

TARGETS

far away

annual report 1999



*Reaching far away targets with
sophisticated tools.*

DenizBank 

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financial

highlights

Inflation Adjusted

	1999		1998	
	US\$ million	TL billion	US\$ million	TL billion
Investment Securities	312	168,511	108	58,558
Loans, net	196	105,710	96	51,817
Equity Participations	4	2,046	1	738
Fixed Assets, net	28	15,110	14	7,689
Total Assets	795	429,547	368	198,779
Deposits				
Demand	50	26,856	34	18,191
Time	353	190,853	164	88,466
Interbank	10	5,200	2	1,140
Funds Borrowed from Banks	167	89,988	81	43,816
Networth	94	50,815	52	27,938
Paid-in Capital	77	41,443	45	24,061
L/Cs & L/Gs	222	120,093	135	72,869
Interest Income		96,154		51,285
Interest Expense		(36,739)		(13,051)
Net Interest Income after Provisions		57,297		36,596
Non-Interest Income		23,538		4,259
Non-Interest Expense		(54,667)		(29,017)
Income Before Taxation		10,579		5,142
Net Income		3,442		1,917
Number of Branches		34		28
Number of Staff		714		580
Capital Adequacy Ratio		21.25%		22.19%
ROE		42%		25%

Medium-Term Plans

(US\$ million)

	1997 Realized	1998 Planned	1998 Realized	1999 Planned	1999 Realized	2000 Planned	2001 Planned
Total Assets	103	393	368	550	795	1,200	1,500
Capital Increase	17.6	20	20	20	25	20	20
Networth	22.3	45	52	75	94	120	150
ROE (%)	-	8	25	10.5	42	10.7	12



DenizBank is committed to creating sustainable, multi-faceted relationships with corporate customers by continuously improving service quality and offering sophisticated, tailor-made products that adhere to the highest ethical standards.

denizbank

in brief

DenizBank was first established in 1938 as a state-owned bank to provide financing for the developing maritime industry in Turkey. Subsequent to its incorporation, DenizBank became one of the most reputable banks in the Turkish banking industry through its involvement in many different types of banking services. It also derived benefit from competition with private commercial banks. Following the decision of the government to merge some state-owned banks, DenizBank joined Emlakbank in 1992. Later in 1997, the Bank emerged from under the Emlakbank umbrella and was privatized as a separate entity. However, at the time of its privatization, the Bank possessed no significant assets with the exception of a few old branch offices that had been dormant since 1992.

DenizBank was acquired by Zorlu Holding in early 1997 through privatization and became operational again in September of that year. In essence, DenizBank is virtually a new start-up bank with a familiar name in the banking industry of Turkey.

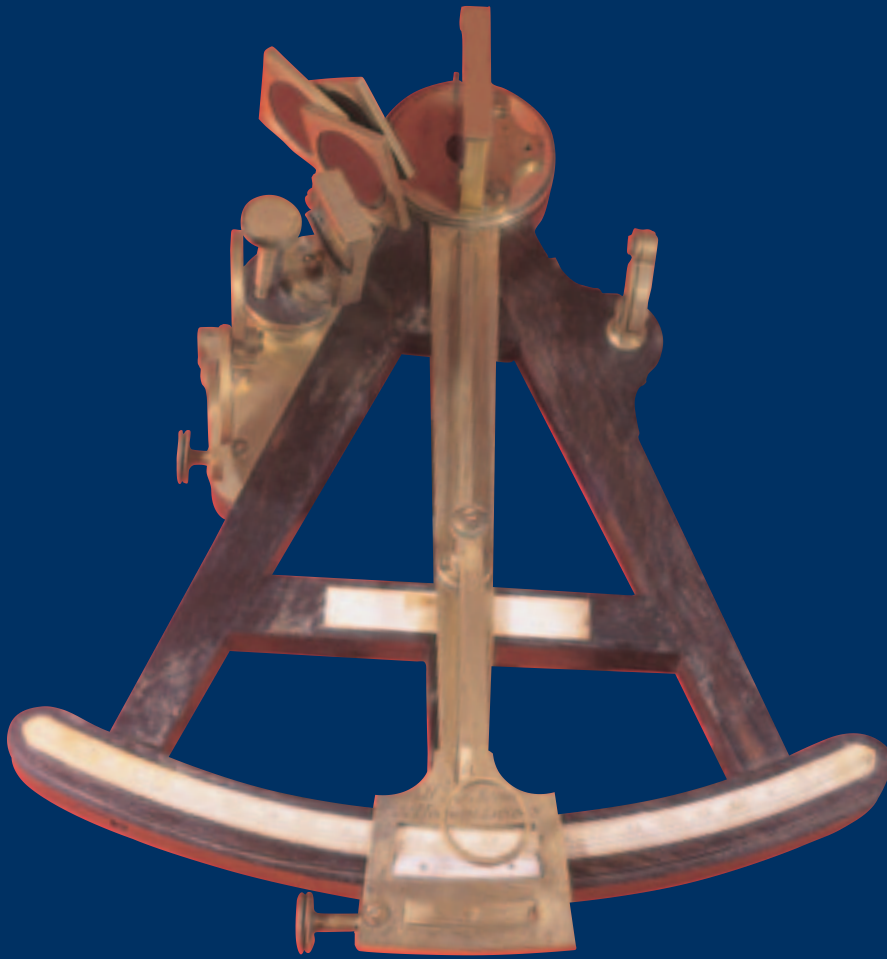
DenizBank is committed to creating sustainable, multi-faceted relationships with corporate customers by continuously improving service quality and offering sophisticated, tailor-made products that adhere to the highest ethical standards. Within this framework, maintaining asset quality, productivity and profitability, the Bank intends to offer its customers a wide array of financial products. DenizBank will position and maintain its place among Turkey's top five medium-size banks by the year 2001.

At the end of 1999, DenizBank had 34 branch offices. It is anticipated that by 2001, it will have a total of 50 branches. Total assets of the Bank at the end of 1999 reached US\$ 795 million, an increase from the 1998 figure of US\$ 368 million. In 1999, the networth of the Bank was US\$ 94 million; anticipated levels by the end of 2001 should reach US\$ 140 million and the capital of the Bank in each successive year will grow by US\$ 20 million, at least, in addition to each year's profit, according to the master plan. In line with the increasing business volume and the shareholders' commitment to strong capitalization, capital injection in cash for 1999 has been realized as US\$ 25 million, exceeding the yearly target of US\$ 20 million. Therefore, the capital adequacy ratio was 21.25%; whereas the return on equity was realized as 42% -in real terms- on average during the same period.

