

# Interim Activity Report 1Q 2010

DenizBank Financial  
Services Group



## CONTENTS

### STATEMENT of RESPONSIBILITY

SECTION I-INTRODUCTION .....	4
ABOUT DENİZBANK .....	4
DENİZBANK FINANCIAL SERVICES GROUP (DFSG) .....	4
DENİZBANK in BRIEF .....	5
DEXIA in BRIEF .....	5
MESSAGE FROM THE CHAIRMAN.....	7
MESSAGE FROM THE PRESIDENT AND CEO .....	8
CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL.....	10
SHARES HELD BY THE MANAGEMENT .....	10
CHANGES IN DFSG COMPANIES .....	10
AMENDMENTS TO ARTICLES OF ASSOCIATION.....	10
DONATIONS .....	10
AMENDMENTS TO RATING NOTES .....	10
SECTION II - MANAGEMENT and CORPORATE GOVERNANCE .....	11
BOARD of DIRECTORS .....	11
EXECUTIVE MANAGEMENT.....	11
AUDITORS .....	12
COMMITTEES .....	12
SECTION III- FINANCIAL INFORMATION .....	14
SUMMARY FINANCIAL HIGHLIGHTS .....	14
ASSESSMENT of FINANCIAL POSITION .....	16
RISK MANAGEMENT POLICIES .....	16
GENERAL OUTLOOK OF THE TURKISH ECONOMY AND THE BANKING SECTOR..168	
FURTHER INFORMATION .....	20

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

**DENİZBANK A.Ş.**  
**2010 1<sup>st</sup> QUARTER- INTERIM ACTIVITY REPORT**  
**STATEMENT of RESPONSIBILITY**

The Interim Activity Report related to the period between 01.01.2010 and 31.03.2010 has been prepared regarding the “Regulation on the Preparation and Publication of Annual Report of Banks” of Banking Regulation and Supervision Agency, published in the Official Gazette dated 1 November 2006, Nr. 26333 and “Declaration on Financial Reporting at Capital Markets” of Capital Markets Board, that has been published in the Official Gazette dated 09 April 2008, Nr. 26842, and attached here-with.

Respectfully,

11 May 2010

**HAKAN ELVERDİ**  
Senior Vice President  
International and Regulatory  
Financial Reporting

**SUAVİ DEMİRCİOĞLU**  
Executive Vice President  
Financial Affairs

**HAKAN ATEŞ**  
Member of Board of Directors  
and President and Chief  
Executive Officer

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

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

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

## SECTION I-INTRODUCTION

### ABOUT DENİZBANK

Trade name: Denizbank A.Ş.

