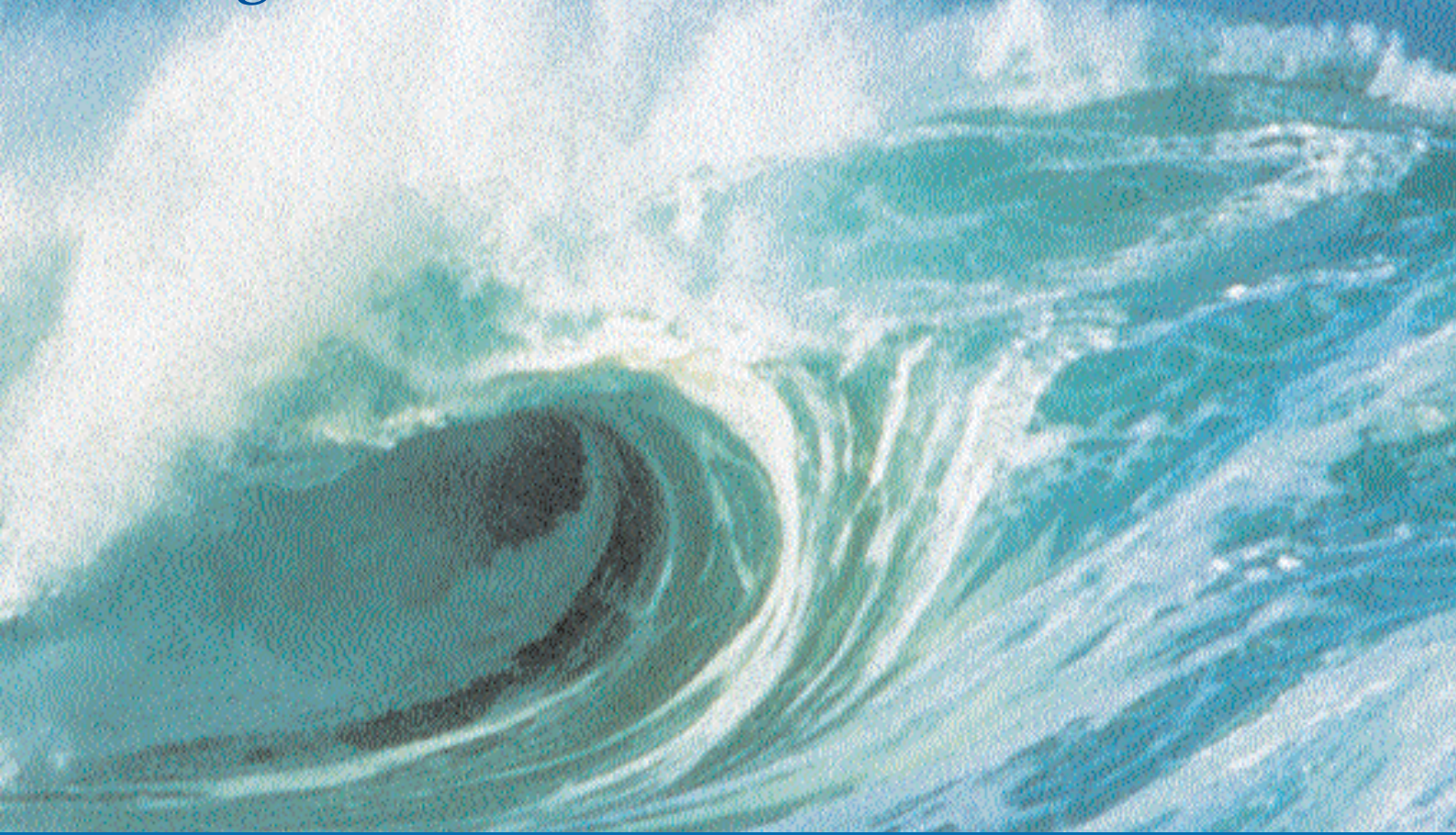


annual report 1997

Following a new direction in
banking, DenizBank is now ready to
forge ahead.



DenizBank 

DenizBank* is steadfastly one of Turkey's prem

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(*) In Turkish “deniz” means “sea”.

remaining on course to become ier banks before the year 2000.

DenizBank strongly believes in Turkey's economic future. It is taking a new route toward banking success in this country that possesses great economic potential.

Growth Targets of DenizBank
(in millions of US dollars)

		Short-Term		Medium-Term	
	1997	1998	1999	2000	2001
Total Assets	103	393	763	1,074	1,389
Capital Increase	-	20	20	20	20
Shareholders' Equity	22.3	45	70	100	133
ROE %	-	8	10	10	11

DenizBank serves its corporate wide array of financial products

Mutual satisfaction between the shareholders, employees and the clients are aimed.



Following the acquisition of DenizBank by the Zorlu Holding early in 1997, the new management assumed responsibility of the Bank in June the same year. After a long period of inactivity and a great expenditure of effort, DenizBank became operational again in September 1997.

Originally established in 1938 as a state-owned economic enterprise to serve the country's then developing maritime industry, DenizBank became a reputable name in both the domestic and international banking community. In 1992, following the government's decision to merge some state-owned banks, DenizBank was merged with Emlak Bank. In 1997, DenizBank became privatized, but possessed no significant assets with the exception of a few old branch offices that had been closed down since 1992. DenizBank is virtually a new start up bank but with a long-established name in the banking sector.

DenizBank's mission is to ensure mutual satisfaction between the shareholders, employees and the clients while maintaining constant and continual interaction. In this framework, sustaining a high level of asset quality, productivity and profitability, the Bank intends to serve small- and medium-size companies with a wide array of financial products under a supermarket approach. It plans to position itself among Turkey's top five medium-size banks by the year 2001 and maintain that status for years to come.

and individual clients with a under a supermarket approach.