The contemporary corporate and retail banking services at DenizBank aim to satisfy the needs of a large customer base in Turkey and have been augmented by leasing, factoring and investment brokerage services rendered by subsidiaries. The management believes that an important synergy can be created with Zorlu Holding companies, especially Vestel. Following the joint "VeezyGo" campaign (Internet ISP service and a free PC) introduced in mid-June, the Bank was able to reach 40,000 new retail-banking customers. The number of customers is increasing at a rate of 300 per day. A large number of the Holding's suppliers and distribution network companies scattered throughout the country have been targeted as potential customers of the Bank.



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zorlu *holding*

The roots of Zorlu Holding extend back 45 years with the introduction of a small retail outlet for home textiles. Since that time, the Holding Group grew from home-based production units into 15 separate plants that make up the largest vertically-integrated curtain and cotton home textiles manufacturing operation in the world. Through the introduction of modern, computer-controlled manufacturing facilities and continual lines of production, the home textiles companies of Zorlu Holding account for a significant percentage of the world's curtain material production.

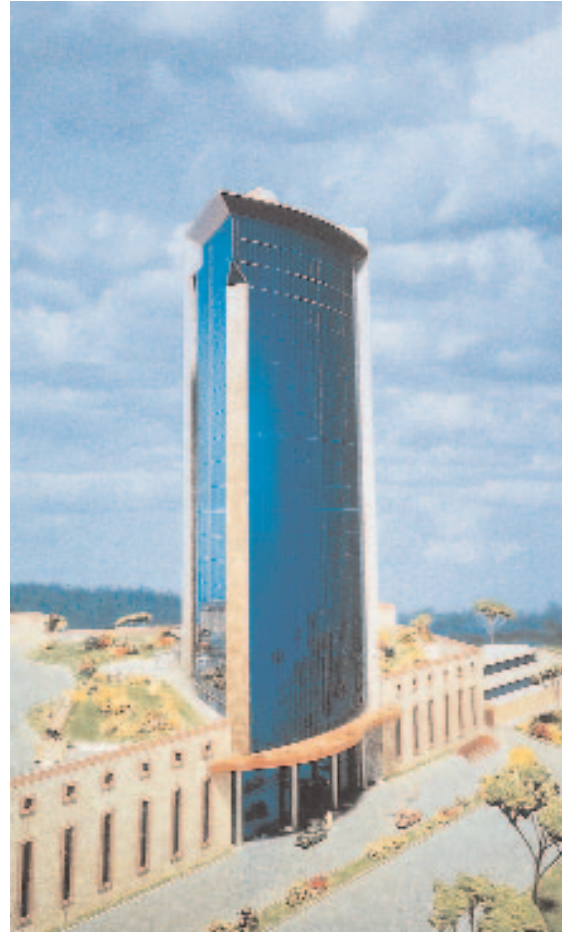
Currently, Zorlu Holding has four core business lines:

- Home textiles
- Electronics, information technology and consumer durables
- Energy production and distribution
- Financial services

Home textiles operations at Zorlu Holding include:

- Korteks Polyester in Bursa, specializing in the production of polyester textured yarn, with an annual production capacity of 147,999 tons
- Korteks Knitting in Bursa, with an annual production capacity of 190 million square meters of curtain fabric
- Zorlu Embroidery located in Çorlu (125 km from Istanbul) has an annual production capacity of 18 million square meters of embroidered fabrics and 14 million square meters of guipure
- Zorluteks in Istanbul, has an annual production capacity of 120 million square meters of dyed and finished curtain material
- Zorlulinen manufactures bed linen at a daily production capacity of 500,000 square meters. Located in Çorlu, it is the largest integrated cotton-based producer in Europe and the third largest in the world.
- Bel-Air, in Lyon, France, has an annual production capacity of 25 million square meters of voile curtain material. This plant supports a wide range of international home textile brands, i.e., Bel-Air, Plein Jour, Tergal, Tibline, Chander, Voilazur, Modelle, etc.

The introduction of electronics and consumer durables to Zorlu Holding took place in 1994 with the acquisition of Vestel and its group companies. The Vestel Group had already been a major industrial manufacturer in Turkey since 1984. The position of the Company in the domestic and international markets was further strengthened after its acquisition by Zorlu Holding.



Financial and Operational Highlights of Zorlu Holding

		Key Financial Figures in US\$ million				
		1995	1996	1997	1998	1999
Total employment	15,000					
Total covered production area	1,155,000 m2					
Home Textiles Division						
Total assets		156	282	743	952	1,000
Net sales		111	138	224	353	415
Exports		35	43	87	120	180
Imports		62	73	75	204	115
Total foreign trade volume		97	116	162	324	295
Electronics and Consumer Durables Division						
Total assets		164	365	440	550	605
Net sales		209	353	520	820	915
Exports		88	154	255	470	500
Imports		103	170	360	450	420
Total foreign trade volume		191	327	615	920	920

The flagship of the electronics division is Vestel with five domestic and nine overseas companies in three major business categories; electronics, household appliances and information technology. Overseas companies are located mainly in EU countries including Germany, France, Spain, Italy, the Netherlands and the USA with facilities in the Silicon Valley in California. Vestel electronics is Turkey's largest television and personal computer manufacturer, ranking first among the top 500 industrial companies in Turkey with regard to total exports. Televisions produced at Vestel plants are exported to 103 countries around the world. It is the policy of the Company to devote special attention to research and development activities that have expanded its product line from traditional television production to higher-end products which include state-of-the-art information technology, digital television, DVD, Internet TV, Internet Phone (Web Phone) and Personal Data Appliances (PDA).

In Turkey, Vestel was the first electronics manufacturer to produce 100 Hz television sets and the first, and so far the only, producer of Internet TVs.

