Annual Report 2008

DEXIA

DenizBank AG


DenizBank
DenizBank

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Directors and Officers of the Bank

Supervisory Board

Hakan Ateş
Istanbul, President & CEO of DenizBank A.S.,
Chairman

Bruno Accou
Istanbul, DenizBank A.S.,
Deputy Chairman

Mustafa Aydın
Istanbul, Executive Vice President of DenizBank A.S.,
Member

Dr. Kurt Heindl
Vienna, Former Member of the Parliament, Consultant,
Member

Bora Böcügöz
Istanbul, Executive Vice President of Denizbank A.S.,
Member

Representative of the Austrian Federal Ministry of Finance Banking Supervision Division
Dr. Marcus Heinz
Director,
International Financial Institutions

Shareholder

DenizBank A.S., Istanbul, Turkey 400 Branches

Subsidiary

51% of Dexia Bank (Moscow)

Head Office

Büyükdere Cad. No: 106, Esentepe 34394, Istanbul/Turkey
Tel: +90 (212) 355 08 00 Fax: +90 (212) 267 27 24
www.denizbank.com

Dr. İsmail H. Ergener
Chairman (until 31.12.2008)

Ali İhsan Tokkuzun
Deputy Chairman

Hüseyin Yener
Member

Drs. Martijn van Mancius
Chairman (since 01.01.2009)

Managing Board

Dr. İsmail H. Ergener
(until 31.12.2008)
Chairman

Ali İhsan Tokkuzun
Deputy Chairman

Hüseyin Yener
Member

Drs. Martijn van Mancius
(since 01.01.2009)
Chairman

Holders of Procura and Branch Management

Christan Mayr
Holder of Procura
Organisation-Treasury Back Office

Margit Mayerhofer
Holder of Procura
Accounting, Reporting

Mehmet Ulvi Taner
Holder of Procura
Branches Austria/Germany

Barış Türkeş
(until 30.09.2008)
Branch Manager Frankfurt am Main

Ömer Tigrel
(since 01.10.2008)
Branch Manager Frankfurt am Main

Representative office in Istanbul
İnci Koray
(until 31.12.2008)
Representative

Agenda of the Annual General Meeting

The Agenda of the 13th Annual General Meeting of DenizBank AG on 22 May, 2009.

1. Presentation of the Annual Report 2008, including financial statements and the Supervisory Board's report,
2. Resolution on the distribution of the profit,
3. Resolution on the release of the Managing Board for the financial year 2008,
4. Resolution on the release of the Supervisory Board for the financial year 2008,
5. Appointment of auditors for the financial year 2010,
6. Miscellaneous.

Key Figures

The net income for the year 2008 after tax consequently totalled EUR 12.5 million (2007: EUR 6.6 million).

	2008	2007	2006	2005
Equity ratio (%)	11.69	9.93	11.45	13.53
Return on Equity (%)	17.07	11.83	18.68	12.21
Earnings before taxes (TEUR)	7,199.2	8,478.2	12,083.4	6,875.6
Earnings before taxes/employee (TEUR)	46.4	52.0	88.0	71.0
Ratio of personnel expenses (%)	0.57	0.66	0.58	0.59
Net interest margin (%)	2.06	1.73	1.63	1.53
Cost Income Ratio (%)	52.46	60.53	53.20	58.26
Cash flow from operating activities	(31,432.7)	9,778.9	7,578.2	8,035.3
Cash flow from investing activities	(11,569.8)	(1,569.6)	(1,262.2)	(5,408.4)
Cash flow from financing activities	39,999.7	0.0	10,000.0	0.0

Supervisory Board's Report

The Supervisory Board has every reason to be proud of the Bank's accomplishments since its takeover by DenizBank Financial Services Group in September 2002.

DenizBank AG completed its thirteenth year of operations in 2008, a year that, in many ways, proved to be both challenging and successful for the Bank. Despite the global crisis accelerating in the third quarter of 2008, Denizbank AG achieved a rapid and firm development with the help of its strong capitalization and prudent credit policy.

The Management Board has reported to the Supervisory Board about expansive business developments in Austria, Germany and Russia, as well as significant lending commitments, investments and other important matters.

During the financial year 2008, the Supervisory Board met four times: on March 7th, June 20th, September 1st and December 5th. The duties of the Board were instituted in accordance with the Law and the Articles of Association. The Board is responsible for continuously supervising the activities of the Bank's management. Information about the Bank's intended business strategies, position, development and key transactions is communicated to the Supervisory Board, both in writing and verbally by the Management Board in a regular, comprehensive and timely manner. The Management Board submits regular reports on the extent to which counterparties' credit exposures have been realized. The Supervisory Board also conducts other in-depth examinations of key risk control aspects.

The 2008 DenizBank AG financial statements and management report was prepared in accordance with the UGB (Austrian Business Enterprise Code), while the consolidated balance sheet was prepared and audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna. The Supervisory Board and its Audit Committee duly noted and approved the results of the audit; the final examination revealed no deficiencies. The Internal Audit, Controlling, Risk Management and Credit Risk Departments reported to the Supervisory Board on a regular basis.

With the recommendation of the Audit Committee, the Supervisory Board approved the Management Report, the proposal for use of net profit and the Balance Sheet in accordance with § 125 (2) of the Austrian Corporate Law.

There have been no changes in the composition of the Supervisory Board in the course of the financial year 2008.

