MOODY'S INVESTORS SERVICE

Credit Opinion: Denizbank A.S.

Global Credit Research - 29 Mar 2012

Istanbul, Turkey

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Bank Deposits -Fgn Curr	Ba3/NP
Bank Deposits -Dom Curr	*Baa2/*P-2
Bank Financial Strength	*C-

* Placed under review for possible downgrade on March 16, 2012

Contacts

Analyst	Phone
Arif Bekiroglu/Frankfurt am Main	49.69.707.30.700
Nondas Nicolaides/Limassol	357.25.586.586
Carola Schuler/Frankfurt am Main	
Na Luo/Frankfurt am Main	

Key Indicators

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

	[2]**9-11**	[2]**12-10**	[2]**12-09**	[2]**12-08**	[2]**12-07**	**Avg.**
Total Assets (TRY million)	**45,681.0**	**33,853.2**	**25,942.9**	**24,216.0**	**18,647.4**	[3]**25.1**
Total Assets (USD million)	**24,566.9**	**21,996.9**	**17,307.4**	**15,689.0**	**15,907.4**	[3]**11.5**
Tangible Common Equity (TRY million)	**4,609.8**	**3,632.8**	**3,020.7**	**2,426.8**	**1,643.4**	[3]**29.4**
Tangible Common Equity (USD million)	**2,479.1**	**2,360.5**	**2,015.2**	**1,572.2**	**1,401.9**	[3]**15.3**
Net Interest Margin (%)	**4.7**	**6.0**	**7.8**	**6.4**	**6.0**	[4]**6.2**
PPI / Avg RWA (%)	**4.3**	**4.9**	**6.8**	**4.1**	**4.0**	[5]**4.8**
Net Income / Avg RWA (%)	**3.5**	**2.3**	**2.8**	**1.8**	**2.5**	[5]**2.6**
(Market Funds - Liquid Assets) / Total Assets (%)	**10.4**	**10.3**	**14.5**	**21.1**	**14.6**	[4]**14.2**
Core Deposits / Average Gross Loans (%)	**76.9**	**71.7**	**65.7**	**67.5**	**86.7**	[4]**73.7**
Tier 1 Ratio (%)	**11.4**	**12.5**	**13.3**	**12.8**	**9.1**	[5]**11.8**
Tangible Common Equity / RWA (%)	**11.3**	**12.3**	**13.1**	**11.9**	**10.3**	[5]**11.8**
Cost / Income Ratio (%)	**45.2**	**45.5**	**38.8**	**52.0**	**55.1**	[4]**47.3**
Problem Loans / Gross Loans (%)	**2.6**	**4.4**	**5.5**	**3.3**	**2.3**	[4]**3.6**
Problem Loans / (Equity + Loan Loss Reserves) (%)	**16.3**	**24.5**	**29.0**	**19.8**	**15.0**	[4]**20.9**

Source: Moody's

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

Opinion

RECENT CREDIT DEVELOPMENTS

On 16 March 2012, Moody's placed on review for downgrade Denizbank A.S.'s C- bank financial strength rating (BFSR) and its Baa2/Prime-2 global local currency (GLC) deposit ratings. The review reflects Moody's revised assessment of the linkage between the credit profiles of sovereigns and financial institutions globally, which is further discussed in the rating implementation guidance titled "How Sovereign Credit Quality May Affect Other Ratings" published on February 13, 2012.

During the review, Moody's will assess the degree to which Denizbank's standalone credit profile is correlated with that of its domestic sovereign. The review will take into account (i) the extent to which its business is dependent on the domestic macroeconomic and financial environment, (ii) the degree of reliance on market-based and therefore more confidence-sensitive funding, and (iii) direct or indirect exposures to domestic sovereign debt.

For further details, please refer to the press release "Moody's reviews Turkish banks' local currency issuer and deposit ratings for downgrade, published 16 March 2012".

