

Interim Activity Report 1Q 2014

DenizBank Financial
Services Group



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STATEMENT of RESPONSIBILITY

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

DENİZBANK A.Ş.
2014 1st QUARTER- INTERIM ACTIVITY REPORT
STATEMENT of RESPONSIBILITY

The Interim Activity Report related to the period between 01.01.2014 and 31.03.2014 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,

08 May 2014

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: 699

of Foreign Branches: 26 (including subsidiaries' branches)

of Employees: 14.732

of Subsidiaries, Associates and Jointly Controlled Companies: 14

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

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DENİZBANK FINANCIAL SERVICES GROUP (DFSG)

Subsidiaries, Associates and Jointly Controlled Companies

| Title | Operations | Adress (City/Country) | DenizBank Share (%) | Other DFSG Companies Share (%) |
|--|---------------|--------------------------|------------------------|--------------------------------------|
| DenizBank AG | Financial | Vienna/Austria | 100 | - |
| Eurodeniz International Banking Unit Ltd. | Financial | Nicosia /Cyprus | 100 | - |
| CJSC Denizbank Moscow | Financial | Moscow / Russia | 49 | 51 |
| Deniz Yatırım Menkul Kıymetler A.Ş. | Financial | İstanbul / Turkey | 100 | - |
| Ekspres Menkul Değerler A.Ş. | Financial | İstanbul / Turkey | 71 | 29 |
| Deniz Portföy Yönetimi A.Ş. | Financial | İstanbul / Turkey | - | 100 |
| Deniz Finansal Kiralama A.Ş. | Financial | İstanbul / Turkey | 84 | 16 |
| Deniz Faktoring A.Ş. | Financial | İstanbul / Turkey | 100 | - |
| Deniz Gayrimenkul Yatırım Ortaklığı A.Ş. | Financial | İstanbul / Turkey | - | 91 |
| Destek Varlık Yönetim A.Ş. | Financial | İstanbul / Turkey | - | 100 |
| Pupa Gayrimenkul Kiralama ve Yönetim Hizmetleri A.Ş. | Non-Financial | İstanbul / Turkey | - | 100 |
| İntertech Bilgi İşlem ve Pazarlama Ticaret A.Ş. | Non-Financial | İstanbul / Turkey | 100 | - |
| Denizbank Kültür Sanat Yayıncılık Ticaret ve Sanayi A.Ş. | Non-Financial | İstanbul / Turkey | 100 | - |
| Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.* | Non-Financial | İstanbul / Turkey | 33 | - |

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

DENİZBANK in BRIEF

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

In addition to DenizBank, DenizBank Financial Services Group consists of seven domestic and three international financial subsidiaries, four domestic non-financial subsidiaries and a branch in Bahrain. DenizYatırım Securities, Ekspres Securities, Deniz Real Estate Investment Trust, DenizPortfolio Management, DenizLeasing, DenizFactoring, Destek Asset Management, Intertech, DenizKültür, 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 sectors for her activities. The Group also operates in EU countries through its Vienna-based subsidiary DenizBank AG. DenizBank Moscow serves the Group's existing customers abroad that have commercial and trade ties with Russia and meets their various financial needs.

The Group possesses a service network that reaches all segments of the society throughout Turkey. In addition to the 699 domestic DenizBank branches, including one in Bahrain, DenizBank AG has 26 branches in total. In addition, thanks to its Alternative Distribution Channels, DenizBank enables both individual and corporate customers all over the world to carry out financial transactions over the internet.

SBERBANK in BRIEF

Group Profile

Established in 1841, Sberbank is a universal commercial bank with diversified businesses and global presence, playing a significant role in Russia's economy as the largest commercial bank in terms of assets, deposits and loans with market shares of 29%, 45% (retail deposits), and 33% respectively, (according to Sberbank's calculations). More than 110 million individuals in Russia are clients of Sberbank, representing approximately 74% of the Russian population. Sberbank services over one million corporate clients out of 4,5 million businesses in the country.

Sberbank offers its services through the largest banking distribution network of Russia via around 18.000 branches, located in all 83 sub-federal units of the country. Sberbank promotes banking via remote channels, which include the largest ATM network of Russia of over 89 thousand machines and self-service terminals, as well as Online and Mobile services.

