

# Interim Activity Report 2Q 2013

DenizBank Financial  
Services Group



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

**DENİZBANK A.Ş.**  
**2013 2<sup>nd</sup> QUARTER- INTERIM ACTIVITY REPORT**  
**STATEMENT of RESPONSIBILITY**

The Interim Activity Report related to the period between 01.01.2013 and 30.06.2013 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 “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 2013

**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

**DENIS BUGROV**

Member of Board of Directors  
and Audit Committee

**HERMAN GREF**

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: 666

# of Foreign Branches: 19 (including subsidiaries' branches)

# of Employees: 12.529

# of Subsidiaries, Associates and Jointly Controlled Companies: 13

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

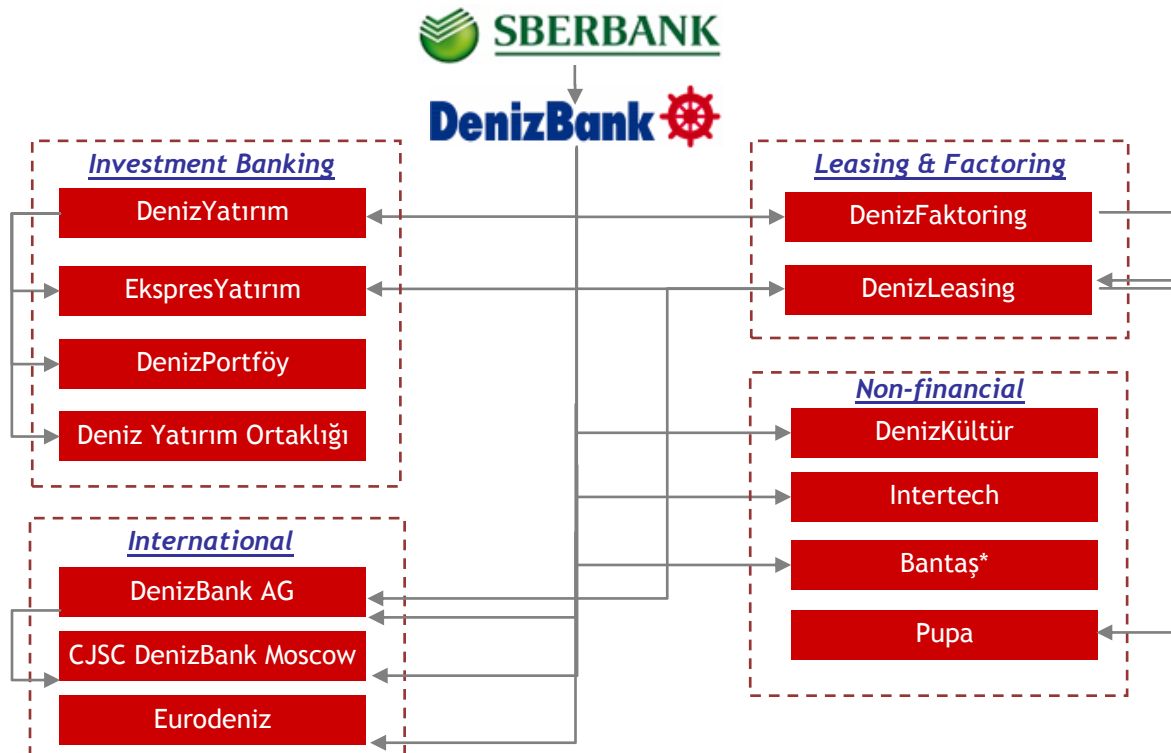
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### DENİZBANK FINANCIAL SERVICES GROUP (DFSG)



\*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. Continuing its activities under Dexia umbrella for 6 years, DenizBank operates as from 28 September 2012 under the roof of Sberbank of Russia (Sberbank), the biggest and deepest-rooted bank in Russia.