SUMMARY RATING RATIONALE

Moody's assigns a standalone bank financial strength rating (BFSR) of C- (under review for downgrade) to Denizbank, which maps to Baa2, (under review for downgrade), on the long-term scale. The BFSR reflects Denizbank's solid financial fundamentals and growing real-banking franchise. Denizbank has a particularly strong position in the SME and agricultural loan niche markets, with a total market share of around 10.0% (year-end 2010), compared with an overall total assets market share in Turkey of approximately 2.9%. In addition, the BFSR is constrained by (i) the potentially volatile Turkish operating environment; (ii) the unseasoned nature of the loan book (with rapid credit growth in SME and retail credits); and (iii) an evolving risk culture, particularly in retail loans.

At the same time, Moody's believes that the creditworthiness of financial institutions with low cross-border operational diversification and/or reporting high balance sheet exposure to the debt of their domestic sovereign is closely linked to the domestic sovereign's credit strength. Banks in systems with these characteristics, which apply to Turkey, are unlikely to have standalone credit assessments above the sovereign, which is often viewed as the lowest credit risk in the local market or currency. As the bank's BFSR is above that of the sovereign, it is placed on review for downgrade.

Denizbank's ratings do not incorporate any rating uplift from its parent, Dexia Participation Belgique SA, which, in turn, is a subsidiary of Belgian Dexia SA (both unrated), holding a 99.84% stake in Denizbank. Moody's assesses a moderate probability of systemic support for Denizbank reflecting the bank's moderate importance to the domestic banking system, given its domestic deposit market share of about 2.6%. Upon the conclusion of the review, we expect rating uplift to the GLC deposit rating from the standalone credit assessment due to assumptions for external support. The foreign-currency deposit and debt ratings (which have a positive outlook) are constrained by Turkey's foreign-currency deposit and debt ceilings of Ba3 and Ba1, respectively, and are not affected by the review on the bank's rating.

Credit Strengths

- Good capitalisation and earnings generation capacity should act as a buffer for potential credit losses

- Developing its retail lending and improving its retail deposit base will be challenging in the competitive environment

- Maintaining reliable and diversified funding sources in the challenging operating environment, with the potential for market volatility

Credit Challenges

- Limited cross border operational diversification, elevating its franchises vulnerability to domestic macro developments

- A moderate asset-liabilities duration mismatch - due to the short-term nature of the deposit funding source - constrains the growth of longer-term loans

- Pressure on the moderate asset quality due to high credit growth in 2010 in the context of slower growth and possible rate hikes expected in 2012

Rating Outlook

The foreign-currency deposit and senior unsecured issuer ratings have positive outlook. Baa2/Prime-2 GLC deposit rating, and C- BFSR were placed on review for downgrade.

What Could Change the Rating - Up

There is no upside pressure on the ratings in the short term captured by the current review for downgrade.

What Could Change the Rating - Down

The rating review will assess the degree of linkage between the credit profiles of the sovereign and the bank. Moody's will assess the positioning of Denizbank's standalone rating relative to the sovereign's, taking into account: (i) the level of cross-border diversification of its operations; (ii) the level of balance-sheet exposure to domestic sovereign debt, compared with its capital base; (iii) franchise resilience and intrinsic strength within the operating environment; and (iv) the assumptions for systemic support available in case of need

In addition, negative pressure could be exerted on the BFSR as a result of any of the following: (i) the bank's problem loan levels increase materially; (ii) the bank's risk appetite increases significantly; (iii) capital growth fails to keep pace with asset growth; (iv) competitive pressures or other factors lead to a material reduction in profitability from current levels; (v) any pressure - in terms of franchise, liquidity and capital - faced by Dexia Group result in adverse implications for the Turkish subsidiary; and/or (vi) disorderly changes in ownership and senior management, or any significant changes in strategy, resulting in adverse developments in the bank's performance.

Recent Results and Developments

In June 2011, Denizbank and US insurer MetLife signed an agreement to sell the Turkish insurance subsidiary, Deniz Emeklilik ve Hayat A.S. for EUR 170 million, following the regulatory approval and projected completion in October 2011. This provided Denizbank with strong capital gains.

As of year-end 2011, Denizbank's consolidated BRSA net income increased by 72% to TRY1.1 billion while the system average declined by around 10%. The main drivers were (i) a 26% increase in interest income to TRY3.5 billion; (ii) a 30% rise in net fees and commissions income and 38% increase in other operating income; and (iii) the 31.4% reduction in trading losses to TRY105 million compared with TRY154 million as of Q4 2010.

