Turkey
Credit Analysis

Denizbank

Ratings

Denizbank
Foreign Currency

Long-Term	BB-
Short-Term	B
Outlook	Stable

Local Currency

Long-Term	BB-
Short-Term	B
Outlook	Stable

National

Long-Term	A- (tur)
Outlook	Stable

Individual	C/D
Support	4

Sovereign Risk

Foreign Long-Term	BB-
Local Long-Term	BB-
Outlook	Stable

Financial Data

Denizbank

	31 Dec 2004	31 Dec 2003
Total Assets (USDm)	6,016.1	4,790.3
Total Assets (TRLbn)	8,058,569.0	6,416,614.0
Equity (TRLbn)	891,585.0	631,899.0
Net Income (TRLbn)	137,551.0	85,555.0
ROA (%)	1.90	1.50
ROE (%)	18.06	14.85
Equity/Assets (%)	11.06	9.85

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Rating Rationale

Assessment

- The ratings of Denizbank reflect its enhanced profitability, comfortable liquidity, adequate capitalisation and improved asset quality. However, they also take into account the possible risks that might arise from the bank's rapid loan growth.
- Profitability continued to improve in 2004, with net income rising markedly to USD103 million in 2004 (2003: USD64m), mainly due to increased income from loans and lower interest expenses. Net fee and commission income accounted for a high 25% of total operating income, providing a relatively stable source of income. Although operating income increased in 2004, operating expenses were also higher, mainly due to branch network and workforce expansion, resulting in the bank's cost to income ratio deteriorating to 62.95%, excluding one-off IPO commission and expenses (2003: 59.50%). Meanwhile, overhead expenses relative to average assets stood at 4.3%, relatively better than the peer group average of 5.2%.
- Denizbank has well established risk management systems. Although non-performing loans ("NPLs") increased by 10% in absolute terms, the bank's asset quality improved, with the NPL ratio declining to 3.5% (2003: 4.7%), aided by loan growth of 48% in 2004. NPLs were 100% covered by loan loss reserves. Sectoral and size distribution of the loan portfolio improved as loan book concentration diminished during 2004.
- Government securities accounted for a significantly lower 19% of end-2004 assets (2003: 29%). Approximately 55% of the bank's portfolio comprised floating-rate securities, and 60% of loans were repriced or repaid within three months, mitigating the inherent interest rate risk from relatively longer term assets funded by shorter term deposits. The bank's stake in Zorlu Enerji, a Zorlu Holding company in energy sector, declined to 44% and equated to 2% of end-2004 assets, with the fair valuation differences recorded as Tier 2 capital.
- The bank's liquidity further improved in 2004; liquid assets had a high 30% share in end-2004 assets (2003: 26%), covering 48% of customer deposits (2003: 41%). Customer deposits continued to increase in 2004 and constituted 71% of liabilities at end-2004 (2003: 69%). Demand (sight) deposits had a high 21% share in total, providing a cheap source of funding. Denizbank has a well diversified core deposit base.
- Equity further increased with retained earnings and a USD97m capital injection following the bank's IPO in September 2004. Its capital adequacy ratio was adequate and stood at 17.83% at end-2004 (2003: 17.50%), whereas 83% was Tier 1. Free capital after deducting fixed assets equated to a high 9.53% of end-2004 assets (2003: 8.05%), as there were no unconsolidated equity participations and NPLs were fully covered by reserves.

Support

- In Fitch Ratings' opinion, given Denizbank's relatively small size in the Turkish banking system and Turkey's Long-term foreign currency rating of 'BB-(BB minus)', there is a limited probability of support.

Background

- Denizbank is majority-owned by Zorlu Holding, a large Turkish conglomerate active in home textiles, electronics and consumer durables, energy production and distribution, as well as finance, with a turnover of USD4bn in 2004. Denizbank, which focuses on small- to medium-sized enterprises ("SMEs"), exporters and retail banking clients, ranked as Turkey's seventh largest private commercial bank at end-2004 with a 2.18% share of total unconsolidated banking assets and 198 branches.

