Denizbank Anonim Şirketi
and Its Subsidiaries

Consolidated Financial Statements

30 June 2006

With Independent Auditors'

Review Report Thereon

kpmg Akis Serbest Mubasebeci
Mali Müşavirlik Anonim Şirketi

11 August 2006

This report contains 61 pages.

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KPMG

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Independent Auditors' Review Report

To the Board of Directors of Denizbank A.Ş.

We have reviewed the accompanying consolidated balance sheet of Denizbank Anonim Şirketi and its subsidiaries ("the Bank") as of 30 June 2006 and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review. We did not review the financial statements of certain consolidated companies as of 30 June 2006, which statements reflect total assets constituting 14 percent; and total interest and commission income constituting 4 percent after elimination of intercompany balances and transactions as of and for the six-month period ended 30 June 2006 of the related consolidated totals. Those statements were reviewed by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those companies is based solely on the review reports of the other auditors.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and its subsidiaries and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true and fair view in accordance with International Financial Reporting Standards.

Istanbul
11 August 2006

KPMG Akis Serbest Muhasebeci
Mali Müşavirlik A.Ş.

Denizbank A.Ş. and Its Subsidiaries

Consolidated Income Statement

For the Six-Month Period Ended 30 June 2006

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

	Note	30 June 2006	30 June 2005
Interest and similar income	2	650,178	474,420
Interest expense and similar charges	2	(350,561)	(217,398)
Net interest income		299,617	257,022
Fee and commission income	3	131,750	88,694
Fee and commission expense	3	(31,570)	(19,666)
Net fee and commission income		100,180	69,028
Net gain on trading and investment securities	4	41,230	(7,531)
Foreign currency exchange loss, net		(83,972)	(4,922)
Other operating income	5	37,604	46,802
Operating income		394,659	360,399
General and administrative expenses	6	(217,491)	(160,907)
Impairment losses on loans and advances	13	(33,564)	(19,172)
Other operating expenses	7	(20,235)	(10,612)
Operating expenses		(271,290)	(190,691)
Profit from operations		123,369	169,708
Loss on monetary position, net		-	(10,038)
Profit before tax		123,369	159,670
Income tax expense	22	(18,095)	(32,794)
Net profit for the period		105,274	126,876
Net profit for the period attributable to:			
Equity holders of the Bank		105,315	126,852
Minority interest		(41)	24
		105,274	126,876
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)		0.333	0.401

Denizbank A.Ş. and Its Subsidiaries

Consolidated Balance Sheet

As of 30 June 2006

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

	Note	30 June 2006	31 December 2005
Assets			
Cash and balances with Central Bank	10	1,340,315	1,007,746
Due from banks	11	1,774,696	2,430,484
Financial assets at fair value through profit or loss	12	356,630	311,749
Loans and advances to customers	13, 14	8,876,012	6,219,352
Investment securities	15	1,280,953	1,653,205
Other assets	16	213,725	126,488
Deferred tax assets	22	6,226	6,435
Bank premises and equipment	17	116,674	133,635
Intangible assets	18	14,405	13,669
Total assets		13,979,636	11,902,763
Liabilities			
Deposits from banks	19	561,136	769,034
Deposits from customers	20	7,918,047	7,040,066
Funds borrowed	21	3,746,884	2,625,032
Deferred tax liabilities	22	1,901	571
Current tax liabilities		10,937	3,862
Other liabilities	23	562,288	340,635
Total liabilities		12,801,193	10,779,200
Equity			
Share capital	24	563,836	563,836
Share premium		100,896	100,896
Unrealized gains on available-for-sale securities		58,618	129,095
Translation reserves		13,601	(6,456)
Retained earnings		441,415	336,100
Total equity attributable to equity holders of the parent		1,178,366	1,123,471
Minority interest		77	92
Total equity		1,178,443	1,123,563
Total liabilities and equity		13,979,636	11,902,763
Commitments and contingencies	25		

Denizbank A.Ş. and Its Subsidiaries

Consolidated Statement of Changes in Equity

For the Six-Month Period Ended 30 June 2006

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

	Note	Share capital	Share premium	Unrealized gains/losses on AFS securities	Translation reserves	Retained earnings	Minority interest	Total
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	4	-	-	(26,601)	-	-	-	(26,601)
Loss from change in fair value of available-for-sale securities (AFS)		-	-	(12,136)	-	-	-	(12,136)
Foreign exchange differences arising from translation of the financial statements of foreign operations		-	-	-	2,155	-	-	2,155
Minority interest		-	-	-	-	-	-	-
Net profit for the six-month period		-	-	-	-	126,852	24	126,876
Balances at 30 June 2005		563,836	100,896	104,179	(4,044)	240,645	92	1,005,604
Balances at 1 July 2005		563,836	100,896	104,179	(4,044)	240,645	92	1,005,604
Net gains on available-for-sale assets transferred to the income statement on disposal		-	-	(10,461)	-	-	-	(10,461)
Gain from change in fair value of available-for-sale securities (AFS)		-	-	35,377	-	-	-	35,377
Foreign exchange differences arising from translation of the financial statements of foreign operations		-	-	-	(2,412)	-	-	(2,412)
Minority interest		-	-	-	-	-	43	43
Net profit for the six-month period		-	-	-	-	95,455	(43)	95,412
Balances at 31 December 2005		563,836	100,896	129,095	(6,456)	336,100	92	1,123,563
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	4	-	-	(6,487)	-	-	-	(6,487)
Loss from change in fair value of available-for-sale securities (AFS)		-	-	(63,990)	-	-	-	(63,990)
Foreign exchange differences arising from translation of the financial statements of foreign operations		-	-	-	20,057	-	-	20,057
Minority interest		-	-	-	-	-	26	26
Net profit for the six-month period		-	-	-	-	105,315	(41)	105,274
Balances at 30 June 2006		563,836	100,896	58,618	13,601	441,415	77	1,178,443

Denizbank A.Ş. and Its Subsidiaries

Consolidated Statement of Cash Flows

For the Six-Month Period Ended 30 June 2006

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

	Note	30 June 2006	30 June 2005
Cash flows from operating activities:			
Interest and commission receipt		578,001	415,958
Interest and commission payment		(345,877)	(177,827)
Recoveries on loans previously written of	13, 23	30,869	14,448
Cash payments to employees and supplier		(113,851)	(86,021)
Other operating activities, ne		(170,947)	148,404
		(21,805)	314,962
(Increase) / decrease in operating assets:			
Balances with Central Banks		(1,978)	(19,618)
Loans and advances to banks		(260,843)	(157,393)
Loans and advances to customer		(2,528,502)	(2,337,835)
Financial assets at fair value through profit or los		(88,548)	39,005
Other assets		(87,028)	(137,686)
Increase / (decrease) in operating liabilities:			
Deposits from banks		(208,405)	176,219
Deposits from customers		864,234	784,958
Other liabilities		193,743	182,869
Income taxes paic		(16,889)	(14,847)
Net cash used in operating activities		**(2,156,021)**	**(1,169,366)**
Cash flows from investing activities:			
Non-dealing securities, net of sales and purchase		273,907	(229,180)
Purchase of subsidiaries		(250)	-
Interest receivec		119,238	130,409
Dividends receivec	5	1,024	-
Proceeds from sale of bank premises and equipmen		2,415	2,425
Purchase of bank premises and equipmen	17	(9,344)	(15,563)
Proceeds from sale of intangible asset		757	-
Purchase of intangible assets	18	(5,586)	(4,842)
Net cash from / (used in) investing activities		**382,161**	**(116,751)**
Cash flows from financing activities:			
Increase in funds borrowed, ne		1,099,852	809,759
Net cash from financing activities		**1,099,852**	**809,759**
Effect of exchange rate changes on cash and cash equivalents		**(83,972)**	**2,155**
Net decrease in cash and cash equivalents		**(757,980)**	**(474,203)**
Cash and cash equivalents at beginning of the perio		3,407,636	2,489,017
Cash and cash equivalents at the end of the perioc	9	**2,649,656**	**2,014,814**

Overview of the Bank

Denizbank Anonim Şirketi ("Denizbank"), was established by the Directorate of Privatization of the Turkish Republic on 18 September 1996, pursuant to the Board of Ministers' permission to perform banking activities prescribed by the Turkish Banking Law and related regulations. Denizbank is incorporated and domiciled in Turkey. Denizbank was privatized on 20 March 1997 as a commercial bank and started its operations on 25 August 1997. After privatization, Denizbank realized rapid developments in the banking industry and acquired a number of branches from Savings Deposit Insurance Fund ("SDIF")-controlled banks, as well as several financial institutions, including Milli Aydın Bankası T.A.Ş. ("Tarişbank"), which merged into Denizbank by the end of 2002.

In September 2004, a total number of 72,500,000,000 shares of Denizbank were sold in domestic and international offerings. Of the total number of shares sold, 27,500,000,000 shares were sold in domestic public offering and 45,000,000,000 shares were sold in an international offering outside of Turkey in the form of common shares and Global Depositary Shares. The domestically held shares commenced trading on 1 October 2004 in Istanbul Stock Exchange.

Denizbank currently has 244 branches and its head office is located in the following address: Büyükdere Caddesi No: 106 34394 Esentepe - Istanbul.

Zorlu Holding A.Ş. ("Zorlu Holding"), which is one of the major industrial conglomerates in Turkey, has a 75% ownership in Denizbank. Zorlu Holding reports that it has 65 companies, including 15 large-scale industrial facilities and three energy plants, providing employment for approximately 30,000 people. In 2005, Zorlu Holding companies realized revenues of (unaudited) USD 4.3 billions and an export volume of (unaudited) USD 2.5 billions.

On 30 May 2006 Dexia SA/NV, a major retail bank in Belgium, has signed a share purchase agreement with a view to acquiring from Zorlu Holding a 75% stake in Denizbank Financial Services Group, for a total consideration of USD 2,437 millions.

According to the agreement, Zorlu Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. ("Zorlu Enerji") shares held by Denizbank and amounting to 39.77% of share capital of Zorlu Enerji will be transferred to Zorlu Holding prior to the consummation of the purchase agreement. The said transfer will be realized via an application to the Energy Market Regulatory Authority. The transfer price of the said shares is determined as the arithmetic mean of the price of the shares on Istanbul Stock Exchange on the five working days prior to the transfer.

Overview of the Bank (continued)

The purchase of Denizbank's shares is subject to the approval of the BRSA, Turkish Competition Authority and foreign official authorities. Following the purchase, Dexia SA/NV will appeal to the Capital Markets Board for a tender offer for the remaining ordinary shares held by minority shareholders and listed on the Istanbul Stock Exchange. After the Zorlu Enerji shares are transferred to Zorlu Holding, the holding will appeal to the Capital Markets Board for a tender offer exemption.