Total assets increased by 32% year-on-year to TRY44.8 billion, whilst the securities portfolio grew by 24.7% (excluding trading purpose derivatives) year-on-year. This is mainly due to the 24.0% increase of government securities to TRY5.3 billion compared with TRY4.3 billion as of year-end 2010. Overall, the securities portfolio decreased slightly from 13% of total assets in 2010 to 12% of total assets in 2011, compared with the system average of 23.4%.

For year-end 2011, the loan-to-deposit ratio was 108% on a consolidated basis, down from 111% at year-end 2010. The cost-to-income ratio worsened slightly to 49.4% in 2011 from 45.7% in 2010, in line with higher operating expenses, up by 26.2%, due to branch expansion with the addition of 88 new branches and 1,199 new employees.

Asset quality improved as NPLs decreased to 3.1% in 2011 from 4.8% in 2010. We believe that GDP growth will be significantly lower in 2012, which we expect will exert pressure on asset quality as the highly unseasoned loan book begins to season, contributing to the loan-loss provision requirements increase. The inflationary and exchange-rate pressures could to higher interest-rate environment, which, in turn, will exert further pressure on interest income, until the full effect of ongoing asset re-pricing sets in.

As of Q4 2011, the consolidated Basel I total capital adequacy ratio (CAR) decreased to 14.72% from 15.70% and the Tier 1 ratio decreased to 11.85% from 12.53% reported in 2010. The reduction in CAR was driven by (i) the higher growth-rate of the loan book (and thus, the growth of total risk-weighted assets); and (ii) the regulatory increase in the risk weighting of general-purpose loans and the series of changes in reserve requirement ratios, compared with the bank's internal capital-generation levels.

Denizbank's total Turkish government securities exposure was 10% (a system average of 24%) of the total balance sheet, almost at the same level as reported in year-end 2010. Around half of the securities portfolio represents inflation indexed securities with fixed-rate securities representing around 30% of the securities portfolio.

DETAILED RATING CONSIDERATIONS

Detailed considerations for Denizbank's currently assigned ratings are as follows, and are based on consolidated BRSA audited year-end 2010 and partially audited half-year (H1 2011) financial reports:

Franchise Value

Denizbank ranks among the top ten commercial banks in Turkey, ranking ninth by asset size, with total consolidated assets of TRY33.9 billion (US$22.0 billion) as of December 2010. Denizbank had domestic banking market shares in assets, loans and customer deposits of 2.9%, 3.6% and 2.7%, respectively, at year-end 2010.

Headquartered in Istanbul, Denizbank is a privately owned full-service universal bank that has a network of 499 branches in Turkey and one foreign branch as of December 2010. The overall group (Denizbank Financial Services Group) includes leasing, factoring, IT and credit-card services, brokerage, investment management (all within Turkey), as well as banking subsidiaries in Austria and Russia (Moscow). However, overall, cross-border revenue contribution is approximately 6% and does not provide significant geographical diversification benefit in our analysis.

In October 2006, Dexia acquired a 75% stake in Denizbank, which was subsequently increased to 99.84%. Following the transaction, Dexia appointed several members to Denizbank's Board of Directors. The previous management team remains largely intact. Currently, there is three persons appointed by Dexia responsible for risk management, lending (both at board levels),and a general auditor.

As part of the Dexia Group, Denizbank's strategy and franchise has developed in line with that of its current shareholder. The Dexia Group carries out its activities principally in Belgium, Luxembourg, France and Turkey in the fields of retail and commercial banking, public and wholesale banking, asset management and investor services. Prior to its ownership by Dexia, Denizbank's growing franchise encompassed a solid position in corporate, commercial SME and retail banking. On the retail side, Denizbank's aims to increase its market penetration through a comprehensive product range, whilst also increasing the range of private banking products, as well as developing financial planning tools for its high-net-worth clients.

Furthermore, Denizbank remains the leading private-sector bank that has created a designated team and a branch network geared toward the agricultural sector. Amongst private banks, Denizbank is the largest provider of agricultural loans in Turkey.

