

## Denizbank A.S.

## Full Rating Report

## Ratings

## Foreign Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

## Local Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

## National

Long-Term Rating	AA+(tur)
Viability Rating	bb+
Support Rating	2

## Sovereign Risk

Long-Term Foreign-Currency IDR	BBB-
Long-Term Local-Currency IDR	BBB
Country Ceiling	BBB

## Outlooks

Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative
National Long-Term Rating	Negative
Sovereign Long-Term	Stable
Foreign-Currency IDR	
Sovereign Long-Term	Stable
Local-Currency IDR	

## Financial Data

## Denizbank A.S.

	31 Dec 13	31 Dec 12
Total assets (USDm)	37,294.2	31,704.7
Total assets (TRYm)	79,667.8	56,494.6
Total equity (TRYm)	6,088.4	5,664.6
Operating profit (TRYm)	1,268.0	916.9
Published net income (TRYm)	1,011.1	719.7
Operating ROAA (%)	1.9	1.9
Operating ROAE (%)	21.6	18.8
ROAE (%)	17.3	14.1
Fitch core capital/weighted risks (%)	8.1	10.9
Tier 1 ratio (%)	9.0	10.6

## Related Research

[Fitch Affirms Turkey at BBB-; Outlook Stable \(April 2014\)](#)

[Fitch Revises 15 Russian Banks' Outlooks to Negative on Sovereign Change \(March 2014\)](#)

[Fitch Affirms 4 Turkish Foreign-Owned Banks; Revises Denizbank's Outlook to Negative \(April 2014\)](#)

## Analysts

Janine Dow  
+44 203 530 1464  
[janine.dow@fitchratings.com](mailto:janine.dow@fitchratings.com)

Banu Cartmell  
+44 203 530 1109  
[banu.cartmell@fitchratings.com](mailto:banu.cartmell@fitchratings.com)

Tarik Dueyme  
+49 69 7680 76 129  
[tarik.dueyme@fitchratings.com](mailto:tarik.dueyme@fitchratings.com)

## Key Rating Drivers

**Parental Support-Driven Ratings:** Denizbank A.S.'s IDR ratings reflect Fitch Ratings' view that it is highly likely the bank would be supported by Sberbank of Russia (Sberbank; BBB/Negative/bbb) if need be. Sberbank holds a 99.85% stake in Denizbank with the remaining belonging to private individuals. The agency classifies Denizbank as a "strategically important" subsidiary for Sberbank, given the latter's focus on expansion in Eastern Europe, and believes Sberbank would have a high propensity to provide support in case of need.

**Lower Capitalisation:** Denizbank's capitalisation decreased strongly in 2013 due to high loan growth. The Fitch core capital (FCC)/risk-weighted assets ratio was just 8.1% at end-2013, much lower than peers. The total capital ratio, including subordinated debt provided by its parent, is higher at 12.1% but still below the system average of 15.3%. In Fitch's view, Denizbank would need a further capital injection or subordinated debt to facilitate targeted high loan growth and increase its market share.

**Earnings Improve Loss Absorption Capacity:** Denizbank's overall profitability is good, supported by higher margins, good efficiency and currently moderate impairment charges, and is considered a rating strength. However, Fitch expects a decline in margins in 2014 as loans repriced more slowly than deposits in a higher interest rate environment due to the duration mismatch.

**NPL Ratio to Weaken:** Denizbank's non-performing loan (NPL) ratio improved to 2.9% at end-2013 and is now almost in line with peers and system average, mainly driven by the targeted strong loan growth. However, we expect asset quality to deteriorate in a weakened operating environment given the unseasoned nature of the loan portfolio. Reserve coverage of NPLs (including specific and general reserves) was good at 116% at end-2013.

**High Borrower Concentrations:** Denizbank's rapid loan growth in large-ticket, foreign-currency lending activities resulted in significant concentrations in its loan book, exposing the bank to heightened potential credit risk. Fitch expects no substantial deterioration in asset quality but concentrations expose the bank to event and single-name risk. We consider the risk systems at bank and parent level as sound.

**Mainly Deposit Funded:** Recent rapid loan growth has increased Denizbank's loans-to-deposits ratio to 112% at end-2013. Funding from former owner Dexia has been repaid, and facilities from Sberbank have grown in line with the group's strategy to support rapid growth.

## Rating Sensitivities

**Limited Upside Potential for VR:** Denizbank's Viability Rating (VR) reflects the erosion of the bank's capital ratios and its loss absorption capacity, which are now significantly lower than peers'. Also, more rapid recent loan growth and somewhat higher borrower concentrations could impact key financial metrics. Given tougher operating conditions, upside potential for the VR is limited in the foreseeable future.

**Downside Risk for IDR:** The Long-Term IDRs of Denizbank could be downgraded if Sberbank's Long-Term IDRs, currently on Negative Outlook, were downgraded or the probability of support from Sberbank weakens, which Fitch does not expect in the short term.