Denizbank has 99.99% ownership in Denizbank AG, a commercial bank in Austria. Established in 1996 by the former Esbank T.A.Ş. (a Turkish bank which was taken over by the SDIF in 1999), Esbank AG offered foreign trade finance, loans and payment services to a client base in Europe and Turkey. Denizbank entered the Eurozone banking market by acquiring Esbank AG from the SDIF in August 2002. Subsequent to the acquisition, the name of Esbank AG was changed to Denizbank AG at the beginning of 2003. As of 30 June 2006, Denizbank AG has 7 branches in Austria, 2 branches in Germany and its head office is located in Vienna.

Denizbank acquired 49% of the outstanding shares of İktisat Bank Moscow at the beginning of 2003. The remaining 51% of the shares were acquired by Denizbank AG. Subsequent to the acquisition, the name of İktisat Bank Moscow was changed to Denizbank Moscow. Denizbank Moscow is licensed to undertake all commercial banking transactions.

Denizbank acquired 99.88% of the shares of Eurodeniz Off-shore Bank Limited ("Eurodeniz"), established in the Turkish Republic of Northern Cyprus, from the SDIF at the beginning of 2002. Eurodeniz is licensed to undertake all commercial banking transactions.

Denizbank has 99.95% ownership in Deniz Yatırım Menkul Kıymetler A.Ş. ("Deniz Yatırım"), a brokerage and investment company, located in Istanbul. Deniz Yatırım was established on 29 January 1997 and mainly involved in trading of and investing in securities, stocks, treasury bills and government bonds provided from capital markets; the management of mutual funds and performing intermediary services.

Denizbank, together with Deniz Yatırım, acquired 78.01% of the shares of Ekspres Yatırım Menkul Değerler A.Ş. ("Ekspres Yatırım") from the SDIF at the end of 2002. With subsequent acquisitions, Denizbank and Deniz Yatırım's share increased to 99.82%. Ekspres Yatırım, located in Istanbul, is engaged in providing brokerage services for international investors via trading of and investing in securities, stocks, treasury bills and government bonds provided from capital markets.

Overview of the Bank (continued)

Located in Istanbul, Deniz Türev Menkul Değerler A.Ş. ("DenizTürev"), formerly known as Tariş Menkul Değerler A.Ş. until 25 October 2005, was originally established as a subsidiary of Tarişbank in 1997 to handle the brokerage activities of its parent bank. With the acquisition of Tarişbank in 2002, DenizTürev became a subsidiary of Denizbank.

Intertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. ("Intertech") was established in 1991 to provide IT services to the financial sector and mainly to the banking sector. Denizbank acquired 100% of the shares of Intertech from the SDIF in 2002.

In May 2003, Deniz Yatırım acquired 98.43% (99.59% as of 30 June 2006) of the shares of Ege Portföy Yönetimi A.Ş. and changed its name to Deniz Portföy Yönetimi A.Ş. ("Deniz Portföy"). Deniz Portföy is engaged in serving domestic mutual funds and investment portfolios.

In December 2004, Denizbank established Deniz Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. ("Deniz Kültür Sanat") for the purpose of supporting cultural and art activities. Deniz Kültür Sanat increased its share capital from YTL 100 to YTL 225 in May 2006.

In February 2005, Denizbank acquired 100% of the outstanding shares of Deniz Faktoring A.Ş. ("Deniz Factoring"), a Zorlu Group company which is engaged in factoring transactions, established in 1998.

Deniz Finansal Kiralama A.Ş. ("Deniz Leasing"), established in 1997, is engaged in leasing activities. Denizbank acquired 11% of the outstanding shares of Deniz Leasing in February 2005, while the remaining 89% of the shares were held by Deniz Factoring. In June 2006, Deniz Leasing increased its share capital by YTL 39,900, all of which was paid in cash by Denizbank. After the share capital injection, Denizbank's direct ownership rate increased to 68% in Deniz Leasing.

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. Denizbank and its consolidated subsidiaries adopted all IFRS, which were mandatory as of 30 June 2006. The accompanying consolidated financial statements are authorized for issue by the directors on 11 August 2006.

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.

c) Basis of consolidation

i) Methodology

The accompanying consolidated financial statements include the accounts of the parent company, Denizbank, and its subsidiaries (together "the Bank") on the basis set out in section below. The financial statements of the subsidiaries included in the consolidation have been prepared as of the date of the consolidated financial statements.

For the purposes of the accompanying consolidated financial statements, the subsidiaries are those companies over which Denizbank has a controlling power on their operating and financial policies through having more than 50% of the ordinary shares held by Denizbank and/or its other subsidiaries.

(Currency-Thousands of YTL)

Significant Accounting Policies (continued)

The major principles of consolidation are as follows:

- The balance sheets and income statements are consolidated on a line-by-line basis.
- All intercompany investments, receivables, payables, dividends received and paid and other intercompany transactions reflected in the balance sheets and income statements are eliminated.
- The results of the subsidiaries are included in or excluded from the consolidation from their effective dates of acquisition or disposal, respectively.
- Minority interests in the shareholders' equity and net income of the consolidated subsidiaries are separately classified in the consolidated balance sheets and consolidated income statements.

ii) Subsidiaries

The subsidiaries included in the consolidation and their ownership percentages are as follows:

			Indirect Ownership %		
Description	**Nature of Activities**	**Country of Incorporation**	**30 June 2006**	**31 December 2005**	**30 June 2005**
Denizbank AG	Banking	Austria	99.99	99.99	99.99
Eurodeniz	Banking	Cyprus	99.88	99.88	99.88
Denizbank Moscow	Banking	Russia	100.00	100.00	100.00
Deniz Yatırım	Securities	Turkey	99.95	99.95	99.95
Ekspres Yatırım	Securities	Turkey	99.81	99.81	99.81
DenizTürev	Securities	Turkey	100.00	100.00	100.00
Deniz Portföy	Investment	Turkey	99.15	99.15	98.38
Deniz Factoring	Factoring	Turkey	100.00	100.00	100.00
Deniz Leasing	Leasing	Turkey	100.00	100.00	100.00
Intertech	Technology	Turkey	100.00	100.00	100.00
Deniz Kültür Sanat	Art	Turkey	100.00	100.00	100.00
DFS Funding Corp. **(a)**	SPE	Cayman Isl.	--	--	--

(a) Explained below in *(iii) Special purpose entities*

iii) Special purpose entities

Special purpose entities are consolidated when the substance of the relationship between the Bank and the special purpose entity indicates that the special purpose entity is controlled by the Bank.

DFS Funding Corp. is a special purpose entity established for the Denizbank's securitization transactions explained in note 21. Denizbank or any of its subsidiaries does not have any shareholding interest in this company.

(Currency-Thousands of YTL)

Significant accounting policies (continued)

d) Accounting in hyperinflationary economies

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the New Turkish Lira based on IAS 29 "*Financial Reporting in Hyperinflationary Economies*" as of 31 December 2005. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date, and that 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%. The cumulative three-year inflation rate in Turkey has been 33.16% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Institute of Statistics (TIS). This together with the sustained positive trend in quantitative factors, such as the experienced financial and monetary economic stabilization, decreased interest rates and the appreciated value of Turkish Lira against USD, has resulted that Turkey should be considered non-hyperinflationary under IAS 29 from 1 January 2006. Therefore IAS 29 has not been applied to the accompanying consolidated financial statements as of and for the six-month period ended 30 June 2006.

For each of the two years ended 31 December 2005, such indices and conversion factors used to restate the accompanying consolidated financial statements presented for comparative purposes are as follows:

Date	Index	Conversion Factors
31 December 2005	8,627.4	1.000
30 June 2005	8,562.5	1.008
31 December 2004	8,403.8	1.027

The basic principles applied in the restatement of the accompanying consolidated financial statements are summarized in the following paragraphs.

- Monetary assets and liabilities, which are carried at amounts current at the balance sheet date, are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities, which are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant (monthly, quarterly/yearly average, quarter/year end) conversion factors. Additions to bank premises and equipment in the year of acquisitions are restated using the relevant conversion factors.

- The inflation adjusted share capital amount has been derived by indexing each capital increase from the date it was contributed.

- Prior periods' consolidated financial statements are restated using general inflation indices at the currency purchasing power at the balance sheet date.

- All items in the income statement are restated by applying the monthly conversion factors except for those amounts deriving from non-monetary items, which are calculated based on the restated values of the related items.

- The effect of general inflation on the Bank's net monetary position is included in the income statement as "Loss on monetary position, net".

Significant accounting policies (continued)

e) Foreign currency

i) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into YTL at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the period.

ii) Consolidated financial statements of foreign operations

The foreign operations of the Bank are not considered an integral part of its operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to YTL at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to YTL at foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in equity.

f) Bank premises, equipment and intangible assets

i) Owned assets

As explained in section “d”, the cost of the bank premises, equipment and intangible assets are restated for the effects of inflation in YTL units until 31 December 2005 pursuant to IAS 29. Accordingly, bank premises, equipment and intangible assets are carried at restated costs, less accumulated depreciation and amortization and impairment losses.

ii) Leased assets

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired through finance leases are stated at amounts equal to the lower of present value of minimum lease payments or the fair value of leased assets at the inception of the lease. Capitalized leased assets are depreciated in accordance with depreciation policies noted below, except where there is no reasonable certainty of obtaining ownership by the end of the lease term, in which case the asset is fully depreciated over the shorter of the lease term or its useful life.

iii) Subsequent expenditure

Expenditure incurred to replace a component of an item of bank premises and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of bank premises and equipment. All other expenditures are recognized in the income statement as expense as incurred.

Significant accounting policies (continued)

iv) Depreciation and amortization

Bank premises, equipment and intangible assets are depreciated and amortized over the estimated useful lives of the related assets from the date of purchase or the date of installation. Bank premises, equipment and intangible assets are depreciated using the double-declining balance method, except for those purchased before 2003, which are depreciated on a straight-line basis. Leasehold improvements are depreciated over the periods of the respective leases on a straight-line basis. The depreciation and amortization rates for bank premises, equipment and intangible assets, which approximate the economic useful lives of such assets, (for leasehold improvements; the periods of respective leases) are as follows:

Buildings	2%
Vehicles	10%-40%
Other equipment, furniture and fixtures	10%-40%
Intangibles	9%-40%

The useful lives and depreciation and amortization methods are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of premises, equipment and intangible assets.

g) Financial instruments

i) Classification

Financial instruments at fair value through profit or loss are those that the Bank principally holds for the purpose of short-term profit taking. These include investments and accruals of derivative contracts that are not designated as effective hedging instruments. Accruals of all trading derivatives in a net receivable position (positive fair value) are reported as financial assets at fair value through profit or loss. Accruals of all trading derivatives in a net payable position (negative fair value) are reported as other liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank and its affiliates provide money, goods and services directly to a debtor with no intention of trading the receivable. Loans and receivables comprise due from banks and loans and advances to customers.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain debt investments.

