

# Interim Activity Report 3Q 2010

DenizBank Financial  
Services Group



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

**DENİZBANK A.Ş.**  
**2010 3<sup>rd</sup> QUARTER- INTERIM ACTIVITY REPORT**  
**STATEMENT of RESPONSIBILITY**

The Interim Activity Report related to the period between 01.01.2010 and 30.09.2010 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,

9 November 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: 476

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

# of Employees: 9,189

# 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)

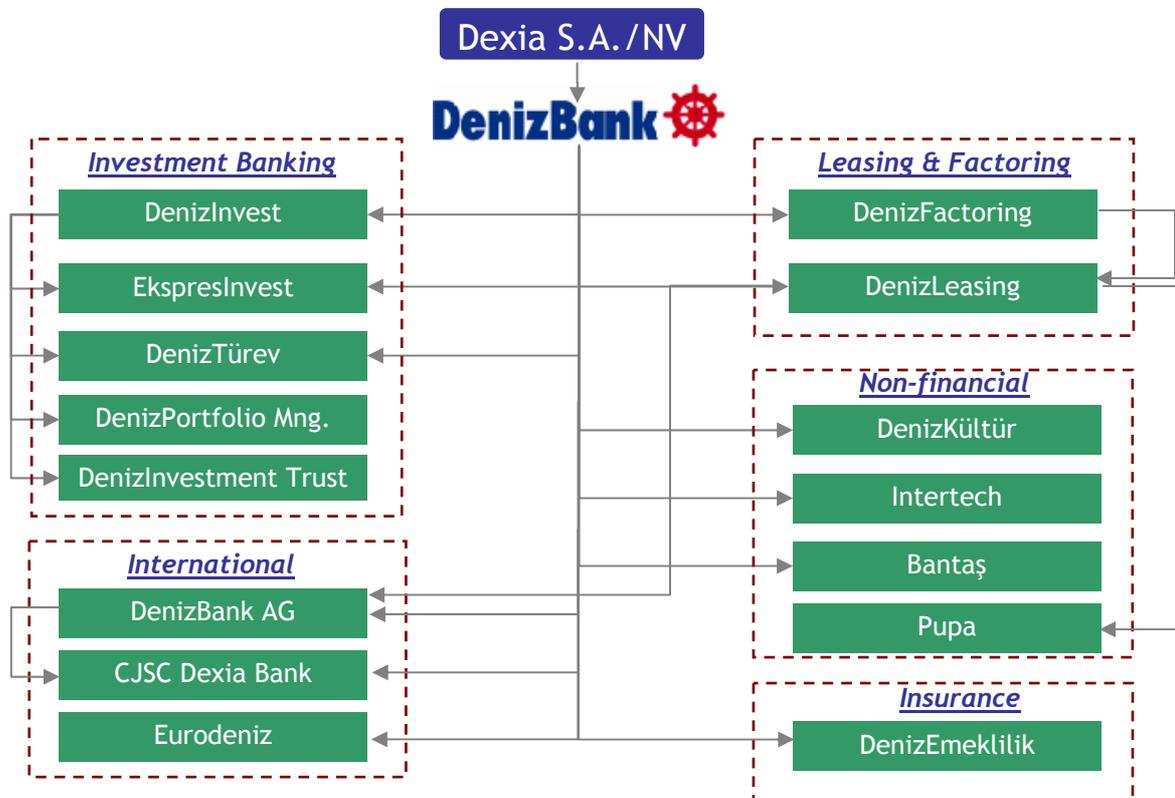
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### DENİZBANK FINANCIAL SERVICES GROUP (DFSG)



## 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 477 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 about 35,200 members of staff and core shareholders' equity of EUR 19.0 billion as at 30 June 2010. The 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 about 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 according to asset size among privately-held banks and serves its customers through a nationwide network of 477 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 broadening 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 EUR 82.7 billion in assets under management as at 30 June 2010, Dexia Asset Management is the Group's asset management centre. Its four management centres (based in Belgium, France, Luxembourg and Australia) serve a broad 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 administration amounted to USD 2,428 billion as at 30 June 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 customers (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 covered bonds.