Moody's considers that despite growing competition in the market, Denizbank has the potential to defend and slowly expand its market presence in targeted businesses. This is due to (i) its track record of strong strategic focus, business selection and execution; and (ii) a large and growing nationwide branch network. The knowhow, new products and analysis tools contributed by Dexia, has benefited Denizbank, particularly in project and public finance, as well as in retail and private banking. Denizbank's strong brand recognition should also facilitate its real-banking franchise development, as it has traditionally had solid and beneficial links with the business community.

Risk Positioning

Moody's assessment of Denizbank's risk positioning is supported by its competent risk management, moderate liquidity profile and market-risk appetite. However, risk positioning is constrained by Denizbank's exposure to the Turkish government, a common feature of all rated Turkish commercial banks, although this is significantly lower for Denizbank compared with its peers. Moreover, its top 20 group exposures, including Turkish government securities, amount to more than 200% of its Tier 1 capital, which worsens its credit-risk concentration.

Denizbank's overall risk positioning is satisfactory, with robust risk-management practices that are supported by good-quality information systems and risk-measurement tools commensurate with its risk profile. All positions are marked-to-market on a daily basis; as are value at risk (VaR) calculations for all interest-rate sensitive on- and off-balance-sheet items, foreign-exchange and equity positions. The risk-management function is independent and is supervised at board level. Prudent credit-risk monitoring and risk-adjusted performance measures ensure strong risk control and oversight.

We are cautious about the rapid rate of credit growth (30% in 2010vs. system average of 34%) as the relatively unseasoned nature of the loan book can disguise asset-quality problems. If this growth rate is maintained year on year, it could pose challenges to risk management, from a processes and controls perspective. On a positive note, H1 2011 financial statements indicates a more contained 20% year on year loan book growth and a 3.5% NPL ratio from 4.8% as at year-end 2010.

Liquidity management is adequate, with the year-end 2010 loan-to-deposits ratio at 115% (H1 2011: 113%). This ratio shows an improving trend, with slower loan-book growth and less reliance on wholesale funding. Denizbank's overall risk profile is relatively conservative with a low market-risk appetite. The planned adoption of the Basel II standardised approach by June 2012 is expected to have a 60 bps downward impact on its capital adequacy ratio, primarily due to the 100% risk weight assigned to the foreign-currency Turkish government exposure (including Central Bank of the Republic of Turkey (CBRT) FX reserves).

Profitability

In 2010, Denizbank's pre-provision income (PPI) was reported at TRY1.3 billion and net income at TRY616 million vs. TRY1.5 billion and TRY605 million in 2009, respectively. The margin contraction was compensated by loan-book growth and lower LLP. Overall, Denizbank's profitability remains relatively satisfactory compared with its Turkish peers. However, recurring profitability decreased in 2010, with the ratio of PPI and net income to average risk weighted assets (RWA) was at 4.9% and 2.4 %, respectively, at year-end 2010, down from 6.8% and 2.8%, respectively, at year-end 2009. This was mainly caused by decreasing net interest income, due to margin contraction from strong market competition, as well as the normalisation of the complementary effects of the deep rate cuts of 2009 that reduced the cost of funds of the short-term deposits.

The future profitability of the bank, in today's low interest rate environment, will depend upon its ability to control operating expenses and its capacity to generate fee-based income. Fee and commissions income comprise only 1.05% of the bank's average assets in 2010, compared to 1.16% realised in 2009. It should be noted that fee income in recent years included significant income from IPOs and brokerage activities, which are not as robust in the current market conditions.

As of H1 2011 Denizbank reported a PPI of TRY726 million and net income of TRY426 million (a year-on-year improvement of 4% and 30%, respectively) whereby the 6% contraction in net interest income was offset by 29% growth in net-fees income and a 28% reduction in LLP. We estimate the ratio of annualised PPI and net income to average RWA to be 4.4% and 2.6%, respectively.

In 2012, we expect profitability to face additional pressure due to (i) expected rate increases during 2012; (ii) continuing competition amongst market participants; (iii) the associated effects on margins; and (iv) the LLP requirement of a seasoning loan book. These challenges could be somewhat greater for medium-sized banks such as Denizbank which the lack the scale of the very large Turkish banks.