PROFILE

- **25% of the shares of Denizbank offered to public in September 2004**
- **Majority-owned by Zorlu Holding, one of Turkey's largest conglomerates**
- **Focuses on SMEs, exporters and retail banking clients**

Denizbank is majority-owned by Zorlu Holding focuses on electronics and consumer durables, home textiles, financial services, power generation and energy. Zorlu Holding is a large and growing Turkish conglomerate with a turnover of USD4bn in 2004 excluding finance sector sales (2003: USD2,460m) and foreign sales (and exports of subsidiaries abroad) of USD2,950m (2003: USD1,650m), and 27,000 employees (2003: 22,000). Approximately 77% (2003: 70%) of its turnover comes from its electronics business, 19% (2003: 25%) from textiles and 4% (2003: 5%) from its energy business. At end-2004, 48.5% of the shares of Vestel Electronik Sanayi ve Ticaret A.S. ("Vestel Electronics", rated 'BB-(BB minus)') were publicly-owned. The company was the largest exporter of televisions in Turkey with a 62% share of the market in 2004. Vestel Electronics also maintained its position as the market leader in TV sales in Europe in 2004, with 25% market share. Zorlu group also had 10% and 40% market shares in home textiles in Europe and in Turkey, respectively in 2004.. 32% of the shares of Zorlu Energy ("ZE") were publicly-traded at end-Q105, 44% were held by Denizbank and 47% held by Zorlu group. ZE produces electricity and had a 1% share of Turkey's total energy production in 2004. Zorlu Holding sold 25% of the shares of Denizbank in an Initial Public offering (IPO) in September 2004, plans to maintain a strong position in the energy, electronics and textiles sector and has plans further public offerings of its shares in textiles. It also aims to increase its share of the Turkish financial services market.

Denizbank was one of the banks that benefited from the consolidation of the Turkish banking sector following the economic crises of 2000 and 2001, when the deposits, branches and licenses of a number of Turkish financial institutions were sold by the Savings Deposits Insurance Fund ("SDIF"). Denizbank acquired a number of institutions from the SDIF which together with the existing financial subsidiaries form Deniz Financial Services ("DFS"). These include Euro Deniz Offshore (Cyprus), Esbank AG (renamed as Denizbank AG, a commercial bank supporting the bank's activities in the EU) and Iktisat Bank Moscow (renamed Denizbank Moscow, purchased to give the bank better access to international trade finance business between Russia, Turkey and Europe). Tarisbank, a small regional bank, was purchased and merged with the bank, which has enhanced the company's franchise in the Aegean region, especially in terms of loans to the agricultural sector. DFS, as a result of a number of acquisitions, has expanded its activities to include fund management services to small individual investors, and securities brokerage services to international high net worth individuals as well as to institutional investors. It is also now operating in Turkey's recently restructured pension fund sector. In 2004, DFS' securities brokerage companies together achieved the largest brokerage volumes in the Istanbul Stock Exchange ("ISE"), with a 8.6% combined market share (2003: 6.8%). The company's foreign subsidiaries contributed a c.19% share of Denizbank's total consolidated assets at end-2004. In addition to the above-listed newly acquired banks, DFS also included Deniz Factoring and Deniz Leasing since their re-purchase from the group in February 2005 in exchange of 4.1% of ZE shares.

Denizbank focuses on SMEs, exporters and retail banking customers. The bank's share of the Turkish foreign trade market was much higher than its share in total banking assets and increased to 4.3% in 2004 from 3% in 2003 and the target market share is 6% for 2005. In terms of corporate and commercial banking, the bank aims to increase its cash management services to enhance fee and commission income, as well as to increase its low-cost demand (sight) deposits. It also specialises in cash and non-cash project financing for construction projects, many of which are guaranteed by the Turkish government. Denizbank has carved a niche for itself in a number of sectors, namely shipbuilding, tourism and agricultural loans and gold trading. Benefiting from the merged Tarisbank's past expertise in the area of agricultural loans, the bank also provides cash management, treasury, insurance and retail banking products to the customers in agriculture through its 40 specialised branches. Denizbank introduced in 2004 "Producer Cards" for agricultural sector customers with seasonal instalment periods which can be used for the purchase of production materials at member merchants and can also be used as debit cards. "Cash Cards" are issued for SME customers as an alternative to cheques and processed through POS machines, providing the bank with an additional cash management cost-saving device. The bank signed a joint venture in 2004 with Axa Oyak, a large insurance company in Turkey, to provide its customers with non-life insurance services as a fee-generating business.

Denizbank has had a credit card joint venture agreement in place with Garanti Bank since 2002, issuing co-branded "Bonus Cards", that has helped it to expand its credit card business over a short period while at the same time providing cost savings. The bank's market share in terms of the number of credit cards issued increased markedly in 2004 to 3.22% (2003: 2.06%), whereas its share of the credit card market in terms of volume of credit card transactions increased to 2.21% (2003: 1.54%), reflecting the increase in usage of cards issued. Denizbank views credit cards as an opportunity for cross-selling. Alternative distribution channels such as ATMs, call centres, kiosks (small retail banking units)[please clarify], and internet banking have also continued to provide cost savings as the initial investments are paid off.