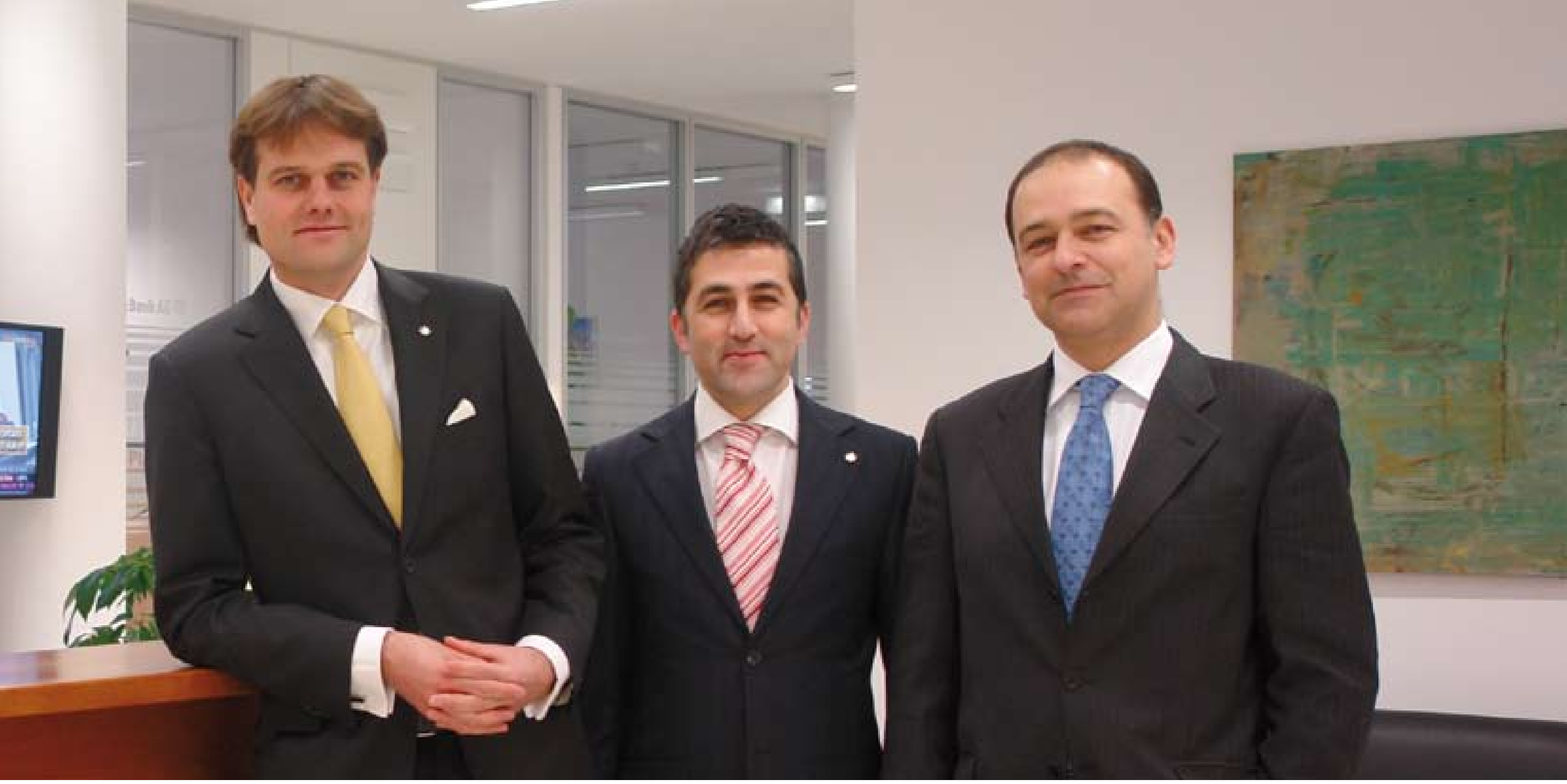
The Supervisory Board has every reason to be proud of the Bank's accomplishments since its takeover by DenizBank Financial Services Group in September 2002.

We are confident that DenizBank AG will demonstrate a successful performance in the coming years. The strength and expertise of the DenizBank Financial Services Group, the Supervisory Board and the Shareholders support the Management Board in their drive towards becoming one of the most influential and accomplished banks in the region.

Vienna, April 2009

The Supervisory Board

Hakan Ateş
President



Managing Board's Report

Total balance sheet: Our total balance sheet of approximately EUR 1,404.50 million at the end of 2008 is 22.84% above its previous year's level of EUR 1,143.39 million.

The rapidly expanding DenizBank A.S. owns almost 100% of DenizBank AG. Our parent company is amongst the six largest private banks in Turkey, with about 400 branches in Turkey and a workforce of over 7,300.

The financial institution DEXIA, as owner of DenizBank A.S., employs more than 30,000 people and is one of the largest financial institutions in the world.

DenizBank AG was able to close the financial year with a satisfying earning capacity.

Specializing in foreign trade financing, business contracts and start-ups in Turkey, our bank's position has steadily improved.

The dense branch network of our parent company in Turkey facilitates our broad offerings of foreign trade finance and business contract services, especially to medium sized companies.

DenizBank AG continues to increase its business volume by using group internal synergies.

We offer our foreign payment services to our private and corporate clients, which is increasingly being used - apart from our clients, who are not in a constant business relationship with us - by our correspondent banks in Austria. We resolved to establish a new branch in Salzburg in 2008. We have successfully established an effective branch network, with our nine branches - four branches are located in Vienna and further branches are situated in Wr. Neustadt, Linz, Graz, Innsbruck and Bregenz. Furthermore, we have a foreign branch in Frankfurt am Main. In addition to the usual banking services, we offer the procurement of insurance contracts and mortgage saving plans as well as our foreign payment services in all our branches. The cooperation with MoneyGram, which allows quick payment transactions worldwide, will be continued and we are now able to offer our customers more than 75,000 paying offices around the world.

Our representative office in Istanbul contributes essentially to our marketing activities.

DenizBank AG owns 51 percent of the share capital of CJSC Dexia Bank, Moscow (former CJSC DenizBank, Moscow). The remaining 49 percent are held by DenizBank A.S., Istanbul.

Due to the increase of the business volume, the head office was relocated to the third district, Thomas Klestil Platz 1. Our new head office has a size of 2,100 square meters and is divided into three floors. In our new and modern business premises our domestic and foreign clients and business partners are able to avail themselves of our services in a pleasant and discreet atmosphere. Our extended call center and direct-banking (http://www.denizbank.at) offers general information as well as our products. The main focus of further activities is to implement the possibility to administrate selected products online. A project was set up in cooperation with Intertech to provide the best service to our online banking customers. This project deals with the implementation of new software, which should ensure that our online banking customers are completely satisfied.

