

# Interim Activity Report 2Q 2015

DenizBank Financial  
Services Group



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*This report presents both consolidated and unconsolidated financial figures of DenizBank.*

**DENİZBANK A.Ş.**  
**2015 2<sup>nd</sup> QUARTER- INTERIM ACTIVITY REPORT**  
**STATEMENT of RESPONSIBILITY**

The Interim Activity Report related to the period between 01.01.2015 and 31.03.2015 has been prepared regarding the “Regulation on the Preparation and Publication of Annual Report of Banks” of Banking Regulation and Supervision Agency, published in the Official Gazette dated 1 November 2006, Nr. 26333 and Nr. II-14.1 “Declaration on Financial Reporting at Capital Markets” of Capital Markets Board, that has been published in the Official Gazette dated 13 June 2013, Nr. 28676, and attached here-with.

Respectfully,

06 August 2015

**HAKAN ELVERDİ**  
Senior Vice President  
International and Regulatory  
Financial Reporting

**SUAVİ DEMİRCİOĞLU**  
Executive Vice President  
Financial Affairs

**HAKAN ATEŞ**  
Member of Board of Directors  
and President and Chief  
Executive Officer

**NİHAT SEVİNÇ**  
Member of Board of Directors  
and Audit Committee

**WOUTER G.M. VAN ROSTE**  
Member of Board of Directors  
and Audit Committee

**HERMAN GREFF**  
Chairman of Board of  
Directors

## SECTION I-INTRODUCTION

### ABOUT DENİZBANK

Trade name: Denizbank A.Ş.

Date of Foundation: 25 August 1997

Headquarter: İstanbul

Paid-in Capital: TL 716.100.000

# of Domestic Branches: 723

# of Foreign Branches: 43 (including subsidiaries' branches)

# of Employees: 14.897

# of Subsidiaries, Associates and Jointly Controlled Companies: 15

Independent Audit Company: Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of ERNST & YOUNG GLOBAL LIMITED)

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### DENİZBANK FINANCIAL SERVICES GROUP (DFSG)

#### Subsidiaries, Associates and Jointly Controlled Companies

Title	Operations	Adress (City/Country)	DenizBank Share (%)	Other DFSG Companies Share (%)
DenizBank AG	Financial	Vienna/Austria	100	-
Eurodeniz International Banking Unit Ltd.	Financial	Nicosia /Cyprus	100	-
JSC Denizbank Moscow	Financial	Moscow / Russia	49	51
Deniz Yatırım Menkul Kıymetler A.Ş.	Financial	İstanbul / Turkey	100	-
Ekspres Menkul Değerler A.Ş.	Financial	İstanbul / Turkey	71	29
Deniz Portföy Yönetimi A.Ş.	Financial	İstanbul / Turkey	-	100
Deniz Finansal Kiralama A.Ş.	Financial	İstanbul / Turkey	49	51
Deniz Faktoring A.Ş.	Financial	İstanbul / Turkey	100	-
Deniz Gayrimenkul Yatırım Ortaklığı A.Ş.	Financial	İstanbul / Turkey	-	91
Destek Varlık Yönetim A.Ş.	Financial	İstanbul / Turkey	-	100
İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş.	Non-Financial	İstanbul / Turkey	100	-
Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş.	Non-Financial	İstanbul / Turkey	100	-
Açık Deniz Radyo ve Televizyon İletişim Yayıncılık Ticaret ve Sanayi A.Ş.	Non-Financial	İstanbul / Turkey	-	100
Deniz Kartlı Ödeme Sistemleri A.Ş.	Non-Financial	İstanbul / Turkey	-	100
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.*	Non-Financial	İstanbul / Turkey	33	-

\*Owned 33% by DenizBank and the rest by two other Financial Services Group in Turkey

## **DENİZBANK in BRIEF**

DenizBank was founded in 1938 as a state-owned bank to provide funding for the developing Turkish maritime sector. Acquired by Zorlu Holding from the Privatization Administration as a banking license in early 1997, the Bank became one of the major banks in Turkey in a short period of time. In October 2006, DenizBank was acquired by Dexia, a leading financial group in Europe, and operated under their umbrella for six years. From 28 September 2012 DenizBank operates under the roof of Sberbank of Russia (Sberbank), the largest bank in Russia.

In addition to DenizBank, DenizBank Financial Services Group consists of seven domestic and three international financial subsidiaries, five domestic non-financial subsidiaries and a branch in Bahrain. DenizYatırım Securities, Ekspres Securities, Deniz Real Estate Investment Trust, DenizPortfolio Management, DenizLeasing, DenizFactoring, Destek Asset Management, Intertech, DenizKültür, Deniz Card Payment Systems, Açık Deniz Radio-TV and Bantaş are the Group's domestic companies; EuroDeniz, DenizBank AG and DenizBank Moscow are the international subsidiaries.

The primary customer segments of DenizBank Financial Services Group include retail customers, small and medium-size enterprises, exporters, public and project finance users and corporate clients. The Group has identified agriculture, energy, tourism, education, health, sports, infrastructure and maritime sectors as a priority sectors for her activities. The Group also operates in EU countries through its Vienna-based subsidiary DenizBank AG. DenizBank Moscow serves the Group's existing customers abroad that have commercial and trade ties with Russia and meets their various financial needs.