Vestel-Net was established in 1997 specifically to develop the telecommunication infrastructure of

Zorlu Holding. To this end, the Company invested in state-of-the-art ISDN technology to create one of the strongest digital telecommunication foundations in Turkey. Following the joint "VeezyGo" campaign, introduced in mid-June, with DenizBank (offering a three year contract at \$30 per month plus bonus PC and credit card) Vestel-Net has become the leading Internet Service Provider (ISP) in Turkey with over 80,000 subscribers.

Vestel White, located in Manisa, produces 600,000 refrigerators per year under a licensing agreement with Sanyo of Japan. Another important company operating within the Vestel Group of Companies is Vestel Communications, the leading producer of personal computers, television sets, remote control devices and satellite receivers in Turkey. The Company has the largest component surface-mounted assembly operation in the country and ranks among the top four producers of chip-tuners in Europe.

The Energy Division includes two electric power plants, one in Bursa and the other in Lüleburgaz, generating 140 Megawatts of electricity and 80 tons of steam per hour each. A credit of US\$ 40 million with a tenor of seven years from US Eximbank was obtained for these projects. In addition to energy

production, Zorlu Holding has also acquired the energy distribution rights for part of the Aegean Region, which includes major cities like Denizli, Muğla and Aydın.

Other Zorlu Holding companies include: Zorlu Air, rendering air transportation services to the executives of the organization; Zorlu Grand Hotel in Trabzon, the only luxury hotel in the eastern Black Sea region; and Zorlu Sigorta, an insurance broker acting as an agent of Anadolu Sigorta, one of the leading insurance companies in Turkey.

Zorlu Holding employed approximately 15,000 people in 1999 and achieved an export turnover of US\$ 680 million. The Home Textiles Division achieved an asset size of US\$ 1 billion with a net sales figure of US\$ 415 million by the end of 1999. In the same period, total exports reached US\$ 180 and total imports stood at US\$ 115 million. In the Electronics and Consumer Durables Division, an asset size of US\$ 605 million was achieved with net sales of US\$ 915 million at the end of 1999. Also in the same period, total exports reached US\$ 500 and total imports US\$ 420 million.



1 DR. METİN ÇAĞLAR
Chairman

Since 1995, Dr. Çağlar is the Chief Executive Officer and Board Member of the Vestel Group of Companies, as well as Zorlu Holding.

2 CEM BODUR
Vice Chairman

Mr. Bodur is currently the Chief Financial Officer of the Vestel Group of Companies, as well as Zorlu Holding.

3 HAKAN ATEŞ
*Member
President and CEO*

Mr. Ateş has been the President and Chief Executive officer of DenizBank since June 1997.



board of *directors*



4 M. TINAZ TİTİZ

Member

Mr. Titiz is currently the Systems and Organization Coordinator of the Vestel Group of Companies.

5 DR. VEYSİ SEVİĞ

Member

Dr. Seviğ currently lectures finance at Istanbul University and B.R.A. in Brussels.

6 ENVER GÜNEY

Member

Mr. Güney is currently the Foreign Relations Coordinator of the Vestel Group of Companies.



board



The performance of DenizBank in 1999 reflects better utilization of its inherent strengths. As the economy flattened out and began a downward turn since the beginning of 1999, the Bank made a cohesive effort to maximize its advantages in domestic and international markets.

d of directors'

report

DenizBank made significant progress toward its strategic targets during 1999. Corporate banking operations were further strengthened with new emphasis placed on consumer banking activities and improvements made in the cost structure of the Bank. Total assets increased by 116% to US\$ 795 million and loan volume rose by 104% to US\$ 196 million, while deposits were up by 107% to US\$ 413 million.

DenizBank increased its paid-in capital, in cash, by US\$ 25 million exceeding the target figure set at US\$ 20 million as stated in the Bank's five-year medium-term plan. Pursuant to this increase that underlines the commitment of the Bank's shareholder Zorlu Holding to strong capitalization and prudent banking principles, the networth of the Bank reached US\$ 94 million and the capital adequacy ratio was realized at 21.25% at the end of the year.

The performance of DenizBank in 1999 reflects better utilization of its inherent strengths. As the economy flattened out and began a downward turn since the beginning of 1999, the Bank made a cohesive effort to maximize its advantages in domestic and international markets. The improvements in earnings stemmed from higher net interest income and an expansion in fee and commission incomes.

In 1999, retail banking operations were enhanced through the "VeezyGo" campaign introduced jointly with Vestel-Net, the ISP company, a subsidiary of Vestel Electronics. As a result of this specific campaign, the number of newly acquired customers reached 40,000 - the goal for the year 2000 is to reach 100,000 customers. The Internet Banking Branch (www.denizbank.com.tr) was launched during the year with its modular transaction and inquiry-based facilities. According to the result of polls conducted by some well-circulated PC and economy magazines, DenizBank's website has been selected as the best site for design, functionality, interactivity and adaptation to Internet. The growth of payroll operations created new customers for the

Bank and improved the volume of demand deposits. Retail banking is an important component in the increase of total assets and profitability over inflation.

In an environment where there is high chronic inflation and erratic economic patterns, asset quality and a sound funding base is very important. Since its take-over by Zorlu Holding, DenizBank has dedicated itself to serving its customers in all sectors of the economy with sophisticated products and services. This market niche safeguards the asset quality of the Bank and enables it to grow even during periods of economic contraction. Corporate banking products were augmented with the introduction of cash management services in 1999. Adhering to a conservative and selective approach, Denizbank allocates more than 25% of its assets to lending and fully provisions possible problem loans.

The diversified funding base composed of deposits and short-term foreign borrowing is cushioned to absorb shocks coming from external markets. Effective asset-liability management and a strong capital base endow DenizBank with a high level of liquidity, another critical issue during market downturns.

Key ratios which illustrate the progress made by the Bank are Return on Average Assets which rose to 5%, while Return on Average Equity reached 42% -in real terms- during the year. This undeniable improvement in the performance of DenizBank stems from a top-to-bottom reorganization and restructuring program that has taken place since the takeover of the Bank. The management focused on healthy and profitable growth through customer-based relationship banking. Importance was placed on expanding the number of branches from 28 to 34 in order to increase customer interface, enhance business volume and create opportunities for cross selling. As a result of these initiatives, 1999 was witness to a significant increase in activity and a deeper market penetration.