DenizBank Financial Services Group
2014 1st Quarter Interim Activity Report
Section I - Introduction

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

Sberbank has substantially extended its international presence beyond the CIS, - Kazakhstan, Ukraine and Belarus, - to eight countries of Central and Eastern Europe via Sberbank Europe AG (former VBI), as well as Turkey via DenizBank. Sberbank has representative offices in Germany and China, a branch in India and operations in Switzerland via Sberbank (Switzerland) AG.

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

*General banking license by the Bank of Russia No. 1481.
Sberbank's official website is www.sberbank.ru.*

MESSAGE FROM THE CHAIRMAN

As an emerging market economy with an expanded current account deficit, Turkey faced significant capital outflows in 2013 in light of the QE3 tapering in the United States. At the same time, Turkey delivered a nearly 4,0% GDP growth in 2013, better than 2,1% growth in 2012, mainly driven by recovery of household consumption and investment demand.

First quarter of 2014 was a challenging period for Turkish economy owing to both the political developments that took place before the local elections in March 2014 and uncertainty regarding emerging markets. Although short term capital outflows occurred in the first quarter of the year, Turkish economy passed through the period rather sustainably. Industrial manufacturing data, a leading indicator for growth, suggests that the decrease in growth pace would be limited and there are positive expectations regarding growth of European markets in 2014, which have a considerable share in Turkey's exports. Therefore, deceleration in domestic growth can be partially compensated with stronger external demand. We can observe a growing inflow of capital in Turkey after the local elections, and we have more positive expectations regarding capital inflows during the rest of the year. We believe that Turkey will remain one of the most attractive economies for investment in the medium term in the CEE, Middle East and Africa.

Regulatory changes weakened loan growth while funding costs of banks increased considerably after the Turkish Central Bank increased the policy rate to 10%, which made the first quarter of 2014 a difficult period for the Turkish banking sector. Loan growth, starting with credit cards, decreased substantially, and profitability of the sector was negatively impacted, as expected, in the first quarter of the year. The inflation realized at 8,4% as of the end of the first quarter, which is above the year-end expectation of 6,9% and the medium-term target of 5%, implying that the Central Bank of Turkey may continue tightening monetary policy, which in turn restrains the probability for a significant decline in interest rates in the near term.

Despite the economic slowdown and recent regulatory changes in the banking sector in Turkey, DenizBank demonstrates outstanding results. DenizBank outperformed the sector, delivering loan portfolio growth of 4,0% and deposits growth of 6,0% in the first three months of 2014, when the sector grew by 3,5% and 1,2%, respectively.

Gaining from enhanced cooperation between Russia and Turkey, DenizBank works with more Russian corporate clients than any other bank in the region thanks to the Sberbank Group capabilities. We believe that with the support of the Sberbank Group, DenizBank will take customer experience and satisfaction to higher levels in 2014.

HERMAN GREF
CHAIRMAN

MESSAGE FROM THE PRESIDENT AND CEO

DenizBank managed to increase its assets, loans and customer deposits both on consolidated and unconsolidated basis by outperforming the sector in the first three months of 2014. Our consolidated and unconsolidated assets increased by 43% and 38% year on year basis & 8% on on a year-to-date basis and reached TL 85,9 billion and TL 64,2 billion, respectively.

DenizBank's consolidated and unconsolidated customer deposits, the main source of funding, reached TL 52,7 billion and TL 36,1 billion, recording 41% and 33% yearly & 6% and 5% year-to-date increases, respectively, above the sector. Expanding customer base up 26% year-on-year, parallel to the branch network consisting of 725 branches in 81 provinces of Turkey together with 26 branches of its foreign subsidiaries have been one of the most important factors in the increase of DenizBank deposits. Beside deposits, in the first quarter of 2014, DenizBank issued bonds in the amount of TL 868 million diversifying its funding base.