In addition to DenizBank, DenizBank Financial Services Group consists of six domestic and three international financial subsidiaries, four domestic non-financial subsidiaries and a branch in Bahrain. DenizYatırım Securities, EkspresInvest Securities, DenizInvestment Trust, DenizPortfolio Management, DenizLeasing, DenizFactoring, Intertech, DenizKültür, Bantaş and Pupa 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 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 667 domestic DenizBank branches, including one in Bahrain, DenizBank AG has 18 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**

Sberbank of Russia is the largest bank in Russia and the CIS. The founder and 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 Depository Shares (ADS) were listed on the London Stock Exchange, and admitted to trading on the Frankfurt Stock Exchange and over the counter in the United States.

Sberbank holds a dominant position on the Russian banking sector market in terms of total assets. It is the major lender to the national economy and the biggest deposit taker in Russia. As of July 1, 2013, Sberbank accounted for 29% of aggregate banking assets, 45% of retail deposits, 33% of loans to corporate clients and 32% of retail loans. Sberbank's equity reached RUB1,8 trln (~USD55 bn), which corresponds to 28,5% of the aggregate capital of Russian banks.

Established in 1841, Sberbank is a universal commercial bank offering individual and corporate clients diversified and complex banking solutions. Sberbank is also a big player in servicing state-owned, sub-federal units and municipalities. Building mutually advantageous relations with all of its clients is Sberbank's driver of success. More than 110

million individual customers (> 70% of the Russian population) and over 1 million of companies (out of 4,6 million legal entities in Russia) bank with Sberbank.

Sberbank provides a broad range of banking services to retail clients including deposits, various types of loans (consumer, car loans and mortgages) as well as bank cards, money transfers, bank insurance and brokerage. Sberbank built a unique-in-Russia sophisticated retail underwriting process, called 'Credit Factory', designed for an efficient credit risk assessment. Sberbank is the largest issuer of debit and credit cards, with the latter exceeding 9,3 million issued as of March 1, 2013. Sberbank entered the POS (point of sale) market via a JV with BNP Paribas, under 'Cetelem' brand.

In the corporate segment, Sberbank serves all types of businesses, remarkably growing the share of small and medium-sized businesses to over 26% of the Group's corporate loan portfolio. The Bank is also active in deposit-taking, settlement services, project, trade and export finance, cash management and other core banking activities. Sberbank Corporate and Investment Banking (CIB) offers financial advisory services and a selection of investment solutions including structured products, ECM, DCM, M&A and operations on global markets.

In addition to its 18.600 + branch regional network, Sberbank promotes remote channel usage via one of the world's largest network of ATM machines and self-service terminals of ~78.000, as well as mobile and online banking services.

At the end of 2009 Sberbank launched a five-year Development Strategy dedicated to transform the Bank into a more innovative and technologically sophisticated bank, focused on improvement of operating efficiency. The Strategy also implied a major reformatting of Sberbank's regional branch network as part of its modernization.

As part of its Development Strategy, in recent years, Sberbank has substantially extended its international presence beyond the CIS region - Kazakhstan, Ukraine and Belarus - into nine countries of Central and Eastern Europe via Sberbank Europe AG (former VBI) and Turkey via acquisition of DenizBank. Sberbank also has representative offices in Germany and China, a branch in India and operates Sberbank Switzerland AG.

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**

In the first quarter of 2013, the Turkish economy picked up, with GDP growing 3.0% y-o-y and exceeding expectations. This increase observed at the beginning of the year was due to recovery in household consumption and investment demand that stayed below potential last year.

The upturn economic activity at the start of the year was accompanied by an expansion of current account deficit, which widened to USD 31,9 bn in January- May 2013 from USD 26,1 bn in the same period of 2012, mainly due to increased gold imports. The deficit is mainly financed by capital inflows which were amplified by Moody's upgrade of the country's sovereign rating to investment level. In spite of the evidence of solid growth, investors' sentiment and capital flows are important for Turkish economy.

Retail lending demonstrated a robust growth in the first half of 2013. DenizBank continued its strong, stable and profitable growth thanks to its risk-oriented policies and solid balance sheet structure in the first half of 2013.

A remarkable event of the first half of the year took place back in April, when DenizBank signed an agreement to acquire the retail banking division of Citibank in Turkey. The deal was subsequently completed on July 1st, 2013 and served as an exceptional example both in Turkey and in the World of integration by partial balance and network. Increased market share in credit cards and loans, premium customer profile, expanded cross-sell opportunities and high quality HR force - these are just few significant benefits from the acquisition.

