

05.05.2005



Earnings Announcement

For 31.March.2005 Consolidated BRSA Financial Results

The BRSA announced that the conditions for high inflationary environment as stated in BRSA's accounting standards with regards to inflation accounting do not exist anymore. Thus, banks are not required to apply inflation accounting for their BRSA financials starting from January 1, 2005.

Denizbank's loan growth remained strong in the first quarter of 2005, recording an increase of 37% q-o-q and constituting 52% of assets. In line with our focus on high yield loan products, SME and retail credits excluding credit cards posted significant increases of 147% and 50%, respectively. Total deposits soared 3%, despite the contraction in the sector. Denizbank's rapidly expanding branch network and intensive focus on the SME segment allows the Bank to keep its share of deposits in total liabilities over 60%, while eliminating the need for aggressive borrowing to fund growth. Net profit figure reached a better than expected USD 53mn, mainly as a result of the Zoren equity sale (USD 12mn) and the lack of monetary loss (USD 4mn). Overall, consolidated assets of the Bank grew by 5% in 1Q05 and reached TRY 8,432mn (USD 6,264mn).

(TRY 1 = USD 1.3462 for 31.03.2005, TRY 1 = USD 1.3363 for 31.12.2004)

• Liquidity

In line with the suggestions of our investors and due to the diminishing risks in the Turkish economy, Denizbank has decided to gradually decrease its liquidity. Thus, the cash, banks and money market items on the balance sheet, which indicates liquidity, has been reduced to 15% of assets from 28% in the previous quarter. The resulting funds were used for credit placements in order to boost profitability.

• Securities

As a policy issue, the portion of securities in assets has historically been low for DenizBank. In 1Q05, share of securities (incl. G7 bonds and equity) remained at 23% of total assets, markedly lower than the peer average* of 32% as of 2004. The currency composition of the portfolio remained unchanged as TL securities comprised 55% of the total whereas the remainder is FX denominated. Detailed breakdown of securities is given in the below table for your convenience.

*Weighted average of Akbank, Garantibank, İşbank, YKB, Denizbank, Finansbank, Dışbank and TEB

31.03.2005	TRY			FX			TOTAL		
	TRY '000	Fix	Floating	Total	Fix**	Floating	Total	Fix	Floating
TRD	48,540	87,279	135,819	77,832	4,483	82,315	126,372	91,762	218,134
AFS	58,597	747,558	806,155	495,370	147,776	643,146	553,967	895,334	1,449,301
HTM	0	24,115	24,115	55,745	90,308	146,053	55,745	114,423	170,168
Equity*	107,851	0	107,851	17	0	17	107,868	0	107,868
	214,988	858,952	1,073,940	628,964	242,567	871,531	843,952	1,101,519	1,945,471
	20%	80%	100%	72%	28%	100%	43%	57%	100%

*TRY 68,271 of equity comprises Zorlu Energy shares as disclosed in the footnotes

**TRY 216,283 is TR Eurobonds

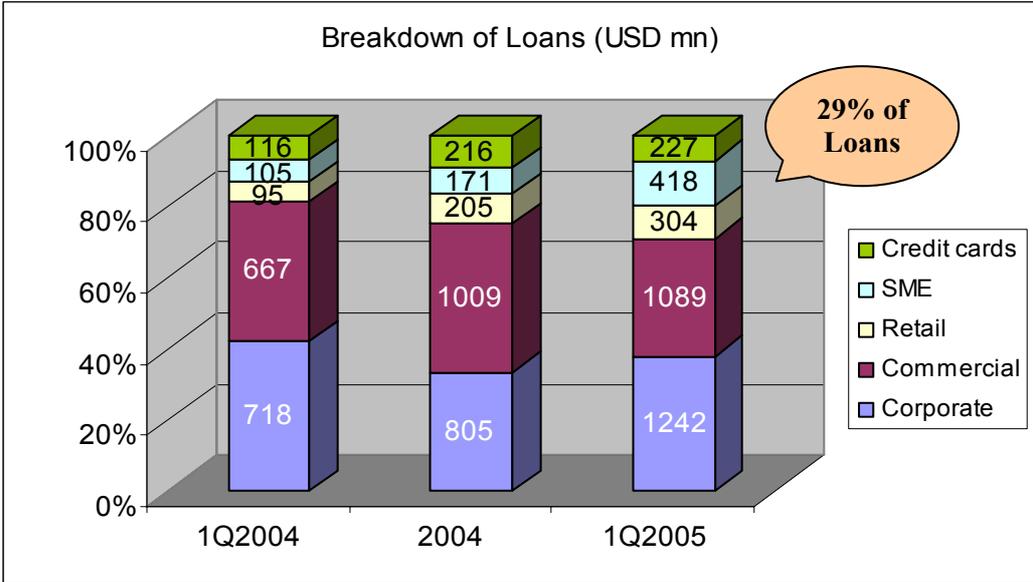
On February 21st, 2005, 3,361,276 YTL nominal value of Zorlu Energy shares that are not listed on the ISE were sold to Zorlu Holding at a market value of 17.142.507 YTL. Consequently, Denizbank's ownership in Zorlu Energy dropped further from 46% to 44%. The proceeds were used for consolidating Deniz Leasing and Deniz Faktoring shares. The direct ownership of Denizbank A.Ş. in Deniz Leasing and Deniz Faktoring has increased to %10.87 and %99.99, respectively. Due to the shares of Deniz Faktoring in Deniz Leasing, the indirect ownership of Denizbank A.Ş. in Deniz Leasing is %99.99. **We plan to divest all Zorlu Energy shares in our ownership by 2008.**

- **Loans**

Denizbank's loan book reached TRY 4,208mn (USD 3,126mn), recording a robust 31% growth q-o-q. **Including the Deniz Faktoring and Deniz Leasing receivables that are considered as credits on consolidated basis according to BRSA, the loan figure increases to TRY 4,416mn (USD 3,280mn). The resulting difference of TRY 208mn (USD 154mn) is added to the SME segment due to the classification of Deniz factoring and leasing clients.** Denizbank's 2005 targets will have to be revised upwards as this stronger than expected growth already brought us to the year end loan target. The fastest growing items in the loan book were SME, corporate and retail, given in the order of importance.