The Bank cannot classify any financial asset as held-to-maturity if they have, during the current financial year or during two preceding financial years sold or transferred held-to-maturity investments before maturity.

Available-for-sale assets are financial assets that are not held for trading purposes, loans and advances to banks and customers, or held to maturity. Available-for-sale instruments include money market placements and certain debt and equity investments.

Significant accounting policies (continued)

ii) Recognition

Financial assets at fair value through profit or loss and available-for-sale assets are recognized on the date at which the purchase of the assets is committed. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Held-to-maturity instruments and loans and receivables are recognized on the day they are transferred to the Bank.

iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition, all financial instruments at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity assets are measured at amortized cost less impairment losses. Amortized cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial assets at fair value through profit or loss are recognized in the income statement as net gain / (loss) on trading and investment securities.

Gains and losses arising from a change in the fair value of available-for-sale securities are recognized directly in equity. When the financial assets are sold, collected or otherwise disposed of, the cumulative gain or loss recognized in equity is transferred to the income statement. Interest earned whilst holding available-for-sale securities or held to maturity assets is reported as interest income.

Significant accounting policies (continued)

vi) Specific instruments

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks, demand deposits at domestic and foreign banks and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the central banks.

- *Investments*

Investments that the Bank holds for the purpose of short-term profit taking are classified as fair value through profit or loss. Debt investments that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

- *Loans and advances to banks and customers*

Loans and advances are classified as either loans and advances to customers or as due from banks, based on the type of the transaction, and are reported net of allowances to reflect the estimated recoverable amounts.

- *Finance lease receivables*

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee, are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognized over the term of the lease using the effective interest rate method. Finance lease receivables are included in loans and advances to customers.

h) Derecognition

A financial asset is derecognized when the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

Available-for-sale assets and financial assets at fair value through profit or loss that are sold are derecognized and corresponding receivables from the buyer for the payment are recognized as of the date the Bank commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Held-to-maturity instruments and loans and receivables are derecognized on the day they are transferred by the Bank.

Significant accounting policies (continued)

i) Repurchase transactions

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for either financial assets at fair value through profit or loss or financial assets available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest income.

j) Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of loans and advances is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

Loans and advances are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. In addition to the allowance for specific loan losses, the Bank also provides general provisions for inherent credit risk on loans and guarantees and commitments. The level of general provision is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, loan loss experience in the past and general economic conditions. The general provision is also presented as a deduction from loans and advances.

The Bank fully reflected all such provisions in the accompanying consolidated financial statements. The expected cash flows for loan portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognized in the income statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans remeasured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

Where an asset remeasured to fair value is impaired, the write-down is recognized in the income statement.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

(Currency-Thousands of YTL)

Significant accounting policies (continued)

k) Income and expense recognition

Interest income and expense is recognized as they are accrued taking into account the effective yield of the asset and liability or an applicable floating rate, except for interest income on overdue loans, which are generally recognized only when received.

Fee and commission income arising on financial services provided, including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured finance transactions, and asset management services is recognized when the corresponding service is provided. Certain commissions, such as those deriving from letters of guarantee and other banking services are also usually recognized as income when received.

Net gain on trading and investment securities includes gains and losses arising from disposals and changes in the fair value of financial assets at fair value through profit or loss and financial assets available-for-sale.

l) Items held in trust

Assets, other than cash deposits, held by the Bank in fiduciary or agency capacities for their customers and government entities are not included in the accompanying consolidated balance sheets, since such items are not the assets of the Bank.

m) Reserve for employee severance indemnity

In accordance with existing social legislation, the Bank is required to make lump-sum termination indemnity payments to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the accompanying consolidated financial statements, the Bank has reflected a liability calculated using actuarial method and discounted by using the current market yield at the balance sheet date on government bonds, in accordance with IAS 19- revised "*Employee Benefits*".

The principal actuarial assumptions used at 30 June 2006 and 31 December 2005 are as follows;

	30 June 2006 %	31 December 2005 %
Discount rate	6.2	6.1
Expected rate of salary/limit increase	12	12
Turnover rate to estimate the probability of retirement	15	15

Actuarial gains and losses are recognized in the income statement in the period they occur.

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 30 June 2006 is YTL 1.771; at 31 December 2005 it was YTL 1.727. The liability is not funded, as there is no funding requirement.

Significant accounting policies (continued)

n) Income taxes

Tax expense (income) is the aggregate amount included in the determination of net profit or loss for the year in respect of current and deferred tax.

Deferred tax liabilities and assets are recognized for the tax effects attributable to differences between the tax and book bases of assets and liabilities (i.e. future deductible or taxable temporary differences) and tax losses carried forward, using the asset and liability method. The carrying amount of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset at the balance sheet date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities relating to individual consolidated subsidiaries that report to the same fiscal authority are offset against each other in the accompanying consolidated financial statements.

Deferred taxes directly related to equity items are recognized and offset in related equity accounts.

o) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet date when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

p) Earnings per share

Earnings per share disclosed in the accompanying consolidated income statement are determined by dividing net income / (loss) by the weighted average number of shares that have been outstanding during the period concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Shares issued are regarded as issued shares.

Additionally, considering the fact that the total number of issued shares through bonus share issuances is increased without an increase in resources contributed by the shareholders; the number of issued shares outstanding before such bonus share issuances is adjusted for the proportionate change in the number of issued shares outstanding as if the event had occurred at the beginning of the earliest period reported.

Significant accounting policies (continued)

q) Provisions

A provision is recognized when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognized as interest expense.

r) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

s) Subsequent events

Post-balance sheet events that provide additional information about the Bank's position at the balance sheet dates (adjusting events) are reflected in the consolidated financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

t) Purchase accounting

Under purchase accounting, the identifiable assets and liabilities of the acquired entity that existed at the date of acquisition, plus certain restructuring provisions, are brought at fair value. The identifiable assets include any intangibles that can be reliably measured. The cost of an acquisition is the amount of cash or cash equivalents paid, or the fair value of the other purchase consideration given, plus any costs directly attributable to the acquisition.

The date of acquisition is the date on which control is effectively transferred to the acquirer.

u) Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Index for selected notes to consolidated financial statements

1 Segment reporting

Segment information is presented in respect of the Bank's business and geographical segments. The primary format, business segments, is based on the Bank's activities.

Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted at arm's length basis.

(Currency-Thousands of YTL)

1 Segment reporting (continued)

1.1 Business segments

The business segments as of 30 June 2006 and 31 December 2005 are as follows:

30 June 2006	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other Operations	Consolidated
Segment revenue					
Operating income - external	188,024	81,515	5,084	--	274,623
Operating income - inter-segment	108,546	41,732	--	(30,242)	120,036
	296,570	123,247	5,084	(30,242)	394,659
Segment result *	103,462	55,059	(4,910)	(30,242)	123,369
Income taxes					(18,095)
Minority interest					41
Net profit					105,315
Other information					
Segment assets	3,224,629	5,724,953	4,433,879	315,128	13,698,589
Investments in equity participations					143,742
Unallocated assets					137,305
Consolidated total assets					13,979,636
Segment liabilities	5,141,739	3,063,512	4,379,277	203,827	12,788,355
Unallocated liabilities					12,838
Consolidated total liabilities					12,801,193
Capital expenditure					14,930
Depreciation and amortization					20,546
Other non-cash expenses					42,294

* Segment result includes operating income, less dividend income and operating expenses.

(Currency-Thousands of YTL)

1 Segment reporting (continued)

31 December 2005	Retail Banking	Corporate Banking	Treasury and Investment Banking	Other Operations	Consolidated
Segment revenue					
Operating income - external	414,700	191,108	48,296	8,124	662,228
Operating income - inter-segment	56,342	14,340	--	16,654	87,336
	471,042	205,448	48,296	24,778	749,564
Segment result *	159,592	100,737	39,779	15,619	315,727
Loss on monetary position, net					(18,937)
Income taxes					(74,502)
Minority interest					19
Net profit					222,307
Other information					
Segment assets	1,347,233	3,734,786	3,626,503	2,911,416	11,619,938
Investments in equity participations					129,086
Unallocated assets					153,739
Consolidated total assets					11,902,763
Segment liabilities	3,448,769	3,192,545	167,641	3,965,812	10,774,767
Unallocated liabilities					4,433
Consolidated total liabilities					10,779,200
Capital expenditure					51,335
Depreciation and amortization					38,729
Other non-cash expenses					73,023

* Segment result includes operating income, less dividend income and operating expenses.