## MESSAGE FROM THE CHAIRMAN

When the authorities of developed countries found that their economies were entering a severe recession in 2008 and 2009, they tried to overcome the crisis with least possible loss by taking unprecedented measures. While banks impossible to recover were intervened in, the banks and companies who could be recovered were given capital support, monetary policies were loosened by decreasing interest rates down to zero, and tax support was given to economies from state budgets. These measures gave fruitful results and as of mid 2009, consumer confidence started to increase to the financial sector once more, banks started to return to their core functions as they got rid of their toxic assets, and these large economies started to grow again by exiting the recession after melting their stocks. But as time passed, it was clearly understood that exiting the global crisis would not be a process free from problems. It was seen that it would take time for the excess debt of developed country banks and consumers to melt, that they would start saving by cutting their consumption and new investments of companies would be delayed after observing this fact thus employment increase would be insufficient. The rapidly increasing budget deficits due to the support given to economies started to constrain authorities. Increasing trend of public borrowing over 100% of GDP in the next couple of years in developed economies brought up concerns that these economies may face a recession once more (second dip), and at the beginning of 2010, it reversed the upwards trend which was observed in financial markets since the second quarter of 2009.

Realizing that their economies would not grow fast enough to create employment for a long time even if the second dip did not occur, authorities in developed countries started to establish new support mechanisms. Among these measures taken, Central Banks' starting to buy bonds to pump money into markets was an option that was especially prominent. This way, as money flows into markets, the price of many financial assets such as shares, bonds and even property prices will increase. Thus consumers not able to lower their debts will increase their assets to decrease their indebtedness ratio. It is quite possible that the liquidity to be created in this scope will be entering into emerging markets rather than mature markets as they have a much higher growth potential with their suitable demographics, investment needs and dynamic structures. The IMF foresees that developed economies will grow by 2.7% in 2010 but emerging markets led by China will grow by 7.1%.

Turkey whose structural economic indicators from public indebtedness to banking systems are at very good levels also gets its share from the investor attention triggered by this monetary expansion. In the last year USD 45 billion foreign funds entered Turkish economy and thus with a strong rebound after the recession of 2009, the economy was able to grow 11% in the first half of 2010. Data such as consumer confidence and industrial production show this pace will continue for the rest of the year although it may slow down a little and the economy will reach a

growth rate of 5% and above in 2011. By this foreign capital flow, accelerating economic growth, the current account deficit started to grow regularly and public budget is relieving public finance especially through increasing tax revenues. Another aspect relieving public finance is to maintain budget discipline. In the Medium Term Program announced in October 2010, it was especially interesting that budget targets until 2013 were quite positive. Therefore, prospects have become stronger regarding Turkey's being upgraded to investment grade; a country rated only one notch below the investment grade by Fitch and whose ratings have been upgraded by all the rating agencies after the crisis -contrary to other countries.

Now that the Turkish economy has started to grow once more, it is observed that current deficit at the level of 2.2% of GDP in 2009 will rise to 5.5% in 2010. Even though the contribution of direct investments to financing current deficit in 2010 being limited is not very positive, it can be observed that direct domestic investments with privatizations announced in Medium Term Program as of 2011 being in the first place will increase rapidly.

Despite the fact that this economic growth dynamic continuing based on domestic demand more than ever prevents the fall of inflation, strengthening of TL and the more efficient performance of real sector after restructuring relieves the pressure on inflation. The core inflation index showing a constant downwards trend since 2004 shows that this tendency above targets is due to temporary factors. It can be expected that the inflation will continue in line with targets once again in 2011 and onwards.