Under the financial supermarket approach, DenizBank aims at serving the needs of a large client base in Turkey with regard to leasing, factoring, insurance and investment brokerage services plus contemporary corporate and retail banking. The management believes that important synergies can be explored together with Zorlu Holding companies, especially Vestel. There are plans to facilitate Vestel's expertise in information technology systems in order to create a competitive edge for the services of the Bank. Another way of creating synergy will be to capture as clients the Holding's vast number of suppliers and distribution network companies scattered throughout the country.

At the end of 1997, DenizBank had 13 branch offices with plans to increase this number to 25 by the end of-1998 and to 50 in 2001. Its assets, now at US\$ 103 million, will be US\$ 400 million at the end of 1998. The shareholders' equity of the Bank is now US\$ 22.3 million. It is anticipated that with each successive year the capital of the Bank will increase by US\$ 20 million in cash until 2001 when shareholders' equity will reach US\$ 133 million. It is planned that all profits will be retained until then. Return on equity is expected to be around 10 % at average during the same period.

Emerged in the late 1950s, the leading industrial conglomerate

The Holding's manufacturing companies have total assets exceeding US\$ 350 million at the end of 1996.



Currently the Holding has three core business divisions; the Textiles Division; the Electronics Division; and the Financial Services Division. Other Holding companies include a co-generation electricity producer, a hotel and an air transportation company. There are numerous new ventures planned in energy and tourism that will diversify the Holding's interest into other areas.

In the 43 years since it began as a small retail outlet in Denizli, the Zorlu Holding has developed from home-based production to centralized large-scale manufacturing, ultimately becoming the world's largest vertically integrated curtain manufacturing operation with five separate plants.

With completely modern, computer-controlled manufacturing facilities and a continuous production line, from chemical processes to final packaging the home-textiles arm of the Holding has become a gigantic enterprise producing all types of curtain material.

The Textiles Division is made up of five companies;

- Korteks Polyester, established in Bursa in 1987, has an annual production capacity of 25,000 tons of polyester textured yarn; a four-fold increase in annual

production is expected by mid-1998.

- Korteks Knitting, established in Bursa in 1980, has an annual production capacity of 103 million square meters of curtain fabrics.
- Zorlu Embroidery, established in Çorlu in 1989, has an annual production capacity of 15 million square meters of embroidered fabrics and eight million meters of guipure.
- Zorluteks established in Istanbul in 1985, has an annual production capacity of 120 million square meters of dyed and finished curtain fabrics.
- Zorlulinen, a newly established company, has a daily production capacity of 337,500 square meters of bed linen, making it the largest producer in Europe and fourth largest in the world.

The Holding's home-textile products are distributed by a network of marketing and distribution companies that are wholly owned. The total sales of the Division in 1997 amounted to US\$ 168 million. The Division's exports reached US\$ 55.4 million by the end of 1997.

The ongoing investments dating back to 1996 total US\$ 350 million for the entire Textile Division and nearly half of this investment has already been finalized. By the end of 1997, the Holding acquired a

The Zorlu Holding is now one of the largest enterprises in Turkey.



well-known French home textiles company, Belair with eight different brand names and a yearly turnover of US\$ 60 million. Through this acquisition, the Holding aims to capture a larger market share in Europe.

The Zorlu Holding entered the electronics industry with the acquisition of Vestel and its Group Companies in 1994. The Vestel Group had long played a leading role in Turkey's industry since its establishment in 1984. After its acquisition, Vestel's market presence was further solidified with sharp increases in exports.

The Vestel Group has eight companies in three essential business lines; electronics, household appliances and information technology. These companies include Vestel Electronics, Vestelkom and six other companies that make up the distribution and marketing arm of the Electronics Division.

Vestel Electronics is Turkey's first and largest television and personal computer manufacturer. It is also the leading exporter of television sets. The Company ranks 37th among Turkey's top 500 companies in terms of total sales, which reached US\$ 295 million in 1996 and is the 12th leading exporter in the country. The Company exports color

TVs to more than 40 countries around the world. Ninety percent of total exports go to EU countries. The quality of Vestel products has been demonstrated by receipt of the ISO 9001 Quality Certificate in 1993.

Shares of Vestel Electronics have been publicly traded in the Istanbul Stock Exchange since 1990. Recently, a second public offering of US\$ 40 million worth of Vestel Electronics' shares have been successfully completed with the majority of the sales going to foreign institutional investors. Subscriptions to this offering, which corresponded to a further 16 % of the company's capital stock, amounted to well over US\$ 60 million; an indication of high investor interest. At the end of 1997, Vestel Electronics had shareholders' equity of US\$ 88 million and a market capitalization of approximately US\$ 400 million. In 1997, total net profits reached US\$ 48 million, almost double its 1996 level, in US dollar terms.

Paying special attention to research and development activities, the Company has been very successful in developing the most up-to-date technology to produce the highest quality color TV sets in this field. In 1997, Vestel Electronics produced 100Hz TV sets for the first time in Turkey. Internet-TV is another newly developed product that has been introduced for

Vestel Electronics is Turkey's personal computer manufacturer

Today, Vestel Electronics has a 63 % share in total Turkish TV exports.



the first time in the Turkish market. This product enables the user to utilize the television for dual purposes. Vestel Electronics is among the only three Internet-TV producers in the world.

Vestelkom is Turkey's leading producer of television tuners, remote control devices and satellite receivers. The Company has the largest component, surface mounted assembly operation in Turkey and it is among the top four chip-tuner producers in Europe. Vestelkom has achieved the ISO 9002 Quality Certificate for its tuner production. Total sales reached US\$ 17.8 million in 1997.

Total sales of the Electronics Division were US\$ 510 million in 1997, of which US\$ 256 million was generated through exports. Today, Vestel Electronics has a 63 % share in total Turkish TV exports.