Date of Foundation: 25 August 1997

Headquarter: İstanbul

Paid-in Capital: TRY 716,100,000

# of Domestic Branches: 449

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

# of Employees: 8,900

# of Subsidiaries, Associates and Jointly Controlled Companies: 15

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

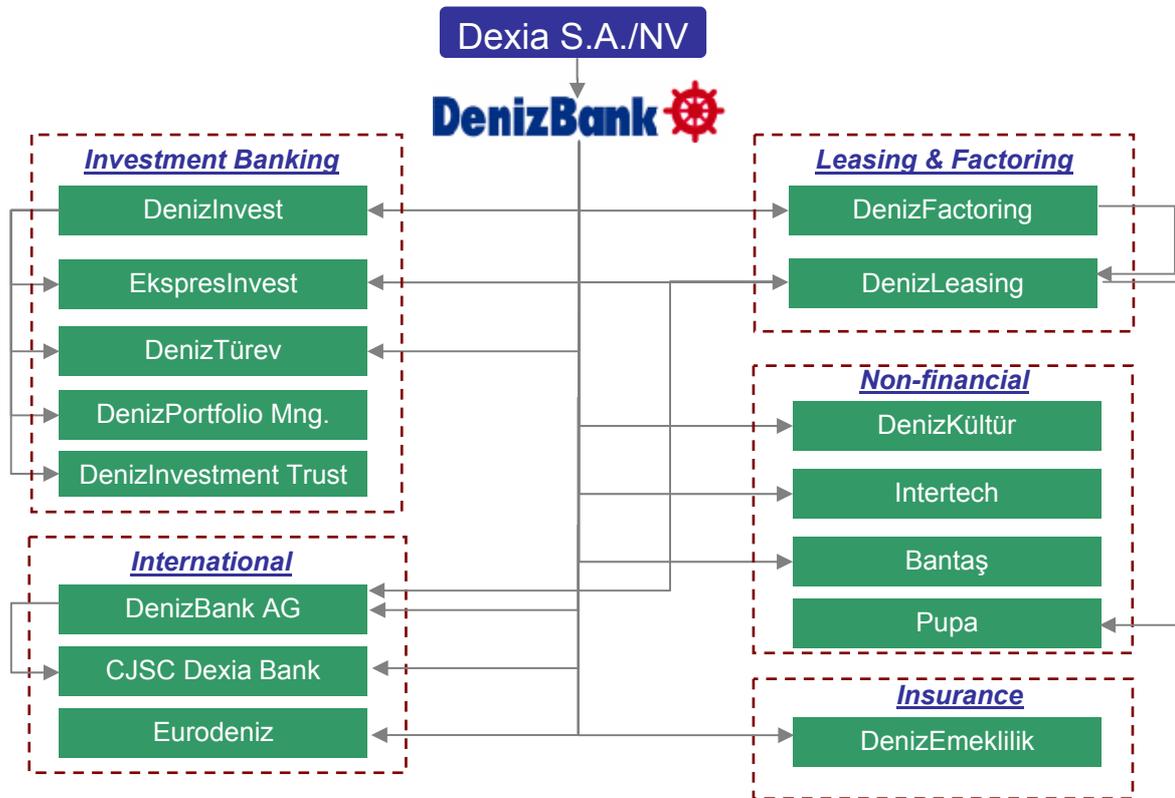
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### DENİZBANK FINANCIAL SERVICES GROUP (DFSG)



## **DENİZBANK in BRIEF**

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

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

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

The Group possesses a service network that reaches all segments of the society throughout Turkey. In addition to the 449 domestic DenizBank branches, including one in Bahrain, DenizBank AG and CJSC Dexia Bank have 12 branches in total. In addition, thanks to its Alternative Distribution Channels, DenizBank enables both individual and corporate customers all over the world to carry out financial transactions over the internet.

## **DEXIA in BRIEF**

### **Group Profile**

Dexia is a European bank, with 35,234 members of staff and core shareholders' equity of € 18.5 billion as at 31 December 2009. Dexia Group focuses on Public and Wholesale Banking, providing local public finance operators with comprehensive banking and financial solutions, and on Retail and Commercial Banking in Europe, mainly Belgium, Luxembourg and Turkey. Asset Management and Services provides asset management, investor and insurance services, notably to the clients of the other two business lines. The different business lines continuously interact in order to serve clients better and to support the Group's commercial activity.

## Business Lines

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

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

Dexia focuses its activities on its historical markets, France and Belgium, but is also present in Italy and the Iberian Peninsula. Furthermore, the Group is established in Germany with a platform granting access to the Pfandbriefe market.

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

### ***Retail and Commercial Banking***

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

Dexia is ranking among the three major banks in Belgium and Luxembourg. In Belgium, Dexia serves its 4 million customers through over 900 branches. The Luxembourg operation is the international wealth management centre within the Group; it also covers the country with a nationwide network of branches. Dexia also holds a strong position in Turkey, through DenizBank. This fully-fledged bank currently stands in sixth position among privately-held banks according to asset size and serves her customers through a nationwide network of 450 branches. Next to that, Dexia is also present in Slovakia.