In the meantime, DenizBank is being integrated in Sberbank's Group and the process looks encouraging across major business lines and developments of control and support functions in compatible mode. Integration results are evident through feedback from the customers as Russian tourists are keen to be served in branches and ATMs of DenizBank thanks to its positioning as part of Sberbank's Group. Similar positive signs are seen among Russian companies running business in Turkey. However, what is crucial for the success of integration is an increasing involvement of DenizBank employees into the Group's corporate and business culture. With this effectively in place, DenizBank captains would see even more opportunity for a steady and profitable growth by navigating the blue oceans of synergies and efficiency gains through tighter cooperation with Sberbank.

**HERMAN GREF**  
**CHAIRMAN**

## **MESSAGE FROM THE PRESIDENT AND CEO**

DenizBank achieved successful results in terms of both financial and operational results at the first half of 2013. Our success graph that accelerated as we joined the Sberbank family in 2012 continues to increase with the transfer of Citi Turkey consumer business to our Bank.

DenizBank managed to increase her assets, loans and customer deposits both on consolidated and unconsolidated basis by outperforming the sector in the first six months of 2013. Our assets increased by 36% and 33% on consolidated and unconsolidated basis on a year-to-date basis and reached TL 65 billion 205 million and TL 49 billion 961 million, respectively.

DenizBank's consolidated and unconsolidated customer deposits, the main source of funding, reached TL 39 billion 157 million and TL 27 billion 475 million, recording 31% and 33% yearly increases, respectively, almost doubling the sector. Expanding customer base with 11% increase parallel to the branch network consisting of 685 branches in 81 provinces of Turkey together with its foreign subsidiaries branches and 32 branches joining from Citi Turkey consumer business transfer to our Bank have been one of the most important factors in the increase of DenizBank deposits.

Enabling the real sector to access longer terms of funds by means of turning long term resources into loans, DenizBank contributed to turn long term resources into loans with its bond/bill issuances with bonds amounting to TL 926 million and bills amounting to TL 162 million, TL 1.089 million in total in 2013. Besides, DenizBank as the third bank in the sector, issued Asset Backed Securities (ABS) to EIB, IFC and EBRD at the amount of TL 413 million and 3-5 years maturity as first tranche and to DEG (German Investment and Development Corporation) under the guarantee of EIF (European Investment Fund) at the amount of TL 90 million as second tranche enabling the real sector to Access longer terms of funds. While SME loans of DenizBank constituted the collateral of the issuance, The resource obtained will be used in order to finance SMEs and agricultural loans. DenizBank also provided USD 25 million loan for the SME's operating for energy efficiency and

renewable energy investments within the loan agreement signed with Japan Bank for International Cooperation (JBIC) under GREEN operations (Global action for Reconciling Economic growth and ENvironmental preservation).

In the first six months of 2013, DenizBank continued to transfer its funds to all sectors of the economy with its wide range of product portfolio and reached its consolidated loans to TL 46 billion 708 million increasing by 37% y-o-y and 20% y-t-d. Unconsolidated loan volume was realized as TL 33 billion 54 million, growing by 35% y-o-y and 17% y-t-d. Commercial, corporate, retail and SME loans became the main contributors of the increase in loans. DenizBank recorded a 34% annual growth in credit cards reaching a volume of TL 9,4 billion, while it showed a performance above the sector growth in consumer loans with a 29% increase.

Breaking another new ground in the sector, DenizBank SME Banking offer “Yazarkasa Mobil POS”, which is the only machine complies with the communique changed in June 2012, for SME’s use with the cooperation of MT Bilişim. “Yazarkasa Mobil POS” with its almost 30.000 merchants will provide SMEs to realize all banks’ transactions with a single terminal. In addition, enterprises will be able to get rid of workloads, loss and leaks and work more efficiently thanks to more intelligent and practical solutions that can be integrated with the sales and payments.

