(14)	-	-	-
14.2.6 Other capital reserves		577	-	577
14.2.7 Inflation adjustment on share capital		-	-	-
14.3 Profit reserves		10,001	-	10,001
14.3.1 Legal reserves	(15)	4,924	-	4,924
14.3.2 Status reserves		-	-	-
14.3.3 Extraordinary reserves	(16)	5,077	-	5,077
14.3.4 Other profit reserves		-	-	-
14.4 Profit or loss		45,912	-	45,912
14.4.1 Prior year income/loss		[216]	-	[216]
14.4.1.1 Group's portion		[216]	-	[216]
14.4.1.2 Minority interest	(17)	-	-	-
14.4.2 Current period income/loss		46,128	-	46,128
14.4.2.1 Group's portion		46,128	-	46,128
14.4.2.2 Minority interest	(17)	-	-	-
TOTAL LIABILITIES		1,056,225	913,373	1,969,598

The accompanying notes are an integral part of these balance sheets. [See: Pages 35 to 39]

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND
COMMITMENTS AS OF DECEMBER 31, 2005
(Currency – Thousands of YTL)

Audited
31.12.2005

CONTINGENCIES AND COMMITMENTS	Notes	YTL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		231,820	123,834	355,654
I. GUARANTEES	(3),(5),(8)	109,197	123,834	233,031
1.1. Letters of guarantee		109,197	35,411	144,608
1.1.1. Guarantees subject to State Tender Law		35,286	4,352	39,638
1.1.2. Guarantees given for foreign trade operations		-	12,427	12,427
1.1.3. Other letters of guarantee		73,911	18,632	92,543
1.2. Bank acceptance credits		-	3,996	3,996
1.2.1. Import letters of acceptance		-	-	-
1.2.2. Other bank acceptances		-	3,996	3,996
1.3. Letters of credit		-	84,277	84,277
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		-	84,277	84,277
1.4. Prefinancing given as guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other endorsements		-	-	-
1.6. Other guarantees		-	-	-
1.7. Other collaterals		-	150	150
II. COMMITMENTS	(3),(5)	122,623	-	122,623
2.1. Irrevocable commitments		122,623	-	122,623
2.1.1. Asset purchase commitments with maturity		-	-	-
2.1.2. Participation accounts purchase and sales commitments with maturity		-	-	-
2.1.3. Loan granting commitments		-	-	-
2.1.4. Securities issue brokerage commitments		-	-	-
2.1.5. Obligatory deposit payment commitments		-	-	-
2.1.6. Payment commitment for checks		102,563	-	102,563
2.1.7. Payables for export taxes commitments		-	-	-
2.1.8. Commitments for credit card limits		20,060	-	20,060
2.1.9. Receivables from short sale commitments		-	-	-
2.1.10. Payables for short sale commitments		-	-	-
2.1.11. Other irrevocable commitments		-	-	-
2.2. Revocable commitments		-	-	-
2.2.1. Revocable loan granting commitments		-	-	-
2.2.2. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	-	-	-
3.1. Forward foreign currency buy/sell transactions		-	-	-
3.1.1. Forward foreign currency transactions-buy		-	-	-
3.1.2. Forward foreign currency transactions-sell		-	-	-
3.1.3. Other Forward foreign currency buy/sell transactions		-	-	-
3.2. Other		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,805,615	420,994	2,226,609
IV. ITEMS HELD IN CUSTODY		450,058	136,450	586,508
4.1. Fund and portfolio of customers		-	-	-
4.2. Securities held in custody		6,703	-	6,703
4.3. Checks received for collection		384,782	34,395	419,177
4.4. Commercial notes received for collection		57,808	52,886	110,694
4.5. Other assets received for collection		693	-	693
4.6. Assets received for public offering		-	-	-
4.7. Other items under custody		72	49,169	49,241
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		1,355,557	284,544	1,640,101
5.1. Securities		7,121	809	7,930
5.2. Guarantee notes		74,135	35,951	110,086
5.3. Commodity		222,885	73,480	296,365
5.4. Warranty		-	-	-
5.5. Property		1,048,784	172,506	1,221,290
5.6. Other pledged items		1,445	1,798	3,243
5.7. Pledged items-depository		1,187	-	1,187
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF BALANCE SHEET ITEMS (A+B)		2,037,435	544,828	2,582,263

The accompanying notes are an integral part of these statements. (See: Pages 42, 43)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2005
(Currency – Thousands of YTL)

STATEMENT OF INCOME	Notes	Audited 1.1.2005-31.12.2005
I. PROFIT SHARE INCOME	(1)	186,105
1.1 Profit share on loans		166,933
1.1.1 Profit share on YTL loans		161,019
1.1.1.1 Short term loans		98,813
1.1.1.2 Medium and long term loans		62,206
1.1.2 Profit share on foreign currency loans		301
1.1.2.1 Short term loans		301
1.1.2.2 Medium and long term loans		-
1.1.3 Profit share on loans under follow-up		5,613
1.2 Income received from obligatory deposits		5,083
1.3 Income received from banks and and special finance houses		-
1.3.1 The Central Bank of Turkey		-
1.3.2 Domestic banks and special finance houses		-
1.3.3 Foreign banks and financial institutions		-
1.4 Income received from money market transactions		-
1.5 Income received from securities portfolio		-
1.5.1 Trading securities		-
1.5.2 Available-for-sale securities		-
1.5.3 Held to maturity securities		-
1.6 Finance lease income		14,085
1.7 Other profit share income		4
II. PROFIT SHARE EXPENSE	(2)	106,324
2.1 Profit share on participation accounts		106,314
2.1.1 Profit share on YTL participation accounts		82,522
2.1.1.1 Banks and special finance houses		-
2.1.1.2 Real persons		78,080
2.1.1.3 Public sector		78
2.1.1.4 Commercial institutions		4,161
2.1.1.5 Other institutions		203
2.1.2 Profit share on FC participation accounts		23,792
2.1.2.1 Banks and special finance houses		1,432
2.1.2.2 Real persons		20,896
2.1.2.3 Public sector		38
2.1.2.4 Commercial institutions		1,064
2.1.2.5 Other institutions		362
2.1.3 Precious metals deposits		-
2.2 Profit share on money market transactions		-
2.3 Profit share on funds borrowed		10
2.3.1 The Central Bank of Turkey		-
2.3.2 Domestic banks and special finance houses		10
2.3.3 Foreign banks		-
2.3.4 Foreign headquarters and branches		-
2.3.5 Other institutions		-
2.4 Profit Share on securities issued		-
2.5 Other profit share expense		-
III. NET PROFIT SHARE INCOME [I - II]		79,781
IV. NET FEES AND COMMISSIONS INCOME		28,897
4.1 Fees and commissions received		33,978
4.1.1 Cash loans		15,014
4.1.2 Non-cash loans		2,288
4.1.3 Other		16,676
4.2 Fees and commissions paid (-)		5,081
4.2.1 Cash loans		5,043
4.2.2 Non-cash loans		38
4.2.3 Other		-
V. DIVIDEND INCOME		-
5.1 Trading securities		-
5.2 Available-for-sale securities		-
VI. NET TRADING INCOME/LOSS		52,483
6.1 Profit/losses on trading transactions (Net)		-
6.1.1 Profit on trading transactions		-
6.1.1.1 Profit on derivative financial instruments		-
6.1.1.2 Other		-
6.1.2 Losses on trading transactions (-)		-
6.1.2.1 Losses on derivative financial instruments		-
6.1.2.2 Other		-
6.2 Foreign exchange gains/losses (Net)		52,483
6.2.1 Foreign exchange gain		313,288
6.2.2 Foreign exchange loss (-)		260,805
VII. OTHER OPERATING INCOME	(3)	7,497
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		168,658
IX. PROVISION FOR IMPAIRMENT ON LOANS AND OTHER RECEIVABLES (-)	(4)	8,701
X. OTHER OPERATING EXPENSES (-)	(5)	119,511
XI. NET OPERATING INCOME (VIII-IX-X)		40,446
XII. PROFIT/(LOSS) FROM ASSOCIATES AND SUBSIDIARIES	(6)	1,156
XIII. NET MONETARY POSITION GAIN (LOSS)		-
XIV. INCOME BEFORE TAXATION (XI+XII+XIII)		41,602
XV. PROVISION FOR TAXES ON INCOME (-)	(7)	(4,526)
XVI. NET OPERATING INCOME/EXPENSE AFTER TAXES (XIV-XV)		46,128
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. PROFIT/(LOSS) FROM UNCONSOLIDATED ASSOCIATES AND SUBSIDIARIES (-)		-
XIX. NET PROFIT/LOSS (XVI+XVII+XVIII)	(9)	46,128
19.1 Profit/loss of the group		-
19.2 Profit/loss of the minority rights		-
Earnings/losses per share (full amount)		0.36