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

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

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

With € 82.4 billion of assets under management as at 31 December 2009, Dexia Asset Management is the Group's asset management centre. Its four production centers (based in Belgium, France, Luxembourg and Australia) serve a broad European client base.

The investor services business is conducted by RBC Dexia Investor Services, a joint venture with Royal Bank of Canada, which offers its expertise in global custody, fund and pension administration and shareholder services to institutions all around the world. Total assets under custody amounted to US\$ 2,456 billion as at 31 December 2009.

Dexia's insurance activities are mainly concentrated on the Belgian and Luxembourg markets. The Group offers a complete range of contracts to retail, commercial and private banking clients (for both life and non-life insurance) as

well as to Dexia's public and semi-public clients. This is done both through a banking-insurance approach and through a network of tied agents.

### **Ratings**

The Group's main operating entities - Dexia Bank Belgium, Dexia Crédit Local and Dexia Banque Internationale à Luxembourg - are rated A+ by Fitch, A1 by Moody's and A by Standard & Poor's. Three of Dexia's European subsidiaries (Dexia Municipal Agency, Dexia Kommunalbank Deutschland and Dexia Lettres de Gage Banque) issue Triple-A rated secured bonds.

## **MESSAGE FROM THE CHAIRMAN**

The global economic crisis which has started in 2007 and caused a lot of bank failures and bail outs will be remembered as a "banking crisis". The loss in the banking systems of developed economies which bore high risks in the period after 2002 exceeded USD 1.8 trillion since the last quarter of 2008. Governments had to provide systemic support to the banking system to function well and to achieve potential growth rates so that the recession does not turn into a depression.

It has become clear today that the worst is behind in the so called "crisis of the century". Although the risks threatening national economies have not been removed totally, sharp liquidity shrinkages, high volatility in the financial system or bankruptcies of large banks are no longer expected. The first quarter company financial statements disclosed, have shown positive financial improvements. On the other hand, the risks have become different. In the first quarter of 2010, we have witnessed that the risk for Grece has increased and both IMF and EU have mobilized their sources to support the country.

It is seen that one of the main topics for discussion in 2010 will be the exit strategies of the central banks'. As remembered, the central banks throughout the world, have supported both the financial markets and the economies pumping liquidity and decreasing the interest rates to their historical lowest levels. Now, the central banks should implement their exit strategies without deteriorating the sensitive balance between the inflation and growth rates. Expectations are these strategies will start to be implemented by the last quarter of the year. Moreover, positive trend of the inflation may allow some countries to postpone the implementation even until 2011.

In this respect, it can be seen that Turkey is the only country among emerging economies throughout the world that has lived the crises with least adverse effects. Contrary to other countries, the ratings of Turkey have been upgraded by all rating agencies after the crisis and today, Fitch is rating Turkey only one notch below the investment level. The current account deficit has been decreased to 3% of GDP. The real interest rates have been at their historical lowest levels and bond's interest rates have been decreased to single-digit levels. The fundamentals of "Fiscal Rule" Application that will be the basis of the public fiscal discipline in the coming years has been formed. Turkish Banking system has increased its profitability by 51% in 2009 and also shown a positive performance in the first three months of 2010, increasing its profit by 22% y-o-y.

In summary, As a result of the implementation of the prescribed macroeconomic policies and continuing of reforms, there will be an appropriate environment for Turkey to return to sustainable growth. In that case, Turkish Banking sector, will continue to be one of the most important pillars of the development, by providing the necessary funding without any doubt.

**DIRK BRUNEEL**  
**CHAIRMAN**

## **MESSAGE FROM THE PRESIDENT AND CEO**

DenizBank outperformed the sector averages according to the profitability and total assets in the first quarter of 2010. The Bank has not compromised from her sound balance sheet thanks to her prudent approach and strong risk management.

