

**From:** DenizBank Investor Relations and Financial Communication Department

**Subject:** Purchase of Denizbank AG Shares

**Date:** 14 August 2013

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Regarding the resolution dated 12 August 2013, the Board of Directors has decided to purchase the share that Deniz Finansal Kiralama A.Ş. owns at our Bank's subsidiary DenizBank AG for EUR 58.748.593 which corresponds to the share amount of 7.8227% of the company value determined as a result of the appraisal made and to authorize the Head Office for all transactions and payments to be made related to the share purchase. Summary of the valuation report is represented as an attachment.

We hereby declare that the above statement conforms to the principles set forth in the Regulation Series VIII Nr. 54 of the Capital Markets Board, that it reflects all information we received in connection with this matter, that the information is in accordance with our books and records, that we spent all efforts to obtain accurate and complete information about this matter and that we are responsible for the declarations made in these regards.

Sincerely yours,  
Denizbank A.Ş.

# Denizbank AG

## Valuation Report



10 July 2013

In this report we present our valuation of Denizbank AG, which is a 92% directly owned subsidiary of Denizbank based in Austria. We calculate the target value for 100% of Denizbank AG between a range of EUR825mn and EUR678mn (between a range of 1.37x and 1.14x P/B). We take the mean of our valuation range as our base case which is EUR751mn (1.25x P/B).

Our main P&L forecasts are as follows:

- **Cost to income ratio (C/I):** We consider that Denizbank AG has unique positioning on it can lever its profitability. Mainly, most of the Banks's loan book is coming from its parent. Hence, the Bank does not have to increase its operating cost base to increase its balance sheet. This operational leverage opportunity is the fundamental source of the increase in the Bank's ROE in coming years. We have assumed C/I ratio to gradually drop to a sustainable 15% - 17% range by 2017.
- **Cost of risk (CoR):** Another unique offering of Denizbank AG is its low cost of risk. Most of the NPLs are transferred to parent level and provisioned there. Hence, we have assumed a sustainable gross CoR of ca.55bps for the Bank.
- **Net interest margin (NIM):** In our models we have assumed a sustainable NIM of ca. 1.9% for the bank.
- **Return on equity (ROE):** With more efficient capital utilization (leverage multiple increasing to 12x - 13x range by 2017 from current 11.2x) and slight NIM improvement by ca. 20bps, we expect the Bank to generate ROE within 14% - 15% range.

Our main balance sheet forecasts are as follows:

- **Capital increase:** Denizbank is planning to make a capital injection of EUR160mn via two equal tranches to Denizbank AG within 2013. Accordingly, we expect the Bank's CAR ratio to increase to 12%, thereafter gradually declining to 8.5% - 9.0% range. The capital injection will unlock strong loan growth potential for the Bank.
- **Loan growth:** We expect Denizbank AG's loan book to grow with a CAGR of 30% - 27% between 2012 and 2017. Growth is mainly funded with deposit growth. We expect a slight increase in LDR from 95% in 2012 to 100% by 2017.

We have used two valuation models in determining a valuation range for Denizbank AG; EVA and Gordon Growth model. While latter method is quite practical the latter gives the advantage of incorporating the value created during the explicit forecasting period. Our blended valuation is achieved by giving equal weights to both methods.

### Denizbank AG Valuation Summary (EURmn)

	Target Value (EURmn)	Target Price (EUR / Share)	Target P/B multiple
Scenario 1	825	4,689	1.37
Scenario 2	678	3,855	1.14
<b>Mean of the valuation range</b>	<b>751</b>	<b>4,270</b>	<b>1.25</b>

Source: Ekspres Invest Research