

**Denizbank Anonim Őirketi
and Its Subsidiaries**

Unaudited Consolidated Financial Statements

31 March 2006

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Denizbank A.Ş. And Its Subsidiaries
Unaudited Consolidated Income Statement
For the Three-Month Period Ended 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL))

	Note	31 March 2006	31 March 2005
Interest and similar income	1	278,761	240,964
Interest expense and similar charges	1	<u>(154,781)</u>	<u>(107,982)</u>
Net interest income		123,980	132,982
Fee and commission income	2	60,426	43,735
Fee and commission expense	2	<u>(14,787)</u>	<u>(8,561)</u>
Net fee and commission income		45,639	35,174
Net gain on trading and investment securities	3	2,778	5,971
Other operating income	4	<u>19,174</u>	<u>15,478</u>
Operating income		191,571	189,605
General and administrative expenses	5	(100,101)	(72,440)
Impairment losses on loans and advances	9	(11,820)	(10,744)
Foreign currency exchange gain / (loss), net		451	(7,694)
Other operating expenses	6	<u>(12,619)</u>	<u>(10,103)</u>
Operating expenses		(124,089)	(100,981)
Profit from operations		67,482	88,624
Loss on monetary position, net		-	(6,965)
Profit before tax		<u>67,482</u>	<u>81,659</u>
Income tax expense	20	<u>(13,696)</u>	<u>(15,698)</u>
Net profit for the period		<u><u>53,786</u></u>	<u><u>65,961</u></u>
Net profit for the period attributable to:			
Equity holders of the Bank		53,837	66,006
Minority interest		<u>(51)</u>	<u>(45)</u>
		<u><u>53,786</u></u>	<u><u>65,961</u></u>
Weighted average number of shares with a face value of YTL 1 each		316.1 million	316.1 million
Basic and diluted earnings per share (full YTL amount per YTL 1 face value each)		<u><u>0.170</u></u>	<u><u>0.209</u></u>

Denizbank A.Ş. And Its Subsidiaries

Consolidated Balance Sheet

As of 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL))

	Note	Unaudited 31 March 2006	31 December 2005
Assets			
Cash and balances with Central Bank	9	1,430,675	1,007,746
Due from banks	10	1,486,548	2,430,484
Financial assets at fair value through profit or loss	11	285,316	311,749
Loans and advances to customers	12	7,300,130	6,219,352
Investment securities	13	1,317,803	1,653,205
Other assets	14	173,797	126,488
Deferred tax assets	20	13,824	6,435
Bank premises and equipment	15	121,278	133,635
Intangible assets	16	12,888	13,669
Total assets		12,142,259	11,902,763
Liabilities			
Deposits from banks	17	563,832	769,034
Deposits from customers	18	7,391,521	7,040,066
Funds borrowed	19	2,607,337	2,625,032
Deferred tax liabilities	20	790	571
Current tax liabilities		20,274	3,862
Other liabilities	21	406,131	340,635
Total liabilities		10,989,885	10,779,200
Equity			
Share capital		563,836	563,836
Share premium		100,896	100,896
Unrealized gains on available-for-sale securities		103,544	129,095
Translation reserves		(5,908)	(6,456)
Retained earnings		389,937	336,100
Total equity attributable to equity holders of the parent		1,152,305	1,123,471
Minority interest		69	92
Total equity		1,152,374	1,123,563
Total liabilities and equity		12,142,259	11,902,763
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Denizbank A.Ş. And Its Subsidiaries

Unaudited Consolidated Statement of Changes in Equity

For the Three-Month Period Ended 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL))

	<u>Share capital</u>	<u>Share premium</u>	<u>Unrealized gains/losses on AFS securities</u>	<u>Translation reserves</u>	<u>Retained earnings</u>	<u>Minority interest</u>	<u>Total</u>
Balances at 1 January 2005	563,836	100,896	142,916	(6,199)	113,793	68	915,310
Net gains on available-for-sale assets transferred to the income statement on disposal	-	-	(37,062)	-	-	-	(37,062)
Gain from change in fair value of available-for-sale securities (AFS)	-	-	23,241	-	-	-	23,241
Foreign exchange differences arising from translation of the financial statements of foreign operations	-	-	-	(257)	-	-	(257)
Minority interest	-	-	-	-	-	43	43
Net profit for the year	-	-	-	-	222,307	(19)	222,288
Balances at 31 December 2005	<u>563,836</u>	<u>100,896</u>	<u>129,095</u>	<u>(6,456)</u>	<u>336,100</u>	<u>92</u>	<u>1,123,563</u>
Balances at 1 January 2006	563,836	100,896	129,095	(6,456)	336,100	92	1,123,563
Net gains on available-for-sale assets transferred to the income statement on disposal	-	-	(5,505)	-	-	-	(5,505)
Loss from change in fair value of available-for-sale securities (AFS)	-	-	(20,046)	-	-	-	(20,046)
Foreign exchange differences arising from translation of the financial statements of foreign operations	-	-	-	548	-	-	548
Minority interest	-	-	-	-	-	28	28
Net profit for the three-month period	-	-	-	-	53,837	(51)	53,786
Balances at 31 March 2006	<u>563,836</u>	<u>100,896</u>	<u>103,544</u>	<u>(5,908)</u>	<u>389,937</u>	<u>69</u>	<u>1,152,374</u>