The Division's investment strategy has been to increase its horizontal integration in the electronics sector and to develop an internationally competitive capacity in household appliance and information technology products. In 1996, Vestel launched a new range of appliances into the domestic market that are imported from Daewoo in Korea and Ocean and Smeg in Italy. In order to capture a stronger market

share in Turkey, Vestel has decided to invest further in household appliance production and establish a refrigerator plant. Recently a cooperation agreement has been signed with Sanyo of Japan and the initial investment for this plant is calculated at US\$ 60 million and will have an annual production capacity of 600,000 units. By the year 2000, washing machines and dishwashers will be added to the production line.

Other Zorlu Holding companies include Zorlu Energy, which produces electric energy for the Holding factories, creating savings of about 40 % on energy costs. The Holding also has a five-star hotel in Trabzon, which represents its foothold in the tourism sector. The 160-room Hotel Grand is the only luxury resort in the Eastern Black Sea Region. Zorlu Air provides air transportation to the Holding's traveling executives. Zorlu Sigorta serves as an insurance broker.

There are several new ventures being undertaken by the Zorlu Holding. One of the most important and breathtaking new ventures is the energy distribution project in the Aegean region. This distribution facility was acquired from the Privatization Administration in late 1997 and modernization is now underway.

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Board of directors



DR. METİN ÇAĞLAR
Chairman

Born in Bayburt in 1941, Dr. Çağlar is a 1963 graduate of Istanbul University, Faculty of Economics. He received his Master's Degree from Nebraska University in 1969 and his Ph.D. from Iowa University in 1974. He previously worked for the Turkish Industrial Development Bank between 1974 and 1995. Since 1995, he has been the Chief Executive Officer and Member of the Board of Vestel Group of Companies.



CEM BODUR
Vice Chairman

Born in Istanbul in 1961, Mr. Bodur graduated from Istanbul University, Faculty of Economics in 1982. He started his career at Interbank's Internal Audit Department and then worked in the Credit Marketing Department there. In 1991, he joined Körfezbank as a Marketing Manager and between 1992 and 1994 he served as Manager of Marmara Bank's main branch. Between 1994 and 1995, he was the Chief Financial Officer of Ekinciler Holding. Since 1995 Mr. Bodur has been the Chief Financial Officer of Zorlu Holding / Vestel Group of Companies.



ENVER GÜNEY
Member

Born in Kars in 1956, Mr. Güney is a 1977 graduate of Ankara University, Faculty of Political Science. He began his career as an Assistant Auditor in the Ministry of Finance. He received his Master's Degree in economics from Vanderbilt University in 1987. Until 1991, he served as a counselor and General Manager of the Public Revenue Department at the Ministry of Finance. Between 1991 and 1993, he served as Counselor of the Undersecretariat of Treasury and Foreign Trade. Between December 1994 and September 1997, he acted as the General Manager of Foreign Capital at the Undersecretariat of the Treasury. He joined the Zorlu Holding in late 1997.



DR. VEYSİ SEViÇ
Member

Born in Istanbul in 1939, Dr. Seviç is a 1962 graduate of Istanbul Academy of Economics and Commercial Sciences and the Istanbul University Faculty of Law in 1965. He received his Master's Degree from Ankara University Faculty of Political Sciences in 1967. He began his career at the Ministry of Finance and later became a Senior Inspector. He has worked in the Internal Revenue Department in the UK between 1982 and 1983 and at the OECD's Finance Department in 1985. He has held chairs in Anadolu, Marmara and Istanbul Universities. He has been the Turkish Representative in the Tax Commission of the International Chamber of Commerce and served as the Chief Advisor to the Turkish Prime Minister between 1993 and 1995. He regularly writes for the economic daily, Dünya. At present, he is lecturing at Istanbul University and B.R.A. in Brussels.



M. TINAZ TİTİZ
Member

Born in Istanbul in 1942, Mr. Titiz graduated from Istanbul Technical University, Electrical Engineering Department in 1963. He worked as the Chief Engineer and Manager in the management, planning and operational research departments of Ereğli Coal Plants in Zonguldak. He was the General Manager of Elektro-Akustik A.Ş. between 1981 and 1983. Mr. Titiz was elected to the Turkish Parliament in 1983 and served as Minister of State, Minister of Culture and Minister of Tourism between 1985 and 1989. He lectured at the Middle East Technical University between 1991 and 1995 and left the Parliament in 1995. He is a recipient of the Melvin Jones Award and has published several books since 1990. He joined the Zorlu Holding in 1997.



HAKAN ATEŞ
Member, President and CEO

Born in Ankara in 1959, Mr. Ateş graduated from the Middle East Technical University, Faculty of Business Administration in 1980. He began his career as an inspector at İş Bankası and served there for five years. Since January 1985, he held various managerial positions at Interbank and has been the Manager of Bakırköy, İzmir, Main Branches successively. He developed the Cash Management system at Interbank. He was an Executive Vice President at Interbank before joining Bank Ekspres as the Chief Operating Officer in June 1994. He took an active role in the restructuring process of Bank Ekspres under Bank of America's consultancy. He later established Garanti Bank Moscow, a joint venture bank of Garanti Bank (80 %) and IFC (20 %), in July 1996 and served there for a year as the President and Chief Executive Officer before being appointed as President and Chief Executive Officer of DenizBank in June 1997.



The creation of a new entity enabled us to formulate an entirely fresh set of business principles based on the unique corporate vision and culture of the Zorlu Holding.

DenizBank marks a new chapter in the Zorlu Holding's long history. The Zorlu Holding began as a small-scale textile investment in the 1950s and developed into integrated curtain production in the 1980s. By the 1990s, the Holding had expanded into consumer electronic equipment. Encouraged by its successful record in these sectors and by the drive toward privatization within the country, the Zorlu Holding obtained a license from the Government to operate DenizBank in March 1997.

