

Interim Activity Report 1Q 2014

DenizBank Financial
Services Group



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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	Address (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.

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 Böküçöz	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

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

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>