Denizbank A.Ş. and Its Subsidiaries

Unaudited Consolidated Statement of Cash Flows For the Three-Month Period Ended 31 March 2006

(Currency: Thousands of New Turkish Lira (YTL))

	<u>Note</u>	<u>31 March 2006</u>	<u>31 March 2005</u>
Cash flows from operating activities:			
Interest and commission receipt		281,695	214,834
Interest and commission payment		(168,575)	(110,850)
Recoveries on loans previously written off	12, 21	15,110	15,256
Cash payments to employees and supplier		(50,917)	(38,156)
Other operating activities, net		(46,046)	(53,335)
		<u>31,267</u>	<u>27,750</u>
(Increase) / decrease in operating assets:			
Balances with Central Banks		(621)	(155,869)
Loans and advances to banks		(75,856)	92,096
Loans and advances to customer:		(1,058,359)	(1,262,339)
Financial assets at fair value through profit or loss		(117,888)	136,233
Other assets		(54,698)	55,994
Increase / (decrease) in operating liabilities:			
Deposits from banks		(205,259)	67,688
Deposits from customer:		348,441	(37,571)
Other liabilities		56,747	18,651
Income taxes paid		(1,851)	-
Net cash used in operating activities		<u>(1,078,077)</u>	<u>(1,057,367)</u>
Cash flows from investing activities:			
Purchase of non-dealing securities, net		297,644	(211,974)
Proceeds from sale of subsidiaries:		-	(3,419)
Purchase of subsidiaries		(250)	-
Interest received		60,347	90,782
Dividends received	4	603	-
Proceeds from sale of bank premises and equipment		635	954
Purchase of bank premises and equipment	15	(4,199)	(5,981)
Proceeds from sale of intangible asset:		-	2,547
Purchase of intangible assets:	16	(1,170)	(380)
Net cash from investing activities		<u>353,610</u>	<u>(127,471)</u>
Cash flows from financing activities:			
(Decrease) / increase in funds borrowed, net		(15,617)	231,414
Issue of share capital		-	-
Net cash from financing activities		<u>(15,617)</u>	<u>231,414</u>
Effect of exchange rate changes on cash and cash equivalent:		451	(7,694)
Net decrease in cash and cash equivalents		<u>(739,633)</u>	<u>(961,117)</u>
Cash and cash equivalents at beginning of the period		3,407,636	2,489,017
Cash and cash equivalents at the end of the period	8	<u><u>2,668,003</u></u>	<u><u>1,527,900</u></u>

Denizbank A.Ş. and Its Subsidiaries

Selected Notes to Unaudited Consolidated Financial Statements

As of and for the three-month period ended 31 March 2006

(Currency -- Thousands of New Turkish Lira (YTL))

Significant Accounting Policies

a) *Statement of compliance*

Denizbank and its Turkish subsidiaries maintain their books of account and prepare their statutory consolidated financial statements in New Turkish Lira (“YTL”) in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulation and Supervision Agency (“BRSA”) and also the Turkish Commercial Code (collectively, “Turkish GAAP”); Denizbank’s foreign subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with the generally accepted accounting principles and the related legislation applicable in the countries they operate.

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. These consolidated financial statements are presented in accordance with IAS 34 “Interim Financial Reporting”. In preparing the interim consolidated financial statements, the same accounting principles and methods of computation are applied as in the consolidated financial statements on 31 December 2005 and for the year then ended except for the change set out below in section “c”. The accompanying consolidated financial statements are authorized for issue by the directors on 12 May 2006. The interim consolidated financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods have been made. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended 31 December 2005.

b) *Basis of preparation*

Starting from 1 January 2005, the currency unit is set as the YTL per the Law on the currency unit of the Republic of Turkey no. 5083 dated 31 January 2004. Six digits have been removed from the Turkish Lira (TL) and one million TL became one YTL.

The accompanying consolidated financial statements are presented in YTL, rounded to the nearest thousand as adjusted for the effects of inflation in YTL units current at 31 December 2005, which is the date accepted as pursuant to IAS 29 “Financial Reporting in Hyperinflationary Economies”.

The accompanying consolidated financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost.

Denizbank A.Ş. and Its Subsidiaries
Selected Notes to Unaudited Consolidated Financial Statements
As of and for the three-month period ended 31 March 2006
(Currency-Thousands of YTL)

Significant accounting policies (continued)

c) *Accounting in hyperinflationary economies*

International Accounting Standard (“IAS”) 29, which deals with the effects of inflation in the financial statements, requires that consolidated financial statements prepared in the currency of a highly inflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

As of 31 March 2006, the cumulative three-year inflation rate in Turkey has been 21.41%, (31 December 2005: 33.16%) based on the countrywide producer price indices announced by the Turkish State Institute of Statistics (SIS), which is below the 100% criterion in IAS 29. Accordingly, the consolidated financial statements of the entities located in Turkey are restated for the changes in the general purchasing power of the YTL as of 31 December 2005 and application of IAS 29 is ceased in 2006.

The amounts of non-monetary assets, liabilities and components of shareholders’ equity expressed in the measuring unit current at the end of 31 December 2005 are treated as the basis for the carrying amounts of these items in the 2006 financial statements without further restatement in 2006.