At the extraordinary general meeting on December 19, 2007, an increase of subscribed capital was concluded by the principal shareholder DenizBank A.S. The registered shares increased from 16,280 by 8,256 to 24,536. The face value of the subscribed capital increased from 11,831,164.40 by 5,999,882.88 to 17,831,047.28. The capital increase was issued at 250% and was payable immediately by cash. The capital increase was registered at the commercial register on January 26, 2008.

The subscribed capital amounted to 17,831,047.28 on December 31, 2008 and is divided into 24,536 shares, which are registered in the name of the shareholders.

Furthermore, the grant of new supplementary capital amounting to EUR 25 million was decided upon.

After allocation of retained earnings and the reserve under section 23/6 Austrian Banking Act amounting to EUR 12.5 million, our total qualifying capital amounts to EUR 126.8 million at the end of 2008 (2007: EUR 74.8 million). Our capital adequacy ratio of 11.69% of the risk-weighted assessment basis exceeds the legally required ratio of 8.00% by more than 46%.

Our total balance sheet of approximately EUR 1,404.50 million at the end of 2008 is 22.84% above its previous year's level of EUR 1,143.39 million.

We also structured our short and medium-term lending portfolio during 2008.

As a result of increasing demand, the gradually recovering Turkish economy and our rising engagement in forfaiting transactions, amounts owed by customers rose to EUR 1,040.8 million.

The securities portfolio decreased from EUR 104.2 million to EUR 73.3 million.

Concerning our liabilities, our amounts owed to credit institutions of EUR 147.13 million make a significant contribution to our stable refinancing base.

We will continue to cultivate and intensify our various business relations with our domestic and foreign correspondent banks in the future.

Despite the financial crisis we were able to strengthen the volume of our deposits and our liquidity situation. This reflects the great confidence of our customers. Amounts owed to customers of about EUR 1,101.79 million (EUR 865.5 million in 2007), which also includes saving deposits, increased by 27.3%.

Our endeavours to offer to the traditional "savings book customer" an optimised product range were rewarded by a rise which was above the average. Our saving deposits increased by EUR 215.4 million, from EUR 297.4 million at the end of 2007 to EUR 512.80 million at the end of 2008; the proportion of saving deposits with an agreed term or termination date accounted for 94.75% of this total.

Well prepared to all challenges of 2009: Due to the financial crisis in 2008, we expect a continuing difficult economic environment for 2009, but we are well prepared to master all challenges which will arise during 2009.

Net interest income of EUR 26.2 million and commission income of EUR 3.0 million reflect our excellent earning position.

We reported an operating income of EUR 28.31 million, which was EUR 5.32 million or 23.16% above the level of the previous year.

Due to the investments in new rooms and the IT set-up, our operating expenses increased to EUR 14.6 million.

Despite the increasing expenses during our thirteenth financial year, our operating result is reported as EUR 13.7 million.

Our result of ordinary activities accounts to EUR 7.2 million (2007: EUR 8.5 million).

Consequently the net income for the year after tax totalled EUR 12.5 million (2007: EUR 6.6 million).

Due to the very positive earning situation, and after the allocation to the reserve under section 23/6 ABA with an amount of EUR 3.3 million, the Management Board proposes to transfer a sum of EUR 9.2 million to the retained earnings.

Employees

The intensive training of the employees continued in the year 2008 within the scope of the training schedule.

Especially for the branch office employees, the trainings were intensified and were presented in concentrative style. In 2008, 40 employees of DenizBank AG attended courses in specialized fields like business loans, insurance and securities business; in each case around 1.5 days. The employees of the operative departments e.g. the money transaction department and back office for securities, were trained in the fields SWIFT and ÖNB-SEPA.

To intensify the trainings mainly in the branches the multiplier-method was implemented. Therefore, selected employees were trained very intensively on a topic (e.g. insurance). Thereafter they taught other employees during In-House-Workshops and Lectures. A Grid Leadership Management course was arranged to analyse the leadership behaviour.

The employees of the internal audit department have participated in internal audit courses for about 12 days. Further trainings in the IT area (MRS System, Center Configuration) were completed.

A further focus of the training was to educate the employees regarding the implementation of MiFID, Compliance-issues and the anti-money-laundering-directive.

Employees attended diverse courses regarding legal changes.

Apprentices of DenizBank AG attended five courses and a project-week which were specific to their apprenticeship. In general, the training program for apprentices is very intensive and comprises a job-rotation in a 4-month-rhythm through all departments of the bank, as well as an intensive coaching through a tutor.

It is important to mention that multiple employees of DenizBank AG are trainers for diverse departments (internal audit, law, documentary business, et cetera).

Due to the financial crisis in 2008, we expect a continuing difficult economic environment for 2009, but we are well prepared to master all challenges which will arise during 2009.

In line with our strategic targets, we are planning to expand our well-established service activities in the direct banking sector in 2009 and to consolidate our earning capacity during the coming year. Furthermore, we expect a profitable expansion of our retail-banking business via our call center, direct banking and branches.

The first stage of the "retail-banking" project, which started in 2007, was completed by Intertech this year. The aim of this project was to adjust the IT-platform by implementing "inter-Next". Due to this new software, our operational efficiency is increasing. The other stages of the project will be completed during 2009.

In the financial year the risk management system continued to gain importance which supports the asset-liability management and optimizes interest risk management and cash value planning. DenizBank AG deems the recommendations of the Austrian Financial Markets Authority, including minimum standards for the credit business, to be an appropriate guideline for the organisation of the credit business. This guideline was implemented and is being used by DenizBank AG.

The Credit-Risk-Management supports the decisions concerning the granting of loans with the newest credit-risk-technical criteria.