In order to achieve our mission to become a top tier bank offering the best services to our customers, we are building a high-quality team through the recruitment of management trainees from the best universities and upgrading the technical infrastructure of the Bank. The principles of performance management, teamwork, individual contribution, flat organization and open communication are basic components of DenizBank's corporate culture.

The recently announced economic reform program includes a new monetary policy as well as pressure on exchange rates in order to reduce inflation and interest rates sharply starting from year 2000 onwards.

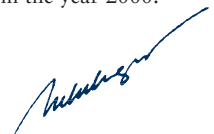
Therefore, banking in a low inflationary environment has become a critical issue of compatibility and adaptation for banking sector in Turkey for the upcoming periods. We would like to stress that DenizBank has positioned itself for as we call "the day after" from the first day of its operations.

To this effect, DenizBank set up a strong infrastructure to handle the business of its client base in a most effective manner, offering a wide range of products both in retail and corporate banking activities always aiming to increase its customer base.

In closing, we would like to thank to all DenizBank employees for their dedication and drive to get the job done well. Their energy and bright ideas, the steadfast confidence of our shareholders and the continuing support of our correspondent bankers abroad have made this last year of the second millennium a successful one and has set stage for expansion of DenizBank's activities in the year 2000.



Hakan Ateş
President and CEO



Dr. Metin Çağlar
Chairman





The corporate clientele of the Bank is composed mainly of the most prominent companies in Turkey.



DenizBank provides both standardized services and niche products to its corporate customers in the area of international trade financing. Tailor-made solutions assist corporations to meet their financing requirements within the framework of current exchange regulations.



corporate *banking*

Corporate Banking

The need for sophisticated products and the potential for the establishment of long-term mutually profitable relationships were among the most important criteria in selecting customers. Credit allocation decisions at DenizBank rest on rather prudent and selective policies. The presence of Zorlu Holding's strong network of dealers, wholesalers and distributors provided an easy access to the marketplace without compromising on price and service quality. In addition to utilizing this group synergy, the Bank has been able to develop a multi-dimensional image and widened its customer base to 1,800 companies in all sectors selected on the basis of established corporate image and strong financial and ethical credibility.

The benefits drawn from working with this segment of the corporate market while offering a full range of banking services within a supermarket approach were soon obtained with higher margins, diversified risks and access to low cost of funding. With foresight and a correct strategy accompanied by proper precautionary measures, some of the potential problem companies were excluded from the portfolio. The credit lines of some companies from the distressed sectors were reduced while marketing activities continued uninterruptedly to attract new companies with high creditability.

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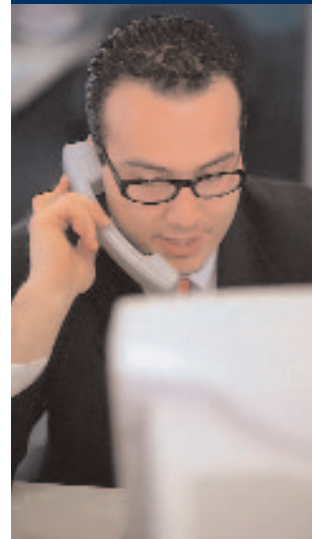
The corporate clientele of the Bank is composed mainly of the most prominent companies in Turkey. In line with the mission of the Bank, 30% of the corporate portfolio is comprised of small- to medium-size companies with a strong potential for growth. This policy has helped establish sound relationships that will later create long-lasting and mutually beneficial associations as they grow and will create a loyal corporate customer base for the Bank.

Composition of loans by business sectors

(TL billion)

Sectors	1999		1998	
	TL	%	TL	%
Manufacturing	23,080,339	25%	7,128,000	25%
Construction	17,541,058	19%	4,875,000	17%
Textiles	16,617,844	18%	10,495,000	37%
Finance	16,617,844	18%	1,516,000	5%
Domestic trade	7,385,708	8%	1,940,000	7%
Others	11,078,563	12%	2,729,000	10%
Total	92,321,356	100%	28,683,000	100%

Credit allocation decisions at DenizBank rest on rather prudent and selective policies.



Consumer Loans (TL billion)			Deposits (TL billion)				
	1999	1998	1999		1998		
			Demand	Time	Demand	Time	
Vestel loans	2,778	795	Savings and commercial deposits	5,635	57	7,240	2,960
Mortgage loans	427	430	Foreign currency deposits	21,221	190,796	10,951	85,506
Car loans	1,070	1,788	Interbank deposits	5,201	-	1,140	-
General purpose loans	949	1,104	Total deposits	32,057	190,853	19,331	88,466
Overdraft facilities	482	182	Turkish lira deposits	8,135	57	8,380	2,960
Small business loans	756	520	Foreign currency deposits	23,922	190,796	10,951	85,506
Total	6,462	4,819					

The Credit Department has a comprehensive company database which contains past performance information about the customers, market and credit investigation reports, financial statements plus all related substantiation documents. Credit assessment reports are prepared on the computer providing hands-on data input for the company database. One of the recent developments in DenizBank's corporate banking activities has been the separation of the Credit Department into two units; the Credit and Marketing Division and the Cash Management Division. The Credit and Marketing Division is comprised of Credit Analysis, Investigation, Credit Allocation and Control and Credit Control subdivisions. All work well together as a result of the synergy created between the departments even

though they are managed by different department heads.

A credit-scoring model is in use to assist in granting new credit limits as well as monitoring existing ones. This credit rating system has been a valuable vehicle in the pricing of products and measuring the profitability of the customers. Customer profitability is regularly reported to higher levels of management through an elaborate reporting system. In the year 2000, a Customer Tiering System will be established in order to evaluate the relationship between the customers and the Bank.

Cash Management was successfully introduced as a new service in 1999 augmenting the existing corporate product range. To enhance its project and structured finance



CREDIT CARDS

In 1999, 42,815 credit cards and 47,692 debit cards were issued.



ATM

Clients can reach DenizBank through 1,331 ATMs shared by 18 banks in Turkey.



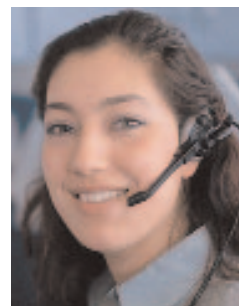
CONSUMER LOANS

Total amount of consumer loans reached TL 6,462 billion.



