This Analysis provides a discussion of the factors underpinning the credit rating/s and should be read in conjunction with our Credit Opinion. The most recent ratings, opinion, and other research specific to this issuer are provided on Moodys.com. ***Click here to link.***

Analysis

TURKEY
Europe/M.East/Africa

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Denizbank A.S.

Strategy and Franchise

DenizBank is a privately owned full-service universal bank, headquartered in Istanbul, Turkey with a network of 246 banking branches (of which 236 are in Turkey) and leasing, factoring, IT and credit card service, brokerage and investment subsidiaries in the country. It also has banking subsidiaries in Austria and Moscow. With total assets of USD8.8 billion at year-end 2005, DenizBank is the seventh-largest private bank and the tenth-largest bank overall, in the country, with loan and deposit market shares of 3.0% and 2.0%, respectively.

In February 2005, Moody's assigned first-time Baa3/Prime-3 local currency deposit ratings to DenizBank. The long-term foreign currency deposit rating was upgraded to B1 in December 2005, following an upgrade in the country ceiling for Turkey. The B1/NP deposit ratings are constrained by the country ceiling for such deposits in Turkey. All ratings, including the bank's D+ Financial Strength Rating (FSR), carry stable outlooks.

Denizbank's lending focus remains weighted toward corporate and commercial customers

Despite strong growth in its retail and SME business over the last two years, Denizbank remains primarily a corporate and commercial bank, with corporate and commercial loans representing approximately 68% of total lending at year-end 2005, down from 75% at year-end 2004. Loans to corporate customers, representing companies with sales greater than USD 25 million, accounted for 37.6% of the loan book, while advances to commercial customers, which are companies with sales between USD5 million and USD25 million, totalled 29% of total lending.

By industry, the bank's largest credit exposure, including both on and off-balance sheet exposures, is to the construction, glass and mining sector, at 13.6% of total cash and non-cash exposure as year-end 2005. Other large credit exposures include the wholesale and retail trade, and metal and machinery sectors comprising 12.1 and 10.3%, respectively, at year-end 2005. Over the past two years, Denizbank has reduced its exposure to the textile sector, which accounted for just 4.9% of cash loans and 5.1% of cash and non-cash exposures at year-end 2005.

Good growth in SME banking provides a new high-margin and loyal clientele base

Targeting small and medium-sized enterprises with annual turnover of less than USD5 million, Denizbank established a specialised, separate SME business line in late 2004, with SME banking services offered at more than 200 of its branches in Turkey. Emphasising a relationship manager-driven, high cross-sell model for the medium-sized enterprises (turnover between USD1 - 5 million), and a mass-marketed standardised product for the small-sized enterprises (turnover less than USD1 million), Denizbank is gradually building a solid SME franchise characterised by a more loyal and less price-sensitive, cash-rich clientele base that generates relatively high margins.

SME business volumes have grown rapidly, and accounted for nearly 10% of the cash loan portfolio at year-end 2005. SME banking customers also provide a substantial source of low-cost funding, particularly Turkish Lira (YTL) funds. Deposits from SME customers represented 13.3% of total customer deposits and 19.5% of YTL customer deposits at year-end 2005. Benefiting from high cross-sells and low-cost deposits, the medium-sized businesses are particularly profitable clients for the bank. While lending to such clients is not without risk, provided Denizbank can preserve its currently low levels of delinquent SME loans, continued strength in its SME franchise would be a credit positive.

Moody's Investors Service
Global Credit Research

Cross-selling strategy generates lucrative cash management revenues and interest-free funding sources

DenizBank's aggressive cross-selling strategy places an increasing emphasis on acquiring the risk-free cash management activities of its corporate, commercial and SME lending customers. The bank's cash management services generate float and interest-free funding for revenue gains. Cash management activities in cheque clearing, tax, social security and utility payments generate significant float revenue, while credit card charge volume - with a 2.1% market share and a 2.6% market share in point of sale machines - also contributes to float income. Focusing on cash flow between distributors and sales points, these risk-free cash flow income activities are a credit positive.

Strategic credit card alliance overcomes size limitations and achieves cost efficiencies

DenizBank has a strategic partnership with Garanti bank to offer the "Bonus Card" brand to its customers. A chip-enabled smart-card with nearly 120,000 merchant members and a 20% market share in total credit cards outstanding, the strategic agreement allows DenizBank to offer a widely recognised product to its customers on a cost-efficient basis.

The unique agreement with Garanti Bank to use the Bonus Card brand is an excellent example of the rational and cost-focused business expansion emphasis of DenizBank. While other banks are spending exorbitant sums to develop their own credit card brands, systems and clients, DenizBank wisely decided to avoid the large investment cost of such a product by tying-in with a market leading company. In addition to the continued increase in credit card services, the bank expects to increase cross-selling figures of two products per customer via credit card link as well as internal sales incentive schemes and customer relationship management products that are under development.

Retail banking remains a major driver of growth…

The retail lending business continues to expand rapidly, particularly on the lending side, with retail loans excluding credit cards growing by 206% from YTL274 million at year-end 2004 to YTL840 million at year-end 2005, excluding credit card loan growth. Including credit cards, retail loans grew by a more modest, but still strong, 115%. While spreads on these loans continue to decline across the market, retail loans still generate higher returns than the bank's corporate and commercial lending business. Other than credit cards, which suffer from high rates of delinquency across the Turkish banking sector, Denizbank's retail loan portfolio benefits from a very low ratio of low non-performing loans.