Banking sector, which is the reflection of the real sector, showed a very successful performance in this process and when the data of the first eight months of 2010 are observed, it continued its profitability although slower compared to 2009, and realized a 9% growth in assets and 5% growth in profitability compared to the previous year. The fact that the growth was through loans instead of bonds on the contrary of 2009 gave a tremendous support to the economy. The best example of this is that loans have grown by 20% and bond portfolio has grown by only 3% as of October 2010. In coming years, if the banking sector is able to overcome the maturity problems on funding side especially, it will outperform the economy and will be one of the biggest supporters of the economic growth.

In summary, we will probably see a period of continuing support from abroad where interest rates are very low and global liquidity flows into Turkey and into other emerging markets countries. 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 loans.

**DIRK BRUNEEL**  
**CHAIRMAN**

## MESSAGE FROM THE PRESIDENT AND CEO

While the effects of the financial crises continued with slower pace in the world economy in 2010, Turkey was one of the countries who managed to turn the crisis into an opportunity, and entered a growth trend this year after the recession in 2009 and the banking sector also increased profitability by remarkable growth. DenizBank has outperformed the sector averages in the first 9 months in the year by taking the correct steps.

With its “customer centric banking approach”, according to the end of 2009, DenizBank has increased her customer deposit which is her main source of funding on 23% consolidated and 26% on unconsolidated basis in the third quarter of 2010 and reached TRY 18 billion 104 million and TRY 14 billion 095 million, respectively.

DenizBank improved her asset quality besides its strong deposit increase and its consolidated and unconsolidated assets have realized as TRY 30 billion 295 million and TRY 24 billion 833 million with an increase of 17% according to the end of 2009.

In the first nine months of 2010 our Bank increased its equity by 16% on a consolidated basis compared to 2009 YE and reached to TRY 3 billion 445 million with an increase above 11% sector average by not compromising its strong equity base. DenizBank’s unconsolidated equity has reached TRY 3 billion 009 million growing by 14%. Our Banks capital adequacy ratio realized 15.89% on consolidated and 16.98% on unconsolidated basis which is above legal requirements.

Consolidated loans of DenizBank including financial leasing and factoring receivables through which special solutions for financing needs of customers are met reached TRY 21 billion 607 million by 16% growth compared to 2009 YE and its unconsolidated loans rose to TRY 16 billion 876 million making a 19% rise. DenizBank increased her loans especially in credit card, commercial, SME and retail segments in particular in 2010.

Being a bank differentiating in 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 nine months of 2010, DenizBank increased her public finance cash loans and non cash loans by 9% y-t-d and total public finance loans reached to TRY 834 million.

DenizBank has created a new source through the syndicated loan at an amount of USD 650 million with the participation of 30 banks from 12 countries for exporters while providing innovative and special solutions appropriate with the needs of her customers. DenizBank has obtained this syndicated loan, all of which will be used in financing exports, under the most favorable conditions and costs in the market.

With Tarım+ DenizBank has brought together large masses with investment opportunities in the agricultural field in order to make better and more efficient use of the great potential of our country in agriculture, and continued to provide consultancy services to producers. In addition, with agricultural loans she provides in agricultural banking, DenizBank has maintained her rank at the top among private banks and while the net loan amount lent to producers reached TRY 1

billion 362 million with a 10% increase compared to 2009 YE, the total amount of loans lent to the agricultural sector with project investment loans realized as TRY 1 billion 736 million. On the other hand, DenizBank increased the number of producer cards to over 266 thousand. The number of “Green Drop” concept branches customized for agriculture and developed to be closer to producers reached 35 in the same term. After the special call center service put into operation for Agricultural Banking customers, a web site was designed for Tarım+ and it has been put into the service of entrepreneurs who would like to make investment. ([www.tarimplus.com.tr](http://www.tarimplus.com.tr))

In order to enhance the access of SMEs which are one of the most powerful dynamos of our growing economy to medium and long term finance under favorable conditions, a loan of USD 35 million which has been sourced from the World Bank and provided by the Development Bank of Turkey within the scope of SME-II project will be lent through DenizBank. Our Bank, with her understanding of a financial supermarket, has been able to respond to all needs of our SMEs from A to Z, and has been on their side.

