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Analysis

TURKEY
Europe/M.East/Africa

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Turk Dis Ticaret Bankasi AS

Credit Strengths

The credit strengths of Turk Dis Ticaret Bankasi A.S. ("Disbank") include:

- Superior risk management abilities that reduce sensitivity to Turkey's inherently volatile operating environment
- Low government security exposure which limits the level of capital at risk from an adverse credit action by the government
- A well-educated workforce that complements management strength
- An adequate liquidity profile as somewhat tight core liquidity is offset by low liability concentrations and real deposit maturities longer than the contracted maturities
- An expansion of the distribution network which lowers deposit concentrations while increasing revenue generating potential
- Good levels of tangible equity capital that are driven by low fixed assets, good non-performing loan coverage and no non-banking activities provide a sufficient ability to absorb potential losses
- Transparency that adds credence and comfort to reported results

Credit Challenges

The credit challenges of Disbank include:

- An increase in operating leverage from the expansion of the distribution network and transformation from a wholesale to a corporate / retail emphasis
- A high level of loan portfolio concentration that places a significant amount of equity at risk to several large names.
- Significant related-party exposure that creates sensitivity to the financial condition of the controlling shareholder
- Privatisation of state-owned banks and entry of foreign banks will increase competition over time
- A more competitive environment challenges ability to develop retail lending and deposit franchise
- A fragile operating environment that rewards agility in an inherently volatile market

Strategy and Competitive Position

The D+ Financial Strength Rating ("FSR") Disbank (see Issuer Profile) is well-placed within its rating category. The long-term foreign currency deposit rating was upgraded to B2 in October 2004, following an upgrade in the country ceiling for Turkey. The B2/NP foreign currency deposit ratings are constrained by the country ceiling for such deposits in Turkey and will continue to move in tandem with the ceiling. All ratings carry stable outlooks.

Developing real banking franchise with a corporate and commercial lending focus

Disbank retains primarily a corporate and commercial lending focus that is relatively well diversified among industries. Corporate and commercial loans account for approximately 60% and 20%, respectively, of the bank's credit portfolio. By industry, Disbank's largest corporate and commercial credit exposures are to the construction sector at approximately 15% of total cash and non-cash exposures as year-end 2003. Other large corporate and commercial credit exposures include the trade/wholesale, metal processing and textile sectors, each comprising approximately 11% of total corporate and commercial exposure. Henceforth, the bank is targeting a maximum exposure of 15% to any single economic sector.

Like all Turkish banks, Disbank remains less engaged in real banking activities than banks in most developed markets, as loans represented about 45% of total assets at 30 September 2004. Although low by international standards, this level is consistent with that of most mid-size, private-sector Turkish banks. Disbank's main focus going forward is to deepen its real banking franchise, in particular by targeting the more lucrative retail and SME customer segments. Meaningful and sustained expansion of the bank's lending franchise, assuming such lending does not worsen its risk profile, could exert positive pressure on the FSR.

Targeted expansion in retail and SME markets enhances the franchise...

With a primary emphasis on corporate banking, Disbank is investing for the eventual emergence of a real banking environment in Turkey. As part of its strategic positioning, Disbank is transforming from a wholesale to a high-street retail banking emphasis while maintaining corporate and expanding commercial business. Management envisions developing sustainable revenue sources while containing costs to ensure survival in a volatile market.

Towards that end, the bank is placing emphasis on leveraging growth synergies with the Dogan Group, its main shareholder, through such operations as Dogan Online, Petrol Ofisi, and other group financial companies. For example Petrol Ofisi, which has approximately 3,400 retail petrol outlets around the country, uses Disbank POS terminals at just under half of its locations, while the remaining locations use the POS terminals of Petrol Ofisi's other main shareholder — Isbank. At the same time, primary dealer activities create additional selling opportunities in the retail and wholesale banking segments.

In addition, the bank is wisely taking advantage of technological "hook products" such as Point of Sale terminals to gain access to customer information. Specifically designed for SME customers, the bank has launched "Sistem-D", a small-business personal-computer internet access system, as well as T-Card, a short-term cash management debit card. Disbank had a 7% market share in acquiring credit cards as well as more than 60,000 POS machines by the end of June 2004. The bank has almost quintupled its number of POS machines since year-end 2001. Complementing this activity, Disbank launched a credit card in 2001, known as the "ideal" card, which is one of the fastest growing credit cards in Turkey, achieving a 4.4% market share as of June 2004.

... but increasing operating costs challenge efficiency

Disbank's branch network expansion and transformation from a wholesale to commercial/retail emphasis requires substantial infrastructure investment and increases the bank's operating leverage. With a domestic network of 167 branches, Disbank had the twelfth-largest branch network among all Turkish commercial banks as of 30 September 2004, having added 50 since the end of 2001, while many of its primary competitors were rationalising their branch network due to financial weakness. In addition, Disbank has added new employees at a faster rate than almost any other Turkish bank.

Concurrently, although operating expenses have almost doubled relative to income since 1998, the bank's cost-to-income ratio remained stable in 2001 and 2002, then declined in 2003, as net income jumped on the back of sharply higher trading income. Due in part to the bank's network expansion, which continued at a rapid pace in 2004, non-interest expenses have risen considerably — both personnel and non-personnel expenses.

Financial subsidiaries generate value-added as important market participants in their respective fields

Unlike most of the bank's competitors, Disbank's subsidiaries focus only on financial intermediation, with leasing, factoring, insurance, brokerage, portfolio management and pension offerings completing the financial services conglomerate. Disbank's factoring subsidiary, Dis Factoring, is the fifth-largest in terms of market shares, while Dis Leasing,

Ray Sigorta and Dis Yatirim are important participants in the leasing, insurance and brokerage markets, respectively. A focus on financial-related activities only is a primary strength for the bank, underpinning its D+ FSR.