Denizbank established private banking and treasury sales services in 2004, aimed at high net worth individuals.

At end-2004, Denizbank ranked as the seventh largest privately-owned commercial bank in Turkey with a 2.18% share in total unconsolidated banking assets (2003: 1.91%). The bank had 4,912 employees (2003: 3,864; 2002: 2,967) and 198 domestic branches (2003: 183; 2002: 164) serving to a geographic area in which 95% of GNP is originated and two international branches; one in Bahrain and the other in Dortmund, Germany. In 2005, the bank plans to open 35 more branches in Turkey, mainly in regions where there is a niche market like agriculture or tourism, or retail or SME banking opportunities. It also plans to open one branch in one of the country's relatively less developed regions.

Strategy: The bank aims to continue its focus on SME and retail customers, and the medium-term target is to be among the top five private commercial banks, mainly through organic growth. In Fitch's opinion, this may bring asset quality problems and may not be supported by higher profitability in the current highly competitive environment. Nevertheless, the bank has created niches in a number of sectors, namely agriculture, tourism, pharmaceuticals and shipbuilding, and enjoys cost benefits from various partnerships in credit cards, bankassurance and pension funds. The bank plans to launch e-commerce services to its SME customers and provide them with automated short-term cash management services; it is also aiming to provide insurance services to the agricultural sector, develop its customer relationship management service, increase its direct sales and focus on cross-selling opportunities.

Presentation of the Accounts: Unless otherwise stated, Fitch's analysis is based on Denizbank's audited, consolidated and inflation-adjusted accounts, which are themselves based on statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS"). The bank exercised its option to adopt the revised versions of IAS32 and IAS39 early, before their official introduction date of 1 January 2005. (Please see Revenues for the effects of early adaptation)

■ PERFORMANCE

- **Profitability improved, mainly due to increased interest income from loans and declined interest expenses**
- **Cost to income ratio deteriorated due to higher expenses related to growth**

Denizbank's assets continued to grow in 2004, faster than the peer group average, funded mainly by increased customer deposits. Asset composition also changed in favour of loans, which increased significantly to 41% of assets (2003: 35%); liquid assets also increased to 30% of total assets (2003: 26%), whereas government securities decreased 19% (2003: 29%). Net income improved by more than the bank's peer group average due to increased loan activity, which resulted both in increased interest and non-interest income. Total operating income increased by 20% in 2004. Denizbank recorded a net

Table 1: Peer Group Comparison of Performance Indicators

	Denizbank		Peer Group[1]	
(%)	2004	2003	2004	2003
Asset Growth	25.59	29.21	9.14	3.62
Net Income Growth	60.77	19.63	38.94	103.22
Net Interest Margin (NIM)	5.13	3.86	6.61	4.84
Adjusted NIM[3]	5.24	4.50	6.73	5.30
Cost/Income	64.35	59.5	61.29	66.35
Net Income/Av Assets	1.90	1.50	2.15	2.07
Net Income/Av Equity	18.06	14.85	23.82	30.35
Equity/Assets	11.06	9.85	9.59	8.50

[1] Finansbank, Oyakbank, Teb and Sekerbank (all inflation-adjusted, consolidated and in accordance with IFRS reporting).
[2] Net interest revenue less foreign currency losses as a percentage of average assets.
Source: Bank data adapted by Fitch

income of USD103m, which was 61% higher than the previous year's net income of USD64m.

Revenues: Adjusted net interest income increased by 48% in 2004, despite smaller net foreign exchange ("FX") gains, both from increased interest income (mainly from significantly increased loans) and decreased interest expenses.. Interest on securities contributed less to interest income in 2004 compared to 2003 as the portfolio reduced in size; interest rates were also lower. Interest on customer deposits decreased despite the growth of the deposit base, reflecting the higher share of demand deposits and the fall in interest rates. Net fees and commissions increased markedly in 2004 as a result of larger fee generating business such as FX transactions, cash management services, credit card transactions, non-cash loans and securities brokerage activities, and constituted 25% of total operating income (2003: 25%), excluding one-off commission for Denizbank's IPO. There was a change in the accounting treatment of ZE shares because of early adoption of IFRS. Accordingly, the option to recognise fair value changes on the available-for-sale ("AFS") securities portfolio in income statement is removed and these started to be recorded under the equity. The related adjustment was made to the 2003 net income and retained earnings figure, reducing by the unrealised gains from fair valuation. In 2004, 6.10% stake in ZE was sold and there was a reversal of unrealised gains to the realised gains in the income statement which were recorded under Exceptional Items in the attached spreads. Excluding gains from the sale of ZE shares, net trading gains were a small negative figure (c.USD1m) in 2004, due to another change in the accounting of trading government securities in 2004, which resulted in only capital trading gains being recorded in trading gains and marked-to-market gains are included in interest income and also small trading volume of securities by the bank in 2004. Nevertheless the large trading volumes of the consolidated entities contributed to the increase in fee and commission income.