Starting a bank essentially from scratch is a difficult task, but has its positive aspects as well. The creation of a new entity enabled us to formulate an entirely fresh set of business principles based on the unique corporate vision and culture of the Zorlu Holding. It also allowed us to bring together some of the best human resources in Turkey. Knowing that our success depends heavily on the human factor, we are determined to make the highest investment in our personnel. We have been able to reinforce our strong human resources with the best and most efficient technology available in the world today.

We are committed to fine-tuning the infrastructure of the Bank and have worked diligently to incorporate all the infinite details required to ensure that our services meet the needs of our clients. Utilizing a financial supermarket approach, DenizBank aims to enlarge the client base in Turkey by supplying small- and medium-size companies with a variety of products. Concurrent to that objective, the Bank is establishing leasing, factoring and brokerage companies. At present, the Bank has 13 branch offices with plans to expand to 25 by the end of 1998. These branch offices have been decorated to provide a welcoming and pleasant environment for both clients and personnel.

Asset quality has always been one of DenizBank's top priorities. Credit and marketing procedures have been formulated to reflect this position and operations have been geared toward a wide client base. An important part of this base will come from the synergy formed by the cooperation between the Bank and Zorlu Holding and their extensive distribution channels.

While we were aware that speed was of the essence, we never compromised our high ethical standards when pulling together the myriad of details needed to complete a new project as complicated as DenizBank. We are proud of the final product and confident that our solid start-up performance is just the beginning of a strong future in the banking community.

Please keep watching us....we're on the move!



Dr. Metin Çağlar
Chairman



Our mission is to assure that all parties, be they clientele or personnel, are satisfied with the way business is conducted at

I am pleased to have this opportunity to address our clients and shareholders in this, DenizBank's first annual report. In September 1997, following a long period of inactivity, DenizBank made a forceful return to the domestic and international banking community with across-the-board corporate, commercial and retail banking services and one of the strongest management teams in the sector. During the following few months, the Bank realized a profit and ended the year with assets of US\$ 103 million and a shareholders' equity of US\$ 22.3 million.

The Bank's key financial goals for the coming year are to increase its assets to US\$ 400 million and its shareholders' equity to US\$ 45 million. The General Assembly of DenizBank has decided in principle, to commit US\$ 20 million annually in cash to the paid-in capital of the Bank, plus all profits over the next three years. By the year 2001, DenizBank expects to have a shareholders' equity of US\$ 133 million and assets totaling US\$ 1.4 billion. Emphasizing our commitment to strong capitalization, I am proud to state that 37 % Capital Adequacy Ratio was attained by the end of the year.

Our mission is to ensure that all parties, be they clientele or personnel, are satisfied with the way business is conducted at DenizBank. We intend to make optimum use of every resource available to us and to maintain strong lines of communication between all parties. This way, we believe we can achieve continued high levels of profitability, productivity and asset quality.

DenizBank aims to increase the number of its corporate credit clients to around 800 in 1998 and to channel 40 % of its credits to small- and medium-scale businesses. The Bank is also preparing to play an active role in the retail banking sector, with plans to establish widespread ATM and credit card networks as well as Internet banking, which will be implemented in three stages.

DenizBank carefully chooses its personnel from among the best available candidates. To date, 330 experienced banking personnel have joined our team, and we plan to recruit more high-quality staff as needed. By pairing experienced personnel with newly hired staff members, we are taking steps toward becoming a 'school for bankers.'

DenizBank's operational and managerial standards have been formulated in line with total quality management principles and we expect to obtain ISO 9001 Quality Assurance Certificate by the first anniversary of our foundation.

DenizBank has very well defined long-term goals. The excellent performance we have achieved in the short period since our foundation has given us great momentum and motivation. We are now poised to attain lasting success and recognition as a dependable and reputable establishment within the Turkish banking community.

DenizBank is committed to promoting culture and the arts in Turkey. To this end, we have jointly founded the opening of a new theater with the Istanbul Beşiktaş Municipality and the Turkish State Theater, Opera and Ballet Members Foundation. The Bank is very pleased be a part of this project and plans to do more work in this area in the coming years.

I would like to take this opportunity to thank DenizBank's major shareholder, Zorlu Holding, for its full support and assistance during our first year of operations. This commitment has been pivotal to our achievements in 1997 and will continue to be so in the years to come. I would also like to extend my heartfelt gratitude to all our clients and to our most valuable asset, our diligent and energetic personnel.



Hakan Ateş
President & CEO

DenizBank officially begins ban September 1, 1997.

Based on strong foundations and prudent banking policies, DenizBank decisively and confidently remains on course. Navigating through the troubled seas of an emerging market economy may at times, be a non-exacting science, but DenizBank is able to 'stay the course' and maneuver to calmer waters.

January 6

Five million-Turkish Lira denominated banknotes are put into circulation.

January 24

DenizBank is sold to Zorlu Holding for US\$ 66 million.

March 1

35 companies bid for the privatization of thermo-nuclear power plants despite the disapproval of the Supreme Council.

March 6

Prime Minister Erbakan signs the National Security Council resolutions despite his earlier opposition.

March 27

Turkey ranks second from last for privatization efforts among developing countries in the OECD report.

April 7

According to a joint report by the IMF, the World Bank and the OECD, Turkey ranks among the top 10 fastest growing economies in the world.

April 27

Resignation of Ministers Yalım Erez and Yıldırım Aktuna causes more shock waves in political circles.

May 13

Final documents are signed for the pipeline that begins in Turkmenistan and stretches to Europe through Iran.

May 22

The Attorney General of the Supreme Court of Appeals accuses the Welfare Party of leading the country into civil strife and files a motion to close the party.

king activities on



May 29

Shares of DenizBank are taken over from the Privatization Board.

June 18

Erbakan resigns with the intention of handing the post of Prime Minister over to Tansu Çiller.

June 21

President Demirel disregards the Welfare-True Path Party plurality and places the charge of forming a government on Mesut Yılmaz.