Superior risk management practices and systems focus on economic capital

Disbank's emphasis on risk measurement, management and stress testing, position it as one of the best-managed banks in Turkey. This strength outweighs its relative size disadvantage and enables the bank to reduce sensitivity to, and to profit from Turkey's fragile operating environment.

Disbank is one of the very few banks in Turkey that can articulate a clear strategy to Moody's that places emphasis on economic capital impact analysis. This emphasis limits possible negative consequences from market volatility in Turkish government securities.

An emphasis on real-world stress testing based on practical information enables this system to function properly. Disbank's risk management strength enables the bank to implement a defensive position when needed, thereby gaining market share as other banks exit.

A well-educated workforce complements management strength and stability

Underpinning this management strength, Disbank enjoys a unique status within the Turkish banking environment with university graduates comprising over 77% of its staff — the highest level among Turkish private sector banks. Building on this strong human resource foundation, Disbank provides intensive training to its workers. Directing this intellectual nexus, Disbank's senior management team has a great deal of experience and, with the smooth transition in the internal succession of its CEO in early 2001, is relatively stable — a rare and fundamental strength in the Turkish market.

An improved Turkish operating environment as economic volatility declines while political stability ensues

The operating environment for Turkish banks has improved as economic volatility has declined while political stability has ensued. GDP grew by 5.9% in 2003 and 7.8% in 2002, while inflation, as measured by the Consumer Price Index, declined from levels of 69% at year-end 2001 to 18.4% by year-end 2003, and continued declining in 2004. Export-driven economic growth, an appreciating currency, improved fiscal management and a stable political environment have combined to lower risks associated with banking in Turkey. The country's domestic and foreign currency interest rates have declined considerably in the last 18 months, although periods of substantial volatility remain and real rates of interest continue to remain high.

Despite these substantial operating environment improvements and the country's success in securing a date for the commencement of formal EU accession talks, several possible scenarios continue to provoke caution. The possibility that the conditions applied before accession talks formally begin might derail the entire process would deal a setback to the current economic and political reform processes, increasing the risk that privatisation efforts will not be carried out at an optimum pace, and slowing the pace of foreign investment in Turkey. In addition, a larger than expected increase in the US Fed Funds interest rate in 2004 could slow domestic economic progress. The realisation of either of these scenarios would be likely to have negative effects on all banks in the country.

Improving operating environment creates challenges to grow

Turkey's volatile operating environment rewards agility. In the past, Disbank was able to capture rewards from this volatility. Delayed expansion of both the distribution network and retail lending, relative to its competitors, was a positive constraint on the franchise. This delay saved the bank from the negative carry margins that its competitors experienced when they extended long-dated fixed-interest-rate consumer loans whose returns became negative as their funding costs rose. In addition, Disbank's later expansion into retail banking saved the bank from experiencing negative real economic capital costs that its competitors encountered when they invested in fixed retail-banking assets whose value declined appreciably with the contraction in the economy.

Nevertheless, Disbank would be poorly positioned relative to its competitors should sudden and sustained positive economic growth rates unexpectedly return to Turkey in the near term. Moody's believes that therein lies the tension that faces the bank: to build its retail and commercial banking network to position for a real banking environment without over-investing in a still volatile economy.

Moody's believes the government's threat not to bail out uninsured depositors in the event of a bank failure is credible

In mid-2003, the Savings Deposit Insurance Fund announced that effective from 5 July 2004, the Fund would not bail out uninsured depositors in the event of a bank failure. Moody's believes this to be a credible measure the SDIF may take for all but the "too-big-to-fail" Turkish banks for the following reasons:

- Unsecured inter-bank activity in Turkey is limited, reducing the risk to the Turkish financial system from the failure of all but the biggest domestic banks.

- The government has the means to affect an orderly continuation for insured depositors by transferring these depositors to state-owned institutions and simultaneously beginning liquidation of a failed bank.
- The government would lose credibility, domestically and internationally, from failing to enforce a critical policy change.

Following the removal of the blanket guarantee on uninsured depositors, Moody's opinion is that only the four largest private banks, as well as the state-owned banks, will henceforth be considered as "too-big-to-fail" by the Turkish authorities. Therefore, although Disbank currently has no need for government support, should such support become necessary in a hypothetical stress situation, Moody's feels that its likelihood and timing would be uncertain.

Financial Fundamentals

Real asset quality remains superior to that of most banks in Turkey...

As further testament to both management strength and the resiliency of the franchise, Disbank's asset quality ranks among the top banks in Turkey, while loan-loss reserve coverage also exceeds that of most Turkish banks. Previously, Disbank employed a more stringent interest accrual policy than that of its competitors, suspending interest and declaring loans as non-performing when the borrower was more than 30 days delinquent. As of the end of June 2004, Disbank lengthened this period to the more common 90 days overdue, and adopted a target of 100% reserve coverage. Furthermore, Disbank has not restructured any non-performing loans within the framework of the so-called "Istanbul Approach". After factoring in a much lower rescheduled loan level than some of its peers and after adjusting problem assets for assets acquired in debt settlements, Disbank's real asset quality remains superior to that of most banks in the country. Substantially higher levels of tangible equity and lower levels of problem assets place the bank in an enviable asset quality position within Turkey.

During the first three quarter of 2004, absolute levels of non-performing loans (NPLs) showed a slight increase. This change would have been higher, had the bank continued with its more stringent 30 day overdue guideline for declaring a loan as non-performing. However, as a result of robust loan growth, the percentage of such loans measured as a percentage of gross loans remained just above 3% at 30 September 2004, and substantially lower than the system average. Moreover, specific and general provisions continued to cover more than 100% of NPLs according to quarterly consolidated BRSA financials. Disbank's good asset quality metrics have been a key strength underpinning the bank's FSR. As such, we will be closely monitoring the bank's rapid growth in loans for any signs of a significant downward trend, evidence of which would exert negative pressure on the bank's FSR.