In the first three months of 2014, DenizBank continued to transfer its funds into the economy with its wide range of products portfolio, and reached its consolidated loans to TL 58,7 billion increasing by 39% y-o-y and 4% y-t-d. Unconsolidated loan volume was realized at TL 40,0 billion, growing by 32% y-o-y and 4% y-t-d. Corporate, SME and agricultural loans became the main contributors to the increase in loans. DenizBank almost doubled its credit card loans reaching TL 4,3 billion, while it showed a performance in line with the sector growth in consumer loans with a 22% increase.

DenizBank SME Banking offers "Yazarkasa Mobil POS - Cashier POS", the first machine that complies with the comminiqué, which was changed in June 2012 for SME's use with the cooperation with MT Bilişim. "Yazarkasa Mobil POS", with its merchants exceeding 55 thousand will facilitate SMEs to work more efficiently by realizing all banks' transactions with a single terminal.

The first and only in Turkey, "SME Card", developed by DenizBank with the mission of supporting the growth of SME's, was granted the "Innovation Award" by MasterCard, one of the major institutions in international payment systems. Having provided easy usage and wide range of products to SME's, SME Card has continued to be the leader in the commercial cards market for many years and reached 262 thousand users.

Our consolidated and unconsolidated shareholders' equity increased by 5% and 4% compared to the end of 2013, reaching TL 6,4 billion and TL 5,1 billion, respectively. With the help of subordinated loan amounting to USD 300 million with 10 years maturity and fixed interest rate obtained from Sberbank in the end of January, DenizBank recorded 12,10% and 13,41% capital adequacy ratios on consolidated and unconsolidated basis, respectively.

DenizBank reported its consolidated net profit of TL 278 million in the first three months of 2014 while recording TL 190 million unconsolidated net profit.

In its 17th year, DenizBank will continue to write new success stories together with the Sberbank family, driven by dynamism of being a young bank and self-confidence of the unique success story achieved with a devoted work.

HAKAN ATEŞ
THE PRESIDENT AND CEO

CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL

As of 31 March 2014, 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% |
| Total | 716.100.000,000 | 716.100.000 | 100,00% |

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 two new branches and reached 26 branches in the first quarter of 2014.

At the meeting of its Board of Directors held on 6 February 2014, Deniz Real Estate Investment Trust (Deniz REIT) was decided to be merged with Pupa Real Estate Rental and Management Services through the simplified merger method within the framework of the related regulations. An application was submitted to the Capital Markets Board on 11 February 2014.

As a result of the mandatory tender call made in Borsa Istanbul on 23 January 2013, the share of DenizYatırım Securities (DenizYatırım) in Deniz REIT increased to 91,38%.

The paid-capital of DenizYatırım, 99,96% of its shares owned by DenizBank, was increased from TL 55.000 thousand to TL 150.000 thousand.

The company name of Deniz Varlık Yönetim A.Ş. (Deniz Asset Management) was changed to Destek Varlık Yönetim A.Ş. (Destek Asset Management).

The company name of Ekspres Yatırım Menkul Değerler A.Ş. (Ekspres Invest) was changed to Ekspres Menkul Değerler A.Ş. (Ekspres Securities).

AMENDMENTS TO ARTICLES OF ASSOCIATION

There is no amendment to Articles of Association between 01.01.2014 and 31.03.2014.

TYPE AND AMOUNT OF THE CAPITAL MARKET INSTRUMENTS ISSUED

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

| Funding | Amount | Maturity | Issue Date | Maturity Date |
|------------------------|-----------------------|----------|------------------|-------------------|
| Bond | TL 75.000.000 | 75 days | 8 January 2014 | 24 March 2014 |
| Bond | TL 125.000.000 | 147 days | 8 January 2014 | 4 June 2014 |
| Bond | TL 115.000.000 | 114 days | 10 February 2014 | 4 June 2014 |
| Bond | TL 81.830.000 | 102 days | 24 March 2014 | 4 July 2014 |
| Bond | TL 183.170.000 | 170 days | 24 March 2014 | 10 September 2014 |
| Bond | TL 135.333.408 | 95 days | 31 March 2014 | 4 July 2014 |
| Bond | TL 152.290.488 | 163 days | 31 March 2014 | 10 September 2014 |
| TOTAL-Bill-Bond | TL 867.623.896 | | | |

