

# Interim Activity Report 2Q 2010

DenizBank Financial  
Services Group



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

**DENİZBANK A.Ş.**  
**2010 2<sup>nd</sup> QUARTER- INTERIM ACTIVITY REPORT**  
**STATEMENT of RESPONSIBILITY**

The Interim Activity Report related to the period between 01.01.2010 and 30.06.2010 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 09 April 2008, Nr. 26842, and attached here-with.

Respectfully,

5 August 2010

**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

**ERIC P.B.A. HERMANN**  
Member of Board of Directors  
and Audit Committee

**HACI AHMET KILIÇOĞLU**  
Deputy Chairman of Board of  
Directors and Member of Audit  
Committee

**DIRK G.M. BRUNEEL**  
Chairman of Board of  
Directors and Member of  
Audit Committee

## SECTION I-INTRODUCTION

### ABOUT DENİZBANK

Trade name: Denizbank A.Ş.

Date of Foundation: 25 August 1997

Headquarter: İstanbul

Paid-in Capital: TRY 716,100,000

# of Domestic Branches: 450

# of Foreign Branches: 13 (including subsidiaries' branches)

# of Employees: 9,052

# of Subsidiaries, Associates and Jointly Controlled Companies: 15

Independent Audit Company: DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu)

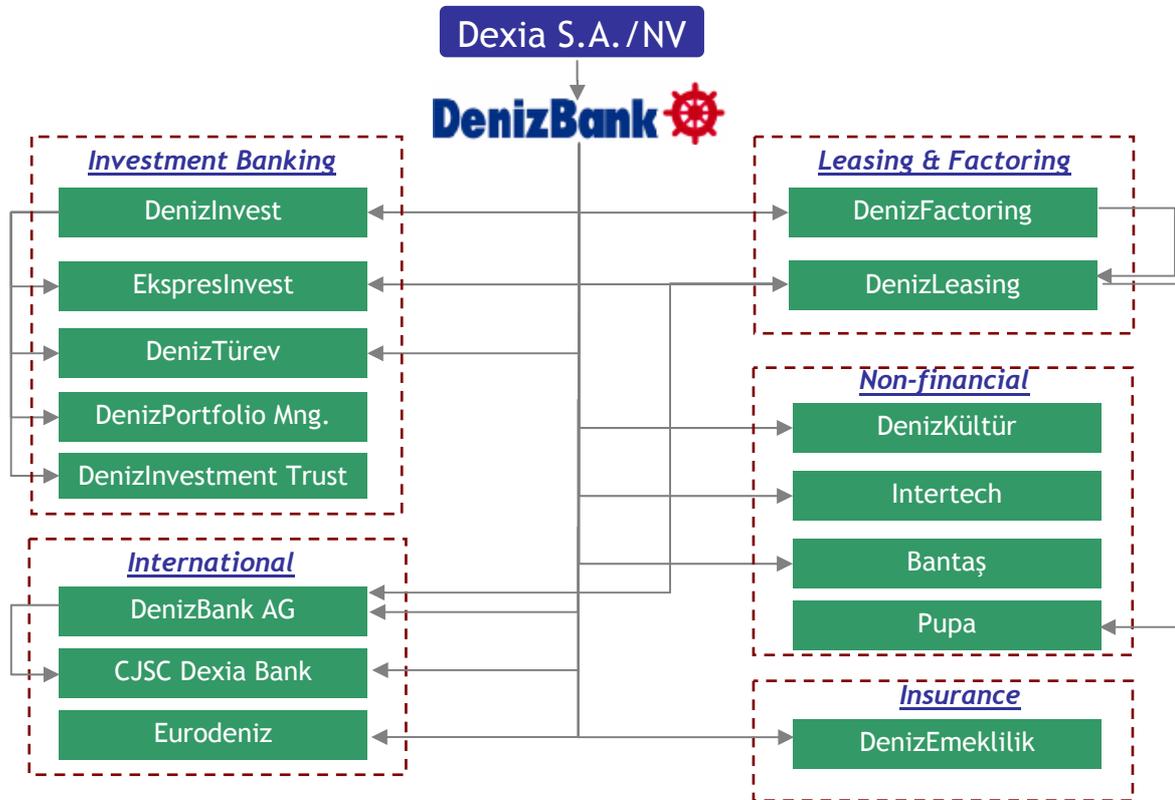
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### DENİZBANK FINANCIAL SERVICES GROUP (DFSG)



## DENİZBANK in BRIEF

DenizBank was founded in 1938 as a state-owned bank to provide funding for the developing Turkish maritime sector. In early 1997, the Bank was acquired by Zorlu Holding from the Privatization Administration as a banking license. In October 2006, DenizBank was acquired from Zorlu Group by Dexia, a leading financial group in Europe and currently operates as part of the Dexia Group.