Several committees of DenizBank AG take care of the risk control concerning liquidity and interest management. Moreover, these committees guarantee the compliance with all legal stipulations and provide suggestions for an ongoing increase in efficiency.

By means of our ownership structure, we are a part of an internationally successful group, whose client structure and financial strength will furthermore open up a range of various expansion opportunities for us. Despite decreasing interest margins and increasing competition, we further aim to achieve the same excellent operational results as we achieved in the previous years. We are absolutely determined to accept the current challenges and seize the chances to further develop our business.

We would like to express our thanks to all employees, who played a vital role in achieving such a remarkable development through their excellent team spirit. Our thanks also to our owner, DenizBank A.S., our business partners and in particular our clients, who have entrusted us with their business and assignments.

Vienna, April 20, 2009

Drs. Martijn van Mancius	**Ali İhsan Tokkuzun**	**Hüseyin Yener**
Chairman	Deputy Chairman	Member

Balance Sheet as of December 31, 2008

Assets	31.12.2008 EUR	31.12.2007 EUR
1. Cash and balances with central banks	16,530,270.40	19,533,058.80
2. Treasury bills and similar bills	19,830,500.00	19,830,500.00
3. Loans and advances to credit institutions		
a) repayable on demand	6,937,290.41	20,820,599.74
b) other loans and advances	203,431,198.44	324,181,552.39
	210,368,488.85	345,002,152.13
4. Loans and advances to customers	1,040,819,364.38	602,105,423.41
5. Bonds and other fixed income securities		
a) issued by public sector entities	12,368,717.33	20,858,010.48
b) issued by other borrowers	60,898,176.73	83,333,854.24
	73,266,894.06	104,191,864.72
6. Shares and other non-fixed income securities	384,527.57	4,126,140.48
7. Investments in subsidiaries thereof: credit institutions	16,453,424.78	7,793,035.38
8. Intangible fixed assets	1,910,209.05	1,386,205.15
9. Tangible fixed assets	2,910,036.11	1,969,143.46
10. Other assets	21,685,562.65	37,122,380.45
11. Deferred expenses	337,205.78	333,263.70
	1,404,496,483.63	**1,143,393,167.68**
Off-balance sheet items		
1. Foreign assets	1,267,201,636.23	1,038,959,359.99

Liabilities and Shareholders' Equity	31.12.2008 EUR	31.12.2008 EUR	31.12.2007 EUR	31.12.2007 EUR
1. Amounts owed to credit institutions				
a) Repayable on demand		1,537,703.45		2,234,962.38
b) With agreed maturity dates or periods of notice		145,593,905.63		166,762,989.79
		147,131,609.08		168,997,952.17
2. Amounts owed to customers				
a) Saving deposits				
aa) repayable on demand	26,941,707.91		32,358,997.85	
bb) with agreed maturity dates or periods of notice	485,839,935.73	512,781,643.64	265,021,037.20	297,380,035.05
b) Other liabilities				
aa) repayable on demand	149,781,815.68		210,293,058.51	
bb) with agreed maturity dates or periods of notice	439,223,455.46	589,005,271.14	357,831,194.12	568,124,252.63
		1,101,786,914.78		865,504,287.68
3. Other liabilities		25,065,536.38		28,685,715.38
4. Deferred income		711,892.34		1,933,848.22
5. Provisions				
a) Provisions for severance payments	277,151.00		417,221.00	
b) Provisions for taxes	0.00		597,610.33	
c) Other provisions	845,826.00		1,086,893.00	
		1,122,977.00		2,101,724.33
6. Supplementary capital		41,633,641.71		16,633,641.71
7. Subscribed capital		17,831,047.28		11,831,164.40
8. Capital reserves				
a) share premium		19,624,615.76		10,624,791.44
9. Retained earnings		38,371,858.30		29,130,696.35
10. Reserve according to section 23/6 Austrian Banking Act		11,216,391.00		7,949,346.00
11. Net profit		0.00		0.00
		1,404,496,483.63		**1,143,393,167.68**
Off-balance sheet items				
1. Contingent liabilities Guarantees and assets pledged as collateral assets		32,513,953.05		42,387,003.78
2. Total qualifying capital according to section 23 Austrian Banking Act		126,767,345.00		74,783,434.75
3. Legal minimum capital requirement according to section 22/1 Austrian Banking Act		89,863,731.47		61,591,468.98
4. Foreign liabilities		708,886,050.14		703,999,173.20

Profit and Loss Account for the Financial Year 2008

		2008 EUR	2007 EUR
1.	Interest and similar income thereof: from fixed-income securities EUR 5,012,004.41 (prior year: EUR 6,265,202.73)	98,674,062.55	79,861,626.51
2.	Interest and similar expenses	(72,431,476.44)	(60,517,803.92)
I.	**NET INTEREST INCOME**	**26,242,586.11**	**19,343,822.59**
3.	Fee and commission income	3,005,618.88	3,623,930.71
4.	Fee and commission expenses	(331,980.14)	(679,486.38)
5.	Income/expenses from financial transactions	(721,022.51)	598,199.73
6.	Other operating income	116,713.29	101,824.18
II.	**OPERATING INCOME**	**28,311,915.63**	**22,988,290.83**
7.	General administrative expenses		
	a) Personnel expenses		
	aa) Salaries	(5,653,004.58)	(5,707,182.48)
	bb) Social security contributions and other compulsory contributions	(1,314,243.72)	(1,317,216.61)
	cc) Other employee benefits	(160,335.14)	(156,505.24)
	dd) Expenses for pension benefits	(73,917.15)	(65,806.48)
	ee) Expenses for severance payments and contributions to external pension funds	(104,051.54)	(156,172.02)
		(7,305,552.13)	(7,402,882.83)
	b) Other administrative expenses	(5,623,615.46)	(4,985,157.67)
		(12,929,167.59)	(12,388,040.50)
8.	Depreciation and amortization in respect of intangible and tangible fixed assets	(1,479,686.69)	(1,319,086.80)
9.	Other operating expenses	(222,684.63)	(72,437.58)
III.	**OPERATING EXPENSES**	**(14,631,538.91)**	**(13,779,564.88)**
IV.	**OPERATING RESULT**	**13,680,376.72**	**9,208,725.95**
10.	Expenses from valuation of loans and allocation to provisions for contingent liabilities and loan risks	(6,965,240.93)	(800,718.29)
11.	Income from valuation of loans and allocation to provisions for contingent liabilities and loan risks	476,091.47	58,493.91
12.	Income from valuation of securities valued as financial fixed assets	7,918.71	11,670.28
V.	**PRE-TAX PROFIT FOR THE YEAR**	**7,199,145.97**	**8,478,171.85**
13.	Taxes on income	5,636,713.41	(1,664,840.25)
14.	Taxes, other than taxes on income	(327,652.43)	(162,962.47)
VI.	**PROFIT FOR THE YEAR**	**12,508,206.95**	**6,650,369.13**
15.	Changes in reserves thereof:		
	Allocation to the reserve according to section 23/6 ABA: EUR 3,267,045.00 (prior year: EUR 1,619,920.00)	(12,508,206.95)	(6,650,369.13)
VII.	**NET PROFIT**	**0.00**	**0.00**

