Annual Report 2010

DEXIA

DenizBank AG

Contents


DenizBank

Directors and Officers of the Bank

SUPERVISORY BOARD

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

Dirk Bruneel
Brussel, Dexia SA, Vice Chairman

Derya Kumru
Istanbul, Executive Vice President of DenizBank A.Ş., Member

Wouter van Roste (since 22.03.2010)
Istanbul, Executive Board Member of DenizBank A.Ş., Member

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

Representative of the Austrian Federal Ministry of Finance Banking Supervision Division

Andreas Staritz
Director, International Financial Institutions

Mag. Lisa Mandl
Deputy Director International Financial Institutions

MANAGEMENT BOARD

Drs. Martijn van Mancius
CEO

Dr. Thomas Roznovsky
Member

Mehmet Ulvi Taner
(since 02.04.2010)
Member

Oğuz Vecdi Öncü
(from 15.04.2010 to 24.11.2010)
Member

DEPARTMENTS

Daniel Mayr MSc
Holder of Procuration
Organisation, Facilities & IT

Markus Schäffer
IT

Aslı Kurt
Holder of Procuration
Controlling & Accounting

Mag. (FH) Mario Kandolf
Accounting

Muzaffer Lale
Controlling

Özgür Kaya
Credit Risk Management

Melek Ay
Risk Management

Mag. Mihter Ugur
Credit Operations

Christian Mayr
Holder of Procuration
Treasury

Dipl. Kfm. Ingo Schlinke
Internal Audit

Mag. Tarkan Celik
Legal Department

Mag. Yasmin Pichler
Compliance

Mag. Yanki Eyüboglu
Personal Financial Services

Levent Korkmaz
Direct Banking

BRANCHES

MMag. Tülay Korkmaz
Branches in Austria

Gürkan Beydemir
Area Coordinator

Yaşar Yesilyurt
Area Coordinator

Berin Kutlutan
Frankfurt Branch

SHAREHOLDERS

DenizBank A.S. 72,087% shares

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

Mr. Yavuz Zeytinoglu 0,004% shares

Deniz Finansal Kiralama A.S. 27,908% shares

SUBSIDIARY

51% of Dexia Bank (Moscow)

Agenda of the General Meeting

Agenda of the 15th Annual General Meeting of DenizBank AG on March 18, 2011.

1. Presentation of the Annual Report 2010, including financial statements and the Supervisory Board's report,

2. Resolution on the distribution of the profit,

3. Resolution on the release of the Management Board for the financial year 2010,

4. Resolution on the release of the Supervisory Board for the financial year 2010,

5. Appointment of the Supervisory Board.

Key Figures

Ratios

	2010	2009	2008	2007	2006
Equity Ratio (%)	10.07	9.89	11.69	9.93	11.45
Return on Equity (%)	10.77	10.14	17.07	11.83	18.68
Earnings before Taxes (TEUR)	16,713	10,645	7,199	8,478	12,083
Earnings before Income Taxes/Employee (TEUR)	93.2	62.9	46.4	52.0	88.0
Loan Deposit Ratio (%)	82.19	74.83	94.47	69.57	66.55
Net Interest Margin	1.52	1.65	2.06	1.73	1.63
Cost Income Ratio (%)	48.79	48.34	52.46	60.53	53.20
Cash Flow from Operating Activities (TEUR)	(39,140)	5,326	(31,433)	9,779	7,578
Cash Flow from Investment Activities (TEUR)	(674)	(1,022)	(11,570)	(1,570)	(1,262)
Cash Flow from Financing Activities (TEUR)	40,000	0	40,000	0	10,000

Supervisory Board Report

Bolstered by strong capitalization and a dynamic funding base, DenizBank AG took advantage of the opportunities offered in the market while applying a strict risk management policy.

Despite the continued challenges posed to the global financial industry, DenizBank AG again delivered a successful result. Bolstered by strong capitalization and a dynamic funding base, DenizBank AG took advantage of the opportunities offered in the market while applying a strict risk management policy.

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

During the 2010 financial year, the Supervisory Board met four times; March 22nd, June 9th, August 31th and December 3rd. The duties of this 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 Board. Information is communicated both in writing and verbally by the Management Board in a regular, comprehensive and timely manner about the Bank's intended business strategies, position, development and key transactions. The Management Board submits regular reports on the extent to which group risk exposure limits have been utilized. The Supervisory Board also conducts other in-depth examinations of key risk control aspects.

The 2010 DenizBank AG financial statements and Management Report were prepared in accordance with the UGB (Austrian 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. Internal Audit, Controlling, Compliance & Anti Money Laundering, Risk Management and Credit Risk Departments provided the Audit Committee of the Supervisory Board with reports on a regular basis.

With recommendation of the Audit Committee, the Supervisory Board approved the Management Report and proposal for use of net profit and approved the Balance Sheet in accordance with § 96 (4) of the Corporate Law.

Mr. Wouter van Roste was appointed by the General Assembly on March 22, 2010 as a member of the Supervisory Board.

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

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

Vienna, March 2011

The Supervisory Board

Hakan Ateş
Chairman of the Supervisory Board

Management Report

Our corporate philosophy: Transparency, Security and Customer Intimacy

Dr. Thomas Roznovsky
Member

Drs. Martjin van Mancius
CEO

Mehmet Ulvi Taner
Member

Overall Economic Conditions

The year 2010 was marked by ongoing management of the effects of the global financial and economic crisis. Increasingly, the scale and handling of sovereign debt in the Eurozone as well as the unstable economic recovery in the US attracted the bulk of attention. The utilization of financial support from the EU and IMF by the governments of Greece and Ireland increased pressure on the Euro, while developments in the US Dollar repeatedly reflected disappointing macroeconomic data from that market.

The small positive signs that emerged in late 2009, which suggested an end to the worldwide recession, strengthened in 2010. However, the recovery was narrowly focused geographically. In Europe, Germany and its core trading partners rebounded from the downturn, as did growth markets in Asia, Latin America along with Turkey. Within our own core markets of Austria, Turkey, Germany and Russia, the economic recovery has clearly advanced.

In this difficult environment, DenizBank AG has successfully positioned itself with its resilient business model. The corporate philosophy, followed since the Bank's establishment, is to focus on client-driven business and has yet again proved to be a valuable strategy in the reporting period. With our savings and service products, we offer our clients tailor-made solutions for their financial needs. DenizBank AG places the highest priority on accessibility to customers and overall service quality.

Business Development

The year 2010 was marked by further uninterrupted growth. We increased our customer base again significantly, in particular with our attractive offers for retail depositors, coupled with service and demand-oriented client support provided by branches, along with our online banking channels (www.denizbank.at, www.denizbank.de). With our 10 branches in Vienna (4), Bregenz, Graz, Innsbruck, Linz, Salzburg, and Wiener Neustadt, and our foreign branch in Frankfurt am Main, we have created a powerful international service network. With long opening hours, including Saturdays, our phone contact center and the online banking portal, we are close to our customers and reachable at all times.