DenizBank also continued its support to the agricultural sector, another one of its priority sectors and also as part of its social responsibility mission. DenizBank kept its first place among private banks by allocating TL 3,0 billion agricultural loans as a result of the innovations offered to producers.

Our consolidated and unconsolidated shareholders’ equity increased by 14% and 8% compared to the same period of 2012, reaching TL 5 billion 767 million and TL 4 billion 913 million, respectively. In the first half of 2013, DenizBank recorded 12,64% and 13,98% capital adequacy ratios on consolidated and unconsolidated basis, respectively, both of which are relatively higher than the international standards.

DenizBank reported its consolidated net profit TL 635 million almost doubling y-o-y in the first half of 2013 while recording TL 386 million unconsolidated net profit.

Differentiating itself with innovative products and services, DenizBank has won another new award in the international arena. At the conference, which was held for the 14th time this year in USA with the theme “business culture” and candidates were assessed according to formation of loyal, creative, customer oriented, open-to-development business culture and the tangible contributions of that culture to business achievements, DenizBank Call Center received the “Greatest Job Creating a Culture that Inspires World-Class Excellence Award” at the 2013 Call Center Week Awards With the business culture it has created and the contribution of this culture to its success.

During its journey that started as a bank with no customers, building, branches and even employees 16 years before, efficient and profitable growth model in an organic and inorganic manner has always been DenizBank’s main strategy.As from the second half of 2013, DenizBank will continue to write new success stories with diligent efforts of its Sailors, now approaching 14.000 with participation of 1.400 new Sailors who have been raised with Citi école and the strong wind of Sberbank family.

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



## CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL

As of 30 June 2013, 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>

## 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

DenizBank AG, headquartered in Austria, opened five new branches in St. Pölten, Dortmund, Wels, Berlin and Baden and reached 18 branches.

## AMENDMENTS TO ARTICLES OF ASSOCIATION

There is no amendment to Articles of Association between 01.01.2013 and 30.06.2013.

## TYPE AND AMOUNT OF THE ISSUED CAPITAL MARKET INSTRUMENTS

Funding	Amount	Maturity	Issue Date	Maturity Date
Bank Bond	TL 65.225.000	105 days	30 January 2013	15 Mayıs 2013
Bank Bond	TL 46.625.000	168 days	30 January 2013	17 July 2013
Bill	TL 88.150.000	1.120 days	30 January 2013	24 February 2016
Bill	TL 3.660.000	380 days	25 February 2013	12 March 2014
Bank Bond	TL 230.000.000	180 days	20 March 2013	16 September 2013
Bill	TL 23.000.000	390 days	20 March 2013	14 April 2014
Bill	TL 22.000.000	544 days	20 March 2013	15 September 2014
Bank Bond	TL 384.614.704	175 days	10 April 2013	2 October 2013
Bill	TL 25.385.296	1.099 days	10 April 2013	13 April 2016
Bank Bond	TL 200.000.000	124 days	13 Mayıs 2013	16 September 2013
<b>TOTAL-Bill-Bank Bond</b>	<b>TL 1.088.660.000</b>			
Asset Backed Securities	TL 413.040.000	3-5 years	6 June 2013	26 May 2016 / 26 May 2018
Asset Backed Securities	TL 90.000.000	4 years	2 August 2013	26 Mayıs 2017
<b>TOTAL- Securities</b>	<b>TL 1.591.700.000</b>			

## DONATIONS

List of donations made by DenizBank in 2013 are as follows:

INSTITUTION NAME	Amount (TL)
TÜRKİYE FİLARMONİ DERNEĞİ	35.248
ANKARA ÇOKSESİLİ MÜZİK DERNEĞİ	15.000
TÜRKİYE OMURİLİK FELÇLİLERİ DERNEĞİ	10.000
TÜRKİYE EĞİTİM GÖNÜLLÜLERİ VAKFI	8.202
TÜRK EĞİTİM VAKFI	7.025
İSTANBUL TEKNİK ÜNİVERSİTESİ VAKFI	2.500
DENİZTEMİZ DERNEĞİ	1.849
OTHER	3.380
<b>TOTAL</b>	<b>83.203</b>

## AMENDMENTS TO RATING NOTES

The amendments to Ratings of DenizBank assigned by Fitch Ratings and Moody's between 01.01.2013-30.06.2013 are below.