... while high related-party exposure increases sensitivity to the financial condition of Dogan group companies ...

On a consolidated basis, cash loans to related parties decreased by approximately 45% during 2003. At same time, non-cash lending to related parties increased considerably during the same period, rising by 100% year-on-year. Overall, the Dogan group remains a net provider of funds to the banking group. However, the nature of the funding has changed. Relative to the end of 2002, group deposits collateralised against exposures have been on the decline, while total deposits by related parties have been on the rise. As a result, exposure to the group net of collateralised deposits, has remained stable even as the gross exposure has declined.

Again on a consolidated basis, during the first six months of 2004, related-party cash and non-cash exposure to the group declined by nearly 22% relative to year-end 2003, resulting in a decrease in gross exposure to the group from 43.7% to 40.9% of the bank's equity. However cash collateral in support of this lending declined by 86% in the first six months of 2004, resulting in an increase in the total exposure net of cash collateral, from 34.6% at year-end 2003 to 39.5% at 30 June 2004. On a bank-only basis, the magnitude of the exposure is smaller as a percentage of equity, but the direction of the change is the same.

Borrowing from a bank and placing deposits in the institution is a tax-efficient method for the related parties to conduct business. Although Moody's understands that collateralised and non-collateralised deposits by group companies reduce exposure levels to Turkish banking regulation guidelines, significant maturity mismatches may occur. At the same time, related-party borrowing is typically in lower interest rate foreign currency while deposits are in higher interest earning local currency. The bank takes the risk of this currency mismatch, but closely manages the risk.

Related-party borrowing is the Achilles heel of banking in Turkey. Ineffectively overseen by the regulators, deposits and other collateral provided for borrowing may be released by a management captive to the owner while the foreign currency obligation is all that may remain when the related party is experiencing operating difficulties. In addition, substantial changes in foreign exchange rates may leave a bank vulnerable to financial repayment difficulties on the part of the owner. As such, Moody's takes a dim view of high levels of related-party exposure irrespective of the tax benefits to the borrower. High gross levels of related-party exposure relative to the equity contributed by the owner

in the bank are a constraint on Disbank's financial strength rating. Failure to reduce the bank's net exposure to related parties would be very likely have negative consequences for its FSR.

... and the loan book contains more large-name concentration than at most other Turkish banks

In addition to the significant exposure to Dogan group companies, Disbank's loan book is also more highly concentrated compared with most other Turkish banks. At year-end 2003, the 20 largest exposures accounted for more than 175% of the bank's consolidated equity and more than 30% of its consolidated total cash and non-cash exposures. At 30 June 2004, the multiple of equity accounted for by the 20 largest exposures increased to well over 200%. These figures are higher than the corresponding figures for most other Turkish banks rated by Moody's. Further increase or failures to substantially reduce these concentrations could well exert negative pressure on the bank's FSR.

Liquidity profile remains comfortable

Overall Disbank's liquidity profile remains sound, as somewhat tight core liquidity is offset by a number of factors: (i) the degree of concentration in the bank's deposit base is substantially lower than that witnessed in its asset portfolio; (ii) a very high level of deposit rollover, which extends the real maturity of the deposit base; and (iii) good risk management systems, which enable the bank to operate on core liquidity levels tighter than those of its competitors.

As the bank has expanded its lending activity, liquid asset levels, as well as core liquid assets (cash and net due from banks) relative to customer deposits declined substantially between 2000 and 2002. In 2003, Disbank's core liquidity position improved relative to the recent past, but remained tighter than that of most of its rated peers. The lower core liquidity levels increase the bank's sensitivity to changes in both depositor confidence and in the value and liquidity of Turkish government securities, increasing the importance of the bank's risk management systems and processes.

However, Disbank faces a challenge to enhance its customer deposit franchise vis-à-vis its larger peer banks

Disbank's level of customer deposits showed a decline in the 2003 financial statements by some 9%. However, much of this decline in Turkish Lira-denominated financial statements can be attributed to the large proportion of US Dollar deposits on the bank's books, combined with appreciation of the lira relative to the dollar and the effects of restatement, which gives the impression of declining deposits. In reality, customer deposit levels remained quite stable, and show moderate growth in the first nine months of 2004.

However, relative to most of its peers, and especially the larger banks, Disbank will continue to face challenges to attract a large quantity of stable, low-cost deposits. The large banks, as well as the state-owned banks, have a competitive advantage in gathering local currency deposits, due to their size, perceived safety and more extensive branch networks, while foreign currency deposits are expensive in Turkey, due to the risk-premium depositors require for use of these funds.

Relative to the level of foreign currency deposits in the institution, Disbank is paying a premium to attract and retain these deposits while it expands its network. Concurrently, upfront operating costs have risen as the bank expands its distribution network. Moreover Disbank remains more heavily reliant on non-deposit borrowed funds than most other Turkish banks rated by Moody's. These factors taken together, Disbank is challenged to scale the distribution network, further reduce operating costs or lower interest expenses to enhance its deposit franchise. Evidence of meaningful improvements in the bank's deposit franchise would exert positive pressure on the FSR.

Relatively low interest rate risk reduces sensitivity to the still volatile Turkish operating environment

Complementing its adequate liquidity profile and high levels of tangible equity (see discussion below), Disbank' good levels of cheap funding and low re-pricing gaps create a low sensitivity to interest-rate risk, thereby reducing sensitivity to the volatile Turkish operating environment. With non-interest-bearing liabilities well in excess of non-interest-bearing assets, Disbank enjoys the benefit of a good level of cheap funding. Concurrently, the bank maintains low interest rate re-pricing gaps. Together, these translate into a relatively good interest-rate risk profile for the bank.