CALL CENTER

DenizBank has initiated the IVR project in October 1999 which will become the basis for the planned Call Center.



retail *banking*

facilities, the Bank is planning to increase medium- and longer-term agency credits from various international creditor institutions, like CCC of the US Department of Agriculture, US Eximbank and Hermes of Germany, to its corporate services.

Retail Banking

Following the efforts started in 1998, DenizBank continued to enhance its retail banking products with new investments in technology. In light of the synergy that has been created between DenizBank and the companies of Zorlu Holding, the customer base of the Bank has proliferated greatly. An outcome of this synergy which has become a milestone in the integration of technology and finance is the "VeezyGo" campaign that was developed as a project between

DenizBank and Vestel-Net, the ISP company of Zorlu Holding. Vestel-Net is offering a free multimedia PC to the customers who sign up for a three-year membership with Vestel-Net Internet Service. Along with the free computer, DenizBank also provides an Internet credit card, an international co-branded MasterCard for acquiring US\$ 30 as a monthly fee. The number of newly acquired customers through this campaign has reached 40,000; the goal for the year 2000 is 100,000 customers.

The relationship between the Bank and the suppliers and distributors of Zorlu Holding is not restricted to corporate banking products alone. The services offered by the Bank encompass their partners and managers complete with a wide array of technologically-advanced retail banking products and services. These

include various types of consumer, automobile, mortgage and small business loans, credit cards, overdraft facilities, mutual funds, repos, checking accounts and deposit services, all accompanied with simplified and customer-friendly procedures.

Consumer Loans

In 1999, personal computer sales campaigns held jointly with Vestel Bilişim A.Ş., the marketing and sales company for Vestel PCs, brought in 3,105 new retail customers and recorded an income of US\$ 2.7 million in total.

Deposits

DenizBank offers many types of deposit accounts to its corporate and retail customers in different convertible currencies including the euro. DenizBank also offers

INTERNET BANKING

Through Internet, all customers enjoy the comfort of accessing their accounts in one easy operation.



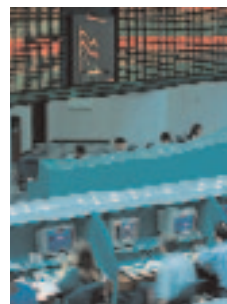
INTERNATIONALISM

The Financial Institutions Department increased the number of correspondent banks from 180 to 250.



INVESTMENT BANKING

Deniz Yatırım and DenizBank strive to maximize their synergy through a number of joint projects.



An outcome of the synergy which has become a milestone in the integration of technology and finance is the "VeezyGo" campaign that was developed as a project between DenizBank and Vestel-Net, the ISP company of Zorlu Holding.

automatic payment and collection services that include social security insurance premiums, utility bills and wages.

Internet Banking

As of May 1999, DenizBank's Internet Banking Branch (www.denizbank.com.tr) was launched with modular transaction and inquiry-based facilities. DenizBank's website has been selected as the best site regarding its design, functionality, interactivity and adaptation to Internet by some popular computer and economy magazines in Turkey.

DenizBank has chosen to invest in technology that will lead to the growth of its customer base. Through Internet, all customers enjoy the comfort of accessing their accounts in one easy operation. So far, customers of @çıkDeniz (the brand name of this virtual branch) can accomplish the following transactions; open and close current and time deposit accounts, make balance inquiries, transfer funds and execute credit card payments and in addition perform foreign exchange transactions. By the first quarter of the year 2000, mutual fund, repo, T-bills, G-bonds and stock exchange transactions will also be available on a real time / on-line basis.

The DenizBank Internet Branch also introduced another new concept by using the virtual branch as a customer acquisition channel. First-time customers can make applications to the Bank through the branch on-line, over the Internet, from all parts of Turkey.

Another ongoing project will be to access the Internet Branch, operating on a 128 bit SSL basis, via smart cards. In accordance with security procedures for these transactions, the cards of the existing customers will be changed to EMV adaptable cards. At present, e-commerce strategies are being developed and will be launched in the first half of the year 2000.

Call Center

As another alternative access channel, utilizing a customer communication application concept, DenizBank has initiated the Interactive Voice Response (IVR) project in October 1999. This project will become the basis for the planned Call Center. Software development of the IVR channel has been jointly undertaken with a local firm.

Credit and Debit Cards

The credit card processing operations, which had been subcontracted out in the past, is now accomplished in-house. This includes the processing of the 40,000 Veezy Internet credit cards.



With regard to credit cards, Visa and Europay membership, issuer and acquirer certifications have been obtained. In 1999, 50,000 credit card and 55,000 debit card customers were targeted and 53,591 credit cards and 58,991 debit cards were issued. In addition to Maestro, Visa Electron cards were also issued to current account holders.



financial *institutions*

Financial Institutions

During 1999, DenizBank has made good progress in accessing funding from financial institutions abroad. The Bank seeks to attain a clear-cut strategic advantage by extending the maturities of its borrowing and by diversifying funding sources.

In 1999, DenizBank continued to actively utilize GSM 102-103 credit facilities extended by CCC of the US Department of Agriculture and acted as an intermediary in long-term import transactions insured by US Eximbank and Hermes of Germany in order to increase structured trade finance activities. The Department targets full utilization of the limits allocated for transactions insured by eximbanks from various countries and the initialization of new limits to facilitate transactions of higher volume and variety.

Thomson BankWatch has assigned DenizBank intra-country issuer and short-term ratings of IC-B/C and LC-2, respectively, in April 1999. These ratings classify DenizBank as having a "good credit standing" with special remarks regarding its solid management and controls, technology, capital structure and owner commitment. The ratings have contributed to the higher visibility and strength of the Bank in global banking environments. In the year 2000, the Financial Institutions Department will begin due diligence studies with other internationally recognized rating agencies and will endeavor to obtain credit ratings from different sources that will ensure and enhance international recognition of DenizBank.

The Financial Institutions Department increased the number of correspondent banks from 180 to 250 while foreign trade transactions increased from US\$ 800 million to US\$ 1.5 billion in 1999. In parallel with the increase in the number of correspondents worldwide, the Department aims to increase cash and non-cash banking limits to provide international customers with a diverse range of international trade finance products and services.