Non-Interest Expenses: Denizbank's operating expenses increased by 29% in 2004. This was mainly due to a 39% growth in personnel expenses following the 27% increase in the number of marketing and branch personnel and the establishment of new departments at head office and a long-delayed salaries adjustment. Other administrative expenses rose 21% with the increase in the number of business lines. The bank's cost/income ratio deteriorated to 64.35% due to higher expenses related to growth (2003: 59.50%). If Denizbank's one-off IPO commission and expenses are excluded, the ratio improves to 62.95%. Overhead expenses, defined as operating expenses as a percentage of average assets, stood at 4.3% in 2004 (2003: 4.2%), relatively better than the peer average of 5.2%.

Loan Loss Provisions: Loan loss provisions declined by 15% in 2004, with the share of provisions in pre-provision income decreasing to 23% in 2004 from 29% the previous year, which contributed to profitability. (Please see *Loan Loss Experience and Reserves*).

Prospects: Denizbank continues to focus on increasing its balance sheet mainly through increasing its loan portfolio, supported by its expanding branch network. It also continues to decrease the relative share of securities as a proportion of total assets. In 2005, management expects 25% growth in the asset size by mainly provided by 31% of real growth in cash loans. These will be funded by a 23% and 43% rise in customer deposits and borrowed funds, respectively. The share of loans in assets are estimated to slightly increase to 42% at end-2005. Government securities are estimated to slightly increase to 22% of assets while liquid assets will remain at around the same percentage levels in total assets. The management estimates the capital adequacy ratio of c.17% at end-2005. The bank aims to increase the share of non-interest income as a proportion of total operating income to 38% in 2005. By increasing its share of the retail banking, foreign trade and non-cash loan markets, the bank aims to generate a relatively more stable source of income in an environment with narrowing margins. However, the bank will need to keep costs under control and increase its efficiency.

■ RISK MANAGEMENT

- **Well-established risk management systems**
- **NPL ratio decreased to 3.5% of loans at end-2004, aided by loan growth**
- **Rapid growth in loans may cause the NPL amount to increase in the future**

The bank's risk management department reports directly to the member of the board whose sole responsibility is risk management. Denizbank has a well established risk management system and the system has been further improved in line with regulations. The bank risk management and board risk management committees as well as the asset and liability management committee meet periodically in order to determine risk profiles, develop risk management strategies and evaluate the results of the bank's risk management department reports. The bank's Basel II working group monitors the bank's credit and operational risk measurements in relation to its ongoing compliance with Basel II. Following the completion of a data warehousing project by end-2005, the bank will be able to produce its various branch, product and business segment reports automatically; most of its management information systems have already been automated using its "Riskman" software, developed internally by the bank's IT team.

Credit Risk: Gross loans continued to grow significantly in 2004 (up by 48% on 2003 figures) and equated to 41% of total assets compared with 35% at end-2003. At end-2004, 77% of performing loans were short-term loans (2003: 72%) and the share of TRY loans as a proportion of total loans increased to 46% at end-2004 (2003: 39%), due to an increase in retail and SME loans. Total amount of retail loans composed of consumer loans, credit card receivables and SME loans, more than doubled in 2004 (from a low base) – a common trend throughout the Turkish banking sector – and their combined share of total performing loans increased to 25% at end-2004 (2003: 17%). Credit cards accounted for 51% of total retail loans at end-2004, while consumer loans, car loans and mortgage loans made up 25%, 15% and 4% of the total respectively. At end-2004, the share of commercial loans also increased to 42% of total performing loans (2003: 37%), while the share of corporate loans decreased to 33% (2003: 46%). Non-cash loans only equated to 31% of total assets at end-2004 (2003: 34%). Denizbank's cash and non-cash loan portfolio was well diversified, with the construction, glass and mining sector having the highest share with 17% of the total, followed by the metal and machinery sector with 10%, and all other sectors remaining below 10%.