Moderate concentration risk from Turkish government exposure

A relatively low level of government securities limits the level of capital at risk from an adverse credit action by the Turkish government. With government security exposure at 2.10 times tangible equity at year-end 2003, Disbank's exposure is well below that of most of its peers. In addition, since Disbank's government security exposure is of relatively lower duration and since the bank has a relatively greater level of lending, the amount of interest income from securities is lower than for almost all of its peers (35% vs. a range of 45% to 50%).

Concurrently, Disbank accounts for virtually all of its government securities by a mark to market accounting method, which results in a more realistic assessment of the true credit and market risk faced by the bank. All of Disbank's larger competitors adopt more liberal accounting methods for measuring and disclosing their exposure and some change their accounting methods as market conditions change. A relatively lower level of exposure to a possible

adverse credit action by the Turkish government combined with a more conservative method of measuring and disclosing this exposure is a major credit strength for Disbank.

High levels of regulatory capital and tangible shareholders' equity provide added comfort to creditors

Overall, Disbank's capitalisation levels are very healthy relative to its competitors. Disbank's good levels of tangible equity capital are driven by relatively low dividend distributions, low levels of fixed and intangible assets, excellent coverage of non-performing assets and no non-financial services-related equity participations. The bank's high level of tangible equity capital — nearly 12% at year-end 2003 not accounting for related-party exposures, and greater than 8% if related-party loans net of cash collateral are deducted — provides sufficient ability to absorb potential losses. Disbank's level of tangible equity is second only to that of Akbank among the large and mid-sized Turkish banks rated by Moody's.

Regulatory capital was also more than adequate, with the bank's risk-weighted capital adequacy ratio at 21% at year-end 2003. Disbank's healthy tangible equity and regulatory capital levels represent an important factor underpinning its FSR. Any material and sustained deterioration in these indicators would place negative pressure on the FSR.

Issuer Profile - Turk Dis Ticaret Bankasi (DISBANK)

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HISTORY

Disbank was founded in 1964 as a joint enterprise by Turkiye Is Bankasi and Bank of America under the name Amerikan Turk Dis Ticaret Bankasi. In 1981 Isbank purchased Bank of America's ownership interest and changed the name to Turk Dis Ticaret Bankasi - Disbank (Turkish Foreign Trade Bank). In 1994, Isbank sold 65% to Dogan Group, and in 2003, sold its last remaining shares in Disbank to Disbank Employees Pension Fund.

The seventh-largest private bank in Turkey, with consolidated assets totalling USD4.1 billion at year-end 2003, Disbank accounts for approximately 2.3% of all Turkish banking assets, 1.8% of customer deposits, 7.0% of foreign trade volumes, 4.4% of credit cards issued, 7.3% of POS terminals and some 3.2% of total loans. Originally a wholesale bank focusing on foreign trade finance, it began to shift focus in 1999-2000, making the transition to a full-service commercial bank. Over the past several years, the bank has significantly expanded its branch network and increased its staffing levels, and now serves a broad customer base through its Corporate, Commercial, Small Business, and Retail banking groups.

OWNERSHIP

(As of June 2004)

Owner:	%
Dogan Group	62.37
Disbank Employees Pension Fund	16.56
Dogan Family	4.00
Publicly Held	17.00
Others	0.07
TOTAL	100.00

THE DOGAN GROUP

The Dogan Group, one of Turkey's largest conglomerates, comprises two holding companies: Dogan Sirketler Grubu Holding AS (Dogan Holding) and Dogan Yayin Holding AS (Dogan Yayin Holding). The group consists of companies from the media, financial services, industry, tourism, telecommunications and energy sectors.

- i) Financial Services - The Dogan group owns 62.4% of Disbank, which engages in banking, brokerage and investment banking, insurance, private pension funds, leasing and factoring activities.
- ii) Energy Distribution - the group is active in fuel retailing and aims to become a multi-regional retail chain through its 47.4% ownership of Petrol Ofisi.
- iii) Media - Dogan Holding has a 66.6% stake in Dogan Yayin Holding, which is active in newspaper (Hurriyet), magazine and book publishing as well as distribution and printing, new media and broadcasting, sale of multimedia products and manages a number of commercial and thematic television channels (CNN-Turk) as well as three radio channels.
- iv) In the industry and trade sector, the group is active with a wide range of steel wire products and vehicle spare parts, mass marketing, sales campaigns and automotive dealerships.
- v) In the tourism sector, the group is active in marina and holiday village management.

BUSINESS ACTIVITIES

Disbank's activities are organised along the following business lines:

- 1) Corporate banking - the bank provides its customers with a complete and diversified range of corporate banking products and services. In addition to traditional ones, the bank also offers capital markets, treasury, cash management and corporate consultancy services. Currently it serves a customer base of over 1,800 clients located throughout Turkey.
- 2) Commercial banking - mainly financing small and medium-sized businesses. Disbank's corporate customer portfolio is well diversified without any significant concentration in any specific industry.
- 3) Retail and SME banking - with an established market share in credit cards, consumer lending and securities services. Affinity cards, co-branded cards, utility bill collections, payroll services and private school payment services are also available in Disbank's product portfolio. Acting as agents to Dis Yatirim, Disbank branches offer a number of investment products and stock brokerage activities; as agents of Ray Sigorta (Insurance) and Dogan Emeklilik (Pension Fund), they offer insurance products to Disbank customers.
- 4) International banking - one of the first Turkish Banks to specialise in trade finance. The bank has continued to expand its international correspondent network now numbering 500 institutions in more than 70 countries. Disbank increased the value of its foreign trade financing to USD6.9 billion, giving it a 6% share of the overall Turkish market for import/export financing during the third quarter of 2004.