(Currency-Thousands of YTL)

1 Segment reporting (continued)

1.2 Geographical segments

Denizbank and its subsidiaries operate principally in Turkey, but also have operations in Austria, Russia and Turkish Republic of Northern Cyprus. The geographical segments as of 30 June 2006 and 31 December 2005 are as follows:

30 June 2006	Turkey	Austria	Russia	Cyprus	Eliminations	Consolidated
Operating income	355,415	28,768	6,361	25,924	(21,809)	394,659
Segment assets	11,578,488	1,895,980	232,762	1,290,298	(1,017,892)	13,979,636
Segment liabilities	10,313,981	1,791,815	195,330	1,246,514	(746,447)	12,801,193
Capital expenditure	13,472	1,320	138	--	--	14,930

31 December 2005	Turkey	Austria	Russia	Cyprus	Eliminations	Consolidated
Operating income	708,084	25,821	6,368	33,157	(23,866)	749,564
Segment assets	10,054,335	1,378,316	156,125	974,954	(660,967)	11,902,763
Segment liabilities	8,871,593	1,307,946	128,512	938,040	(466,891)	10,779,200
Capital expenditure	50,908	426	--	1	--	51,335

(Currency-Thousands of YTL)

2 Net interest income

	30 June 2006	30 June 2005
Interest and similar income		
Interest and similar income arise from:		
Loans and advances to customers	432,146	293,362
Trading and investment securities	91,120	135,705
Due from banks	83,848	16,062
Factoring services	19,006	12,193
Leasing business	14,891	7,157
Other	9,167	9,941
	650,178	474,420
Interest expense and similar charges		
Interest expense and similar charges arise from:		
Deposits from banks and customers	258,186	183,575
Funds borrowed	91,860	33,767
Other	515	56
	350,561	217,398
Net interest income	299,617	257,022

3 Net fee and commission income

	30 June 2006	30 June 2005
Fee and commission income		
Cash loans	7,927	5,245
Non-cash loans	20,602	12,974
Credit card commissions	35,316	27,842
Brokerage fees	44,153	31,281
Fees for banking services	22,025	10,339
Factoring service income	1,727	1,013
	131,750	88,694
Fee and commission expense		
Cash loans	671	2,554
Credit card commission expense	19,827	13,084
Brokerage fees	6,498	1,488
Banking service expense	4,574	2,540
	31,570	19,666
Net fee and commission income	100,180	69,028

(Currency-Thousands of YTL)

4 Net gain on trading and investment securities

	30 June 2006	30 June 2005
Net trading gain / (loss):		
Net trading gain / (loss) arise from:		
Foreign exchange rate fluctuations and related derivatives	33,108	(20,187)
Equity instruments	(29,143)	(11,070)
Debt instruments and related derivatives	26,835	(6,419)
Precious metals and related derivatives	2,059	--
	32,859	(37,676)
Net gain on disposal of investment securities:		
Net gain on disposal	1,884	3,544
Transfer from unrealized gains (equity)	6,487	26,601
	8,371	30,145
Net gain / (loss) on trading and investment securities	41,230	(7,531)

5 Other operating income

	30 June 2006	30 June 2005
Income from customers for banking services *	28,910	7,200
Dividend income	1,024	--
Income from lawsuit against Tax Office **	--	27,062
Negative goodwill on purchase of subsidiaries	--	4,098
Other	7,670	8,442
	37,604	46,802

* This item mainly comprise the non-refundable fees collected from customers for charges related to new loan facilities.

** Pursuant to the transitory Article 4, appended to the Banking Law numbered 4389 with the decree numbered 4743, losses incurred due to the inflation adjustment of the legal and general reserves would be considered tax deductible according to the Clause numbered 14/7 of the Corporate Tax Law. However, the mentioned losses were not deducted from the tax base in 2001, 2002 and 2003, in compliance with the recommendation of the Ministry of Finance. There were no tax revenue base (taxable income) occurred for 2001 and 2002, while the tax losses that occurred in 2003 were reported with a reservation clause in the tax return for year 2003. Upon the refusal of the reservation clause by the local Tax Office, the Bank filed a lawsuit concerning the prepaid taxes for 2003 and 2004 amounting YTL 27,062. The Tax court's decision ruled in favor of the Bank. Local tax office appealed to the Council of State to stop the court ruling. The Council of State refused the demand of Local Tax Office and the Bank recorded the amount as other operating income.

(Currency-Thousands of YTL)

6 General and administrative expenses

	30 June 2006	30 June 2005
Salaries and employee benefits	115,595	85,558
Advertising and promotion expenses	23,820	8,519
Depreciation and amortization	20,546	18,651
Rent expense	14,991	11,089
Taxes other than on income	8,319	5,590
Communication expenses	6,581	4,732
IT materials and usage expenses	3,899	4,122
Stationery expenses	4,096	3,462
Transportation expenses	3,331	2,324
Repair and maintenance expenses	2,480	1,799
Heating and electricity expenses	2,400	1,977
Insurance expenses	1,722	772
Representation expenses	1,348	838
Cleaning expenses	1,312	1,024
Other administrative expenses	7,051	10,450
	217,491	160,907

7 Other operating expenses

	30 June 2006	30 June 2005
Impairment in value of fixed assets (buildings) *	7,437	--
Premium paid to SDIF	5,384	3,336
Audit and consultancy fees	1,687	685
Expenses related to BRSA	1,404	1,022
Loss on sale of bank premises and equipment	319	582
Other	4,004	4,987
	20,235	10,612

* Fair value of some of the buildings of Denizbank has decreased, resulting in an impairment loss of YTL 7,437.

(Currency-Thousands of YTL)

8 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 following table shows the balances, after netting-off loans and cash deposits, and transactions with the related parties:

	30 June 2006	**31 Dec. 2005**
Outstanding balances:		
Loans	51,654	21,161
Non-cash loans	191,897	190,322
Factoring receivables (net)	27,328	13,783
Finance lease receivables (net)	6,629	6,906
Deposits from customers	65,800	590,835

	30 June 2006	**30 June 2005**
Transactions:		
Interest income	2,166	714
Interest expense	5,934	2,937
Net fee and commission income	889	108

Key management costs for the six-month period ended 30 June 2006 amount to YTL 4,076 (30 June 2005: YTL 3,969) on a consolidated basis. Within this total, individual key management costs of Denizbank and its subsidiaries amount to YTL 2,762 and YTL 1,314 (30 June 2005: YTL 2,405 and YTL 1,564), respectively.

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

9 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:

	30 June 2006	**30 June 2005**
Cash and balances with Central Bank	1,333,258	567,268
Due from banks	1,239,181	1,290,473
Financial assets at fair value through profit or loss	77,217	157,073
	2,649,656	2,014,814

(Currency-Thousands of YTL)

10 Cash and balances with Central Bank

	30 June 2006	31 Dec. 2005
Cash on hand	174,973	186,108
Balances with Central Bank other than reserve deposits	419,846	264,646
Reserve deposits at Central Bank	417,839	325,113
Interbank money market placements	320,600	226,800
	1,333,258	1,002,667
Accrued interest on reserve deposits	7,057	5,079
	1,340,315	1,007,746

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 30 June 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 30 June 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).

11 Due from banks

	30 June 2006	31 Dec. 2005
Due from banks-demand	67,673	89,944
Due from banks-time	1,702,101	2,336,967
	1,769,774	2,426,911
Accrued interest on due from banks	4,922	3,573
	1,774,696	2,430,484

Due from banks-time represent short-term placements, maturing within one year, with interest rates ranging from 14.4% to 22.6% (31 December 2005: 13.5% to 15.5%) for the YTL denominated placements and from 2.7 % to 8.8% (31 December 2005: 2.1% to 8.7%) for the foreign currency denominated placements.

The following table summarizes the carrying and the fair value amounts of due from banks:

	30 June 2006	31 Dec. 2005
Carrying amount	1,774,696	2,430,484
Fair value	1,774,688	2,430,373

(Currency-Thousands of YTL)

11 Due from banks (continued)

The interest rates used to determine the fair value of due from banks, applied on the balance sheet dates to reflect active market price quotations are as follows:

Currencies	30 June 2006	31 Dec. 2005
YTL	17.5%	15.0%-15.5%
Foreign currencies	4.0%-6.0%	1.0%-6.0%

Since market interest rates are very close to the rates used by the Bank, fair value amounts of due from banks are assumed to be same as their carrying amounts.

(Currency-Thousands of YTL)

12 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

30 June 2006	**Face value**	**Book value**	**Interest range (%)**	**Latest maturity**
Debt instruments:				
Private sector bonds	84,954	87,758	3.63-14.50	2011
Government bonds	23,981	21,221	13.44-26.37	2011
Turkish government Eurobonds	17,915	17,227	5.00-7.38	2036
Foreign currency government bonds	16,128	16,883	10.00-15.00	2010
Private sector Eurobonds	10,760	11,626	7.90-12.75	2014
Treasury bills	449	433	17.69-21.00	2006
Foreign government Eurobonds	207	216	4.95-7.00	2015
Others	47	47		
	154,441	155,411		
Equity instruments:				
Listed		56,825		
Other instruments:				
Gold		14,614		
Derivatives:				
Accrued interest and foreign exchange gain on derivatives		129,780		
Total		**356,630**		

31 December 2005	**Face value**	**Book value**	**Interest range (%)**	**Latest maturity**
Debt instruments:				
Private sector bonds	64,557	67,102	5.00-15.00	2013
Government bonds	91,339	92,447	12.42-16.46	2010
Turkish government Eurobonds	14,818	16,929	3.19-7.38	2034
Foreign currency government bonds	15,132	15,983	3.62-5.92	2010
Private sector Eurobonds	8,420	9,498	3.63-7.82	2014
Foreign government Eurobonds	656	766	4.95-6.88	2015
Treasury bills	6,842	6,275	13.75-16.36	2006
Others	114	115		
	201,878	209,115		
Equity instruments:				
Listed		92,721		
Derivatives:				
Accrued interest and foreign exchange gain on derivatives		9,913		
Total		**311,749**		

(Currency-Thousands of YTL)

12 Financial assets at fair value through profit or loss (continued)

Income from debt instruments held at fair value is reflected in the consolidated income statement as interest income on securities. Gain and losses arising on derivative financial instruments and changes in fair value of other trading instruments are reflected in "net gain on trading and investment securities" account.

All gains and losses on foreign currency contracts are recognized in the consolidated income statement. As of 30 June 2006, 117% of the net consolidated balance sheet foreign currency open position was hedged through the use of foreign currency contracts (31 December 2005: 95%).

The following table summarizes the contractual amounts of the forward exchange, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the balance sheet date. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts.