…but auto and housing loans are now growing more rapidly than credit cards

Retail lending accounted for just below 20% of total credit exposure at year-end 2005, up from 17% in 2004 and 11% in 2003. Although credit card volume continues to grow at a relatively strong pace, growth in auto, housing and general consumer loans has been much more rapid. As a result, the proportion of credit cards in the total retail portfolio has declined from nearly 60% at the end of 2003 to 31% at the end of 2005. Given the uncertainty surrounding the credit card business in Turkey stemming from the introduction of the new credit card law earlier this year, as well as the high rates of delinquency in Denizbank's credit card portfolio, Moody's views the relative reduction of the credit card loan portfolio as prudent from a credit risk perspective.

At the same time, rapid expansion into auto and the relatively untested housing loan market is not without risk. In Turkey, such loans are typically made for tenors far in excess of the banks' relatively short-term funding base, and by law are made at fixed rates of interest, introducing considerable interest-rate risk into the balance sheet.

Impact of new credit card law expected to be relatively minor for Denizbank

Promulgated in March 2006, with portions becoming effective at various dates between March 2006 and March 2007, the new credit card law introduces some new uncertainty and risk into the banks' credit cards operations. There is still considerable disagreement in the market as to the full impact of the law, but there is general consensus that it will lead to marginally higher costs, particularly marketing expenses, for card issuers, while it may reduce non-performing credit card loans, as it introduces minimum payment percentages and some limitations regarding consumers' aggregate credit card indebtedness. In addition, the Central Bank will gain the authority to set interest rate caps on credit card interest. Combined with the general decrease in interest rates, this should lead to lower margins on credit cards, and may negatively affect the banks' ability to effectively risk-price their credit cards. Finally, the law introduces a debt restructuring programme for accounts that are delinquent by more than 120 days. While this may reduce the total income earned from these customers by erasing some accrued interest and penalties, it may also produce gains from recoveries of provisions, as many of these accounts are already fully or partially provisioned.

According to Denizbank, its internal minimum payment ratio has been set at the new 20% regulatory requirement for some time, while the interest rates it charges on credit card balances are below the maximum rate established by the Central Bank. Moreover, with credit card loans representing only 6% of Denizbank's total loan book, and less than 10% of net income, we do not anticipate any major effects, positive or negative, on the bank as a result of the implementation of this law. However, we do expect reduced profitability on the bank's credit card portfolio going forward, as the effects of this law, increased competition, and general spread compression decrease credit card profitability across the sector.

Non-bank subsidiaries generate value-added as market leaders in their respective industries

Unlike other banks in Turkey, all of the bank's subsidiary investments are in finance-rated sectors. DenizBank's brokerage and investment security houses (Deniz Invest and Expres Invest) together have the largest market share on the Istanbul Stock Exchange, with 8.1% of total trading volumes, according to Deniz. Concurrently, Deniz Portfolio Management, a subsidiary of Deniz Invest, sponsors seven mutual funds and has over USD415 million in assets under management.

Denizbank acquired 100% of the shares of Deniz Factoring and Deniz Leasing from the Zorlu Group in 2005, as part of the group's strategy to place all financial subsidiaries under the bank. Deniz Leasing and Deniz Factoring are both among the top companies in their respective industries in Turkey. Deniz Leasing's market share by leasing volume has increased steadily from just 1.1% in 2002 to 4.5% in 2005, while Deniz Factoring is the fourth-largest factoring company in Turkey with a 6.4% market share.

Denizbank's local currency rating is derived from its intrinsic financial strength

First assigned in 2005, the bank's Baa3 local currency rating is derived from the intrinsic financial strength of the institution only. Following the removal of the blanket guarantee on uninsured depositors, we are of the opinion that only the four largest private banks, as well as the state-owned and quasi-governmental banks, will henceforth be considered as "too-important-to-fail" by the Turkish authorities. Therefore, although Denizbank currently has no need for government support, should such support become necessary in a hypothetical stress situation, we consider that its likelihood and timing would be uncertain.

Potential ownership changes may have positive implications for Denizbank's local currency deposit ratings

Denizbank's majority owner, the Zorlu Group, has announced that it is exploring the possibility of selling some, or all, of its 75% stake in Denizbank. Such a sale may have positive implications for the bank's ratings. Currently capped by the ceiling for such deposits in Turkey, the B1/NP foreign currency deposits would not increase due to the sale of the bank. Any change to Denizbank's D+ Financial Strength Rating (FSR) is more of a medium-term possibility and would not be likely to happen simply as a result of change in control. The Baa3/P-3 local currency ratings could, however, see an immediate upgrade once any such a deal is finalised and has received all necessary approvals, depending on Moody's assessment of the creditworthiness of the acquiring institution and the particularities of the transaction.