BANK NETWORK

The bank has aggressively expanded its branch network over the years. At 30 September 2004, Disbank had 167 branches, as compared to 21 at the end of 1995. The network is supported by an internet banking channel, 256 ATMs, and 97 Disbank Access Points (web kiosks) in shopping malls and airports. Disbank is also a member of the Golden Point ATM sharing programme with a network of over 4,600 ATMs. The bank's POS network numbers nearly 66,000 terminals.

NUMBER OF EMPLOYEES

Disbank's employee breakdown is as follows:	30 June 2004	30 June 2003
Head Office	1,417	1,057
Branches	2,259	1,908
Subsidiaries	636	460
TOTAL	4,312	3,425

INTERNATIONAL REPRESENTATION

Disbank has an offshore banking unit located in Bahrain and a subsidiary in Malta (Disbank Malta Ltd). On 1 August 2003, Disbank's shares in Disbank Nederland N.V. were sold to Demir Halkbank Nederland.

SUBSIDIARIES

The main subsidiaries of Disbank are:

- 1) Disbank Malta - 100% holding. Founded in 1998, focuses primarily on the new business opportunities that arising out of the advances being made in technology and globalisation. The bank serves current and potential customers by designing and supplying them with tailored products and services that take advantage of its Maltese presence.
- 2) Dis Yatirim Menkul Degerler AS (DIS YATIRIM) - 100% holding. A major player in the Turkish capital markets holding tenth place among brokerage houses.
- 3) Dis Ticaret Factoring AS (DIS FACTORING) - 100% holding. With its 5th place in the market, Dis Factoring provides factoring services that supplement the short-term commercial lending and trade financing activities of Disbank. Dis Factoring has been an active member of Factors Chain International, the world's leading association of factoring companies, since 1997.
- 4) Dis Ticaret Finansal Kiralama AS (DIS LEASING) - 100% holding. Dis Leasing is the 8th largest leasing company in Turkey in terms of business volume and market share. Dis Leasing is maintaining business volume and profit margins by working with medium-sized companies, concentrating on industrial machinery and equipment.

- 5) Ray Sigorta AS - 67.32% holding. The Dogan Group acquired a majority stake in Ray Sigorta in 1992 after the Company went into privatisation. In 2001, the Group's shareholding interests were taken over by Disbank. Ray Sigorta is now a private-sector firm and is listed on the Istanbul Stock Exchange
- 6) Dogan Emeklilik A.S: - 100% holding. Dogan Hayat started business in January 1998 with 11,506 life insurance policyholders, and after the conversion to Pension Fund Company was completed became "Dogan Emeklilik".
- 7) Dis Portfoy AS (Asset Management) - 100% holding. Dis Portfoy started business in August 2002 and is ranked 14th within the sector. Dis Portfoy offers mutual fund and pension fund management services to institutional clients. Total number of funds under management has reached 14 and has increased by 136% as of year-end 2003.

Related Research

Banking Statistical Supplement:

[Turkey, October 2004 \(89304\)](#)

Banking System Outlook:

[Banking System Outlook: Turkey, March 2003 \(77566\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Turk Dis Ticaret Bankasi AS

	12/31/2003	12/31/2002	12/31/2001	12/31/2000	12/31/1999
Summary Balance Sheet (TL billion)					
Cash & central bank	280,625	364,473	290,630	135,270	125,833
Due from banks	742,144	582,704	1,363,713	1,833,872	1,263,859
Government Securities	1,265,435	1,187,191	601,243	832,960	804,841
Trading Securities	596,515	428,829	256,695	338,077	—
Investment Securities	28,872	18,293	—	32,543	797,407
Other Liquid Assets	—	—	—	—	—
Gross loans	2,563,035	2,724,327	1,669,714	1,401,953	981,310
Loan loss reserves (LLR)	(85,851)	(110,189)	(76,753)	(50,076)	(42,442)
Net Loans	2,477,184	2,614,138	1,592,961	1,351,878	938,868
Equity in affiliates	—	—	—	8,693	—
Fixed assets	192,468	217,365	183,294	153,915	126,902
Other assets	174,916	142,613	144,552	212,985	158,088
Total assets	5,758,159	5,555,606	4,433,087	4,900,194	4,215,798
Total assets (USD billion)	4.12	3.98	3.17	3.51	3.02
Customer deposits	3,256,424	3,573,987	2,769,893	1,781,699	1,351,364
Due to banks	104,888	292,588	100,037	788,112	585,656
Borrowings	1,178,659	702,741	651,929	1,264,027	1,365,970
Other liabilities	316,385	318,863	265,868	320,709	345,173
Total liabilities	4,856,356	4,888,179	3,787,727	4,154,546	3,648,163
Subordinated loan capital	—	—	—	—	—
Minority interest	12,562	15,169	11,830	27,982	32,097
Supplementary Capital	—	—	—	—	—
Shareholders' equity	889,241	652,258	633,530	717,666	535,539
Total capital funds	901,803	667,427	645,360	745,648	567,635
Total liabilities & capital funds	5,758,159	5,555,606	4,433,087	4,900,194	4,215,798
Derivatives - notional amount	8,574	7,300	—	—	—
Derivatives - replacement value	—	—	—	—	—
Risk weighted assets (RWA)	—	—	—	—	—
Contingent liabilities	2,001,230	1,855,541	1,619,032	1,959,791	1,737,676
Summary Income Statement (TL billion)					
Interest income	778,412	1,019,225	1,462,171	1,278,092	1,715,965
Interest expense	(489,585)	(681,772)	(915,517)	(524,581)	(555,713)
Net interest income	288,827	337,453	546,654	753,511	1,160,252
FX income	4,230	(10,625)	(144,213)	(297,626)	(633,308)
Trading income	267,429	78,541	18,232	90,174	145,395
Fees & commissions	70,472	31,974	33,033	(4,100)	17,115
Other operating income	28,608	88,907	49,357	40,886	33,842
Total non interest income	370,739	188,797	(43,591)	(170,665)	(436,955)
Operating income	659,566	526,250	503,063	582,846	723,297
Personnel expenses	(112,030)	(99,976)	(106,690)	(122,224)	(107,840)
Other operating expenses	(148,470)	(173,865)	(157,441)	(149,486)	(93,023)
Operating funds flow	399,066	252,409	238,933	311,135	522,434
Amortisation/depreciation	(77,489)	(49,619)	(38,153)	(31,177)	(22,199)
Total non-interest expense	(337,989)	(323,460)	(302,284)	(302,888)	(223,062)
Preprovision income (PPI)	321,577	202,790	200,780	279,958	500,235
Loan loss provisions (LLP)	(20,158)	(57,094)	(64,597)	(20,187)	(42,340)
Non operating income	(35,271)	(72,725)	(254,857)	(112,549)	(158,763)
Pretax income	266,148	72,971	(118,675)	147,222	299,132
Taxes	4,213	(24,151)	(7,308)	53,866	(120,199)
Net income	270,361	48,820	(125,983)	201,087	178,932
Minority interests	(1,175)	(3,089)	(629)	(7,413)	(22,419)
Net income (group share)	269,186	45,731	(126,611)	193,674	156,514
Dividends	—	—	—	—	—
Transfers to capital reserves	(269,186)	(45,731)	126,611	(193,674)	(156,514)
Other adjustments	—	—	—	—	—

