

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	AAA(tur)
Viability Rating	bbb-
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	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term	Stable
Foreign-Currency IDR	
Sovereign Long-Term	Stable
Local-Currency IDR	

Financial Data

Denizbank A.S.

	31 Dec 12	31 Dec 11
Total assets (USDm)	31,704.7	23,419.1
Total assets (TRYm)	56,494.6	44,756.3
Total equity (TRYm)	5,664.6	4,641.5
Operating profit (TRYm)	916.9	916.9
Published net income (TRYm)	719.7	1,060.9
Operating ROAA (%)	1.92	2.33
Operating ROAE (%)	18.8	22.1
ROAE (%)	14.1	25.6
Fitch core capital/weighted risks (%)	10.9	11.4
Tier 1 ratio (%)	10.6	11.8

Key Rating Drivers

Standalone Strength-Driven Ratings: Denizbank A.S.'s IDRs are driven by its standalone profile, as reflected in its 'bbb-' Viability Rating (VR). The VR reflects the bank's good profitability and efficiency, and improving franchise and deposit base. These positive attributes are offset by a growing NPL portfolio and Denizbank's only modest capitalisation.

Support Also Underpins Ratings: The IDRs are also underpinned by potential support from Denizbank's new shareholder, Sberbank of Russia (BBB/Stable). Fitch Ratings 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. Following a strategic review, Denizbank is aiming to increase market shares and further improve performance under Sberbank's ownership.

Stable Performance in 2012: Denizbank's overall profitability is good, supported by solid margins, good efficiency and currently moderate impairment charges, and is considered a rating strength. Adjusted for one-off earnings in 2011 from the sale of the insurance subsidiary, the bank achieved normalised pre-tax profit growth of 4% in 2012.

Slight Increase in NPLs: Denizbank's NPL ratio increased to 3.6% at end-2012, driven by the economic slowdown. Although this is somewhat higher than the sector average of 2.9%, the cost of risk has still been manageable, given the bank's pre-impairment profitability. Provisioning coverage of problem loans (including specific and general reserves) was good at 91% at end-2012.

Moderate Capitalisation: Denizbank's capitalisation decreased slightly in 2012 due to the growth of risk-weighted assets, and remained moderate. The Fitch core capital/risk-weighted assets ratio was 10.9% at end-2012, with the total capital ratio a higher 13.1%, supported by the long-term subordinated Tier 2 facility. The bank plans to receive another USD500m Tier 2 facility from Sberbank in 2013, which, in Fitch's view, may contribute 150bp-180bp to its total capital ratio.

Strong Deposit Growth: Recent rapid deposit growth has enabled Denizbank to reduce its loans/deposits ratio (to 110% at end-2012). Funding from former owner Dexia has been repaid, and facilities from Sberbank were still negligible at end-2012.

Rating Sensitivities

Sensitive to Parent Rating: An upgrade of Sberbank's Long-Term IDRs, which would indicate a greater ability to support to its subsidiary, would probably result in an upgrade of Denizbank's IDRs. However, Sberbank's IDRs are in turn highly dependent on those of the Russian Federation (BBB/Stable).

Limited Upside Potential for VR: Upside potential for Denizbank's VR is limited in the near term, given that the VR is already at the same level as the Turkish sovereign's Long-Term IDR, and any upgrade above the sovereign would require further substantial improvements in the bank's franchise and funding base.

Downside Risk Contained: Denizbank's Long-Term IDRs could be downgraded only if both its VR is downgraded and the probability of support from Sberbank weakens, neither of which Fitch expects in the short term.

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