The Group possesses a service network that reaches all segments of the society throughout Turkey. In addition to the 724 domestic DenizBank branches, including one in Bahrain, DenizBank AG has 42 branches in total. In addition, thanks to its Alternative Distribution Channels, DenizBank enables both individual and corporate customers all over the world to carry out financial transactions over the internet.

## **SBERBANK in BRIEF**

### **Group Profile**

Established in 1841, Sberbank is a universal commercial bank with diversified businesses and global presence, playing a significant role in Russia's economy as the largest commercial bank in terms of assets, deposits and loans with market shares of 29%, 45% (retail deposits), 38% (retail loans) and 33% (corporate loans) respectively, (according to Sberbank's calculations). More than 127 million individuals in Russia are clients of Sberbank, representing approximately 77% of the Russian population. Sberbank services over one million corporate clients out of 4,5 million businesses in the country.

Sberbank offers its services through the largest banking distribution network of Russia via 16,7 thousand branches. Sberbank promotes banking via remote channels, which include the largest ATM network of Russia of over 90 thousand self-service terminals, as well as Online and Mobile services.

In addition to traditional banking (loans, deposits, cards), Sberbank extended its product lines to provide high-end financial advisory services, a selection of Investment Banking solutions and operations on global markets via Sberbank CIB. Sberbank is actively developing insurance business and retail brokerage.

Sberbank has international operations in the CIS region in Kazakhstan, Ukraine and Belarus, eight countries in Central and Eastern Europe via Sberbank Europe AG, and Turkey via DenizBank. Sberbank has representative offices in Germany and China, a branch in India and operations in Switzerland via Sberbank (Switzerland) AG.

Sberbank's major shareholder is the Central Bank of Russia, which owns 50% of the Bank's share capital plus one voting share, while the remaining shareholder base is represented by international and domestic investors. The Bank's ordinary and preferred shares have been publicly traded in Russia since 1996; Sberbank's American Depositary Shares were listed on the London Stock Exchange, admitted to trading on the Frankfurt Stock Exchange and over the counter in the United States.

*General banking license by the Bank of Russia No. 1481.  
Sberbank's official website is [www.sberbank.ru](http://www.sberbank.ru).*

## MESSAGE FROM THE CHAIRMAN

The Turkish economy is undergoing a rather challenging period with low industrial growth and subdued demand from main trading partners. A high inflation and depreciating lira prevents the Central Bank to implement more growth supportive measures.

Turkish banking sector remained balanced over the past three quarters, with capital adequacy level above 15%, loan to deposit ratio stable at 116% and relatively stable NPLs at 2.9%. DenizBank's performance is in-line with the sector, demonstrating strong results in the first six months of 2015. DenizBank increased its loans by 12%, continuing to make progress with Sberbank Group targets.

DenizBank, which continues to work for adding value to the lives of the customers and being accessible to them at any time and place they might require, broke new grounds with its innovative perspective in the finance sector and realized access to Call Center via Skype. DenizBank Call Center began to provide service in Turkish, English and Russian to its customers who contact via Skype.

With its SME Card and Producer Card, its innovative products for the SMEs and farmers, DenizBank was awarded as the bank which expanded its MasterCard portfolio the most in commercial cards in MasterCard 2014 Sale Awards.

Reading the needs of the clients and developing its products and services along with new digital innovations, DenizBank continued to provide its customers with a comfortable banking experience through "Digital Deniz", a new generation banking platform where all digital products are offered under one application.

As an important member of the Sberbank Group, DenizBank will strive to bring financial and operational success with advancing customer satisfaction as it continually improves quality of services to its clients.

**HERMAN GREF**  
**CHAIRMAN**

## MESSAGE FROM THE PRESIDENT AND CEO

In the first half of 2015, Turkish banking sector continued its cautious growth due to the impacts of recent domestic and foreign-based developments to Turkish economy. DenizBank displayed a similar performance with the sector in asset, loan and deposit growth in the first six months of the year.

Our consolidated and unconsolidated assets increased by 22% and 26% on a year on year basis & 11% and 12% on a year-to-date basis and reached TL 104,5 billion and TL 79,5 billion, respectively.

DenizBank's consolidated and unconsolidated customer deposits, the main source of funding, reached TL 68,7 billion and TL 44,9 billion, recording 30% and 27% yearly increases, & 11% and 8% year-to-date rise, respectively. Expanding customer base up 12% year-on-year, parallel to the branch network consisting of 766 branches in 81 provinces of Turkey together with 42 branches of its foreign subsidiaries, have been one of the most important factors in the increase of DenizBank's deposits. Beside deposits, in 2015 DenizBank issued bonds in the amount of almost TL 1,2 billion, diversifying its funding base.

In the first half of 2015, DenizBank continued to transfer its funds into the economy with its wide range of product portfolio, and reached its consolidated loans to TL 72,5 billion increasing by 20% y-o-y and 12% y-t-d. Unconsolidated loan volume was realized at TL 49,0 billion, growing by 20% y-o-y and 14% y-t-d.

Our consolidated and unconsolidated shareholders' equity increased by 4% compared to the end of 2014, reaching TL 7,4 billion.

DenizBank reported its consolidated net profit of TL 503 million in the first six months of 2015 while recording TL 394 million unconsolidated net profit. DenizBank recorded 14% of consolidated ROE, higher than the sector average of around XX%.