In addition, we offer DenizBank AG private and corporate customers our foreign payment service which is also increasingly used by clients who are not in an ongoing business relationship with us, and by our correspondent banks in Austria.

We are planning to expand our successful Austrian and German business model to Switzerland. At the end of 2010, we applied for the necessary Swiss license, with all the relevant regulatory authorities, to open a foreign branch in Zurich; we want to commence operations there as soon as possible.

The cooperation with MoneyGram, which allows quick payment transactions worldwide, will continue in 2011, providing our customers access to more than 227,000 payment offices around the world.

Specializing in foreign trade financing, business contracts and start-ups in Turkey, DenizBank AG is an important partner in the dynamic, growing bilateral trade and investment relationships for both private and corporate customers. The extensive branch network of our parent company in Turkey facilitates our broad offerings for foreign trade and business contract services, especially to medium-sized companies. Our customers profit from group-wide synergy with DenizBank Financial Services Group and Dexia Group.

The rapidly expanding DenizBank Financial Services Group owns almost 100% of DenizBank AG. Our parent, DenizBank A.Ş., ranks among the six largest private banks in Turkey with about 480 branch across the country and a workforce of over 9,100. As part of this Turkish group, we have a strong focus on mutual customers.

Dexia Group, the owner of DenizBank Financial Services Group, employs more than 35,000 people and has 8 million customers, making it one of the largest financial institutions in the world.

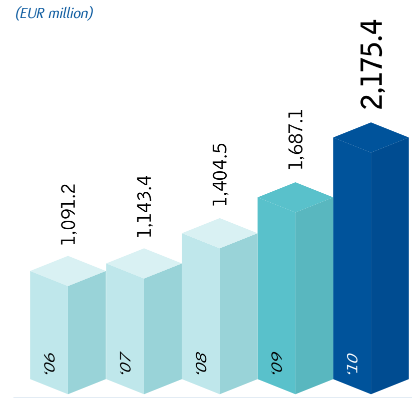
DenizBank AG operates a foreign branch in Frankfurt under the name DenizBank AG (Wien), Zweigstelle Frankfurt/Main. No significant changes were reported during the reporting year. With local customized personal advice, a comprehensive online banking platform and a well-equipped contact center, the Frankfurt branch provides quality service to its clients and increases its customer base every year.

DenizBank AG owns 51% of the share capital of CJSC Dexia Bank Moscow. The remaining 49% is held by DenizBank A.Ş., Turkey. The subsidiary contributes to the realization of business opportunities for clients of both entities.

Review of Balance Sheet Items

DenizBank AG's total balance sheet increased again in the reporting year and reached EUR 2,175.4 million, up 29% over last year's EUR 1,687.1 million. Since 2006, our business volume has more than doubled.

Development of Balance Sheet Total
(EUR million)



We were again able to significantly strengthen our deposit and liquidity position in 2010. This reflects the great confidence customers have in DenizBank AG. The total amount owed to customers in 2010 was EUR 1,922.0 million.

As in prior years, we have structured our loan portfolio in the short and medium terms. Due to increasing demand, loans to customers rose to EUR 1,579.6 million.

During 2010, DenizBank AG had sufficient liquidity at all times and was able to provide select bank counterparties with excess liquidity. At the end of the year, the total amount lent to banks was EUR 464 million.

In line with strategic considerations, the Bank's portfolio of fixed-income securities was reduced from EUR 65 million to EUR 59.4 million in 2010.

We were again able to significantly strengthen our deposit and liquidity position in 2010. This reflects the great confidence customers have in DenizBank AG. The total amount owed to customers in 2010 was EUR 1,922.0 million (2009: EUR 1,493.35 million). Funding is complemented by the total amount owed to banks of about EUR 42.7 million.

The traditional savings book is enjoying a healthy revival. We could meet the increased customer demand for security and proximity with an optimized product portfolio. Our savings deposits increased more than the industry average to EUR 755.7 million at year-end 2010, up EUR 36.9 million over the prior year's EUR 718.8 million; the proportion of time deposits accounted for 88.71% of the total.

As an Austrian bank, DenizBank AG Austria is subject without restriction to the Austrian provisions governing the protection of deposits and investor compensation (Section 93 ff Austrian Banking Act). DenizBank AG is member of the statutory guarantee facility of the Banks and Bankers, the Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H.

At the extraordinary General Meeting on July 20, 2010, an increase of the subscribed capital was concluded. The registered shares increased by 11,008 shares, from 38,296 to 49,304 shares, which are registered in the name of the shareholders. The face value of the subscribed capital increased by EUR 9,999,804.80, from EUR 27,830,852.08 to EUR 35,830,695.92. The capital increase was issued at 250% and was paid immediately in cash by DenizBank A.Ş. The capital increase was registered in the commercial register on October 29, 2010.

Changes in Significant Balance Sheet Positions 2010	(EUR million)
Balance Sheet	+ 488
Loans to Customers	+ 462
Loans to Credit Institutions	+ 51
Amounts Owed to Credit Institutions	+ 17
Amounts Owed to Customers	+ 429
Thereof Savings Deposits	+ 37
Shareholder's Equity	+ 55

In addition, an issue of supplementary capital at EUR 20 million was resolved. The issue has already been subscribed. The total supplementary capital at year-end 2010 was recorded at EUR 36.63 million (2009: EUR 16.63 million).

After allocation of retained earnings and the reserve under section 23/6 of the Austrian Banking Act amounting to EUR 15.1 million, our total qualifying capital amounts to EUR 193.1 million at the end of 2010 (2009: EUR 137.7 million). Our capital adequacy ratio of 10.07% on a risk-weighted assessment basis exceeds the legally required ratio of 8.00% by more than 25%.

Review of Income Statement Items

Net interest income of EUR 29.3 million and commission income of EUR 2.6 million reflect our excellent earning position. In 2010, we reported an operating income of EUR 32.5 million, which was EUR 3.1 million or 10.6% above the level of the previous year.

Our operating expenses increased to EUR 15.7 million (2009: EUR 14.3million) due to investments in personnel and IT, and at a rate less than our overall business growth.

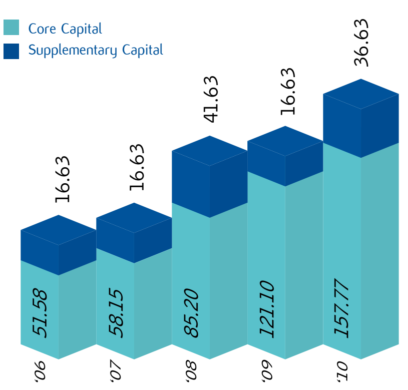
Our operating result in the 15th financial year of operation was reported at a satisfying level of EUR 16.8 million.