July 1

The Cabinet of the 55th Government is announced and Mesut Yılmaz becomes Prime Minister for the third time.

July 13

The ANASOL-D (Motherland/Democratic Left Party) coalition government receives a vote of confidence.

July 14

The new Government's first action is a 30% hike in fuel prices.

August 16

The Government's education reform is ratified by the Parliament.

September 1

DenizBank officially begins banking activities.

October 29

The Central Bank sells US\$ 500 million to money markets in a half day of trading during the global stock exchange crisis.

November 14

Tension in the Gulf escalates after Iraq refuses access to UN.

December 2

Prime Minister Yılmaz announces a six-month price freeze on public products.

December 8

Opening night honoring DenizBank's full operations with its 13 branches takes place in Çırağan Palace.

December 15

The EU excludes Turkey from its expansion program; relations with the EU are frozen.

The credit departments have cr between the Bank and the Zorlu

The staff has received intensive training in matters related to the overall credit policies of the Bank.



Corporate Banking Division

Credit Allocation and Monitoring

The preparation of the credit procedures manual called for the creation of a document entitled, Credit Allocation and Monitoring Policies and Implementation Guidelines. This manual was prepared after the Board of DenizBank formulated the general philosophies, strategies and operational policies of the Bank. Then each department of the Bank was asked to prepare its own policy and implementation guidelines specific to their area of operation.

In line with the overall prudent philosophies of the Bank, the Credit Allocation and Monitoring Department has formulated its policies. Credit policies concerning selection of industries and potential clients, evaluation of selected clients and the criteria on which credit decisions are made, have been formulated in detail.

Understanding the importance of precise information in credit decisions, the Department has started to develop a comprehensive company database with sophisticated computer software

purchased from an outside vendor. All credit evaluation reports are prepared, computerized and compiled for future use. This computerization at all levels of the credit decision process also provides input for the database the Department is in the process of developing.

At this stage it has been decided that the credit allocation and monitoring functions be kept under the roof of one department for simplicity although different credit officers have been designated for the two functions.

The staffing of the Department has been completed and credit applications arriving from the branches are quickly processed, allowing for no delays that might cause client dissatisfaction. This is made possible because all credit officers have prior experience as senior officers in similar environments and due to the sophistication of the computer programs used in processing credit applications. The staffs of both the Credit Allocation and Monitoring Department and the Credit Marketing Department have received intensive training in technical matters but more importantly in matters related to the overall credit policies of the Bank.

eated a synergy Holding.



- ❖ *In line with the overall prudent philosophies of the Bank, the Credit Allocation and Monitoring Department has formulated its policies.*
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With regard to retail banking, operational, providing consumer

Concurrent with corporate lending, DenizBank has started allocating consumer loans in the form of car, mortgage and general-purpose loans.



In the last three months of 1997 alone, the Department has evaluated and allocated credit limits of TL 43.7 trillion to a diverse group of corporate clientele.

Plans for 1998 include; developing a scoring model for credit applications; expanding the credit database to include information on third party guarantors; developing a system that will continuously update the database with other creditor risks, unpaid checks and protested bills.

Credit Marketing

A separate manual has been prepared for credit marketing procedures. These guidelines are in strict compliance with those listed in the Credit Allocation and Monitoring Department's manual.

In line with the prudent credit policies of the Bank, the Department has focused on small- and medium-size companies rather than specific companies or any specific industry. The Department has put together a list of potential clients from among Vestel's distributors. Presently they are in the process of familiarizing the clients with the cash management services and overdraft facilities offered

by the Bank. In this way, the Department has created a synergy between the Bank and the Zorlu Holding.

The composition of loans by business sectors were as follows:

(in millions TL)

Manufacturing	1,890,514
Domestic Trading	1,882,727
Construction	464,638
Textiles	325,696
Other	575,327
Total Loans	5,138,902

The Department's plans for the coming year concentrate on expanding the credit portfolio with financially sound small- and medium-size companies. To this end, a close relationship will be maintained with the Zorlu Holding's supplier and distribution network in addition to other similar companies with good growth potential. It is believed that establishing sound relations with small companies today will create a long-lasting and mutually beneficial relationship in the long-term as they grow, creating a loyal corporate clientele base for the Bank. The target is to

DenizBank is now fully loans and deposit services.



allocate a minimum of 30 % of the total lending portfolio to small- and medium-size companies until the end of 1998.

Retail Banking Division

With regard to retail banking, DenizBank is now fully operational, providing consumer loans and deposit services. Early in 1998, the Bank will launch its credit and debit cards and ATM terminals; by the end of 1998, POS terminals will be ready. After defining its growth strategies, the Division has started to take steps to complete its retail banking system and infrastructure.

Consumer Loans

Concurrent with corporate lending, DenizBank has started allocating consumer loans in the form of car, mortgage and general-purpose loans with terms up to 18 months. Computerized systems have been developed in such a way that all consumer loan applications are answered and processed within 24 hours.

A project is underway to finance Vestel products with consumer loans from DenizBank. In the coming year, Vestel stores will be utilized as agents

of the Bank to sell consumer loans, distribute credit cards and to function as a site for collections. At present, 50 Vestel stores are serving the Bank in this capacity. It is anticipated that by the end of 1998 that number will jump to 150.

A big leap is expected next year in consumer lending as projected in the 1998 budget of the Bank.

Deposits

DenizBank offers all types of deposit accounts to its corporate and retail clients, principally in Turkish lira, US dollars and German Marks. Other convertible foreign currency deposit accounts are also available. Deposits with overdraft facility will start in March 1998.

In addition to providing a deposit account service, DenizBank also offers related services such as automatic social insurance premium collection and wage payments. In May 1998, it will also be possible to make utility payments through this system. By the end of 1998, a call center will be established providing information-only services initially, with plans to integrate into interactive banking transactions in the long-term.