In addition to DenizBank, DenizBank Financial Services Group consists of eight domestic and three international financial subsidiaries, four domestic non-financial subsidiaries and a branch in Bahrain. DenizYatırım Securities, EkspresInvest Securities, DenizInvestment Trust, DenizPortfolio Management, DenizTürev Securities, DenizLeasing, DenizFactoring, DenizEmeklilik, Intertech, DenizKültür, Bantaş and Pupa are the Group's domestic companies; EuroDeniz, DenizBank AG and CJSC Dexia Bank are the international subsidiaries.

The Group focuses primarily on retail customers, SMEs, exporters, public and project finance and corporate clients. Agriculture, energy, tourism, education, health, sports, infrastructure and maritime sectors are determined by the Group as a priority for her activities. Through her Vienna-based subsidiary DenizBank AG, the Group also operates in the EU countries. CJSC Dexia Bank serves the Group's existing customers that do business abroad in 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 451 domestic DenizBank branches, including one in Bahrain, DenizBank AG and CJSC Dexia Bank have 12 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.

## DEXIA in BRIEF

### Group Profile

Dexia is a European bank, with 35.177 members of staff and core shareholders' equity of € 18.7 billion as of 31 March 2010. Dexia Group focuses on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey, and on Public and Wholesale Banking, providing local public finance operators with comprehensive banking and financial solutions. Asset Management and Services provides asset management, investor and insurance services, in particular to the clients of the other two business lines. The different business lines interact constantly in order to serve clients better and to support the Group's commercial activity.

### Business Lines

#### *Retail and Commercial Banking*

Dexia offers a wide range of retail, commercial and private banking services to over 8 million customers.

Dexia ranks among the three largest banks in Belgium and Luxembourg. In Belgium, Dexia serves its 4 million customers through over 900 branches. The Luxembourg operation is the international wealth management centre within the Group; it also covers the country with a nationwide network of branches. Dexia also holds a strong position in Turkey, through DenizBank. This fully-fledged bank currently stands in sixth position among privately-held banks according to asset size and serves her customers through a nationwide network of 451 branches. In addition Dexia is also present in Slovakia.

The Group aims at fully extracting the potential from its historical franchises in Belgium and Luxembourg while developing its Turkish operations.

#### ***Public and Wholesale Banking***

Dexia plays a major role in the financing of local facilities and infrastructures, the health and social housing sectors and the social economy. Thus, the Group assists public and semi-public operators in implementing their projects, and participates in the development of local infrastructures and services.

Dexia focuses its activities on its historical markets, France and Belgium, but is also present in Italy and the Iberian Peninsula. Furthermore, the Group is established in Germany with a platform granting access to the Pfandbriefe market. Dexia is also active in Project Finance in selective sectors such as infrastructures and renewable energies, both in Europe and in North America.

Close to its clients and fully in tune with their requirements, Dexia is constantly developing and widening its range of products and services. The aim is to go well beyond the role of specialist lender and, by providing the benefit of its experience, to offer public and semi-public operators the solutions most suited to their needs.

#### ***Asset Management and Services***

This business line includes Dexia's activities in the field of Asset Management, Investor Services and Insurance activities.

With € 85.1 billion of assets under management as at 31 March 2010, Dexia Asset Management is the Group's asset management centre. Its four production centers (based in Belgium, France, Luxembourg and Australia) serve a broad European client base.

The investor services business is conducted by RBC Dexia Investor Services, a joint venture with Royal Bank of Canada, which offers its expertise in global custody, fund and pension administration and shareholder services to institutions all around the world. Total assets under custody amounted to US\$ 2,485 billion as at 31 March 2010.

Dexia's insurance activities are mainly concentrated on the Belgian and Luxembourg markets. The Group offers a complete range of contracts to retail, commercial and private banking clients (for both life and non-life insurance) as well as to Dexia's public and semi-public clients. This is done both through a banking-insurance approach and through a network of tied agents.

#### ***Ratings***

The Group's main operating entities - Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg - are rated A+ by Fitch, A1 by Moody's

and A by Standard & Poor's. Three of Dexia's European subsidiaries (Dexia Municipal Agency, Dexia Kommunalbank Deutschland and Dexia Lettres de Gage Banque) issue Triple-A rated secured bonds.