Our results from ordinary activities in 2010 reached EUR 16.7 million (2009: EUR 10.6 million)

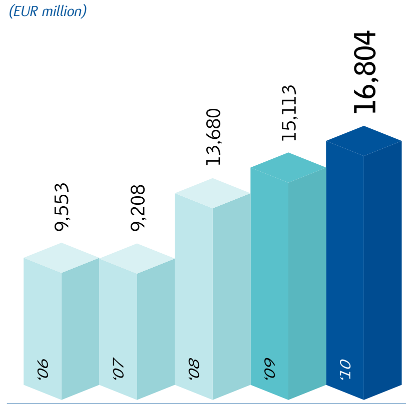
Net income for the year after tax totaled EUR 15.1 million (2009: 10.6 million).

Due to the very positive earnings situation, and after the allocation to the reserve under section 23/6 ABA the amount of EUR 5.1 million, the Management Board proposes to transfer a sum of EUR 10 million to retained earnings.

Development of Shareholder's Capital *(EUR million)*



Development of Operating Results
(EUR million)



Net interest income of EUR 29.3 million and commission income of EUR 2.6 million reflect our excellent earning position. In 2010, we reported an operating income of EUR 32.5 million, which was EUR 3.1 million or 10.6% above the level of the previous year.

Sustainability Report

Since its establishment, DenizBank AG has been well aware of its responsibility for the environment and society and takes the respective expectations vis-à-vis the Company very seriously. It is a part of our corporate philosophy to promote developments which pay tribute to the requirements of today's generation without jeopardizing the chances of future generations. Sustainability, respect and fairness with respect to customers, employees and shareholders at all times enjoy the highest management priority. By considering economic, ecological and social issues, our Bank adds positive long-term value.

At DenizBank AG, employees represent a major success factor. Individual training and employee empowerment are therefore the focus of our activities for purposeful human resources development. Intensive employee training continued throughout 2010 within the scope of the individual development schedules.

Concentrated training was particularly intensified for the staff at our branches. In 2010, more than 75 employees of DenizBank AG attended courses in specialized fields including the loans and securities business, sales training, workplace safety and telephone training. In addition to legally required training for compliance and anti-money-laundering, staff members of operating departments such as payments and treasury back office attended specialized courses. To intensify the trainings, primarily in the branches, the multiplier-method was implemented; as a result, select employees were trained very intensively on a specific topic. Afterwards, the trained staff instructed other employees during in-house workshops and lectures.

With the "Vision Club," we have established a new platform for our talent and executive trainees. This platform offers special seminars to advance the professional and personal development of the participants as individuals and within the future leadership team of our Bank.

With the implementation of e-learning tools in the areas of compliance, branch training and IT security, we are utilizing modern communications techniques for the training of our staff.

As an expanding enterprise, we are proud to offer new hires job opportunities during times of increasing unemployment.

A project initially set up in 2007 in cooperation with Intertech, a DenizBank Financial Services Group entity, to increase operational efficiency amid a complete new IT infrastructure using "Inter-Next" banking software was implemented successfully in 2010. For 2011, the focus will be on process optimization and automation in operating areas and the establishment of our new branch in Zurich.

The essential processes in the Bank were reviewed during the last year. The strict separation between market and off-market areas was implemented. A stringent execution of the 4-eye-principle positively safeguards the quality of internal processes. With the increase in responsibilities in the Organization Department and the implementation of a dedicated IT Security Officer, we have adequately ramped up the number of personnel in those areas since 2009.

Whenever the Bank uses natural resources, we place great emphasis on choosing environmentally friendly and recyclable products. We implemented energy-saving measures in transport and organization and thus achieved efficiency increases and additional competitive advantages.

Compliance and Anti-Money Laundering

The Compliance Officer of DenizBank AG remains in close contact with the Management Board. Our internal compliance guidelines, based on the Standard Compliance Code of Austrian Banks and international money laundering regulations, are compulsory for all our employees in their daily work. Adherence to these codes and regulations is controlled regularly by independent compliance and anti-money-laundering supervisors.

A particular focus of employee training is to educate Bank staff regarding the execution of MiFID, compliance issues and the anti-money-laundering directive.

In addition, we are permanently taking comprehensive measures to secure compliance with all relevant anti-money laundering regulations. With the implementation of an anti-money-laundering tool, based on data-pools of national suspicious persons on a worldwide basis, an automated regular check of conspicuous transactions is executed. Strict internal rules such as fraud prevention, whistle blowing, gift acceptance procedures, conflict of interest guidelines and ethical rules of conduct work to generate awareness of and sensitivity to these issues among our staff.

Risk Report

Selective risk-taking in line with our business strategy and the active management of such risks are core banking functions of DenizBank AG. Through our risk policy, we aim for early systematic identification of risks in order to manage and ring fence such risks in line with our business strategy. Risk Management is an integral component of the corporate strategy of DenizBank AG and covers all areas of the Bank.

To this end, internal as well as regulatory actions are swiftly considered. For example, last year the Bank implemented Basel III guidelines concerning liquidity risk management and large exposures within the national legal framework.

To secure adequate capitalization across all relevant risks and, subsequently, the ongoing operations of the Bank, appropriate procedures and systems are in place at DenizBank AG. All banking and operational risks are managed, controlled and limited through appropriate methods.

Risk Management is an integral component of the strategic management of DenizBank AG and involves all areas of our Company.

Risk Strategy

DenizBank AG follows certain general risk policy principles, including the regular involvement of the Management Board in the daily business, securing the risk bearing ability of the Bank and the avoidance of conflicts of interest. In addition to these principles, we have defined an adequate overall bank risk strategy. This risk strategy is characterized by a conservative approach to operational bank risks and the acceptance of risk only in such areas of business where we have respective systems and knowledge in place to assess the relevant risks appropriately. The risk appetite (i.e. willingness to take financial risks) is a further element of our basic strategic considerations and defined along two scenarios: going concern (normal scenario) and liquidation (worst case).

Structure and Organization of Risk Management

The Management Board of DenizBank AG has the ultimate responsibility for risk management. The Management Board decides the risk strategy and approves the general principles for risk management, including relevant limits for relevant risks and procedures to control of such risks. An independent Risk Management Department and a Risk Committee assist the Board in the execution of its respective duties. The main responsibilities of these entities are the identification and evaluation of risk, risk management and risk control.

The Supervisory Board controls the risk strategy and the organizational structure on a regular basis and ensures that Management takes the necessary steps for the identification, measurement, controlling and limitation of risks, as well as the efficiency of internal controls.

