

Istanbul, Turkey

Ratings

Category	Moody's Rating
Outlook	Stable
Bank Deposits	Ba1/NP
Bank Financial Strength	D-
Baseline Credit Assessment	ba3
Adjusted Baseline Credit Assessment	ba1

Parent: Sberbank

Outlook	Rating(s) Under Review
Bank Deposits	*Baa1/Baa1/P-2
NSR Bank Deposits -Dom Curr	Aaa.ru/--
Bank Financial Strength	D+
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa3
Senior Unsecured	**Baa1/Baa1
Bkd Subordinate	**Baa3/Baa3
Bkd Other Short Term	(P)P-2

* Rating(s) within this class was/were placed on review on April 1, 2014

** Placed under review for possible downgrade on April 1, 2014

Contacts

Analyst	Phone
Arif Bekiroglu/London	44.20.7772.5454
Nondas Nicolaidis/Limassol	357.25.586.586
Yves Lemay/London	44.20.7772.5454

Key Indicators

DENIZBANK A.S. (Consolidated Financials)[1]

	[2]12-13	[2]12-12	[3]12-11	[3]12-10	[3]12-09	Avg.
Total Assets (TRY million)	79,667.8	56,494.6	44,756.3	33,853.2	25,942.9	[4]32.4
Total Assets (USD million)	37,080.7	31,654.9	23,698.1	21,996.9	17,307.4	[4]21.0
Tangible Common Equity (TRY million)	6,356.6	5,101.5	4,736.8	3,632.8	3,020.7	[4]20.4
Tangible Common Equity (USD million)	2,958.6	2,858.4	2,508.1	2,360.5	2,015.2	[4]10.1
Net Interest Margin (%)	4.5	5.1	4.8	6.2	7.5	[5]5.6
PPI / Average RWA (%)	3.5	3.0	3.4	4.4	6.8	[6]3.2
Net Income / Average RWA (%)	1.5	1.3	2.6	2.1	2.8	[6]1.4
(Market Funds - Liquid Assets) / Total Assets (%)	15.1	7.2	9.0	10.4	14.3	[5]11.2
Core Deposits / Average Gross Loans (%)	73.1	77.4	72.3	72.7	62.4	[5]71.6
Tier 1 Ratio (%)	8.7	9.2	10.5	10.9	13.3	[6]8.9
Tangible Common Equity / RWA (%)	8.4	8.7	10.4	10.7	13.1	[6]8.5
Cost / Income Ratio (%)	47.5	47.1	49.4	45.5	38.8	[5]45.6
Problem Loans / Gross Loans (%)	2.8	3.5	2.8	4.4	5.5	[5]3.8
Problem Loans / (Equity + Loan Loss Reserves) (%)	22.3	21.5	17.1	24.6	29.0	[5]22.9

Source: Moody's

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel II; LOCAL GAAP [3] Basel I; LOCAL GAAP [4] Compound Annual Growth Rate based on LOCAL GAAP reporting periods [5] LOCAL GAAP reporting periods have been used for average calculation [6] Basel II & LOCAL GAAP reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

The Ba1/Not-Prime global local-currency (GLC) deposit ratings assigned to Denizbank A.S. (Denizbank) are based on the bank's ba3 baseline credit assessment (BCA), and our assumption of a high probability of parental support from majority shareholder Sberbank (deposits Baa1 under review for downgrade, BFSR D+/BCA baa3, stable). This provides two notches of rating uplift to the deposit rating. Moody's assumption of a high probability of systemic support does not provide additional rating uplift.

Denizbank's standalone bank financial strength rating (BFSR) of D- is equivalent to a BCA of ba3. The BFSR reflects Denizbank's (1) medium-sized market position with an emphasis on corporate and SME lending and some specialisation in agricultural and project finance with a long brand history; (2) adequate financial performance underpinned by adequate recurring earnings capacity and net profits.

The BFSR is constrained by (1) very lean capitalisation, (2) the bank's moderate asset-quality; and (2) comparatively tighter liquidity indicators; and limited diversification of liquidity and funding. Other factors included in the ratings include the challenging operating environment, high growth in a relatively unseasoned credit environment and an evolving risk culture - particularly in retail credits.

Rating Drivers

- Leaner core capitalisation could constrain Denizbank to keep pace with the strong growth in the system
- Pressure on good profitability due to challenging operating environment
- Loan growth outpacing deposit collections re-distancing recently aligned bank's liquidity indicator from that of the system
- Potential for greater asset-quality volatility due to the unseasoned loan portfolio
- Established commercial banking franchise with mid-size market share

Rating Outlook

The stable outlook reflects that Moody's expectation that the weakening trend of the bank's credit profile should remain contained, consistent with the assigned BCA level and the stable outlook on Sberbank's BFSR.

What Could Change the Rating - Up

Over time, upward rating pressure could materialize following (1) maintenance of a stronger core capital base, (2) sustained proven track record with lower growth, and (3) evidence of an improvement both in the domestic operating environment and in external liquidity conditions towards emerging markets that will, in turn, contribute to a stronger performance of the banking system and Denizbank.

An upgrade of Sberbank's or Turkey's ratings could translate into higher degree of support to be incorporated in Denizbank's ratings, though, given the stable outlook on these ratings, Moody's views this occurrence as unlikely in the near-term rating horizon.

What Could Change the Rating – Down

Downwards pressure on the BFSR could result from (1) any evidence that Turkey's operating environment will face further significant deterioration in profitability or asset quality, thus negatively affecting the risk-return profile of bank's business; (2) prolonged restrictions to access to capital markets (3) significant changes in Denizbank's strategy or management results in an increase in its risk appetite; (4) material increase intergroup funding elevating dependence parent; or (5) existing competitive pressures lead to a material reduction in profitability from current levels or further constrain franchise development.

The long-term ratings could be downgraded as a result of a lowering of the BFSR and/or the parental support assumption from Sberbank.

© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.