Financial Fundamentals

Solid asset quality is bolstered by high levels of provisioning

At just 2.2% of gross loans, gross NPL figures compare relatively well to those of the other Turkish banks. DenizBank's asset quality is complemented by aggressive and tax cash-efficient loan-loss provisioning policies. Strict credit granting and monitoring programmes augment the credit quality spectrum. Corporate, commercial and SME loans become non-accrual after three months of non-performance, while retail loans are non-accrual after one month of non-performance. High provisioning levels provide added comfort, as specific provisions cover 91% of NPLs; adding in general provisions brings the coverage to 106%. Loan-loss provisions of 100% are generally taken in the quarter of non-performance. DenizBank's strong asset quality supports its FSR; any material decline in asset quality would place significant negative pressure on the FSR.

Strong risk management systems should help minimise the likelihood of asset quality deterioration

Risk management is well developed and properly focused from a credit quality perspective. That is to say, unlike most other banks operating in Turkey that focus their loss-aversion relative to their earnings, DenizBank focuses on capital at risk. The bank aims to maintain its operations without any need for fresh capital injections, even under severe crisis conditions, by limiting possible credit, market and operational risks so that their impact would not permit a breach of an 8% capital adequacy ratio under Basle II norms.

Although lower than other Turkish banks, Denizbank's recurring earning power remains at healthy levels, and its earnings quality shows improvement

At 2.88%, the bank's recurring earning power stands below the average of its mid-size peer banks, and it has been on a steady decline over the past four years, as growth in operating income has not kept pace with the bank's rapid expansion of its asset base. Excluding all trading and investment gains and losses in addition to non-recurring items reveals an earning power that is significantly improved relative to 2002, but has declined relative to 2004. At the same time, we recognise that the bank's earnings quality has improved relative to 2002 and 2003, with income from trading and investment gains accounting for only 16% of pre-provision income at year-end 2005, compared with 36% and 83% in 2003 and 2002, respectively. Net fees and commissions generated 42% of pre-provision income at year-end 2005, compared to just 27% at year-end 2002.

The bank continues to suffer from a lower net interest margin than most of its peers, resulting from its higher proportion of lower margin corporate and commercial lending. This has been compounded over the past two years by sharply higher spending on branches and personnel. Bottom line profits for the last few years have been on an uptrend however, as improvements in asset quality have allowed Denizbank to record lower provisions while still enjoying an NPL coverage ratio greater than 100%.

DenizBank's demonstrated ability to generate profits, even in times of economic difficulty (it was one of a handful of Turkish banks that did not record a net loss following the economic crisis in 2001) has been one of the strengths supporting the rating. Significant declines in Denizbank's core profitability would be likely to place significant negative pressure on the FSR.

Cost efficiency remains relatively good, although it is showing signs of strain from the bank's rapid growth

Previously benefiting from some of the best cost indicators among Turkish banks, Denizbank's relatively rapid branch and human resource expansion over the past two years has placed its operating cost efficiency under a degree of strain. Between the end of 2003 and the end of 2005, Denizbank added 71 branches to its network and 1,819 employees to its headcount. To put this growth in perspective, during the same period, only the much-larger Garanti Bank added more branches than Denizbank, while Finansbank and Garanti alone added more personnel. As a result of this substantial growth in headcount and infrastructure, the bank's cost-to-income ratio increased from 44.1% at year-end 2002 to 57.6% at year-end 2005. Still, despite the marked deterioration, we recognise that by most measures, Denizbank's efficiency remains on a par with most of its peer group of mid-sized private banks.

As the branch network matures, gains in scale should translate into improved efficiency

At the same time, the bank's branch network is relatively young compared to that of the more established Turkish banks, and it is considerably larger than those of the other mid-size banks with the exception of Oyak Bank. This large network entails considerable overhead expense, and the bank is not yet benefiting from the full scale economies of leveraging its branch network. As a result, the efficiency of Denizbank's branch network, measured as loans or deposits per branch, trails that of most other large and medium sized private Turkish banks. As the network matures, we expect branch-level efficiency to exceed the average for loans per branch and contribute to meaningful reduction in the cost-to-income ratio. Exceeding the average for deposits per branch will remain a challenge for all Turkish mid-sized banks due to the significant deposit-gathering advantage of the large public and private banks stemming from their extensive branch networks and public perceptions of safety.

Continued migration to advanced alternative delivery channels should further mitigate increases in overhead expenses

At the same time, Denizbank benefits from relatively advanced alternative distribution channels (ADCs) that include an Internet banking connection and a call centre. These operations generate significant cost savings, although the vast majority of transactions still take place through the bank's growing branch network. Clearly identified management tracking programmes and price differentiation should assist DenizBank with increasing ADC transaction volumes. Successful migration of increasing transaction volumes to ADCs, combined with other planned and soon-to-be-implemented technology upgrades, should lead to further efficiency gains, exerting positive pressure on the bank's FSR.