DenizBank increase her consolidated shareholder's equity to TRY 3 billion 146 million, increasing by 30% y-o-y and 6% compared to the end of 2009, higher than the sector averages of 24% and 4%, respectively and maintained her robust capital base. DenizBank's unconsolidated shareholder's equity reached to TRY 2 billion 774 million, marking 5% y-t-d increase. The capital adequacy ratio has been realized as 16.31% on consolidated basis and 17.88% on unconsolidated basis, significantly higher than the regulatory requirements.

DenizBank's consolidated assets reached TRY 27 billion 180 million, increasing by 5% compared to the end of 2009. The unconsolidated assets, on the other hand, grew by 4% to TRY 22 billion 80 million over the same period.

DenizBank continued to support Turkish economy during the crisis and will continue to do it at an increasing pace in 2010. The Bank's consolidated loans including leasing and factoring receivables reached TRY 19 billion 428 million, indicating a 5% increase while the unconsolidated loans rose to TRY 14 billion 843 million, marking the same growth. DenizBank provided tailor-made solutions for financing needs of her clients via expanding her service network and increased her public finance, credit card and retail segment loans in particular.

DenizBank maintained her competitive position in Public Banking segment. Public Banking Group opened credit lines for municipalities, which cover 60% of population, and provided low-cost, long term financing support to more than 40 projects. DenizBank increased her public finance cash loans and non cash loans by 11% and total public finance loans reached to TRY 843 million.

Agricultural loans reached to TRY 1 billion 307 million, increasing by 6% on a y-t-d basis and the number of Producer Cards rose above 268.000 in the first quarter of 2010. DenizBank ranked first among the private banks in terms of agricultural loans

by investing in agricultural sector and supporting the producers. Number of “Green Drop” branches, specialized in agricultural banking increased to 34, and total branches reached to 450.

DenizBank introduced a new project “Tarım+” to provide consulting and support on business ventures in agricultural fields with her own investment concept by following potential investment areas. Besides, the bank will give assistance to enterprises on consulting, cooperation with experienced companies in the market, for equipment insurance or in start-up operations.

DenizBank continued to provide long term financial support to SMEs by means of agreements signed between Chambers of Commerce and Chambers of Industry. The number of SME Card, offered four different loan options, increased by 14% in the first three months of 2010. DenizBank provided advantageous loan opportunities to her clients through making agreements with international financial service companies and raised her SME loans over TRY 2.8 billion.

DenizBank gained approximately 100.000 new clients and increased her active customers by 15% y-o-y thanks to her successful structuring in customer relations management. Owing to innovative products in retail banking area, DenizBank’s consumer loans reached to TRY 4.1 billion in the first quarter of 2010. While there is a contraction in car loans and credit card loans of the sector, DenizBank succeeded to increase her car loans and credit loans by 18% and 12% y-t-d, respectively.

DenizBank introduced “PASO Dünyası” on April 2010. PASO Dünyası has a special design for young people and offers many services combined. The Bank intends to offer quick, economic and advantageous services to young people with PASO Bonus Card, Genç Kaptan Hesap and Bonus Visa Paywave.

DenizBank decrease her NPL ratio at the level of 5.2% in the first three months of 2010, as a result of improved credit monitoring.

Outperforming the sector in the first three months of 2010, DenizBank increased her customer deposits, the Bank’s main source of funding, by 7% on consolidated and 8% on unconsolidated basis, totaling TRY 15 billion 716 million, and TRY 12 billion 14 million, respectively.

The service network and staff was increased in order to offer her diversified services and products to more customers, on the other hand DenizBank succeeded in cost management and continued her profitable growth. At the end of the first quarter of 2010, net profit was realized as TRY 163 million on consolidated basis, increasing by 30% and TRY 134 million on unconsolidated basis, rising 88% y-o-y.

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

## CHANGES IN SHAREHOLDING STRUCTURE AND PAID-IN CAPITAL

As of 31 March 2010, DenizBank's shareholding structure is presented in the table below. DenizBank's shareholding structure does not contain any cross-shareholdings.