30 June 2006	**Notional amount with remaining life of**					
	Up to 1 month	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**over 1 year**	**Total**
Interest Rate Derivatives						
Interest rate swaps						
Purchases	--	--	--	--	166,858	166,858
Sales	--	--	--	--	166,858	166,858
Currency Derivatives						
Forward exchange contracts						
Purchases	2,036,656	327,199	512,072	116,702	6,987	2,999,616
Sales	2,047,195	322,645	508,379	114,544	7,067	2,999,830
Currency/cross currency swaps						
Purchases	136,838	63,906	36,587	48,773	141,273	427,377
Sales	136,197	63,906	36,631	50,713	120,160	407,607
Options						
Purchases	423,709	113,566	24,324	--	--	561,599
Sales	422,517	114,290	24,321	--	--	561,128
Foreign currency futures						
Purchases	16,074	34,518	1,570	--	--	52,162
Sales	--	32,767	1,658	--	--	34,425
Subtotal Purchases	2,613,277	539,189	574,553	165,475	315,118	4,207,612
Subtotal Sales	2,605,909	533,608	570,989	165,257	294,085	4,169,848
Total of Transactions	5,219,186	1,072,797	1,145,542	330,732	609,203	8,377,460

(Currency-Thousands of YTL)

12 Financial assets at fair value through profit or loss (continued)

31 December 2005	Notional amount with remaining life of					
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	over 1 year	Total
Interest Rate Derivatives						
Interest rate swaps						
Purchases	--	--	--	--	9,581	9,581
Sales	--	--	--	--	9,581	9,581
Currency Derivatives						
Forward exchange contracts						
Purchases	1,065,341	35,006	7,524	20,895	--	1,128,766
Sales	1,063,772	34,842	7,700	21,841	--	1,128,155
Currency/cross currency swaps						
Purchases	80,521	3,180	3,169	47,635	26,836	161,341
Sales	81,232	3,179	3,169	47,332	33,260	168,172
Options						
Purchases	737,225	222,046	--	293	--	959,564
Sales	737,243	221,885	--	293	--	959,421
Foreign currency futures						
Purchases	--	82,191	--	--	--	82,191
Sales	--	75,482	--	--	--	75,482
Subtotal Purchases	1,883,087	342,423	10,693	68,823	36,417	2,341,443
Subtotal Sales	1,882,247	335,388	10,869	69,466	42,841	2,340,811
Total of Transactions	3,765,334	677,811	21,562	138,289	79,258	4,682,254

(Currency-Thousands of YTL)

13 Loans and advances to customers

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

	30 June 2006	31 Dec. 2005
Consumer loans and credit cards	1,952,769	1,160,644
Wholesale and retail trade	1,140,555	508,706
Chemicals	790,573	710,418
Food	699,950	489,114
Metal and machinery	666,936	467,837
Tourism and transportation	636,047	472,070
Construction, glass and mining	596,147	440,443
Finance	548,794	394,044
Textile and leather	422,712	302,628
Others	559,077	783,366
Total performing loans	8,013,560	5,729,270
Non-performing loans	160,612	135,070
Total gross loans	8,174,172	5,864,340
Accrued interest income on loans	228,919	73,901
Finance lease receivables, net of unearned income	406,455	243,302
Factoring receivables *	244,325	181,563
Specific allowance for possible losses	(148,661)	(122,400)
General allowance for possible losses	(29,198)	(21,354)
Loans and advances to customers	8,876,012	6,219,352

* At 30 June 2006, factoring payables amounting to YTL 25,040 (31 December 2005: YTL 15,522) are offset against factoring receivables.

The Bank generally seeks collateral security comprising real estate and other mortgages of varying ranking, cheques and bills, cash collaterals, personal guarantee of shareholders, and similar items.

The allowance for possible losses includes specifically identified loans and discounts and general provision as explained below.

The specific allowance for possible losses is comprised of amounts for specifically identified problem and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

In addition to the allowance for specific loan losses explained in the preceding paragraph, the Bank also provides general allowance for inherent credit risk on loans and guarantees and commitments. The level of general allowance is based on management's evaluation of the loan portfolio, including such factors as the volume and character of loans outstanding, loan loss experience in the past and general economic conditions.

(Currency-Thousands of YTL)

13 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 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 of USD 355.8 million (YTL 558,499) deposited and collateralized the loan with the deposits. As of 30 June 2006, the deposits are closed. The loans are also closed on 5 July 2006, subsequent to the balance sheet date.

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

	30 June 2006	31 Dec. 2005
Balances, beginning of the period/year	143,754	118,942
Reversal of the provision	(24,391)	(50,008)
Provision for the period/year	58,496	88,398
Write-off *	--	(10,845)
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)
Balances, end of the period/year	177,859	143,754

* 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 following table summarizes the carrying and the fair value amounts of loans and advances to customers:

	30 June 2006	31 Dec. 2005
Carrying amount	8,876,012	6,219,352
Fair value	8,873,891	6,222,111

The interest rates applied to determine the fair value of loans, at the balance sheet dates reflecting the active market price quotations are as follows:

Currencies	30 June 2006	31 Dec. 2005
YTL	19.0%-20.5%	17.0%-19.0%
Foreign currencies	5.3%-7.0%	5.0%-5.8%

(Currency-Thousands of YTL)

13 Loans and advances to customers (continued)

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

	30 June 2006	30 June 2005
Specific and general provision on non-performing cash loans	34,105	22,059
Provision / (reversal from provision) for general reserves other than those resulting from cash loans (Note 23)	(541)	(2,887)
Impairment losses on loans and advances	33,564	19,172

14 Finance lease receivables

The finance leases typically run for a period of one to five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on market related interest rates.

The receivables are secured through the underlying assets. Loans and advances to customers include the following finance lease receivables:

	30 June 2006	31 Dec. 2005
Finance lease receivables, net of unearned income (Note 13)	406,455	243,302
Less: allowance for possible losses from lease receivables	(1,178)	(229)
	405,277	243,073
Analysis of net finance lease receivables		
Due within 1 year	171,630	98,714
Due between 1 and 5 years	316,562	197,116
Finance lease receivables, gross	488,192	295,830
Unearned income	(82,915)	(52,757)
Finance lease receivables, net	405,277	243,073
Analysis of net finance lease receivables, net		
Due within 1 year	133,710	75,122
Due between 1 and 5 years	271,567	167,951
Finance lease receivables, net	405,277	243,073

(Currency-Thousands of YTL)

15 Investment securities

Investment securities as of 30 June 2006 comprise:

	Face value	Book value	Interest range (%)	Latest maturity
Available for sale portfolio				
Debt instruments:				
Government bonds	635,289	543,459	14.02-21.76	2011
Turkish government Eurobonds	153,507	162,212	3.59-11.90	2034
Foreign currency government bonds And treasury bills	150,104	151,266	4.77-7.37	2010
Private sector bonds	108,785	109,338	2.78-10.98	2034
Foreign government Eurobonds	13,402	16,319	7.10-10.98	2014
	1,061,087	982,594		
Equity instruments:				
Listed		79,396		
Unlisted		7,521		
		86,917		
Total available for sale portfolio		1,069,511		
Held to maturity portfolio				
Foreign currency private sector bonds	166,149	165,898	2.50-10.43	2020
Turkish and foreign government Eurobonds	42,988	42,650	2.33-8.00	2020
	209,137	208,548		
Accrued interest on held to maturity portfolio		2,894		
Total held to maturity portfolio		211,442		
Total investment securities		**1,280,953**		

(Currency-Thousands of YTL)

15 Investment securities (continued)

Investment securities as of 31 December 2005 comprise:

	Face value	Book value	Interest range (%)	Latest maturity
Available for sale portfolio				
Debt instruments:				
Government bonds	775,653	753,207	12.42-16.46	2010
Turkish government Eurobonds	173,395	189,740	2.84-7.15	2034
Foreign currency government bonds and treasury bills	112,867	112,490	3.62-6.08	2010
Private sector bonds	90,190	91,017	2.34-7.82	2018
Foreign government Eurobonds	62,178	72,769	5.03-7.78	2034
Treasury bills	71,151	69,187	14.60-14.71	2006
	1,285,434	1,288,410		
Equity instruments:				
Listed		122,261		
Unlisted		6,825		
		129,086		
Total available for sale portfolio		1,417,496		
Held to maturity portfolio				
Foreign currency private sector bonds	129,826	129,609	2.28-8.29	2020
Turkish and foreign government Eurobonds	73,147	72,208	5.00-9.88	2020
Foreign currency indexed government bonds	24,115	24,115	7.58	2006
	227,088	225,932		
Accrued interest on held to maturity portfolio		9,777		
Total held to maturity portfolio		235,709		
Total investment securities		**1,653,205**		

The following table summarizes the carrying and the fair value amounts of held to maturity portfolio:

	30 June 2006	31 Dec. 2005
Carrying amount	211,442	235,709
Fair value	201,527	242,294

(Currency-Thousands of YTL)

15 Investment securities (continued)

The following table summarizes securities that were deposited as collaterals with respect to various banking transactions:

	30 June 2006		31 December 2005	
	Nominal value	Book value	Nominal value	Book value
Deposited at CH **(a)**	134,990	135,751	144,536	148,916
Deposited at ISE **(b)**	71,500	72,548	71,600	73,648
Deposited at Central Bank	69,381	68,592	87,570	87,737
Deposited at banks	39,243	37,859	--	--
Deposited at IGE **(c)**	700	710	700	717
Others	16,333	17,149	33,785	33,542
	332,147	332,609	338,191	344,560

(a) Clearing House (IMKB Takas Saklama Bankası A.Ş.) and similar banks in foreign countries

(b) Istanbul Stock Exchange

(c) Istanbul Gold Exchange

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

	30 June 2006		31 December 2005	
	Amount	%	Amount	%
Available-for-sale securities	79,396	25.4	121,478	25.4
Trading securities	45,009	14.4	74,445	15.6
	124,405	39.8	195,923	41.0

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 30 June 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.

(Currency-Thousands of YTL)

16 Other assets

Other assets comprised the following items:

	30 June 2006	31 Dec. 2005
Receivables related to credit cards	73,570	57,091
Prepaid expenses	40,295	20,689
Advances given	28,715	7,685
Assets held for sale	16,135	16,671
Trade receivables	8,885	4,155
Receivables related to court cases	5,394	4,297
VAT receivable from leasing business	3,752	2,574
Stocks	2,943	2,180
Cash guarantees given	2,632	3,285
Other	31,404	7,861
	213,725	126,488

17 Bank premises and equipment

Movement in bank premises and equipment is as follows:

	Buildings	Motor Vehicles	Furniture Fixture	Leased Assets	Leasehold Imprv.	Carrying Amount
As of 1 January 2005:						
Cost	51,062	10,822	35,868	63,841	32,833	194,426
Accumulated depreciation (-)	(4,528)	(4,726)	(22,222)	(26,648)	(10,467)	(68,591)
	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 (-)	(434)	(6,069)	(4,308)	(9,318)	(793)	(20,922)
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	(1,018)	(1,239)	(4,919)	(16,677)	(7,083)	(30,936)
Accumulated depreciation as of 31 December 2005	(5,539)	(3,356)	(22,943)	(34,851)	(17,280)	(83,969)
Net value as of 31 December 2005	45,698	2,088	13,530	40,277	32,042	133,635

(Currency-Thousands of YTL)

17 Bank premises and equipment (continued)

	Buildings	Motor Vehicles	Furniture Fixture	Leased Assets	Leasehold Imprv.	Carrying Amount
Cost, as of 1 January 2006	51,237	5,444	36,473	75,128	49,322	217,604
Additions to cost	454	155	4,278	374	4,083	9,344
Transfers and disposals from cost (-)	--	(2,568)	--	(2,276)	(654)	(5,498)
Cost, as of 30 June 2006	51,691	3,031	40,751	73,226	52,751	221,450
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	--	1,556	(425)	1,913	130	3,174
Depreciation charge	(503)	(337)	(2,466)	(8,761)	(4,477)	(16,544)
Accumulated depreciation, as of 30 June 2006	(6,042)	(2,137)	(25,834)	(41,699)	(21,627)	(97,339)
Value as of 30 June 2006	45,649	894	14,917	31,527	31,124	124,111
Impairment in value of buildings (-)	(7,437)	--	--	--	--	(7,437)
Net value as of 30 June 2006	38,212	894	14,917	31,527	31,124	116,674

Depreciation is calculated on the restated cost amounts. Such depreciation expenses for the six-month periods ended 30 June 2006 and 2005 amount to YTL 16,544 and YTL 15,121, respectively.