SME and agricultural lending are growing with a significant pace (agricultural lending volume reached TRY 79mn). SME loans reached TRY 563mn (USD 418mn) in 1Q05, recording 147% growth q-o-q. The share of SME in total loan book improved further to 13% from 7% last quarter. According to the sector's data, there are more than 2 million small businesses in Turkey, while only 10% of them are banked. We believe the transition of SMEs from the grey area of the economy to the recorded side via the Banks represents a great banking potential.

Retail loans excluding credit cards surged by 50% and reached TRY 410mn (USD 304mn). The main driver of growth was home loans, rising 86% to reach around TRY 100mn (USD 74mn). We expect the mortgage system that allows for refinancing of the mortgage receivables to be in effect by 2006, which is anticipated to be one of the booming markets in Turkey.



Number of credit cards reached 1,027,801 from 860,111 in the last quarter, thanks to the intensive efforts of branches and the direct sales team. Consequently, our market share in terms of number of cards reached 4% from 3%, adding 167,690 cards in three months. Credit card loans, on the other hand, increased by a modest 6% due to the slowdown in the sector, which recorded 1% decrease.

Consequently, the share of credit card, retail and SME loans in total reached 29% versus 25% q-o-q. Our target is to reach over 50% by 2008, hence compensating for the anticipated margin decline in the sector by the switch to high yield products.

Following a disciplined and conservative lending policy, DenizBank maintained its provisions over 125%, and its current NPL ratio of 2.6% is well below the sector average.

- **Deposits**

Total deposits reached TRY 5,328mn (USD 3,958mn) in 1Q05, implying an increase of 3%, despite the 1% contraction of the sector's deposits. Perusal of deposits reveal that the currency composition of the book is 30% to 70% for TL and FX deposits, respectively. Composition of deposits are given below in detail.

TRY '000	31.03.2005	share
TL Deposits	1,596,816	
Time	1,289,630	80.8%
Demand	307,186	19.2%
FX Deposits	3,731,203	
Time	2,991,946	80.2%
Demand	739,257	19.8%
Total	5,328,019	

As a convention, the ratio of deposits to assets have always been maintained around 65%. Promotional campaigns are planned towards government institutions and public sector companies, in order to capture their salary payments in 2005.

- **Income**

DenizBank posted TRY 72mn (USD 53mn) of net profit for the period, recording 50% increase over the TRY 48mn (USD 36mn) profit for the same period last year. **Please note that there is a one-time effect on the profit resulting from the Zorlu Energy sales (USD 12mn) and the non-existing monetary loss (USD 4mn) due to the lifting of inflationary accounting by the BRSA.** Excluding the above mentioned effects, the adjusted 1st quarter profit comes to TRY 50mn (USD 37mn).

Net interest income improved 60% in 12 months as the interest earning assets (IEA) ratio rose to 91% of assets to the benefit of loans. Consequently, Loans/Deposits ratio also increased significantly to 83% versus the 55% y-o-y.

Net fees and commissions income surged 13% and reached TRY 29mn (USD 21mn) when compared to last year's first quarter figure of TRY 26mn (USD 19mn). Breakdown of non-interest income could be found in our investor presentation on our website.

Focusing on growth and profitability, DenizBank's shareholders' equity reached TRY 917mn (USD 681mn), recording 5% growth in three months. With a comfortable CAR of 15.2%, we continue to stay well above the required limits. The ROE and ROA ratios have also increased

parallel to the better than expected profitability and reached 31.3% and 3.4% (adjusted ratios are 23% and 2.4%), respectively. Pursuant to the new Basel II implementation to be mandated by 2007, the CAR of the Bank stays at 12.8%, still above the minimum requirement, and does not necessitate any cash injection as capital.

Always open to inorganic growth as an opportunistic acquirer, our strategy is to maintain a comfortable level of free capital at all times. Consequently, the free capital ratio of the Bank ameliorated further to 7.1% from 7% q-o-q, which is one of the best in the sector.

- **Ratings upgrade**

On May 5, 2005, FitchRatings has upgraded Denizbank's Long-term foreign and local currency ratings to 'BB- (BB minus)' from 'B+'. Additionally, the agency has upgraded the bank's Individual rating to 'C/D' from 'D'. Denizbank's Short-term foreign and local currency, Support and National ratings have been affirmed at 'B', '4' and 'A-(A minus)(tur)' respectively. The Outlook on all Long-term ratings is Stable.

Fitch announced that the upgrades in Denizbank's Long-term and Individual ratings are driven by its enhanced profitability, improved asset quality, comfortable liquidity and adequate capitalisation. This is balanced by rapid loan portfolio growth, which may cause non-performing loans (NPLs) to increase in the future.

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