

16.2.2006



**Earnings announcement for  
2005 consolidated financial results  
according to IFRS**

**“Continued Enthusiasm”**

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- **Total assets increased 44.1% y-o-y and reached TRY 11,918mn in 2005. This is tantamount to a 9.4% increase from the last quarter.**
- **Total loans rose 91% y-o-y, recording the highest growth in the sector. TL loans increased 81% while FX loans grew 100%.**
- **SME loans outperformed other lines of business with a 215% y-o-y increase. In the same period consumer, commercial and corporate loans increased 206%, 34% and 125%, respectively.**
- **Home loans snowballed, growing nine-fold y-o-y and 51% since the third quarter. The main contributor to this vigorous growth is the concentrated focus of the Bank on financing mass housing projects. General purpose loans also increased, rising 188% y-o-y (9% q-o-q).**
- **Customer deposits rose 33%, topping the quarterly increase of 11%. TL deposits have increased more than FX deposits, recording a 59% y-o-y increase as opposed to 20%.**
- **In 2005, a total of USD 950mn was secured internationally, in the form of a securitization in June for USD 300mn and a syndication in October for USD 650mn.**
- **Net commissions figure equalled TRY 147mn with a 25% y-o-y rise, registering the fastest increase in the last quarter. The main drivers behind this aggressive growth are credit card commissions and banking transaction fees.**
- **Net profit rose 58% y-o-y and reached TRY 223mn (USD 166mn). Due to the prudent loan placement practices of the Bank, the NPL ratio dropped to 2.1% from 2.5%.**

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(USD 1 = TRY 1.3418)

By the Board of Directors' decision no. 2006/2 dated February 15, 2006, Zorlu Holding has exclusively mandated JP Morgan regarding its subsidiary Denizbank A.Ş., in order to explore and evaluate various strategic alternatives including a possible partnership, cooperation, joint venture or equity offering.

- **Securities**

The share of government securities including G7 bonds and equity in assets declined from the YE2004 rate of 18.5% to 14% a year ago. The profitability formerly offered by the securities portfolio is now amply compensated for by the rising loan book. The composition of the portfolio in terms of currency is 60% TRY and 40% FX.

A detailed breakdown of the portfolio can be seen in the table below.

<b>31.12.2005</b>	<b>TRY</b>			<b>FX</b>			<b>TOPLAM</b>		
<b>TRY 000</b>	<b>Fix</b>	<b>Floating</b>	<b>Toplam</b>	<b>Fix</b>	<b>Floating</b>	<b>Toplam</b>	<b>Fix</b>	<b>Floating</b>	<b>Toplam</b>
TRD	38,022	63,785	<b>101,807</b>	110,569	6,652	<b>117,221</b>	148,591	70,438	<b>219,028</b>
AFS	218,275	604,116	<b>822,392</b>	299,046	166,972	<b>466,018</b>	517,321	771,088	<b>1,288,409</b>
HTM	0	28,170	<b>28,170</b>	39,772	167,768	<b>207,540</b>	39,772	195,938	<b>235,709</b>
<b>Total*</b>	<b>256,297</b>	<b>696,071</b>	<b>952,369</b>	<b>449,386</b>	<b>341,393</b>	<b>790,778</b>	<b>705,684</b>	<b>1,037,464</b>	<b>1,743,146</b>

\* Excluding equity

- **Loans**

Total loans reached TRY 6,235mn (USD 4,647mn), recording 91% y-o-y growth. The quarterly increase of 9% was slightly better than the 3Q figure. The loans/deposits ratio increased to 89% from 62% last year.

The TL portion of the book expanded by 81 % y-o-y while in the same period FX loans posted a 100% growth. The currency composition of the book is slightly tilted towards FX, as it now consists 57% of the total loans.

As a result of Denizbank's comprehensive focus and extensive knowledge of the SME's, SME loans reached TRY 726mn (USD 542mn), recording a growth rate of 6% q-o-q and 215% y-o-y. Its share in the loan book remained the same q-o-q.

Although agricultural loans recorded a very robust growth of 239% y-o-y, the growth momentum slowed down in 4Q due to the seasonality of the product. The size of the book reached TRY 175mn (USD 129mn) and 433 new clients were added to the portfolio in the last quarter. The branch network specifically committed to this important sector is strategically positioned around the Aegean region. Currently there are 74 branches providing banking services to farmers.