(Currency-Thousands of YTL)

18 Intangible assets

Movement in intangible assets is as follows:

	Rights	Goodwill	Others	Carrying Amount
As of 1 January 2005:				
Cost	34,432	2,784	2,721	39,937
Accumulated amortization (-)	(20,421)	(990)	(1,455)	(22,866)
	14,011	1,794	1,266	17,071
Additions to cost	7,235	--	--	7,235
Transfers and disposals from cost (-)	(1,212)	(2,784)	--	(3,996)
Cost, as of 31 December 2005	40,455	--	2,721	43,176
Transfers and disposals from accumulated amortization	162	990	--	1,152
Amortization charge	(7,306)	--	(487)	(7,793)
Accumulated amortization as of 31 December 2005	(27,565)	--	(1,942)	(29,507)
Net value as of 31 December 2005	12,890	--	779	13,669
Cost, as of 1 January 2006	40,455	--	2,721	43,176
Additions to cost	5,586	--	--	5,586
Transfers and disposals from cost (-)	(6)	--	--	(6)
Cost, as of 30 June 2006	46,035	--	2,721	48,756
Accumulated amortization as of 1 January 2006	(27,565)	--	(1,942)	(29,507)
Transfers and disposals from accumulated amortization	(674)	--	(168)	(842)
Amortization charge	(3,818)	--	(184)	(4,002)
Accumulated amortization as of 30 June 2006	(32,057)	--	(2,294)	(34,351)
Net value as of 30 June 2006	13,978	--	427	14,405

Amortization is calculated on the restated cost amounts. Such amortization expenses for the six-month periods ended 30 June 2006 and 2005 amount to YTL 4,002 and YTL 3,531, respectively.

Impairment losses are provided for decreases in the value of consolidated entities by way of assessing their internal and external sources. As of 30 June 2006, goodwill on consolidated entities has been fully impaired.

(Currency-Thousands of YTL)

19 Deposits from banks

Deposits from banks comprised the following:

	30 June 2006	31 Dec. 2005
Payable on demand	24,595	27,030
Term deposits	328,304	375,104
Obligations under repurchase agreements	205,048	364,218
	557,947	766,352
Accrued interest on deposits from banks	3,189	2,682
	561,136	769,034

The following table summarizes the carrying and the fair value amounts of deposits from banks:

	30 June 2006	31 Dec. 2005
Carrying amount	561,136	769,034
Fair value	561,121	769,087

The interest rates applied to determine the fair value of time deposits, at the balance sheet date, reflecting the active market price quotations are as follows:

Currencies	30 June 2006	31 Dec. 2005
YTL	17.5%	14.0%-15.5%
Foreign currencies	4.0%-6.0%	4.5%-5.3%

Since market interest rates are very close to the rates used by the Bank, fair value amounts of deposits from banks are assumed to be same as their carrying amounts.

(Currency-Thousands of YTL)

20 Deposits from customers

Deposits from customers comprised the following:

	30 June 2006	31 Dec. 2005
Payable on demand:		
Foreign currency	1,278,519	864,456
Savings	220,293	199,509
Commercial	685,606	528,730
	2,184,418	1,592,695
Term deposits:		
Foreign currency	2,071,751	3,471,291
Savings	2,359,702	1,455,569
Commercial	1,245,256	457,889
Obligations under repurchase agreements	4,187	23,636
	5,680,896	5,408,385
	7,865,314	7,001,080
Accrued interest on deposits from customers	52,733	38,986
	7,918,047	7,040,066

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 30 June 2006, the maturities of the deposits from customers are within 30 days with interest rates ranging between 13% 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 5.5% (31 December 2005: 1% and 3.75%).

The following table summarizes the carrying and the fair value amounts of deposits from customers:

	30 June 2006	31 Dec. 2005
Carrying amount	7,918,047	7,040,066
Fair value	7,916,713	7,042,274

The interest rates applied to determine the fair value of term deposits at the balance sheet dates, reflecting the active market price quotations are as follows:

Currencies	30 June 2006	31 Dec. 2005
YTL	18.0%-19.5%	15.0%-18.0%
Foreign currencies	2.0%-6.0%	1.0%-4.3%

(Currency-Thousands of YTL)

21 Funds borrowed

Funds borrowed comprised the following:

	30 June 2006	31 Dec. 2005
Foreign currency borrowings from foreign banks	3,374,259	2,352,646
Turkish Lira borrowings from domestic banks	121,735	88,453
Turkish Lira borrowings from foreign banks	142,621	115,065
Foreign currency borrowings from domestic banks	52,111	34,710
	3,690,726	2,590,874
Accrued interest on funds borrowed	56,158	34,158
	3,746,884	2,625,032

The following table summarizes the carrying and the fair value amounts of funds borrowed:

	30 June 2006	31 Dec. 2005
Carrying amount	3,746,884	2,625,032
Fair value	3,742,880	2,624,896

The interest rates applied to determine the fair value of funds borrowed, at the balance sheet dates, reflecting active market price quotations are as follows:

Currencies	30 June 2006	31 Dec. 2005
USD	5.6%-6.0%	4.5%-5.3%
EUR	4.0%	3.0%-3.5%
YTL	17.5%	14.0%

Since market interest rates are very close to rates used by the Bank, fair value amounts of funds borrowed are assumed to be same as their carrying amounts.

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

	30 June 2006	31 Dec. 2005
Short-term	2,412,162	1,571,563
Long-term	1,278,564	1,019,311
Short-term portion of long-term debt	*100,759*	*25,761*
Medium and long-term portion of long-term debt	*1,177,805*	*993,550*
	3,690,726	2,590,874
Accrued interest on funds borrowed	56,158	34,158
	3,746,884	2,625,032

(Currency-Thousands of YTL)

21 Funds borrowed (continued)

As of 30 June 2006, long-term debts comprise the following:

	Interest rate %	Latest Maturity	Currency	Amount in original currency	Short-term portion	Medium and long-term portion
Syndicated Term Loan Facility	L+0.80	2007	USD	350,000,000	--	549,395
DPR Securitization-Series A	L+2.0	2010	USD	150,000,000	--	235,455
DPR Securitization-Series B	6.369	2012	USD	80,000,000	--	125,576
DPR Securitization-Series C	6.038	2010	USD	70,000,000	--	109,879
Others					100,759	157,500
					100,759	1,177,805

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.

On 31 May 2006, the Bank signed a USD 500 million club loan facility agreement arranged by 20 banks with USD 25 million participation amounts by each. The interest rate is Libor+0.30% pa.

(Currency-Thousands of YTL)

22 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 accordance with Article No. 32 of the new Corporate Tax Law No. 5520 published in the Official Gazette No. 26205 dated 21 June 2006, corporate tax rate is reduced from 30% to 20%. Accordingly, effective from 1 January 2006, statutory income is subject to corporate tax at 20%. Excess of corporate taxes paid in advance based on the tax base calculated on the quarterly earnings of the companies at the rate of 30% subsequent to periods beginning after 1 January 2006, will be deducted from the corporate taxes paid in advance for the subsequent periods based on the new tax rate.

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 20%. 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.

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:

	30 June 2006	%	30 June 2005	%
Taxes on income per statutory tax rate	24,674	20.00	47,914	30.00
Effect of change in statutory tax rate	(3,596)	(2.91)	--	--
Effect of different tax rates in foreign entities	(3,527)	(2.86)	(5,740)	(3.59)
Net of tax disallowable and non-taxable items	2,046	1.66	(2,333)	(1.46)
Investment incentives	(1,363)	(1.10)	(1,409)	(0.88)
Effect of valuation of investments	1,166	0.95	(11,691)	(7.33)
Permanent differences related to the restatement of equity items per IAS 29	--	--	4,376	2.74
Other	(1,305)	(1.07)	1,677	1.05
Provision for taxes on income	18,095	14.67	32,794	20.53

(Currency-Thousands of YTL)

22 Taxation (continued)

Income tax expense comprised the following:

	30 June 2006	30 June 2005
Current taxes	13,473	44,062
Deferred taxes	4,622	(11,268)
Income tax expense	18,095	32,794

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

	30 June 2006	31 Dec. 2005
Deferred tax assets		
Valuation difference between tax base and reported base of investments	8,790	--
Allowance for loan losses	8,613	10,639
Impairment in value of fixed assets	1,487	--
Provisions	1,020	--
Reserve for employee severance indemnity	910	1,159
Statutory tax losses	347	452
Accrued interest on derivatives	--	640
Others	26	96
Total deferred tax assets	21,193	12,986
Deferred tax liabilities		
Accrued interest on derivatives	12,685	--
Depreciation	2,044	3,981
Bank equipment under finance lease	1,583	2,503
Restatement effect on non-monetary assets per IAS 29	432	182
Valuation difference between tax base and reported base of investments	--	451
Others	124	5
Total deferred tax liabilities	16,868	7,122
Net deferred tax assets	4,325	5,864

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

	30 June 2006	31 Dec. 2005
Deferred tax assets	6,226	6,435
Deferred tax liabilities	(1,901)	(571)
Net deferred tax assets	4,325	5,864

(Currency-Thousands of YTL)

23 Other liabilities

The principal components of this caption are as follows:

	30 June 2006	31 Dec. 2005
Payables related to credit cards	145,025	112,464
Remittances payable	115,164	47,686
Accrued interest and foreign exchange loss on derivatives	63,324	12,707
Guarantees received for derivative transactions	32,638	--
Other provisions and expense accruals	31,860	18,693
Taxes withheld and duties payable	31,388	24,719
General reserves other than those resulting from cash loans	13,119	13,661
Advances received	11,956	2,879
Liabilities from security sales in short position	7,933	--
Blocked accounts	7,365	16,878
Forfaiting payables	7,167	5,494
Reserve for employee severance indemnity	5,348	4,430
Others	90,001	81,024
	562,288	340,635

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

	30 June 2006	31 Dec. 2005
Balances, beginning of the period/year	13,661	27,914
Reversal of the provision	(6,478)	(9,503)
Restatement of the beginning balance and of the current year provision for the effect of inflation	--	(728)
Provision for the period/year	5,936	10,786
Balances, end of the period/year, as previously reported	13,119	28,469
Classified to “other provisions” *	--	(14,808)
Balances, end of the period/year	13,119	13,661

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

(Currency-Thousands of YTL)

24 Share capital

As of 30 June 2006, the authorized nominal share capital of Denizbank amounted to YTL 316,100 (31 December 2005: YTL 316,100), comprising 316.1 millions registered shares of one YTL each. The portion of share capital arising from the amounts paid in by the shareholders has been restated for the effects of inflation (refer to accounting policy (d)) in the accompanying consolidated financial statements. However, the transfers from revaluation surplus on fixed assets, a component of shareholders' equity in statutory financial statements and transfers from statutory retained earnings have been eliminated. Accordingly, as of 30 June 2006, the share capital is reflected as YTL 563,836 (31 December 2005: YTL 563,836) in the accompanying consolidated financial statements.