DenizBank secured one more source for SMEs in Anatolia. The EUR 50mn loan is funded with 5 year maturity from European Investment Bank (EIB) in the scope of financing the 50% of SMEs’ suitable projects in Turkey. Together with the financed loan from EIB, totally EUR 100mn is used for SMEs which operate in less-developed regions in Turkey by our Bank.

Being aware of the differences of investment needs and cash flows of the sectors, DenizBank has created a unique SME Banking model in order to offer customized services to small and medium size enterprises and to find innovative solutions that will make the lives of SME owners easier. With the products and loan packages she designed special for sectors and the support she gives to SMEs, DenizBank increased the number of “SME Cards” which offers four different loan options over 87 thousand in the third quarter of 2010 and increased the advantageous loan opportunities and SME loans over TRY 3 billion.

DenizBank continued her support to energy sector, one of the priority sectors, by signing two separate loan agreements with European Bank for Reconstruction and Development (EBRD) for on-lending to companies and households in financing renewable energy investments on 2 July 2010; and with Japan Bank for International Cooperation (JBIC) for on-lending to SMEs operating in energy efficiency and renewable energy sectors on 2 November 2010, amounting USD 40 million in total. Denizbank became the first bank to be credited in relation with the GREEN program of JBIC, which was developed in April 2010.

In the first nine months of 2010, with strong customer relationship management and products developed special for DenizBank, our Bank acquired new retail customers approximately 242 thousand compared to end of the 2009 and increased the number of her active customers by 13%. DenizBank reached her consumer loans to TRY 4.7 billion in the first nine months of 2010 by increasing 18% end of the 2009. Continuing to outperform the sector in car and credit card loans, DenizBank continues a growth performance over average figures in mortgage loans in the third quarter of 2010.

Writing success stories in financial terms, DenizBank has continued to provide full support to cultural and artistic activities. In addition to tens of different projects realized through her sponsorship of Istanbul State Symphony Orchestra for five

years and through her subsidiary, DenizKültür; she sustained her support with her contributions to the International Istanbul Opera Festival which was organized for the first time this year.

Our collaborations with sports clubs which are important for DenizBank continued in the third quarter of 2010 as well. Our Bank has provided a loan of USD 30 million to Beşiktaş Jimnastik Kulübü in order to help them extend their short term debt to medium term and to cover their operating capital. DenizBank's support for sports clubs reached approximately USD 200 million.

DenizBank continued to follow her policy of branch network extension in order to bring together her products and services which she diversified in the first nine months of the year with more customers and she opened 26 new branches in this quarter.

With successful banking activities and cost management, DenizBank continued her profitability in the first nine months of 2010 as well. The net consolidated profit of our Bank was realized as TRY 450 million and increased by 5% compared to the same period of the previous year. On the other hand, DenizBank's unconsolidated profit occurred as TRY 353 million.

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

#### **CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL**

As of 30 September 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

List of donations made by DenizBank in 2010 are as follows:

Institution Name	Amount (TRY)
TÜRK EĞİTİM DERNEĞİ	98,020
TOPLUM GÖNÜLLÜLERİ VAKFI	11,135
TÜRKİYE ENGELLİLER SPOR YARDIM VE EĞİTİM VAKFI	6,090
TÜRK EĞİTİM VAKFI	3,335
GALATASARAY SPOR KULUBÜ DERNEĞİ	3,000
TEMA	1,180
ÇAĞDAŞ YAŞAMI DESTEKLEME DERNEĞİ	250
TÜRK BÖBREK VAKFI	160
<b>TOTAL</b>	<b>123,170</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 7 October 2010, Moody's changed DenizBank's long term foreign currency deposit rating outlook to "Positive" from "Stable", upgraded to Ba3 from B1 on 8 January 2010. The outlooks of the other 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
	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

Board member Fikret Arabacı left his duty as of 30 June 2010.