Treasury

During the year, treasury functions have been restructured to effectively manage the balance sheet of the Bank. Within the parameters of a conservative strategy, DenizBank made maximum use of the profit opportunities that emerged in the

DenizBank's Credit and Debit Cards

	1999	2000 (Budget)
Number of credit cards issued	42,815	110,000
Number of debit cards issued	47,692	75,000
Average spending per credit cardholder (US\$)	90	150



Since 1999 had been perceived as a risky year for all emerging markets, DenizBank kept its liquidity level relatively high throughout the year.

treasury

financial markets during 1999, trading and investing in a variety of instruments in local and foreign currencies. The Bank predominantly has specialized in the US dollar and German mark markets and is an active participant in the local currency market. Utilization of spot, forward and commodity markets enhanced DenizBank's effectiveness, generating high volume and profit.

Last year proved to be the best year for the treasury departments in Turkish banks. The Russian economic crisis in 1998 was followed by a substantial money outflow from Turkey, causing a major liquidity squeeze and thereby pushing interest rates to extremely high levels. At the beginning of 1999, interest rates were above 140% and traders were full of pessimism. However, as the year went on, some positive developments took place and the skeptical feeling in the market at the beginning of the year dissipated and was replaced with optimism in a sudden change of moods. Turkish lira-denominated bonds started trading at around 70%, down from 140% at the beginning of the year. This was a very good opportunity for treasury departments around the country, helping them achieve a significant capital gain on Turkish lira bills and bonds.

The Treasury Department at DenizBank acted in accordance with these market moves, while always keeping its cautious risk management principles intact. Hence, profit from treasury operations for the year totaled US\$ 10 million, a record for the Bank. But the ratio of the total T-bill portfolio to total assets never exceeded 30%, including the repos.

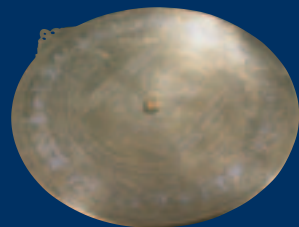
As a broader measure of interest rate risk, the Bank employs two different methods; interest rate gap analysis and scenario analysis. At most, the interest rate gap for the Bank was 3.5 months. That meant a 500-basis point change in Turkish lira interest rates would change net interest revenue by only 1.5%.

In addition to interest rate and market risks, the Department also carries and manages two other very important risks; liquidity and currency risks. In fact, liquidity management is the primary concern of the Department. Since 1999 had been perceived as a risky year for all emerging markets, DenizBank kept its liquidity level relatively high throughout the year. On the average, the ratio of liquid assets (short-term bank placements and T-bills) to total assets was 62%.

The management of DenizBank has adopted the policy of not taking currency risks. The Bank prefers to use cash and forward currency trades as a means of creating a Turkish lira funding base. Therefore, the Treasury Department carries both a short cashbook and a long



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operations

forward book at the same time. The bias in the market to create derivative short positions gives DenizBank the opportunity to make forward transactions at relatively low interest differentials, hence creating low cost Turkish lira funding. But the combined book is always very close to zero and on the average of 1999, it was only 5% of the equity base.

While taking positions in the money and capital markets, it is crucial to have a very good understanding of the fundamentals of the marketplace. DenizBank's Economic and Strategic Research Department is one of the best in Turkey. This Department not only supports the trading activities of the Bank, it also produces top quality reports both in Turkish and English for the customers and the correspondents of the Bank.

Operations

A high priority was assigned to centralizing operations in 1999 as a part of the reorganization of the Head Office and the branches. Centralization of operations has transformed branch offices into marketing centers, reducing headcount and improving operational efficiency. All branches in Istanbul have been linked to an on-line central operations system that facilitates the routing of transactions and payments. Currently, branches located beyond Istanbul are out of this system but

plans are being laid to incorporate them in the coming year.

Standardization of all operations and workflow both at the Head Office and at the branches has been achieved resulting in analogous operations at all branch offices.

Central operations encompass procedures for all corporate and commercial banking transactions. The Cash Management Unit processes checks, promissory notes and collections that include direct debit. Along with corporate banking operations, retail banking operations have also been centralized. Within this context, retail and Internet banking operations began within a centralized unit in June 1999. As a result of the centralized retail banking operations, the Bank now handles 40,000 new Internet branch accounts and plans to increase this number further next year. All infrastructure investments, including software and hardware, to handle direct payment transactions for tax collection and utility payments have been completed.

The paperless office concept which was introduced in 1998 was enhanced with the incorporation of fax automation in 1999. In the year 2000, automatic archiving and workflow applications to increase processing efficiency and eradicate any possible errors in the system will be put into the circuit. In addition, a



signature verification system for all Internet accounts in electronic environment will be introduced.

Financial Affairs

It is the responsibility of the Financial Affairs Department to collect accurate financial information so that optimal handling of risk in relationship to profitability can be accomplished expeditiously and accurately. The Department is also responsible for the preparation of the Bank's annual budget and periodic managerial reports.



administrative *services*

Financial MIS and control system enhancements continued in 1999, resulting in important achievements in the daily reporting system specifically designed for the branches. As a result of this new system, the Department was able to produce daily reports on the main products used by the branches including; what magnitude, which spreads, and how these products have been reflected in the balance sheet and income statements at the branches. A second important development in 1999 was the centralization of financial control and accounting functions of the retail banking branches.

In parallel to these developments, the Department continued to enhance primary systems and functions such as risk management, tax planning,

financial performance evaluation, internal pricing and budgeting. Within this process transparency is the main concept which enables all the profit centers to have access to each other's financial results.

Administrative Services

DenizBank believes that the best employees are those with strong self-esteem. The Bank aims to motivate its employees for improvement through in-house training programs and sets opportunities for advancement in their career paths.

Since its privatization, it has been DenizBank's policy to hire university educated personnel with few exceptions for a limited number of positions. Currently, 78% of DenizBank employees hold a degree.

Since the Bank became operational in September 1997, the Human Resources Department has been able to select 714 highly qualified personnel, from 36,000 applicants, with an average age of 29 and 14 years of average experience at managerial levels. DenizBank has been recognized as "the bank that employs the highest educated personnel" in June 1999.