High related-party exposure remains a concern, particularly given recent resurgence in cash lending to parent group companies

Overall lending exposure (cash and non-cash loans) to the Zorlu Group reached 27% of equity at year-end 2005, down from 53% at year-end 2003. While this is still fairly high, our concerns are partially mitigated by the non-cash nature of much of the exposure, as 60% is in the form of guarantees and letters of credit, and by the large deposit balances of group companies held at the bank, and by the fact that these levels have consistently come down over the past few years. Denizbank reports relatively low cash loan exposure to related parties, amounting to YTL108 million (9.6% of equity) or 1.7% of cash lending at year-end 2005. Further, Denizbank reports that YTL66.4 million of the cash exposure is against cash cover, further reducing the related-party cash loans to 0.7% of total loans and 3.7% of equity. According to unaudited results for the first quarter of 2006, cash lending to related parties increased in the first quarter, rising to YTL167 million, representing 2.3% of cash loans and 14.5% of total equity. Netting off cash cover reduces these ratios to 0.9% and 5.7%, respectively.

DenizBank also holds shares in a related company, Zorlu Enerji (Zoren), with 41% at year-end 2005, which declined to 39.8 in the first quarter of 2006. This holding represented 17.4% of equity at year-end 2005, with approximately one-third classified as trading securities and the rest as available for sale. Marked-to-market on a daily basis, this holding introduces a degree of volatility in reported earnings and equity, while reducing free capital. Adding this exposure to the cash and non-cash loan exposure to related companies raises Denizbank's total exposure to Zorlu Group companies to 44% of the bank's equity at year-end 2005, a relatively high level. The table below shows the recent evolution of the total exposure (cash loans, non-cash loans and ownership of Zoren equity) to Zorlu companies, excluding and including cash cover.

Table 1:

Exposure to Zorlu Group as a % of Denizbank's equity

	1Q 2006	4Q 2005	4Q 2004
Total Zorlu Exposure % Equity	43.9%	44.0%	50.3%
Total Zorlu Exposure less Cash Cover % Equity	35.1%	38.1%	50.3%

While we recognise the non-cash, short-term nature (up to 6 months) of the bulk of Denizbank's exposure to Zorlu Group companies, we remain concerned given the size of the total exposure relative to the bank's equity that translates into a relatively high degree of sensitivity to the financial condition of Zorlu Group companies. Moreover, the exposure is once again becoming more heavily weighted toward cash exposures. Any material increase in the bank's exposure to its parent would be likely to place significant downward pressure on its FSR.

Turkish government exposure remains high by international standards, but well below the level of other Turkish banks

Like most Turkish banks, Denizbank retains a relatively large exposure to the B1-rated Turkish government through the Turkish government securities on the balance sheet.

- 11% of the bank's assets were invested in Turkish government securities at year-end 2005, which fell further to 8.5% of total assets in the first quarter of 2006. This exposure has declined significantly over the past few years and is well below the weighted average for the Turkish commercial banks, a factor view positively.
- 27% of total interest income is earned on these assets. Although high, this is below average for the Turkish banking sector.

Liquidity profile appears adequate, although strong loan growth has resulted in deteriorating liquidity indicators

According to the bank's consolidated IAS results, net loans increased by 47% between year-end 2003 and 2004, and by another 87% between year-end 2004 and 2005. At the same time, customer deposits rose by 23% between 2003 and 2004, and 33% between 2004 and 2005. As a result of this mismatch in growth rates, the ratio of net loans to customer deposits increased from 52% at year-end 2003, to 88% at year-end 2005. While the bank's growth in lending mirrors a general trend across the Turkish sector and is admittedly rising from a rather low base, we are concerned by the extremely rapid pace of lending growth at some banks, including Denizbank.

Due to Denizbank's security portfolios, significant deposits with banks and ample cash balances, liquid assets are on the high side, in the range of 44% of total assets. Although the proportion of liquid assets to total assets has declined over the past two years, Denizbank's balance sheet retains a good degree of liquidity. Moreover, Denizbank's core liquidity[1] ratio remains adequate at 16%, implying that Denizbank could cover a relatively large deposit outflow with its highly liquid net assets before resorting to liquidity from securities or less liquid assets.

Following strong growth in 2005, the proportion of funding from customer deposits declined as the bank raised significant funds from market sources. Approximately 67% of total funding comprised customer deposits at year-end 2005, down from 76% at year-end 2004. Currently, about 45% of customer deposits are sourced from retail customers, with approximately 22% from corporate clients, 20% from commercial clients, and the remaining 13% from the bank's growing SME customer base.

Free capital and regulatory capital levels remain relatively high, though now challenged by rapid loan growth

Denizbank's comparatively low level of intangible assets, lack of significant equity participations, good coverage of non-performing assets and low levels of related-party cash lending, lead to high levels of free capital and a ratio of free capital to assets of just less than 7%, which is relatively high for the Turkish banking sector, although we note that most Turkish banks' free capital levels have improved substantially relative to 2002-2003. Although Denizbank's absolute level of free capital increased by approximately 36%, the ratio of free capital to total assets actually declined slightly relative to year-end 2004 following the bank's rapid asset growth.

Regulatory capital was also more than adequate, with the bank's risk-weighted capital adequacy ratio at 14.7% at year-end 2005. According to the bank's projections, implementation of Basel II rules would have decreased this level by slightly less than two percentage points. Denizbank's healthy free and regulatory capital levels represent an important factor underpinning its FSR. However, we note that the bank's risk-weighted capital ratio has declined considerably over the past two years, a fact that we do not view favourably, as we continue to believe that the high potential for volatility in Turkey warrants a higher level of capital than would be the case in more mature markets. Continued deterioration in these indicators will place negative pressure on the FSR.