### 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	24 years
Mehmet Uğur Ok	Auditor	35 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 July 2010 and 30 September 2010.

Audit Committee met on 3 August 2010. Independent auditors' report on the second 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 2Q 2010 of Internal Audit, Internal Control, Compliance, Risk Management and Operational Risk were also presented.

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

## SECTION III- FINANCIAL INFORMATION

### SUMMARY FINANCIAL HIGHLIGHTS

#### Consolidated Financial Highlights (TRY million)

	3Q 2010	2009	3Q 2009	2008
Securities*	3,645	3,247	3,221	2,917
Net Loans**	21,607	18,558	17,949	17,235
Subsidiaries and Associates	23	24	19	10
Net Fixed Assets	270	277	234	236
Total Assets	30,295	25,943	26,006	24,222
Customer Deposits	18,104	14,701	14,514	11,834
Time	14,999	12,030	12,056	9,685
Demand	3,105	2,672	2,458	2,149
Funds Borrowed	5,273	5,279	5,651	6,847
Sub-ordinated Loans	731	759	764	772
Shareholders' Equity	3,445	2,968	2,815	2,287
Paid-in Capital	716	716	716	716
Non-cash Loans	6,871	5,094	4,935	4,821
Interest Income	2,070	2,987	2,299	2,786
Interest Expense	(758)	(1,123)	(898)	(1,528)
Net Interest Income after Provisions	922	1,172	856	895
Non-interest Income	483	629	435	425
Non-interest Expense	(831)	(1,024)	(728)	(926)
Net Income	450	605	430	342
Number of DenizBank Branches	477	450	421	400
Number of Employees	9,189	8,698	8,353	8,255
Number of ATMs	809	660	593	526
Number of POS Terminals	86,440	81,038	77,390	76,307
Number of Credit Cards	1,453,190	1,313,237	1,227,943	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)**

	3Q 2010	2009	3Q 2009	2008
Securities*	3,503	2,976	2,941	2,586
Net Loans	16,876	14,171	13,531	12,759
Subsidiaries and Associates	409	409	407	406
Net Fixed Assets	262	260	216	205
Total Assets	24,833	21,205	21,028	19,225
Customer Deposits	14,095	11,163	11,011	9,456
Time	11,742	9,029	9,068	7,686
Demand	2,354	2,134	1,943	1,770
Funds Borrowed	4,274	4,483	4,460	4,573
Sub-ordinated Loans	731	759	764	772
Shareholders' Equity	3,009	2,630	2,543	2,034
Paid-in Capital	716	716	716	716
Non-cash Loans	6,740	5,042	4,896	4,726
Interest Income	1,807	2,553	1,962	2,363
Interest Expense	(646)	(906)	(725)	(1,267)
Net Interest Income after Provisions	789	1,106	832	832
Non-interest Income	404	465	338	292
Non-interest Expense	(747)	(906)	(642)	(796)
Net Income	353	532	420	278
Number of DenizBank Branches	477	450	421	400
Number of Employees	8,227	7,789	7,469	7,376
Number of ATMs	809	660	593	526
Number of POS Terminals	86,440	81,038	77,390	76,307
Number of Credit Cards	1,453,190	1,313,237	1,227,943	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 fixed 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	3Q 2010	2009	3Q 2009	2008
Capital Adequacy Ratio (%)	15.9	16.7	16.3	16.1
Shareholders' Equity	3,445	2,968	2,815	2,287
Return on Average Equity (%)	18.7	23.0	22.5	17.3
Free Capital *	2,640	2,154	2,064	1,763
Free Capital Ratio ** (%)	8.7	8.3	7.9	7.3