## **MESSAGE FROM THE CHAIRMAN**

Considering the period between 2007 and the first half of 2010, it has been seen that the worst is over in the global financial crisis that affected the whole world and called "crisis of the century". Knowing that exit from the crisis would by no means be possible before full recovery of financial system; governments had to provide systemic support to the banking system to function well during this period so that the recession did not turn into a depression. Lastly, the necessary support from EU and IMF has been provided to Greece facing greater risks in the first quarter of 2010. All around the world, especially on the axis of the developed countries, the banking systems have been strengthened by providing inducements to economies through strong monetary and budgetary policies. In the recent months, countries were mobilized for the additional precautions by testing the banks' resilience.

As a result of all these efforts, the signals of the growth in the global economy have been reflected to the figures thanks to the partially removing of the risks threatening national economies in the first half of 2010. While the developing countries under the leadership of China, India and Brazil have been effective in the growth of global economy, North America led by the USA and Eurozone led by Germany, France and Italy have made a relative contribution. As a result of this positive picture, IMF has increased its 2010 economic growth estimation to 4.6% from 4.2% by revising upward in the World Economic Outlook Report published in July. Corporate balance sheets as of the first half of 2010, disclosed firstly in USA, have painted a positive picture supporting this and been effective for the upwards trend in the market.

On the other hand, in order to remove all the risk factors of the global crisis to be remembered as a "banking crisis", the banks have been subjected to the stress tests for convincing the markets about their strengths. According to the stress tests' results announced at the beginning of May in USA, the banks stated as having no adequate capital have been assigned conditions for capital increase. The environment of confidence has been built up by convincing the markets to results and sanctions and the banks have been able to increase their capitals quite easily. In July, the EU banks have been subjected to stress tests and capital deficit as low as EUR 3.5 billion has arisen for only 7 banks among 91 banks.

In these days we are leaving behind the half of 2010, the discussions about the second bottom of the global economy have been brought up to the agenda again. Although neither the economical data nor the explanations of the central banks point to a second recession as of today, the positive trend of the inflation and the slowing down of the economic recovery has shifted the expectations for the exit from the crisis policies to the first quarter of 2011. Interest rate increase comes into mind first when it is about exit policies. As remembered, the central banks throughout the world have supported both the financial markets and the economies pumping liquidity and decreasing the interest rates to their historical low levels. As from 2011, the central banks should implement their exit strategies without deteriorating the sensitive balance between the inflation and growth rates. Therefore, even if not as of today but in a very short time; it should be

expected that the discussions on the strategies about the exiting from the crisis will take their first place at the agenda.

If we look at the national economy, it has been seen that there is a very similar trend for interest rate increases. Market expectations regarding the Central Bank's interest rates rise in the last quarter of 2010 have shifted towards the first quarter of 2011. The positive trend of the economic growth, the recovery in the employment and the increase of input prices would put pressure on the inflation to increase, which would undoubtedly be accompanied by interest rate increases.

Turkey, the only country emerging economy that managed to turn the crisis into advantage to the maximum extent, has actualized the implementations allowing for the structural changes in order to eliminate the effects of the crisis over the long term. The fundamentals of "Fiscal Rule" Application, to be the basis of the public fiscal discipline as from the next year, have been formed. The Legislation of the Draft "Fiscal Rule" Law is points to the upgrade of Turkey's sovereign ratings in the coming period. Therefore, prospects have become stronger regarding Turkey's being upgraded to investment grade; a country whose ratings have been upgraded by all the rating agencies after the crisis -contrary to other countries- and rated only one notch below the investment grade by Fitch.

While the 6% growth of GDP in the last quarter of 2009 became the indicator of exit from the crisis, the 11.7% growth in the first quarter of 2010 further strengthened this. Thus, Turkey has been able to grow its economy on the annual basis for the first time after 2008. Disclosed after the first quarter, the figures of Industrial Production and Capacity Utilization Ratio that are added as leading indicators indicate that this trend has been continuing in the second quarter of 2010. Following these developments closely, international institutions like IMF revised their estimations for Turkey's 2010 growth up to the levels of 5% one after another. Therefore, Turkish economy, which shrank by 4.7% in 2009 as a result of the crisis, will show one again how much she is experienced with crises and has a quick recovery talent after the crisis.

Banking system, the mirror of Turkish economy has continued to increase its profitability despite the slowdown and realized a 14% y-o-y increase in the first five months of 2010.

In summary, upon starting of retraction of excess liquidity in and out of the country, it will be even more important to continue to take correct steps. As a result of the implementation of the prescribed macroeconomic policies and continuing of reforms, there will be an appropriate environment for Turkey to return to rapid and stable growth. In that case, Turkish Banking sector will undoubtedly continue to be one of the most important pillars of the development by providing necessary funding in the face of a sound demand for projects and credits.