The accompanying notes are an integral part of these statements. (See: Pages 39 to 41)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2005
(Currency – Thousands of YTL)

STATEMENT OF CASH FLOW	Notes	Audited 31.12.2005
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		47,216
1.1.1 Profit share received		171,564
1.1.2 Profit share paid		104,298
1.1.3 Dividend received		1,156
1.1.4 Fees and commissions received		28,897
1.1.5 Other income		54,164
1.1.6 Collections from previously written off loans and other receivables		5,613
1.1.7 Payments to personnel and service suppliers		30,023
1.1.8 Taxes paid		1,000
1.1.9 Extraordinary items		-
1.1.10 Other	(1)	(78,857)
1.2 Changes in operating assets and liabilities		28,415
1.2.1 Net (increase) decrease in trading securities		-
1.2.2 Net (increase) decrease in due from banks and other financial institutions		-
1.2.3 Net (increase) decrease in loans		(454,401)
1.2.4 Net (increase) decrease in other assets		16,079
1.2.5 Net increase (decrease) in banks and other financial institutions deposits		-
1.2.6 Net increase (decrease) in other deposits		441,089
1.2.7 Net increase (decrease) in funds borrowed		-
1.2.8 Net increase (decrease) in matured payables		-
1.2.9 Net increase (decrease) in other liabilities		25,648
I. Net cash provided from banking operations		75,631
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		23,524
2.1 Purchase of investments, associates and subsidiaries	(2)	(651)
2.2 Sale of investments, associates and subsidiaries	(3)	31,734
2.3 Fixed assets purchases		(7,104)
2.4 Fixed assets sales		(455)
2.5 Purchase of investments available for sale		-
2.6 Sale of investments available for sale		-
2.7 Purchase of investment securities		-
2.8 Sale of investment securities		-
2.9 Extraordinary items		-
2.10 Other		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		(10,000)
3.1 Cash received from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Common stocks issued		-
3.4 Dividends Paid		(10,000)
3.5 Payments for finance leases		-
3.6 Extraordinary items		-
3.7 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		-
V. Net increase in cash and cash equivalents		89,155
VI. Cash and cash equivalents at beginning of the year	(4)	216,187
VII. Cash and cash equivalents at end of the year	(5)	305,342

The accompanying notes are an integral part of these statements. (See: Pages 44, 45)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2005
(Currency – Thousands of YTL)

CHANGES IN EQUITY ITEMS	Notes	Paid-in Capital	Adjustment to Paid-in Capital	Inflation	Share Premium	Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Securities Value Increase	Total Equity
I. Balances at the end of prior period		100,000	-	-	-	-	2,707	-	6,772	2,188	34,334	1,844	-	147,845
Changes in Accounting Policies		100,000	-	-	-	-	2,707	-	6,772	2,188	34,334	(2,060)	-	(2,060)
New balance		-	-	-	-	-	-	-	-	-	-	(2,16)	-	145,785
II. Investments securities available for sale	(1)	-	-	-	-	-	-	-	-	577	-	-	-	577
2.1 Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	-
III. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Net fair value gains/losses		-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Investments securities available for sale	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Transferred to net income		-	-	-	-	-	-	-	-	-	-	-	-	-
V. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-
5.1 Transferred to net income		-	-	-	-	-	-	-	-	-	-	-	-	-
5.2 Transferred to assets		-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Net profit for the period		-	-	-	-	-	-	-	-	-	46,128	-	-	46,128
VII. Profit Distribution		-	-	-	-	-	2,217	-	4,995	-	(34,334)	17,122	-	(10,000)
7.1 Dividends distributed	(3)	-	-	-	-	-	2,217	-	4,995	-	(34,334)	(10,000)	-	(10,000)
7.2 Transfers to legal reserves	(4)	-	-	-	-	-	-	-	-	-	-	27,122	-	27,122
7.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-
Increase in capital		26,000	-	-	-	-	-	-	(6,690)	(2,188)	-	(17,122)	-	-
8.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-
8.2 Revaluation Fund		-	-	-	-	-	-	-	-	-	-	-	-	-
8.3 Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-
8.4 Issuance of share certificates	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-
8.5 Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-
8.6 Other		26,000	-	-	-	-	-	-	(6,690)	(2,188)	-	-	-	(17,122)
IX. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of period		126,000	-	-	-	-	4,924	-	5,077	577	46,128	(216)	-	182,090
(I+II+III+IV+V+VI+VII+VIII+IX)		-	-	-	-	-	-	-	-	-	-	-	-	-

The accompanying notes are an integral part of these statements. (See: Pages 43, 44.)

ALBARAKA TÜRK KATILIM BANKASI A.Ş.
STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED DECEMBER 31, 2005
(Currency – Thousands of YTL)

	31.12.2005 Proposed(*)
I. APPROPRIATION OF CURRENT YEAR INCOME	
1.1. CURRENT YEAR PROFIT	46,128
1.2. TAXES AND OTHER DUTIES PAYABLE (-)	-
1.2.1 Corporate Tax (Income Tax)	-
1.2.2 Income Withholding Tax	-
1.2.3 Other Tax and Duties	-
A. NET PROFIT (1.1-1.2)	46,128 (*)
1.3. PRIOR YEAR INCOME/LOSS (-)	216
1.4. FIRST LEGAL RESERVES (-)	2,296
1.5. OTHER MANDATORY STATUTORY RESERVES (-)	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	43,616
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	6,300
1.6.1 To Owners of Ordinary Shares	6,300
1.6.2 To Owners of Privileged Shares	-
1.6.3 To Owners of Participation Certificates	-
1.6.4 To Profit Sharing Bonds	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-
1.7. DIVIDENDS TO PERSONNEL (-)	-
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1 To Owners of Ordinary Shares	-
1.9.2 To Owners of Privileged Shares	-
1.9.3 To Owners of Participation Certificates	-
1.9.4 To Profit Sharing Bonds	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-
1.10. SECOND LEGAL RESERVES (-)	-
1.11. STATUS RESERVES (-)	-
1.12. EXTRAORDINARY RESERVES	4,536 (**)
1.13. OTHER RESERVES	32,780
1.14. SPECIAL FUNDS	-
II. APPROPRIATION OF RESERVES	
2.1. APPROPRIATED RESERVES	-
2.2. SECOND LEGAL RESERVES (-)	-
2.3. DIVIDEND TO SHAREHOLDERS (-)	-
2.3.1 To Owners of Ordinary Shares	-
2.3.2 To Owners of Privileged Shares	-
2.3.3 To Owners of Participation Certificates	-
2.3.4 To Profit Sharing Bonds	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-
2.4. DIVIDENDS TO PERSONNEL (-)	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III. EARNING PER SHARE	
3.1 TO OWNERS OF ORDINARY SHARES	0.35
3.2 TO OWNERS OF ORDINARY SHARES (%)	%36.44
3.3 TO OWNERS OF PRIVILEGED SHARES	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-
IV. DIVIDEND PER SHARE	
4.1 TO OWNERS OF ORDINARY SHARES	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	0.05
4.3 TO OWNERS OF PRIVILEGED SHARES	%
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	5.00

(*) General Assembly of the Bank is authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been performed as of the date of these financial statements. The table above is the suggested profit appropriation table which will be proposed by the BOD to the General Assembly.