Turk Dis Ticaret Bankasi AS

	12/31/2003	12/31/2002	12/31/2001	12/31/2000	12/31/1999
Summary Balance Sheet - Growth (%)					
Cash & central bank	-23.01	25.41	114.85	7.50	—
Due from banks	27.36	-57.27	-25.64	45.10	—
Government Securities	6.59	97.46	-27.82	3.49	—
Trading Securities	39.10	67.06	-24.07	—	—
Investment Securities	57.83	—	—	-95.92	—
Other Liquid Assets	—	—	—	—	—
Gross loans	-5.92	63.16	19.10	42.87	—
Loan loss reserves (LLR)	-22.09	43.56	53.27	17.99	—
Net Loans	-5.24	64.11	17.83	43.99	—
Equity in affiliates	—	—	—	—	—
Fixed assets	-11.45	18.59	19.09	21.29	—
Other assets	22.65	-1.34	-32.13	34.73	—
Total assets	3.65	25.32	-9.53	16.23	—
Total assets (USD)	3.65	25.32	-9.53	16.23	—
Customer deposits	-8.89	29.03	55.46	31.84	—
Due to banks	-64.15	192.48	-87.31	34.57	—
Borrowings	67.72	7.79	-48.42	-7.46	—
Other liabilities	-0.78	19.93	-17.10	-7.09	—
Total liabilities	-0.65	29.05	-8.83	13.88	—
Subordinated loan capital	—	—	—	—	—
Minority interest	-17.19	28.23	-57.72	-12.82	—
Supplementary Capital	—	—	—	—	—
Shareholders' equity	36.33	2.96	-11.72	34.01	—
Total capital funds	35.12	3.42	-13.45	31.36	—
Total liabilities & capital funds	3.65	25.32	-9.53	16.23	—
Derivatives - notional amount	17.45	—	—	—	—
Derivatives - replacement value	—	—	—	—	—
Risk weighted assets (RWA)	—	—	—	—	—
Contigent liabilities	7.85	14.61	-17.39	12.78	—
Summary Income Statement - Growth (%)					
Interest income	-23.63	-30.29	14.40	-25.52	—
Interest expense	-28.19	-25.53	74.52	-5.60	—
Net interest income	-14.41	-38.27	-27.45	-35.06	—
FX income	-139.81	-92.63	-51.55	-53.00	—
Trading income	240.50	330.79	-79.78	-37.98	—
Fees & commissions	120.40	-3.21	-905.70	-123.96	—
Other operating income	-67.82	80.13	20.72	20.81	—
Total non interest income	96.37	-533.11	-74.46	-60.94	—
Operating income	25.33	4.61	-13.69	-19.42	—
Personnel expenses	12.06	-6.29	-12.71	13.34	—
Other operating expenses	-14.61	10.43	5.32	60.70	—
Operating funds flow	58.10	5.64	-23.21	-40.45	—
Amortisation/depreciation	56.17	30.05	22.37	40.44	—
Total non-interest expense	4.49	7.01	-0.20	35.79	—
Preprovision income (PPI)	58.58	1.00	-28.28	-44.03	—
Loan loss provisions (LLP)	-64.69	-11.62	220.00	-52.32	—
Non operating income	-51.50	-71.46	126.44	-29.11	—
Pretax income	264.73	-161.49	-180.61	-50.78	—
Taxes	-117.44	230.48	-113.57	-144.81	—
Net income	453.79	-138.75	-162.65	12.38	—
Minority interests	-61.96	391.31	-91.52	-66.93	—
Net income (group share)	488.63	-136.12	-165.37	23.74	—

