

# Interim Activity Report 1Q 2013

DenizBank Financial  
Services Group



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

**DENİZBANK A.Ş.**  
**2013 1<sup>st</sup> QUARTER- INTERIM ACTIVITY REPORT**  
**STATEMENT of RESPONSIBILITY**

The Interim Activity Report related to the period between 01.01.2013 and 31.03.2013 has been prepared regarding the "Regulation on the Preparation and Publication of Annual Report of Banks" of Banking Regulation and Supervision Agency, published in the Official Gazette dated 1 November 2006, Nr. 26333 and "Declaration on Financial Reporting at Capital Markets" of Capital Markets Board, that has been published in the Official Gazette dated 09 April 2008, Nr. 26842, and attached here-with.

Respectfully,

14 May 2013

**HAKAN ELVERDİ**

Senior Vice President  
International and Regulatory  
Financial Reporting

**SUAVİ DEMİRCİOĞLU**

Executive Vice President  
Financial Affairs

**HAKAN ATEŞ**

Member of Board of Directors  
and President and Chief  
Executive Officer

**NİHAT SEVİNÇ**

Member of Board of Directors  
and Audit Committee

**WOUTER G.M. VAN ROSTE**

Member of Board of Directors  
and Audit Committee

**DENIS BUGROV**

Member of Board of Directors  
and Audit Committee

**HERMAN GREF**

Chairman of Board of  
Directors

## SECTION I-INTRODUCTION

### ABOUT DENİZBANK

Trade name: Denizbank A.Ş.

Date of Foundation: 25 August 1997

Headquarter: İstanbul

Paid-in Capital: TL 716,100,000

# of Domestic Branches: 622

# of Foreign Branches: 18 (including subsidiaries' branches)

# of Employees: 12,070

# of Subsidiaries, Associates and Jointly Controlled Companies: 13

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

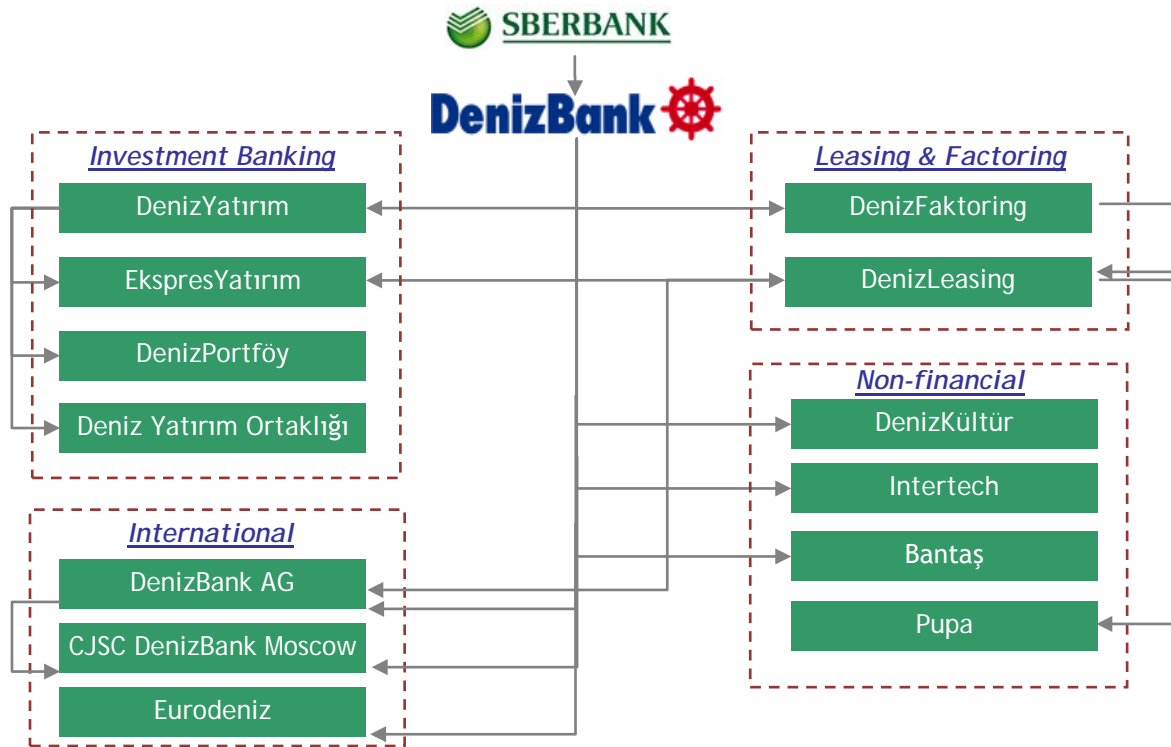
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### DENİZBANK FINANCIAL SERVICES GROUP (DFSG)