(**) YTL 4,526 of this amount consists of deferred tax income. According to the related circulars and legislation, deferred tax income can not be subject to profit distribution and since non-distributable income should be transferred to extraordinary reserves, deferred tax income amounting to YTL 4,526 has been included to the extraordinary reserves.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005 (Continued)
(Currency – Thousands of YTL)

FOOTNOTES AND EXPLANATIONS ON FINANCIAL STATEMENTS

I. EXPLANATION AND FOOTNOTES ON ASSETS

1. Information related to the account of Central Bank of Turkey

	Current Period	
	YTL	FC
Unrestricted Demand Deposit	97,377	2,044
Unrestricted Time Deposit	-	-
Total	97,377	2,044

2. Information related to securities held for trading:

- a. There are no trading securities given as collateral or blocked.

3. Information on foreign bank and financial institution accounts

	Unrestricted Amount Current Period	Restricted Amount Current Period
European Union countries	18,789	-
USA and Canada	33,766	-
OECD Countries*	1,732	-
Off-shore banking regions	1,669	-
Other	980	-
Total	56,936	-

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

4. Information on securities available-for-sale

- a. There are no available-for-sale securities.

5. Information on loans:

- a. Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period	
	Cash	Non-cash
Direct loans granted to shareholders	12,961	3,497
Corporate shareholders	12,003	3,457
Real person shareholders	958	40
Indirect loans granted to shareholders	29,848	5,164
Loans granted to employees	378	-
Total	43,187	8,661

- b. Information on the first and second group loans, other receivables and restructured or rescheduled loans and other receivables :

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Loans				
Financing of certificates against goods	-	-	-	-
Export loans	-	-	-	-
Import loans	251,374	-	-	-
Operational loans	845,036	5,922	1,104	-
Consumer loans	133,736	-	-	-
Credit cards	7,484	-	-	-
Profit/loss sharing loans	5,051	-	-	-
Precious metals loans (Gold , etc.)	-	-	-	-
Loans given to financial sector	3,467	-	-	-
Loans given to foreign customers	6,911	-	-	-
Other	94,727	-	-	-
Foreign Exchange loss provision on F/X indexed loans	(15,878)	-	-	-
Other receivables	538,617	6,347	8,374	-
Total	1,870,525	12,269	9,478	-

c. The distribution of cash loans according to maturity structure :

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans	893,037	5,922	1,104	-
Loans	893,037	5,922	1,104	-
Other receivables	-	-	-	-
Medium and long-term loans	552,624	6,347	8,374	-
Loans	552,624	6,347	8,374	-
Other receivables	-	-	-	-

d. Information on consumer loans :

	Short-term	Medium and long-term	Total	Profit Share and Income Receivable and Accrual
Consumer loans-YTL	2,857	114,297	117,154	1,133
Real estate loans	1,192	96,004	97,196	911
Vehicle loans	1,410	17,238	18,648	210
General purpose loans	17	450	467	2
Other	238	605	843	10
Consumer loans- FC Indexed	926	15,475	16,401	77
Real estate loans	143	11,182	11,325	54
Vehicle loans	141	3,732	3,873	17
General purpose loans	4	-	4	-
Other	638	561	1,199	6
Consumer loans- FC	-	-	-	-
Real estate loans	-	-	-	-
Vehicle loans	-	-	-	-
General purpose loans	-	-	-	-
Other	-	-	-	-
Credit Cards- YTL	7,286	-	7,286	-
With installment	-	-	-	-
Without installment	7,286	-	7,286	-
Credit Cards- FC	-	-	-	-
With installment	-	-	-	-
Without installment	-	-	-	-
Personnel Loans -YTL	37	143	180	-
Real estate loans	17	25	42	-
Vehicle loans	17	84	101	-
General purpose loans	-	3	3	-
Other	3	31	34	-
Personnel Loans - FC Indexed	-	-	-	-
Real estate loans	-	-	-	-
Vehicle loans	-	-	-	-
General purpose loans	-	-	-	-
Other	-	-	-	-
Personnel Loans -FC	-	-	-	-
Real estate loans	-	-	-	-
Vehicle loans	-	-	-	-
General purpose loans	-	-	-	-
Other	-	-	-	-
Personnel Credit Cards- YTL	198	-	198	-
With installment	-	-	-	-
Without installment	198	-	198	-
Personnel Credit Cards- FC	-	-	-	-
With installment	-	-	-	-
Without installment	-	-	-	-
Total	11,304	129,915	141,219	1,210

e. Information on commercial loans with installments and corporate credit cards:

	Short-term	Medium and long-term	Total	Profit Share and Income Receivable and Accrual
Commercial loans with installment facility-YTL	4,384	73,400	77,784	963
Business Loans	558	14,847	15,405	127
Vehicle Loans	3,825	58,553	62,378	836
General purpose Loans	-	-	-	-
Other	1	-	1	-
Commercial loans with installment facility - FC indexed	490	16,447	16,937	101
Business Loans	-	1,462	1,462	5
Vehicle Loans	490	14,935	15,425	96
General purpose Loans	-	-	-	-
Other	-	50	50	-
Commercial loans with installment facility -FC	-	-	-	-
Business Loans	-	-	-	-
Vehicle Loans	-	-	-	-
General purpose Loans	-	-	-	-
Other	-	-	-	-
Corporate Credit Cards-YTL	-	-	-	-
With Installments	-	-	-	-
Without Installments	-	-	-	-
Corporate Credit Cards-FC	-	-	-	-
With Installments	-	-	-	-
Without Installments	-	-	-	-
Total	4,874	89,847	94,721	1,064

f. Loans according to type of borrowers

	Current Period
Public	4,610
Private	1,334,324
Total	1,338,934

g. Domestic and foreign loans:

	Current Period
Domestic loans	1,332,023
Foreign loans	6,911
Total	1,338,934

h. Loans granted to subsidiaries and associates:

There are no loans granted to subsidiaries and associates as of balance sheet date.

i. Specific provisions provided for loans:

Specific provisions	Current Period	
	Bank's portion	Participation accounts' portion
Loans and receivables with limited collectibility	1,228	4,388
Loans and receivables with doubtful collectibility	530	1,727
Uncollectible loans and receivables	4,221	11,787
Total	5,979	17,902

The Bank provides provision after taking collaterals into consideration and provides minimum 20% provision for Loans and receivables with limited collectibility, minimum 50% for loans and receivables with doubtful collectibility and 100% for uncollectible loans and receivables.

j. Information on loans under follow-up account (Net):

1. Loans and other receivables included in loans under follow-up account which are restructured or rescheduled amounts to YTL 6,056 and classified in uncollectible loans and receivables.

	III. Group: Loans and Receivables with Limited Collectibility	IV. Group: Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period (Gross amount before specific provisions)			
Restructured Loans and other Receivables	-	-	1,613
Rescheduled Loans and other receivables	-	-	4,443

2. Movement of loans under follow-up:

	III. Group: Loans and Receivables with Limited Collectibility	IV. Group: Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Prior period ending balance	-	1	43,509
Additions (+)	24,178	32	1,717
Transfers from other categories of loans under follow-up (+)	-	9,053	2,392
Transfers to other categories of loans under follow-up (-)	9,053	2,392	-
Collections (-)	4,143	2,804	21,871
Write-offs (-)	18	62	8,172
Foreign exchange difference due to valuation (+)	(120)	(96)	(970)
Current period ending balance	10,844	3,732	16,605
Specific provision (-)	(5,617)	(2,257)	(16,007)
Net balance on balance sheet	5,227	1,475	598

3. Information on foreign currency loans and other receivables under follow-up:

	III. Group: Loans and Receivables with Limited Collectibility	IV. Group: Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current period:			
Period end balance	2,161	1,658	12,521
Specific provision (-)	(1,367)	(1,005)	(12,352)
Net balance on balance sheet	794	653	169

Note: For the III. and IV. Group receivables YTL 4,774 of foreign currency indexed receivable under follow-up and YTL 3,309 of foreign currency indexed specific reserves are included.