On 20 May 2013, Moody's upgraded DenizBank's long term foreign currency deposit rating from 'Ba2' to 'Baa3', short term foreign currency deposit rating from 'Not-Prime' to 'Prime-3' and affirmed short term foreign currency deposit rating as 'Prime-3' and all ratings' outlook as 'Stable' due to country ceiling upgrade.

Fitch Ratings has affirmed all DenizBank ratings on 18 April 2013. Ratings are as follows:

### Moody's

Long Term Foreign Currency Deposits	<b>Baa3</b> / Stable
Short Term Foreign Currency Deposits	<b>Prime-3</b> / Stable
Long Term Local Currency Deposits	<b>Baa3</b> / Stable
Short Term Local Currency Deposits	<b>Prime-3</b> / Stable
Bank Financial Strength Rating (BCA)	<b>D+(ba1)</b> / Stable

### FitchRatings

Long Term Foreign Currency	<b>BBB-</b> / Stable
Short Term Foreign Currency	<b>F3</b>
Long Term Local Currency	<b>BBB-</b> / Stable
Short Term Local Currency	<b>F3</b>
Viability	<b>bbb-</b>
Support	<b>2</b>
National	<b>AAA (tur)</b> / Stable

## SECTION II - MANAGEMENT and CORPORATE GOVERNANCE

### BOARD of DIRECTORS

Title	Name	Position	Beginning-End Date of Tenure
<b>Chairman of the Board of Directors:</b>	Herman Gref	Chairman-Non-executive	September 2012- March 2014
<b>Board Members:</b>	Deniz Ülke Arboğan	Vice Chairman-Independent	Dec 2012- Dec 2015
	Hakan Ateş	Member-Executive	June 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	June 2009- Dec 2015
	Denis Bugrov	Member-Non-executive	Sept 2012- Dec 2015
	Vadim Kulik	Member-Non-executive	Sept 2012- Dec 2015
	Alexander Vedyakhin	Member-Executive	Nov 2012 - Dec 2015
	Igor Kondrashov	Member-Non-executive	Dec 2012 - Dec 2015
	Andrey Donskikh	Member-Non-executive	Dec 2012 - Dec 2015
	Alexander Morozov	Member-Non-executive	Dec 2012 - Dec 2015
	Sergey Gorkov	Member-Non-executive	Sept 2012- Dec 2015
	Timur Kozintsev*	Member-Non-executive	July 2013- Dec 2015

\*Started his duty as of 11 July 2013.

### EXECUTIVE MANAGEMENT

Title	Name	Position	Experience
<b>President &amp; CEO:</b>	Hakan Ateş	President & CEO	32 years
<b>Executive Vice Presidents and Executive Committee Members:</b>	Mustafa Aydın	Retail, SME and Agricultural Banking Loan Allocation-EVP	26 years
	Mehmet Aydoğdu	Commercial Banking and Public Finance-EVP	16 years
	Bora Böcügöz	Treasury, Financial Institutions, Private Banking-EVP	24 years
	Suavi Demircioğlu	Financial Affairs-EVP	23 years
	Dilek Duman	Information Technology and Support Operations-EVP-Chief Operations Officer	24 years
	Murat Çelik	Digital Generation Banking-EVP	21 years
	Gökhan Ertürk	Retail Banking-EVP	20 years
	Tanju Kaya	Administrative Services-EVP	27 years
	Hayri Cansever	Corporate Banking-EVP	15 years
	Mustafa Özel	Branch and Central Operations-EVP	25 years
	Saruhan Özel	Economic Research, Strategy and Project Management-EVP	17 years
	Gökhan Sun	SME and Agricultural Banking-EVP	21 years
	İbrahim Şen	Credit Following and Risk Monitoring-EVP	20 years

**DenizBank Financial Services Group**  
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**Section II - Management and Corporate Governance**

	Selim Efe Teoman	Corporate and Commercial Credits-EVP	19 years
	Ayşenur Hıçkırın*	Payment Systems and Non Branch Channels-EVP	17 years
	Cem Demirağ	Head of Internal Control Center and Compliance	22 years
	Ali Murat Dizdar	Chief Legal Advisor	22 years
	Aysun Mercan	Secretary General	31 years
<b>Head of Internal Audit:</b>	Ramazan Işık	Head of the Board of Internal Audit	14 years

\*Started her duty as of 1 July 2013.