Development of Fixed Assets

		Acquisition costs 1.1.2008 EUR	Additions EUR	Disposals EUR	Adjustments EUR	Acquisition costs 31.12.2008 EUR	FX-differences EUR	Accumulated Depreciation EUR	Book value 31.12.2008 EUR	Book value 1.1.2008 EUR	Depreciation of the year EUR
I.	**Intangible fixed assets**										
1.	Software and rights	3,601,971.13	1,157,373.86	149,441.88	63,931.78	4,673,834.89	0.00	2,944,335.17	1,729,499.72	1,282,035.77	755,377.57
2.	Payments on account	104,169.38	140,471.73	0.00	(63,931.78)	180,709.33	0.00	0.00	180,709.33	104,169.38	0.00
3.	Low value assets - Software	0.00	1,517.97	1,517.97	0.00	0.00	0.00	0.00	0.00	0.00	1,517.97
		3,706,140.51	**1,299,363.56**	**150,959.85**	**0.00**	**4,854,544.22**	**0.00**	**2,944,335.17**	**1,910,209.05**	**1,386,205.15**	**756,895.54**
II.	**Tangible fixed assets**										
1.	Installations in third parties' buildings	1,738,434.80	1,069,798.77	395,456.02	0.00	2,412,777.55	0.00	654,624.95	1,758,152.60	1,052,851.82	242,128.58
2.	Fixture, furniture and office equipment	2,827,915.38	720,043.71	343,940.83	0.00	3,204,018.26	0.00	2,052,134.75	1,151,883.51	916,291.64	450,173.11
3.	Low value assets	0.00	30,489.46	30,489.46	0.00	0.00	0.00	0.00	0.00	0.00	30,489.46
		4,566,350.18	**1,820,331.94**	**769,886.31**	**0.00**	**5,616,795.81**	**0.00**	**2,706,759.70**	**2,910,036.11**	**1,969,143.46**	**722,791.15**
III.	**Financial assets**										
1.	Treasury bills and similar bills	19,830,500.00	0.00	0.00	0.00	19,830,500.00	0.00	0.00	19,830,500.00	19,830,500.00	0.00
2.	Bonds and other fixed income securities issued by other borrowers	46,892,194.47	0.00	14,989,524.19	0.00	31,902,670.28	0.00	0.00	31,902,670.28	46,912,171.25	0.00
3.	Investments in subsidiaries	7,793,035.38	8,660,389.40	0.00	0.00	16,453,424.78	0.00	0.00	16,453,424.78	7,793,035.38	0.00
4.	Shares and other securities	0.00	384,527.57	0.00	0.00	384,527.57	0.00	0.00	384,527.57	0.00	0.00
		74,515,729.85	**9,044,916.97**	**14,989,524.19**	**0.00**	**68,571,122.63**	**0.00**	**0.00**	**68,571,122.63**	**74,535,706.63**	**0.00**
		82,788,220.54	**12,164,612.47**	**15,910,370.35**	**0.00**	**79,042,462.66**	**0.00**	**5,651,094.87**	**73,391,367.79**	**77,891,055.24**	**1,479,686.69**

Notes to the Annual Financial Statements 2008

I. General Information

The annual financial statements of DenizBank AG, as per December 31, 2008, were prepared based on the books giving a true and fair view of the company's financial position and results of operation in conformity with generally accepted accounting principles in Austria.

The valuation and the presentation of all the items in the financial statements are in line with the general regulations of the Austrian Business Enterprise Code (AEC) and the special rules provided in the Austrian Banking Act (ABA).

Accounting policies

The structure of the balance sheet and the profit and loss account for the year 2008 complies with the requirements of Appendix 2 to Article 1 section 43 ABA.

Items without any value in the financial year and the previous year were omitted.

The principle of completeness has been applied and the valuation of the assets, provisions and liabilities follows the general rules of individual assessment and valuation under the going concern assumption.

Pursuant to the general regulations and taking into consideration the special risks of the banking business, gains are not recognised if unrealised at the balance sheet date. Appropriate specific reserves and provisions cover all identifiable risks of loss.

All items denominated in foreign currencies are accounted for using the spot middle exchange rate of the balance sheet date according to section 58/1 ABA. Foreign exchange is reported at the foreign exchange rate as of the balance sheet date.

Assets

Available for sale securities are measured at lower historical cost or market price at the balance sheet date. Securities held for trading are valued at the market price at the balance sheet date. Securities intended to be held as long-term investments are valued at historical cost according to section 56/2 ABA. All bonds refer to fixed interest bearing, admitted to stock exchange trading and domestic or foreign securities which were issued by states, credit institutions or companies of area A or area B. Fixed interest bearing, non-admitted to stock exchange trading bonds are shown among other receivables.