DONATIONS

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

| INSTITUTION NAME | Amount (TL) |
|--------------------------------|---------------|
| TÜRK EĞİTİM DERNEĞİ | 8.400 |
| GALATASARAY SPOR KLÜBÜ DERNEĞİ | 4.163 |
| CERRAHPAŞA TIP FAKÜLTESİ | 4.000 |
| TÜRK EĞİTİM VAKFI | 250 |
| TÜRKİYE GAZİLER DERNEĞİ | 180 |
| TOTAL | 16.993 |

AMENDMENTS TO RATING NOTES

The amendments to Ratings of DenizBank assigned by Fitch Ratings and Moody's in 2014 are below.

On 20 March 2014, Moody's revised DenizBank's ratings outlook from 'stable' to 'review for downgrade (RuRD)'.

On 15 April 2014, Fitch Ratings affirmed DenizBanks' short term ratings (F3) and long term ratings (BBB-) and revised long term ratings' outlook from 'stable' to 'negative', viability rating from 'bbb-' to 'bb+' and national rating from 'AAA(tur)' to 'AA+(tur)'.

Ratings are as follows:

Moody's*

| | |
|--------------------------------------|-----------------------|
| Long Term Foreign Currency Deposits | Baa3 / RuRD |
| Short Term Foreign Currency Deposits | Prime-3 / RuRD |
| Long Term Local Currency Deposits | Baa3 / RuRD |
| Short Term Local Currency Deposits | Prime-3 / RuRD |
| Bank Financial Strength Rating (BCA) | D+(ba1) / RuRD |

*As of 20.03.2014

RuRD: Review for Possible Downgrade

FitchRatings**

| | |
|-----------------------------|-----------------------------|
| Long Term Foreign Currency | BBB- / Negative |
| Short Term Foreign Currency | F3 |
| Long Term Local Currency | BBB- / Negative |
| Short Term Local Currency | F3 |
| Viability | bb+ |
| Support | 2 |
| National | AA+ (tur) / Negative |

**As of 15.04.2014

SECTION II - MANAGEMENT and CORPORATE GOVERNANCE

BOARD of DIRECTORS

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

EXECUTIVE MANAGEMENT

| Title | Name | Position | Experience |
|-------------------------------------|--|--|------------|
| President & CEO: | Hakan Ateş | President & CEO | 32 years |
| Executive Vice Presidents**: | 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 |
| | 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 |
| | Selim Efe Teoman | Corporate and Commercial Credits - EVP | 19 years |
| | Ayşenur Hıçkırın | Payment Systems and Non Branch Channels-EVP | 17 years |
| | Ruslan Abil | Group Reporting and Asset/Liability Management - EVP | 17 years |
| | Önder Özcan | Managerial Reporting and Budget Planning - EVP | 16 years |
| | Necip Yavuz Elkin | Human Resources and Deniz Academy-EVP | 21 years |
| | Burak Koçak | SME Banking- EVP | 18 years |
| | Oğuzhan Özark | Retail Banking Sales Management - EVP | 16 years |
| | Cemil Cem Önenç | Private Banking - EVP | 17 years |
| | Hakan Turan Pala | Corporate and Commercial Credits Analysis - EVP | 20 years |
| Ayperı Karahan* | Retail, SME and Agricultural Banking Loan Allocation-EVP | 26 years | |
| Ali Murat Dizdar | Chief Legal Advisor | 22 years | |
| Secretary General: | Kürşad Taçalan | Secretary General | 21 years |
| Internal Systems: | Ramazan Işık | Head of the Board of Internal Audit | 14 years |
| | Cem Demirağ | Head of Internal Control Center and Compliance | 22 years |
| | Sinan Yılmaz | Head of Risk Management | 16 years |

*Started her duty as of April 2014.