In compliance with the revised standards of IFRS effective from 1 January 2005, minority interest is classified as a component of shareholders' equity. As of 30 June 2006, net minority interest amounts to YTL 77 (31 December 2005: YTL 92).

25 Commitments and contingent liabilities

25.1 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:

	30 June 2006	31 Dec. 2005
Letters of guarantee	2,667,329	2,168,524
Letters of credit	990,987	758,533
Acceptance credits	234,760	197,318
Other guarantees and endorsements	129,416	86,635
	4,022,492	3,211,010

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

	30 June 2006	31 Dec. 2005
Construction, glass and mining	1,050,174	839,488
Wholesale and retail trade	890,049	630,859
Metal and machinery	645,984	500,862
Tourism and transportation	454,819	371,006
Finance	227,328	178,928
Chemicals	194,173	175,564
Textile and leather	189,463	174,836
Food	127,194	103,627
Others	243,308	235,840
	4,022,492	3,211,010

(Currency-Thousands of YTL)

25 Commitments and contingent liabilities (continued)

25.2 Derivative contracts

As of 30 June 2006, commitments for purchase and sale of foreign currencies under forward agreements, swap, options and futures contracts amounted to YTL 8,377,460 (31 December 2005: YTL 4,682,254). The breakdown of such commitments outstanding, by types is as follows:

	30 June 2006		31 December 2005	
	Purchase	**Sale**	**Purchase**	**Sale**
Forward agreements for trading purposes	2,479,574	2,482,296	949,482	949,197
Forward agreements for customer dealing activities	520,042	517,534	179,284	178,958
Options	561,599	561,128	959,564	959,421
Currency swap contracts	427,377	407,607	161,341	168,172
Interest rate swap contracts	166,858	166,858	9,581	9,581
Currency futures contracts	35,089	1,658	82,191	75,482
Other	17,073	32,767	-	-
	4,207,612	4,169,848	2,341,443	2,340,811

26 Risk management disclosures

This section provides details of the Bank's exposure to risks and describes the methods used by management to control the risks. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and equity price risk.

26.1 Derivative financial instruments

The Bank enters into a variety of derivative financial instruments for trading and risk management purposes. This note describes the derivatives used by the Bank. Further details of the Bank's objectives and strategies in the use of derivatives are set out in the sections of this note on trading and non-trading activities.

Derivative financial instruments used by the Bank include forwards, swaps, futures and options whose value changes in response to changes in interest rates, foreign exchange rates, security prices, commodity prices or price indices. Derivatives are either standardized contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC-products). A description of the main types of derivative instruments used by the Bank is set out below.

26 Risk management disclosures (continued)

(i) Swaps

Swaps are over-the-counter agreements between the Bank and other parties to exchange future cash flows based upon agreed notional amounts. Under interest rate swaps, the Bank agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Cross-currency interest rate swaps require an exchange of interest payment flows and capital amounts in different currencies. The Bank is subject to credit risk arising from the respective counterparties' failure to perform. Market risk arises from the possibility of unfavorable movements in interest rates relative to the contractual rates of the contract.

(ii) Futures and forwards

Futures and forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Futures are standardized exchange-traded contracts whereas forwards are individually traded over-the-counter contracts. Initial margin requirements for futures are met in cash or other instruments, and changes in the futures contract values are settled daily. Therefore, credit risk is limited to the net positive change in the market value for a single day. Futures contracts have little credit risk because the counterparties are futures exchanges. Forward contracts result in credit exposure to the counterparty. Futures and forward contracts both result in exposure to market risk based on changes in market prices relative to contracted amounts.

(iii) Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying at a specified price on or before a specified date. The Bank enters into foreign exchange options. Foreign currency options provide protection against rising or falling currency rates. The Bank as a buyer of over-the-counter options is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Bank exercises the option. As the writer of over-the-counter options, the Bank is subject to market risk only since it is obliged to make payments if the option is exercised.

26.2 Trading activities

The Bank maintains active trading positions in a variety of derivative and non-derivative financial instruments. Most of the Bank's trading activities are customer driven. In anticipation of customer demand, the Bank carries an inventory of capital market instruments and maintains access to market liquidity by quoting bid and offer prices to and trading with other market makers. Positions are also taken in the interest rate, foreign exchange, debt, equity, and commodity markets based on expectations of future market conditions. These activities constitute the proprietary trading business and enable the Bank to provide customers with capital market products at competitive prices. As trading strategies depend on both market-making and proprietary positions, given the relationships between instruments and markets, those are managed in concert to maximize net trading income.

The Bank manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

26 Risk management disclosures (continued)

(i) Credit risk

The Bank's credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet. Notional amounts disclosed in the notes to the consolidated financial statements do not represent the amounts to be exchanged by the parties to derivatives and do not measure the Bank's exposure to credit or market risks. The amounts to be exchanged are based on the terms of the derivatives. The risk that counter parties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments. To manage the level of credit risk, the Bank deals with counter parties of good credit standing, enters into master netting agreements whenever possible, and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counter party in the event of default.

(ii) Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognized at fair value, and all changes in market conditions directly affect net trading income.

The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions. The "Risk measurement and control" section at the end of this note describes the approaches used to manage market risk and provides a quantitative measure of the market risk of the Bank's position at the balance sheet date.

26.3 Non-trading activities

Below is a discussion of the various risks the Bank is exposed to as a result of its non-trading activities and the approach taken to manage those risks. Further details of the steps taken to measure and control risk are set out in the "Risk measurement and control" section.

(i) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy.

In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

(Currency-Thousands of YTL)

26 Risk management disclosures (continued)

The following table provides an analysis of assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

Maturities of assets and liabilities

As of 30 June 2006:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Unidentified maturity	Total
Assets							
Cash and balances with Central Bank	1,254,153	72,384	13,778	--	--	--	1,340,315
Due from banks	1,314,494	136,051	205,753	107,198	11,200	--	1,774,696
Financial assets at fair value through profit or loss	93,045	24,316	29,288	116,422	22,073	71,486	356,630
Loans and advances to customers	1,233,611	1,662,382	2,598,546	2,795,549	585,924	--	8,876,012
Investment securities	11,778	417,928	128,203	380,653	255,474	86,917	1,280,953
Other assets	167,846	8,917	14,322	3,562	--	156,383	351,030
	4,074,927	2,321,978	2,989,890	3,403,384	874,671	314,786	13,979,636
Liabilities							
Deposits from banks	312,495	154,527	94,114	--	--	--	561,136
Deposits from customers	5,767,557	896,031	811,772	441,887	800	--	7,918,047
Funds borrowed	345,408	413,344	1,804,441	1,057,583	126,108	--	3,746,884
Other liabilities	251,328	11,075	8,177	3,725	--	300,821	575,126
	6,676,788	1,474,977	2,718,504	1,503,195	126,908	300,821	12,801,193

(Currency-Thousands of YTL)

26 Risk management disclosures (continued)

As of 31 December 2005:

	Up to 1 month	1 to 3 Months	3 to 12 months	1 to 5 years	Over 5 years	Unidentified maturity	Total
Assets							
Cash and balances with Central Bank	954,252	34,459	18,653	382	--	--	1,007,746
Due from banks	2,118,410	115,685	141,139	46,980	8,270	--	2,430,484
Financial assets at fair value through profit or loss	8,970	2,415	106,785	85,131	15,618	92,830	311,749
Loans and advances to customers	1,375,581	1,288,073	1,643,059	1,695,600	217,039	--	6,219,352
Investment securities	9,979	172,979	660,465	406,001	274,695	129,086	1,653,205
Other assets	3,222	7,583	15,245	2,574	--	251,603	280,227
	4,470,414	1,621,194	2,585,346	2,236,668	515,622	473,519	11,902,763
Liabilities							
Deposits from banks	601,885	68,800	93,384	--	4,965	--	769,034
Deposits from customers	4,902,121	1,099,598	724,872	312,772	703	--	7,040,066
Funds borrowed	138,528	236,794	1,323,582	800,966	125,162	--	2,625,032
Other liabilities	224,848	5,639	4,076	13,394	--	97,111	345,068
	5,867,382	1,410,831	2,145,914	1,127,132	130,830	97,111	10,779,200

(ii) Market risk

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In general, the Bank is liability sensitive because its interest-earning assets have a longer duration and reprice less frequently than interest-bearing liabilities. This means that in rising interest rate environments, margins earned will narrow as liabilities reprice. However, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

To achieve its risk management objectives, the Bank uses a combination of derivative financial instruments, particularly futures as well as other contracts.

(Currency-Thousands of YTL)

26 Risk management disclosures (continued)

Interest rate derivatives are primarily used to bridge the mismatch in the repricing of assets and liabilities. This is done in accordance with the guidelines established by the Bank's asset-liability management committee.

Some assets have indefinite maturities or interest rate sensitivities and are not readily matched with specific liabilities. Those assets are funded by liability pools based on the assets' estimated maturities and repricing characteristics. For example, domestic floating-rate loans are generally funded by short-term liabilities that reprice frequently, while fixed-rate credit card loans are funded by longer-term liabilities that reprice less frequently.