Denizbank A.Ş. and Its Subsidiaries
Selected Notes to Unaudited Consolidated Financial Statements
As of and for the three-month period ended 31 March 2006
(Currency-Thousands of YTL)

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Denizbank A.Ş. and Its Subsidiaries
Selected Notes to Unaudited Consolidated Financial Statements
As of and for the three-month period ended 31 March 2006
(Currency-Thousands of YTL)

1 Net interest income

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
<u>Interest and similar income</u>		
Interest and similar income arise from:		
Loans and advances to customers	182,539	146,258
Trading and investment securities	47,890	70,216
Due from banks	28,942	11,801
Factoring services	8,533	5,829
Leasing business	7,246	3,100
Other	3,611	3,760
	<u>278,761</u>	<u>240,964</u>
<u>Interest expense and similar charges</u>		
Interest expense and similar charges arise from:		
Deposits from banks and customers	115,618	91,896
Funds borrowed	38,801	15,985
Other	362	101
	<u>154,781</u>	<u>107,982</u>
Net interest income	<u>123,980</u>	<u>132,982</u>

2 Net fee and commission income

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
<u>Fee and commission income</u>		
Cash loans	4,604	2,687
Non-cash loans	8,808	8,208
Credit card commissions	16,454	12,836
Brokerage fees	19,011	14,951
Fees for banking services	10,794	4,638
Factoring service income	755	415
	<u>60,426</u>	<u>43,735</u>
<u>Fee and commission expense</u>		
Cash loans	275	1,283
Credit card commission expense	7,756	6,093
Brokerage fees	3,816	212
Banking service expense	2,940	973
	<u>14,787</u>	<u>8,561</u>
Net fee and commission income	<u>45,639</u>	<u>35,174</u>

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Selected Notes to Unaudited Consolidated Financial Statements
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3 Net gain on trading and investment securities

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
<i>Net trading loss:</i>		
Net trading gain / (loss) arise from:		
Equity instruments	(10,026)	132
Debt instruments and related derivatives	113	(1,036)
Precious metals and related derivatives	103	--
Foreign exchange rate fluctuations and related derivatives	4,353	(4,011)
	<u>(5,457)</u>	<u>(4,915)</u>
<i>Net gain on disposal of securities</i>	8,235	10,886
Net gain on trading and investment securities	<u>2,778</u>	<u>5,971</u>

4 Other operating income

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
Income from customers for banking services	11,361	2,378
Dividend income	603	1,884
Negative goodwill on purchase of subsidiaries	--	4,157
Other	7,210	7,059
	<u>19,174</u>	<u>15,478</u>

5 General and administrative expenses

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
Salaries and employee benefits	51,948	40,651
Advertising and promotion expenses	10,921	2,930
Depreciation and amortization	10,382	8,377
Rent expense	7,191	5,162
Communication expenses	3,569	3,788
Taxes other than on income	3,081	2,576
Stationery expenses	1,956	1,154
Repair and maintenance expenses	1,827	519
Heating and electricity expenses	1,366	1,141
Transportation expenses	1,274	918
IT materials and usage expenses	1,206	1,275
Insurance expenses	849	560
Representation expenses	623	565
Cleaning expenses	539	358
Other administrative expenses	3,369	2,466
	<u>100,101</u>	<u>72,440</u>

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6 Other operating expenses

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
Impairment in value of fixed assets (buildings) *	7,453	--
Premium paid to SDIF	2,412	1,639
Audit and consultancy fees	748	259
Expenses related to BRSA	702	537
Loss on sale of bank premises and equipment	222	296
Other	1,082	7,372
	<u>12,619</u>	<u>10,103</u>

* At 31 March 2006, fair value of some of the buildings of Denizbank have decreased, resulting in an impairment loss of YTL 7,453.

7 Related parties

For the purpose of this report, the Bank's ultimate parent company, Zorlu Holding and all its subsidiaries, and the ultimate owners, directors and executive officers of Zorlu Group are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. The balances and transactions with the related parties are as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
<i>Outstanding balances</i>		
Loans	136,150	87,607
Non-cash loans	180,416	190,322
Factoring receivables (net)	26,027	13,783
Finance lease receivables (net)	5,123	6,906
Deposits from customers	677,427	657,281
Derivative transactions	-	-

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
<i>Transactions</i>		
Interest income	1,250	378
Interest expense	5,282	1,739
Fee and commission income / (expense)	82	12

Key management costs for the three-month period ended 31 March 2006 amount to YTL 2,099 on a consolidated basis. Within this total, individual key management costs of Denizbank and its subsidiaries amount to YTL 1,154 and YTL 945, respectively.

Interest and commission rates applicable to these transactions approximate the market rates.