Shareholders	Number of Shares	Nominal Value (TRY)	% of Shares
Dexia Participation Belgique SA	714,945,273.718	714,945,274	99.84%
M. Cem Bodur	11.327	11	0.00%
Hakan Ateş	11.327	11	0.00%
Ayfer Yılmaz	11.327	11	0.00%
M. Tınas Titiz	11.327	11	0.00%
Publicly Traded	1,154,680.974	1,154,681	0.16%
<b>Total</b>	<b>716,100,000.000</b>	<b>716,100,000</b>	<b>100.00%</b>

## SHARES HELD BY THE MANAGEMENT

DenizBank's President and CEO Hakan Ateş and Board Members Cem Bodur, Ayfer Yılmaz and Mustafa Tınas Titiz each owns 11.327 shares, corresponding to 0.000002% of the capital.

## CHANGES IN DFSG COMPANIES

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

## AMENDMENTS TO ARTICLES OF ASSOCIATION

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

## DONATIONS

Institution Name	Amount (TRY)
TÜRK EĞİTİM DERNEĞİ	46,710
TÜRKİYE ENGELLİLER SPOR YARDIM VE EĞİTİM VAKFI	6,090
TÜRK EĞİTİM VAKFI	1,485
TEMA	900
ÇAĞDAŞ YAŞAMI DESTEKLEME DERNEĞİ	250
<b>TOTAL</b>	<b>55.435</b>

## AMENDMENTS TO RATING NOTES

Fitch Ratings has placed DenizBank's Long-term and short-term, foreign and local currency Issuer Default Ratings (IDR), National Long-term, Individual and Support Ratings on Rating Watch Negative (RWN) on 5 March 2010.

Moody's upgraded DenizBank's long-term foreign currency deposit rating to Ba3 from B1. The Baa2/P-2 GLC deposit ratings were affirmed. All ratings have "Stable" outlook.

## SECTION II - MANAGEMENT and CORPORATE GOVERNANCE

### BOARD of DIRECTORS

Title	Name	Position	Beginning-End Date of Tenure
<b>Chairman of the Board of Directors:</b>	Dirk G.M. Bruneel	Chairman-Non-executive	Oct 2006- March 2013
<b>Board Members:</b>	Hacı Ahmet Kılıçoğlu*	Vice Chairman-Independent	March 2010-March 2013
	Hakan Ateş	Member-Executive	June 1997- March 2013
	Fikret Arabacı	Member-Executive	Dec 2004- March 2013
	Cem Bodur	Member-Non-executive	June 1997- March 2013
	Wouter Van Roste	Member-Executive	June 2009- March 2013
	Eric P.B.A. Hermann	Member-Non-executive	Jan 2007- March 2013
	Philippe J.E. Rucheton	Member- Non-executive	Feb 2009- March 2013
	Claude E.L. Piret	Member- Non-executive	Aug 2008- March 2013
	Stefaan Decraene	Member- Non-executive	Dec 2008- March 2013
	Ayfer Yılmaz	Member-Independent	Jan 2007- March 2013

### EXECUTIVE MANAGEMENT

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

\*Appointed as Board Member in lieu of M Tınaz Titiz, whose term of office has been expired, in the Ordinary General Assembly.

\*\* In March 2010, the name of Central Operations and Foreign Subsidiaries Group, of which Oğuz Vecdi Öncü is the EVP, was changed to Branch and Central Operations Group and Mustafa Özel, the Head of Internal Control and Compliance, was appointed as the EVP of this Group. It has been decided on the appointment of Oğuz Vecdi Öncü as the EVP and the Member of the Executive Board of DenizBank AG has been decided on principle and the necessary permissions have been being waited for the legal appointment.

\*\*\*Appointed as the Head of Internal Control Center and Compliance with an EVP status in April.