**Gökhan Ertürk, Retail Banking Group - EVP, resigned his duties as of 9 April 2014.

COMMITTEES

Committees Reporting to the Board of Directors

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

| Title | Name | Position | Experience/ years |
|---|---------------------|------------------|----------------------|
| <i>Audit Committee:</i> | Nihat Sevinç | Member | 27 |
| | Wouter Van Roste | Member | 24 |
| | Denis Bugrov | Member | 18 |
| <i>Corporate Governance and Nomination Committee:</i> | Deniz Ülke Arıboğan | Member | 27 |
| | Timur Kozintsev | Member | 14 |
| | Tanju Kaya | Member | 27 |
| <i>Remuneration Committee:</i> | Sergey Gorkov | Member | 19 |
| | Nihat Sevinç | Member | 27 |
| <i>Credit Committee:</i> | Alexander Vedyakhin | Member | 14 |
| | Derya Kumru | Member | 21 |
| | Hakan Ateş | Member | 32 |
| | Sergey Gorkov | Associate Member | 19 |
| | Timur Kozintsev | Associate Member | 14 |

Executive Committees

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

Within the Context of Corporate Governance;

45 Board decisions, 1 Audit Committee decisions and 6 Corporate Governance and Nomination Committee decisions were adopted between 1 January 2014 and 31 March 2014.

SECTION III- FINANCIAL INFORMATION

SUMMARY FINANCIAL HIGHLIGHTS

| Summary Consolidated Financial Highlights (TL millions) | | | | |
|---|------------|------------|------------|------------|
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Securities ⁽¹⁾ | 8.369 | 7.601 | 8.491 | 8.656 |
| Net Loans ⁽²⁾ | 58.723 | 56.466 | 42.154 | 38.801 |
| Subsidiaries ⁽³⁾ | 19 | 19 | 18 | 18 |
| Net Fixed Assets | 556 | 573 | 440 | 456 |
| Net Investment Properties | 119 | 120 | 0 | 0 |
| Total Assets | 85.879 | 79.668 | 59.847 | 56.495 |
| Customer Deposits ⁽⁴⁾ | 52.688 | 49.702 | 37.275 | 34.985 |
| Time | 40.568 | 39.091 | 30.578 | 27.950 |
| Demand | 12.120 | 10.611 | 6.698 | 7.034 |
| Borrowings | 12.005 | 10.985 | 7.968 | 7.003 |
| Sub-ordinated Loans | 3.038 | 2.354 | 899 | 888 |
| Shareholders' Equity | 6.364 | 6.088 | 5.803 | 5.665 |
| Paid-in Capital | 716 | 716 | 716 | 716 |
| Non-cash Loans | 19.184 | 18.416 | 13.266 | 12.381 |
| Interest Income | 1.687 | 5.454 | 1.349 | 4.806 |
| Interest Expense | -845 | -2.443 | -537 | -2.337 |
| Net Interest Income after Provisions | 571 | 1.983 | 483 | 1.742 |
| Non-interest Income | 403 | 1.612 | 423 | 952 |
| Non-interest Expense | -619 | -2.327 | -493 | -1.739 |
| Net Income | 278 | 1.011 | 313 | 720 |
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Number of Branches ⁽⁵⁾ | 725 | 713 | 640 | 624 |
| Number of Employees | 14.732 | 14.413 | 12.070 | 11.618 |
| Number of ATMs | 3.793 | 3.749 | 3.357 | 3.180 |
| Number of POS Terminals | 194.674 | 185.980 | 126.863 | 122.567 |
| Number of Credit Cards | 2.846.837 | 2.717.839 | 2.175.453 | 2.191.590 |

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.

⁽¹⁾ 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.

⁽²⁾ Includes factoring and leasing receivables.

⁽³⁾ Total of investments in associates, investments in subsidiaries and entities under common control (joint venture)

⁽⁴⁾ Excludes bank deposits

⁽⁵⁾ Includes subsidiaries' branches

DenizBank Financial Services Group
2014 1st Quarter Interim Activity Report
Section III - Financial Information