Denizbank A.Ş. and Its Subsidiaries
Selected Notes to Unaudited Consolidated Financial Statements
As of and for the three-month period ended 31 March 2006
(Currency-Thousands of YTL)

8 Cash and cash equivalents

Cash and cash equivalents include cash, due from banks and financial assets at fair value through profit or loss with original maturity periods of less than three months. Cash and cash equivalents included in the accompanying consolidated cash flow statements are as follows:

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
Cash and balances with Central Bank	1,424,975	514,044
Due from banks	1,146,598	767,971
Financial assets at fair value through profit or loss	96,430	245,885
	<u>2,668,003</u>	<u>1,527,900</u>

9 Cash and balances with Central Bank

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Cash on hand	128,919	186,108
Balances with Central Bank other than reserve deposits	315,850	264,646
Reserve deposits at Central Bank	325,206	325,113
Interbank money market placements	655,000	226,800
	1,424,975	1,002,667
Accrued interest on reserve deposits	5,700	5,079
	<u>1,430,675</u>	<u>1,007,746</u>

Reserve deposits represent the minimum cash reserve maintained with the Central Bank of Turkey (the Central Bank), as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. At 31 March 2006, reserve deposit rates for YTL and foreign currency deposits are 6% and 11%, (31 December 2005: 6% and 11%) respectively. These reserve deposit rates are applicable to both time and demand deposits. At 31 March 2006, YTL funds sold to interbank money market earned interest at the rate of 13.5% (31 December 2005: 14%) with maturities within 3 days (31 December 2005: 3 days).

10 Due from banks

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Due from banks-demand	56,374	89,944
Due from banks-time	1,428,773	2,336,967
	1,485,147	2,426,911
Accrued interest on due from banks	1,401	3,573
	<u>1,486,548</u>	<u>2,430,484</u>

Due from banks-time represent short-term placements, maturing within one year, with interest rates ranging from 13.5% to 14.3% (31 December 2005: 13.5% to 15.5%) for the YTL denominated placements and from 2.1 % to 8.7% (31 December 2005: 2.1% to 8.7%) for the foreign currency denominated placements.

Denizbank A.Ş. and Its Subsidiaries
Selected Notes to Unaudited Consolidated Financial Statements
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(Currency-Thousands of YTL)

11 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
<i>Debt instruments:</i>		
Government bonds and treasury bills	73,775	114,705
Private sector bonds	89,993	76,600
Turkish government Eurobonds	20,864	16,929
Foreign government Eurobonds	332	766
Others	310	115
	<u>185,274</u>	<u>209,115</u>
<i>Equity instruments:</i>		
Listed	77,324	92,721
<i>Derivatives:</i>		
Accrued interest and foreign exchange gain on derivatives	22,718	9,913
	<u>285,316</u>	<u>311,749</u>

12 Loans and advances to customers

Outstanding loans and advances to customers are presented based on economic sectors as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Consumer loans and credit cards	1,589,271	1,160,644
Chemicals	665,701	710,418
Wholesale and retail trade	682,057	508,706
Food	590,115	489,114
Tourism and transportation	509,067	472,070
Metal and machinery	537,040	467,837
Construction, glass and mining	555,897	440,443
Finance	504,797	394,044
Textile and leather	301,658	302,628
Others	806,862	783,366
Total performing loans	<u>6,742,465</u>	<u>5,729,270</u>
Non-performing loans	<u>149,275</u>	<u>135,070</u>
Total gross loans	6,891,740	5,864,340
Accrued interest income on loans	96,360	73,901
Finance lease receivables, net of unearned income	272,233	243,302
Factoring receivables *	199,113	181,563
Specific allowance for possible losses	(135,576)	(122,400)
General allowance for possible losses	(23,740)	(21,354)
Loans and advances to customers	<u>7,300,130</u>	<u>6,219,352</u>

* At 31 March 2006, factoring payables amounting to YTL 16,209 are offset against factoring receivables. At 31 December 2005, factoring payables amounting to YTL 15,522 have been recorded in "other liabilities".

Denizbank A.Ş. and Its Subsidiaries
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As of and for the three-month period ended 31 March 2006
(Currency-Thousands of YTL)

12 Loans and advances to customers (continued)

A joint venture that was established as a potential buyer of certain state enterprises that are to be privatized in Turkey, deposited a total of USD 355.8 million (YTL 477,412) at Denizbank and Eurodeniz in 2004 to be used in the acquisition process. As a result of negative outcome of privatization activities and continuance of liquidation process of the joint venture, the foreign partner of the joint venture subsequently obtained loans from Eurodeniz at an equivalent amount deposited and collateralized the loan with the deposits. The latest maturity date of both the loans and deposits is 9 August 2006. Deposit and loan accounts will be closed prior to their maturities after the completion of liquidation process.

Movement in the allowance for specific and general loan losses during the period/year is as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Balances, beginning of the period/year	143,754	118,942
Write-off *	--	(10,845)
Reversal of the provision	(9,087)	(50,008)
Addition to provision by way of newly acquired subsidiaries	--	350
Restatement of the beginning balance and of the current year provision for the effect of inflation	--	(3,083)
Provision for the period/year	<u>24,649</u>	<u>88,398</u>
Balances, end of the period/year	<u><u>159,316</u></u>	<u><u>143,754</u></u>

* This amount represents write-off of a specific bad debt of YTL 10,845 based on the management's decision that it would be uncollectible.