- k. Liquidation policies for the uncollectible loans and other receivables :

The loans and other receivables decided to be uncollectible are written off from the assets according to the Tax Law by the decision of the top management in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" related to the clause 12 of article 11 and clause 11 of the article 3 of the Bank Law 4389 changed by the laws 4672 and 4491 and announced at the Official Gazette numbered 24448 and dated June 30, 2001.

6. Information on securities held-to-maturity (Net):

There are no held-to-maturity securities.

7. Information on unconsolidated associates (Net):

- a.1. Information on the unconsolidated associates :

Description	Address (City/Country)	Bank's Share Percentage If different Voting Percentage (%)	Bank's Risk Group Share Percentage (%)
1) Rozi Kağıt ve Temizlik Ürünleri San ve Tic A.Ş. (ROZI)	İstanbul / Türkiye	12.5	12.5
2) Islamic International Rating Agency (IAA)	Manama / Bahrain	0.5	0.5

- a.2. Explanations on unconsolidated participations as presented in the table above:

The balances presented in the below table is obtained from the financial statements of the companies prepared as of September 30, 2005.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Dividend or Profit Share Income	Income From Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
1) *	23,847	15,385	8,981	-	-	(1,733)	208	-
2) *	1,534	1,513	15	-	-	(155)	(197)	-

(*) Prepared in accordance with the local regulations of the country in which the related associate is incorporated.

- a.3. Shareholders with control over associates other than Bank's group:

Other significant shareholder of Rozi associate is Besler Gıda ve Kimya San. Tic. A.Ş. (%25.00 share participation). Another shareholder, Murat Ülker (%62.30 shareholding) is also the shareholder of the Bank.

At the Board of Directors Meeting dated June 1, 2005 and numbered as 548, the Bank decided to sell the shares of BIM carried at YTL 34,518 cost at the balance sheet, during the initial public offering of the shares of BIM at the Istanbul Stock Exchange. The public offering is realized at July 17, 2005, and the Bank sold its shares for YTL 26.6 per each share (full), for a total amount of YTL 38,696. As a result of this sales transaction, the Bank has recognized YTL 4,178 income but in accordance with the agreement signed during the acquisition of the related shares, a loss amounting to YTL 6,964 has been recognized.

- a.4. The reasons for associates not to be consolidated and the methods of accounting of the associates:

The related associates are not consolidated at the financial statements since the direct and indirect share participations over these associates are below 50% and the Bank does not have control power over the management of these associates. ROZI associate is carried with the inflation adjusted acquisition cost as of December 31, 2004. IAA associate is carried with the revalued amount of foreign currency share participation with the currency exchange rate as of December 31, 2005.

- b. As of balance sheet date, there are no consolidated associates.

8. Information on unconsolidated subsidiaries (Net):

- a. The Bank does not have any subsidiaries as of the balance sheet date.
b. There are no subsidiaries disposed in the current period.
c. There are no subsidiaries acquired in the current period.

9. Information on unconsolidated other investments (Net):

There are no other investments.

10. Information on finance lease receivables (Net):

- a. Investments in financial leases as to remaining maturity:

	Current Period	
	Gross	Net
Less than 1 year	78,059	67,599
1 to 4 years	64,977	60,096
Over 4 years	805	779
Total	143,841	128,474

b. Information on finance lease receivables

	<u>Current Period</u>
Finance Lease Receivable, Gross	143,841
Unearned Finance Lease Receivable (-)	15,367
Cancelled Lease Amounts (-)	-
Finance Lease Receivable, Net	128,474

- c) Related to leasing agreements; points like criteria used to determine conditional lease installments, if any, existing conditions for options of renewable or purchase and updating of agreement and restrictions of lease agreement, if any, existing penalty fee, whether agreements is renewed, if renewed, conditions for renewable, whether renewable brings new restrictions and other points about rent agreement: There is no conditional installments for leasing receivables. The customer has the right to buy the leased asset with an immaterial amount defined in the leasing agreements subsequent to the finalization of the required period for legal title transfer.

11. Information on receivables arising from term sales of assets included in miscellaneous receivables:

	<u>Current Period</u>
Sale of subsidiaries, associates and joint ventures	-
Sale of property	-
Sale of other assets	344
Total	344

12. Explanations related to profit share and income accruals:

a. Information about accrued profit share and income receivables on loans:

	<u>Current Period</u>	
	YTL	FC
Accrued profit share and income receivables on loans		
Profit share receivables	1,313	42
Profit share accruals	20,222	16
Loan commissions and other income receivables	12	-
Loan commissions and other income accruals	4,066	-
Total	25,613	58

b. Information about other accrued profit share and income receivables:

	<u>Current Period</u>	
	YTL	FC
Other accrued profit share and income receivables		
Trading securities	-	-
Investment securities available-for-sale	-	-
Investment securities held-to-maturity	-	-
Income accruals of reserve deposits	1,132	359
Income accruals of financial derivative instruments	-	-
Profit share and income accruals	-	-
Income accrual of foreign exchange gains	-	-
Other	-	-
Total	1,132	359

13. Information on Fixed Assets (Net):

	Land and Buildings	Leased Fixed Assets	Vehicles	Other Fixed Assets (*)	Total
Prior Period End :					
Cost	27,258	-	2,602	38,173	68,033
Accumulated depreciation (-)	6,402	-	1,105	14,915	22,422
Net book value	20,856	-	1,497	23,258	45,611
Current Period End :					
Net book value-beginning of period	20,856	-	1,497	23,258	45,611
Additions	940	522	618	16,600	18,680
Disposals (-)	-	-	5	10,887	10,892
Impairment (-)	(645)	-	-	(48)	(693)
Depreciation expense (-)	605	54	445	3,298	4,402
Currency translation differences resulting from foreign investments	-	-	-	-	-
Cost at the end of period	28,843	522	2,964	43,793	76,122
Accumulated depreciation at the end of period (-)	7,007	54	1,299	18,072	26,432
Net book value at the end of period	21,836	468	1,665	25,721	49,690

(*) Other fixed assets contains assets to be sold amounting 13,985, for which depreciation is net recorded.

- a. There are no specific assets in the current period for which impairment is recorded or reversed.
- b. There are no impairment provisions provided or released on any individual asset or group of assets which are not material to the financial statements on an individual basis but material on a total basis.

14. Information stated below, should be explained separately for each class of the intangible assets :

- a. Useful life or amortization rates :

The value of the intangible assets subject to amortization is distributed systematically over its estimated useful lives starting from the effective usage date of the asset.

- b. Depreciation Method: Intangible fixed assets are amortized by using straight-line method over the inflation adjusted book values. Depreciation rates used are %33 and %25.

- c. Book value and accumulated depreciation amounts at beginning and end of period :

	Current Period	Prior Period
Gross book value	1,253	1,016
Accumulated depreciation	(779)	(575)
Total	474	441

- d. Movement of intangible assets for the current period:

	Current Period
Beginning balance	441
Amounts formed internally	-
Additions due to mergers, transfers and acquisitions	237
Not used and disposed items	-
Increases or decreases in the revaluation fund	-
Impairment charges	-
Reversal of impairment charges	-
Depreciation expenses (-)	204
Currency translation differences arising from foreign investments	-
Other differences in book values	-
Period end balance	474

- e. There is no specific intangible asset that is material to the financial statements.
- f. There are no intangible assets acquired through government incentives and accounted at fair value.

	Current Period
Fair value as of acquirement day	-
Book value	-

- g. There are no intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition.
- h. There are no intangible assets that are pledged or restricted for use
- i. Bank has no commitments for the intangible fixed asset purchases
- j. The Bank has no revalued intangible assets
- k. The Bank has no research and development expenses recorded in income statement within the period.
- l. The Bank has no positive or negative consolidation goodwill arisen from consolidated subsidiaries.
- m. Net book value of the goodwill at the beginning of the period, at the end of the period and movement in the current period : None.

Net book value of the negative goodwill at the beginning of the period, at the end of period and movement in the current period : None.

