

Turkey Full Rating Report

Denizbank A.S.

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)
Individual Rating	C
Support Rating	2
Sovereign Risk	
Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BB+
Country Ceiling	BBB-

Outlooks

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

Financial Data

	31 Dec 10	31 Dec 09
Denizbank A.S.		
Total assets (USDm)	21,964.0	17,400.8
Total assets (TRYm)	33,853.2	25,942.9
Total equity (TRYm)	3,659.2	2,967.9
Operating profit (TRYm)	816.1	790.6
Published net income (TRYm)	616.3	604.8
Comprehensive income (TRYm)	660.4	739.4
Operating ROAA (%)	2.73	3.14
Operating ROAE (%)	24.6	30.2
Tier 1 ratio (%)	12.5	13.2

Analysts

Levent Topcu
+90 212 284 7819
levent.topcu@fitchratings.com

Janine Dow
+33 1 44 29 91 38
janine.dow@fitchratings.com

Related Research

Applicable Criteria

- *Global Financial Institutions Rating Criteria (August 2010)*
- *Short-Term Ratings Criteria for Corporate Finance (November 2010)*
- *Rating Financial Institutions Above the Local Currency Sovereign Rating (December 2010)*
- *National Ratings Criteria (January 2011)*
- *Country Ceilings (September 2008)*

Rating Rationale

- The Long- and Short-Term Foreign-Currency IDRs, Short-Term Local-Currency IDR, National Long-Term Rating and Individual Rating of Denizbank A.S. (Denizbank) reflect its individual financial strength and are underpinned by the support it could expect to receive from its parent, Dexia ('A+' / Stable / 'F1+'). Its Long-Term Local-Currency IDR and Support Rating are driven by the potential support from its parent.
- The Individual Rating reflects Denizbank's good profitability and efficiency, well-established franchise in certain niche segments, and diversified and growing deposits. These positive attributes are offset by a high loans/deposits ratio and a challenging operating environment.
- Denizbank resumed volume growth in 2010 and 2011. Long-term funds are gradually being replaced by deposits, but the gross loans/customer deposits ratio was still one of the highest in the sector in Q111 (at 126%). Operating profitability remains strong. Profitability measures compare well with those of peers and sector averages.
- Like the rest of the sector and its peers, Denizbank saw its margins contract in 2010 and Q111 due to competition. Fitch Ratings expects further margin tightening in the sector following hikes in reserve requirement ratios. Denizbank's efficiency ratios are good for a bank of its size.
- Non-performing loan (NPL) ratios improved in 2010 and Q111, helped by large recoveries and new loan volumes. Problem loans are mainly driven by the SME and unsecured consumer lending segments, as in the sector. The credit portfolio was well-tested during the recent period of economic volatility.
- The deposit base is granular and concentration is low. Related-party funding due by end-2013 totalled TRY3.0bn (or 9% of non-equity liabilities) at end-Q111. Denizbank is required to replace this by end-2011 under Dexia's European state aid approval agreement. Fitch believes that this should be easily manageable for Denizbank, through the use of securitisations, debt issuance and deposits.

Support

- Fitch sees a high probability of support from the parent. However, its ability to provide such support could be constrained by Turkey's 'BBB-' Country Ceiling.

What Could Trigger an Upgrade?

- The bank's Long-Term Foreign-Currency IDR is constrained by the Country Ceiling, and its Long-Term Local-Currency IDR is capped two notches above the sovereign rating. Denizbank's IDRs would change to mirror any change in the sovereign rating. The Positive Outlooks reflect that of the sovereign.
- Fitch does not foresee any upside to the Individual Rating in the short term. Downward pressure could come from any persistent deterioration in asset quality or funding profile that would undermine profitability and capitalisation.

Profile

Denizbank is 99.8% owned by Belgium-based Dexia. It is the ninth-largest bank in Turkey, with a 2.9% share of assets.