**DIRK BRUNEEL**  
**CHAIRMAN**

## MESSAGE FROM THE PRESIDENT AND CEO

Continuing her controlled growth, DenizBank outperformed the sector averages according to the profitability and total assets in the second quarter of 2010.

Maintaining her robust capital base, DenizBank increased her consolidated shareholder's equity to TRY 3 billion 270 million, increasing by 10% compared to the end of 2009, higher than the sector average of 6%. DenizBank's unconsolidated shareholder's equity reached to TRY 2 billion 880 million, marking 9% y-t-d increase. The capital adequacy ratio has been realized as 15.90% on consolidated basis and 17.41% on unconsolidated basis, significantly higher than the regulatory requirements.

DenizBank's consolidated assets reached TRY 28 billion 908 million, increasing by 11% compared to the end of 2009. The unconsolidated assets, on the other hand, grew by 11% to TRY 23 billion 519 million over the same period.

Outperforming the sector in the first six months of 2010, DenizBank increased her customer deposits, the Bank's main source of funding, by 13% on consolidated and 16% on unconsolidated basis, totaling TRY 16 billion 616 million, and TRY 12 billion 942 million, respectively.

DenizBank continued to support Turkish economy at an increasing pace in the first half of 2010 in parallel with the widening in deposits. The Bank's consolidated loans including leasing and factoring receivables reached TRY 20 billion 884 million, indicating a 13% y-t-d increase while the unconsolidated loans rose to TRY 16 billion 108 million, marking a 14% rise. DenizBank increased her commercial, public finance, retail and SME segment loans in particular in the first half of 2010.

Being the first Turkish bank to define public banking as a business segment, DenizBank continued to grow in this segment, reaching her services to more municipalities. Getting in touch with 80% of her target municipalities covering a certain population, DenizBank opened credit lines for the projects in transportation, infrastructure, environment and health segments in which the public ask for service and provided long term and low-cost financing support to these municipalities. In the first half of 2010, DenizBank increased her public finance cash loans and non cash loans by 12% y-t-d and total public finance loans reached to TRY 851 million.

DenizBank added the new one to the Golden Compass Award, won in 2009 with the Agricultural Festival organization, and was again deemed worthy of Special Jury Award with the Agricultural Mobilization, the first and biggest organization for producers in Turkey that began in May 2010.

DenizBank maintained her first rank in terms of agricultural loans among the private banks in the first half of 2010 thanks to offering opportunities and her innovative services for producers. Net loans provided to producers by Agricultural Banking reached to TRY 1 billion 392 million, rising by 13% on a y-t-d basis and together with the project loans, total loans to agricultural sector surpassed TRY 1.7 billion. DenizBank increased the number of Producer Cards above 262,000. Number of "Green Drop" branches, specialized in agricultural banking increased to 35.

DenizBank continued to offer consultancy for relations with cooperatives, unions and suppliers and project design as well as her financial support by Tarım<sup>+</sup> put in service in the first months of 2010. Besides, bringing a step further of the support

for agricultural sector, DenizBank designed a special Tarım<sup>+</sup> website for detailed information for potential investors in addition to its call center service dedicated to Agricultural Banking customers. ([www.tarimplus.com.tr](http://www.tarimplus.com.tr))

Being aware of the differences of investment needs and cash flows of the sectors, DenizBank continued her support to SMEs by the products and loan packages tailored to each sector. While the number of SME Card offering four different loan options, increasing by 24% increase in the first half of 2010, DenizBank raised her SME loans over TRY 3 billion thanks to her advantageous loan opportunities.

Denizbank continued its support to energy sector, one of its priority sectors, by signing a USD 20 million loan agreement with EBRD (European Bank for Reconstruction and Development) for on-lending to local companies and households undertaking energy efficiency investments. The loan, a part of EBRD Turkey Sustainable Energy Financial Facility (TurSEFF), is critically important due to being a key factor for ensuring energy efficiency, which is the fundamental pillar of economic and social development, thus sustainable development of Turkey.

DenizBank gained over 136,000 new clients and increased her active customers by 10% y-t-d thanks to her innovative products in retail banking area and her successful structuring in customer relationship management. DenizBank reached her consumer loans to TRY 4.4 billion in the first half of 2010. Continuing her growth in car loans and credit card loans above the sector averages, DenizBank also outperformed in house loans in the second quarter of 2010.

DenizBank offered quick, economic and advantageous services to young people with “PASO Dünyası” including PASO Bonus Card, Genç Kaptan Hesap and Bonus Visa Paywave and designed a special web site for this product ([www.pasodeniz.com](http://www.pasodeniz.com)).