The Credit Risk Management Department is responsible for portfolio management, credit risk steering, and the monitoring of the loan book as well as the rating of the Bank's credit exposures. A new rating system, based on the existing Dexia Group model was implemented in 2009. Credit risk steering for the overall credit portfolio is performed in particular for specific industry groups, currencies and rating classes.

Within the framework of the overall bank risk management governance, we also execute the control and supervision of all business relevant risks in the Controlling, Internal Audit and Compliance Departments.

Overall Bank Risk Management

DenizBank AG follows the principle of proportionality for applying adequate methods of risk management concerning relevant risks for the Bank. Besides meeting the minimum capital requirements (Pillar I) and an increased disclosure (Pillar III), the Basel II framework also requires an intensified consideration and specification of adequate overall bank risk management and provision of risk capital on the basis of bank-specific risk profiles (Pillar II).

With regard to the calculation of the regulatory minimum capital requirements according to Pillar I, DenizBank AG applies the regulatory standard methods for market risk, the standard approach for credit risks, and the basic indicator approach for operational risks. Information disclosures in line with Pillar III are implemented on a superordinate group level.

The requirements according to Pillar II at DenizBank AG are implemented through the application of a bank-individual ICAAP (Internal Capital Adequacy Assessment Process) on an overall bank level.

DenizBank AG commands an adequate system for the steering, controlling and supervision of all risks, proportional to the conducted business. The well-established internal control system of DenizBank AG ensures that all essential risks are identified and assessed on a regular basis to allow for prompt responses.

Risk-bearing-analysis represents the basis for the risk strategy of DenizBank AG, as the risk associated to certain businesses is only covered up to a certain amount of the existing aggregate risk cover.

A comprehensive, objective and transparent disclosure of risks to the Management and Supervisory Board of DenizBank AG is part of the regular risk monitoring process.

Standardized risk reporting is performed at regular intervals and provides an adequate information level on essential positions of the Bank to all relevant parties and decision-making bodies, enabling a prompt evaluation of all respective risks.

As a result of the execution of mutual business with our parent company, and the strong engagement in Turkey, DenizBank AG is strongly dependent on economic developments in Turkey.

The definition of limits for all relevant risks and related procedures to control such risks warrant the compliance with the risk-bearing abilities and parameters as defined by the Board.

Workshops as well as internal and external training beyond the basics of risk management increase the risk awareness of Bank employees.

Risk-bearing-analysis represents the basis for the risk strategy of DenizBank AG, as the risk associated to certain businesses is only covered up to a certain amount of the existing aggregate risk cover. The definition of the size of such risk cover categories therefore limits the scope and volume of business risk within an appropriate framework.

The quantification of the risk-bearing-ability covers unexpected losses from the following material risk categories:

Credit Risk	Default risk in the classic loan business Issuer risk in the trading and bank book Counterparty risk Concentration risk
Market Risk	Loss of value caused by changed market conditions for interest rates, currencies, shares, options and balance-sheet-structure risk
Operational Risk	Inadequacy or failure of internal processes, humans or system or external events
Other Risk	Liquidity risk Business risk Regulatory and compliance risk Reputational risk

Specific systems are applied for the calculation of potential market risk, reflecting various risk categories. The quantification of the interest rate change risks on the overall bank level is conducted through a sensitivity analysis, based on a parallel shift of the interest rate curve. The FX risk on the overall bank level is determined through a Value at Risk (VaR) calculation based on the RiskMetrics system. The VaR calculation incorporates all positions of the Bank and the trading book including existing derivatives.

To hedge market risks related to loans denominated in a foreign currency, we use foreign currency derivatives. Those are supplemented to a lesser extent with interest rate swaps and options.

Financial Derivative Instruments *(EUR million)*	
FX Forwards and FX Swaps	1,047
Interest Rate Swaps	52
Options	7
Total	1,106

The quantitative assessment and consideration of credit risk concerning the risk-bearing ability is determined through the method of a modified IRB foundation approach.

A new rating system, based on the existing Dexia Group model, was implemented in 2009, where the probability of default (PD) of a debtor and the loss given default (LGD) can be internally calculated or estimated. At the end of 2010, Dexia performed a backtesting of the rating model. The results have shown that the model is structured conservatively.

For the quantification of the operational risk, we use the regulatory basic indicator method.

Business risk is considered while determining the available risk coverage capital, with a percentage haircut applied to the risk coverage capital in the liquidation scenario.

The quantification of other risks (liquidation, reputational, regulatory & compliance risks) is determined through a percentage premium on the risk potential of the above mentioned, quantifiable risks.

The risk-bearing-analysis shall ensure the continued existence of the Bank. In the respective models, risks resulting from defined risk categories are added to an overall potential loss value to assess the sustainability of those risks; consequently, such potential loss is compared to the available risk coverage capital in both a going-concern and a liquidation scenario.

The risk coverage capital is defined as the sum of all financial means of a bank which are available as risk cover.

At DenizBank AG, we have defined three risk cover categories and risk coverage capital, ranked according to their respective public awareness and availability; individual risk cover positions can be either allocated to one or more risk cover categories.

Consequently, the risk coverage capital consists mainly of available capital and the reserves include unrealized gains and available interim profits, while hidden reserves are not considered in the liquidation scenario.

The Risk Committee regularly controls the risk-bearing ability of the Bank at all times. For both scenarios, the utilization of the aggregate risk during 2010 at all times was well within the risk coverage capital.

To simulate an extraordinary increase of the overall risk potential and in order to quantify a related impact on our earnings and the risk coverage capital, DenizBank AG runs several stress tests. Such tests create scenarios where certain extraordinary external events can cause an increase in risk. These tests have resulted in a positive assessment of the available risk coverage capital for such scenarios.

Liquidity Risk Management

In the context of the Basel III framework, DenizBank AG's liquidity risk management process was reviewed and extended as a parallel process with ICAAP. Within the overall Bank Risk Management Process, DenizBank AG strives to implement adequate methods for efficient liquidity risk management in terms of proportionality. The Bank also has robust internal strategies and procedures for the measurement, steering and control of liquidity risks and adequate liquidity buffers according to § 25 (1) BWG.

The purpose of liquidity risk management is to ensure the unrestricted ability of the Bank to meet its financial obligations at all times. Such unrestricted ability is ensured when, at all times, cash outflows are covered by cash inflows and other liquidity measures, such as liquidity buffers.

Relevant for DenizBank AG are the liquidity sub-risks, counterparty insolvency, refinancing and market liquidity.

DenizBank AG, through its effective and efficient risk-management, regards itself well-positioned for its current business activities as well as future challenges.