An Internet-banking package ready for distribution in July 19



- ⚓ *Early in 1998, the Bank will launch its credit and debit cards and ATM terminals; by the end of 1998, POS terminals will be ready.*
- ⚓ *DenizBank offers all types of deposit accounts to its corporate and retail clients, principally in Turkish lira, US dollars and German Marks.*



has been prepared and will be 98.



Both debit and credit cards are expected to become operational by the end of April 1998.

An Internet-banking package has been prepared and will be ready for distribution in July 1998. This package prepared in collaboration with Vestel will enable clients to use a regular television equipped with a special Internet peripheral device to directly connect to their DenizBank accounts. Clients will then be able to conduct a number of banking transactions remotely on their own premises and at their leisure.

At the end of 1997, total deposits of DenizBank stood at TL 10.2 trillion of which TL 4.3 trillion was Turkish lira denominated and TL 5.9 trillion was foreign currency denominated deposits.

Credit and Debit Cards

By the end of 1997, the Bank had become an affiliate member of Europay as an issuer bank and a member of BKM-Interbank Card Processing Center. In addition to these memberships, an agreement was signed in December with AKK-Anadolu Credit Card Company for the processing of DenizBank's credit cards. The designs for the debit and credit cards have been completed and sent to Europay for approval. The debit card will comply with the Europay-Maestro standards and

will be operational internationally. Both cards are expected to become operational by the end of April 1998. Other plans include a Vestel co-branded card and the addition of free-of-charge services to credit cards making them more attractive than similar cards.

ATMs and POS Terminals

After careful selection, DenizBank has decided on NCR's personaS⁷⁵ series ATMs and has placed an order for 25 machines to be delivered and installed in March 1998. DenizBank's first POS terminals will become operational towards the end of 1998. An agreement has been made with a local ATM network allowing DenizBank clients to access over 500 terminals nationwide.

DenizBank derives benefit from shareholder has within the inte

In 1998, the Treasury Division plans to broaden the scope of its investments and will seek opportunities



Financial Institutions Division

DenizBank derives benefit from the strength and reputation its shareholder has within the international community. A report on the Zorlu Holding has been prepared and presented to correspondent banks abroad detailing the Holding's activities in electronics and textiles, its core business areas.

DenizBank's re-birth through privatization after it merged with Emlak Bank in 1992 evoked interest among international bankers. Previously, DenizBank had a long history of successful international operations that gained deep-seated confidence in the international banking community. The current owners and management of DenizBank now believe that they have revitalized the past image of the Bank with stronger credentials and that the future prospects of the Bank are stronger than ever.

Currently the Bank has allocated credit limits in favor of 43 domestic and 89 foreign banks. Correspondent agreements with 78 foreign banks were signed covering 26 countries. In addition, convertible currency-based account relations have

been established with at least one leading bank from all major countries. By the end of 1997, the foreign trade transactions volume was realized at US\$ 95 million.

Intensive correspondent visits are planned in the first half of 1998 to banks in various European countries, the USA and the UK, which are Turkey's foremost trading partner countries.

During 1998, the Financial Institutions Division will concentrate on expanding the Bank's correspondent credit limits and geographical coverage to ensure that it meets all of its corporate clients' trade finance requirements. The Division will also apply to international export credit agencies to obtain credit limits from them. Within the last quarter of 1998, necessary steps will be taken to have the Bank rated by a reputable international rating agency.

the strength and reputation its national community.



Treasury Division

Along with development of operational procedures and written manuals, the Division has also concentrated on building its technical infrastructure. The latest available technology was incorporated into the dealing room.

Reuters was chosen as the main vendor for the on-line data and dealing system; supported by dial-up links to the Central Bank, Istanbul Stock Exchange (ISE), Capital Markets Board and State Institute of Statistics. A fast Internet link has also been provided for each user within the Division. Risk management, decision support and management information software that is installed in the Division's systems was either developed in-house or purchased from well-known companies.

The organization of the Treasury Division is made up of two main departments; Treasury and Proprietary Trading. The Treasury Department assumes all responsibilities in liquidity management support and sales activities. For sales activities, the Department includes a Treasury Marketing Unit headed by a senior officer. As its name implies, the Proprietary Trading Department is responsible for

all trading activities on behalf of the Bank. The Department consists of experienced traders and analysts as well as an economic research team. Besides assisting the Division, the research team also provides domestic and international clients of the Bank with weekly and monthly economic reports.

By the end of the year, DenizBank acquired the necessary permits from official bodies to conduct all types of equity and debt instrument trading, which included derivatives on all markets of the ISE as well as markets organized by the Central Bank.

In 1998, the Treasury Division plans to broaden the scope of its investments and will seek opportunities in other emerging markets. The Division also aims to increase the number of its trading partners substantially during the same period, both domestic and international.

The infrastructures of all departments making DenizBank fully operational

During 1998, the Information Technology Department will concentrate on developing its Internet Banking Program.

Operations Division

The Operations Division encompasses the Cash Management and Settlement Operations Department, Information Technology Department, Investment Banking Operations Department, Treasury and Financial Institutions Operations Department, the MIS/Projects Department and the Purchasing Department.

Operational functions at the Head Office have been brought together under one Division to create a synergy, while expending minimum energy. With this approach, all operations related to corporate clients at DenizBank are centralized to draw benefit from the excellent services provided by the personnel at the Head Office, to economize on operational costs and to speed-up on routine transactions.

The infrastructure of these departments including the domestic interbank EFT (Electronic Fund Transfer) System and SWIFT, the international fund transfer system, have been completed as planned and put into service, making DenizBank fully operational in a very short period of time. They compare favorably to the standards of other



long-established full-service banks. The management was careful to choose proven information and communication technologies capable of processing volume levels much higher than what the Bank is currently handling.

The main banking software was installed and became operational at the beginning of September. In addition to the DEC 4100-Unix based machine, the Bank has installed office automation programs on PCs for each user that include e-mail, Internet and browser/search utilities.