Career planning and in-house promotions are issues of great importance at DenizBank. In principle, the Bank prefers to recruit graduates then provide them with specialized training for specific positions. Staff members are encouraged to attend courses and seminars from professional and academic sources as well as to

In the year 2000, automatic archiving and workflow applications to increase processing efficiency and eradicate any possible errors in the system will be put into the circuit.



DenizLeasing, with a present capital of TL 500 billion and an asset size of TL 8.7 trillion, has made a strong entrance in the market with a portfolio of 100 customers by the end of its first year of operations in defiance of the negative environment existing within the Turkish economy.

participate in training programs organized at the DenizBank Training Center, a fully equipped educational facility. In 1999, 670 training programs were arranged by DenizBank with 6,500 attendees and 75,000 training hours in total. In two and a half years, 171 employees were promoted to higher positions which accounts for 35% of the managerial team who were appointed from within the ranks of the Bank. In four Management Trainee programs 79 graduates from leading universities received training to become banking professionals and 41 inexperienced personnel were trained in two Operation Development programs to take positions in operational departments.

The Bank is committed to improving service standards by raising the quality of its employees. DenizBank

believes that communication skills and social awareness are key factors that contribute to the image of the Bank. Through pre-arranged social activities at DenizClub, the staff is able to get to know each other in a more relaxed informal environment.

As a result of these policies, DenizBank personnel are perceived as among the best-trained and most effective in the sector. This effectiveness is demonstrated in the low employee turnover rate of 5.0% when compared to the industry average of 11%.

Contribution to Culture and The Arts

In planning for the public relations activities, programs that serve a social need and have enduring effect are preferred. For this purpose, last year, DenizBank provided both



TRADITIONAL TURKISH SHADOW THEATER

DenizBank supports Hayali Yüce (Haluk Yüce), the student of Hayali Torun Çelebi, one of the masters of the last generation of Traditional Turkish Shadow Theater, to keep this almost forgotten art alive.



WITH THE EARTHQUAKE CHILDREN

After the devastating August 17th and November 12th earthquakes, Tempo Theater and the Orchestra of the Clowns, under the direction of Haluk Yüce, came together with the children in Değirmendere, Gölcük, Yalova, İzmit, Adapazarı and Bolu.



J.S. BACH CD IN THE BACH YEAR 2000

DenizBank gave the Bach CD as a present to the world of art, recorded by Günay Yetiz on flute, Babar Göksu on harp and Ayşegül Göksel on cello, by reason of "Bach Year 2000".



AFİFE JALE STAGE LIVES

DenizBank, had an helping hand in the opening of the curtains of Afife Jale Stage and now makes an effort to keep it open. The promotional concert of the Bach CD is one of the activities of DenizBank that took place on this stage.



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financial and morale support to TOBAV (State Theater, Opera and Ballet Employees Foundation) to open the "Afife Jale Sahnesi," a 200-seat theater on March 27, 1998 on the World Theater Day. Later, DenizBank continued to support many artistic events, especially those held at the Afife Jale Theater in an effort to promote performing arts like the shadow and puppet theater. In 1999, Haluk Yüce, a master of the classical shadow theater Karagöz, received sponsorship to give 39 performances at the Afife Jale Theater and in schools. After the devastating earthquake on August 17, he also performed for the children in the disaster stricken regions.

With similar intentions DenizBank has also supported education. As part of the 75th anniversary celebration of the Turkish Republic, DenizBank

sponsored the publishing of a textbook by renown Turkish educator Fehim Özdoğan, entitled "Uygulamalı Türkçe Eğitimi" (Applied Turkish Language Education) which has been distributed to all primary schools and major libraries around the country.

Another activity which DenizBank takes pride in having supported is the sponsoring of NTV's researcher journalist Mithat Bereket. With this activity, DenizBank became the first bank to sponsor a journalist to provide him the base for independent and correct news broadcasting from one of the country's leading TV channels.

In planning for the public relations activities, programs that serve a social need and have enduring effect are preferred.

CONTRIBUTION TO CULTURE

DenizBank published "1001 Days 1001 Nights- Entertainment Life of Istanbul from Ottomans to Today" as a valuable book.



CONTRIBUTION TO THE ARTS

Yeni Tiyatro, performing Dinçer Sümer's play "Marion and Mobern" all through the year, with the support of DenizBank, will organize tours to Anatolian provinces.



SPONSORING A MAJOR NEWS PROGRAM

One of the most well-known researcher-journalists Mithat Bereket's program Pusula, was broadcasted on NTV with the contributions of DenizBank.



HUMAN FIRST

DenizBank, aided the Turkish Education Volunteers Foundation's "Yaşam Mahallesi Project", and provided 90 volunteer personnel for the Special Broadcast on NTV.





DenizYatırım believes that a great deal of potential lies in the untapped Turkish asset management market.



All branches of DenizBank are DenizYatırım agents and the Bank has built equity trading rooms in 15 out of 34 branches for individual investors.



subsidiaries

DenizYatırım Securities

DenizYatırım and DenizBank strive to maximize their synergy through a number of joint projects. All branches of DenizBank are DenizYatırım agents and the Bank has built equity trading rooms in 15 out of 34 branches for individual investors.

In 2000, DenizYatırım will focus on enhancing its market share and attaining a ranking within the top 10% of all Turkish brokerage houses with its sound and conservative policies. DenizYatırım aims at placing all six of its mutual funds among the country's top rated mutual funds in terms of their annual yields.

DenizYatırım's Internet website was launched in the first quarter of 1999. It currently provides only general information, with account monitoring and on-line trading services scheduled to go into operation by the first quarter of the year 2000.

Asset Management

DenizYatırım believes that a great deal of potential lies in the untapped Turkish asset management market. Currently, DenizYatırım manages six mutual funds that cater to the requirements of a diverse group of investors with different risk-return profiles. The introduction of checks drawn on mutual fund shares, in late 1998, was an indication of the innovative approach DenizYatırım is taking to reach the top ranks of its sector.

The Domestic Marketing Department was established in mid-1999 and has rapidly succeeded to increase trading volume and demand for DenizYatırım's mutual funds.

