

## Turkey Credit Analysis

## Disbank

### Ratings

#### Disbank

#### Foreign Currency

Long-Term	B+
Short-Term	B
Outlook	Stable

#### Local Currency

Long-Term	B+
Outlook	Stable

#### National

Long-Term	A-(tur)
Outlook	Stable

#### Individual

Support	D
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#### Sovereign Risk

Foreign Long-Term	B+
Local Long-Term	B+
Outlook	Positive

### Financial Data

#### Disbank

	31 Dec 2003	31 Dec 2002
Total Assets (USDm)	4,122.9	3,977.8
Total Assets (TRLbn)	5,758,159	5,555,606
Equity (TRLbn)	901,803	667,427
Net Income (TRLbn)	270,361	48,820
ROA (%)	4.78	0.98
ROE (%)	34.46	7.44
Equity/Assets (%)	15.66	12.01

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### Rating Rationale

#### Assessment

- Disbank's ratings reflect its sound capitalisation, good asset quality, and higher liquidity. These are balanced by lower profitability, risks that might arise from a concentrated and rapidly growing loan portfolio and a difficult competitive position against larger banks with more established franchises.
- Though Disbank's net income grew substantially in 2003, as a result of significantly higher trading gains as well as greater net fee and commission income, profits were sharply down sharply in 1H04, due to a decline in trading income and rising non-interest expenses owing to an expanding franchise. Net fee and commission income, however, grew in 2003, contributing 11.4% of total operating income, lower than the bank's peers. Profitability for 2004 is expected to be significantly lower than 2003 as well as relative to the peers.
- Disbank's loan portfolio declined by 5.3% in 2003 to equate to 42.3% of end-2003 assets. At end-1H04 its lending increased 36.1% and the loan portfolio was equivalent to 49.4% of total assets on a bank-only basis. As of end-2003, retail loans increased by 95.6%, though from a low base and equated to 10% (2002: 5%) of total gross loans. This increase was mainly a result of the number of credit cards doubling. NPLs were down 20.1% at end-2003 and equalled 3.6% of gross loans (2002: 4.3% with 94% reserve coverage). On a bank-only basis, there was a 9.5% increase in NPLs in the first half of 2004. However, due to the loan growth, its NPL ratio fell to 2.9% of total 1H04 loans. Reserve coverage was high at 106.8%. The concentration of borrower was high with top 20 loans equating to 188% of end-2003 equity. Fitch is concerned with the planned growth in the loan portfolio that might cause the NPLs to grow.
- Disbank's customer deposits equated to 51.3% of total assets at end-1H04 (2003: 50.8%; 2002: 61.8%) where borrowed funds were 20.5% of its liabilities (including equity). Therefore, it is still more vulnerable to refinance risk relative to its peers, which might worsen if planned asset growth materializes.
- Disbank's securities portfolio grew 14.5% in 2003, to equate to 33.6% of end-2003 assets (2002: 30.4%). As the majority of the portfolio is fixed rate and accounted as available for sale, the bank faces interest rate risk.
- Disbank increased its liquidity, with liquid assets growing to 18.5% of total end-2003 assets (2002: 17%), and covered 36.4% (27.5%) of total customer deposits. This was a higher level than the bank's peers.
- The bank's equity increased to 15.7% (2002: 12%) of total assets with the bulk of the increase coming from retained earnings. Total capital adequacy ratio was comfortable at 15.83% at end-2003. The bank's free capital was sound at 12.2% and 8% of end-2003 and end-2002 assets, respectively. It was among the highest of the privately-owned commercial banks in Turkey.

#### Support

- In Fitch's opinion, given Disbank's relatively small size within the Turkish banking system and the weak financial condition of the Republic of Turkey, support from the state is possible but cannot be relied upon.

### Background

- Disbank has been majority owned by Dogan Holding since 1994 and its shares have been publicly traded since 1981. Dogan Holding has interests in telecommunications, media, energy, trade, tourism and finance. Disbank ranks seventh among privately-owned commercial banks in Turkey. It is focusing on increasing its retail banking business while also providing corporate and commercial banking services.