To determine insolvency risk, various instruments are applied, such as liquidity flow and GAP analysis, stress testing and liquidity coverage ratio. The risk potential for refinancing risk is considered as a percentage premium to the quantifiable risks within the risk-bearing analysis, with the level of such premium (risk buffer) depending on the respective scenario (going concern, liquidation). Market liquidity risk is considered through haircuts taken on the collateral value of eligible securities.

The liquidity flow represents an overall view of liquidity positions over an appropriate period, comparing expected inflows and outflows within a specific maturity bracket, and identifying a gap (net positive or negative cash flow balance) for each such bracket, enabling active management of liquidity positions.

In addition, appropriate scenarios are considered for the liquidity report, differentiated between a general market scenario (syncratic stress scenario) and an institution-specific scenario (idiosyncratic stress scenario), as well as the regulatory stress scenario of BIS (Bank for International Settlement).

The Liquidity Coverage Ratio is the primary control value of the liquidity position of DenizBank AG and calculates the amount of highly liquid assets (liquidity buffer) for coverage of net liquidity outflows within one month.

Liquidity buffers are freely available and unrestricted liquid assets (surplus liquidity or additional realizable liquidity), which is available for the coverage of short-term liquidity needs under stress conditions. The maintenance of a liquidity buffer and its active control are integral parts of the liquidity risk management of DenizBank AG.

For the calculation of the liquidity coverage ratio, the short-term net liquidity requirement is mapped against the current value of the liquidity buffer.

Daily liquidity management ensures adequate liquidity beyond the minimum threshold of 30 days which is sufficient to maintain long-term business operations. A shorter period of five days is also considered to ensure the solvency of the Bank even in extreme short-term stress scenarios. The intraday liquidity management and planning derives from the liquidity position of DenizBank AG, which is defined through the value of the Liquidity Coverage Ratio.

DenizBank AG, through its effective and efficient risk-management, regards itself well-positioned for its current business activities as well as future challenges.

Research & Development

Because of our business model there are no significant activities in research and development.

Significant Developments after Reporting Date

No significant events occurred after the balance sheet date.

Preview and Latest developments

In view of necessary structural reforms in Europe and additional regulatory requirements, such as the implementation of higher capital ratios in execution of Basel III guidelines or the Austrian Stability Tax Legislation with the introduction of a Bank Tax, we expect the general economic conditions for the financial year 2011 to remain difficult. The upswing in economic activity, in particular within the EU, will be selective and accompanied by setbacks. The growth forecast for 2011 and 2012 will be mainly driven by some emerging market economies. Due to the focus on its core markets of Austria, Germany, Turkey and Russia, DenizBank AG is well positioned to meet all challenges that it might face in 2011.

Following our business strategy, we are planning in the current financial year to continue the expansion of our well-established service platform in online banking, to open a branch in Zurich and to strengthen our earnings position. Additionally, we expect to see a profitable expansion of our deposit and savings business via our call center, direct banking and branch network. The overwhelming acceptance of the “Europe Plus” and the “World Classic Plus” package with a combination of an attractive savings component and a European index fund confirms that this strategy will continue.

By means of our ownership structure, we are part of an internationally successful group, whose client structure and financial strength will open up a range of various expansion opportunities for us. Despite decreasing interest margins and increasing competition, we expect continued positive profit growth, while placing the highest priority on active risk management and control.

We would like to express our sincere thanks to all employees, who played a vital role in achieving such a remarkable performance through their excellent team spirit. Our thanks also go to our main shareholder, DenizBank Financial Services Group, our business partners and in particular our clients, who entrusted us with their financial business.

Vienna, 4 March 2011
The Management Board

Mehmet Ulvi Taner Member	Drs. Martijn van Mancius CEO	Dr. Thomas Roznovsky Member

Balance Sheet as of December 31, 2010

Assets			31.12.2009
	EUR	EUR	TEUR
1. Cash and balances with central banks		21,019,022.65	20,834
2. Treasury bills Treasury bills and similar bills		19,830,500.00	19,831
3. Loans and advances to credit institutions			
a) repayable on demand	15,117,776.62		23,753
b) other loans and advances	448,887,693.37		388,936
		464,005,469.99	412,689
4. Loans and advances to customers		1,579,567,486.68	1,117,533
5. Bonds and other fixed income securities			
a) issued by public sector entities	12,351,823.14		12,345
b) issued by other borrowers	27,013,455.58		52,692
		39,365,278.72	65,037
6. Shares and other non-fixed income securities		1,406,864.28	503
7. Investments in subsidiaries thereof: credit institutions EUR	16,453,424.78	16,453,424.78	16,453
8. Intangible fixed assets		1,313,816.52	1,653
9. Tangible fixed assets		2,574,899.82	2,822
10. Other assets		27,501,754.27	29,555
11. Deferred expenses		2,364,401.81	144
		2,175,402,919.52	1,687,054
Off-balance sheet items			
1. Foreign assets		2,063,411,587.34	1,619,505

Liabilities and Shareholders' Equity			31.12.2009
	EUR	EUR	TEUR
1. Amounts owed to credit institutions			
a) repayable on demand	35,230,949.47		16,917
b) with agreed maturity dates or periods of notice	7,483,909.59		8,806
		42,714,859.06	25,723
2. Amounts owed to customers			
a) Savings deposits thereof:			
aa) repayable on demand	85,326,925.74		
bb) with agreed maturity dates or periods of notice	670,344,853.86	755,671,779.60	718,795
b) Other liabilities thereof:			
aa) repayable on demand	370,036,276.84		
bb) with agreed maturity dates or periods of notice	796,253,647.51	1,166,289,924.35	774,559
		1,921,961,703.95	1,493,354
3. Other liabilities		13,725,155.85	27,262
4. Deferred income		5,971.34	106
5. Provisions			
a) Provisions for severance payments	246,993.00		295
b) Provisions for taxes	1,381,495.00		0
c) Other provisions	959,312.07		1,010
		2,587,800.07	1,305
6. Supplementary capital		36,633,641.71	16,634
7. Subscribed capital		35,830,695.92	27,831
8. Capital reserves			
a) share premium		46,624,143.76	34,624
9. Retained earnings			
a) other retained earnings		56,330,272.86	46,370
10. Reserve according to section 23/6 Austrian Banking Act		18,988,675.00	13,845
11. Net profit		-	0
		2,175,402,919.52	1,687,054
Off-balance sheet items			
1. Contingent liabilities thereof: Guarantees and assets pledged as collateral assets		76,226,766.55	20,375
2. Total qualifying capital according to section 23/14 Austrian Banking Act		193,093,612.73	137,652
3. Legal minimum capital requirement according to section 22/1 Austrian Banking Act		153,453,316.05	111,377
4. Foreign liabilities		745,983,091.39	621,640