Selected as "the most innovative bank of the world" in BAI Banking Innovation Awards in 2014, DenizBank continued to implement its practices and services to offer maximum benefit to clients with an innovative perspective in Call Center like in all other channels. Implementing specific service models such as KOBİ Ümit for SMEs or Deniz Özel for Private Banking clients composed of specialized personnel in line with communication strategies tailored to segments, the Call Center started to enable access via Skype in the second half of 2015. DenizBank Call Center thus became the first and only bank in Turkey enabling access via Skype.

Considering SMEs and agricultural sector as the backbone of our country's economy since the establishment, DenizBank continued to support SMEs and farmers all around Turkey. Commercial card market leader with more than 900 thousand SME and Producer Cards in total, DenizBank was honored as the bank growing Mastercard portfolio in numbers in commercial cards category within the framework of MasterCard 2014 Sales Awards.

In its 18<sup>th</sup> year, DenizBank will continue to write new success stories together with the Sberbank family, driven by dynamism of being a young bank and self-confidence of the unique success story achieved with a devoted work.

**HAKAN ATEŞ**  
**THE PRESIDENT AND CEO**



## CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL

As of 30 June 2015, DenizBank's shareholding structure is presented in the table below. DenizBank's shareholding structure does not contain any cross-shareholdings.

Shareholders	Number of Shares	Nominal Value (TL)	% of Shares
Sberbank of Russia	715.044.303,335	715.044.303	99,85%
Other	33,981	34	0,00%
Publicly Traded	1.055.662,684	1.055.663	0,15%
<b>Total</b>	<b>716.100.000,000</b>	<b>716.100.000</b>	<b>100,00%</b>

Board of Directors of the Bank, as its meeting held on 11 February 2015, has decided:

- To increase the Bank's share capital from 716.100.000.-TL to 1.816.100.000.-TL;
- The increased amount of 1.100.000.000.-TL to be covered as follows:
  - 94.501.078,19.-TL from the Share Premiums,
  - 3.910.025,59.-TL from the Share Premiums' Inflation Valuation Differences,
  - 189.164.065,04.-TL from the Inflation Valuation Differences of Paid-In Capital,
  - 262.424.831,18.-TL from the Revenues from the Sale of Shares in Subsidiaries and Participations, and of Real Estate,
  - The remaining 550.000.000.-TL to be undertaken in cash by the shareholders and paid before the registration of the share capital increase.

In accordance with the decision of Board of Directors of the Bank regarding the capital increase of our Bank, applications have been made to Capital Markets Board and Banking Regulatory and Supervisory Agency for approval of amendment of the Article 6 "CAPITAL OF THE BANK" of the Bank's Articles of Association and capital increase on 7 April 2015. With the CMB's letter dated 13 May 2015 no 29833736-110.03.02-1136 and the BRSA's letter dated 25 May 2015 no 20008792-101.01.04[71]-E.8055, the amendment of the article was approved. Following the approvals, Ministry of Customs and Trade permitted with the letter no 67300147/431.02 to amend the article in accordance with article 333 of Turkish Commercial Code.

TL 550.000.000 in cash for the capital increase was transferred by the main shareholder Sberbank of Russia to a blocked account in our Bank. In line with the permission dated 06.05.2015 of the Banking Regulation and Supervision Agency, the amount is considered as Tier II capital until capital increase process is finalized.

In accordance with the Board of Directors' decision dated 11 June 2015; Extraordinary General Assembly of our Bank was held on 9 July 2015 regarding the capital increase and it was decided to increase our Bank's capital from TL 716.100.000 to TL 1.816.100.000 and to amend article 6 regarding "CAPITAL OF THE BANK" of the Articles of Association accordingly.

Following the decision of Extraordinary General Assembly, necessary applications were made to the CMB on 13 July 2015 regarding public offering of shares with a nominal value of TL 1.100.000.000 subject to increase.

## SHARES HELD BY THE MANAGEMENT

DenizBank's President and CEO Hakan Ateş has 11,327 shares, corresponding to 0,000002% of the capital.

## CHANGES IN DFSG COMPANIES

As a result of merger of brokerage and corporate finance services provided to local and international clients within DenizBank Financial Services Group under Deniz Yatırım Menkul Kıymetler A.Ş., a contract was signed between Ekspres Menkul Değerler A.Ş. and Net Holding A.Ş. regarding transfer of CMB-issued capital market activity licenses of our subsidiary Ekspres Menkul Değerler A.Ş., whose operations were temporarily stopped as of 31 December 2013 to a new brokerage company to be established by Net Holding A.Ş. subject to approval of the CMB.

In accordance with the Board of Directors' decision dated 30 June 2015, it was decided to open a representative office of the Bank in Dubai International Finance Center in accordance with the Banking Law numbered 5411 and other relevant regulations, and to authorize the Head Office for the follow up and finalization of all kinds of transactions to be realized with this respect. In this framework, necessary applications were made to the BRSA on 2 July 2015.

## AMENDMENTS TO ARTICLES OF ASSOCIATION

In the Extraordinary General Assembly of our Bank that was held on 9 July 2015, it was decided to increase our Bank's capital from TL 716.100.000 to TL 1.816.100.000 and to amend article 6 regarding "CAPITAL OF THE BANK" of the Articles of Association accordingly.