Consumer loans (excluding credit cards) surged 206% and reached TRY 851mn (USD 634mn) y-o-y (24% q-o-q). Its share in total loans continued to increase and constituted 13.6% versus 11.9% in the last quarter. Due to strong ongoing demand for real estate, mortgage loans skyrocketed and rose 888% y-o-y (51% q-o-q) to reach TRY 301mn (USD 225mn). DenizBank prefers to finance mass housing projects in order to increase its home loan penetration and to have control over quality. Currently DenizBank provides financing for 15 projects, 6 of which are in Istanbul. General purpose loans also soared 188% y-o-y (9% q-o-q) and reached TRY 353mn (USD 263mn). This increase is mainly due to campaigns towards various professional segments.

Number of credit cards reached 1,380,869, with the addition of 520,758 cards since YE2004. Market share in terms of number of cards has steadily increased since the beginning of the year to reach 4.6% from 3.2%. Parallel to the increasing number of Denizbank cards, issuing volume also jumped by a solid 54%. The market share of credit card issuing volume also increased from 2.0% to 2.3%. Meanwhile, credit card loans reached TRY 372mn (USD 277mn), posting a 6% q-o-q and a 29% y-o-y increase.

The share of credit card, consumer and SME loans now constitutes 31,2% of the total loanbook while the aforementioned total has grown 143% y-o-y. DenizBank's target is to increase this share to 54% by 2008, hence compensating for the anticipated margin decline.

- **Deposits**

Customer deposits reached TRY 7,040mn (USD 5,247mn), implying a y-o-y increase of 33%. The quarterly growth of 10.6% was slightly better than the growth of 7.7% in 3Q. The breakdown of deposits reveal that TL deposits soared 59% y-o-y and 17% q-o-q while FX deposits increased 20% y-o-y and 7% q-o-q.

The breakdown of deposits in terms of currency and term is presented below.

<b>Deposits from customers</b>			<b>Growth</b>
<b>TRY mn</b>	<b>31.12.2005</b>	<b>31.12.2004</b>	
<b>TL Deposits</b>	<b>2,683</b>	<b>1,686</b>	<b>59%</b>
Demand	729	370	97%
Time	1,954	1,316	48%
<b>FX Deposits</b>	<b>4,357</b>	<b>3,621</b>	<b>20%</b>
Demand	864	698	24%
Time	3,493	2,923	20%
<b>Total</b>	<b>7,040</b>	<b>5,307</b>	<b>33%</b>

As of 31.12.05, Denizbank has **236 branches**, the largest branch network among mid-sized banks. Due to the rapidly expanding franchise the number of retail customers reached 1.372 million, increasing by more than 300,000 since the beginning of the year. The constant increase in the number of new clients and the Bank's intensive focus on SMEs provided a robust deposit growth without the need for entering pricing competition that has been going on between some large-scale peers.

- **International Borrowing**

In June, Denizbank successfully completed its first securitization. The USD 300 million asset-backed long term loan facility was composed of three tranches, consisting of USD 70 million 5-years fixed rate, USD 150 million 5-years floating rate and USD 80 million 7-years fixed rate.

In addition, DenizBank secured a syndicated loan in October in the amount of USD 650 million in two tranches. The first tranche, in the amount of USD 300 million, has a 1-year term

at L+0.45% and the second is USD 350 million with a 2-year term at L+0.80%. The loan was co-arranged by 25 banks.

- **Income**

DenizBank's net profit for 2005 was TRY 223mn (USD 166mn), implying a 58% y-o-y increase. Net interest income reached TRY 129mn (USD 96mn), improving 35% y-o-y and remaining flat q-o-q despite falling margins. Favoring the bottomline, provisions came down to TRY 6mn from TRY 14mn in the last quarter. The net profits and core earnings for each quarter can be seen in the table below.

(TRY mn)	<b>4Q</b>	<b>3Q</b>	<b>2Q</b>	<b>1Q</b>
<b>Net profit</b>	48	46	60	65
<b>Adjustment</b>	-	-	(26)**	(17)*
<b>Core earning</b>	48	46	34	48

\* Zorlu proceeds

\*\* Tax gain

Net fees and commissions income increased by 25% y-o-y and reached TRY 147mn (USD 110mn) The quarterly increase was 19% and the highest figure was recorded in the last quarter.

The breakdown of commission income is presented in the table below.

<b>TRY 000</b>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>Growth</b>
Cash loans	10,634	10,865	-2%
Non-cash loans	34,157	30,857	11%
Credit card commissions	60,544	38,779	56%
Brokerage fees	78,231	77,448	1%
Banking service income	21,228	11,743	81%
Factoring service income	2,370	-	-
<b>TOTAL</b>	<b>207,164</b>	<b>169,692</b>	<b>22%</b>

The **ROAE** and **ROAA** ratios were recorded at 21.8% and 2.2%, respectively. Capital adequacy ratio was 14,69%.

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