FitchRatings
KNOW YOUR RISK

Banks

Turkey
Update

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

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

Outlooks

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

Financial Data

Denizbank A.S.

	31 Dec 09	31 Dec 08
Total assets (USDm)	17,400.8	15,883.3
Total assets (TRYm)	25,942.9	24,222.1
Total equity (TRYm)	2,967.9	2,287.1
Operating profit (TRYm)	790.6	524.1
Published net income (TRYm)	604.8	342.5
Comprehensive income (TRYm)	739.4	284.0
Operating ROAA (%)	3.14	2.40
Operating ROAE (%)	30.2	27.3
Tier 1 ratio (%)	13.2	12.5

Analysts

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

Gulcin Orgun
+90 212 284 7829
gulcin.orgun@fitchratings.com

Related Research

Applicable Criteria

- *Global Financial Institutions Rating Criteria (December 2009)*
- *Rating Banks Above The Local Currency Sovereign Rating (August 2007)*
- *National Ratings - Methodology Update (December 2006)*
- *Country Ceilings (September 2008)*
- *Future Flow Securitization Rating Criteria - (March 2010)*

Rating Rationale

- The Foreign-Currency Long- and Short-Term IDRs, Local-Currency Short-Term IDR, National Long-Term Rating and Individual Rating of Denizbank A.S. (Denizbank) reflect its individual financial strength and are also underpinned by the support it would expect to receive from its parent, Dexia (‘A+’/Stable/ F1). Its Local-Currency Long-Term IDR and Support Rating are driven by the potential support from its parent. The Individual Rating reflects Denizbank’s good profitability, improved efficiency, well established franchise in certain niche segments, diversified and growing deposits. These are balanced by a high loans/deposits ratio and potential challenges related to the funding strategy.
- Denizbank’s operating profitability is strong — and improved further in 2009. As in the rest of the market and among its peers, deposit costs at Denizbank declined substantially in 2009, reflecting sharp central bank rate cuts, ultimately helping it achieve better margins and higher net interest income. Fitch Ratings believes that margins (and therefore operating earnings) are likely to shrink in 2010 due to a normalisation of yields, higher deposit costs and some competition. However, despite rising impairment charges and relatively stagnant volumes, Denizbank’s overall profitability is good, compares favourably by international standards and is considered a major strength.
- The challenging operating environment during 2009 meant cautious asset growth and tight cost control. Loan impairments increased in line with NPLs but remained at manageable levels. In Fitch’s opinion, given its size, Denizbank’s efficiency ratios are good and in line with those of its peers.
- Customer deposits’ share in funding increased in 2009. The global crisis brought significant changes at Dexia, and Fitch expects implications at the Denizbank level as well. Management plans gradually to bring the loan/deposit ratio down to 100% by end-2011. Funding would need to change to reflect lower use of parent funds and a greater focus on customer deposits and other resources. This could eventually lead to an increase in the overall cost of funding.

Support

- In Fitch’s view, there is a high probability of support from the parent. However, its ability to do so could be constrained by Turkey’s ‘BBB–’ Country Ceiling.

Key Rating Drivers

- The bank’s Foreign-Currency LT IDR is constrained by the Country Ceiling, and its Local-Currency LT IDR is capped two notches above the sovereign rating. Denizbank’s IDRs would change to mirror any change in the sovereign rating.
- 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 operates in all financial business segments, including non-bank financial services such as leasing and factoring. It is the ninth-largest bank in Turkey, with a 2.8% share of assets.