Part of the Bank's returns on financial instruments are obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The table below summarizes repricing mismatches on the Bank's non-trading books at the reporting dates. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they next reprice to market rates or mature, and are summed to show the interest rate sensitivity gap. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

<u>Interest rate gap analysis</u>

The following table indicates the periods in which financial assets and liabilities reprice as of 30 June 2006:

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Non-interest bearing	Total
Monetary assets							
Cash and balances with Central Bank	331,090	414,406	--	--	--	594,819	1,340,315
Due from banks	1,429,354	246,604	27,368	3,697	--	67,673	1,774,696
Financial assets at fair value through profit or loss	149,367	44,430	26,533	43,585	21,276	71,439	356,630
Loans and advances to customers	3,616,975	2,540,333	969,520	1,342,852	406,332	--	8,876,012
Investment securities	664,701	277,431	89,975	71,838	90,091	86,917	1,280,953
	6,191,487	3,523,204	1,113,396	1,461,972	517,699	820,848	13,628,606
Monetary liabilities							
Deposits from banks	441,527	95,014	--	--	--	24,595	561,136
Deposits from customers	4,470,171	819,545	243,254	199,859	800	2,184,418	7,918,047
Funds borrowed	2,823,549	633,445	50,517	146,871	92,502	--	3,746,884
	7,735,247	1,548,004	293,771	346,730	93,302	2,209,013	12,226,067

(Currency-Thousands of YTL)

26 Risk management disclosures (continued)

The following table indicates the periods in which financial assets and liabilities reprice as of 31 December 2005:

	Up to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Non-interest bearing	Total
Monetary assets							
Cash and balances with Central Bank	555,310	--	--	--	--	452,436	1,007,746
Due from banks	2,158,522	151,673	27,289	3,056	--	89,944	2,430,484
Financial assets at fair value through profit or loss	76,491	59,844	17,532	50,403	14,649	92,830	311,749
Loans and advances to customers	3,080,366	1,454,726	822,411	667,363	194,486	--	6,219,352
Investment securities	1,013,525	280,638	55,448	66,293	108,215	129,086	1,653,205
	6,884,214	1,946,881	922,680	787,115	317,350	764,296	11,622,536
Monetary liabilities							
Deposits from banks	643,656	93,384	4,025	--	939	27,030	769,034
Deposits from customers	4,409,024	724,872	186,298	126,474	703	1,592,695	7,040,066
Funds borrowed	1,543,285	808,033	80,274	86,097	107,343	--	2,625,032
	6,595,965	1,626,289	270,597	212,571	108,985	1,619,725	10,434,132

Equity price risk

Equity price risk is the possibility that equity prices will fluctuate affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices. The primary exposure to equity prices arises from trading activities, although the Bank holds certain non-trading equity investments that are subject to equity price risk.

The Bank manages its use of non-trading equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio. Exposure to market risk is formally managed in accordance with risk limits. The "Risk measurement and control" section at the end of this note describes in detail the approaches used to manage equity price risk and provides a quantitative measure of the equity price risk of the Bank's position at the balance sheet date.

Currency risk

The Bank is exposed to currency risk since substantial volumes of business are conducted in foreign currencies. Assets denominated in foreign currencies are funded by foreign currency customer deposits and by deposits or loans taken from foreign banks. The Bank' transactional exposures give rise to foreign currency gains and losses that are recognized in the income statement. The currency exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in the measurement currency of the Bank, i.e., any currency other than YTL.

(Currency-Thousands of YTL)

26 Risk management disclosures (continued)

As of 30 June 2006 the Bank's foreign currency assets and liabilities may be analyzed as follows (YTL equivalents):

	USD	EUR	JPY	Other Currencies	Total
Foreign currency denominated assets					
Cash and balances with Central Bank	595,644	114,909	210	12,168	722,931
Due from banks	1,073,629	407,928	42	47,745	1,529,344
Financial assets at fair value through profit or loss	66,677	7,705	--	109,091	183,473
Loans and advances to customers	3,389,292	1,586,132	1,620	25,599	5,002,643
Investment securities	317,216	339,315	--	--	656,531
Other assets	25,514	45,664	23	10,582	81,783
	5,467,972	2,501,653	1,895	205,185	8,176,705
Foreign currency denominated liabilities					
Deposits from banks	187,871	44,900	8	808	233,587
Deposits from customers	2,532,965	2,070,773	1,472	73,886	4,679,096
Funds borrowed	3,267,425	210,983	--	735	3,479,143
Other liabilities	62,260	38,715	69	669	101,713
	6,050,521	2,365,371	1,549	76,098	8,493,539
Net on-balance sheet position	(582,549)	136,282	346	129,087	(316,834)
Net off-balance sheet position	568,921	(142,646)	(9,114)	(47,111)	370,050
Net (short) / long position	**(13,628)**	**(6,364)**	**(8,768)**	**81,976**	**53,216**

(Currency-Thousands of YTL)

26 Risk management disclosures (continued)

As of 31 December 2005 the Bank's foreign currency assets and liabilities may be analyzed as follows (YTL equivalents):

	USD	EUR	JPY	Other Currencies	Total
Foreign currency denominated assets					
Cash and balances with Central Bank	504,041	93,015	136	9,561	606,753
Due from banks	1,557,971	571,935	392	40,934	2,171,232
Financial assets at fair value through profit or loss	23,501	10,972	--	75,672	110,145
Loans and advances to customers	2,591,045	922,352	--	12,857	3,526,254
Investment securities	358,373	341,642	--	--	700,015
Other assets	4,613	2,352	--	1,717	8,682
	5,039,544	1,942,268	528	140,741	7,123,081
Foreign currency denominated liabilities					
Deposits from banks	170,584	82,370	145	2,018	255,117
Deposits from customers	2,463,880	1,835,046	3,495	54,668	4,357,089
Funds borrowed	2,231,899	176,773	--	571	2,409,243
Other liabilities	27,136	26,405	--	1,913	55,454
	4,893,499	2,120,594	3,640	59,170	7,076,903
Net on-balance sheet position	146,045	(178,326)	(3,112)	81,571	46,178
Net off-balance sheet position	(165,550)	152,217	14,336	(44,947)	(43,944)
Net (short) / long position	**(19,505)**	**(26,109)**	**11,224**	**36,624**	**2,234**

(iii) Credit risk

The Bank is subject to credit risk through its trading, lending, hedging and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process.

The Bank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. The Bank is exposed to credit risk on various other financial assets, including derivative instruments used for hedging and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

26 Risk management disclosures (continued)

The Bank has no significant exposure to any individual customer or counterparty.

26.4 Hedging

Due to the Bank's overall interest rate risk position and funding structure, its risk management policies require that it should manage its exposure to changes in foreign currency rates, interest rate, credit risk and market price risk exposure within certain guidelines. The Bank uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instrument are used for this purpose, including interest rate swaps and currency swaps, financial futures, forward contracts and other derivatives. The purpose of the Bank's hedging activities are to protect itself from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Bank enters into transactions to ensure that it is economically hedged in accordance with risk management policies.

The Bank's risk management activities concentrate on hedging the net exposure based on its asset and liability positions. Therefore, the Bank monitors its interest rate risk exposure by reviewing the net asset or liability gaps within repricing bands.

26.5 Risk measurement and control

Interest rate, currency, equity price, credit, liquidity, and other risks are actively managed by independent risk control groups at both corporate and subsidiary levels to ensure compliance with the Bank's risk limits. The risk limits are assessed regularly to ensure their appropriateness given the Bank's objectives and strategies and current market conditions. A variety of techniques are used by the Bank in measuring the risks inherent in its trading and non-trading positions, including both derivative and non-derivative instruments. The various risk measurements presented below offer differing views of the same risks and should not be aggregated.

(i) Interest rate sensitivity

The Bank measures its exposure to changes in interest rates by calculating the approximate changes in net interest income for changes in interest rates. Duration-gap analysis, which measures the average days-to-repricing of all assets, liabilities and off-balance sheet items on a currency basis, is performed daily. By this method, interest sensitivity of the balance sheet to movements on interest rates of each currency is determined. The management uses this information to assess the major risks that may arise by the change in interest rates. The profit or loss arising from 1 percentage point movement in interest rates (basis point value) is used as the proxy of interest rate risk of the balance sheet and is limited by the management according to market expectations and the maximum loss that may be tolerated by the Bank.

(ii) Value at risk

The market risk of the Bank's financial asset and liability trading positions are closely monitored, using Value at Risk analysis and other methods. Value at Risk represents the potential losses from adverse changes in market factors for a specified time period and confidence level. The Bank estimates Value at Risk using simulations of a large number of possible market scenarios. The overall market risk that any business unit can assume is approved by a senior risk management committee through a Value at Risk limit.

26 Risk management disclosures (continued)

The Value at Risk of the Bank's financial instruments is measured on a 99% confidence level for 10-day holding period. The methodology contains widely acknowledged limitations including assumption of normal distribution of changes in risk factors, assumption that all positions can be closed out within 20 days and assumption that historical data is satisfactory proxy for estimating future events.

Value at Risk methodology forms the basis of the Bank's risk management system. Despite its drawbacks, it still gives a very important indication of risk levels of the bank in relatively stable market conditions. By comparing Value at Risk level with the profitability of each risk category, the management is able to determine the risk-adjusted income derived from taking market risk and also the potential loss that may occur under an adverse market movement. The management imposes strict Value at Risk limits for each major risk category.

(iii) Historical Stress-testing

Because of the higher volatility levels in the developing markets, Value at Risk methodology does not give very satisfactory results under severe crisis conditions. Therefore, the management relies on Historical Stress-testing analysis to calculate its economic capital and for limiting the maximum risk it carries. In this method, the market movements that occurred during the last major (and most severe) financial crises (2000-2001 crises in Turkey) are applied to the current risk positions of the Bank. The resulting loss that is calculated is considered as the economic capital needed to take the current risks. The Bank limits the economic capital to a maximum of 50% of total shareholder's equity of the Bank and takes all necessary precautions to comply with this condition. The Bank also has a requirement that the management ensures that under any market condition; the Bank will achieve at least 9% capital adequacy level without any need for fresh capital injection. Therefore, Historical Stress-testing method guarantees that the risk positions of the Bank will never result in a financial loss that will jeopardize its capital adequacy limitation. The compliance with these two criteria is checked every day by means of reporting system of Risk Management Department.

27 Subsequent events

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 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 of USD 355.8 million (YTL 558,499) deposited and collateralized the loan with the deposits. As of 30 June 2006, the deposits are closed. The loans are also closed on 5 July 2006, subsequent to the balance sheet date.

On 10 August 2006, Turkish Competition Authority has approved Dexia SA/NV's application regarding the purchase of %75 of the Bank. The Austrian and German competition authorities have also approved the related purchase. In addition, the Russian Federation Central Bank indicated that the related purchase is not subject to preapproval and Bahrain Monetary Agency stated that it has no objections to the said purchase.