Profit and Loss Account for the Financial Year 2010

			2010		2009
			EUR	EUR	TEUR
1.	Interest and similar income thereof: from fixed-income securities EUR 1.776.509,92 (prior year: EUR 2.353.682,01)			90,126,140.78	85,601
2.	Interest and similar expenses			(60,848,779.42)	(60,168)
I.	**NET INTEREST INCOME**			**29,277,361.36**	**25,433**
3.	Fee and commission income			3,715,031.64	2,812
4.	Fee and commission expenses			(1,116,883.42)	(187)
5.	Income / expenses from financial transactions			505,552.34	1,185
6.	Other operating income			139,314.26	161
II.	**OPERATING INCOME**			**32,520,376.18**	**29,404**
7.	General administrative expenses				
	a) Personnel expenses thereof:				
	aa) Salaries		(5,899,260.88)		(5,624)
	bb) Social security contributions and other compulsory contributions		(1,529,951.65)		(1,386)
	cc) Other employee benefits		(164,072.80)		(160)
	dd) Expenses for pension benefits		(87,436.13)		(75)
	ee) Expenses for severance payments and contributions to external pension funds		(118,224.72)		(119)
				(7,798,946.18)	(7,364)
	b) Other administrative expenses			(6,512,299.31)	(5,387)
				(14,311,245.49)	**(12,751)**
8.	Depreciation and amortization in respect of intangible and tangible fixed assets			(1,268,052.47)	(1,374)
9.	Other operating expenses			(136,683.83)	(166)
III.	**OPERATING EXPENSES**			**(15,715,981.79)**	**(14,291)**
IV.	**OPERATING RESULT**			**16,804,394.39**	**15,113**
10.	Expenses from valuation of loans and allocation to provisions				
	for contingent liabilities and loan risks			(1,985,294.45)	(6,121)
11.	Income from valuation of loans and allocation to provisions				
	for contingent liabilities and loan risks			1,893,491.74	1,596
12.	Income from valuation of securities valued as financial fixed assets			0	57
V.	**PRE-TAX PROFIT FOR THE YEAR**			**16,712,591.68**	**10,645**
13.	Taxes on income			(1,386,947.00)	(8)
14.	Taxes, other than taxes on income			(222,260.96)	(10)
VI.	**PROFIT FOR THE YEAR**			**15,103,383.72**	**10,627**
15.	Changes in reserves thereof: Allocation to the reserve according to section 23/6 ABA EUR 5.143.320,00 (i.Vj.: EUR 2.628.964,00)			(15,103,383.72)	(10,627)
VII.	**NET PROFIT**			0,00	0

Notes to the Annual Financial Statement

General Information

The annual financial statements of DenizBank AG as of December 31, 2010 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 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 2010 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 of 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 22n/1 ABA is 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 of historical cost or market price pursuant to section 207 AEC.

A write-up according to section 208 AEC was not carried out because of reasons of the determination of taxable income.
The forbearance to write-up because of tax purposes amounted to 0.57 million EUR (2009: 0.64 million EUR).

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 software, furniture and office equipment at 2 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 5.10 thousand EUR (31.12.2009: 15.0 thousand EUR) was not exercised. Commitments arising from the use of tangible assets not disclosed in the balance sheet are 1.01 million EUR (31.12.2009: 0.99 million EUR) for the following fiscal year and EUR 5.04 million (31.12.2009: 4.90 million EUR) 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 226,632.00.

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.

Development of Fixed Assets as of December 31, 2010

	Acquisition costs 1.1.2010	Additions	Disposals	Adjustments	Acquisition costs 31.12.2010	Accumulated Depreciation	Book value 31.12.2010	Book value 1.1.2010	Depreciation of the year
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible fixed assets									
1. Software and rights	5,145,504.70	286,448.54	151,423.65	9,495.84	5,290,025.43	4,083,984.11	1,206,041.32	1,535,585.09	620,666.36
2. Payments on account	117,271.04	0.00	0.00	(9,495.84)	107,775.20	0.00	107,775.20	117,271.04	0.00
3. low value assets - Software	0.00	1,787.14	1,787.14	0.00	0.00	0.00	0.00	0.00	1,787.14
	5,262,775.74	288,235.68	153,210.79	0.00	5,397,800.63	4,083,984.11	1,313,816.52	1,652,856.13	622,453.50
II. Tangible fixed assets									
1. Installations in third parties' buildings	2,692,816.63	226,634.02	104,490.46	0.00	2,814,960.19	1,104,992.36	1,709,967.83	1,789,341.26	274,238.01
2. Fixture, furniture and office equipment	3,294,815.96	173,798.89	202,529.98	0.00	3,266,084.87	2,401,152.88	864,931.99	1,032,503.52	338,710.58
3. low value assets	0.00	32,650.38	32,650.38		0.00	0.00	0.00	0.00	32,650.38
	5,987,632.59	433,083.29	339,670.82	0.00	6,081,045.06	3,506,145.24	2,574,899.82	2,821,844.78	645,598.97
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	19,830,500.00	19,830,500.00	0.00
2. Bonds and other fixed income securities issued by other borrowers	29,959,400.00	0.00	10,000,000.00	0.00	19,959,400.00	0.00	19,959,400.00	29,959,400.00	0.00
3. Investments in subsidiaries	16,453,424.78	0.00	0.00	0.00	16,453,424.78	0.00	16,453,424.78	16,453,424.78	0.00
4. Shares and other non-fixed income securities	358,049.07	0.00	0.00	0.00	358,049.07	0.00	358,049.07	358,049.07	0.00
	66,601,373.85	0.00	10,000,000.00	0.00	56,601,373.85	0.00	56,601,373.85	66,601,373.85	0.00
	77,851,782.18	721,318.97	10,492,881.61	0.00	68,080,219.54	7,590,129.35	60,490,090.19	71,076,074.76	1,268,052.47

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 increased by 0.19 million EUR to 21,02 million EUR (31.12.2009: 20.83 million EUR).

The requirements of liquidity stated by the Ministry of Finance were met throughout the year.

Treasury Bills

This item amounts to 19.83 million EUR at the balance sheet date (31.12.2009: 19.83 million EUR).

Loans and Advances to Credit Institutions

Loans and advances to credit institutions increased by 51,31 million EUR to 464,00 million EUR. Loans totalling 3,83 million EUR are secured by drafts. Loans to affiliated companies amount to 339,54 million EUR at the balance sheet date, thereof 5,50 million EUR subordinated. The position does not comprise fiduciary transactions.

Loans and Advances to Customers

Loans and advances to customers increased from 1,117.53 million EUR as of December 31, 2009 by 462.04 million EUR to 1,579.57 million EUR as at the balance sheet date. This position includes loans to affiliated companies of 24.00 million EUR.