## AUDITORS

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

## COMMITTEES

### Committees Reporting to the Board of Directors

- Corporate Governance and Nomination Committee
- Audit Committee

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

### Executive Committees

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

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

17 Board Decisions were adopted in the Board Meetings held between 1 January 2010 and 31 March 2010.

Audit Committee met on 24 February 2010. Independent auditors' report on the fourth quarter of 2009 financials was presented and approved to present those figures to the Board of Directors. At the same meeting, the activity reports for 4Q 2009 of Internal Audit, Internal Control, Compliance, Risk Management and Operational Risk were also presented.

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

In February 2010, Ali Murat Dizdar, the Senior Vice President responsible from Legal Group, was appointed as Chief Legal Counsel with an Executive Vice President status regarding the BoD decision.

In March 2010, the name of Central Operations and Foreign Subsidiaries Group, of which Oğuz Vecdi Öncü is the Executive Vice President, was changed to Branch and Central Operations Group and Mustafa Özel, the Head of Internal Control and Compliance, was appointed as the Executive Vice President of this Group. It has been decided on the appointment of Oğuz Vecdi Öncü as the Executive Vice President and the Member of the Executive Board of DenizBank AG has been decided on principle and the necessary permissions have been being waited for the legal appointment.

In the Ordinary General Assembly held on 26 March 2010, Hacı Ahmet Kılıçođlu was appointed as the Vice Chairman of the Board of Directors in lieu of M. Tınas Titiz whose term of office has been expired.

In April 2010, Cem Demirađ was appointed as the Head of Internal Control Center and Compliance with an Executive Vice President status, regarding the BoD decision.

## SECTION III- FINANCIAL INFORMATION

### SUMMARY FINANCIAL HIGHLIGHTS

#### Consolidated Financial Highlights (TRY million)

	1Q 2010	2009	1Q 2009	2008
Securities*	3,258	3,247	3,278	2,917
Net Loans**	19,428	18,558	18,202	17,235
Subsidiaries and Associates	26	24	10	10
Net Fixed Assets	269	277	238	236
Total Assets	27,180	25,943	25,352	24,222
Customer Deposits	15,716	14,701	12,896	11,834
Time	13,051	12,030	10,769	9,685
Demand	2,665	2,671	2,126	2,149
Funds Borrowed	5,211	5,279	6,771	6,847
Sub-ordinated Loans	762	759	837	772
Shareholders' Equity	3,146	2,968	2,427	2,287
Paid-in Capital	716	716	716	716
Non-cash Loans	5,570	5,094	5,032	4,821
Interest Income	749	2,987	791	2,786
Interest Expense	(235)	(1,123)	(349)	(1,528)
Net Interest Income after Provisions	322	1,172	253	895
Non-interest Income	159	629	135	425
Non-interest Expense	(317)	(1,196)	(262)	(977)
Net Income	163	605	126	342
Number of DenizBank Branches	450	450	399	400
Number of Employees	8,900	8,698	8,187	8,255
Number of ATMs	704	660	536	526
Number of POS Terminals	82,786	81,038	74,605	76,307
Number of Credit Cards	1,361,553	1,313,237	1,273,288	1,284,033

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

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

\*\* Includes factoring and leasing receivables.

**Unconsolidated Financial Highlights (TRY million)**

	1Q 2010	2009	1Q 2009	2008
Securities*	3,085	2,976	2,932	2,586
Net Loans	14,843	14,171	13,323	12,759
Subsidiaries and Associates	409	409	407	406
Net Fixed Assets	253	260	208	205
Total Assets	22,080	21,205	20,045	19,225
Customer Deposits	12,014	11,163	9,763	9,456
Time	10,014	9,029	8,040	7,686
Demand	1,999	2,134	1,723	1,770
Funds Borrowed	4,375	4,483	5,009	4,573
Sub-ordinated Loans	762	759	837	772
Shareholders' Equity	2,774	2,630	2,127	2,034
Paid-in Capital	716	716	716	716
Non-cash Loans	5,486	5,042	4,931	4,726
Interest Income	657	2,553	671	2,363
Interest Expense	(197)	(906)	(287)	(1,267)
Net Interest Income after Provisions	276	1,106	209	832
Non-interest Income	135	465	89	292
Non-interest Expense	(277)	(1,040)	(226)	(845)
Net Income	134	532	72	278
Number of DenizBank Branches	450	450	399	400
Number of Employees	7,983	7,789	7,320	7,376
Number of ATMs	704	660	536	526
Number of POS Terminals	82,786	81,038	74,605	76,307
Number of Credit Cards	1,361,553	1,313,237	1,273,288	1,284,033