A trading book according to section 22b/1 ABA has been kept since January 1, 2005.

Cash at banks, loans to credit institutions and non-bank customers, securities available for sale, bills of exchange and other accounts receivable are measured at the lower historical cost or market price pursuant to section 207 AEC.

Intangible and tangible fixed assets are recorded at the net book value and are depreciated under the terms of the straight-line method over the estimated economic useful life. Management estimated the economic useful life for investments in leased buildings at 10 years, and furniture and office equipment at 3 to 10 years.

Low value assets with acquisition costs up to EUR 400.00 are fully depreciated in the year of acquisition pursuant to section 13 of Austrian Income Tax Act. They are shown in the enclosed table "Development of Fixed Assets" under the columns "additions", "disposals" and "depreciation of the year".

The option to capitalise deferred tax assets, pursuant to section 198/10 AEC, amounting to EUR 13.9 thousand (2007: EUR 48.9 thousand) was not exercised.

Commitments arising from the use of tangible assets not disclosed in the balance sheet are EUR 0.97 million (2007: EUR 0.63 million) for the following fiscal year and EUR 4.84 million (2007: EUR 3.91 million) for the following five years.

Liabilities

The provisions for severance payments were calculated by an actuarial method using an interest rate of 3.5%, with an assumed retirement age of 60 years for women and 65 years for men. The provisions for severance payments pursuant to section 14 Austrian Income Tax Act is valued at EUR 221,435.00.

Other provisions take into account all risks and pending losses which emerged in the current or past financial year until the effective date of the preparation of the balance sheet and are measured considering the principle of prudence.

Other provisions refer mainly to unused vacation days and bonuses payable to personnel.

Liabilities are accounted for at their face value or at the amount repayable.

Notes to the Balance Sheet and the Profit and Loss Account

1. Assets

CASH AND BALANCES WITH CENTRAL BANKS

Cash and balances with Central Banks decreased by EUR 3.00 million to EUR 16.53 million (2007: EUR 19.53 million). The requirements of liquidity stated by the Ministry of Finance were met throughout the year.

TREASURY BILLS

This item amounts to EUR 19.83 million at the balance sheet date (2007: EUR 19.83 million).

LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Loans and advances to credit institutions decreased by EUR 134.63 million to EUR 210.37 million. Loans totalling EUR 49.89 million are secured by drafts. Loans to affiliated companies amount to EUR 64.14 million at the balance sheet date. The position does not comprise fiduciary transactions (2007: EUR 1.93 million).

LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers increased from EUR 602.11 million as per December 31, 2007 by EUR 438.71 million to EUR 1,040.82 million as at the balance sheet date. This position includes loans to affiliated companies of EUR 17.00 million.

Loans and advances to credit institutions and non-bank customers with agreed maturity dates have the following remaining maturities:

	Amounts due from			
	Credit Institutions (in EUR thousand)		Other Customers (in EUR thousand)	
	2008	2007	2008	2007
Up to 3 months	108,150	107,404	103,818	29,855
3 months up to 1 year	60,359	169,811	160,897	101,296
1 year up to 5 years	20,172	31,537	498,179	243,965
More than 5 years	14,750	15,429	269,637	213,846
Thereof affiliated companies	63,845	100,764	17,000	-

Regional classification of loans and advances to credit institutions and non-banking institutions:

	Amounts due from			
	Credit Institutions (in EUR thousand)		Other Customers (in EUR thousand)	
	2008	2007	2008	2007
Turkey	52,088	144,741	987,580	528,963
Austria	71,545	19,087	12,691	16,025
Other countries	86,735	181,174	40,549	57,117

BONDS AND OTHER FIXED-INCOME SECURITIES

Bonds and other fixed-income securities decreased from EUR 104.19 million to EUR 73.27 million at the balance sheet date.

At the balance sheet date the Company held listed securities with a book value of EUR 19.92 million and non-listed securities with a book value of EUR 11.98 million, which are valued as fixed assets pursuant to section 56/1 ABA. Listed available for sale securities amount to EUR 40.83 million and securities held for trading amount to EUR 0.53 million as per December 31, 2008.

The difference between the acquisition costs and the lower fair value of the available for sale portfolio as of December 31, 2008 amounts to EUR 4.05 million. The difference between the acquisition costs and the higher fair value of the available for sale portfolio as of December 31, 2008 amounts to EUR 0.10 million.

Fixed interest bearing securities with a book value of EUR 8.23 million have a remaining maturity of less than one year. The position includes bonds to affiliated companies of EUR 0.12 million. No securities are pledged to banks. Repurchase Agreements according to section 50/4 ABA do not exist.

FINANCIAL INSTRUMENTS ACCORDING TO SECTION 237A/1/1 AEC

Non-current financial assets measured above their fair value are presented as follows:

	Book value 31.12.2008 (in EUR thousand)	Hidden burdens	Book value 31.12.2007 (in EUR thousand)	Hidden burdens
Treasury bills	19,831	2,616	19,831	4,110
Bonds and other fixed-income securities	31,903	6,699	46,912	3,455

The hidden burdens of the bonds arose from fluctuations of the market value. A lasting decrease of the solvency of the issuers could not be ascertained.

SHARES AND OTHER NON-FIXED-INCOME SECURITIES

As per December 31, 2008, shares in non-listed companies are valued at EUR 0.38 million.

INVESTMENTS IN SUBSIDIARIES

In December 2003, a 51% share in CJSC Dexia Bank, Moscow (former CJSC DenizBank Moscow) has been acquired. The shareholders' equity of CJSC Dexia Bank Moscow amounts to EUR 26.01 million as per December 31, 2008, including the net loss for the year 2008 of EUR 8.26 million.

DenizBank AG, Vienna received a Letter of Comfort, dated 20 March 2009, from the main shareholder DenizBank A.S. that any losses to be recorded in the books of DenizBank AG arising whatsoever from the investment in Dexia Bank, Moscow will be irrevocably covered by DenizBank A.S.. Therefore, an impairment test of Dexia Bank, Moscow was not conducted by DenizBank AG.