Liquidity

Denizbank maintains an adequate overall liquidity profile, as liquidity indicators improved in 2010. Prior to 2010, Denizbank expanded its loan origination at a faster rate than the expansion of its deposit base, resulting in an elevated loans-to-deposits ratio that peaked at 130% in 2009 and only gradually improved to 115% in 2010 and 113% in H1 2011. During this time, its liquid assets as a percentage of assets was lower at 22%, compared with the 24% at year-end 2010 (H1 2011: 21%).

Liquidity ratios demonstrated an improving trend in 2010, which was underpinned by the 33% growth in Denizbank's customer deposit base, versus a 29% growth rate in gross loans (excluding factoring and leasing loans). At the same time, however, we recognise that attracting relatively low-cost deposits to support business growth is an growing challenge for most of the small to medium-sized Turkish banks, which are increasingly using the capital markets for funding, typically at higher costs.

Capital Adequacy

Denizbank maintains satisfactory capital levels. However, its capitalisation declined during 2010, with the total reported risk-adjusted capital ratio down to 15.7% at year-end 2010 (H1 2011: 14.4%), compared with 16.7% at year-end 2009. This was a result of the increased lending activities and the corresponding increase in value of credit-risk and off-balance-sheet items. The Moody's-adjusted Tier 1 ratio for Denizbank was a comfortable 12.5% at year-end 2010 (H1 2011: 11.6%), compared with 13.3% at year-end 2009.

The planned adoption of the Basel II standardised approach (by June 2012) is expected to have a 60 bps downward effect on its capital adequacy ratio, mainly due to the regulatory requirement of a 100% risk weight for foreign-currency Turkish government securities (the current weighting is 0%). The impact of the Basel II adoption is already captured in the assigned ratings, as we assign a 100% risk weight in local as well as foreign-currency Turkish government exposure (including CBRT FX reserves).

Efficiency

In 2010, Denizbank's efficiency ratio (cost-to-income ratio) of 45% (in line with the cost-to-income ratio at H1 2011) is weaker than the 39% reported in 2009, although it generally represents an improvement from the 55% reported in 2007. Nonetheless, the trend is in line with the 2009 system average, when the banking system reported record profitability on the back of deep rate cuts and postponed network expansion. The corresponding 2010 average cost-to-income ratio for the large rated Turkish banks is 47%. However, in H1 2011 Denizbank kept its cost-to-income ratio in line with year-end 2010 levels, despite the 8% expansion in the branch network.

In the medium term, planned branch network expansion - in the context of lower profitability - could mean that efficiency levels will be challenged going forward. Additionally, as a medium-sized bank, Denizbank lacks the economies of scale of larger banks that have a wider nationwide presence that enables them to quickly and fully offset the effect of anticipated margin contraction. However, at the same time, Denizbank's cost-to-income ratio should remain sound, due to its strong IT infrastructure and the targeted expansion strategy.

Asset Quality

In 2010, Denizbank reported NPLs as a percentage of gross loans at a moderate 4.8%. This represents an improvement compared with the 6.0% reported in 2009 (which has deteriorated from 3.3% in 2008, largely due to the 4.7% GDP contraction in 2009). The NPL coverage ratio was reported at a solid 70% in 2010, which is lower than the system average. However, Denizbank's NPL ratio compares poorly with the 2010 NPL ratio system average (3.7%). This is especially relevant given that 56% of Denizbank's loan book represents corporate loans, which is the best-performing segment in Turkey.

This lower NPL coverage ratio reflects the fact that some of the leading banks provisioning at 100%, and excluding any future recoveries, which can be accounted for while provisioning in accordance with the BRSA regulations.