## ■ PROFILE

- **Seventh largest privately-owned commercial bank in Turkey**
- **Focusing on expanding its SME and retail banking businesses**

Disbank has been majority owned by the Dogan Group of Companies Holding A.S. (Dogan Holding) since 1994 and its shares have been publicly traded since 1981. In June 2004, Dogan Holding announced that it was exploring possibilities for a global partner for Disbank. The bank's shareholding structure at March 2004 is shown in the table below:

Table 1: Ownership: Disbank

(%)	30 Dec 2003	31 Dec 2002
Dogan Holding	62.37	59.37
Milpa (Dogan Group)	-	7.00
Isbank	-	9.29
Turkish Fund (Isbank)	-	4.01
Disbank Pension Fund	16.56	0.40
Publicly Owned	17.02	19.88
Aydin Dogan	4.00	-
Other	0.05	0.05
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

Source: Disbank

Dogan Holding was established in 1980 and has interests in Turkey's telecommunications, media, energy, trade, tourism and finance sectors. 34.29% of its shares were listed on the Istanbul Stock Exchange (ISE) at end-2003. Dogan Holding owns three newspapers, several magazines and two TV stations. One of Dogan's newspapers is Hurriyet Gazetecilik, which has a high circulation in Turkey (see separate Fitch report for details). At end-2003, Dogan Holding reported consolidated revenues of USD4,461bn, total assets of USD6,538bn and equity USD1,102bn.

Until 1999, Disbank was a wholesale bank specialising in foreign trade, it then began to broaden both its branch network and now mainly focuses on corporate, commercial and retail banking, as well as treasury transactions. The **Corporate Banking** group serves large local companies and multinationals. In the beginning of 2004, in an effort to increase the efficiency of its staff as well as the level of customer service, Disbank chose not to continue doing business with many 'group three' customers – those that did not select Disbank as one of their first three banks. Its medium term projects are to increase its cash management activities and number of active customers, as well as to effectively manage the disbursement of EFIL loans (long-term loan facilities for pre-financing exports granted by the World Bank). The bank is also active in international trade-related business (market share of

6.2% at end-2003), an area where competition among mid-sized banks is intense.

In 2004, the bank divided its **Commercial Banking** group between commercial (annual sales of less than USD20m but greater than USD2m) and small business (less than USD2m) customers. Since 2000, Disbank has developed a number of specific products and services for small business customers, including 'System D', an internet-based banking tool, enabling customers to process daily banking transactions remotely. This product helped Disbank to receive USD450,000 of fee income each month in 2003, helping to diversify its revenues. For small business customers, Disbank issued a new debit card ('T card') in 2003 to reduce the cost of issuing cheques and to improve its customers' cash flow management. The bank aims to increase its share of small business banking in loans and deposits to 11.5% (2003: 8%) and 18% (13%), respectively, by end-2004. Disbank is using point of sale (POS) terminals as a key alternative delivery channel for its commercial clients. The bank's market share in POS turnover in Turkey was 6.8% at end-1H04 (2001: 2%).

Disbank has put great emphasis on **Retail Banking**, and this area has seen rapid growth in recent years. Total retail loans reached 9.4% of total gross loans at end-2003, from 4.5% at end-2002. Much of this was because of its credit card operation, which the bank rebranded in 2001 and is supported by internet facilities and mass media promotions. Disbank had market shares of credit cards in issue and turnover of 3.6% (2001: 1.4%) and 2.6% (2001: 0.3%) respectively at end-2003. The bank aims to be in the top five in terms of market share in retail banking (it is currently in the top 10) in five years. It is focusing on cross-sales, increasing both the number and active user of credit cards, growing brokerage revenues and insurance product sales.

Disbank is the seventh largest of the 18 privately-owned commercial banks in Turkey in terms of assets (as at end-2003). Its financial subsidiaries concentrate on leasing, factoring, insurance, pension funds (and life insurance), portfolio management, securities brokerage and fund management. Its foreign subsidiaries include a bank in Malta and a holding company in the Netherlands. As of March 2004, it had 160 (2003: 157; 2002: 154) domestic branches and an offshore branch in Bahrain, and employed 4,044 (2003: 3,851; 2002: 3,499) staff. The bulk of its new hires were in the marketing and retail banking teams. The bank is aiming to increase the number of its branches to 175 by end-2004.

Unless stated otherwise, all references in this report are to Disbank's inflation-adjusted, consolidated financial statements in accordance with IAS#29 and IAS#39. First half 2003 and 2004 figures are from the bank-only inflation-adjusted financial tables prepared in accordance with Bank Regulation and Supervision Agency (BRSA) guidelines, which are broadly in line with international accounting standards.