INTANGIBLE FIXED ASSETS

Intangible fixed assets amount to EUR 1.91 million (2007: EUR 1.39 million) and mainly consist of purchased software.

TANGIBLE FIXED ASSETS

Investments in fixed assets totalling EUR 1.82 million are reduced by depreciation amounting to EUR 0.72 million. The tangible assets increased from EUR 1.97 million by EUR 0.94 million to EUR 2.91 million. The development of the fixed assets are shown in detail in the enclosed table "Development of Fixed Assets", pursuant to section 226 AEC.

OTHER ASSETS

This position mainly contains clearing positions of EUR 21.69 million. Other assets contain deferred interest income of EUR 21.19 million, which will be payable after the balance sheet date.

TOTAL ASSETS

Total assets of DenizBank AG amount to EUR 1,404.50 million (2007: EUR 1,143.39 million) as per December 31, 2008, and exceed the prior year's amount by EUR 261.11 million.

OFF BALANCE SHEET ITEMS

Foreign assets total is EUR 1,267.20 million (2007: EUR 1,038.96 million). The total of assets not denominated in EUR is reported at EUR 589.76 million.

2. Liabilities and Shareholders' Equity

AMOUNTS OWED TO CREDIT INSTITUTIONS

Deposits by banks, including deposits repayable on demand and time deposits, decreased from EUR 169.0 million by EUR 21.87 million to EUR 147.13 million.

Deposits by affiliated companies totalled EUR 132.28 million at the balance sheet date.

AMOUNTS OWED TO CUSTOMERS

Customers' deposits increased from EUR 865.50 million to EUR 1,101.79 million as of December 31, 2008. Saving deposits increased by EUR 215.40 million to EUR 512.78 million as per December 31, 2008. The percentage of deposits with agreed maturity or period of notice is 94.75%. Our deposits do not contain gilt-edged securities. Deposits by affiliated companies amount to EUR 0.32 million. The position contains no fiduciary transactions (2007: EUR 1.93 million).

Liabilities with agreed maturity dates have the following remaining maturity:

	Liabilities to			
	Credit Institutions (EUR in thousand)		Other Customers (EUR in thousand)	
	2008	2007	2008	2007
Up to 3 months	37,812	122,063	192,408	163,232
3 months up to 1 year	-	44,700	397,932	255,947
1 year up to 5 years	107,782	-	313,989	183,406
More than 5 years	-	-	20,295	20,268
Thereof affiliated companies	131,223	141,356	-	1,206

OTHER LIABILITIES

The other liabilities totalled EUR 25.07 million at the balance sheet date and decreased by EUR 3.62 million in comparison to the previous year.

This item includes accrued interest expenses of EUR 15.72 million which will be payable after the balance sheet date.

Furthermore, this position relates to the FX internal adjustments amounting to EUR 4.82 million which comprises foreign exchange adjustments between on-balance cash transactions and off-balance forward transactions. These transactions mainly concern EUR/USD foreign exchange swaps.

DEFERRED INCOME

Deferred income totalling EUR 0.71 million (2007: EUR 1.93 million) mainly consists of deferrals of discounted letters of credit.

PROVISIONS

The total of provisions amounts to EUR 1.12 million (2007: EUR 2.10 million) and decreased by EUR 0.98 million in comparison to the previous year. This position comprises provisions for severance payments (EUR 0.28 million) and other provisions (EUR 0.85 million), which mainly refer to personnel expenses.

SUPPLEMENTARY CAPITAL

In 2008, a new subordinated liability amounting to EUR 25 million with a maturity up to June 30, 2018 and an interest rate of EURIBOR +2.4% was issued. In 2006, a subordinated liability was issued totalling EUR 10 million, with the maturity December 14, 2016 and an interest rate of EURIBOR +1.0%. In December 2002, a subordinated liability was issued totalling EUR 3 million, with the maturity December 14, 2016 and an interest rate of EURIBOR +1.0%. The first subordinated liability was issued in December 1998, totalling EUR 3.63 million, with the maturity December 14, 2016 and an interest rate of EUR LIBOR +1.0%.

SUBSCRIBED CAPITAL

At the extraordinary general meeting on December 19, 2007, an increase of subscribed capital was concluded by the principal shareholder DenizBank A.S. The registered shares increased from 16,280 by 8,256 to 24,536. The face value of the subscribed capital increased from 11,831,164.40 by 5,999,882.88 to 17,831,047.28. The issue price of the capital increased was issued at 250% and was payable immediately in cash. The capital increase was registered at the commercial register on January 26, 2008.

The subscribed capital amounts to 17,831,047.28 as of December 31, 2008 and is divided into 24,536 shares which are registered in the name of the shareholders.

CAPITAL RESERVES

The capital reserves increased from EUR 10.62 million by EUR 9.0 million to EUR 19.62 million because of the issue of the new shares with a premium of 150%.

RETAINED EARNINGS

After increasing the reserves under section 23/6 ABA, the management decided to allocate the profit for the year with EUR 9.24 million to the retained earnings.

RESERVES ACCORDING TO SECTION 23/6 ABA

This obligatory reserve was increased by the amount of EUR 3.27 million as per December 31, 2008. The mandatory reserve totals EUR 11.22 million as of the balance sheet date.

OFF BALANCE SHEET ITEMS

Contingent liabilities include guarantees amounting to EUR 31.92 million and commercial letters of credit amounting to EUR 0.59 million.

Foreign liabilities amount to EUR 708.89 million (2007: EUR 704.00 million). Liabilities denominated in currencies other than EUR total EUR 243.75 million.