DenizBank continued her investments and research and development studies in Alternative Distribution Channels together with her widening branch network in order to offer her diversified services and products to more customers. Since 2005, DenizBank succeeded in increasing usage of her internet banking and transaction volume more than five-fold and had 50% of her transactions done by self service channels. In 2010, renewing her interactive channel infrastructure, DenizBank aims to offer her faster, easier, innovative, modern and user-friendly services by her new image.

DenizBank has been awarded in the “Finance, Insurance and Real Estate” category at the Computerworld Honors Program which is considered as the Oscar of the IT world with its new generation banking platform, “inter-Next”, developed by Intertech, offering tailor-made, high-tech products and services through all channels with the same quality.

DenizBank continued her profitable growth, succeeding in cost management without interrupting her investments. In the first half of 2010, net profit was realized as TRY 327 million on consolidated basis, increasing by 24% y-o-y. The unconsolidated net profit reached TRY 275 million.

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

## CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL

As of 30 June 2010, 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 (TRY)	% of Shares
Dexia Participation Belgique SA	714,945,273.718	714,945,274	99.84%
M. Cem Bodur	11.327	11	0.00%
Hakan Ateş	11.327	11	0.00%
Ayfer Yılmaz	11.327	11	0.00%
Hacı Ahmet Kılıçoğlu	11.327	11	0.00%
Publicly Traded	1,154,680.974	1,154,681	0.16%
<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 and Board Members Cem Bodur, Ayfer Yılmaz and Hacı Ahmet Kılıçoğlu each owns 11.327 shares, corresponding to 0.000002% of the capital.

## CHANGES IN DFSG COMPANIES

There has been no change in the shareholding structures of the subsidiaries.

## AMENDMENTS TO ARTICLES OF ASSOCIATION

The 2009 Ordinary General Assembly was held on March 26, 2010 it has been decided to change articles no 3, 4, 7, 8, 17, 19, 22, 25, 27, 28 and 38 of DenizBank's Articles of Association. Changing articles of our Bank's Articles of Association were registered on March 30, 2010.

## DONATIONS

Institution Name	Amount (TRY)
TÜRK EĞİTİM DERNEĞİ	82,350
TÜRKİYE ENGELLİLER SPOR YARDIM VE EĞİTİM VAKFI	6,090
TOPLUM GÖNÜLLÜLERİ VAKFI BAĞIŞ BED	3,700
GALATASARAY SPOR KULUBÜ DERNEĞİ BAĞIŞ BEDELİ	3,000
TÜRK EĞİTİM VAKFI	2,610
TEMA	900
ÇAĞDAŞ YAŞAMI DESTEKLEME DERNEĞİ	250
TAPU MÜDÜRLÜĞÜ BAĞIŞ BEDELİ	215
<b>TOTAL</b>	<b>99,115</b>

## AMENDMENTS TO RATING NOTES

On 8 June 2010, Fitch Ratings affirmed Denizbank's long term local currency IDR (Issuer Default Ratings) as "BBB", long term foreign currency IDR as "BBB-", short term local currency IDR as "F3", short term foreign currency IDR as "F3", national long-term rating as "AAA (tur)", individual rating as "C" and support rating as 2,

removing Rating Watch Negative (RWN) placed on 5 March 2010 and assigned Stable Outlook.

On 8 January 2010, Moody's upgraded DenizBank's long term foreign currency deposit rating to Ba3 from B1, and long and short term local currency deposit ratings were affirmed as Baa2 and Prime-2, respectively. The outlooks of the ratings are "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>	Dirk G.M. Bruneel	Chairman-Non-executive	Oct 2006- March 2013
<b>Board Members:</b>	Hacı Ahmet Kılıçoğlu	Vice Chairman-Independent	March 2010-March 2013
	Hakan Ateş	Member-Executive	June 1997- March 2013
	Fikret Arabacı*	Member-Executive	Dec 2004- June 2010
	Cem Bodur	Member-Non-executive	June 1997- March 2013
	Wouter Van Roste	Member-Executive	June 2009- March 2013
	Eric P.B.A. Hermann	Member-Non-executive	Jan 2007- March 2013
	Philippe J.E. Rucheton	Member- Non-executive	Feb 2009- March 2013
	Claude E.L. Piret	Member- Non-executive	Aug 2008- March 2013
	Stefaan Decraene	Member- Non-executive	Dec 2008- March 2013
	Ayfer Yılmaz	Member-Independent	Jan 2007- March 2013

\*As of 30 June 2010, he left his duty.