## DONATIONS

List of donations made by DenizBank in the first nine months of 2014 are as follows:

INSTITUTION NAME	Amount (TL)
İLBANK GENÇLİK VE SPOR KULÜBÜ DERNEĞİ	100.000
ODTÜ GELİŞTİRME VAKFI	15.000
OTHER	10.377
<b>TOTAL</b>	<b>125.377</b>

## TYPE AND AMOUNT OF THE CAPITAL MARKET INSTRUMENTS ISSUED

List of capital market instruments issued by DenizBank in 2014 are as follows:

Funding	Amount- TL	Maturity	Issue Date	Maturity Date
Bond	55.000.000	107 days	January 7, 2015	April 24, 2015
Bond	60.000.000	177 days	January 7, 2015	July 3, 2015
Bond	100.000.000	116 days	February 16, 2015	June 12, 2015
Bond	50.000.000	90 days	March 6, 2015	June 4, 2015
Bond	56.000.000	175 days	March 6, 2015	August 28, 2015
Bond	60.000.000	84 days	March 27, 2015	June 19, 2015
Bond	140.000.000	175 days	March 27, 2015	September 18, 2015
Bond	65.000.000	105 days	April 10, 2015	July 24, 2015
Bond	57.637.900	70 days	April 24, 2015	July 3, 2015
Bond	42.362.100	175 days	April 24, 2015	October 16, 2015
Bond	40.000.000	175 days	April 24, 2015	October 16, 2015
Bond	10.000.000	65 days	May 20, 2015	July 24, 2015
Bond	54.000.000	140 days	May 20, 2015	October 7, 2015
Bond	127.485.281	91 days	May 29, 2015	August 28, 2015
Bond	20.217.725	140 days	May 29, 2015	October 16, 2015
Bond	50.000.000	125 days	June 4, 2015	October 7, 2015
Bond	80.000.000	70 days	June 12, 2015	August 21, 2015
Bond	26.000.000	84 days	June 26, 2015	September 18, 2015
Bond	85.000.000	105 days	July 3, 2015	October 16, 2015
Bond	15.000.000	147 days	July 3, 2015	November 27, 2015

## AMENDMENTS TO RATING NOTES

The amendments to Ratings of DenizBank assigned by Fitch Ratings and Moody's in 2015 are below.

On 16 January 2015, Fitch Ratings revised DenizBanks' Short Term Ratings from 'F3' to 'B', Long Term Ratings from 'BBB-' to 'BB+' and Long Term Ratings' outlook from 'Negative' to 'Stable'. Revising Support Rating from '2' to '3' and National Rating from 'AA+(tur)' to 'AA(tur)', Fitch affirmed Viability Rating as 'bb+'.

On 26 March 2015, Fitch Ratings affirmed DenizBanks' Long Term Ratings as 'BB+' with 'Stable' outlook, National Rating as 'AA(tur)' with 'Stable' Outlook, Short Term Ratings as 'B', Viability Rating as 'bb+' and Support Rating as '3'.

On 27 February 2015, Moody's revised DenizBank's Long Term Deposit Ratings from 'Ba1' to 'Ba2' with 'Negatif' Outlook. DenizBank's Short Term Deposit Ratings-'Not-Prime', Bank Financial Strength Rating (BCA) -'D-(ba3)' were remained unchanged with 'Stable' outlook. This was an action following the lowering of Sberbank's Short and Long Term Deposit Ratings, BFSR and BCA Ratings on 24 February 2015 after Moody's downgrade action on Russia's Short and Long Term Ratings on 20 February 2015.

**DenizBank Financial Services Group**  
2015 2<sup>nd</sup> Quarter Interim Activity Report  
Section I - Introduction

On 17 March 2015, within the scope of the changes on its bank rating methodology, Moody's announced that BFSR has been withdrawn and BCA will be the only indicator of issuers' standalone intrinsic strength. In this context, DenizBank's BFSR was withdrawn and BCA kept same as 'ba3' in the Credit Opinion dated 15 April 2015. Ratings are as follows:

**Moody's\***

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Long Term Foreign Currency Deposits	<b>Ba2 / Negative</b>
Short Term Foreign Currency Deposits	<b>Not Prime</b>
Long Term Local Currency Deposits	<b>Ba2 / Negative</b>
Short Term Local Currency Deposits	<b>Not Prime</b>
Baseline Credit Assessment (BCA)	<b>ba3</b>

\*As of 27.02.2015

**FitchRatings\*\***

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Long Term Foreign Currency	<b>BB+ / Stable</b>
Short Term Foreign Currency	<b>B</b>
Long Term Local Currency	<b>BB+ / Stable</b>
Short Term Local Currency	<b>B</b>
Viability	<b>bb+</b>
Support	<b>3</b>
National	<b>AA (tur) / Stable</b>

\*\*As of 26.03.2015

## SECTION II - MANAGEMENT and CORPORATE GOVERNANCE

### BOARD of DIRECTORS

Title	Name	Position	Beginning-End Date of Tenure
Chairman of the Board of Directors:	Herman Gref	Chairman-Non-executive	Sep 2012- Dec. 2015
Board Members:	Deniz Ülke Arıboğan	Vice Chairman-Independent	Dec 2012- Dec 2015
	Hakan Ateş	Member-Executive	Jun 1997- Dec 2015
	Derya Kumru	Member-Executive	Dec 2012- Dec 2015
	Nihat Sevinç	Member-Independent	Dec 2012- Dec 2015
	Wouter G.M. Van Roste	Member-Non-Executive	Jun 2009- Dec 2015
	Vadim Kulik	Member-Non-executive	Sep 2012- Dec 2015
	Alexander Vedyakhin <sup>(1)</sup>	Member- Non-executive	Nov 2012 - Dec 2015
	Igor Kondrashov	Member-Non-executive	Dec 2012 - Dec 2015
	Artem Dovlatov	Member-Non-executive	Mar 2014 - Dec 2015
	Alexander Morozov	Member-Non-executive	Dec 2012 - Dec 2015
	Sergey Gorkov	Member-Non-executive	Sept 2012- Dec 2015
	Timur Kozintsev <sup>(1)</sup>	Member-Non-executive	July 2013- Dec 2015

Denis Bugrov resigned his duties as of 31 March 2015. No assignment yet.