In 2004, the concentration of the loan portfolio continued to improve as the proportion of the bank's top 20 cash and non-cash loans in 2004 (net of cash collateral and excluding the related party exposure) accounted for 13% of total cash and non-cash loans and 84% of equity. At the same time, total related party exposure net of the cash collateralised portion declined to 4% (2003: 8%) of total cash and non-cash loans, and 28% (2003: 52%) of equity. Related party exposure mainly consisted of letters of credit ("LCs"); related party deposits of USD437m were comfortably higher than cash loans of USD17m at end-2004.

Loan Loss Experience and Reserves: Although NPLs increased by 10%, the NPL ratio as a percentage of gross loans declined to 3.5% (2003: 4.7%), aided by loan growth. Loan loss reserves increased by more than the increase in NPLs, by 21%, and reserve coverage reached 100% (2003: 90%). Total restructured and watch list loans (cash and non-cash) at end-2004 were low at 0.3% of the total portfolio. In Fitch's opinion, although asset quality has continued to improve in 2004, NPL levels may increase in the future with the rapid loan growth. Nevertheless, credit card, consumer loans and SME loans (which were the loan types that showed the most significant growth) continued to have relatively low NPL ratios of 3%, 0.7% and 0.7%, respectively in 2004.

Operational Risk: The bank's internal control centre monitors operational risks while the credit control department monitors limits and utilisation on a daily basis. The risk management department examines and interprets internal procedures, documents and work flows and in process of adopting the measurement of the operational risk in line with the future application of Basel II principals. As part of business continuity scheme, there is a Disaster Recovery Plan and Disaster Recovery Centre is fully functional in Konya.

Market Risk: For each risk category, risk limits are set daily and monitored closely. A Riskmetrics model is used for calculating value at risk ("VaR") with a 10-day holding period and 99% confidence interval. Interest rate risk is tracked by stress testing; duration gap analysis is done on a daily basis and gapping analysis on a weekly basis. Market risk is analysed by scenario and Monte Carlo simulation. All positions are marked-to-market on a daily basis. The bank has an internal requirement that economic capital is limited to a maximum 50% of its equity, and under any market condition the bank should achieve at least 9% capital adequacy level without any need for capital injection.

The securities portfolio continued to decline (by 10% in 2004) and equated to 25% of the bank's total assets (2003: 36%). Of this portfolio, government securities accounted for 19% at end-2004, compared to 29% at end-2003. ZE shares also declined as a result of sales in 2004, to 2% of total assets (2003: 4%). US/European government/private sector bonds had a 4% share of total assets at end-2004 (end-2003: 3%). At end-2004, 88% of the securities portfolio was held as either trading or AFS and marked-to-market. The currency distribution of the securities portfolio remained unchanged with FX securities representing 45%. Floating-rate securities accounted for 55% of the total at end-2004.

The bank's on-balance sheet FX short position, mainly in USD, equated to 20% of equity at end-2004, whereas its net FX short position after hedging was 7% of end-2004 equity. Because of relatively short-term deposits funding longer term loans and securities, Denizbank has a structural maturity mismatch similar to other Turkish banks. This is mitigated, to some extent, by the floating-rate portion of its securities portfolio and also by the fact that 60% of its loan portfolio had been repriced or repaid within three months (at end-2004).

Corporate Governance: Although regulated by the Turkish Capital Markets Board (“CMB”) since July 2003, Denizbank has reportedly been in compliance with the principles of good corporate governance principles since the IPO of the bank in September 2004. Denizbank maintains an arm’s-length policy with its shareholders: there is no member of the Zorlu family on the bank’s board of directors. Related party credit activity is reduced markedly below regulatory maximum levels and limited to cash management services and LCs. The bank’s Corporate Governance Report, including minority rights information, its dividend policy and related information, is available on its website.

■ FUNDING AND CAPITAL

- **Well diversified core deposit base**
- **Comfortable liquidity**
- **Adequate capitalisation**

Funding: Customer deposits continued to increase in 2004 while remained around the previous levels in the peer group in general and constituted 71% of liabilities at end-2004 (2003: 69%), and continued to be the main source of funding. Although TRL deposits increased by 25% while FX deposits increased by 60%, the share of FX deposits decreased to 55% of total deposits at end-2004 (down from 65% at end-2003), mainly as a result of the effect of appreciation of TRL. Demand deposits had a high 21% share of total deposits, providing a cheap source of funding (2003: 20%). Related party deposits accounted for a 11% share of total customer deposits at end-2004 Denizbank’s depositor base is well diversified with its top 20 depositors, excluding related party deposits, accounting for 13% of total customer deposits and savings deposits under the SDIF guarantee (below TRY50,000) constituting 39% of savings deposits at end-2004. Although Denizbank continued to increase its bank borrowings in 2004 in order to extend the maturity of its liabilities for reducing its structural maturity mismatch between the assets and the liabilities, total funds borrowed accounted for a smaller 23% of liabilities at end-2004 compared to 26% at end-2003. This was mainly due to the appreciation of TRL as the majority of funds borrowed were FX. This funding included one-year USD325m and USD25m syndicated loans of Denizbank and Denizbank AG, respectively..