## **DENİZBANK in BRIEF**

DenizBank was founded in 1938 as a state-owned bank to provide funding for the developing Turkish maritime sector. Acquired by Zorlu Holding from the Privatization Administration as a banking license in early 1997, the Bank became one of the major banks in Turkey in a short period of time. In October 2006, DenizBank was acquired by Dexia, a leading financial group in Europe. Continuing its activities under Dexia umbrella for 6 years, DenizBank operates as from 28 September 2012 under the roof of Sberbank, the biggest and deepest-rooted bank in Russia.

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

The primary customer segments of DenizBank Financial Services Group include retail customers, small and medium-size enterprises, exporters, public and project finance users and corporate clients. The Group has identified agriculture, energy, tourism, education, health, sports, infrastructure and maritime sectors as a priority for her activities. The Group also operates in EU countries through its Vienna-based subsidiary DenizBank AG. DenizBank Moscow serves the Group's existing customers abroad that have commercial and trade ties with Russia and meets their various financial needs.

The Group possesses a service network that reaches all segments of the society throughout Turkey. In addition to the 623 domestic DenizBank branches, including one in Bahrain, DenizBank AG and DenizBank Moscow have 17 branches in total. In addition, thanks to its Alternative Distribution Channels, DenizBank enables both individual and corporate customers all over the world to carry out financial transactions over the internet.

## **SBERBANK in BRIEF**

### **Group Profile**

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

Sberbank holds a dominant position on the Russian banking sector market in terms of total assets. It is the major lender to the national economy and the biggest deposit taker in Russia. As of March 1, 2013, Sberbank accounted for 29% of aggregate banking assets, 45% of retail deposits, 33% of loans to corporate clients and 32% of retail loans. Sberbank's equity reached RUB1.7 trln (~USD55 bn), which corresponds to 28% of the aggregate capital of Russian banks.

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

million individual customers (> 70% of the Russian population) and over 1 million of companies (out of 4.6 million legal entities in Russia) bank with Sberbank.

Sberbank provides a broad range of banking services to retail clients including deposits, various types of loans (consumer, car loans and mortgages) as well as bank cards, money transfers, bank insurance and brokerage. Sberbank built a unique-in-Russia sophisticated retail underwriting process, called 'Credit Factory', designed for an efficient credit risk assessment. Sberbank is the largest issuer of debit and credit cards, with the latter exceeding 8.7 million issued at the end of 2012. Sberbank entered the POS (point of sale) market via a JV with BNP Paribas, under 'Cetelem' brand.

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

In addition to its 18,900+ branch regional network, Sberbank promotes remote channel usage via one of the world's largest network of ATM machines and self-service terminals of ~68,000, as well as mobile and Online banking services.

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

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

General banking license by the Bank of Russia No. 1481. Sberbank's official website is [www.sberbank.ru](http://www.sberbank.ru).

## MESSAGE FROM THE CHAIRMAN

Following the global crisis that started in 2008, authorities of developed countries took unprecedented precautions after their economies entered a severe recession and exerted efforts in order to overcome the crisis with minimum loss to the possible extent.

Together with these precautions, the liquidity crisis ended and extreme risks with possible deep impact decreased considerably. However, it is still not possible to say that economic activities have recovered as intended. In 2012, economies of the USA, EU, Japan and United Kingdom grew by 2.2%, - 0.2%, 2.0% and 0.2% respectively. Although banks have deleveraged significantly, capital adequacy ratios in developed countries have still not reached levels intended by regulatory authorities.

When emerging economies are observed and compared to pre-crisis levels, although there is slowdown in economic activity, emerging economies continue to be the growth engines of the world with BRIC countries being in the first place. Different from the past, increasingly materializing growth channels through domestic consumption besides exports, emerging economies will continue to grow with their advantaged demographics and technologic infrastructure that is able to cover domestic demand.