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

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

## ASSESSMENT of FINANCIAL POSITION

### Shareholders' Equity and Capital Adequacy (TRY million)

Consolidated	1Q 2010	2009	1Q 2009	2008
Capital Adequacy Ratio (%)	16.31	16.72	15.29	16.06
Shareholders' Equity	3,146	2,968	2,427	2,287
Return on Average Equity (%)	21.4	23.0	21.4	17.3
Free Capital *	2,323	2,154	1,820	1,763
Free Capital Ratio ** (%)	8.5	8.3	7.2	7.3

Unconsolidated	1Q 2010	2009	1Q 2009	2008
Capital Adequacy Ratio (%)	17.88	19.02	16.41	17.18
Shareholders' Equity	2,774	2,630	2,127	2,034
Return on Average Equity (%)	19.9	22.8	13.8	15.9
Free Capital *	1,692	1,565	1,260	1,243
Free Capital Ratio ** (%)	7.7	7.4	6.3	6.5

\* Free Capital = Shareholders' Equity - Net Non-performing Loans - Subsidiaries - Deferred Tax Assets - Tangible and Intangible Fixed Assets - Prepaid Expenses - Fixed Assets to be disposed of

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

### DenizBank Asset Quality

Consolidated	1Q 2010	2009	1Q 2009	2008
Non-performing Loans/ Total Cash Loans Ratio (%)	5.2	5.5	3.4	2.9
Non-performing Loans Provision Ratio (%)	100.3	94.3	111.1	110.5

Unconsolidated	1Q 2010	2009	1Q 2009	2008
Non-performing Loans/ Total Cash Loans Ratio (%)	5.7	6.0	3.8	3.1
Non-performing Loans Provision Ratio (%)	109.2	99.9	114.5	114.0

## RISK MANAGEMENT POLICIES

One of the major pillars of DenizBank's main strategies is to adhere to Risk Management principles. Risk Management Policies were created based on market, credit, liquidity, operational and structural interest risk categories. DenizBank has agreed in principle to develop systems compliant with Basel II and other guiding international risk management principles.

### Market Risk

To quantify market risk, DenizBank employs internationally accepted Value at Risk (VAR) method in accordance with the volume, nature and complexity of her activities in money and capital markets. Assuming that the portfolio composition of DenizBank and her financial subsidiaries is fixed, VAR indicates the potential loss in portfolio value that might occur as a result of fluctuations in risk factors at a given time and confidence interval.

In addition to VAR calculations, stress tests are the main indicators for quantifying and monitoring the market risk that DenizBank and her subsidiaries are exposed to in monetary terms. This method allows adaptation to changing market conditions when the risk level is determined. The reliability of the model used in calculating VAR is periodically tested through back testing.

DenizBank has established risk-based limits with regards to her trading activities in money and capital markets.

#### Structural Interest Rate Risk

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

#### Liquidity Risk

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

#### Basel II/Credit Risk

The Risk Management Group undertakes efforts for compliance with Basel II/CRD criteria. The consolidated Basel II data set, which is needed for "Standardized Approach" (SA) for credit risk, was completed in June 2008. Monthly internal calculations are being performed using the data set since June 2008. DenizBank's Basel II data set is also being used for the consolidated reports of Dexia since September 2008.