Liquidity: Denizbank continued to increase its liquid assets in 2004; liquid assets excluding trading securities accounted for a high 30% share of assets, compared to 26% at end-2003, covering a comfortable 48% of customer deposits (2003: 41%). The coverage is further enhanced when the assets over liabilities with less than three months maturity are considered, to 65% at end-2004 (2003: 67%).

Capital: In addition to the reinvestment of each year’s net income, shareholders have showed their commitment to the bank by continually injecting cash capital into the bank since its inception. This has been done both to support the growth of risk weighted assets and also to compensate for the effects of the economic crises in 2000 and 2001. Although the shareholders require the bank to maintain a minimum capital adequacy ratio of 14%, the bank has had a regulatory capital adequacy ratio above 18% at the year-ends since its establishment in 1997. Zorlu Holding initially planned to sell 20% of Denizbank shares in a domestic and international public offering in the form of Global Depository Rights (GDR) and due to strong demand sold 25% of its shares in September 2004. USD97m out of total proceeds of USD140m were added to the bank’s capital. At end-2004, the bank’s consolidated regulatory capital adequacy ratio stood at 17.83% (2003: 17.50%), whereas 83% of total capital was Tier 1 (2003: 73%). The difference between the book and market value of ZE shares was recorded as Tier 2, and Tier 1 capital adequacy ratio was calculated to e 16.20% at end-2004 – higher than the 15.19% recorded at end-2003 mainly due to the partial sale of ZE shares to the Zorlu Holding. The bank participated in quantitative impact studies run by the Banking Regulatory and Supervision Agency (BRSA) and estimates its capital adequacy ratio in compliance with Basel II requirements. Although it becomes lower compared to the Basel I ratio it was estimated at a still comfortable 15.5% level for end-2004 after 100% risk weighting FX government securities. Denizbank’s free capital was solid due to a small level of fixed assets and the fact that the bank had no unconsolidated equity participations and NPLs were fully covered by reserves; it equated to 9.53% of end-2004 assets (2003: 8.05%).

Balance Sheet Analysis
DENIZBANK (C.)