Discretionary Portfolio Management

Discretionary portfolio management was also launched in mid-1998 for strategies exactly tailored to investors' risk-return profiles and an all-stock fund to complement the product range was begun in 1999. Regulations for the launch of private pension funds are about to be finalized. After that, it is anticipated that funds under management will experience a strong surge across the sector. DenizYatırım is well-positioned to take advantage of this coming boom, building on the fact that Zorlu Holding employs more than 15,000 people.

In the future, DenizYatırım plans to organize the asset management operations as a separate entity in partnership of a leading international company.

- DenizYatırım
- DenizLeasing
- DenizFactoring



Research

The backbone of any investment banking and securities firm is the Research Department. At DenizYatırım this Department was established in early 1998. The Research Department prepares detailed industry and company reports on a daily, weekly, monthly and yearly basis. These reports cover the ISE's Stock Market as well as the Bonds and Bills Market and incorporate analysis to help investors identify investment opportunities.

Domestic Brokerage

The Domestic Brokerage Department started in mid-1998 and soon established itself as one of the key players in the marketplace. With regard to trading volume, DenizYatırım started 1999 ranking at mid-point among all Istanbul brokers and at the end of 1999, the Company was within the top 25%.

Corporate Finance

The Corporate Finance Department was launched in early 1998 for the purpose of undertaking quality deals with little importance placed on market share. The Department has the distinct advantage of belonging to an industrial group that is developing its presence within existing businesses while at the same time, expanding into new industries.

In 1999, DenizYatırım advised Zorlu Holding and DenizBank on a series of project finance and acquisition deals. DenizYatırım also took part in a number of quality IPO syndication as a consortium member and plans to lead several IPOs in 2000 with an emphasis on companies in the fastest growing sectors.

International Capital Markets

DenizYatırım wants to build a balanced portfolio in terms of domestic and international reach. Unfortunately, 1999 still reflected the pessimism caused by the Asian and Russian crises of the previous year which kept foreign investors out of the ISE until the end of the third quarter of 1999 when a stand-by agreement with the IMF appeared on the horizon. The adverse factors prevented the start up of the ICM Department in 1999. Following the growing optimism within the markets, the ICM Department will start operations in the first quarter of 2000.

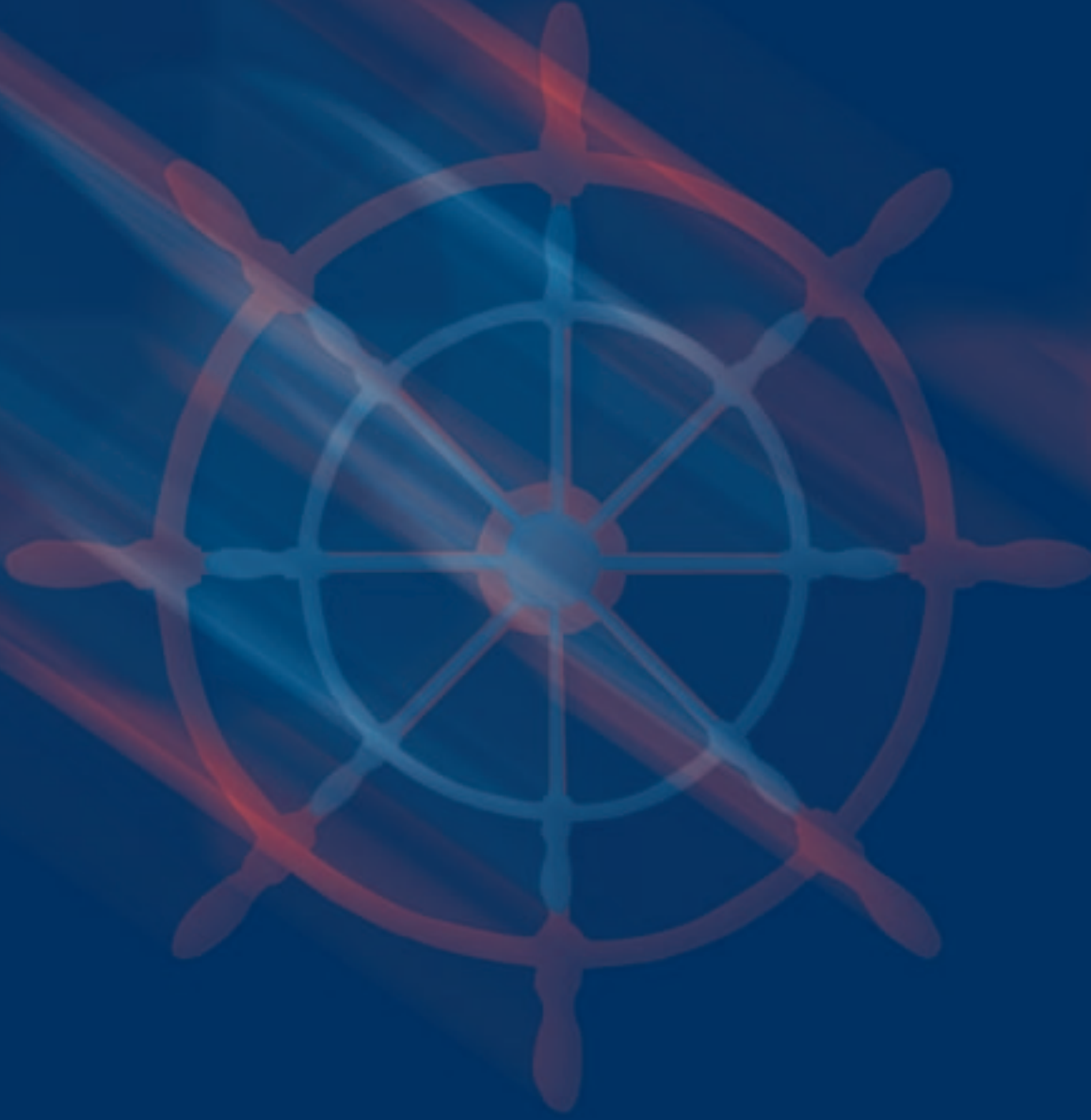
DenizLeasing

DenizLeasing was established in December 1997 with a start-up capital of TL 75 billion and began operations in July 1998. The Company is a member of the Turkish Leasing Association. With the ISO 9002 Quality Assurance



FEAR AWAY

targets



DenizBank 

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