<sup>(1)</sup>Serving as Executive Board Member resident in Turkey, Alexander VEDYAKHIN will continue this mission as Non-executive Board Member because of the requirements to be located in Moscow as from 01.08.2015. In place of him, Timur KOZINTSEV, served as Non-executive Board Member, will serve as Executive Board Member resident in Turkey as from 01.08.2015.

## EXECUTIVE MANAGEMENT

Title	Name	Position	Experience (years)
<b>President &amp; CEO:</b>	Hakan Ateş	President & CEO	33
<b>Executive Vice Presidents:</b>	Mehmet Aydoğdu	Commercial Banking and Public Finance-EVP	17
	Bora Böcügöz	Treasury, Financial Institutions, Private Banking-EVP	25
	Suavi Demircioğlu	Financial Affairs-EVP	24
	Dilek Duman	Information Technology and Support Operations-EVP-Chief Operations Officer	25
	Murat Çelik	Digital Generation Banking-EVP	22
	Tanju Kaya	Administrative Services-EVP	28
	Mustafa Özel	Branch and Central Operations-EVP	26
	Saruhan Özel	Economic Research, Strategy and Program Management-EVP	18
	Gökhan Sun	SME and Agricultural Banking-EVP	22
	Hayri Cansever <sup>(1)</sup>	Corporate Banking-EVP	16
	İbrahim Şen	Credit Following and Risk Monitoring-EVP	21
	Selim Efe Teoman	Corporate and Commercial Credits - EVP	20
	Ayşenur Hıçkırın	Payment Systems and Non Branch Channels-EVP	18
	Ruslan Abil	Group Reporting and Asset/Liability Management - EVP	18
	Önder Özcan	Managerial Reporting and Budget Planning - EVP	17
	Necip Yavuz Elkin	Human Resources and Deniz Academy-EVP	22
	Burak Koçak	SME Banking- EVP	19
	Oğuzhan Özark	Retail Banking Sales Management - EVP	17
	Cemil Cem Önenç	Private Banking - EVP	18
	Hakan Turan Pala	Corporate and Commercial Credits Analysis - EVP	21
	Ayperi Karahan	Retail, SME and Agricultural Banking Loan Allocation-EVP	27
Edip Kürşad Başer	Corporate Credit Policies-EVP	25	
Ali Murat Dizdar	Chief Legal Advisor	24	
<b>Secretary General:</b>	Kürşad Taçalan	Secretary General	22
<b>Internal Systems:</b>	Ramazan Işık	Head of the Board of Internal Audit	15
	Cem Demirağ	Head of Internal Control Center and Compliance	23
	Sinan Yılmaz	Head of Risk Management	17

<sup>(1)</sup>Appointed as the General Manager of Destek Asset Management as from 1 July 2015.

## COMMITTEES

### Committees Reporting to the Board of Directors

- Audit Committee
- Corporate Governance and Nomination Committee
- Remuneration Committee
- Credit Committee

Title	Name	Position	Experience/ years
<i>Audit Committee:</i>	Nihat Sevinç	Member	28
	Wouter Van Roste	Member	25
<i>Corporate Governance and Nomination Committee:</i>	Deniz Ülke Arıboğan	Member	28
	Timur Kozintsev	Member	15
	Tanju Kaya	Member	28
	Yeliz Koraşlı Özdemir	Member	15
<i>Remuneration Committee:</i>	Sergey Gorkov	Member	20
	Nihat Sevinç	Member	28
<i>Credit Committee:</i>	Alexander Vedyakhin	Member	15
	Derya Kumru	Member	22
	Hakan Ateş	Member	33
	Sergey Gorkov	Associate Member	20
	Timur Kozintsev	Associate Member	15

### Executive Committees

• Assets and Liabilities Com.	• Disciplinary Committee	• Executive Committee
• Executive Credit Risk Com.	• Purchasing Committee	• Management Board
• Communications Committee		

### *Within the Context of Corporate Governance;*

95 Board decisions, 4 Audit Committee decisions and 6 Corporate Governance and Nomination Committee decisions were adopted between 1 January 2015 and 30 June 2015.