The improving trend in the asset-quality indicators was supported by (i) the much improved economic environment compared with 2009; and (ii) the significant growth of the loan book by 30% in 2010 (vs. 34% for the system). We remain cautious of the high level of loan-book growth at Denizbank and within the banking system, especially if the trends are maintained year on year, as narrowing margin pressures in the Turkish banking system could constrain the banks from provisioning for loan losses in 2012. This is considered in the context of possible interest-rate hikes due to inflationary pressures, declining loan growth rates and a consequent rise in delinquencies. Furthermore, Denizbank has one of the higher' Group 2' loan ratios (i.e. loans that are less than 90 days delinquent) at 4.1% of the gross loan book (consolidated) as of year-end 2010 (H1 2011: 3.5%), which could lead to asset-quality deterioration as the loan book seasons.

As of H1 2011, Denizbank reported further improvements in its NPL ratio, which decreased to 3.5% and in its NPL coverage ratio, which rose to 72% from 70%. As the loan book seasons, the NPL ratio should revert to year-end 2010 levels. Overall, Denizbank's solvency is not at any significant threat from its moderate loan book quality, given the current comfortable capital ratios and revenue generation.

Global Local Currency Deposit Rating (Joint Default Analysis)

Moody's assigns a global local-currency (GLC) deposit rating of Baa2/P-2 (under review for downgrade) to Denizbank. Under Moody's joint default analysis (JDA) methodology, the rating is supported solely by Denizbank's Baa2 standalone credit strength. We assess a moderate likelihood of systemic support for Danizbank. Moody's incorporates no parental support from Dexia into Denizbank's ratings. Upon the conclusion of the review, we expect rating uplift to the GLC deposit rating from the standalone credit assessment due to assumptions for external support.

Our assessment of a moderate probability of systemic support is based on Denizbank's moderate importance to the domestic financial system, given its domestic deposit market share of approximately 2.6%. Our assessment is also based on the government's strong track record of support, and the fact that Moody's considers Turkey to be a high support country. The imputed systemic support for Turkey is at Baa3, two notches above sovereign (Ba2, positive outlook).

Foreign Currency Deposit Rating

The foreign-currency deposit rating for Denizbank is constrained by the Turkish foreign-currency deposit ceiling at Ba3/Not Prime, with a positive outlook.

ABOUT MOODY'S BANK RATINGS

Bank Financial Strength Rating

Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. Bank

Financial Strength Ratings do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honor its domestic or foreign currency obligations. Factors considered in the assignment of Bank Financial Strength Ratings include bank-specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although Bank Financial Strength Ratings exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.

Moody's uses the Baseline Credit Assessment (BCA) to map BFSRs onto the 21-point Aaa-C rating scale and like the BFSR, it reflects a bank stand- alone default risk. Each point on the Aaa-C scale represents a specific probability of default and therefore allows Moody's to use the BCA as an input to Moody's Joint Default Analysis (JDA), described below. The baseline credit assessment reflects what the local currency deposit rating of the bank with the given BFSR would be without any assumed external support from a government or third party

Global Local Currency Deposit Rating

A deposit rating, as an opinion of relative credit risk, incorporates the Bank Financial Strength Rating as well as Moody's opinion of any external support. Specifically, Moody's Bank Deposit Ratings are opinions of a bank's ability to repay punctually its deposit obligations. As such, Moody's Bank Deposit Ratings are intended to incorporate those aspects of credit risk relevant to the prospective payment performance of rated banks with respect to deposit obligations, and includes: intrinsic financial strength, sovereign transfer risk (in the case of foreign currency deposit ratings), and both implicit and explicit external support elements. Moody's Bank Deposit Ratings do not take into account the benefit of deposit insurance schemes which make payments to depositors, but they do recognize the potential support from schemes that may provide assistance to banks directly. According to Moody's joint default analysis (JDA) methodology, the global local currency deposit rating of a bank is determined by the incorporation of any external elements of support into the bank's Baseline Credit Assessment. In assigning the local currency deposit rating to a bank, the JDA methodology also factors in the rating of the various potential support providers (parent company, cooperative group, regional or national governments), as well as the degree of dependence that may exist between each one of them and the bank. Moody's assessment of the probability of systemic support (by a national government) is derived from the analysis of the capacity of a government and its central bank to provide support on a system-wide basis. The systemic support indicator is determined for a particular country and serves as an input for all bank ratings in that country. The support indicator can be set at, above or, in rare cases, below the government's local currency bond rating for that country.