With its place among large and fast growing Emerging Economies with young population and high potential, Turkey grew by 9.2% and 8.8% in 2010 and 2011, respectively. As the current account deficit increased with this fast growth, authorities took certain measures that would slow down banking sector credits and thus the economy. With the measures, economy of Turkey slowed down and growth declined to 2.2% at the end of 2012. Parallel to this, ratio of current account deficit to economy, which reached 10% at 2011-end, decreased to 6.0% at 2012 year end. Similarly, inflation declined to 6.2% in 2012 from being 10.5% in 2011 year end and put forward a coherent picture with long term inflation targets. Following the successful performance in current account balance and inflation, rating upgrades came next. Especially the fact that Fitch upgraded Turkey's rating to investment grade with BBB- is an important threshold for Turkey. Receiving the investment grade from a rating agency will lead to many positive developments such as global pension funds making long term investment investing in financial products of Turkey-origin and banks and companies receiving more reasonable interest rates in their international funding.

In this process, the banking sector which is the mirror of the real sector performed very well and increased its net profit by 19% despite the slow-down in credits in 2012. Net profit increased by 14% in the first quarter of 2013 compared to 2012. Similarly, the annual credit increase pace which declined to 15% level at 2012 year end is around 20% level this year showing that support will come to profitability through volumes in 2013.

**HERMAN GREF**  
**CHAIRMAN**

## MESSAGE FROM THE PRESIDENT AND CEO

DenizBank managed to increase her assets, loans and customer deposits both on consolidated and unconsolidated basis by outperforming the sector in the first three months of 2013. Our assets increased by 26% and 23% on consolidated and unconsolidated basis on a year-to-date basis and reached TL 59 billion 847 million and TL 46 billion 549 million, respectively.

While sector's deposit volume increased by 13% compared to the March 2012 year-end, DenizBank's consolidated and unconsolidated customer deposits, the main source of funding, reached TL 37 billion 275 million and TL 27 billion 169 million, recording 24% and

30% increases, respectively. Expanding customer base with 13% increase parallel to the branch network consisting of 640 branches in 81 provinces of Turkey together with its foreign subsidiaries branches have been one of the most important factors in the increase of DenizBank deposits. Besides, DenizBank continued to obtain low-cost and long-term funding sources from several international institutions to support her priority sectors.

Enabling the real sector to access longer terms of funds by means of turning long term resources into loans, DenizBank continued its bond/bill issuances with bonds amounting to TL 726 million and bills amounting to TL 162 million, TL 889 million in total in 2013. Besides, DenizBank signed a loan agreement with 5-year maturity amounting to USD 25 million with Japan Bank for International Cooperation (JBIC) under GREEN operations (Global action for Reconciling Economic growth and ENvironmental preservation). The loan will be made available for the SME's operating for energy efficiency and renewable energy investments.

In the first three months of 2013, DenizBank continued to transfer its funds to all sectors of the economy as a financial supermarket with an expanding product portfolio and reached its consolidated loans to TL 42 billion 154 million increasing by 30% y-o-y and 9% q-o-q. Unconsolidated loan volume was realized as TL 30 billion 244 million, growing by 29% y-o-y and 7% q-o-q. Commercial, SME, retail and corporate loans became the main contributors of the increase in loans. DenizBank recorded a 27% annual growth in credit cards reaching a volume of TL 2.1 billion, while it showed a performance parallel to the sector growth in consumer loans with an 20% increase.

Breaking another new ground in the sector, DenizBank SME Banking offer "Yazarkasa Mobil POS", which is the only machine complies with the communique changed in June 2012, for SME's use with the cooperation of MT Bilişim. "Yazarkasa Mobil POS" will provide SMEs to realize all banks' transactions with a single terminal. In addition, enterprises will be able to get rid of workloads, loss and leaks and work more efficiently thanks to more intelligent and practical solutions that can be integrated with the sales and payments. DenizBank also continued its support to the agricultural sector, another one of its priority sectors and also as part of its social responsibility mission. DenizBank kept its first place among private banks by allocating TL 2.6 billion agricultural loans as a result of the innovations offered to producers.