### EXECUTIVE MANAGEMENT

Title	Name	Position	Experience
<b>President &amp; CEO:</b>	Hakan Ateş	President & CEO	29 years
<b>Executive Vice Presidents and Executive Committee Members:</b>	Wouter Van Roste	Board Member-Executive Committee Member	21 years
	Eric P.B.A. Hermann	Member- Executive Committee Member	23 years
	Dilek Duman	Information Technology and Support Operations-EVP-Chief Operations Officer	21 years
	Mustafa Aydın	Retail, SME and Agricultural Banking Loan Allocation -EVP	23 years
	Bora Böcügöz	Treasury and Private Banking -EVP	21 years
	Gökhan Sun	SME and Agricultural Banking - EVP	18 years
	Hasan Hüseyin Uyar	Corporate-Commercial Loans -EVP	25 years
	Suavi Demircioğlu	Financial Affairs- EVP	20 years
	Mustafa Özel	Branch and Central Operations -EVP	22 years
	Derya Kumru	Corporate, Commercial Banking, Public Finance and Foreign Subsidiaries- EVP	23 years
	Gökhan Ertürk	Retail Banking -EVP	17 years
	Tanju Kaya	Administrative Services -EVP	24 years
	Aysun Mercan	Secretary General	28 years
	Saruhan Özel	Chief Economist- Member of Executive Committee	14 years
Ali Murat Dizdar	Chief Legal Counsel- Member of Executive Committee	19 years	
Cem Demirağ	Head of Internal Control Center and Compliance- Member of Executive Committee	19 years	
<b>Head of Internal Audit:</b>	Eglantine Delmas	Head of the Board of Internal Audit	15 years

## AUDITORS

Name	Position	Experience
Cem Kadırgan	Auditor	23 years
Mehmet Uğur Ok	Auditor	34 years

## COMMITTEES

### Committees Reporting to the Board of Directors

- Corporate Governance and Nomination Committee
- Audit Committee

Title	Name	Position	Begin Date of Tenure
<b>Audit Committee Members:</b>	Dirk G.M. Bruneel	Member	Oct 2006
	Eric P.B.A. Hermann	Member	Jan 2007
	Hacı Ahmet Kılıçoğlu	Member	March 2010
<b>Corporate Governance and Nomination Committee Members:</b>	Dirk G.M. Bruneel	Member	Oct 2006
	Ayfer Yılmaz	Member	March 2010
	Tanju Kaya	Member	Sept 2004

### Executive Committees

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

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

15 Board Decisions were adopted in the Board Meetings held between 1 April 2010 and 30 June 2010.

Audit Committee met on 5 May 2010. Independent auditors' report on the first quarter of 2010 financials was presented and approved to present those figures to the Board of Directors. At the same meeting, the activity reports for 1Q 2010 of Internal Audit, Internal Control, Compliance, Risk Management and Operational Risk were also presented.

Corporate Governance and Nomination Committee met five times and took five decisions in order to make proposal to Board of Directors for nomination of top executives.

In the Ordinary General Assembly held on 26 March 2010, Hacı Ahmet Kılıçoğlu was appointed and commenced his duty in April as the Vice Chairman of the Board of Directors in lieu of M. Tinas Titiz whose term of office has been expired.

In May 2010, Cem Demirağ was appointed and commenced his duty as the Head of Internal Control Center and Compliance with an Executive Vice President status, regarding the BoD decision.

## SECTION III- FINANCIAL INFORMATION

### SUMMARY FINANCIAL HIGHLIGHTS

#### Consolidated Financial Highlights (TRY million)

	1H 2010	2009	1H 2009	2008
Securities*	3,494	3,247	3,075	2,917
Net Loans**	20,884	18,558	17,774	17,235
Subsidiaries and Associates	23	24	27	10
Net Fixed Assets	274	277	240	236
Total Assets	28,908	25,943	25,258	24,222
Customer Deposits	16,616	14,701	13,237	11,834
Time	13,644	12,030	11,092	9,685
Demand	2,973	2,672	2,145	2,149
Funds Borrowed	5,442	5,279	6,401	6,847
Sub-ordinated Loans	775	759	779	772
Shareholders' Equity	3,270	2,968	2,607	2,287
Paid-in Capital	716	716	716	716
Non-cash Loans	6,168	5,094	4,859	4,821
Interest Income	1,416	2,987	1,535	2,786
Interest Expense	(481)	(1,123)	(631)	(1,528)
Net Interest Income after Provisions	642	1,172	518	895
Non-interest Income	322	629	315	425
Non-interest Expense	(636)	(1,196)	(568)	(977)
Net Income	327	605	264	342
Number of DenizBank Branches	451	450	401	400
Number of Employees	9,052	8,698	8,285	8,255
Number of ATMs	735	660	564	526
Number of POS Terminals	82,287	81,038	77,390	76,307
Number of Credit Cards	1,404,870	1,313,237	1,299,797	1,284,033

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.