## COMMITTEES

### Committees Reporting to the Board of Directors

- Audit Committee
- Corporate Governance and Nomination Committee

Title	Name	Position	Begin Date of Tenure
<b>Audit Committee Members:</b>	Nihat Sevinç	Member	January 2013
	Wouter Van Roste	Member	November 2012
	Denis Bugrov	Member	September 2012
<b>Corporate Governance and Nomination Committee Members:</b>	Deniz Ülke Arıboğan	Member	January 2013
	Timur Kozintsev	Member	July 2013
	Tanju Kaya	Member	September 2004
<b>Remuneration Committee Members:</b>	Sergey Gorkov	Member	September 2012
	Nihat Sevinç	Member	January 2013

### Executive Committees

• Assets and Liabilities Com.	• Disciplinary Committee	• Promotions Committee
• Credit Committee	• Purchasing Committee	• Executive Committee
• Risk Committee	• Communications Com.	• Management Board
• Support Services Com.	• Recommendation Com.	

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

32 Board decisions, 1 Audit Committee decisions and 3 Corporate Governance and Nomination Committee decisions were adopted between 1 April 2013 and 30 June 2013.

## SECTION III- FINANCIAL INFORMATION

### SUMMARY FINANCIAL HIGHLIGHTS

Summary Consolidated Financial Highlights (TL millions)				
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Securities <sup>(1)</sup>	7.904	8.656	7.164	5.544
Net Loans <sup>(2)</sup>	46.708	38.801	34.082	30.947
Subsidiaries <sup>(3)</sup>	18	18	16	16
Net Fixed Assets	447	456	412	416
Total Assets	65.205	56.495	47.906	44.756
Customer Deposits <sup>(4)</sup>	39.120	34.985	30.001	26.499
Time	31.739	27.950	24.927	22.357
Demand	7.381	7.034	5.075	4.142
Borrowings	8.672	7.003	6.891	7.610
Sub-ordinated Loans	1.540	888	897	939
Shareholders' Equity	5.766	5.665	5.051	4.641
Paid-in Capital	716	716	716	716
Non-cash Loans	15.574	12.381	10.803	10.111
Interest Income	2.621	4.806	2.366	3.536
Interest Expense	-1.064	-2.337	-1.184	-1.655
Net Interest Income after Provisions	989	1.742	924	1.428
Non-interest Income	845	952	371	989
Non-interest Expense	-1.017	-1.739	-841	-1.500
Net Profit/Loss From Discontinued Operations	0	0	0	343
Net Income	635	720	334	1.061
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Number of Branches <sup>(5)</sup>	685	624	610	600
Number of Employees	12.529	11.618	11.254	10.826
Number of ATMs	3.490	3.180	2.724	2.370
Number of POS Terminals	146.778	122.567	120.233	110.324
Number of Credit Cards	2.230.804	2.191.590	2.090.509	1.966.602

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> Total of investments in associates, investments in subsidiaries and entities under common control (joint venture)

<sup>(4)</sup> Excludes bank deposits

<sup>(5)</sup> Includes subsidiaries' branches

**DenizBank Financial Services Group**  
**2013 2<sup>nd</sup> Quarter Interim Activity Report**  
Section III - Financial Information