## SECTION III- FINANCIAL INFORMATION

### SUMMARY FINANCIAL HIGHLIGHTS

Summary Consolidated Financial Highlights (TL millions)				
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Securities <sup>(1)</sup>	12.324	11.664	9.352	7.601
Net Loans <sup>(2)</sup>	72.486	64.564	60.324	56.466
Banks	14.702	12.853	10.862	10.132
Total Assets	104.453	94.403	85.485	79.668
Customer Deposits <sup>(3)</sup>	68.679	61.831	52.762	49.702
Time	54.034	50.462	41.216	39.091
Demand	14.645	11.369	11.547	10.611
Borrowings <sup>(5)</sup>	7.638	7.889	10.266	10.018
Sub-ordinated Loans	4.476	3.923	3.314	2.354
Securities Issued <sup>(5)</sup>	3.244	3.393	3.622	2.587
Shareholders' Equity	7.445	7.161	6.710	6.088
Paid-in Capital	716	716	716	716
Non-cash Loans	23.598	20.452	19.195	18.416
Interest Income	3.966	7.080	3.397	5.454
Interest Expense	-2.069	-3.453	-1.719	-2.443
Net Interest Income after Provisions	1.272	2.675	1.269	1.983
Non-interest Income	826	1.276	663	1.612
Non-interest Expense	-1.449	-2.736	-1.293	-2.327
Profit from Investments accounted under equity method	0	0	0	0
Net Income	503	939	506	1.011
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Number of Branches <sup>(4)</sup>	766	758	739	713
Number of Employees	14.897	14.979	14.879	14.413
Number of ATMs	4.157	3.989	3.835	3.749
Number of POS Terminals	196.612	191.148	196.122	185.980
Number of Credit Cards	3.241.148	3.098.579	3.095.418	2.717.839

All financial figures presented in this table are extracts from the audited consolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, Turkish Accounting Standards and Turkish Financial Reporting Standards.

<sup>(1)</sup> It is the sum of financial assets at fair value through profit or loss (excluding trading purpose derivatives), investment securities available for sale and investment securities held to maturity.

<sup>(2)</sup> Includes factoring and leasing receivables.

<sup>(3)</sup> Excludes bank deposits. <sup>(4)</sup> Includes subsidiaries' branches

<sup>(5)</sup> Securities issued by Special Purpose Entity DFS Funding Corp. are reported under Securities Issued



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Summary Unconsolidated Financial Highlights (TL millions)				
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Securities <sup>(1)</sup>	10.986	9.822	7.419	6.135
Net Loans	49.038	43.096	40.908	38.637
Banks	11.721	9.951	8.342	7.882
Total Assets	79.522	70.931	64.198	60.555
Customer Deposits <sup>(2)</sup>	44.874	41.552	35.349	34.328
Time	35.327	34.188	27.260	26.939
Demand	9.547	7.364	8.089	7.389
Borrowings	7.886	7.508	9.734	9.123
Sub-ordinated Loans	4.476	3.923	3.314	2.354
Securities Issued	1.359	1.622	1.505	1.371
Shareholders' Equity	7.428	7.139	6.685	6.043
Paid-in Capital	716	716	716	716
Non-cash Loans	23.293	20.422	19.135	18.326
Interest Income	3.203	5.744	2.761	4.515
Interest Expense	-1.748	-2.838	-1.411	-2.007
Net Interest Income after Provisions	857	2.019	977	1.540
Non-interest Income	609	1.072	532	1.092
Non-interest Expense	-1.326	-2.509	-1.187	-2.069
Profit from Investments accounted under equity method	295	603	268	353
Net Income	394	989	527	790
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Number of Branches	724	716	709	689
Number of Employees	13.077	13.187	13.182	12.822
Number of ATMs	4.157	3.989	3.835	3.749
Number of POS Terminals	196.612	191.148	196.122	185.980
Number of Credit Cards	3.241.148	3.098.579	3.095.418	2.717.839

All financial figures presented in this table are extracts from the audited unconsolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, Turkish Accounting Standards and Turkish Financial Reporting Standards.

<sup>(1)</sup> It is the sum of financial assets at fair value through profit or loss (excluding trading purpose derivatives), investment securities available for sale and investment securities held to maturity.

<sup>(2)</sup> Excludes bank deposits

## ASSESSMENT of FINANCIAL POSITION and RISK MANAGEMENT

DenizBank continues its activities profitably, without compromising asset quality and strengthens its shareholder's equity. The share of the Bank's fixed asset investments in the shareholder's equity is at low levels. DenizBank put its free capital to interest earning assets as part of its core banking activities. DenizBank has a capital adequacy ratio significantly higher than the regulatory requirements thanks to strong and effective risk management.

Shareholders' Equity and Capital Adequacy (TL millions)				
	Consolidated			
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Capital Adequacy Ratio (%)	12,80	12,87	12,58	12,13
Return on Average Equity (%)	13,8	14,2	15,8	17,2
Free Capital <sup>(1)</sup>	5.477	5.397	5.079	4.604
Free Capital Ratio <sup>(2)</sup> (%)	5,24	5,72	5,94	5,78
	Unconsolidated			
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Capital Adequacy Ratio (%)	15,70	14,09	14,00	12,83
Return on Average Equity (%)	10,8	15,0	16,5	14,3
Free Capital <sup>(1)</sup>	2.408	2.623	2.284	2.066
Free Capital Ratio <sup>(2)</sup> (%)	3,03	3,70	3,56	3,41

<sup>(1)</sup> Free Capital = Shareholders' Equity - Net Non-performing Loans - Subsidiaries - Deferred Tax Assets - Tangible and Intangible Fixed Assets - Prepaid Expenses - Fixed Assets to be disposed of