Our consolidated and unconsolidated shareholders' equity increased by 19% and 16% compared to the same period of 2012, reaching TL 5 billion 803 million and TL 5 billion 105 million, respectively. In the first quarter of 2013, DenizBank recorded 12.49% and 14.07% capital adequacy ratios on consolidated and unconsolidated basis, respectively, both of which are relatively higher than the international standards.

DenizBank reported its consolidated net profit TL 313 million with a 74% y-o-y increase in the first three months of 2013 while recording TL 240 million unconsolidated net profit. Considering all these results, DenizBank left behind one more highly effective period in terms of financial as well as operational results thanks to her effective risk-oriented management policy that conforms to internationally-accepted corporate governance standards.

In its 16<sup>th</sup> year, DenizBank will continue to write new success stories with the strong wind of Sberbank family, the dynamism of being a young bank and self-confidence of the unique success story achieved with a work devotedly.

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



## CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL

As of 31 March 2013, DenizBank's shareholding structure is presented in the table below. DenizBank's shareholding structure does not contain any cross-shareholdings.

Shareholders	Number of Shares	Nominal Value (TL)	% of Shares
Sberbank of Russia	715,044,303.335	715,044,303	99.85%
Other	33.981	34	0.00%
Publicly Traded	1,055,662.684	1,055,663	0.15%
<b>Total</b>	<b>716,100,000.000</b>	<b>716,100,000</b>	<b>100.00%</b>

## SHARES HELD BY THE MANAGEMENT

DenizBank's President and CEO Hakan Ateş has 11,327 shares, corresponding to 0.000002% of the capital.

## CHANGES IN DFSG COMPANIES

DenizBank AG, headquartered in Austria, opened three new branches in St. Pölten, Dortmund and Wels and reached 17 branches.

## AMENDMENTS TO ARTICLES OF ASSOCIATION

There is no amendment to Articles of Association between 01.01.2013 and 31.03.2013.

## DONATIONS

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

INSTITUTION NAME	Amount (TL)
TÜRKİYE OMURİLİK FELÇLİLERİ DERNEĞİ	10,000
TÜRK EĞİTİM VAKFI	2,080
DENİZTEMİZ DERNEĞİ	389
TEMA	300
TÜRK BÖBREK VAKFI	300
LÖSEMİLİ ÇOCUKLAR VAKFI	80
OTHER	1,700
<b>TOTAL</b>	<b>14,849</b>

## AMENDMENTS TO RATING NOTES

There is no amendments to Ratings of DenizBank assigned by Fitch Ratings and Moody's between 01.01.2013-31.03.2013. Fitch Ratings has affirmed all DenizBank ratings on 18 April 2013. Ratings are as follows:

### Moody's \*

Long Term Foreign Currency Deposits	Ba2 / Stable
Short Term Foreign Currency Deposits	NP
Long Term Local Currency Deposits	Baa3 / Stable
Short Term Local Currency Deposits	Prime-3 / Stable
Bank Financial Strength Rating (BCA)	D+(ba1) / Stable

\*As of 16.10.2012

### FitchRatings \*\*

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

\*\*As of 18.04.2013

## SECTION II - MANAGEMENT and CORPORATE GOVERNANCE

### BOARD of DIRECTORS

Title	Name	Position	Beginning-End Date of Tenure
<i>Chairman of the Board of Directors:</i>	Herman Gref	Chairman-Non-executive	September 2012- March 2014
<i>Board Members:</i>	Deniz Ülke Arıboğan	Vice Chairman-Independent	Dec 2012- Dec 2015
	Hakan Ateş	Member-Executive	June 1997- Dec 2015
	Derya Kumru	Member-Executive	Dec 2012- Dec 2015
	Nihat Sevinç	Member-Independent	Dec 2012- Dec 2015
	Wouter G.M. Van Roste	Member-Executive	June 2009- Dec 2015
	Denis Bugrov	Member-Non-executive	Sept 2012- Dec 2015
	Vadim Kulik	Member-Non-executive	Sept 2012- Dec 2015
	Alexander Vedyakhin	Member-Executive	Nov 2012 - Dec 2015
	Igor Kondrashov	Member-Non-executive	Dec 2012 - Dec 2015
	Andrey Donskikh	Member-Non-executive	Dec 2012 - Dec 2015
	Alexander Morozov	Member-Non-executive	Dec 2012 - Dec 2015
	Sergey Gorkov	Member-Non-executive	Sept 2012- Dec 2015
	Nikolay Kuznetsov	Member-Non-executive	Sept 2012- Dec 2015