Summary Unconsolidated Financial Highlights (TL millions)				
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Securities <sup>(1)</sup>	6.835	7.392	6.208	5.193
Net Loans	33.054	28.191	24.412	22.422
Subsidiaries <sup>(2)</sup>	1.202	1.004	926	719
Net Fixed Assets	432	443	401	406
Total Assets	49.961	44.198	37.556	35.983
Customer Deposits <sup>(3)</sup>	27.475	25.807	20.584	18.896
Time	22.795	20.816	17.063	15.795
Demand	4.680	4.991	3.521	3.101
Borrowings	7.187	5.398	5.973	6.520
Sub-ordinated Loans	1.540	888	897	939
Shareholders' Equity	4.913	5.030	4.570	3.951
Paid-in Capital	716	716	716	716
Non-cash Loans	15.400	12.106	10.344	9.745
Interest Income	2.188	4.095	2.035	3.071
Interest Expense	-868	-1.953	-996	-1.390
Net Interest Income after Provisions	769	1.476	797	1.251
Non-interest Income	691	1.131	628	771
Non-interest Expense	-944	-1.614	-779	-1.385
Net Profit/Loss From Discontinued Operations	0	0	0	388
Net Income	386	813	554	874
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Number of Branches	667	610	596	588
Number of Employees	11.100	10.280	9.981	9.772
Number of ATMs	3.490	3.180	2.724	2.370
Number of POS Terminals	146.778	122.567	120.233	110.324
Number of Credit Cards	2.230.804	2.191.590	2.090.509	1.966.602

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> Total of investments in associates, investments in subsidiaries and entities under common control (joint venture)

<sup>(3)</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			
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Capital Adequacy Ratio (%) <sup>(1)</sup>	12,64	13,09	13,74	14,72
Shareholders' Equity	5.766	5.665	5.051	4.641
Return on Average Equity (%)	22,2	14,0	13,8	25,6
Free Capital <sup>(2)</sup>	4.431	4.258	3.960	3.754
Free Capital Ratio (%) <sup>(3)</sup>	6,79	7,54	8,27	8,39

	Unconsolidated			
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Capital Adequacy Ratio (%) <sup>(1)</sup>	13,98	14,62	15,57	15,65
Shareholders' Equity	4.913	5.030	4.570	3.951
Return on Average Equity (%)	15,5	18,1	26,0	24,6
Free Capital <sup>(2)</sup>	2.548	2.810	2.676	2.463
Free Capital Ratio (%) <sup>(3)</sup>	5,10	6,36	7,13	6,84

(1) 30.06.2013 and 31.12.2012 Capital Adequacy Ratios are calculated according to Basel II, the others are based on Basel I.

(2) Free Capital Ratio = Free Capital / Total Assets

(3) 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

### Asset Quality

	Consolidated			
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Non-performing Loans/ Total Cash Loans Ratio (%)	3,3	3,5	2,9	2,8
Non-performing Loans Provision Ratio (%)	115,5	101,2	109,9	115,8

	Unconsolidated			
	30.06.2013	31.12.2012	30.06.2012	31.12.2011
Non-performing Loans/ Total Cash Loans Ratio (%)	4,0	4,1	3,3	3,2
Non-performing Loans Provision Ratio (%)	123,0	107,4	118,6	126,7

## RISK MANAGEMENT POLICIES

One of the major pillars of DenizBank's main strategies is to adhere to Risk Management principles. Risk Management policies consist of identification, measurement and management processes. In this respect, DenizBank conducts its banking activities by strictly adhering to risk management policies that aim to analyze risks and manage them by way of acceptable limits. Risk Management Policies were devised based on market risk, credit risk, liquidity risk, operational risk and structural interest risk categories. DenizBank has adopted it as an integral principle in all of her operations to develop systems that comply with Basel II and other guiding international risk management principles.

### *Market Risk*

DenizBank measures market risk using internationally-accepted Value at Risk (VAR) method. VAR quantifies the loss of value that the portfolio of the Bank and her financial subsidiaries might suffer at a given time and confidence interval as a result of the price fluctuations in risk factors. VAR analyses are supported with scenario analysis and stress tests. This method allows 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. DenizBank has formulated risk policies and established risk-based limits with regards to her trading activities in money and capital markets.

### *Structural Interest Rate Risk*

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

### *Liquidity Risk*

Risk Management Group monitors the Bank's liquidity position that she carries as a result of her activities within defined limits. Limits are set to ensure continuity of the Bank operations by using the existing reserve facilities even under the worst-case scenarios that are created by taking into consideration the negative developments that may arise as a result of a change in market conditions or customer behavior.