Turk Dis Ticaret Bankasi AS

	12/31/2003	12/31/2002	12/31/2001	12/31/2000	12/31/1999
Balance Sheet - % of Total Assets					
Cash & central bank	4.87	6.56	6.56	2.76	2.98
Due from banks	12.89	10.49	30.76	37.42	29.98
Government Securities	21.98	21.37	13.56	17.00	19.09
Trading Securities	10.36	7.72	5.79	6.90	—
Investment Securities	0.50	0.33	—	0.66	18.91
Other Liquid Assets	—	—	—	—	—
Gross loans	44.51	49.04	37.66	28.61	23.28
Loan loss reserves (LLR)	-1.49	-1.98	-1.73	-1.02	-1.01
Net Loans	43.02	47.05	35.93	27.59	22.27
Equity in affiliates	—	—	—	0.18	—
Fixed assets	3.34	3.91	4.13	3.14	3.01
Other assets	3.04	2.57	3.26	4.35	3.75
Customer deposits	56.55	64.33	62.48	36.36	32.05
Due to banks	1.82	5.27	2.26	16.08	13.89
Borrowings	20.47	12.65	14.71	25.80	32.40
Other liabilities	5.49	5.74	6.00	6.54	8.19
Total liabilities	84.34	87.99	85.44	84.78	86.54
Subordinated loan capital	—	—	—	—	—
Minority interest	0.22	0.27	0.27	0.57	0.76
Supplementary Capital	—	—	—	—	—
Shareholders' equity	15.44	11.74	14.29	14.65	12.70
Total capital funds	15.66	12.01	14.56	15.22	13.46
Income Statement - % of Average Assets					
Interest income	13.76	20.41	31.33	28.04	40.70
Interest expense	-8.65	-13.65	-19.62	-11.51	-13.18
Net interest income	5.11	6.76	11.71	16.53	27.52
FX income	0.07	-0.21	-3.09	-6.53	-15.02
Trading income	4.73	1.57	0.39	1.98	3.45
Fees & commissions	1.25	0.64	0.71	-0.09	0.41
Other operating income	0.51	1.78	1.06	0.90	0.80
Total non interest income	6.55	3.78	-0.93	-3.74	-10.36
Operating income	11.66	10.54	10.78	12.79	17.16
Personnel expenses	-1.98	-2.00	-2.29	-2.68	-2.56
Other operating expenses	-2.62	-3.48	-3.37	-3.28	-2.21
Operating funds flow	7.05	5.05	5.12	6.83	12.39
Amortisation/depreciation	-1.37	-0.99	-0.82	-0.68	-0.53
Total non-interest expense	-5.97	-6.48	-6.48	-6.65	-5.29
Preprovision income (PPI)	5.68	4.06	4.30	6.14	11.87
Loan loss provisions (LLP)	-0.36	-1.14	-1.38	-0.44	-1.00
Non operating income	-0.62	-1.46	-5.46	-2.47	-3.77
Pretax income	4.70	1.46	-2.54	3.23	7.10
Taxes	0.07	-0.48	-0.16	1.18	-2.85
Net income	4.78	0.98	-2.70	4.41	4.24
Minority interests	-0.02	-0.06	-0.01	-0.16	-0.53
Net income (group share)	4.76	0.92	-2.71	4.25	3.71
Income Statement - % of Operating Income					
Interest income	118.02	193.68	290.65	219.28	237.24
Interest expense	-74.23	-129.55	-181.99	-90.00	-76.83
Net interest income	43.79	64.12	108.67	129.28	160.41
FX income	0.64	-2.02	-28.67	-51.06	-87.56
Trading income	40.55	14.92	3.62	15.47	20.10
Fees & commissions	10.68	6.08	6.57	-0.70	2.37
Other operating income	4.34	16.89	9.81	7.01	4.68
Total non interest income	56.21	35.88	-8.67	-29.28	-60.41
Operating income	100.00	100.00	100.00	100.00	100.00
Personnel expenses	-16.99	-19.00	-21.21	-20.97	-14.91
Other operating expenses	-22.51	-33.04	-31.30	-25.65	-12.86
Operating funds flow	60.50	47.96	47.50	53.38	72.23
Amortisation/depreciation	-11.75	-9.43	-7.58	-5.35	-3.07
Total non-interest expense	-51.24	-61.47	-60.09	-51.97	-30.84
Preprovision income (PPI)	48.76	38.53	39.91	48.03	69.16
Loan loss provisions (LLP)	-3.06	-10.85	-12.84	-3.46	-5.85
Non operating income	-5.35	-13.82	-50.66	-19.31	-21.95
Pretax income	40.35	13.87	-23.59	25.26	41.36
Taxes	0.64	-4.59	-1.45	9.24	-16.62
Net income	40.99	9.28	-25.04	34.50	24.74
Minority interests	-0.18	-0.59	-0.12	-1.27	-3.10
Net income (group share)	40.81	8.69	-25.17	33.23	21.64

Turk Dis Ticaret Bankasi AS

12/31/2003 12/31/2002 12/31/2001 12/31/2000 12/31/1999

Profitability Indicators

Return on Average Assets (%)	4.78	0.98	-2.70	4.41	4.24
Return on Shareholders' Equity - period end (%)	30.27	7.01	-19.99	26.99	29.23
Recurring Earning Power [1]	5.68	4.06	4.30	6.14	11.87
PPI (%) Avg Total Capital Funds	40.99	30.89	28.87	42.63	88.13
Interest Expense (%) Interest Income	62.90	66.89	62.61	41.04	32.38
Interest Income (%) Avg Interest Earning Assets [2]	15.36	23.08	35.10	30.85	44.60
Interest Expense (%) Avg Interest Bearing Liabilities [3]	10.75	16.85	24.89	14.70	16.82
Net Spread (%) [4]	4.61	6.23	10.21	16.15	27.78
Net Interest Margin (%) [5]	5.70	7.64	13.12	18.19	30.16
Non-Interest Income (%) Operating income	56.21	35.88	-8.67	-29.28	-60.41
Income Tax (%) Pre-tax Income	-1.58	33.10	-6.16	-36.59	40.18