### EXECUTIVE MANAGEMENT

Title	Name	Position	Experience
<i>President &amp; CEO:</i>	Hakan Ateş	President & CEO	31 years
<i>Executive Vice Presidents and Executive Committee Members:</i>	Mustafa Aydın	Retail, SME and Agricultural Banking Loan Allocation-EVP	25 years
	Mehmet Aydoğdu	Commercial Banking and Public Finance-EVP	15 years
	Bora Böcügöz	Treasury, Financial Institutions, Private Banking-EVP	23 years
	Suavi Demircioğlu	Financial Affairs-EVP	22 years
	Dilek Duman	Information Technology and Support Operations-EVP-Chief Operations Officer	23 years
	Murat Çelik	Digital Generation Banking-EVP	20 years
	Gökhan Ertürk	Retail Banking-EVP	19 years
	Tanju Kaya	Administrative Services-EVP	26 years
	Hayri Cansever	Corporate Banking-EVP	15 years
	Mustafa Özel	Branch and Central Operations-EVP	24 years
	Saruhan Özel	Economic Research, Strategy and Project Management-EVP	16 years
	Gökhan Sun	SME and Agricultural Banking-EVP	20 years
	İbrahim Şen	Credit Following and Risk Monitoring-EVP	19 years
	Selim Efe Teoman	Corporate and Commercial Credits-EVP	19 years

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**Section II - Management and Corporate Governance**

	Cem Demirağ	Head of Internal Control Center and Compliance- Member of Executive Committee	22 years
	Ali Murat Dizdar	Chief Legal Advisor - Member of Executive Committee	21 years
	Aysun Mercan	Secretary General	30 years
<b>Head of Internal Audit:</b>	Ramazan Işık	Head of the Board of Internal Audit	14 years

## COMMITTEES

### Committees Reporting to the Board of Directors

- Audit Committee
- Corporate Governance and Nomination Committee

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

### Executive Committees

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

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

22 Board decisions, 3 Audit Committee decisions and 2 Corporate Governance and Nomination Committee decisions were adopted between 1 January 2013 and 31 March 2013.

## SECTION III- FINANCIAL INFORMATION

### SUMMARY FINANCIAL HIGHLIGHTS

Summary Consolidated Financial Highlights (TL millions)				
	1Q2013	2012	1Q2012	2011
Securities <sup>(1)</sup>	8,491	8,656	7,024	5,544
Net Loans <sup>(2)</sup>	42,154	38,801	32,485	30,947
Subsidiaries <sup>(3)</sup>	18	18	16	16
Net Fixed Assets	440	456	407	416
Total Assets	59,847	56,495	47,634	44,756
Customer Deposits <sup>(4)</sup>	37,275	34,985	29,952	26,499
Time	30,577	27,950	25,481	22,357
Demand	6,698	7,034	4,472	4,142
Borrowings	7,968	7,003	7,061	7,610
Sub-ordinated Loans	899	888	890	939
Shareholders' Equity	5,803	5,665	4,876	4,641
Paid-in Capital	716	716	716	716
Non-cash Loans	13,266	12,381	10,375	10,111
Interest Income	1,349	4,806	1,170	3,536
Interest Expense	-537	-2,337	-599	-1,655
Net Interest Income after Provisions	483	1,742	439	1,428
Non-interest Income	423	952	209	989
Non-interest Expense	-493	-1,739	-405	-1,500
Net Profit/Loss From Discontinued Operations	0	0	0	343
Net Income	313	720	180	1,061
	1Q2013	2012	1Q2012	2011
Number of Branches <sup>(5)</sup>	640	624	601	600
Number of Employees	12,070	11,618	10,999	10,826
Number of ATMs	3,357	3,180	2,563	2,370
Number of POS Terminals	126,863	122,567	114,865	110,324
Number of Credit Cards	2,175,453	2,191,590	2,020,173	1,966,602

All financial figures presented in this table are extracts from the audited consolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, Turkish Accounting Standards and Turkish Financial Reporting Standards.