### *Basel III/Credit Risk*

The Risk Management Group carries out credit risk calculations in coordination with Financial Affairs Group in accordance with the BRSA's Basel II regulations. While legal credit risk reports have been preparing according to the standard method yet, the studies on the setting up of the necessary risk parameters are also continuing for compliance with internal credit risk assessment methods. Activities and reportings related to the quality control of the credit ratings which are the outputs of the current internal credit rating models are carried out by Risk Management Group.

### *Operational Risk*

Bank activities that carry financial or non-financial operational risk are being recorded for DenizBank and its subsidiaries in a way that captures causes and impact of events, collections made and measures that will prevent the repetition of such events. These events are periodically reported to the senior management and updated as needed. Potential risk is assessed by way of Risk and Control Self Assessment and risk mitigation measures are taken before events transpire. On the other hand, the Business Continuity Program is coordinated to cover the design implementation and testing stages of these policies.



## 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 2013 have been summarized below.

Realizing one of the highest growth rates with 9,2% among developing countries in 2010, Turkey also showed a strong growth rate of 8,8% in 2011. However, while reaching of the rate of Current Account Deficit to GDP to 10% because of this rapid growth, legal authorities, primarily CBT has taken several precautions to slow down the economy through loan growth. Parallel to these measures, Turkey grew only 2,2% in 2012 quite lower than its 10 year average of 5,5%. However, Current Account Deficit to GDP decreased 400 ps and reached to 6% and inflation went back to 6,2% with 430 bps decline. Although there has been an increase in the economic growth in the first half of 2013, it has seen that positive approach in Current Account Balance and inflation expectations has been continuing.

Parallel to the decrease of internal and external imbalances, rating agencies upgraded sovereign ratings. International Rating Agency Fitch Ratings upgraded Turkey's long term foreign currency rating to investment grade of BBB-. Domestic markets which moved quite premiumly prior to the rating increase, declined together with the decleration of FED's loose monetary policy. Central Bank of Turkey significantly reduced the volatility in the markets with sale of foreign currency and daily presses on funding interest. Public spending is under a certain discipline as we are used to in 2000s. Thus 2012 ended with a very low budget deficit as 2,0% 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 2015. In coming years, parallel to this view, it will be possible that public debt to GDP forces to levels below 30%.

Evaluation of the banking sector according to the June 2013 data\*:

<b>-Loan volume (excluding financial sector loans)</b>	<b>TL 916 billion</b>
<b>TL Loan volume (excluding financial sector loans)</b>	<b>TL 672 billion</b>
<b>FX Loan volume (excluding financial sector loans)</b>	<b>USD 127 billion</b>
<b>-Deposit Volume (excluding interbank deposits)</b>	<b>TL 838 billion</b>
<b>TL Deposit Volume (excluding interbank deposits)</b>	<b>TL 563 billion</b>
<b>FX Deposit Volume (excluding interbank deposits)</b>	<b>USD 143 billion</b>

In the first six months of 2013, the total loan volume of the Banking sector increased by 16% compared to the end of 2012 and by 25% compared to the same period of the previous year and reached TL 916 billion. In the second quarter of 2013, mortgage, general purpose, commercial and corporate loans became the segments with priority impact on total loan increase. Contrary to the 2012 trend, consumer loans increased by 15% compared to 2012 year-end rates and 25% year-on-year basis. On the other hand, while increasing by 14% in the six three months, credit card loans recorded 29% annual growth by reaching the highest rate in all segments. Commercial and corporate loans including SME loans grew by 25% on a year-on-year basis. The annual growth of SME loans was 33% in the first six months. While completing the year of 2012 at level of 2,9% from its highest level of 5,8% during the crisis, the total NPL ratio declined to 2,8%, as a result of 16% rise in loan portfolio despite 13% q-o-q increase in NPL portfolio compared to the end of 2012 as at June 2013.

Total deposits reached TL 838 billion by increasing 17% compared to the first six months of 2012 and only 8% according to 2012-end. The sector's total equity rose by 21% y-o-y and

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reached TL 207 billion. The net profit of the banking sector in the first six months was realized as TL 13,9 billion recording a 20% 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 30.06.2013 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 2012 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>