	31 Dec 2004				31 Dec 2003		31 Dec 2002		31 Dec 2001	
	Year End USDm Original	**Year End TRZth Original**	**As % of Assets Original**	**Average TRZth Original**	**Year End TRZth Restated**	**As % of Assets Restated**	**Year End TRZth Restated**	**As % of Assets Restated**	**Year End TRZth Restated**	**As % of Assets Restated**
A. LOANS										
1. Short-term	1,835.1	2,458,165.0	30.50	1,999,859.5	1,541,554.0	24.02	1,295,525.4	26.09	615,438.4	18.48
2. Medium and Long-term	554.3	742,457.0	9.21	666,098.5	589,740.0	9.19	256,694.1	5.17	28,822.1	0.87
3. Other	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Impaired	86.8	116,259.0	1.44	111,154.0	106,049.0	1.65	81,593.5	1.64	79,537.1	2.39
5. Leased Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
6. (Loan Loss Reserves)	86.5	115,859.0	1.44	105,883.5	95,908.0	1.49	86,888.6	1.75	36,171.3	1.09
TOTAL A	**2,389.7**	**3,201,022.0**	**39.72**	**2,671,228.5**	**2,141,435.0**	**33.37**	**1,546,924.4**	**31.15**	**687,626.3**	**20.65**
B. OTHER EARNING ASSETS										
1. Deposits with Banks	1,314.6	1,760,899.0	21.85	1,482,625.0	1,204,351.0	18.77	662,071.3	13.33	588,743.2	17.68
2. Deposits with Central Bank	344.3	461,160.0	5.72	378,388.0	295,616.0	4.61	344,768.5	6.94	345,039.3	10.36
3. Government Securities	1,146.9	1,536,300.0	19.06	1,692,152.0	1,848,004.0	28.80	1,714,282.1	34.52	973,881.1	29.24
4. Other Investments	377.9	506,162.0	6.28	468,941.0	431,720.0	6.73	366,701.1	7.38	388,970.7	11.68
5. Equity Investments	n.a.	n.a.	-	n.a.	n.a.	-	12,515.7	0.25	8,212.9	0.25
TOTAL B	**3,183.7**	**4,264,521.0**	**52.92**	**4,022,106.0**	**3,779,691.0**	**58.90**	**3,100,338.7**	**62.43**	**2,304,847.2**	**69.20**
C. TOTAL EARNING ASSETS (A+B)	**5,573.4**	**7,465,543.0**	**92.64**	**6,693,334.5**	**5,921,126.0**	**92.28**	**4,647,263.1**	**93.58**	**2,992,473.5**	**89.85**
D. FIXED ASSETS	**91.5**	**122,573.0**	**1.52**	**113,898.0**	**105,223.0**	**1.64**	**98,417.7**	**1.98**	**58,384.0**	**1.75**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	174.7	233,958.0	2.90	195,552.5	157,147.0	2.45	164,013.1	3.30	66,815.4	2.01
2. Other	176.6	236,495.0	2.93	234,806.5	233,118.0	3.63	56,282.1	1.13	212,957.2	6.39
F. TOTAL ASSETS	**6,016.1**	**8,058,569.0**	**100.00**	**7,237,591.5**	**6,416,614.0**	**100.00**	**4,965,976.0**	**100.00**	**3,330,630.1**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING										
1. Savings Deposits	878.6	1,176,913.0	14.60	983,793.5	790,674.0	12.32	1,082,092.3	21.79	732,955.1	22.01
2. Commercial Deposits	820.4	1,098,981.0	13.64	857,824.0	616,667.0	9.61	n.a.	-	n.a.	-
3. Foreign Currency Deposits	2,115.1	2,833,134.0	35.16	2,718,438.0	2,603,742.0	40.58	2,656,719.0	53.50	1,637,187.1	49.16
4. Interbank Deposits	215.8	289,053.0	3.59	355,936.5	422,820.0	6.59	228,708.4	4.61	118,136.9	3.55
5. Other	1,033.1	1,383,812.0	17.17	1,229,891.5	1,075,971.0	16.77	335,886.4	6.76	392,005.7	11.77
TOTAL G	**5,063.0**	**6,781,893.0**	**84.16**	**6,145,883.5**	**5,509,874.0**	**85.87**	**4,303,406.1**	**86.66**	**2,880,284.8**	**86.48**
H. OTHER FUNDING										
1. Subordinated Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other Long-term Borrowing	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Hybrid Capital	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
I. OTHER (Non-int. bearing)	**262.7**	**351,843.0**	**4.37**	**300,560.0**	**249,277.0**	**3.88**	**135,936.5**	**2.74**	**98,170.8**	**2.95**
J. LOAN LOSS RESERVES (see A above)										
K. OTHER RESERVES	**24.8**	**33,248.0**	**0.41**	**29,406.0**	**25,564.0**	**0.40**	**5,930.1**	**0.12**	**873.9**	**0.03**
L. EQUITY										
1. Preference shares	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Common equity	665.6	891,585.0	11.06	761,742.0	631,899.0	9.85	520,703.3	10.49	351,300.6	10.55
TOTAL L.	**665.6**	**891,585.0**	**11.06**	**761,742.0**	**631,899.0**	**9.85**	**520,703.3**	**10.49**	**351,300.6**	**10.55**
M. TOTAL LIABILITIES & EQUITY	**6,016.1**	**8,058,569.0**	**100.00**	**7,237,591.5**	**6,416,614.0**	**100.00**	**4,965,976.0**	**100.00**	**3,330,630.1**	**100.00**
Exchange Rate		USD1 = TRZ 1.3395			USD1 = TRZ 1.3395		USD1 = TRZ 1.3395		USD1 = TRZ 1.3395	

Income Statement Analysis

DENIZBANK (C.)