| Summary Unconsolidated Financial Highlights (TL millions) | | | | |
|---|------------|------------|------------|------------|
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Securities ⁽¹⁾ | 6.731 | 6.135 | 7.231 | 7.392 |
| Net Loans | 40.021 | 38.637 | 30.244 | 28.191 |
| Subsidiaries ⁽²⁾ | 1.672 | 1.577 | 1.004 | 1.004 |
| Net Fixed Assets | 530 | 550 | 426 | 443 |
| Total Assets | 64.187 | 59.427 | 46.549 | 44.198 |
| Customer Deposits ⁽³⁾ | 36.118 | 34.328 | 27.169 | 25.807 |
| Time | 27.480 | 26.939 | 22.870 | 20.816 |
| Demand | 8.637 | 7.389 | 4.299 | 4.991 |
| Borrowings | 9.684 | 9.123 | 6.535 | 5.398 |
| Sub-ordinated Loans | 3.038 | 2.354 | 899 | 888 |
| Shareholders' Equity | 5.104 | 4.915 | 5.105 | 5.030 |
| Paid-in Capital | 716 | 716 | 716 | 716 |
| Non-cash Loans | 19.120 | 18.326 | 12.979 | 12.106 |
| Interest Income | 1.375 | 4.515 | 1.140 | 4.095 |
| Interest Expense | -691 | -2.007 | -440 | -1.953 |
| Net Interest Income after Provisions | 431 | 1.540 | 381 | 1.476 |
| Non-interest Income | 379 | 1.143 | 394 | 1.131 |
| Non-interest Expense | -571 | -2.069 | -459 | -1.614 |
| Net Income | 190 | 454 | 240 | 813 |
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Number of Branches | 699 | 689 | 623 | 610 |
| Number of Employees | 13.066 | 12.822 | 10.681 | 10.280 |
| Number of ATMs | 3.793 | 3.749 | 3.357 | 3.180 |
| Number of POS Terminals | 194.674 | 185.980 | 126.863 | 122.567 |
| Number of Credit Cards | 2.846.837 | 2.717.839 | 2.175.453 | 2.191.590 |

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.

⁽¹⁾ 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.

⁽²⁾ Total of investments in associates, investments in subsidiaries and entities under common control (joint venture)

⁽³⁾ 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 | | | |
|---------------------------------------|--------------|------------|------------|------------|
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Capital Adequacy Ratio (%) | 12,10 | 12,13 | 12,49 | 13,09 |
| Shareholders' Equity | 6.364 | 6.088 | 5.803 | 5.665 |
| Return on Average Equity (%) | 17,9 | 17,2 | 21,9 | 14,0 |
| Free Capital ⁽¹⁾ | 4.846 | 4.604 | 4.453 | 4.258 |
| Free Capital Ratio ⁽²⁾ (%) | 5,64 | 5,78 | 7,44 | 7,54 |

| | Unconsolidated | | | |
|---------------------------------------|----------------|------------|------------|------------|
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Capital Adequacy Ratio (%) | 13,41 | 12,83 | 14,07 | 14,62 |
| Shareholders' Equity | 5.104 | 4.915 | 5.105 | 5.030 |
| Return on Average Equity (%) | 15,2 | 9,1 | 18,9 | 18,1 |
| Free Capital ⁽¹⁾ | 2.122 | 2.066 | 2.911 | 2.810 |
| Free Capital Ratio ⁽²⁾ (%) | 3,31 | 3,48 | 6,25 | 6,36 |

⁽¹⁾ 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

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

Asset Quality

| | Consolidated | | | |
|--|----------------|------------|------------|------------|
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Non-performing Loans/Total Cash Loans Ratio (%) | 2,9 | 2,8 | 3,5 | 3,5 |
| Non-performing Loans Provision Ratio (%) | 119,1 | 120,3 | 109,5 | 101,2 |
| Loan Loss Provisions/Total Cash Loans Ratio (%) | 3,5 | 3,4 | 3,8 | 3,6 |
| Cost of Risk (%) | 1,0 | 1,5 | 2,2 | 1,6 |
| | Unconsolidated | | | |
| | 31.03.2014 | 31.12.2013 | 31.03.2013 | 31.12.2012 |
| Non-performing Loans/ Total Cash Loans Ratio (%) | 3,7 | 3,5 | 4,1 | 4,1 |
| Non-performing Loans Provision Ratio (%) | 125,8 | 128,0 | 116,5 | 107,4 |
| Loan Loss Provisions/ Total Cash Loans Ratio (%) | 4,6 | 4,5 | 4,8 | 4,4 |
| Cost of Risk (%) | 1,4 | 1,5 | 3,0 | 2,1 |

RISK MANAGEMENT POLICIES

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

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

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

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

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

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

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

Market Risk

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

Basel II/Credit Risk

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

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

Liquidity Risk

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

Operational Risk

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

Structural Interest Rate Risk

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

GENERAL OUTLOOK of THE TURKISH ECONOMY and THE BANKING SECTOR

Evaluations regarding the developments in Turkish Economy and banking sector in the first three months of 2014 have been summarized below.