The source of impairment losses on loans and advances is as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Specific and general provision on non-performing cash loans	15,562	38,390
Provision / (reversal from provision) for general reserves other than those resulting from cash loans (Note 21)	<u>(3,742)</u>	<u>1,283</u>
Impairment losses on loans and advances	<u><u>11,820</u></u>	<u><u>39,673</u></u>

Denizbank A.Ş. and Its Subsidiaries
Selected Notes to Unaudited Consolidated Financial Statements
As of and for the three-month period ended 31 March 2006
(Currency-Thousands of YTL)

13 Investment securities

Investment securities comprise:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Available for sale portfolio		
<i>Debt instruments:</i>		
Government bonds and treasury bills	697,555	934,884
Turkish government Eurobonds	177,504	189,740
Private sector bonds	94,989	91,017
Foreign government Eurobonds	39,440	72,769
	<u>1,009,488</u>	<u>1,288,410</u>
<i>Equity instruments:</i>		
Listed	101,280	122,261
Unlisted	7,060	6,825
	<u>108,340</u>	<u>129,086</u>
Total available for sale portfolio	<u>1,117,828</u>	<u>1,417,496</u>
Held to maturity portfolio		
Private sector bonds	135,616	129,609
Government bonds and treasury bills	56,348	24,115
Foreign government Eurobonds	2,494	33,916
Turkish government Eurobonds	--	38,292
	<u>194,458</u>	<u>225,932</u>
Accrued interest on held to maturity portfolio	5,517	9,777
Total held to maturity portfolio	<u>199,975</u>	<u>235,709</u>
Total investment securities	<u>1,317,803</u>	<u>1,653,205</u>

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13 Investment securities (continued)

The listed available-for-sale and trading securities include investment in Zorlu Enerji Elektrik Üretimi Otoproduktör Grubu A.Ş. (Zorlu Enerji), as disclosed in the following table reflecting the amount of and the ownership interest in the investee company:

	<u>31 Mar 2006</u>		<u>31 Dec 2005</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Available-for-sale securities	101,162	25.4	121,478	25.4
Trading securities	57,350	14.4	74,445	15.6
	<u>158,512</u>	<u>39.8</u>	<u>195,923</u>	<u>41.0</u>

The Bank does not have any significant influence or control on Zorlu Enerji due to the non-existence of the following conditions that determine significant influence or control:

- (a) Representation on the board of directors or equivalent governing body of Zorlu Enerji;
- (b) Participation in policy making processes;
- (c) Material transactions between the Bank and Zorlu Enerji;
- (d) Interchange of managerial personnel; or
- (e) Provision of essential technical information.

At 31 March 2006, the Bank has 32,481,802,000 Class (B) Zorlu Enerji shares (31 December 2005: 33,434,000,000). These shares are ordinary and do not have any privileges. Under the relevant provisions of the Articles of Association of Zorlu Enerji, only Class (A) shares have various privileges, especially electing the Board of Directors and internal auditors, and the voting right on the General Assembly.

Therefore, neither the equity method of accounting for this investee nor the consolidation of its financial statements with those of the Bank is deemed necessary under these circumstances.

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14 Other assets

Other assets comprised the following items:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Receivables related to credit cards	66,549	57,091
Prepaid expenses	24,997	22,650
Assets held for sale	16,671	16,671
Advances given	16,070	7,685
Receivables related to court cases	5,124	4,297
Cash guarantees given	3,215	3,285
VAT receivable from leasing business	2,906	2,574
Stocks	2,865	2,180
Other	35,400	10,055
	<u>173,797</u>	<u>126,488</u>

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15 Bank premises and equipment

Movement in bank premises and equipment is as follows:

	<u>Buildings</u>	<u>Motor Vehicles</u>	<u>Furniture Fixture</u>	<u>Leased Assets</u>	<u>Leasehold Imprv.</u>	<u>Carrying Amount</u>
As of 1 January 2005:						
Cost	51,062	10,822	35,868	63,841	32,833	194,426
Accumulated depreciation (-)	<u>(4,528)</u>	<u>(4,726)</u>	<u>(22,222)</u>	<u>(26,648)</u>	<u>(10,467)</u>	<u>(68,591)</u>
	46,534	6,096	13,646	37,193	22,366	125,835
Additions to cost	609	691	4,913	20,605	17,282	44,100
Transfers and disposals from cost (-)	<u>(434)</u>	<u>(6,069)</u>	<u>(4,308)</u>	<u>(9,318)</u>	<u>(793)</u>	<u>(20,922)</u>
Cost, as of 31 December 2005	51,237	5,444	36,473	75,128	49,322	217,604
Transfers and disposals from accumulated depreciation	7	2,609	4,198	8,474	270	15,558
Depreciation charge	<u>(1,018)</u>	<u>(1,239)</u>	<u>(4,919)</u>	<u>(16,677)</u>	<u>(7,083)</u>	<u>(30,936)</u>
Accumulated depreciation as of 31 December 2005	<u>(5,539)</u>	<u>(3,356)</u>	<u>(22,943)</u>	<u>(34,851)</u>	<u>(17,280)</u>	<u>(83,969)</u>
Net value as of 31 December 2005	<u>45,698</u>	<u>2,088</u>	<u>13,530</u>	<u>40,277</u>	<u>32,042</u>	<u>133,635</u>
Cost, as of 1 January 2006	51,237	5,444	36,473	75,128	49,322	217,604
Additions to cost	190	51	1,698	10	2,250	4,199
Transfers and disposals from cost (-)	<u>-</u>	<u>(160)</u>	<u>(743)</u>	<u>(1,525)</u>	<u>(99)</u>	<u>(2,527)</u>
Cost, as of 31 March 2006	51,427	5,335	37,428	73,613	51,473	219,276
Accumulated depreciation as of 1 January 2006	(5,539)	(3,356)	(22,943)	(34,851)	(17,280)	(83,969)
Transfers and disposals from accumulated depreciation	-	18	318	1,495	60	1,891
Depreciation charge	<u>(250)</u>	<u>(259)</u>	<u>(1,293)</u>	<u>(4,370)</u>	<u>(2,296)</u>	<u>(8,468)</u>
Accumulated depreciation as of 31 March 2006	<u>(5,789)</u>	<u>(3,597)</u>	<u>(23,918)</u>	<u>(37,726)</u>	<u>(19,515)</u>	<u>(90,545)</u>
Value as of 31 March 2006	45,638	1,738	13,510	35,888	31,957	128,731
Impairment in value of buildings (-)	<u>(7,453)</u>	-	-	-	-	<u>(7,453)</u>
Net value as of 31 March 2006	<u>38,185</u>	<u>1,738</u>	<u>13,510</u>	<u>35,888</u>	<u>31,957</u>	<u>121,278</u>