Efficiency Indicators

Non-Interest Expense (%) Avg Assets	5.97	6.48	6.48	6.65	5.29
Cost-to-income Ratio (%) [6]	51.24	61.47	60.09	51.97	30.84
Personnel Expenses (%) Avg Assets	1.98	2.00	2.29	2.68	2.56
Personnel Expenses (%) Operating Income	16.99	19.00	21.21	20.97	14.91
Personnel Expenses (%) Non Interest Expense	33.15	30.91	35.29	40.35	48.35

Liquidity Indicators

Net Loans (%) Customer Deposits	76.07	73.14	57.51	75.88	69.48
Net Loans (%) Total Deposits [7]	73.70	67.61	55.51	52.61	48.47
Average Net Loans (%) Average Customer Deposits	74.54	66.32	64.70	73.12	69.48
Liquid Assets [8] (%) Total Assets	50.10	46.14	56.67	64.08	52.05
Customer Deposits (%) Total Deposits	96.88	92.43	96.51	69.33	69.77
Customer Deposits / Shareholders' Equity (Times)	3.66	5.48	4.37	2.48	2.52
Due from Banks (%) Due to Banks	707.56	199.16	1,363.21	232.69	215.80

Loan Portfolio Quality Indicators

Average Net Loans (%) Average Assets	45.00	42.12	31.55	25.13	22.27
Problem Loans (%) Gross Loans	3.19	2.94	6.61	3.79	4.24
Problem Loans (%) (Shareholders' Equity + LLR)	8.39	10.50	15.53	6.91	7.20
(Problem Loans - LLR) (%) Shareholders' Equity	-0.45	-4.62	5.30	0.42	-0.16
Loan Loss Reserve (%) Gross Loans	3.35	4.04	4.60	3.57	4.33
Loan Loss Provision (%) Pre-Provision Income	6.27	28.15	32.17	7.21	8.46
LLP (%) (Loan Loss Reserve - LLP)	30.69	107.53	531.43	67.54	41,339.56
Loan Loss Provision (%) Gross Loans	0.79	2.10	3.87	1.44	4.31
Related-party assets (%) Equity	25.93	98.89	38.60	98.84	0.21
Related-party liabilities (%) Equity	30.79	102.22	84.29	16.20	21.68
Related-party loan commitments (%) Equity	0.01	0.01	16.47	9.05	12.21

Capitalisation Indicators

Tier 1 ratio (%)	—	—	—	—	—
Shareholders' Equity (%) Total Assets	15.44	11.74	14.29	14.65	12.70
Shareholders' Equity (%) T. Assets + Contingent Liabilities	11.46	8.80	10.47	10.46	9.00
Total Capital funds (%) Total Assets	15.66	12.01	14.56	15.22	13.46
Total Capital (%) T. Assets + Contingent Liabilities	11.62	9.01	10.66	10.87	9.53
Shareholders' Equity (%) Total Capital funds	98.61	97.73	98.17	96.25	94.35
Contingent Liabilities (%) Total Assets	34.75	33.40	36.52	39.99	41.22
"Free" Capital [9] (%) Shareholders' Equity	78.36	66.67	71.07	77.34	76.30
Dividend Payout (%) [10]	—	—	—	—	—
Internal Capital Growth (%) [11]	41.45	7.71	-17.55	37.55	—

[1] Recurring Earning Power = Preprovision Income (%) Average Total Assets

[2] Interest Earning Assets = Central Bank + Due from Banks + Government Securities + Trading Securities + Investment Securities + Net Loans

[3] Interest Bearing Liabilities = Customer Deposits + Due to Banks + Borrowings + Subordinated Debt Capital

[4] Net spread = Interest Income (%) Avg Earning Assets - Interest Expense (%) Avg Interest Bearing Liabilities

[5] Net interest margin = Net Interest Income (%) Average Earning Assets

[6] Cost to Income Ratio = Total non interest expense (%) Operating income

[7] Total deposits = Customer deposits + Due to banks

[8] Liquid Assets = Cash & Central Bank + Due from Banks + Government Securities + Trading Securities + Other Liquid Assets

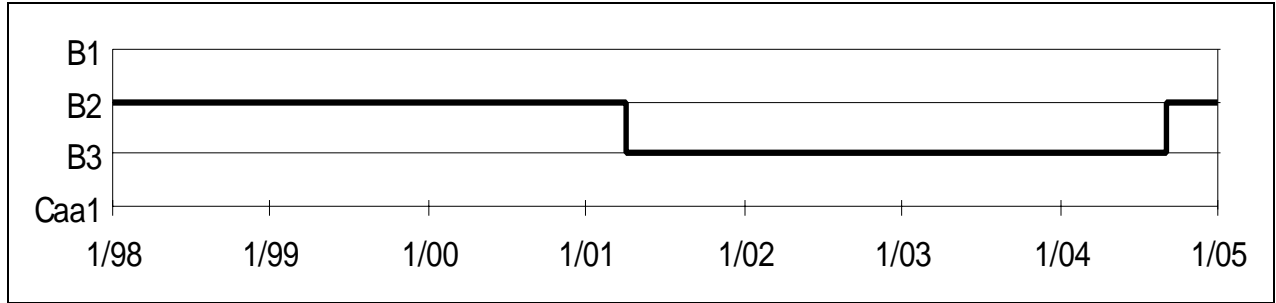
[9] Free Capital = Shareholders' Equity - Fixed Assets - Equity in Affiliates

[10] Dividend Payout = Dividends (%) Net Income

[11] Internal Capital Growth = Current period's Net income - Current period's Dividends (%) Last period's Shareholders' Equity

Rating History

Long-term Bank Deposits



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