

Denizbank A.Ş. And Its Subsidiaries

Consolidated income statements

For the year ended 31 December 2004

*In billions of Turkish Lira as adjusted for the effects of inflation
in TL units current at 31 December 2004 pursuant to IAS 29*

	Note	2004	2003
Interest and similar income	2	830,167	731,261
Interest expense and similar charges	2	(458,628)	(511,344)
Net interest income		371,539	219,917
Fee and commission income	3	178,131	124,151
Fee and commission expense	3	(63,289)	(29,964)
Net fee and commission income		114,842	94,187
Net gain on trading and investment securities	4	11,738	81,157
Other operating income	5	66,688	52,762
Operating income		564,807	448,023
General and administrative expenses	6	(293,716)	(215,218)
Impairment losses on loans and advances	13	(40,486)	(47,951)
Foreign currency exchange gain / (loss), net		7,892	36,417
Other operating expenses	7	(36,508)	(41,567)
Operating expenses		(362,818)	(268,319)
Profit from operations		201,989	179,704
Loss on net monetary position, net		(56,431)	(46,228)
Profit before tax		145,558	133,476
Income tax expense	21	(8,007)	(47,921)
Profit after tax		137,551	85,555
Minority interest		(6)	490
Net profit for the year		137,545	86,045

Denizbank A.Ş. And Its Subsidiaries

Consolidated balance sheets

As at 31 December 2004

*In billions of Turkish Lira as adjusted for the effects of inflation
in TL units current at 31 December 2004 pursuant to IAS 29*

	Note	2004	2003
Assets			
Cash and balances with Central Bank	10	788,661	640,364
Due from banks	11	1,667,356	1,016,750
Trading securities	12	414,668	299,234
Loans and advances to customers	13	3,201,022	2,141,435
Investment securities	14	1,627,794	1,980,490
Accrued interest, prepaid expenses and other assets	15	205,938	215,162
Deferred tax asset	21	13,928	-
Bank premises and equipment	16	122,573	105,223
Intangible assets	17	16,629	17,956
Total assets		8,058,569	6,416,614
Liabilities			
Deposits from banks	18	616,939	1,013,106
Deposits from customers	19	5,137,233	4,091,764
Funds borrowed	20	1,027,721	405,004
Deferred tax liabilities	21	452	27,416
Current tax liabilities		1,246	12,484
Accrued interest and other liabilities	22	383,393	234,941
Total liabilities		7,166,984	5,784,715
Minority interest		66	1,993
Shareholders' equity			
Share capital	23	549,221	482,854
Share premium		98,281	-
Unrealized gains on available-for-sale securities		110,021	148,008
Translation reserves		(6,038)	(3,416)
Retained earnings		140,034	2,460
Total shareholders' equity		891,519	629,906
Total liabilities, minority interest and shareholders' equity		8,058,569	6,416,614

Denizbank A.Ş. And Its Subsidiaries

Consolidated Statements of Changes in Equity

For the year ended 31 December 2004

In billions of Turkish Lira as adjusted for the effects of inflation in TL units current at 31 December 2004 pursuant to IAS 29

	Note	Share capital	Share premium	Unrealized gains/losses on AFS securities	Translation reserves	Retained earnings	Total
Balances at 1 January 2003		482,854	-	-	101	36,275	519,230
<i>Correction of errors:</i>	24						
Gross amount		-	-	-	-	5,904	5,904
Less: Tax effects		-	-	-	-	(2,875)	(2,875)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,029</u>	<u>3,029</u>
<i>Change in accounting policy</i>	25						
Gross amount		-	-	122,650	-	(122,650)	-
Less: Tax effects		-	-	(491)	-	491	-
		<u>-</u>	<u>-</u>	<u>122,159</u>	<u>-</u>	<u>(122,159)</u>	<u>-</u>
Restated balances at 1 January 2003		482,854	-	122,159	101	(82,855)	522,259
Gain from change in fair value of available-for-sale securities (AFS)		-	-	25,849	-	-	25,849
Foreign exchange differences arising from translation of the financial statements of foreign operations		-	-	-	(3,517)	(787)	(4,304)
Minority share in retained earnings		-	-	-	-	57	57
Net profit for the year		-	-	-	-	86,045	86,045
Balances at 31 December 2003		<u>482,854</u>	<u>-</u>	<u>148,008</u>	<u>(3,416)</u>	<u>2,460</u>	<u>629,906</u>
Balances at 1 January 2004		482,854	-	148,008	(3,416)	2,460	629,906
Issue of share capital		66,367	98,281	-	-	-	164,648
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(15,497)	-	-	(15,497)
Loss from change in fair value of available-for-sale securities (AFS)		-	-	(22,490)	-	-	(22,490)
Foreign exchange differences arising from translation of the financial statements of foreign operations		-	-	-	(2,622)	-	(2,622)
Minority share in retained earnings		-	-	-	-	29	29
Net profit for the year		-	-	-	-	137,545	137,545
Balances at 31 December 2004		<u>549,221</u>	<u>98,281</u>	<u>110,021</u>	<u>(6,038)</u>	<u>140,034</u>	<u>891,519</u>

Denizbank A.Ş. and Its Subsidiaries

Consolidated Statements of Cash Flows

for the year ended 31 December 2004

*In billions of Turkish Lira as adjusted for the effects of inflation
in TL units current at 31 December 2004 pursuant to IAS 29*

	Note	2004	2003
Operating activities			
Net profit for the year		137,545	86,045
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization	16 and 17	28,781	25,419
Change in accrued interest expense		8,331	23,111
Change in accrued interest income		(40,236)	(38,242)
Impairment losses on loans and advances	13	40,486	47,951
Reserve for employee severance indemnity		1,916	(3,000)
Minority interest		6	(222)
Deferred tax	21	(41,344)	44,930
Effect of the restatement of non-cash item		(5,095)	6,515
Effect of currency translation		(2,622)	(3,620)
<i>Changes in operating assets and liabilities:</i>			
Money market instrument		427,847	(183,660)
Loans and advances to banks		7,895	300,901
Loans and advances to customer		(1,091,198)	(692,248)
Other operating assets		(35,368)	(54,195)
Deposits from banks		(396,167)	775,335
Deposits from customer		1,045,469	325,081
Funds borrowed		622,717	134,077
Other operating liabilities		145,370	28,984
Taxes payable		(11,238)	(6,591)
Cash flows from operating activities		843,095	816,571
Investing activities			
Proceeds from sale of investment		13,912	-
Proceeds from sale of bank premises and equipment		4,497	4,541
Purchase of bank premises and equipment	16	(24,647)	(22,861)
Proceeds from sale of intangible asset		271	938
Purchase of intangible assets	17	(4,393)	(10,617)
Cash flows from investing activities		(10,360)	(27,999)
Financing activities			
Proceeds from issuance of common stock		164,648	-
Dividends paid		-	-
Cash flows from financing activities		164,648	-
Net increase in cash and cash equivalents		997,383	788,572
Cash and cash equivalents at 1 January		1,427,119	638,547
Cash and cash equivalents at the end of the year	9	2,424,502	1,427,119