<sup>(1)</sup> It is the sum of financial assets at fair value through profit or loss (excluding trading purpose derivatives), investment securities available for sale and investment securities held to maturity.

<sup>(2)</sup> Includes factoring and leasing receivables.

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

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

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

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Section III - Financial Information

Summary Unconsolidated Financial Highlights (TL millions)				
	1Q2013	2012	1Q2012	2011
Securities <sup>(1)</sup>	7,231	7,392	6,093	5,193
Net Loans <sup>(2)</sup>	30,244	28,191	23,381	22,422
Subsidiaries <sup>(3)</sup>	1,004	1,004	925	719
Net Fixed Assets	426	443	396	406
Total Assets	46,549	44,198	37,974	35,983
Customer Deposits <sup>(4)</sup>	27,169	25,807	20,849	18,896
Time	22,870	27,950	25,481	15,795
Demand	4,299	7,034	4,472	3,101
Borrowings	6,535	5,398	6,106	6,520
Sub-ordinated Loans	899	888	890	939
Shareholders' Equity	5,105	5,030	4,413	3,951
Paid-in Capital	716	716	716	716
Non-cash Loans	12,979	12,106	10,018	9,745
Interest Income	1,140	4,095	1,015	3,071
Interest Expense	-440	-1,953	-509	-1,390
Net Interest Income after Provisions	381	1,476	381	1,251
Non-interest Income	394	1,131	467	771
Non-interest Expense	-459	-1,614	-374	-1,385
Net Profit/Loss From Discontinued Operations	0	0	0	388
Net Income	240	813	423	874
	1Q2013	2012	1Q2012	2011
Number of Branches <sup>(5)</sup>	623	610	589	588
Number of Employees	10,681	10,280	9,791	9,772
Number of ATMs	3,357	3,180	2,563	2,370
Number of POS Terminals	126,863	122,567	114,865	110,324
Number of Credit Cards	2,175,453	2,191,590	2,020,173	1,966,602

All financial figures presented in this table are extracts from the audited unconsolidated financial statements prepared in accordance with accounting and valuation standards as described in the "Regulation on Principles Related to Banks' Accounting Applications and Preserving the Documents", dated 1 November 2006 which is published in the Official Gazette No.26333, Turkish Accounting Standards and Turkish Financial Reporting Standards.

<sup>(1)</sup> It is the sum of financial assets at fair value through profit or loss (excluding trading purpose derivatives), investment securities available for sale and investment securities held to maturity.

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

<sup>(3)</sup> Excludes bank deposits

## ASSESSMENT of FINANCIAL POSITION and RISK MANAGEMENT

DenizBank continues its activities profitably, without compromising asset quality and strengthens its shareholder's equity. The share of the Bank's fixed asset investments in the shareholder's equity is at low levels. DenizBank put its free capital to interest earning assets as part of its core banking activities. DenizBank has a capital adequacy ratio significantly higher than the regulatory requirements thanks to strong and effective risk management.

### Shareholders' Equity and Capital Adequacy (TL millions)

	Consolidated			
	1Q2013	2012	1Q2012	2011
Capital Adequacy Ratio (%) <sup>(3)</sup>	12.49	13.09	14.12	14.72
Shareholders' Equity	5,803	5,665	4,876	4,641
Return on Average Equity (%)	21.9	14.0	15.1	25.6
Free Capital <sup>(1)</sup>	4,453	4,258	3,863	3,754
Free Capital Ratio (%) <sup>(2)</sup>	7.44	7.54	8.11	8.39

	Unconsolidated			
	1Q2013	2012	1Q2012	2011
Capital Adequacy Ratio (%) <sup>(3)</sup>	14.07	14.62	15.75	15.65
Shareholders' Equity	5,105	5,030	4,413	3,951
Return on Average Equity (%)	18.9	18.1	40.5	24.6
Free Capital <sup>(1)</sup>	2,911	2,810	2,593	2,463
Free Capital Ratio (%) <sup>(2)</sup>	6.25	6.36	6.83	6.84

(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

(3) 1Q2013 and YE2012 Capital Adequacy Ratios are calculated according to Basel II, the others are based on Basel I.