Depreciation is calculated on the restated cost amounts. Such depreciation expenses for the three-month periods ended 31 March 2006 and 2005 amount to YTL 8,468 and YTL 6,829, respectively.

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16 Intangible assets

Movement in intangible assets is as follows:

	<u>Rights</u>	<u>Goodwill</u>	<u>Others</u>	<u>Carrying Amount</u>
As of 1 January 2005:				
Cost	34,432	2,784	2,721	39,937
Accumulated amortization (-)	<u>(20,421)</u>	<u>(990)</u>	<u>(1,455)</u>	<u>(22,866)</u>
	14,011	1,794	1,266	17,071
Additions to cost	7,235	-	-	7,235
Transfers and disposals from cost (-)	<u>(1,212)</u>	<u>(2,784)</u>	<u>-</u>	<u>(3,996)</u>
Cost, as of 31 December 2005	40,455	-	2,721	43,176
Transfers and disposals from				
accumulated amortization	162	990	-	1,152
Amortization charge	<u>(7,306)</u>	<u>-</u>	<u>(487)</u>	<u>(7,793)</u>
Accumulated amortization				
as of 31 December 2005	<u>(27,565)</u>	<u>-</u>	<u>(1,942)</u>	<u>(29,507)</u>
Net value as of 31 December 2005	<u>12,890</u>	<u>-</u>	<u>779</u>	<u>13,669</u>
Cost, as of 1 January 2006	40,455	-	2,721	43,176
Additions to cost	1,170	-	-	1,170
Transfers and disposals from cost (-)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost, as of 31 March 2006	41,625	-	2,721	44,346
Accumulated amortization				
as of 1 January 2006	(27,565)	-	(1,942)	(29,507)
Transfers and disposals from				
accumulated amortization	-	-	-	-
Amortization charge	<u>(1,859)</u>	<u>-</u>	<u>(92)</u>	<u>(1,951)</u>
Accumulated amortization				
as of 31 March 2006	<u>(29,424)</u>	<u>-</u>	<u>(2,034)</u>	<u>(31,458)</u>
Net value as of 31 March 2006	<u>12,201</u>	<u>-</u>	<u>687</u>	<u>12,888</u>

Amortization is calculated on the restated cost amounts. Such amortization expenses for the three-month periods ended 31 March 2006 and 2005 amount to YTL 1,951 and YTL 1,472, respectively.

Impairment losses are provided for decreases in the value of consolidated entities by way of assessing their internal and external sources. As of 31 December 2005, goodwill on consolidated entities has been fully impaired.

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17 Deposits from banks

Deposits from banks comprised the following:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Payable on demand	19,061	27,030
Term deposits	288,712	375,104
Obligations under repurchase agreements	<u>253,320</u>	<u>364,218</u>
	561,093	766,352
Accrued interest on deposits from banks	<u>2,739</u>	<u>2,682</u>
	<u><u>563,832</u></u>	<u><u>769,034</u></u>

18 Deposits from customers

Deposits from customers comprised the following:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Payable on demand:		
Foreign currency	753,499	864,456
Savings	228,454	199,509
Commercial	<u>478,816</u>	<u>528,730</u>
	1,460,769	1,592,695
Term deposits:		
Foreign currency	3,487,080	3,471,291
Savings	1,671,756	1,455,569
Commercial	727,772	457,889
Obligations under repurchase agreements	<u>2,144</u>	<u>23,636</u>
	5,888,752	5,408,385
	7,349,521	7,001,080
Accrued interest on deposits from customers	<u>42,000</u>	<u>38,986</u>
	<u><u>7,391,521</u></u>	<u><u>7,040,066</u></u>

The proceeds from the sale of securities that are the subject of repurchase agreements are treated as liabilities and recorded as obligations for repurchase agreements. As of 31 March 2006, the maturities of the deposits from customers are within 30 days with interest rates ranging between 11.5% and 18% (31 December 2005: 15% and 17%) for YTL denominated deposits; and within 60 days for foreign currency denominated deposits with interest rates ranging between 1% and 4% (31 December 2005: 1% and 3.75%).