<sup>(2)</sup> Free Capital Ratio = Free Capital / Total Assets

Asset Quality				
	Consolidated			
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Non-performing Loans/Total Cash Loans Ratio (%)	3,5	3,0	3,2	2,8
Non-performing Loans Provision Ratio (%)	104,4	112,4	111,4	120,3
Loan Loss Provisions/ Total Cash Loans Ratio (%)	3,6	3,4	3,5	3,4
Cost of Risk (%)	1,3	1,1	0,8	1,5
	Unconsolidated			
	30.06.2015	31.12.2014	30.06.2014	31.12.2013
Non-performing Loans/ Total Cash Loans Ratio (%)	4,4	3,8	3,9	3,5
Non-performing Loans Provision Ratio (%)	110,5	120,0	120,2	128,0
Loan Loss Provisions/ Total Cash Loans Ratio (%)	4,9	4,6	4,7	4,5
Cost of Risk (%)	1,9	1,5	1,1	2,0

## RISK MANAGEMENT POLICIES

The Risk Management Group carries out comprehensive risk management activities which play a critical role in the identification of DenizBank's operational strategies. The Group is responsible for creating, auditing and reporting necessary policies and procedures to identify, measure, analyze and monitor risks, which are primarily real or potential risks including the risk/return ratio of cash flows. These policies and procedures follow the principles set by the Bank's executive management and Risk Management Group and approved by the Board of Directors.

Depending on the type of process involved, the Risk Management Group works in collaboration with the Audit Committee, Assets and Liabilities Committee, Credit Committee, Risk Committee, and the Internal Control and Compliance, and Internal Audit Departments as regards both policies and practices.

>> The Group periodically reports risk analyses to the Audit Committee and Assets and Liabilities Committees so as to guide them in determining and monitoring risk limits and developing risk management strategies.

>> Monitoring, analysis, assessment and modeling of credit risk are conducted, based on credit type, by the credit allocation departments of the related groups, namely the Credit Committee, Risk Committee and Risk Management Group. Results pertaining to credit risk are reported to the Board of Directors.

>> While each business unit is responsible for managing its own operational risk, the Risk Management Group sets policies and monitors and reports activities in coordination with the Internal Control, Compliance, and Internal Audit Department. Assessments are performed by the Risk Committee and the Audit Committee.

Risk management policies consist of risk identification, measurement and management processes. DenizBank conducts its banking activities by strictly adhering to risk management policies that aim to analyze risks and manage them within acceptable limits. DenizBank has adopted this as an integral principle in all of its operations to develop systems that comply with Basel II, and other guiding international risk management principles.

DenizBank has formulated risk management policies with regards to Sberbank's Group approach as seen below:

### ***Market Risk***

The Bank conducts its activities in the money and capital markets in accordance with its risk policies and limits. DenizBank measures market risk using the internationally accepted Value at Risk (VaR) method, which is known for its dynamic structure that adapts easily to changing market conditions. VaR quantifies the loss of value that the portfolio of the Bank and its financial subsidiaries might suffer at a given time and confidence interval as a result of fluctuations in risk factors. VaR analyses are supported by scenario analyses and stress tests. This method allows for adaptation to changing market conditions when the risk level is determined. The reliability of the model used in calculating VaR is periodically tested through back testing. The Bank has formulated risk policies and established risk based limits with regards to its trading activities in money and capital markets.

### ***Basel II/Credit Risk***

In line with BRSA's regulations on Basel II, the Risk Management Group manages the calculation of legal credit risk weighted assets in the 1.Structural Block, in coordination with the Financial Affairs Group. Within the scope of the 2.Structural Block, the Bank calculates the annual general stress test according to its plans and scenarios; whereas the Internal Capital Assessment Process Report is prepared by Bank management and other departments in coordination. In order to ensure compliance with Basel II credit risk internal assessment methods, the Group participates in the development of the necessary credit risk models and coordinates efforts to integrate these with the data infrastructure. The Group is also in charge of the quality control and reporting of the credit levels yielded by the current internal credit assessment models.

DenizBank manages credit risk under four main groups: Corporate and Commercial Credits Group, Retail, SME and Agricultural Banking Credits Allocation Group, Credit Follow Up and Risk Monitoring Group, Credit Methodologies Group. Corporate and Commercial Credits Group performs credit analysis and allocation on the client basis for wholesale banking customers. Retail, SME and Agricultural Banking Credits Allocation Group while performs credit analysis on portfolio basis for retail banking clients, allocates credits individually. Credit Follow Up and Risk Monitoring Group is responsible for ensuring healthy operation of early warning systems, collection of credits, administrative and legal follow up of the credits. Credit Methodologies Group prepares credit policy and methodology documents, participates at credit risk models development and prepares reports of credit portfolio. Risk and limit controls are being made automatically by core banking system, the internal rating is applied to all clients as a part of credit risk management. Denizbank has 13 credit region offices in order to maintain effective customer and credit risk management.

### ***Liquidity Risk***

Liquidity adequacy is monitored within defined limits to ensure that the Bank has sufficient liquidity and reserves under any condition. While analyzing liquidity adequacy, any negative developments that may arise as a result of a change in market conditions or customer behavior are taken into account. The adequacy of existing liquidity and reserve opportunities are tested against these worst-case scenarios.

### ***Operational Risk***

All events bearing operational risk for the Bank and its subsidiaries are recorded in a manner that captures the causes and impacts of events and collections. Events that are frequent or significant are discussed by Internal Control, the Internal Audit Department and the concerned department, and corrective/preventive measures are put into practice. Potential operational risk is assessed by means of Risk and Control Self-Assessment. The adequacy of risk mitigation measures are reviewed during this study and new measures are implemented whenever deemed necessary. The Risk Management Group is also in charge of the coordination of the Business Continuity Program.