15. Information on deferred tax asset:

- The Bank has YTL 7,884 deferred tax asset arising from investment incentives and YTL 1,082 deferred tax asset resulting from other temporary differences.
- In accordance with the circular of BRSA dated December 8, 2004 and numbered DZM.2/13/1-a-3, deferred tax income resulting from netting of deferred tax assets and liabilities should not be subjected to dividend distribution and capital increase.
- Since YTL 21,660 portion of the net deferred tax asset amounting to YTL 30,626 resulting from the temporary differences do not appear to be realizable in the foreseeable future, this amount is not recognized as an asset and the Bank has provided a reserve for the mentioned amount.

16. Information on other assets:

As of the balance sheet date, other assets, excluding the off balance sheet commitments, do not exceed 10% of the balance sheet total.

II. EXPLANATIONS AND FOOTNOTES ON LIABILITIES:**1. Information on funds collected:**

- Information of maturity structure of funds collected:

a.1. Current Period

	Demand	1 month	3 Months	6 Months	9 Months	1 Year	1 Year and over
I. Real Persons Current Accounts Non-Trade YTL	69,727	-	-	-	-	-	-
II. Real Persons Participation Accounts Non-Trade YTL	-	453,328	84,114	19,802	-	26,139	10,036
III. Current Account. other-YTL	76,696	-	-	-	-	-	-
Public sector	18	-	-	-	-	-	-
Commercial institutions	73,894	-	-	-	-	-	-
Other institutions	691	-	-	-	-	-	-
Commercial and Other institutions	13	-	-	-	-	-	-
Banks and Special Finance Houses	2,080	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-
Special Finance Houses	2,080	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
IV. Participation Accounts-YTL	-	70,692	1,996	58	-	29	-
Public sector	-	6,852	-	-	-	-	-
Commercial institutions	-	63,361	1,153	1	-	14	-
Other institutions	-	447	30	57	-	15	-
Commercial and Other institutions	-	32	813	-	-	-	-
Banks and Special Finance Houses	-	-	-	-	-	-	-
V. Real Persons Current Accounts FC	91,943	-	-	-	-	-	-
VI. Real Persons Participation Accounts Non-Trade FC	-	394,910	133,265	24,403	-	49,443	-
VII. Other Current Accounts Non-Trade FC	105,784	-	-	-	-	-	-
Residents in Turkey-corporate	95,544	-	-	-	-	-	-
Residents abroad-corporate	4,230	-	-	-	-	-	-
Banks and Special finance houses	6,010	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-
Foreign Banks	4,649	-	-	-	-	-	-
Special Finance Houses	1,361	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
VIII. Participation Accounts, other- FC	-	72,068	15,666	85	-	8,810	-
Public sector	-	12,858	-	-	-	-	-
Commercial institutions	-	33,137	1,337	85	-	1,167	-
Other institutions	-	43	27	-	-	10	-
Commercial and Other institutions	-	129	-	-	-	1,017	-
Banks and Special Finance Houses	-	25,901	14,302	-	-	6,616	-
IX. Precious metals deposits	-	-	-	-	-	-	-
X. Participation accounts special fund pools YTL	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-
Residents abroad	-	-	-	-	-	-	-
XI. Participation accounts special fund pools -FC	-	-	-	-	-	-	5,454
Residents in Turkey	-	-	-	-	-	-	5,454
Residents abroad	-	-	-	-	-	-	-
Total	344,150	990,998	235,041	44,348	-	84,421	15,490

b.1. Information on funds collected under the Guarantee Fund and exceeding portion :

	Under the Guarantee Fund Current Period	Exceeding Guarantee Fund Current Period
Funds Collected		
Real persons current and participation accounts not subject to trading transactions		
Turkish lira accounts	477,090	194,430
Foreign currency accounts	340,628	359,993
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore deposits under foreign authorities' insurance	-	-

Funds collected by Special Finance Houses (except foreign branches) from current and investment accounts opened on behalf of a real person denominated in Turkish Lira or foreign currency with a limit of maximum of YTL 50 (including both capital and profit shares) for each person is under the guarantee of Deposit Insurance fund in accordance with the Banking Law Number 5411 published at the official gazette dated November 1, 2005 and numbered 25983.

b.2. Since the headquarter of the Bank is not located abroad, current and participation accounts not subject to trading transactions of real persons is not insured in the country of the head office.

b.3. Funds collected which are not under guarantee fund:

The Bank does not have any branches abroad or off-shore banking regions.

2. There are no funds borrowed.

3. There are no debt securities issued.

4. Explanation on miscellaneous payables:

	Current Period
Total amount of cash collateral obtained	648

Cash collaterals obtained from customers consist of amounts obtained against loans and letter of credits granted.

5. Breakdown of items in other external resources which exceed 10 % of the balance sheet total (excluding off-balance sheet commitments) and breakdown of items which constitute at least 20% of grand total:

Other external resources (excluding off balance sheet commitments) do not exceed 10% of the balance sheet total.

6. Information on taxes, duties and premium payables:

a. Information on taxes payable:

	Current Period
Corporate taxes payable	-
Taxation of securities	1,863
Property tax	24
Banking insurance transaction tax (bitt)	1,076
Foreign exchange transaction tax	130
Value added tax payable	103
Other	772
Total	3,968

b. Information on premiums:

	Current Period
Social Security Premiums-Employee	354
Social Security Premiums-Employer	504
Unemployment insurance-Employee	25
Unemployment insurance-Employer	50
Other	-
Total	933

7. Explanation on financial lease obligations:

a. Explanations on finance lease obligations:

The Bank has acquired some of its IT equipments through financial leasing and performs monthly payments to financial lease company in accordance with the obligations originated from the leasing agreements. Such agreements do not result in any other important obligations to the Bank other than the committed payments.

b. Explanations on the changes in agreements and new obligations originated from these changes:

None.

c. Explanations on the obligations originated from financial leases:

	Current Period	
	Gross	Net
Less than a year	194	188
1-4 years	-	-
More than 4 years	-	-
Total	194	188

d. Explanations on operational leases:

The leasing transactions, in which all risks and benefits are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration. The payments related with operational leases are recognized as expense in the income statement during the period of the agreement.

There are no significant commitments regarding the changes at the operational lease agreements.

The rent obligations resulting from the operational leases are as follows:

	Current Period
Less than a year	1,435
1-4 years	4,401
More than 4 years	2,884
Total	8,720

8. Information on profit share and expense accruals:

	Current Period	
	YTL	FC
Accrued profit share expense on participation accounts	8,195	3,066
Accrued profit share expense on funds borrowed	-	-
Accruals on derivative financial instruments	-	-
Profit share and expense accruals	-	-
Foreign exchange loss accruals	-	-
Other profit share and expense accruals	-	-
Total	8,195	3,066

9. Provisions and subordinated loans:

a. Information on general provisions:

	Current Period
General provision	8,222
Provisions for first group loans and receivables	7,867
Provisions for second group loans and receivables	-
Provisions for non-cash loans	355
Others	-

b. Information on employee termination benefits and notice indemnity:

	5 PP	4 PP	3 PP	2 PP	Prior Period	Current Period
Actual Payments of Employee Termination Benefits	124	812	132	201	475	441
Reserve for Employee Termination Benefits and Notice Indemnity	1,603	1,979	2,988	3,953	5,004	9,175
Actual Payment Ratio	7.71	41.05	4.43	5.09	9.49	4.81
Ratio of Reserve for Employee Termination Benefits and Notice Indemnity	10,60	4,6	10,60	10,53	12,57	13,56
Possible Reserve for Employee Termination Benefits and Notice Indemnity	1,037	1,128	1,445	1,861	2,450	3,607

c. Liabilities on pension rights: None.

d. The uncertainties related to the timing of expected payment amount and nature of provisions :

The nature of provisions is explained in the items a, b, c. For these provisions no payment is expected short-term.

e. Information on foreign exchange losses on foreign currency indexed loans:

	Current Period
Foreign indexed loans	
Foreign Exchange losses (netted-off from loans)	15,878

f. There are no impairments in value arising from settlement date accounting.

g. Information on specific provisions for non-cash loans that are not indemnified and liquidated :

	Current Period
Provisions for non-cash loans that are not indemnified and liquidated	1,254

h. Information on other provisions: None

h.1. Provisions for possible losses

	Current Period	Previous Period
Provisions for possible losses		
Participation accounts	-	-
Other	-	-

h.2. If other provisions exceeds %10 of total provisions, these accounts are stated : None.

i. There is no subordinated loan.