Unconsolidated	3Q 2010	2009	3Q 2009	2008
Capital Adequacy Ratio (%)	17.0	19.0	18.7	17.2
Shareholders' Equity	3,009	2,630	2,543	2,034
Return on Average Equity (%)	16.7	22.8	24.5	15.9
Free Capital *	1,926	1,565	1,567	1,243
Free Capital Ratio ** (%)	7.8	7.4	7.5	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	3Q 2010	2009	3Q 2009	2008
Non-performing Loans/ Total Cash Loans Ratio (%)	4.9	5.5	5.0	2.9
Non-performing Loans Provision Ratio (%)	98.8	94.3	96.6	110.5

Unconsolidated	3Q 2010	2009	3Q 2009	2008
Non-performing Loans/ Total Cash Loans Ratio (%)	5.2	6.0	5.4	3.1
Non-performing Loans Provision Ratio (%)	104.4	99.9	98.7	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 at 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

Evaluations regarding some economic developments in the first nine months of 2010 have been summarized below.

World economies that have grown rapidly until Q3 of 2010 began to follow tracks in two different directions in terms of growth performance after this date. While developing economies including Turkey continued to grow rapidly, the recovery speed of developed countries led by the USA, the EU and Japan rather slowed down. Therefore, central bank re-interventions were on the agenda for developed economies in the recent weeks. Differently from the past, central banks signal that they will support their economy in a wide range from foreign exchange rate interventions to purchase of bonds and stocks. While the global markets were horizontal within the process from the end of 2009 to September 2010, they began to rise again rapidly in recent days after the support of central banks. In the Euro Zone, conditions started to turn to normal with the positive results of stress tests concerning the banking sector and with the easy borrowing of problematic countries such as Greece, Spain, Portugal and Ireland from international bond markets.

The Turkish economy, which shrank by 4.7% in 2009 with the impact of the crisis, reached record growth rates of 11.7% and 10.3% respectively in the first two quarters of this year. The current trend indicates that this year will end with a growth rate of approximately 7%. It is expected that Turkey will reach growth rates of 5% and over after 2011 as well. Stable political environment, low indebtedness rate and high growth rates have drawn the attention of rating agencies and helped Turkey approach the “investment grade”. It is doubtless that one of the elements that supported the Turkish economy during and after the crisis was the robust banking sector.

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

-Loan volume (excluding financial sector loans)	TL 468 billion
TL Loan volume	TL 347 billion
FX Loan volume	USD 84 billion
-Deposit Volume (excluding interbank deposits)	TL 571 billion
TL Deposit Volume	TL 391 billion
FX Deposit Volume	USD 125 billion.

An increase in the real sector loan demand has been observed in parallel to the positive evolution of the economy in the first nine months of 2010 and the total loan volume of the Banking sector increased by 6% compared to the second quarter and by 20% compared to 2009 YE and reached TL 468 billion. 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 been getting away from crisis. In the third quarter of 2010, consumer, housing and SME loans are the segments with priority impact on total loan increase. While general purpose loans increased by 31%, the increase in housing loans was 23%. SME loans also increased rapidly especially from the second quarter of the year. When the performance of the first eight months in SME loans are annualized, the figure found corresponds to a very high rate as 39%. With the economy that began to gain stimulus, a recovery in the SMEs business volumes and hence their solvencies started. The NPL ratio of SMEs which was 8.2% in 2009 YE decreased to 6% as of August. The NPL ratio of all loans which reached up to 5.8% during the crisis dropped to 4.5% at the end of September.

Total deposits reached TL 571 billion by increasing 11% in the first nine months. The growth of TL 50 billion and 15% in deposits had an impact on the increase. FX Deposit accelerated with the appreciation in TL during recent periods and reached the level of USD 125 billion with an increase by 4% compared to the year end.

*\* 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 30.09.2010 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>