1. *Defined here as [Cash + balances with the central bank + net interbank balances] / Customer deposits.*

Appendix 1: Issuer Profile

Denizbank (Turkey)

History and Ownership of DenizBank

DenizBank was founded in 1938 as a state-owned bank endowed with a mission of supporting and financing the growth of Turkey's maritime industry. In 1992, DenizBank was merged with Emlakbank, another state-owned financial institution. In 1997, DenizBank was de-merged from Emlakbank, and privatised as a separate entity. Zorlu Holding acquired DenizBank from the Privatisation Authority in September 1997. Since 1997, DenizBank has grown organically, as well as through the acquisition of selected branches from various SDIF-controlled banks, Esbank AG Wien (name later changed to Denizbank AG), Iktisat Bank Moscow (name later changed to Denizbank Moscow) and by the absorption of Tarisbank in late 2002. In September 2004, 25% of Denizbank's equity became publicly listed on the Istanbul Stock Exchange following an IPO.

Overview of the Zorlu Holding Group

DenizBank is 75%-owned and controlled by the Zorlu Group, one of the largest conglomerates in Turkey. Founded in the 1950s, the group began as a home textile producer. Zorlu Holdings grew significantly in the 1990s, beginning with the acquisition of Vestel Electronics in 1994, Zorlu Energy in 1996, and DenizBank the following year. Today, the group employs approximately 30,000 people, and comprises 65 individual companies organised in four main business segments:

1. Financial Services - DenizBank Financial Services Group (DFS), including commercial banking, investment management and brokerage services, leasing, factoring, credit cards, and information systems.
2. Electronics and white goods - Vestel Electronics has a 25% market share in the European TV market and comprises 62% of Turkey's TV exports. It is rated Ba3 by Moody's, piercing the sovereign ceiling. Vestel White Goods has a 20% market share in refrigerators and a 20% market share in air conditioners in Turkey.
3. Home Textiles - Textile production has five foreign manufacturing operations (in Johanessburg, France, USA, Iran and Turkmenistan) that complement the three manufacturing companies in Turkey - Korteks Zorlu Linen, and Zorlu Hometeks as well as nine marketing subsidiaries located in Europe, the USA and the UK. The Zorlu Group textile business claims to be the world's second-largest cotton-based home textile producer with a 60% domestic market share, and the world's sixth-largest polyester yarn producer with a 55% domestic market share.
4. Power generation - Zorlu Enerji has a 1.5% market share in Turkey's energy markets overall and a 15% market share in non-state power producers. With 211 MW of electricity and 150 tons of steam production capacity, it services 240 industrial establishments in Turkey. Three energy plants are under construction, which will bring total electric capacity to 387.5 MW.

DenizBank's Main Subsidiaries / Affiliates

Commercial Banking

- Denizbank A.G. Wien (Austria)
- Denizbank Moscow (Russia)

Investment and Brokerage

- Deniz Investment and Securities (which has the two operating subsidiaries listed below)
  - Deniz Investment and Trust Co.
  - Deniz Portfolio Management
- Ekspres Invest
- Deniz Turev Securities Inc.

Leasing and Factoring

- Deniz Factoring
- Deniz Leasing

Services

- Intertech

DenizBank's Market Shares (Bank Only)

The bank's approximate market shares (bank only) of the total Turkish banking system at year-end 2005:

- 3.0% of cash loans
- 3.0% of consumer loans
- 2.3% of credit card issuing volume
- 2.1% of credit card loans
- 2.0% of customer deposits
- 2.2% of total assets

DenizBank's Distribution Network

At year-end 2005, Denizbank's distribution network included 236 banking branches in Turkey and 1 international branch (Bahrain), 38,000 POS terminals, 301 of its own ATM's and access to 4,658 ATM's (on the Ortak Nokta network shared by 13 banks), Internet banking, and a call centre. Internationally, Denizbank AG (Vienna) has 7 branches in Austria and 2 in Germany, while Denizbank Moscow is a uni-branch operation.

DenizBank's Staff Numbers

At year-end 2005, the group employed 5,724 people in total, of which 5,059 were employed by the bank.

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Related Research

Banking Statistical Supplement:

Turkey, November 2005 (94981)

Banking System Outlook:

Banking System Outlook: Turkey, January 2005 (91065)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Denizbank

	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01
Summary Balance Sheet (YTL millions)					
Cash & central bank	776	714	473	376	305
Due from banks	2,654	1,808	1,259	699	501
Government Securities	1,426	1,680	1,950	1,646	421
Trading Securities	390	390	286	265	500
Investment Securities	139	98	146	--	178
Other Liquid Assets	--	--	--	--	--
Gross loans	6,305	3,405	2,338	1,500	583
Loan loss reserves (LLR)	(144)	(119)	(100)	(80)	(29)
Net Loans	6,161	3,286	2,238	1,421	554
Equity in affiliates	--	--	--	11	7
Fixed assets	134	126	110	90	47
Other assets	239	172	244	52	172
Total assets	11,918	8,273	6,705	4,560	2,684
Total assets (USD million)	8,799	6,108	4,951	3,367	1,982
Customer deposits	7,001	5,274	4,276	3,699	1,910
Due to banks	2,338	1,688	1,482	253	145
Borrowings	1,019	--	--	--	266
Other liabilities	436	395	287	130	80
Total liabilities	10,795	7,358	6,045	4,082	2,401
Subordinated loan capital	0	0	0	0	0
Minority interest	0	0	2	2	0
Supplementary Capital	129	143	155	0	0
Shareholders' equity	994	772	504	477	283
Total capital funds	1,124	915	660	478	283
Total liabilities & capital funds	11,918	8,273	6,705	4,560	2,684
Derivatives - notional amount	—	—	—	—	—
Derivatives - replacement value	—	—	—	—	—
Risk weighted assets (RWA)	—	—	—	—	—
Contingent liabilities	3,969	3,287	2,350	1,586	764