### ***Structural Interest Rate Risk***

The structural interest rate risk exposed to due to the Bank's balance sheet structure is monitored by using advanced models, and assumed risks are controlled through defined limits. Interest sensitivity analyses are conducted to measure the impact of the Bank's maturity mismatch on net present value and income. The structural interest rate risk exposed due to the Bank's balance sheet structure is monitored by using advanced models, and assumed risks are controlled through defined limits.

## GENERAL OUTLOOK of THE TURKISH ECONOMY and THE BANKING SECTOR

Evaluations regarding the developments in Turkish Economy and banking sector in the first six months of 2015 have been summarized below.

The fact that Turkey's current account deficit reached 9,7% of the GDP in 2011 as a result of rapid GDP growth at the level of 9% both in 2010 and 2011 pushed authorities starting with the Central Bank of the Republic of Turkey to take some measures to slow down the economy through credit growth; consequently Turkish economy grew by 2,2% in 2012 with a performance below the average growth of the previous 10 years. With the effect of the measures taken, current account deficit decreased by 3,6 points in 2012 down to 6,1% of the GDP while the inflation decreased by 4,3 points to the level of 6,2%. In the year 2013, Turkish economy grew 4,0%, better than in 2012 driven by revival of domestic demand although this growth figure is still below Turkey's potential. Acceleration in GDP growth was accompanied by growing current account deficit, which is a structural problem of Turkey. Upon the current account deficit reaching 8,1% of the GDP in 2013, authorities took a series of measures in the beginning of 2014 such as limiting number of installments for credit card purchasing, introducing the obligation of equity contribution for some types of loans and implementing single, consolidated limit for credit cards of consumers with all issuers in order to curb the current account deficit in a structural way and to develop savings. Furthermore, increase in interest rates on a global scale and deteriorated inflationary expectations upon annual inflation rate reaching 7,4% in Turkey led the Central Bank of the Republic of Turkey to increase the policy rate to 10,0% at the beginning of 2014. As a result of growing global risk appetite and elimination of political uncertainty following elections in Turkey in 2014, policy rate went down to 8.25%. Although interest rates fell gradually to 7.50% at the beginning of 2015, the Central Bank of Turkey continued tight monetary policy due to depreciation of TL and inflation realizing above the Central Banks target of 5%. Growing by 5% in the first half of 2014, retail loans had a growth of 7% in the first half of this year.

Parallel to the decrease of internal and external imbalances, rating agencies upgraded sovereign ratings. Fitch Ratings and Moody's upgraded Turkey's long term foreign currency ratings to investment grade of BBB- and Baa3, respectively. Budget discipline was also a supporting drive on rating upgrades. Thus 2014 ended same as 2014 with a very low budget deficit as 1,3% and public debt to GDP ratio has been still below 40%. Medium Term Program also indicates the fact that this budget discipline will be continued until 2017. Parallel to this view, it will be possible to decrease budget deficit to 0,3% and public debt to GDP will force to levels below 30% in 2017.

Evaluation of the banking sector according to the June 2015 data\*:

-Loan volume (excluding financial sector loans)	TL 1.375 billion
TL Loan volume (excluding financial sector loans)	TL 963 billion
FX Loan volume (excluding financial sector loans)	USD 156 billion
-Deposit Volume (excluding interbank deposits)	TL 1.186 billion
TL Deposit Volume (excluding interbank deposits)	TL 672 billion
FX Deposit Volume (excluding interbank deposits)	USD 194 billion

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In the first six months of 2015, the total loan volume of the banking sector increased by 12% compared to the end of 2014 and by 24% compared to the same period of the previous year and reached TL 1.375 billion. In the first half of 2015, mortgage, general purpose, commercial and corporate loans became the segments with priority impact on total loan increase. Consumer loans indicated a 7% increase compared to 2014 year-end rates and while a 15% increase year-on-year basis. On the other hand, credit card loans increased by 4% in the first six months of the year. Commercial and corporate loans including SME loans grew by 15% in the first six months. While completing the year of 2014 at level of 2,88% from its highest level of 5,8% during the crisis, the total NPL ratio increased slightly by 1bps to 2,89% as at June 2015.

Total deposits reached TL 1.186 billion by increasing 21% compared to the same period of 2014 and only 12% according to 2014-end. The sector's total equity rose by 14% y-o-y and 5% y-t-d, reaching TL 244 billion. The net profit of the banking sector in the first six months was realized as TL 13,6 billion recording a 9% y-o-y increase.

*\* Banking sector data are extracts from the BRSA weekly bulletin including participation bank figures.*

#### FURTHER INFORMATION

- 1- To view the material disclosures made in Public Disclosure Platform, click the link below:  
<http://www.denizbank.com/en/investor-relations/announcements/default.aspx>
- 2- To download DenizBank 30.06.2015 consolidated and unconsolidated financial statements and footnotes click the link below.  
<http://www.denizbank.com/en/investor-relations/financial-information/financial-figures.aspx>
- 3- To download 2014 Annual Report for further information about the main activities of DenizBank click the link below:  
<http://www.denizbank.com/en/investor-relations/annual-reports/default.aspx>