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

	Amounts of EUR(k) due from			
	Credit Institutions		Other Customers	
	2010	2009	2010	2009
Up to 3 months	148,849	146,849	129,833	140,972
3 months up to 1 year	271,240	220,563	230,416	172,887
1 year up to 5 years	15,573	5,980	908,511	535,394
More than 5 years	15,498	15,544	290,259	263,075
Thereof affiliated companies	349,050	360,604	24,000	17,000

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

	Loans and advances of EUR(k) to			
	Credit Institutions		Other Customers	
	2010	2009	2010	2009
Turkey	55,935	20,047	1,461,296	1,065,282
Austria	48,402	2,031	7,657	10,999
Other countries	359,669	390,611	110,614	41,252

Bonds and Other Fixed-Income Securities

Bonds and other fixed-income securities decreased from 65.04 million EUR to 39.37 million EUR at the balance sheet date.

At the balance sheet date the Company held listed securities with a book value of 7.98 million EUR and non-listed securities with a book value of 11.98 million EUR which are valued as fixed assets pursuant to section 56/1 ABA. Listed available for sale securities amount to 19.00 million EUR and securities held for trading amount to 0.40 million EUR as of December 31, 2010.

The difference between the acquisition costs and the lower fair value of the available for sale portfolio as of December 31, 2010 amounts to 0.33 million EUR. The difference between the acquisition costs and the higher fair value of the available for sale portfolio as of December 31, 2010 amounts to 0.10 million EUR.

Fixed interest bearing securities with a nominal value of 9.00 million EUR have a remaining maturity of less than one year. 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:

of EUR (k)	Book value 2010	Hidden burdens	Book value 2009	Hidden burdens
Treasury bills	19,831	412	19,831	1,770
Bonds and other fixed income securities	19,959	754	29,959	2,841

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 of December 31, 2009 shares in non-listed companies are valued at 0.36 million EUR and equity funds and shares of companies amounts to 1.05 million EUR.

The shares in the equity fund with a value of 1.05 million EUR and shares of companies with a value of 1.7 thousend EUR are accounted for as held for trading.

Notes to the Balance Sheet and the Profit and Loss Account

Investments in Subsidiaries

In December 2003, a 51% share in CJSC Dexia Bank, Moscow (former CJSC DenizBank Moscow) has been acquired. 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.. The shareholders' equity of CJSC Dexia Bank Moscow amounts to 36.16 million EUR as of December 31, 2010 including the net profit for the year 2010 of 4.53 million EUR.

Intangible Fixed Assets

Intangible fixed assets amount to 1.31 million EUR (31.12.2009: 1.65 million EUR) and mainly consist of purchased software.

Tangible Fixed Assets

Investments in fixed assets totalling 0.43 million EUR are reduced by depreciation amounting to 0.65 million EUR. The tangible assets decreased from 2.82 million EUR by 0.24 million EUR to 2.58 million EUR. The development of the fixed assets is shown in detail at the enclosed table “Development of Fixed Assets” pursuant to section 226 AEC.

Other Assets

This position mainly contains clearing positions of 27.50 million EUR. Other assets contain deferred interest income of 23.31 million EUR which will be payable after the balance sheet date.

Furthermore this position relates to the FX internal adjustments amounting to 4.07 million EUR which comprises foreign exchange adjustments between on-balance cash transactions and off-balance forward transactions. These transactions mainly concern EUR/USD foreign exchange swaps.

Total Assets

Total Assets of DenizBank AG amount to 2,175.40 million EUR (31.12.2009: 1,687.05 million EUR) as of December 31, 2010 and exceeds the prior year's amount by 488.35 million EUR. The total of assets not denominated in EUR is reported at 1,093.11 million EUR. Liabilities denominated in currencies other than EUR total 222.48 million EUR.

Off Balance Sheet Items

Foreign assets total is 2,063.41 million EUR (31.12.2009: 1.619,51 million EUR).

2. Liabilities and Shareholders' Equity

Amounts Owed to Credit Institutions

Deposits by banks including deposits repayable on demand and time deposits increased from 25.72 million EUR by 16.99 million EUR to 42.71 million EUR. Deposits by affiliated companies amount to 42.31 million EUR at the balance sheet date.

Amounts Owed to Customers

Customers' deposits increased from 1,493.35 million EUR to 1,921.96 million EUR as of December 31, 2010. Deposits by affiliated companies amount to 21.12 million EUR. Savings deposits increased by 36.88 million EUR to 755.67 million EUR as per December 31, 2010. The percentage of deposits with agreed maturity or period of notice is 88.71%. The deposits do not contain guilt-edged securities. The position contains no fiduciary transactions.

Liabilities with agreed maturity dates have the following remaining maturity:

	Amounts of EUR(k) due from			
	Credit Institutions		Other Customers	
	2010	2009	2010	2009
Up to 3 months	7,484	8,806	268,329	325,185
3 months up to 1 year	-	-	528,566	508,721
1 year up to 5 years	-	-	668,265	414,952
More than 5 years	-	-	547	18,441
Thereof affiliated companies	7,484	8,806	20,000	-

Other Liabilities

The other liabilities totalled 13.73 million EUR at the balance sheet date and decreased by 13.54 million EUR in comparison to the previous year. This item includes accrued interest expenses of 11.54 million EUR which will be payable after the balance sheet date.

Deferred Income

Deferred income totalling 5,971.34 EUR mainly consists of deferrals of discounted letters of credit.

Provisions

The total of provisions amounts to 2.59 million EUR (31.12.2009: 1.31 million EUR) and increased by 1.28 million EUR in comparison to previous year. This position comprises provisions for severance payments (0.25 million EUR), provisions for tax payments (1.38 million EUR) and other provisions (0.96 million EUR), which mainly refer to personnel expenses.

Supplementary Capital

In 2010 DenizBank AG a new subordinated liability was issued totalling 20,00 million EUR, with the maturity March 26, 2020 and an interest rate of 12-Month-EURIBOR plus 3%. In 2006 a subordinated liability was issued totalling 10 million EUR, with the maturity April 28, 2016 and an interest rate of 12-Month-EURIBOR plus 1%. In December 1998 a subordinated liability was issued totalling 50,00 million ATS (3,63 million EUR), with the maturity December 14, 2016 and an interest rate of EUR 12-Month-LIBOR plus 1%.

The supplementary capital amounts to 36,63 million EUR (31.12.2009: 16,63 million EUR).

Subscribed Capital

At the extraordinary general meeting on July 20, 2010 an increase of subscribed capital was concluded by DenizBank A.S.. The registered shares increased from 38.296 by 11.008 to 49.304. The face value of the subscribed capital increased from 27,830,852.08 by 7,999,843.84 to 35,830,695.92. 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 October 29, 2010.

The subscribed capital amounts to 35,830,695.92 as at December 31, 2010 and is divided into 49,304 shares which are registered in the name of the principal shareholders.