10. Information on equity:

a. Presentation of paid-in capital:

	Current Period
Common Stock	126,000
Preferred Stock	-

b. The registered share capital system is not being used by the Bank.

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

At the Ordinary General Meeting held on April 7, 2005, the Bank decided to increase its share capital from YTL 100,000 to YTL 125,000 , by transferring YTL 17,122 from prior years' profit, YTL 1,377 from gain on sale of fixed assets and YTL 6,500 from extraordinary reserves, and the increase has been recorded on April 25, 2005.

At the Ordinary General Meeting held on July 21, 2005, the Bank decided to increase its share capital from YTL 125,000 to YTL 126,000 , by transferring YTL810 from gain on sale of fixed assets and YTL 190 from extraordinary reserves, and the increase has been recorded on July 26, 2005.

d. There is no share capital increase realized from revaluation funds.

e. There are no capital commitments in the last fiscal year and at the end of the following interim period.

f. Prior periods' indicators related with the Bank's income, profit and liquidity and the possible effects of the uncertainties in these indicators on the Bank's equity:

The Bank collects large amount of funds, uses these funds to give domestic loans and continues to realize profit possibilities. In the forthcoming periods, the management foresees that when the demand for loans increase, the profitability of the Bank will rise and these profits will positively affect the equity.

g. There are no privileges attributed to the shares constituting the share capital.

11. Common stock issue premiums, shares and equity instruments:

	Current Period
Number of shares (Thousand)	126,000
Preferred stock	-
Common stock issue premium	-
Common stock cancellation profit	-
Other equity instruments	-
Total common stock issued (thousands of quantity)	126,000

12. a) Information on marketable securities value increase fund : None.

a.1) Information on marketable securities value increase fund: None.

a.2) Information on marketable securities value increase fund:

- b) The information on presentation of foreign exchange gains related to foreign currency participations, subsidiaries, securities available for sale in the financial statements: None
- c) The amount of accumulated exchange difference included in equity coming from previous periods related to the first time application of "Effects of Changes in Foreign exchange Rates" standard, except for cases where the amount could not be identified: None.

13. Information on revaluation fund: None

14. Information on increase in revaluation fund: None

15. Information on legal reserves:

	Current Period
First legal reserves	3,146
Second legal reserves	1,778
Other legal reserves appropriated in accordance with special legislation	-
Total	4,924

16. Information on extraordinary reserves:

	Current Period
Reserves appropriated by the General Assembly	5,077
Unappropriated profits	-
Accumulated losses	-
Foreign currency share capital exchange difference	-
Total	5,077

17. a. Information on minority interests: None.

b. Information on shareholders having more than 10% share:

Name/Commercial title	Number of shares	Share Percentage	Paid-in capital	Unpaid portion
ALBARAKA BANKING GROUP	85,379,176	67.76	85,379	-
Shareholders settled in Turkey	20,213,572	16.04	20,214	-
Shareholders settled abroad	20,407,252	16.20	20,407	-
	126,000,000	100.00%	126,000	-

III. EXPLANATIONS AND FOOTNOTES RELATED WITH STATEMENT OF INCOME

Explanation as to whether there are fundamental errors or mistakes that are identified during the audit, and if so whether they are corrected or not: There is no fundamental error for any groups or items related to the prior period.

The breakdown of sub-accounts of other income and expense accounts that exceed 10% of the related totals are shown below.

Other Fees and Commission Income:	Current Period
Commission income from POS members	4,523
Fees and commissions from branches	2,744
Credit card selling commissions	1,704
Expertise fees	1,360
Export commissions	1,021
Insurance and agency commissions	740
Other commissions	794
Money transfer commissions	773
Other	3,017
Total	16,676

1. There is no profit share income from associates and subsidiaries.

2. a. Information on profit share expense given to associates and subsidiaries: None

b. Maturity structure of the profit share expenses paid to participation accounts:

	Up to 1 Account	Up to 3 Month	Up to 6 Months	Up to 9 Months	Up to Months	Up to 1 Year	More than 1 Year	Total
Turkish Lira								
Participation accounts granted to banks and special finance houses	-	-	-	-	-	-	-	-
Participation accounts of real persons	61,034	10,702	2,597	-	3,747	-	-	78,080
Participation accounts of public institutions	78	-	-	-	-	-	-	78
Participation accounts of commercial institutions	4,062	89	7	-	3	-	-	4,161
Participation accounts of other institutions	60	134	9	-	-	-	-	203
Total	65,234	10,925	2,613	-	3,750	-	-	82,522
Foreign Currency								
Participation accounts granted to banks and special finance houses	531	574	-	-	327	-	-	1,432
Participation accounts of real persons	13,550	4,788	836	-	1,684	38	-	20,896
Participation accounts of public institutions	38	-	-	-	-	-	-	38
Participation accounts of commercial institutions	980	38	3	-	43	-	-	1,064
Participation accounts of other institutions	228	96	-	-	38	-	-	362
Total	15,327	5,496	839	-	2,092	38	-	23,792
Grand Total	80,561	16,421	3,452	-	5,842	38	-	106,314

3. Information on other operating income:

Total operating income amounting to YTL 7,497 comprises cancellation of impairment provisions recorded in previous periods (YTL 711), YTL 4,178 of the remaining comprises gain from the sales of BİM shares and the remaining balance is income gained from sales of immovables and other assets and other various income.

4. Provision for loan losses and other receivables:

	Current Period
Specific provisions for loans and other receivables	5,818
III. Group	3,585
IV. Group	61
V. Group	2,172
General provision	2,382
Provision for possible losses	-
Foreign currency indexed loans exchange differences	-
Investment securities impairment provision	-
Trading securities	-
Securities for available for sale	-
Provision for impairment	-
Associates	-
Subsidiaries	-
Joint ventures	-
Securities held to maturity	-
Other	501
Total	8,701

5. a. Information related to other operational expenses:

	Current Period
Foreign currency indexed loans F/X Loss	48,228
Personnel expenses	30,024
Reserve for employee termination benefits and nature	1,156
Depreciation expense of fixed assets	4,402
Amortization expense of intangible assets	294
Other operating expenses	13,506
Maintenance expenses	744
Advertisement expenses	3,933
Other expenses	8,829
Loss on sales of assets	8,371
Operational lease expenses	2,285
Other	11,245
Total	119,511

b. The nature and amount of extraordinary expenses: None.

b.1. Income statement line in which amortization of goodwill is included: None.

b.2. The Bank has no negative goodwill.

6. Income and expenses relating to investments in associates and subsidiaries :

- a. Income and expenses relating to investments in associates and subsidiaries:

The Bank gathered dividend income from its subsidiary BIM amounting YTL 1,156 during the year. Additionally, the Bank recorded YTL 849 expense for the cash transportation services rendered by BIM.

- b. Income / loss from associates which are accounted for under the equity method:

The Bank does not have any associates which are accounted for under the equity method.

- c. The information on profit and loss occurred from transactions with commercial and real persons related party transactions :

The information on income and loss resulting from the transactions done with the commercial entities and real persons of the risk group in which the Bank is included is explained at Section V - Explanations and Footnotes For Related Party Transactions.

7. The Explanations on tax provision:

- a. Explanations on current and deferred tax income or expense:

During the year the Bank has not recorded any current tax income or expense, but recorded deferred tax income amounting to YTL 4,526.

- b. Explanations on deferred tax income or expense arisen from temporary differences : Explained in c.

- c. Deferred tax income or expense on temporary differences, carried forward tax losses or tax exemptions or deductions:

	Current Period
Deferred tax asset, prior period	4,440
Temporary differences	347
Retirement pay liability provision	347
Tax exemptions and deductions	4,179
Investment allowance with withholding tax	(110)
Investment allowance exemption-without withholding tax	4,289
Current period effect income/(expense)	4,526
Current period deferred tax asset	8,966

8. The explanations on income/loss of unconsolidated associates and subsidiaries:

The following information is taken from financial statements of the related associates and subsidiaries prepared as of September 30, 2005.