### Asset Quality

	Consolidated			
	1Q2013	2012	1Q2012	2011
Non-performing Loans/ Total Cash Loans Ratio (%)	3.5	3.5	2.9	2.8
Non-performing Loans Provision Ratio (%)	109.5	101.2	112.1	115.8

	Unconsolidated			
	1Q2013	2012	1Q2012	2011
Non-performing Loans/ Total Cash Loans Ratio (%)	4.1	4.1	3.3	3.2
Non-performing Loans Provision Ratio (%)	116.5	107.4	120.7	126.7

## RISK MANAGEMENT POLICIES

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

### *Market Risk*

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

### *Structural Interest Rate Risk*

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

### *Liquidity Risk*

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

### *Basel II/Credit Risk*

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

### *Operational Risk*

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

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

Evaluations regarding the developments in Turkish Economy and banking sector in the first three months of 2013 have been summarized below.

Realizing one of the highest growth rates with 9.2% among developing countries in 2010, Turkey also showed a strong growth rate of 8.8% in 2011. However, while reaching of the rate of Current Account Deficit to GDP to 10% because of this rapid growth, legal authorities, primarily CBT has taken several precautions to slow down the economy through loan growth. Parallel to these measures, Turkey grew only 2.2% in 2012 quite lower than its 10 year average of 5.1%. However, Current Account Deficit to GDP decreased 400 ps and reached to 6% and inflation went back to 6.2% with 430 bps decline. Although there has been an increase in the economic growth in the first months of 2013, it has not seen any deterioration in Current Account Deficit and inflation.

Parallel to the decrease of internal and external imbalances, rating agencies upgraded sovereign ratings. International Rating Agency Fitch Ratings upgraded Turkey's long term foreign currency rating to investment grade of BBB-. Despite a lower growth performance in the economy, public spending is under a certain discipline as we are used to in 2000s. Thus 2012 ended with a very low budget deficit as 1.7% and public debt to GDP ratio has been still below 40%. Medium Term Program also indicates the fact that this budget discipline will be continued until 2015. In coming years, parallel to this view, it will be possible that public debt to GDP forces to levels below 30%.

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

-Loan volume (excluding financial sector loans)	TL 829 billion
TL Loan volume (excluding financial sector loans)	TL 617 billion
FX Loan volume (excluding financial sector loans)	USD 118 billion
-Deposit Volume (excluding interbank deposits)	TL 790 billion
TL Deposit Volume (excluding interbank deposits)	TL 531 billion
FX Deposit Volume (excluding interbank deposits)	USD 144 billion

In the first three months of 2013, the total loan volume of the Banking sector increased by 5% compared to the end of 2012 and by 19% compared to the same period of the previous year and reached TL 829 billion. In the first quarter of 2013, consumer loans, commercial and corporate loans became the segments with priority impact on total loan increase. Contrary to the 2012 trend, consumer loans increased by 6% compared to 2012 year-end rates and 20% year-on-year basis. On the other hand, while increasing by 5% in the first three months, credit card loans recorded 31% annual growth by reaching the highest rate in all segments. Commercial and corporate loans including SME loans grew by 18% on a year-on-year basis. The annual growth of SME loans was 30%. While completing the year of 2012 at level of 2.9% from its highest level of 5.8% during the crisis, the total NPL ratio reached to 3.0%, as a result of 11% q-o-q increase in NPL portfolio despite 5% rise in loan portfolio as at March 2013.



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Total deposits reached TL 790 billion by increasing 13% compared to the first three months of 2012 and only 2% according to 2012-end. The sector's total equity rose by 23% y-o-y and reached TL 201 billion. The net profit of the banking sector in the first quarter was realized as TL 7.0 billion recording a 14% y-o-y increase.

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

#### FURTHER INFORMATION

1- To view the material disclosures made in Public Disclosure Platform, click the link below:

<http://www.denizbank.com/en/investor-relations/announcements/default.aspx>

2- To download DenizBank 31.03.2013 consolidated and unconsolidated financial statements and footnotes click the link below.

<http://www.denizbank.com/en/investor-relations/financial-information/financial-figures.aspx>

3- To download 2012 Annual Report for further information about the main activities of DenizBank click the link below:

<http://www.denizbank.com/en/investor-relations/annual-reports/default.aspx>