The fact that Turkey's current account deficit reached 9,7% of the GDP in 2011 as a result of rapid GDP growth at the level of 9% both in 2010 and 2011 pushed authorities starting with the Central Bank of Turkey to take some measures to slow down the economy through credit growth; consequently Turkish economy grew by 2,2% in 2012 with a performance below the average growth of the previous 10 years. With the effect of the measures taken, current account deficit decreased by 3,6 points in 2012 down to 6,1% of the GDP while the inflation decreased by 4,3 points to the level of 6,2%. In the year 2013, Turkish economy grew 4,0%, better than in 2012 driven by revival of domestic demand although this growth figure is still below Turkey's potential. Acceleration in GDP growth was accompanied by growing current account deficit, which is a structural problem of Turkey. Upon the current account deficit reaching 8,1% of the GDP in 2013, authorities took a series of measures in the beginning of 2014 such as limiting number of installments for credit card purchasing, introducing the obligation of equity contribution for some types of loans and implementing single, consolidated limit for credit cards of consumers with all issuers in order to curb the current account deficit in a structural way and to develop savings. Furthermore, increase in interest rates on a global scale and deteriorated inflationary expectations upon annual inflation rate reaching 7,4% in Turkey led the Central Bank of Turkey to increase the policy rate to 10,0% at the beginning of 2014. Driven by all these factors, growth rate of banking sector credits, mainly credit cards had a considerable deceleration in the first quarter of 2014. Consumer loans grew by 2% while credit cards shrank by 4% during the first quarter of the year.

Parallel to the decrease of internal and external imbalances, rating agencies upgraded sovereign ratings. Fitch Ratings and Moody's upgraded Turkey's long term foreign currency ratings to investment grade of BBB- and Baa3, respectively. Budget discipline was also a supporting drive on rating upgrades. Thus 2013 ended with a very low budget deficit as 1,2% 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 2016. Parallel to this view, it will be possible to decrease budget deficit to 1,1% and public debt to GDP will force to levels below 30% in 2016.

Evaluation of the banking sector according to the March 2014 data*:

| | |
|---|------------------|
| -Loan volume (excluding financial sector loans) | TL 1.075 billion |
| TL Loan volume (excluding financial sector loans) | TL 771 billion |
| FX Loan volume (excluding financial sector loans) | USD 140 billion |
| -Deposit Volume (excluding interbank deposits) | TL 970 billion |
| TL Deposit Volume (excluding interbank deposits) | TL 576 billion |
| FX Deposit Volume (excluding interbank deposits) | USD 181 billion |

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In the first three months of 2014, the total loan volume of the Banking sector increased by 4% compared to the end of 2013 and by 30% compared to the same period of the previous year and reached TL 1.075 billion. In the first quarter of 2014, mortgage, general purpose, commercial and corporate loans became the segments with priority impact on total loan increase. Contrary to the 2013 trend, consumer loans indicated a limited increase compared to 2013 year-end rates and while a 19% increase year-on-year basis. On the other hand, while decreasing by 4% in the three months, credit card loans recorded 11% annual growth. Commercial and corporate loans including SME loans grew by 5% in the first two months. While completing the year of 2013 at level of 2,7% from its highest level of 5,8% during the crisis, the total NPL ratio increased to 2,8%, as a result of 7% rise in NPL portfolio compared to the end of 2013 as at March 2014.

Total deposits reached TL 970 billion by increasing 23% compared to the first three months of 2013 and only 1% according to 2013-end. The sector's total equity as of February rose by 6% y-o-y and reached TL 198 billion. The net profit of the banking sector in the first two months was realized as TL 3,2 billion recording a 26% y-o-y decrease.

** 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 31.03.2014 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 2013 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>