Unconsolidates Associates and Subsidiaries Current Period Income/Loss

Rozi Kağıt ve Temizlik Ürünleri San. Ve Tic. A.Ş.	(1,733)
Islamic International Rating Agency	(155)

9. The explanations on net income / loss for the period:

- a. The nature and amount of certain income and expense items from ordinary operations are disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period.

The Bank does not have such a matter.

- b. The effect of the change in accounting estimates to the net profit/loss; including the effects on the future period.

The Bank does not have such a matter.

- c. Income / loss of minority interest: None.

10. Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods :

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

IV. EXPLANATIONS AND FOOTNOTES RELATED WITH STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

1. a. Disclosure to be made separately from other contingent liabilities :

a.1. The Bank's share in contingent liabilities of joint ventures together with other ventures: None.

a.2. Share of joint ventures in their own contingent liabilities: The Bank does not have any joint ventures.

a.3. The Bank's contingent liabilities resulting obligations of other ventures in joint ventures: The Bank does not have any joint ventures.

b. Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1. For contingent assets, if realization probability is close to certain, then it is accounted. If realization probability is high, then it is explained in the footnotes. As of December 31, 2005 there are no contingent assets that need to be explained.

b.2. There are no provisions set for contingent liabilities.

2. Information related to derivative financial instruments:

The Bank has no derivative financial instruments.

3. Information on off-balance sheet liabilities:

a. Nature and amount of irrevocable loan commitments:

The Bank has credit card expenditure limit commitments amounting YTL 20,060, payment commitments for checks, amounting to YTL 102,563 and in total YTL 122,623 of irrevocable loan commitments as of December 31, 2005.

b. Nature and amount of contingent loss and commitments from off-balance sheet items including below statements:

b.1. Non-cash loans including guarantees, acceptances, financial collaterals and other letters of credits:

As of the balance sheet date total letters of credit amounts to YTL 84,277 and acceptances amounts to YTL 3,996.

b.2. Definite guarantees, temporary guarantees, sureties and similar transactions:

As of the balance sheet date, total letters of guarantees amounts to YTL 144,608.

4. Concentration of off-balance sheet commitments: Sectoral concentration is disclosed in Note 8.a.

5. Total amount of non-cash loans:

a. Total amount of non-cash loans:

	Current Period
Guarantees given against cash loans	-
With maturity of 1 year or less	-
With maturity of more than 1 year	-
Other non-cash loans	144,608
Total	144,608

b. There are no collaterals, mortgage and other restrictions or purchase or construction on/of fixed assets.

6. Information on the services in the name and account of third parties :

The Bank does not have any operations in the name and account of real persons, legal entities, foundations, retirement insurance funds and other legal entities.

7. Information on the Bank's rating by international rating institutions:

Ratings results of Fitch Ratings, which is one of the international rating institutions is stated below:

Fitch Ratings: September 2005

Foreign Currency	
Long Term	B
Short Term	B
Outlook	Stable
Local Currency	
Long Term	B
Short Term	B
Outlook	Stable
National Long Term Rating	BBB(tur)
Outlook	Stable

8. a. Information on the sectoral risk concentration of non-cash loans :

	TL	[%]	Current Period	
			FC	[%]
Agricultural	-	-	1,102	0.9
Farming and raising livestock	-	-	1,027	0.8
Forestry	-	-	75	0.1
Fishing	-	-	-	-
Manufacturing	-	-	57,746	46.6
Mining	-	-	8,338	6.7
Production	-	-	49,291	39.8
Electric, gas and water	-	-	117	0.1
Construction	-	-	1,359	1.1
Services	109,197	100	63,627	51.4
Wholesale and retail trade	-	-	12,369	10.0
Hotel, food and beverage services	-	-	-	-
Transportation and telecommunication	-	-	192	0.2
Financial institutions	-	-	-	-
Real estate and renting services	-	-	-	-
Self-employment services	-	-	129	0.1
Education services	-	-	-	-
Health and social services	-	-	842	0.7
Other	109,197	100	50,095	40.4
Total	109,197		123,834	

b. Information about non-cash loans in Ist and IInd Groups :

	Ist Group - Standard Loans and Other Receivables		IInd Group - Loans and Other Receivables Under Close Monitoring	
	TL	FC	TL	FC
Non-cash loans	109,197	123,834	-	-
Letters of guarantee	109,197	35,411	-	-
Bank acceptances	-	3,996	-	-
Letters of credit	-	84,227	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Other commitments and contingencies	-	150	-	-

V. FOOTNOTES AND EXPLANATIONS RELATED TO STATEMENT OF SHAREHOLDERS' EQUITY MOVEMENT

1. Explanations on the adjustments made in the current period related to the application of Accounting Standards on Financial Instruments:

- a. Increase resulting from the measurement of available for sale securities : None.

If gain or loss generated from remeasurement of available for sale securities, except of those related to hedging is included in shareholders' equity in the current period, the balance recorded in the current period is presented.

- b. Increase in cash flow risk hedging items: None.

- c. Reconciliation of beginning and ending balances of the foreign currency differences: None.

2. Explanations on the adjustments made in the current period regarding the application of Accounting Standard on Financial Instruments:

- a. Information on securities available for sale: None

- b. Information on cash flow hedges: None.

3. Information on dividend:

- a. Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.

- b. Dividends per share proposed subsequent to the balance sheet date: YTL 0,05

- c. Proposals to General Assembly for the payment times of dividend and if it will not be appropriated the reasons of this: None.
- 4. Amounts transferred to legal reserves:** Amount transferred to legal reserves from retained earnings was YTL 2,217 in 2004, and for 2005 proposed legal reserve amount is YTL 2,296 in the proposed profit distribution table.
- 5. Information on shares issued:**
- a. The Bank explains the rights, priorities and restrictions regarding all the capital share classes including the distribution of income and repayment of the capital: None.
- There are no priorities or restrictions regarding the distribution of income and repayment of the capital. Income is equally distributed to all shareholders.
- b. Information on the other capital increase items in the statement of changes in shareholders' equity. None.

VI- FOOTNOTES AND EXPLANATIONS RELATED TO THE STATEMENT OF CASH FLOW

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

"Other items" amounting to YTL 78,857 included in "Operating profit before changes in operating assets and liabilities" consist of other expenses and foreign currency losses of foreign currency index loans other than personnel expenses, loss on sales of assets, reserve for employee termination benefits, depreciation expenses, taxes paid and fees and commissions paid.

2. Cash flows related to acquisition of participations, subsidiaries and other investments:

	Current Period
Cash and cash equivalents	-
Loans granted	-
Other assets	-
Loans from other financial institutions	-
Other commitments	-
Goodwill	-
Cost (1)	-
Foreign currency gains (2)	-
Cost (3)	-
Cash and cash equivalent amount of the acquired investment (4)	-
Total cash outflow (5)	651 (*)

(*) Bank has participated to the share capital Increase of Rozi Kağıt in 2005.

3. Information on disposals of the participations, subsidiaries and other investments:

	Current Period
Net assets (1)	-
Cash and cash equivalents	-
Receivables from other banks, special finance institutions and financial institutions	-
Loans granted	-
Current and participation accounts of banks and special finance houses	-
Loans granted to other financial institutions	-
Other commitments	-
Selling income (2)	-
Cash and cash equivalent amount of the disposed investment (3)	-
Net cash inflow from the disposal	31,734

4. Cash and cash equivalents at the beginning of period:

	Current Period
Cash	79,089
Cash	26,647
Central Bank of Turkey	52,442
Cash Equivalents	137,098
Domestic banks and special finance houses	71,713
Foreign banks and finance institutions	65,385
Total cash and cash equivalents	216,187

5. Cash and cash equivalents at the end of period:

	Current Period
Cash	131,676
Cash	32,255
Central Bank of Turkey	99,421
Cash Equivalents	173,666
Domestic banks and special finance houses	116,730
Foreign banks and finance institutions	56,936
Total cash and cash equivalents	305,342

6. There is no cash and cash equivalent item which are restricted for the usage of the Bank or subsidiaries of the Bank by legal or other limitations.