\* 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.

\*\* Includes factoring and leasing receivables.

**Unconsolidated Financial Highlights (TRY million)**

	1H 2010	2009	1H 2009	2008
Securities*	3,348	2,976	2,761	2,586
Net Loans	16,108	14,171	13,162	12,759
Subsidiaries and Associates	409	409	407	406
Net Fixed Assets	267	260	211	205
Total Assets	23,519	21,205	20,170	19,225
Customer Deposits	12,942	11,163	9,793	9,456
Time	10,673	9,029	8,123	7,686
Demand	2,269	2,134	1,670	1,770
Funds Borrowed	4,509	4,483	4,708	4,573
Sub-ordinated Loans	775	759	779	772
Shareholders' Equity	2,880	2,630	2,354	2,034
Paid-in Capital	716	716	716	716
Non-cash Loans	6,093	5,042	4,777	4,726
Interest Income	1,240	2,553	1,302	2,363
Interest Expense	(410)	(906)	(512)	(1,267)
Net Interest Income after Provisions	562	1,106	518	832
Non-interest Income	274	465	243	292
Non-interest Expense	(561)	(1,040)	(495)	(845)
Net Income	275	532	266	278
Number of DenizBank Branches	451	450	401	400
Number of Employees	8,086	7,789	7,404	7,376
Number of ATMs	735	660	564	526
Number of POS Terminals	82,287	81,038	77,390	76,307
Number of Credit Cards	1,404,870	1,313,237	1,299,797	1,284,033

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.

\* 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.

## ASSESSMENT of FINANCIAL POSITION and RISK MANAGEMENT

DenizBank continues its activities profitably, without compromising asset quality and strengthen its shareholder's equity. The share of the Bank's fix asset investments in the shareholder's equity is low level. 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 (TRY million)

Consolidated	1H 2010	2009	1H 2009	2008
Capital Adequacy Ratio (%)	15.9	16.7	16.3	16.1
Shareholders' Equity	3,270	2,968	2,607	2,287
Return on Average Equity (%)	21.0	23.0	21.6	17.3
Free Capital *	2,434	2,154	1,900	1,763
Free Capital Ratio ** (%)	8.4	8.3	7.5	7.3

Unconsolidated	1H 2010	2009	1H 2009	2008
Capital Adequacy Ratio (%)	17.4	19.0	17.6	17.2
Shareholders' Equity	2,880	2,630	2,354	2,034
Return on Average Equity (%)	19.9	22.8	24.2	15.9
Free Capital *	1,801	1,565	1,418	1,243
Free Capital Ratio ** (%)	7.7	7.4	7.0	6.5

\* 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

\*\* Free Capital Ratio = Free Capital / Total Assets

### DenizBank Asset Quality

Consolidated	1H 2010	2009	1H 2009	2008
Non-performing Loans/ Total Cash Loans Ratio (%)	5.1	5.5	4.4	2.9
Non-performing Loans Provision Ratio (%)	101.3	94.3	101.7	110.5

Unconsolidated	1H 2010	2009	1H 2009	2008
Non-performing Loans/ Total Cash Loans Ratio (%)	5.6	6.0	4.8	3.1
Non-performing Loans Provision Ratio (%)	105.6	99.9	101.9	114.0

## RISK MANAGEMENT POLICIES

One of the major pillars of DenizBank's main strategies is to adhere to Risk Management principles. Risk Management activities require to identification, measurement and management of the risk. Activities are conducted in line with the risk management policies aiming to analyzing and monitoring of the risk in suitable limits. Risk Management Policies were created based on market, credit, liquidity, operational and structural interest risk categories. DenizBank has agreed in principle to develop systems compliant with Basel II and other guiding international risk management principles.

#### *Market Risk*

To quantify market risk, DenizBank uses internationally accepted Value at Risk (VAR) method. Assuming that the portfolio composition of DenizBank and her financial subsidiaries is fixed, VAR indicates the potential loss in portfolio value that might occur as a result of fluctuations in risk factors at a given time and confidence interval. VAR analysis 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 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. It controls assumed risks through defined limits. Weekly interest sensitivity analyses are conducted to measure the impact of the Bank's maturity mismatch.