	31 Dec 2004		31 Dec 2003		31 Dec 2002		31 Dec 2001	
	Income Expenses TRZth Original	As % of Total AV Earning Assts Original	Income Expenses TRZth Restated	As % of Total AV Earning Assts Restated	Income Expenses TRZth Restated	As % of Total AV Earning Assts Restated	Income Expenses TRZth Restated	As % of Total AV Earning Assts Restated
1. Interest Income	830,167.0	12.40	731,261.0	13.84	708,943.3	18.56	648,434.0	28.05
2. Interest Expense	458,628.0	6.85	511,344.0	9.68	487,990.3	12.78	422,042.4	18.26
3. NET INTEREST REVENUE	**371,539.0**	**5.55**	**219,917.0**	**4.16**	**220,953.0**	**5.78**	**226,391.6**	**9.79**
4. Net Fees & Commissions	119,647.0	1.79	99,900.0	1.89	53,442.8	1.40	29,141.9	1.26
5. Other Operating Income	-5,675.0	-0.08	82,270.0	1.56	1,199.4	0.03	-159,657.5	-6.91
6. Personnel Expenses	143,665.0	2.15	103,618.0	1.96	65,899.3	1.73	34,332.4	1.49
7. Other Operating Expenses	168,743.0	2.52	135,626.0	2.57	92,896.2	2.43	40,277.4	1.74
8. Loan Loss Provisions	40,486.0	0.60	47,951.0	0.91	59,245.4	1.55	24,134.3	1.04
9. OPERATING PROFIT	**132,617.0**	**1.98**	**114,892.0**	**2.17**	**57,554.3**	**1.51**	**-2,868.1**	**-0.12**
10. Other Income and Expenses	n.a.	-	n.a.	-	1.1	0.00	2,241.9	0.10
11. PROFIT BEFORE EXCEPTIONAL ITEMS	**132,617.0**	**1.98**	**114,892.0**	**2.17**	**57,555.4**	**1.51**	**-626.2**	**-0.03**
12. Exceptional Items	12,941.0	0.19	18,584.0	0.35	n.a.	-	n.a.	-
13. PRE-TAX PROFIT	**145,558.0**	**2.17**	**133,476.0**	**2.53**	**57,555.4**	**1.51**	**-626.2**	**-0.03**
14. Taxes	8,007.0	0.12	47,921.0	0.91	-13,963.3	-0.37	-3,800.4	-0.16
15. Published Net Income Including Minorities	**137,551.0**	**2.06**	**85,555.0**	**1.62**	**71,518.7**	**1.87**	**3,174.2**	**0.14**
16. FITCH NET INCOME	137,551.0	2.06	85,555.0	1.62	71,518.7	1.87	3,174.2	0.14

Ratio Analysis

DENIZBANK (C.)

		31 Dec 2004 Original	31 Dec 2003 Restated	31 Dec 2002 Restated	31 Dec 2001 Restated
I. PROFITABILITY LEVEL					
1. Pre-tax Profit/Total Assets (av.)	%	2.01	2.35	1.39	-0.02
2. Net income less pref.Dividends/ Common equity(av.)	%	18.06	14.85	16.40	1.05
3. Net Income/Equity (av.)	%	18.06	14.85	16.40	1.05
4. Net Income/Total Assets (av.)	%	1.90	1.50	1.72	0.11
5. Non-int. Exp./Net Interest Rev. + Other Operating Income	%	64.35	59.50	57.62	77.82
6. Net Interest Rev./Total Assets (av.)	%	5.13	3.86	5.33	8.12
7. Net Int. Income Adjusted for F/X Losses/Total Assets (av.)	%	5.24	4.50	3.38	0.21
II. CAPITAL ADEQUACY (year end)					
1. Internal Capital Generation	%	18.06	14.85	16.40	1.05
2. Equity/Total Assets	%	11.06	9.85	10.49	10.55
3. Equity/Loans	%	27.85	29.51	33.66	51.09
4. Capital/Risks - Tier 1	%	n.a.	n.a.	n.a.	n.a.
5. Capital/Risks - Total	%	17.80	18.30	18.81	21.00
6. Free Capital/Total Assets	%	9.54	8.05	8.36	7.25
7. Common Equity/Total Assets	%	11.06	9.85	10.49	10.55
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	58.87	63.62	67.04	68.55
2. Liquid Assets & Marketable Debt Securities/Deposits & Money Mkt Funding	%	66.33	71.45	75.56	82.06
3. Loans/Deposits & Money Mkt Funding	%	48.91	40.61	37.97	25.13
IV. ASSET QUALITY					
1. Loan Loss Provisions/Loans (av.)	%	1.52	2.60	5.30	3.66
2. Loan Loss Provisions/Profit before Provisions and Tax	%	21.76	26.43	50.72	102.66
3. Loan Loss Reserves/Gross Loans	%	3.49	4.29	5.32	5.00
4. Impaired Loans/Gross Loans	%	3.51	4.74	4.99	10.99
5. Impaired Loans net/equity	%	0.04	1.60	-1.02	12.34
6. Loan Loss Reserves/Impaired Loans	%	99.66	90.44	106.49	45.48
7. Impaired Assets/Total Loans and foreclosed property	%	4.03	4.86	4.99	10.99