National Scale Rating

National scale ratings are intended primarily for use by domestic investors and are not comparable to Moody's globally applicable ratings; rather they address relative credit risk within a given country. A Aaa rating on Moody's National Scale indicates an issuer or issue with the strongest creditworthiness and the lowest likelihood of credit loss relative to other domestic issuers. National Scale Ratings, therefore, rank domestic issuers relative to each other and not relative to absolute default risks. National ratings isolate systemic risks; they do not address loss expectation associated with systemic events that could affect all issuers, even those that receive the highest ratings on the National Scale.

Foreign Currency Deposit Rating

Moody's ratings on foreign currency bank obligations derive from the bank's local currency rating for the same class of obligation. The implementation of JDA for banks can lead to high local currency ratings for certain banks, which could also produce high foreign currency ratings. Nevertheless, it should be noted that foreign currency deposit ratings are in all cases constrained by the country ceiling for foreign currency bank deposits. This may result in the assignment of a different, and typically lower, rating for the foreign currency deposits relative to the bank's rating for local currency obligations.

Foreign Currency Debt Rating

Foreign currency debt ratings are derived from the bank's local currency debt rating. In a similar way to foreign currency deposit ratings, foreign currency debt ratings may also be constrained by the country ceiling for foreign currency bonds and notes; however, in some cases the ratings on foreign currency debt obligations may be allowed to pierce the foreign currency ceiling. A particular mix of rating factors are taken into consideration in order to assess whether a foreign currency bond rating pierces the country ceiling. They include the issuer's global local currency rating, the foreign currency government bond rating, the country ceiling for bonds and the debt's eligibility to pierce that ceiling.

About Moody's bank financial strength scorecard

Moody's bank financial strength model (see scorecard below) is a strategic input in the assessment of the financial strength of a bank, used as a key tool by Moody's analysts to ensure consistency of approach across banks and regions. The model output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating Factors

Denizbank A.S.

Rating Factors [1]	**A**	**B**	**C**	**D**	**E**	**Total Score**	**Trend**
Qualitative Factors (70%)						**D**	
Factor: Franchise Value						**D+**	**Neutral**
Market Share and Sustainability			**x**				
Geographical Diversification				**x**			
Earnings Stability				**x**			
Earnings Diversification [2]							
Factor: Risk Positioning						**D+**	**Neutral**
Corporate Governance [2]							
- Ownership and Organizational Complexity							
- Key Man Risk							
- Insider and Related-Party Risks							
Controls and Risk Management			**x**				
- Risk Management			x				
- Controls		x					
Financial Reporting Transparency			**x**				
- Global Comparability		x					
- Frequency and Timeliness		x					
- Quality of Financial Information			x				
Credit Risk Concentration					**x**		
- Borrower Concentration					x		
- Industry Concentration		x					
Liquidity Management		**x**					
Market Risk Appetite			**x**				
Factor: Operating Environment						**D**	**Neutral**
Economic Stability					**x**		
Integrity and Corruption				**x**			
Legal System			**x**				
Financial Factors (30%)						**B-**	

Factor: Profitability						**A**	**Weakening**
PPI / Average RWA - Basel I	5.26%						
Net Income / Average RWA - Basel I	2.33%						
Factor: Liquidity						**C**	**Neutral**
(Mkt funds-Liquid Assets) / Total Assets				17.94%			
Liquidity Management		x					
Factor: Capital Adequacy						**A**	**Neutral**
Tier 1 Ratio - Basel I	14.80%						
Tangible Common Equity / RWA - Basel I	12.45%						
Factor: Efficiency						**B**	**Neutral**
Cost / Income Ratio		45.42%					
Factor: Asset Quality						**C**	**Neutral**
Problem Loans / Gross Loans			4.68%				
Problem Loans / (Equity + LLR)			24.45%				
Lowest Combined Score (9%)						**C**	
Economic Insolvency Override						**Neutral**	
Aggregate Score						**C-**	
Assigned BFSR						**C-**	

[1] - Where dashes are shown for a particular factor (or sub-factor), the score is based on non public information [2] - A blank score under Earnings diversification or Corporate Governance indicates the risk is neutral