As disclosed in Note 12, the Bank has extended a loan to a joint venture to the exact amount of deposits made by the joint venture. Such deposits made in 2004 amounted USD 355.8 million (YTL 477,412). These deposits are collateralized against the loan from the Bank. The latest maturity date of both the loans and deposits is 9 August 2006. Deposit and loan accounts will be closed prior to their maturities.

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19 Funds borrowed

Funds borrowed comprised the following:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Foreign currency borrowings from foreign banks	2,296,059	2,352,646
Turkish Lira borrowings from domestic banks	109,870	88,453
Turkish Lira borrowings from foreign banks	124,059	115,065
Foreign currency borrowings from domestic banks	<u>45,269</u>	<u>34,710</u>
	2,575,257	2,590,874
Accrued interest on funds borrowed	<u>32,080</u>	<u>34,158</u>
	<u><u>2,607,337</u></u>	<u><u>2,625,032</u></u>

Short-term and long-term portions of funds borrowed are as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Short-term	1,491,525	1,571,563
Long-term	1,083,732	1,019,311
<i>Short-term portion of long-term debt</i>	55,635	25,761
<i>Medium and long-term portion of long-term debt</i>	<u>1,028,097</u>	<u>993,550</u>
	2,575,257	2,590,874
Accrued interest on funds borrowed	<u>32,080</u>	<u>34,158</u>
	<u><u>2,607,337</u></u>	<u><u>2,625,032</u></u>

As of 31 March 2006, long-term debts comprise the following:

	Interest rate %	Latest Maturity	Currency	Amount in original currency	Short-term portion	Medium and long-term portion
DPR Securitization-Series A	L+2.0	2010	USD	150,000,000	--	201,240
DPR Securitization-Series B	6.37	2012	USD	80,000,000	--	107,344
DPR Securitization-Series C	6.04	2010	USD	70,000,000	--	93,926
Syndicated Term Loan Facility	L+0.8	2007	USD	350,000,000	--	469,595
Others					<u>55,635</u>	<u>155,992</u>
					<u><u>55,635</u></u>	<u><u>1,028,097</u></u>

In June 2005, the Bank completed a securitization (the ‘‘DPR Securitization’’) transaction by issuance of three tranches of series: USD 150 millions Series 2005-A Floating Rate Notes Due 2010; USD 80 millions Series 2005-B Fixed Rate Notes Due 2012; and USD 70 millions Series 2005-C Fixed Rate Notes Due 2010. The Bank securitizes its SWIFT MT 100 category payment orders received primarily through foreign depository banks in EUR, USD and GBP currencies. These Diversified Payment Rights (‘‘DPR’’) have been sold to DFS Funding Corporation and thus are not the assets of the Bank.

On 25 October 2005, the Bank signed a USD 650 million syndicated term loan facility agreement arranged by 25 banks. The loan comprised of a USD 300 million portion with 1 year maturity and a USD 350 million portion with 2 years maturity. The interest rates are Libor+0.45% for the 1 year portion, and Libor+0.80% for the 2 years portion.

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20 Taxation

The Bank is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey and in those countries where its subsidiaries are established. In Turkey, corporation tax is computed on the statutory income tax base determined in accordance with the Tax Procedural Code.

In Turkey, Law No. 4842, enacted on 24 April 2003, reduced the effective corporate tax rate from 33% to 30% from 1 January 2003. The corporate tax rate applicable for fiscal year 2005 is 30% as stated in the law No. 4842.

It was stated in “Preliminary Draft of Corporate Tax Law” announced by Ministry of Finance, that it has been planned to reduce the corporate tax rate from 30% to 20% to be applied to the taxable periods beginning from 1 January 2006, when it becomes a law after being approved by the parliament and also by the president. No change has occurred in 2006 until the issuance date of the consolidated financial statements of DFS Group and corporate and deferred taxes have been calculated by the tax rate of 30%.

Turkish tax legislation provides for a temporary tax to be calculated and paid based on earnings generated for each quarter. The temporary tax rate used in determining the temporary tax is 30%. The temporary taxes paid quarterly are offset against the final tax liability for the year. The final corporation tax, after deducting the quarterly payments, becomes due and is paid in one installment by 30 April.

In Turkey, tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

In Turkey, tax returns are required to be filed within the fourth month following the balance sheet date. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In accordance with the Tax Procedural Law Circular No. 18 dated 19 April 2005 of the Ministry of Finance General Directorate of Revenues, inflation accounting was not applied for tax purposes in 2005 because of the decrease in inflation rates below the rates specified in the law.