	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01
Summary Income Statement (TL millions)					
Interest income	1,018	852	764	651	523
Interest expense	(504)	(471)	(534)	(448)	(340)
Net interest income	514	381	230	203	182
FX income	(30)	8	57	(74)	(178)
Trading income	16	(1)	47	152	111
Fees & commissions	147	118	98	49	23
Other operating income	37	68	75	0	17
Total non interest income	170	193	276	127	(27)
Operating income	684	575	506	330	156
Personnel expenses	(201)	(147)	(108)	(61)	(28)
Other operating expenses	(154)	(162)	(133)	(68)	(27)
Operating funds flow	329	265	264	202	101
Amortisation/depreciation	(39)	(30)	(27)	(17)	(5)
Total non-interest expense	(394)	(339)	(268)	(146)	(60)
Preprovision income (PPI)	290	236	238	185	96
Loan loss provisions (LLP)	(38)	(32)	(50)	(54)	(19)
Non operating income	45	(54)	(48)	(77)	(77)
Pretax income	297	149	139	53	(1)
Taxes	(75)	(8)	(50)	13	3
Net income	222	141	89	66	3
Minority interests	(0)	(0)	1	0	--
Net income (group share)	222	141	90	66	3
Dividends	—	—	—	—	—
Transfers to capital reserves	(222)	(141)	(90)	(66)	(3)
Other adjustments	—	—	—	—	—

Denizbank

	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01
Summary Balance Sheet - Growth (%)					
Cash & central bank	8.72	50.83	25.76	23.36	57.94
Due from banks	46.80	43.64	80.06	39.39	--
Government Securities	-15.09	-13.86	18.49	291.16	155.93
Trading Securities	-0.11	36.41	7.79	-46.92	97.47
Investment Securities	42.35	-33.12	—	—	3.45
Other Liquid Assets	—	—	—	—	—
Gross loans	85.15	45.64	55.84	157.19	44.83
Loan loss reserves (LLR)	20.86	18.68	25.61	173.70	112.95
Net Loans	87.48	46.85	57.54	156.33	42.43
Equity in affiliates	—	—	—	73.63	37,158.82
Fixed assets	6.20	14.44	21.67	92.07	8.11
Other assets	38.94	-29.37	371.35	-69.89	3.23
Total assets	44.06	23.38	47.04	69.88	94.30
Total assets (USD)	44.06	23.38	47.04	69.88	94.30
Customer deposits	32.75	23.34	15.60	93.64	271.28
Due to banks	38.47	13.93	486.27	74.47	238.23
Borrowings	—	—	—	—	-28.15
Other liabilities	10.39	37.65	120.47	63.20	-73.20
Total liabilities	46.71	21.71	48.09	70.00	95.90
Subordinated loan capital	—	—	—	—	—
Minority interest	35.29	-96.73	36.98	—	—
Supplementary Capital	-9.67	-7.60	166,201.12	—	—
Shareholders' equity	28.75	53.37	5.68	68.31	82.57
Total capital funds	22.75	38.61	38.10	68.88	81.77
Total liabilities & capital funds	44.06	23.38	47.04	69.88	94.30
Derivatives - notional amount	—	—	—	—	—
Derivatives - replacement value	—	—	—	—	—
Risk weighted assets (RWA)	—	—	—	—	—
Contigent liabilities	20.74	39.88	48.18	107.54	51.03
Summary Income Statement - Growth (%)					
Interest income	19.45	11.53	17.38	24.57	114.37
Interest expense	7.04	-11.89	19.25	31.74	234.92
Net interest income	34.76	65.97	13.27	11.20	28.29
FX income	-465.38	-85.55	-176.73	-58.35	125.70
Trading income	-1,320.76	-102.87	-69.39	37.68	16.72
Fees & commissions	24.97	19.78	100.56	108.95	21.81
Other operating income	-46.28	-8.17	7,134,500.00	-99.99	3,511.91
Total non interest income	-11.78	-30.10	116.82	-577.35	-174.48
Operating income	19.11	13.52	53.23	112.13	-12.54
Personnel expenses	36.27	36.21	78.94	118.70	1.95
Other operating expenses	-4.65	21.33	96.83	148.27	-32.31
Operating funds flow	24.07	0.28	30.89	100.53	-8.88
Amortisation/depreciation	31.08	11.23	51.96	239.98	-14.12
Total non-interest expense	16.27	26.34	84.02	142.50	-18.17
Preprovision income (PPI)	23.20	-0.95	28.90	93.03	-8.58
Loan loss provisions (LLP)	18.30	-35.24	-7.89	179.70	86.48
Non operating income	-183.50	11.28	-37.52	0.84	111.93
Pretax income	98.62	7.14	163.91	-10,571.22	-100.87
Taxes	806.35	-83.59	-490.55	318.63	-112.23
Net income	57.42	57.95	36.13	2,467.24	-92.23
Minority interests	216.67	-101.17	30.32	--	--
Net income (group share)	57.42	57.05	36.10	2,482.60	-92.22