Management information system design work has been completed and made ready for operation. Forms for internal and external use, procedures defining operational and managerial tasks and job definitions have been developed in compliance with ISO 9000 standards to facilitate the acquisition of the ISO 9001 Quality Assurance Certificate in June 1998 as planned.

During 1998, the Information Technology Department will concentrate on developing its Internet Banking Program, which will further promote consumer-oriented services of the Bank.

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The Bank has developed well-de departments within the Head 0

Currently, the Bank employs a staff of 330 whose ages average 30 years.



This project will be implemented in three phases. The first phase will be information only, the second phase, which will start in May, will enable follow up for inquiry purposes on all account details. The final phase will become operational at the end of 1998 when all banking transactions on accounts will become available to the users.

Financial Affairs Division

The Financial Affairs Division of DenizBank encompasses the Accounting, Financial Control, Audit and Legal Affairs Departments and the Internal Control Unit.

DenizBank places utmost importance to its information systems. The Bank has purchased Quantis, a highly sophisticated banking software, to manage its banking operations properly and to meet its information needs. This software has been used by several banks for many years achieving a good performance record. Moreover, the Bank has improved this software so that it is now capable of downloading reports to PCs through Microsoft programs such as Excel, Power Point and Access. By using highly developed functions, links and macros, reporting and data analysis have become

faster, more accurate and up-to-date. This system enhances both internal and external reporting. Thus, DenizBank has been able to track the results of its activities on a daily basis, calculate the returns and costs of its products, measuring its FX and interest rate risks. It performs periodic simulations and 'what-if' analysis on its financial position both on a consolidated and branch basis. Profitability of branches and treasury operations can be assessed accurately. The Financial Control Department is responsible for the preparation and follow-up of the Bank's budget and daily analysis of the financial statements of the Bank; the balance sheet and the income statement, on both a consolidated and profit-center basis.

In Turkey, banks are subject to rigid reporting requirements by official bodies, like the Central Bank, the Treasury and the Bankers' Association. The information system installed at DenizBank facilitates external reporting requirements with greater ease. In just the first six months of operations, 510 reports were prepared and submitted to official bodies and regulatory authorities, with frequencies ranging from daily to quarterly.

defined organizational charts for office and the branch offices.



The Audit Department, the Internal Control Unit and the Financial Control Department are organized under the same Division to ensure segregation of duties, a principle which is strictly followed by the Bank.

The Legal Affairs Department has prepared numerous ready-to-use contracts for personnel during normal banking operations in addition to manuals that outline the legal procedures to be followed for specific transactions. In addition to these, the Department has completed the establishment of various subsidiary companies; Deniz Destek, Deniz Leasing, Deniz Factoring and DenizYatırım Securities.

Administrative Services Division

This Division is composed of six important units that the management is very keen to emphasize; the Human Resources Department, the Training Department, the Advertising and Public Relations Department, the Construction Department, the Internal Services Department and the Security Department.

Human Resources Department

The Department has developed well-defined organizational charts for departments within the Head Office and the branch offices with the necessary staffing. Management levels are well organized and career opportunities are clearly set forth between levels. The wage system has been linked to the open performance appraisal system, which provides current data about the requirements of employees' career development, for both management and the employees.

Currently, the Bank employs a staff of 330 whose age average is 30 years. Although management has an average age of 39 years, their average banking experience is 15 years.

Training Department

As a new start-up, DenizBank preferred to employ an experienced staff from other banks. The difficult part of this process was to make-up a team from bankers who had previously been in different banking environments. Therefore, the emphasis was placed on training either for management-related subjects, team building efforts or technical matters. With a questionnaire, the



A strong corp developed to help inc



- ❖ *The Financial Affairs Division of DenizBank encompasses the Accounting, Financial Control, Audit and Legal Affairs Departments and the Internal Control Unit. These departments are organized under the same Division to ensure segregation of duties, a principle which is strictly followed by the Bank.*
- ❖ *DenizBank is committed to promoting culture and the arts within the country and as such has joined with the Istanbul Beşiktaş Municipality and the Turkish State Theater, Opera and Ballet Members Foundation in opening a new performance theater.*

orate identity system has been rease the visibility of the Bank.



Currently DenizBank has 13 branches located in major areas of economic potential.

training requirements of the staff have been identified and in-house training programs are being organized by the experienced staff of the Bank and university professors. In addition to this, management-training programs are organized, whereby the technicalities of banking are taught in detail to these managers of the future.

Advertising and Public Relations

To revitalize the DenizBank name in the marketplace, an advertising and publicity campaign has been launched utilizing all media within the country.

A strong corporate identity system has been developed to help increase the visibility of the Bank.

As part of its public relations plan, DenizBank has sponsored the "Afife Jale Theater Group" organized by the Turkish State Theater, Opera and Ballet Members Foundation (TOBAV). Afife Jale (1902-1941) was the first Moslem actress in the Turkish Theater. She was a trail-blazing pioneer in Turkish Theater during that period.

In April 1998, the "Deniz Club" will be formed as a social activity club for the staff of the Bank to strengthen inter-personal relations and help build a team spirit between them.

Construction Department

Currently DenizBank has 13 branches located in major areas of economic potential. Since its very first day, this Department has been busy trying to find suitable branch locations and converting them into first-class banking premises. Both the interior layout and the facade of branch offices have been designed to reflect the corporate image of the Bank and attain strong recognition in the marketplace.

Endeavoring to achieve integration in financial services, DenizBank is planning to invest in a factoring and a leasing company during 1998. These will be additions to an investment and brokerage house already established in September 1997. All these financial institutions will adhere to similar operational philosophies and will operate under the unifying umbrella of DenizBank. They will have comparable corporate identity elements to provide an endorsement to their parent, DenizBank.