A detailed plan has been prepared for transition from the existing structure to the Advanced Ratings Based Approach (A-IRB). Studies are still ongoing to create the risk parameters needed for the implementation of the A-IRB.

#### Operational Risk

The Internal Control and Compliance Center coordinates efforts towards defining, measuring, analyzing and monitoring risks.

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

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

It has been seen that as of the first quarter of the year, the recovery regarding the growth in companies' balance sheets, financial markets and economy has continued. Turkish Central Bank emphasized to keep interest rates at low levels that have already been decreased to 6.5%, for a long time in spite of the increasing inflation. In spite of the low level of interest rates, in the first quarter of 2010 TL gain value against to USD Dollar by 1.3%. TL appreciation became a significant indicator for national economy and its dynamics.

Turkish Banking Sector was affected from the global crisis less than other countries thanks to its strong capital structure, high liquidity level, low non-performing loans ratio and healthy asset structure. Economic recession started at record level from first quarter of 2009 through the effect of global crisis and at the last quarter of 2009, recession was finished by 6% increase in economy. Totally, in 2009 economy recorded 4.7% decrease. 2010 will become important to understand the speed of process of exiting from the crisis. In the previous months of 2010, manufacturing and industry usage rate average have pursued higher than the average of year 2009. March 2010, ratio increased by 8.7 y-o-y. For 2010, these indicators give first signals for expected growth ratio of 5%.

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

- Loan volume (excluding financial sector loans)	TRY 409 billion
TL loan volume (excluding financial sector loans)	TRY 300 billion
FX loan volume (excluding financial sector loans)	USD 72 billion
- Deposit volume (excluding interbank deposits)	TRY 532 billion
TL Deposit volume (excluding interbank deposits)	TRY 361 billion
FX Deposit volume (excluding interbank deposits)	USD 113 billion

In the first quarter of 2009, loans decreased by 0.4% y-t-d and deposits increased by 3%, at the same period of 2010 it can be seen that loans and deposits grew by 5% and 3.5%, respectively. The economic growth signals show upward demand of loans. Increase in loans started from the last quarter of 2009 especially general purpose loans and housing loans, also in the first quarter of 2010 it continued same as 2009. 7% and 6% rises in general purpose loans and housing loans, respectively. On the other hand, the sum of SME, corporate and commercial loans increased by 5% q-o-q in the first quarter. As of March 2010, SME loans rise compared to 2009 by 7%, in addition non-performing loans decreased by 5%, in this segment positive effects of recovery will become distinct in second quarter of 2010.

On the basis of total loans, non performing loans recorded 23% increase in the first quarter of 2009, for the same period of 2010 the ratio decline by 1%.

At the deposits side, effects of growth in TL deposits cause increase by 3.5%. FX deposits decreased by 3% q-o-q in USD terms parallel to USD/TL exchange rate uptrend and reached almost USD 113 billion. TL deposits, on the other hand, increased by TRY 20 billion q-o-q in the third quarter and reached TRY 361 billion.

The roll-over rate of the long term debt of syndication loans, the most important pillar of wholesale funding, reached to 78% in February 2010 after declining to 40% in third quarter of 2009. After February 2010, agreements with syndication loans show that this trend will continue in coming months incrementally. The debt roll-over rate of the real sector regressed to 70% and the level continues its horizontal trend.

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

## FURTHER INFORMATION

- 1- To view the material disclosures made in ISE, click the link below:  
<http://www.denizbank.com/EN/InvestorRelations/Announcements/>
- 2- To download DenizBank 31.03.2010 consolidated and unconsolidated financial statements and footnotes click the link below.  
<http://www.denizbank.com/EN/InvestorRelations/FinancialInformation>
- 3- To download 2009 Annual Report for further information about the main activities of DenizBank click the link below:  
<http://www.denizbank.com/EN/AboutUs/FaaliyetRaporlari.htm>