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes on income as shown in the following reconciliation tables:

	<u>31 Mar 2006</u>	<u>%</u>	<u>31 Mar 2005</u>	<u>%</u>
Taxes on income per statutory tax rate	20,260	30.00	24,498	30.00
Permanent differences related to the restatement of equity items per IAS 29	--	--	1,725	2.11
Effect of different tax rates in foreign entities	(3,255)	(4.82)	(4,104)	(5.03)
Effect of valuation of investments	(5,454)	(8.08)	(4,958)	(6.07)
Tax disallowable items	2,718	4.02	3,900	4.78
Investment incentives	(854)	(1.26)	(940)	(1.15)
Other	281	0.42	(4,423)	(5.42)
Provision for taxes on income	<u>13,696</u>	<u>20.28</u>	<u>15,698</u>	<u>19.22</u>

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20 Taxation (continued)

Income tax expense comprised the following:

	<u>31 Mar 2006</u>	<u>31 Mar 2005</u>
Current taxes	20,698	22,553
Deferred taxes	<u>(7,002)</u>	<u>(6,855)</u>
Income tax expense	<u><u>13,696</u></u>	<u><u>15,698</u></u>

Deferred tax assets and deferred tax liabilities are attributable to the items detailed in the table below:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
<i>Deferred tax assets</i>		
Allowance for loan losses	10,167	10,639
Valuation difference between tax base and reported base of investments	4,771	--
Impairment in value of fixed assets	2,236	--
Reserve for employee severance indemnity	1,185	1,159
Statutory tax losses	452	452
Accrued interest on derivatives	--	640
Others	251	96
<i>Total deferred tax assets</i>	<u>19,062</u>	<u>12,986</u>
<i>Deferred tax liabilities</i>		
Depreciation	3,378	3,981
Bank equipment under finance lease	2,474	2,503
Restatement effect on non-monetary assets per IAS 29	92	182
Accrued interest on derivatives	84	--
Valuation difference between tax base and reported base of investments	--	451
Others	--	5
<i>Total deferred tax liabilities</i>	<u>6,028</u>	<u>7,122</u>
<i>Net deferred tax assets</i>	<u><u>13,034</u></u>	<u><u>5,864</u></u>

Deferred tax assets and liabilities are reflected to consolidated financial statements as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Deferred tax assets	13,824	6,435
Deferred tax liabilities	<u>(790)</u>	<u>(571)</u>
Net deferred tax assets	<u><u>13,034</u></u>	<u><u>5,864</u></u>

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21 Other liabilities

The principal components of this caption are as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Payables related to credit cards	147,362	112,464
Remittances payable	65,417	47,686
Accrued interest and foreign exchange loss on derivatives	23,392	12,707
Other provisions	21,771	18,726
Taxes withheld and duties payable	17,658	24,719
Trade payables	10,872	9,184
General reserves other than those resulting from cash loans	9,886	13,628
Forfeiting payables	6,268	5,494
Reserve for employee severance indemnity	4,828	4,430
Blocked balances	3,472	16,878
Cash guarantees and collaterals received	760	555
Others	94,445	74,164
	<u>406,131</u>	<u>340,635</u>

Movement in general reserves other than those resulting from cash loans during the period/year is as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Balances, beginning of the period/year	13,628	27,914
Reversal of the provision	(6,023)	(9,503)
Restatement of the beginning balance and of the current year provision for the effect of inflation	--	(728)
Provision for the period/year	2,281	10,786
Balances, end of the period/year	9,886	28,469
Classified to "other provisions" *	--	(14,841)
Balances, end of the period/year	<u>9,886</u>	<u>13,628</u>

* Provisions other than those required by BRSA as "general reserves" are classified in "other provisions" account.

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22 Commitments and contingent liabilities

22.1 Letters of guarantee, letters of credit, acceptances and other credit related commitments

Commitments and contingent liabilities arising in the ordinary course of business comprised the following principal items:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Letters of guarantee	2,275,801	2,168,524
Letters of credit	847,356	758,533
Acceptance credits	200,690	197,318
Other guarantees and endorsements	102,707	86,635
	<u>3,426,554</u>	<u>3,211,010</u>

Outstanding credit related commitments of the Bank are presented based on economic sectors as follows:

	<u>31 Mar 2006</u>	<u>31 Dec 2005</u>
Construction, glass and mining	885,637	839,488
Wholesale and retail trade	709,394	630,859
Metal and machinery	509,372	500,862
Tourism and transportation	370,526	371,006
Finance	241,111	178,928
Chemicals	183,199	175,564
Textile and leather	176,781	174,836
Food	117,005	103,627
Others	233,529	235,840
	<u>3,426,554</u>	<u>3,211,010</u>

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22 Commitments and contingent liabilities (continued)

22.2 *Derivative contracts*

As of 31 March 2006, commitments for purchase and sale of foreign currencies under forward agreements, swap, options and futures contracts amounted to YTL 7,675,558 (31 December 2005: YTL 4,682,254). The breakdown of such commitments outstanding, by types is as follows:

	<u>31 Mar 2006</u>		<u>31 Dec 2005</u>	
	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Forward agreements for customer dealing activities	413,338	414,240	179,284	178,958
Forward agreements for trading purposes	1,387,822	1,392,899	949,482	949,197
Currency swap contracts	324,850	329,951	161,341	168,172
Options	1,586,441	1,587,267	959,564	959,421
Forward agreements on gold	-	-	-	-
Currency futures contracts	982	-	82,191	75,482
Interest rate swap contracts	115,142	115,548	9,581	9,581
Other	3,276	3,802	9,581	9,581
	<u>3,831,851</u>	<u>3,843,707</u>	<u>2,341,443</u>	<u>2,340,811</u>

23 Subsequent events

None.