Total qualifying capital according to section 23/1 ABA:

	31.12.2008 (in EUR thousand)	**31.12.2007 (in EUR thousand)**	**31.12.2006 (in EUR thousand)**
Subscribed capital	17,831	11,831	11,831
Capital reserves	19,625	10,625	10,625
Retained earnings	38,372	29,131	24,100
Reserve under section 23/6 ABA	11,216	7,949	6,329
Untaxed reserves	-	-	-
Net profit	-	-	-
Capital deducted pursuant to section 23/13/4 ABA	-	-	-
Less book value of intangible fixed assets	(1,911)	(1,386)	(1,305)
Core capital	85,133	58,150	51,580
Supplementary capital	41,634	16,634	16,634
Total qualifying capital	**126,767**	**74,784**	**68,214**
As a percentage of the assessment basis according to section 22 ABA (%)	11.69	9.93	11.45

ADDITIONAL INFORMATION

Statement of foreign exchange contracts which are not settled:

		Purchase and sell market value	
	Nominal value (in EUR thousand)	Positive market value (in EUR thousand)	Negative market value (in EUR thousand)
Total	346,618	74	4,612

3. Profit and Loss Account

INTEREST INCOME

The net interest result including interest from fixed-income securities, interest expenses and similar expenses increased by EUR 6.90 million to EUR 26.24 million. The interest expenses for the supplementary capital amount to EUR 1.64 million (2007: EUR 0.84 million).

OPERATING INCOME

The operating income including net interest income, net fee and commission income, the net trading result and other operating revenues increased by EUR 5.32 million, or 23.2%, to EUR 28.31 million.

OPERATING EXPENSES

Operating expenses increased from EUR 13.78 million by EUR 0.85 million to EUR 14.63 million. Personnel expenses declined by EUR 0.10 million to EUR 7.30 million (2007: EUR 7.40 million). The other administrative expenses increased from EUR 4.99 million to EUR 5.62 million including rent and leasing expenses totalling EUR 1.01 million.

OPERATING RESULT

Our operating result increased by EUR 4.47 million to EUR 13.68 million.

PRE-TAX PROFIT FOR THE YEAR

The pre-tax profit for the year is reported with EUR 7.20 million and is EUR 1.28 million, or 15.1% lower than the result of 2007 (EUR 8.48 million).

TAXES ON INCOME

Due to the double tax agreement between Turkey and Austria, a fictitious withholding tax for interest income for the years 2002 to 2007 amounting to EUR 7.34 million could retrospectively be offset from the corporate income tax for the years 2002 to 2007.

PROFIT FOR THE YEAR

The profit for the year after consideration of the taxes increased by 88.1%, or EUR 5.86 million from EUR 6.65 million to EUR 12.51 million.

CHANGES IN RESERVES

The changes of reserves total EUR 12.51 million and comprise the allocation to the reserve under section 23/6 ABA EUR 3.27 million and the allocation to the retained earnings of EUR 9.24 million.

RETAINED AND DISTRIBUTED EARNINGS

The net profit for the financial year 2008 was allocated to the profit reserves, and this position amounts to EUR 0.00.

OTHER INFORMATION

DenizBank AG is included in the consolidated financial statements of the ultimate parent company, Dexia S.A., Brussels and of DenizBank A.S., Istanbul (subgroup).

DenizBank AG prepares consolidated financial statements in Vienna. The consolidated financial statements are deposited at the respective locations.

On a monthly average, the Company employed 148 employees (2007: 160 employees).

The remuneration for members of the Managing Board amounts to EUR 749,280.21 (2007: EUR 556,308.07). For settlement payments of one retiring member of the Managing Board no disclosure was given pursuant to section 241/4 AEC. Commitments amounting to EUR 6,720.00 (2007: EUR 6,720.00) were assumed for the Managing Board. The expenses for severance payments and retirement pay of the members of the Managing Board and executives according to section 80/1 Austrian Stock Corporation Act amount to EUR 277,890.66 (2007: EUR 60,088.12). Expenses for severance payments and retirement pay for non-executive employees totalled EUR 235,934.36 (2007: EUR 166,202.88) including expenses for severance payments of EUR 112,796.33 (2007: EUR 56,772.50) and expenses for the employee welfare fund of EUR 63,305.54 (2007: EUR 63,332.02).

The emoluments of the Supervisory Board amount to EUR 99,440.00 (2007: EUR 101,000.00).

The members of the Supervisory Board are as follows:

Hakan Ateş, Chairman
Bruno Accou, Deputy Chairman
Dr. Kurt Heindl, Member
Bora Böcügöz, Member
Mustafa Aydın, Member

The following members of the Managing Board for the financial year 2008 respectively until the preparation of financial statement were appointed:

Dr. İsmail H. Ergener, Chairman (until December 31, 2008)
Ali İhsan Tokkuzun, Deputy Chairman
Hüseyin Yener, Member
Dr. Martijn van Mancius, Chairman (since January 1, 2009)

The company is registered at the commercial register at the Commercial Court in Vienna under the number FN 142199 t.

Vienna, April 20, 2009

Management Board

Drs. Martijn van Mancius	**Ali İhsan Tokkuzun**	**Hüseyin Yener**
Chairman	Deputy Chairman	Member

Auditor's Opinion

We have audited the financial statements, including the accounting records of DenizBank AG, Vienna, for the fiscal year from January 1, 2008 to December 31, 2008. The Company's management is responsible for the preparation and content of the financial statements and the accounting records and the management report in accordance with Austrian regulations. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is in accordance with the financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from misstatement and whether we can state that the management report is in accordance with the financial statements. In determining audit procedures we considered our knowledge of the business, the economic and legal environment of the company as well as the expected occurrence of errors.

The audit involves procedures to obtain evidence about amounts and disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements are in accordance with legal requirements and present fairly in all material respects, the financial position of DenizBank AG as of December 31, 2008 and of the results of its operations and its cash-flows for the fiscal year from January 1, 2008 to December 31, 2008 in accordance with Austrian generally accepted accounting principles. The management report is in accordance with the financial statements.

Vienna, April 20, 2009

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Mag. Gerhard Marterbauer Mag. Thomas Becker
Austrian Certified Public Accountants

This English translation of the audit report was prepared for the client's convenience only. It is not a legally relevant translation of the German audit report.

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