Denizbank

	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01
Balance Sheet - % of Total Assets					
Cash & central bank	6.51	8.63	7.06	8.25	11.36
Due from banks	22.27	21.85	18.77	15.33	18.68
Government Securities	11.97	20.30	29.08	36.09	15.67
Trading Securities	3.27	4.71	4.26	5.82	18.61
Investment Securities	1.17	1.18	2.18	—	6.63
Other Liquid Assets	—	—	—	—	—
Gross loans	52.90	41.16	34.87	32.90	21.73
Loan loss reserves (LLR)	-1.21	-1.44	-1.49	-1.75	-1.09
Net Loans	51.69	39.72	33.37	31.15	20.65
Equity in affiliates	—	—	—	0.25	0.25
Fixed assets	1.12	1.52	1.64	1.98	1.75
Other assets	2.01	2.08	3.63	1.13	6.39
Customer deposits	58.74	63.75	63.77	81.11	71.16
Due to banks	19.62	20.41	22.10	5.54	5.40
Borrowings	8.55	—	—	—	9.92
Other liabilities	3.66	4.78	4.28	2.86	2.97
Total liabilities	90.57	88.94	90.15	89.51	89.45
Subordinated loan capital	—	—	—	—	—
Minority interest	0.00	0.00	0.03	0.03	—
Supplementary Capital	1.08	1.73	2.31	0.00	—
Shareholders' equity	8.34	9.34	7.51	10.45	10.55
Total capital funds	9.43	11.06	9.85	10.49	10.55
Income Statement - % of Average Assets					
Interest income	10.08	11.38	13.57	17.97	25.71
Interest expense	-4.99	-6.29	-9.49	-12.37	-16.73
Net interest income	5.09	5.09	4.08	5.60	8.98
FX income	-0.30	0.11	1.01	-2.04	-8.74
Trading income	0.16	-0.02	0.83	4.21	5.45
Fees & commissions	1.46	1.57	1.75	1.35	1.16
Other operating income	0.36	0.91	1.32	0.00	0.83
Total non interest income	1.69	2.58	4.91	3.52	-1.31
Operating income	6.78	7.67	8.99	9.12	7.66
Personnel expenses	-1.99	-1.97	-1.92	-1.67	-1.36
Other operating expenses	-1.53	-2.16	-2.37	-1.87	-1.34
Operating funds flow	3.26	3.54	4.70	5.58	4.96
Amortisation/depreciation	-0.38	-0.39	-0.47	-0.48	-0.25
Total non-interest expense	-3.90	-4.53	-4.76	-4.03	-2.96
Preprovision income (PPI)	2.88	3.15	4.22	5.10	4.70
Loan loss provisions (LLP)	-0.38	-0.43	-0.89	-1.50	-0.96
Non operating income	0.44	-0.72	-0.86	-2.13	-3.77
Pretax income	2.94	2.00	2.48	1.46	-0.02
Taxes	-0.74	-0.11	-0.89	0.35	0.15
Net income	2.20	1.89	1.59	1.81	0.13
Minority interests	0.00	0.00	0.01	0.01	--
Net income (group share)	2.20	1.89	1.60	1.82	0.13
Income Statement - % of Operating Income					
Interest income	148.73	148.31	150.95	197.04	335.54
Interest expense	-73.63	-81.93	-105.55	-135.63	-218.39
Net interest income	75.09	66.37	45.40	61.41	117.15
FX income	-4.38	1.43	11.22	-22.40	-114.09
Trading income	2.39	-0.23	9.22	46.13	71.08
Fees & commissions	21.52	20.52	19.44	14.85	15.08
Other operating income	5.37	11.91	14.73	0.00	10.78
Total non interest income	24.91	33.63	54.60	38.59	-17.15
Operating income	100.00	100.00	100.00	100.00	100.00
Personnel expenses	-29.36	-25.67	-21.39	-18.32	-17.77
Other operating expenses	-22.57	-28.19	-26.37	-20.53	-17.54
Operating funds flow	48.07	46.15	52.24	61.15	64.69
Amortisation/depreciation	-5.66	-5.14	-5.25	-5.29	-3.30
Total non-interest expense	-57.59	-58.99	-53.01	-44.14	-38.61
Preprovision income (PPI)	42.41	41.01	46.99	55.86	61.39
Loan loss provisions (LLP)	-5.61	-5.65	-9.90	-16.47	-12.49
Non operating income	6.56	-9.35	-9.54	-23.40	-49.23
Pretax income	43.36	26.00	27.55	16.00	-0.32
Taxes	-10.88	-1.43	-9.89	3.88	1.97
Net income	32.48	24.57	17.66	19.88	1.64
Minority interests	0.00	0.00	0.10	0.12	--
Net income (group share)	32.48	24.57	17.76	20.00	1.64