Capital Reserves

The capital reserves increased from 34.62 million EUR by 12.0 million to 46.62 million EUR because of the issue of the new shares with a premium of 250%.

Retained Earnings

After increasing the reserves under section 23/6 ABA the management decided to allocate the profit for the year with 9.96 EUR million to the retained earnings.

Reserves According to Section 23/6 ABA

This obligatory reserve was increased by the amount of 5.14 million EUR as of December 31, 2010. The mandatory reserve totals 18.99 million EUR as at the balance sheet date.

Off Balance Sheet Items

Contingent liabilities include guarantees amounting to 76.23 million EUR. Foreign liabilities amount to 745.98 million EUR (31.12.2009: 621.64 million EUR).

Total qualifying capital according to section 23/14 ABA

of EUR (k)	2010	2009	2008
Subscribed capital	35,831	27,831	17,831
Capital reserves	46,624	34,624	19,625
Retained earnings	56,330	46,370	38,372
Reserve under section 23/6 ABA	18,989	13,845	11,216
Untaxed reserves	-	-	-
Net profit	-	-	-
Capital deducted pursuant to section 23/13/4 ABA	-	-	-
Less book value of intangible fixed assets	(1,314)	(1,653)	(1,911)
Core capital	156,460	121,018	85,133
Supplementary capital	36,634	16,634	41,634
Total qualifying capital	193,094	137,652	126,767
As a percentage of the assessment basis according to section 22 ABA	10.07%	9.89%	11.69%

Additional Information

Statement of derivative financial instruments which are not settled:

	Purchase and sell market value		
of EUR (k)	Nominal value	Positive market value	Negative market value
FX transactions	1,047,325	5,467	1,488
Interest Rate Swap	52,107	2,050	2,050
Options	7,110	0	0
Total	1,106,541	7,517	3,538

Notes to the Balance Sheet and the Profit and Loss Account

3. Profit and Loss Account

Net Interest Income

The net interest result including interest from fixed-income securities, interest expenses and similar expenses increased by 3.85 million EUR to 29.28 million EUR. The interest expenses for the supplementary capital amount to 1.01 million EUR (2009: 1.03 million EUR).

Operating Income

The operating income including net interest income, net fee and commission income, the net trading result and other operating revenues increased by 3.12 million EUR or 10.61% to 32.52 million EUR.

Operating Expenses

Operating expenses increased from 14.29 million EUR by 1.43 million EUR to 15.72 million EUR.

Personnel expenses increased by 0.44 million EUR to 7.80 million EUR (2009: 7.36 million EUR).

The other administrative expenses increased from 5.39 million EUR to 6.51 million EUR including rent and leasing expenses totalling 1.02 million EUR.

Operating Result

Our operating result increased by 1.69 million EUR to 16.80 million EUR.

Pre-Tax Profit for the year

The pre-tax profit for the year is reported with 16.71 million EUR and is by 6.07 million EUR or 57.00% higher than the result of the year 2009 (10.64 million EUR).

Taxes on Income

Due to the double tax agreement between Turkey and Austria a fictitious withholding tax for interest income for the year 2010 amounting to 2.74 million EUR (2009: 2.68 million EUR) could be offset in the full amount of the taxes.

Profit for the Year

The profit for the year after consideration of the taxes increased by 42.12% or 4.48 million EUR from 10.63 million EUR to 15.10 million EUR.

Changes in Reserves

The changes of reserves total 15.10 million EUR and comprise the allocation to the reserve under section 23/6 ABA (5,14 million EUR) and the allocation to the retained earnings of 9.96 million EUR.

Retained and Distributed Earnings

The net profit of the financial year 2010 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 basis average, the Company employed 177 employees (2009: 169 employees).

The remuneration for members of the Managing Board amounts to EUR 656,054.60. (2009: EUR 604,399.71). Commitments accounting EUR 10,500.00 (2009: EUR 17,220.00) 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 amounts to EUR 76,220.02 (2009: EUR 26,712.35). Expenses for severance payments and retirement pay for non-executive employees totalled EUR 160,025.56 (2009: EUR 179,670.08) including expenses for severance payments of EUR 7,635.73 (2009: EUR 47,305.71) and expenses for the employee welfare fund of EUR 71,816.45 EUR (2009: EUR 64,694.38).

In 2010 the expenses for audits amounting to EUR 226,225.00, the expenses for tax advice amounting to 13,516.23 and the expenses for consulting amounting to EUR 28,350.00.

The emoluments of the Supervisory Board amount to EUR 93,000.00.

Notes to the Balance Sheet and the Profit and Loss Account

The members of the Supervisory Board are as follows:

Hakan Ates, Chairman
Dirk Bruneel, Deputy-Chairman
Dr. Kurt Heindl, Member
Derya Kumru, Member
Wouter van Roste, Member (since March 22, 2010)

Following State Commissioners were appointed:

Amtsdirektor Andreas Staritz
MR Mag. Lisa Mandl, Deputy

Following members of the Management Board for the financial year 2010 respectively until the preparation of financial statement were appointed:

Drs. Martijn Jeroen van Mancius, CEO
Dr. Thomas Roznovsky, Member (since January 1, 2010)
Mehmet Ulvi Taner, Member (since April 1, 2010)
Oguz Vecdi Öncü, Member (from April 15 to November 24, 2010)

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

Vienna, 10th March 2011

Management Board

Dr. Thomas Roznovsky	**Drs. Martijn van Mancius**	**Mehmet Ulvi Taner**
Member	CEO	Member

Auditor's Opinion (translated)

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting records of DenizBank AG, Vienna, for the financial year from January 1, 2010 to December 31, 2010. These financial statements comprise the balance sheet as of December 31, 2010, the income statement for the year ended December 31, 2010 and the notes.

Management's Responsibility for the Financial Statements and the Accounting Records

Management is responsible for the preparation and fair presentation of financial statements in accordance with Austrian regulations. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2010 and of its financial performance and its cash-flows for the financial year from January 1, 2010 to December 31, 2010 in accordance with Austrian generally accepted accounting principles.

Conclusion on Management Report

Laws and regulations require us to perform audit procedures to determine whether the management report is consistent with the financial statements and whether the other disclosures made in the management report do not give rise to misconception of the position of the company. The auditor's report has to state whether the management report is consistent with the financial statements.

In our opinion, the management report is consistent with the financial statements.

Vienna, March 11, 2011

Deloitte Audit Wirtschaftsprüfungs GmbH

Deloitte Audit Wirtschaftsprüfungs GmbH
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1010 Wien

Mag. Gerhard Marterbauer
Certified Public Accountant

Mag. Thomas Becker
Certified Public Accountant

This English translation of the audit report was prepared for the client's convenience only. It is no legally relevant translation of the German audit report.

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