DenizYatırım Securities

To comply with the decree of the Capital Markets Board requiring commercial and investment banking operations to be separated, DenizBank established DenizYatırım in September 1997 as its wholly owned Investment Banking Division. The Company was setup with an initial paid-in capital of TL 125 billion and is located within the Head Office of the Bank.

Shortly after its establishment, the Company completed its organizational chart and employed essential personnel, including two assistant General Managers responsible for asset management and domestic brokerage services. A Code of Ethics document has been prepared and the operational manuals for the Asset Management and Domestic Brokerage Departments were completed.

Close co-operation has been established with the Retail Banking Division of DenizBank to develop products of mutual interest. The branch offices where equity trading rooms will be built enable individual investors to follow-up the Stock Exchange movements on a real-time basis

and conduct their equity trading directly with the floor brokers of the Company.

Work is under way to offer brokerage services via the Internet when the Company becomes operational in the first quarter of 1998.

To foster better asset management services, the Company has applied to the Capital Markets Board to establish four mutual funds with different instruments and different investment strategies. These services will cater to the requirements of a diverse group of investors that have different risk expectations. Permission for two of these funds has been obtained before the end of the year.

Further investments will include the setting-up of the research, corporate finance and international capital markets departments.

Short-term targets include an average of US\$ 15 million in total assets managed in each of the mutual funds and an average of US\$ 5 million in total discretionary portfolios managed.

Executive Management



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President and CEO



A. DİNÇER ALPMAN
*Executive Vice President,
Retail Banking*



FİKRET ARABACI
*Executive Vice President,
Corporate Banking*



NECMETTİN KAVUŞTURAN
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Administrative Services*



B. CEM KÖKSAL
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NIHAT SEVİNÇ
*Executive Vice President,
Operations*



NESRİN SUNGU
*Executive Vice President,
Financial Institutions*



CAN TAŞPULAT
*Executive Vice President,
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*Financial Statements
As Of December 31, 1997
Together With Auditors' Report*

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SULTANHAMAM BRANCH

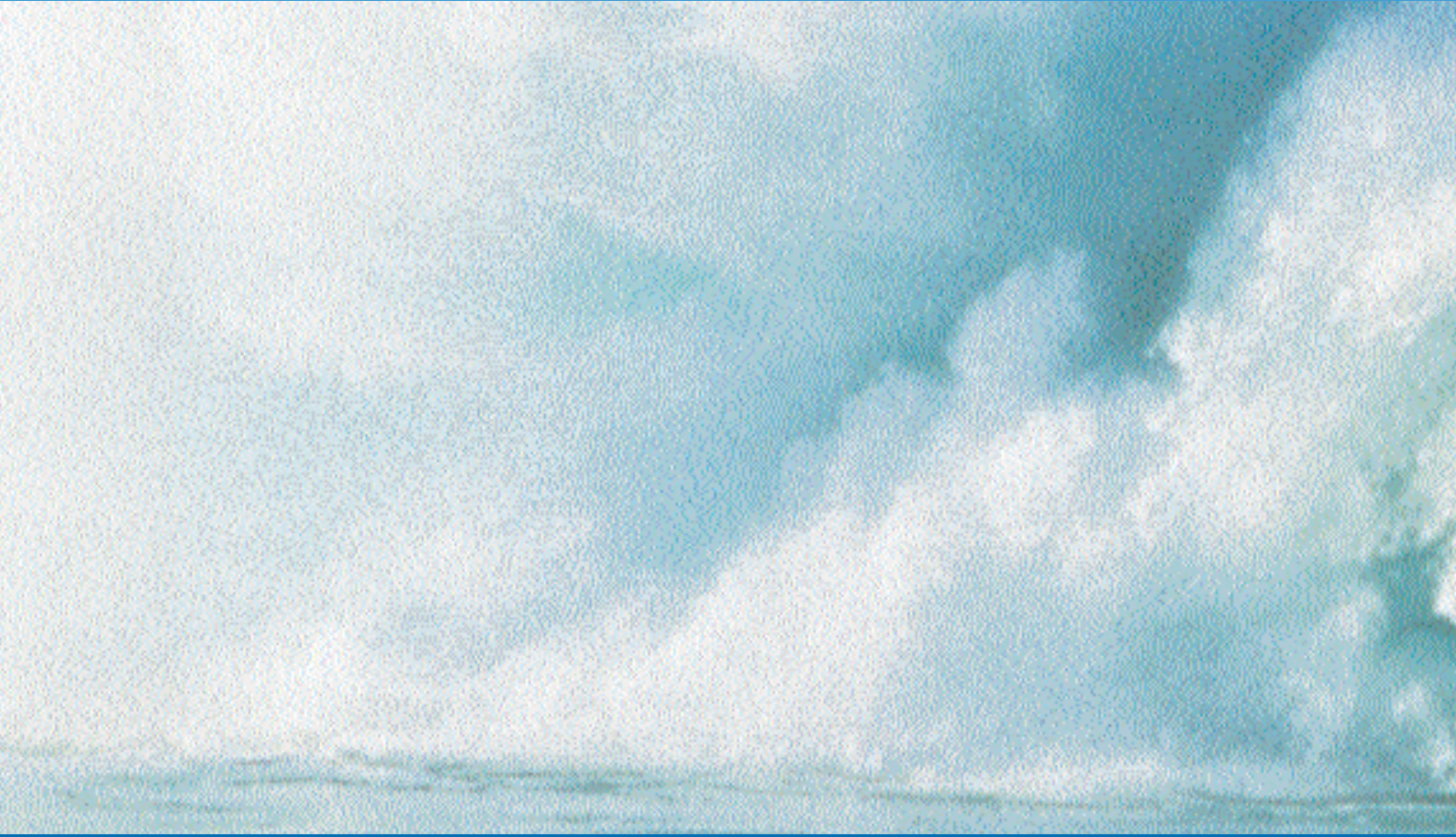
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