VII. EXPLANATIONS AND FOOTNOTES FOR RELATED PARTY TRANSACTIONS:

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and funds collected balances :

a. Current Period:

Related Parties	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Other Entities Included in The Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Balance at the beginning of the period	-	475	48,814	2,173	-	-
Balance at end of the period	-	-	42,809	8,661	-	-
Profit share and commission income received	-	-	5,542	-	-	-

b. 1. Information on funds collected related to the Institution's risk group:

Related Parties	Associates and Subsidiaries	Direct and Indirect Shareholders of the Bank	Other Entities Included in The Risk Group
	Current Period	Current Period	Current Period
Funds Collected			
Balance at the beginning of the period	617	35,323	-
Balance at end of the period	-	96,134	-
Profit share expense	-	1,961	-

b. 2. Information on forward and option agreements and other similar agreements made with related parties:

There are no forward and option agreements made with related parties.

2. Disclosures for related parties

a. The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

There is no entity controlled by the Bank. The Bank has participated to its subsidiaries with the rates of 12.5% and 0.5%.

b. Besides the structure of relationship nature of the transactions, their amount and their share in total volume of transactions, the amounts of major items and their proportion in the total, pricing policies and other factors

	Risk Group	Total	Share (%)
Balances with banks	1,426	173,666	0.8
Cash loans	41,401	1,338,934	3.1
Non cash loans	8,661	233,031	3.7
Funds collected	96,134	1,714,448	5.6

c. In case that disclosing items separately is not necessary, total of similar items to be disclosed in order to present the total impact on the financial statements: Explained in b.

d. Participations accounted for under the equity method:

There is no participations accounted for under the equity method.

e. Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts :

VIII. INFORMATION ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES

Information relating to the domestic, foreign, offshore branches and foreign representatives of the Bank:

	Number	Number of Employees			
Domestic branch	43	909			
				Country of Incorporation	
Foreign representatives	-	-	-		
				Total Assets	Statutory Share Capital
Foreign branch	-	-	-	-	-
Offshore banking region branches	-	-	-	-	-

Explanation on the opening and closing of branches and representations in Turkey or abroad or change its organization structure significantly: There is no change that significantly effects the organization.

IX. EXPLANATIONS AND FOOTNOTES RELATED TO INFLATION ACCOUNTING

Inflation accounting

The financial statements are restated until December 31, 2004 in line with the provisions of AAR 14 "Accounting Standard Related to the Preparation of Financial Statements in Hyperinflationary Periods". AAR 14 deals with the effect of inflation on financial statements prepared in highly inflationary economies. There are certain criteria prescribed by AAR 14 in order to define an economy as highly inflationary, one of which is the cumulative inflation rate over three years approaching, or exceeding 100%. As of December 31, 2005, the three year cumulative rate in Turkey has been 35.6 %, based on the wholesale price index as published by the Turkish State Institute of Statistics. In accordance with the declaration of BRSA numbered 1623 and dated April 21, 2005, banks are not required to apply inflation accounting in their financial statements AAR 14 "Accounting Standard on Financial Statements at Hyperinflation Periods" since the indicators defined in Article 5 of the Communiqué are not deemed to be applicable. Accordingly starting from January 1, 2005 inflation accounting has not been applied and prior period financial statements are presented in the equivalent purchasing power at December 31, 2004.

The main guidelines for inflation accounting until December 31, 2004 are as follows:

AAR 14 requires that financial statements prepared in highly inflationary economies be stated in terms of the measuring units current at the balance sheet date and corresponding figures for previous periods be restated in the same units.

Cash and monetary assets and liabilities, which maintain their nominal balances but experience a decline in purchasing power were not restated because they were already expressed in terms of the measuring unit current at that balance sheet date.

Non-monetary asset and liabilities and components of equity which were not expressed in terms of the measuring unit current at the balance sheet dates were restated by applying a general price index. Cash proceeds in share capital increases were restated based on collection dates. Share capital increases made through the transfer of retained earnings, income generated through the sales of properties and of associates and subsidiaries and unappropriated profits were considered as cash injections made by the shareholders and were restated based on the date of transfer to the share capital.

Non-monetary items which were subject to depreciation were restated after eliminating the related revaluation effects. Since depreciation was computed over restated amounts, the charge in the income statements was not subject to restatement.

Non-monetary items which were stated at market prices were not restated since they were already expressed in terms of the measuring unit current at the balance sheet date.

The cost of subsidiaries and associates, which were stated in New Turkish Lira are restated on payment dates of the capital contribution made to the investments. Transfers to share capital from general reserves, gain on sale of property and investments and unappropriated profits were considered as cash contributions and restated from the date of contribution. Foreign currency associates and subsidiaries were stated at cost denominated in foreign currency and evaluated with the exchange rates prevailing at period-ends.

All items in the statement of income are restated by applying the relevant average conversion factors on accrual dates.

The gain or loss on net monetary position in prior periods / years was included in the related period income statement as gain/loss on net monetary position. Prior year effects of inflation accounting were reflected in the accumulated deficit and restatement effect of paid-in capital was stated as a separate line item under equity.

Wholesale prices indices and conversion factors announced by the State Institute of Statistics used to restate the financial statements as of December 31, 2004 are as follows:

	Index	Conversion factor
December 31, 2001	4,951.7	1.697
December 31, 2002	6,478.8	1.297
December 31, 2003	7,382.1	1.138
December 31, 2004	8,403.8	1.000

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Bank could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Bank could return or settle the same values of equity to its shareholders.

Information regarding the assets subject to depreciation, the information on the depreciation computations made in line with related regulations and the inflation adjusted amounts, the useful lives of the assets and the expertise values for the determination of fair values:

In accordance with AAR 14, the Bank obtains expertise reports for its properties considering the materiality.

Paid-in nominal capital in the legal books of the Bank is YTL 100,000 and capital reserves arising from the inflation adjustment is TL 79,749. Therefore the inflation adjusted capital of the Bank is YTL 179,749 as of December 31, 2004. As mentioned above YTL 79,749 of this amount has been offset against the accumulated losses. In the current period there has been a share capital increase amounting to YTL 26,000 and the paid in share capital is YTL 126,000 as of December 31, 2005.

1st and 2nd type of legal reserves per statutory records, and extraordinary reserves are YTL 2,707 and YTL 6,772, respectively, where as the inflation adjusted total reserves of the Bank is TL 34,303 as of the balance sheet date. The inflation adjusted balance of legal reserves transferred from the previous years, which is TL 24,824 has been offset against the accumulated losses. In the current period, YTL 6,690 has been transferred to share capital from these reserves and YTL 7,212 has been transferred from retained earnings. As of December 31, 2005, such reserves amounts to YTL 10,001.

The income statement items do not have seasonality.

X. EXPLANATIONS AND FOOTNOTES RELATED WITH SUBSEQUENT EVENTS

- a. Disclosure related to subsequent events and transactions that have not been finalized yet, their impact on the financial statements as required by the related standard of "Accounting Standard on Subsequent events After Balance Sheet Date": None
- b. Significant Changes in the Foreign Exchange Rates after the Balance Sheet Date which may Affect the Users of the Financial Statements during the Analysis of the Financial Position and Effect the Bank's Foreign Operations:

As explained in the Section Four Footnote V, the net foreign currency position of the Bank is not material. Therefore the changes in the foreign currency exchange rates do not have a significant impact on the financial position of the Bank.

EXPLANATIONS ON THE INDEPENDENT AUDITORS' REPORT

The financial statements of the Bank for the period between January 1 – December 31, 2005 were audited by Güney Serbest Muhasebeci Mali Müşavirlik A.Ş. (An Affiliated Firm of Ernst & Young International).

Independent audit report is presented preceding the financial statements and related disclosures to financial statements.

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