Denizbank

	12/31/05	12/31/04	12/31/03	12/31/02	12/31/01
Profitability Indicators					
Return on Average Assets (%)	2.20	1.89	1.59	1.81	0.13
Return on Shareholders' Equity - period end (%)	22.35	18.28	17.86	13.86	0.90
Recurring Earning Power 1	2.88	3.15	4.22	5.10	4.70
PPI (%) Avg Total Capital Funds	28.48	29.91	41.79	48.49	43.57
Interest Expense (%) Interest Income	49.51	55.25	69.93	68.83	65.09
Interest Income (%) Avg Interest Earning Assets 2	11.13	12.76	15.15	20.69	32.92
Interest Expense (%) Avg Interest Bearing Liabilities 3	5.82	7.40	11.01	14.29	20.94
Net Spread (%) 4	5.31	5.36	4.14	6.40	11.98
Net Interest Margin (%) 5	5.62	5.71	4.56	6.45	11.49
Non-Interest Income (%) Operating income	24.91	33.63	54.60	38.59	-17.15
Income Tax (%) Pre-tax Income	25.10	5.50	35.90	-24.26	606.83
Efficiency Indicators					
Non-Interest Expense (%) Avg Assets	3.90	4.53	4.76	4.03	2.96
Cost-to-income Ratio (%) 6	57.59	58.99	53.01	44.14	38.61
Personnel Expenses (%) Avg Assets	1.99	1.97	1.92	1.67	1.36
Personnel Expenses (%) Operating Income	29.36	25.67	21.39	18.32	17.77
Personnel Expenses (%) Non Interest Expense	50.99	43.51	40.35	41.50	46.02
Liquidity Indicators					
Net Loans (%) Customer Deposits	88.00	62.31	52.34	38.40	29.01
Net Loans (%) Total Deposits 7	65.97	47.20	38.87	35.95	26.97
Average Net Loans (%) Average Customer Deposits	76.96	57.84	45.87	35.20	38.90
Liquid Assets 8 (%) Total Assets	44.01	55.49	59.17	65.48	64.33
Customer Deposits (%) Total Deposits	74.97	75.75	74.26	93.60	92.95
Customer Deposits / Shareholders' Equity (Times)	7.04	6.83	8.49	7.76	6.75
Due from Banks (%) Due to Banks	113.51	107.07	84.93	276.51	346.11
Loan Portfolio Quality Indicators					
Average Net Loans (%) Average Assets	46.79	36.88	32.47	27.26	23.20
Problem Loans (%) Gross Loans	2.14	3.51	4.74	4.99	10.99
Problem Loans (%) (Shareholders' Equity + LLR)	11.87	13.39	18.35	13.47	20.53
(Problem Loans - LLR) (%) Shareholders' Equity	-0.87	0.05	2.10	-1.02	12.34
Loan Loss Reserve (%) Gross Loans	2.28	3.49	4.29	5.32	5.00
Loan Loss Provision (%) Pre-Provision Income	13.22	13.77	21.06	29.48	20.34
LLP (%) (Loan Loss Reserve - LLP)	36.44	37.52	99.99	214.32	200.51
Loan Loss Provision (%) Gross Loans	0.61	0.95	2.14	3.63	3.33
Related-party assets (%) Equity	10.89	3.08	6.69	21.73	17.85
Related-party liabilities(%) Equity	66.10	77.89	20.80	2.91	0.52
Related-party loan commitments (%) Equity	19.14	30.62	58.99	51.53	80.19
Capitalisation Indicators					
Capital Adequacy Ratio (%) 9	14.69	17.83	18.30	18.81	21.00
Shareholders' Equity (%) Total Assets	8.34	9.34	7.51	10.45	10.55
Shareholders' Equity (%) T. Assets + Contingent Liabilities	6.26	6.68	5.56	7.75	8.21
Total Capital funds (%) Total Assets	9.43	11.06	9.85	10.49	10.55
Total Capital (%) T. Assets + Contingent Liabilities	7.07	7.92	7.29	7.78	8.21
Shareholders' Equity (%) Total Capital funds	88.50	84.38	76.26	99.66	100.00
Contingent Liabilities (%) Total Assets	33.30	39.73	35.04	34.78	28.47
"Free" Capital 10 (%) Sharehoders' Equity	86.56	83.71	78.16	78.62	81.04
Dividend Payout (%) 11	—	—	—	—	—
Internal Capital Growth (%) 12	28.78	28.04	18.76	23.20	1.65

Notes:
[1] Recurrning Earning Power = Preprovision Income (%) Average Total Assets
[2] Interest Earning Assets = Central Bank + Due from Banks + Government Securities + Trading Securities + Investment Securities + Net Loans
[3] Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital
[4] Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities
[5] Net interest margin = Net Interest Income (%) Average Earning Assets
[6] Cost to Income Ratio = Total non interest expense (%) Operating income
[7] Total deposits = Customer deposits + Due to banks
[8] Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets
[9] Consolidated Total Capital Adequacy Ratio as Reported in BRSA Financial Statements
[10] Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates
[11] Dividend Payout = Dividents (%) Net Income
[12] Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity

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