#### *Liquidity Risk*

Risk Management Group monitors the Bank's liquidity status 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 undertakes efforts for compliance with Basel II/CRD criteria. Monthly internal calculations are being performed through the consolidated Basel II data set, which is needed for "Standardized Approach" (SA) for credit risk. A detailed plan has been prepared for transition from the existing structure to the Advanced Ratings Based Approach (A-IRB). Studies are still ongoing to create the risk parameters needed for the implementation of the A-IRB.

#### *Operational Risk*

Operational risk events which realized in DenizBank and its subsidiaries are followed in terms of reasons, impact created, recoveries and precautions preventing recurrence of the event. In addition, potential risks are examined as part of "Risk and Control Self-Assessment Evaluation" and risk mitigating precautions are provided. Against any interruption in business, Business Continuity Plans are followed. For insurable financials and physical risks, coordinated works are realized with Bancassurance Department.

## GENERAL OUTLOOK OF THE TURKISH ECONOMY AND THE BANKING SECTOR

The summary of evaluations regarding some economic developments within the first six months of 2010 is included below.

In the first half of the year, the figures related to the growth in the global economy, the evaluation results indicating robustness of financial system and positive effect of companies' balance sheets in the market show that the recovery has been continuing at an accelerating pace. Despite the pressure arising from the uncertainties in Eurozone, it has been observed that the growth in USA economy and the global improvement have been more effective in the outlook of Turkey.

The growth in Turkish economy reduced to 0.7% in 2008 by slowing down as a result of the global crisis from 7% average in 2003-2007 and turned to 4.7% shrinkage at the end-of 2009 after the contractions in the first three quarters of 2009 due to the aggravation of the crisis effects. While the 6% growth in the last quarter of 2009 became the indicator of the exiting from the crisis, the 11.7% growth in the first quarter of 2010 strengthened this. Capacity Utilization Ratio being above the 2009 average in the first months of 2010, continued to be in rise in the second quarter and reached its highest level as of the end of June by increasing 6.8 percentage points y-o-y. This also shows that the economy will continue to be supported by industrial production. These indicators point to the first signs of 5% expected growth for 2010.

Evaluation of the banking sector according to the data\* as of June 2010:

- Loan volume (excluding financial sector loans)	TRY 442 billion
TL loan volume (excluding financial sector loans)	TRY 324 billion
FX loan volume (excluding financial sector loans)	USD 76 billion
- Deposit volume (excluding interbank deposits)	TRY 557 billion
TL Deposit volume (excluding interbank deposits)	TRY 386 billion
FX Deposit volume (excluding interbank deposits)	USD 110 billion

In the first half of 2010, parallel to the positive evolution of the economy, there has been an increase in the real sector loan demand and the total loan volume of the Banking sector reached TRY 442 billion by marking 8% q-o-q and 13% y-t-d increase. Considering that the increase in loans was only 1% in the same period of the last year, it can be seen clearly how much the economy has getting away from crisis. General purpose loans, mortgage loans and SME loans again became primarily effective segments in the total loan growth in the second quarter of 2010. While the general purpose loans increased by 18%, mortgage loans rose by 15%. Banking sector recorded 14% increase in SME loans and the recovery in the credit quality beginning in the first quarter continued. As a result of the recovery of the economy, the business volume and solvency of SME's began to improve. In the first five months, the 6% decrease was realized in the non-performing SME loans and NPL ratio decreased to 6.7% from 8.2% at the end of 2009. Total NPLs diminished by 2% in the first half of 2010 contrary to the 16% increase in the same period of the previous year.

Total deposits reached TRY 557 billion by increasing 8% in the first six months. TRY 42 billion rise in TL deposits became the driver of this increase. FX deposits decreased by 6% q-o-q in USD terms parallel to USD/TL exchange rate uptrend and reached almost USD 110 billion.

The roll-over rate of the long term debt of syndication loans, the most important pillar of wholesale funding, came up to 113% in May 2010 after reaching 82% at the end of 2009 2010. The banks tried to create long-term funding to real sector by borrowing more. The 70% debt roll-over rate of the real sector which has the chance to borrow FX in domestic market continues its horizontal trend.

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

## FURTHER INFORMATION

- 1- To view the material disclosures made in ISE, click the link below:  
<http://www.denizbank.com/EN/InvestorRelations/Announcements/>
- 2- To download DenizBank 30.06.2010 consolidated and unconsolidated financial statements and footnotes click the link below.  
<http://www.denizbank.com/EN/InvestorRelations/FinancialInformation>
- 3- To download 2009 Annual Report for further information about the main activities of DenizBank click the link below:  
<http://www.denizbank.com/EN/AboutUs/FaaliyetRaporlari.htm>