## ■ PERFORMANCE

- **Net income increased owing to substantially larger trading income and net fee and commission income in 2003; however, in 1H04 it experienced a sharp decline due to lower trading income and increased non-interest expenses**
- **Contribution of net fee and commission income to operating income is improving but still low compared with peers**

Disbank's net income grew to TRL270.4trn in 2003 from TRL48.8trn in 2002. This was mainly a result of 240.5% and 120.4% increases in trading income and net fee and commission, respectively. These results were achieved despite a 10.3% decline in adjusted net interest income and a one-off gain on the sale of an asset that boosted its 2002 total operating income by 8%. The drop of 64.6% in loan loss provisions and a tax credit of TRL4.2trn as opposed to a tax charge of TRL24.2trn were other contributing factors. In 1H04, Disbank recorded net income of TRL16.1trn, a 64.3% decline compared with 1H03, due to significantly lower trading income, partially because of accounting change and other operating income, as well as higher loan loss provisions and operating expenses. The bank would have recorded a loss in the absence of the tax credit for TRL19.8trn (see **Taxation**).

At end-2003, retail banking made the highest contribution to operating income (29.7%) followed by corporate banking and treasury with 24.9% and 21.1%, respectively. Small business and commercial banking had a 14.7% and 9.2% share, respectively.

**Revenues:** Disbank's net interest income adjusted for foreign exchange losses shrank by 10.3% in 2003, despite foreign exchange gains of TRL4.2trn compared with a loss of TRL10.6trn in 2002. This was because of lower interest income from loans and placements with banks, due to falling interest rates. Though interest expenses also reduced, it did not fall far enough to compensate for the decline in interest income. As a result, Disbank's NIM contracted to 5.18%; however, it was in line with its peers. Adjusted net interest income was 11.5% higher in

Table 2: Performance Indicators

(%)	Disbank		Peers*	
	2003	2002	2003	2002
Asset Growth	3.65	25.28	8.20	11.48
Net Income Growth	NMF	NMF	NMF	NMF
Net Interest Margin (NIM)	5.11	6.76	4.91	5.53
Adjusted NIM**	5.18	6.54	5.17	4.51
Cost /Income	54.30	71.59	55.55	62.83
Net Income/Av Assets	4.78	0.98	1.91	1.03
Net Income/Av Equity	34.46	7.44	24.77	15.52
Equity/Assets	15.66	12.01	8.40	7.29

\* Finansbank, Denizbank and Turk Ekonomi Bankasi (all inflation-adjusted and consolidated), Kocbank (inflation adjusted and bank-only)

\*\* Net interest revenue less net foreign currency losses, as a percentage of average assets

Source: Disbank & Fitch

1H04 compared with 1H03, despite the bank recording foreign exchange losses in 1H04.

Non-interest income grew by 83.8% in 2003 to contribute 58.7% (2002: 44%) of total operating income. This was mainly because of rapid growth in trading income, driven by its larger available for sale securities portfolio, and a 120.4% increase in net fee and commission income. Trading income comprised 42.8% of total operating income in 2003, which, in Fitch's opinion, is not sustainable. On the other hand, the growth in net fee and commission income, which was mainly because of increased POS machine commissions, was encouraging. Net fee and commission income contributed 11.3% of the total in 2003 (2002: 7.1%), a figure that was lower compared with its peers. Monetary losses were lower in 2003 as inflation dropped that year. However, such losses still equated to 5.7% of total operating income. In the first six months of 2004, net fee and commission income almost doubled compared with 1H03 to represent 31.1% of total operating income, although this is still not considered particularly strong by Fitch. In addition, there was a sharp drop in net trading gains partially because of change in accounting, which resulted in only capital gains from trading being recorded in trading gains, whereas interest was also used to be included. The other reason for the sharp drop was the bank's policy of holding the government securities in either trading or available for sale portfolio, therefore, marking to market all the securities. As there was an increase in volatility in the second quarter in the markets the bank's marked to market losses were higher than 1H03. As a result, the contribution of trading income to total operating income was down to 10.2%

**Non-Interest Expenses:** Despite a 4.5% increase in non-interest expenses, as a result of higher personnel expenses and depreciation charges, Disbank's cost to income ratio improved substantially in 2003 due to higher trading earnings and net fee and commission

income. However, as expenses grew by 26.1% in 1H04 compared with 1H03, and the bank's operating income dropped by 18.6%, the bank's cost to income ratio substantially worsened, to above 100%. The management has stated that the reason for the increase in non-interest expenses is the bank's expansion in terms of branches and total staff in order to achieve market shares. It aims to achieve a 57% cost to income ratio by end-2004; however, this seems challenging unless the revenues increase in 2H04. Operating expenses as a proportion of average assets were high at 6% at end-2003.

**Loan Loss Provisions:** Because NPLs dropped by 20.1% over 2003, the bank's loan loss provisions fell, equalling 7.1% of pre-provision operating profits compared with 44.5% in 2002. However, in 1H04, loan loss provisions increased to 20.7% of pre-provision operating income. The increase in loan loss provisions were partly because of increased general provisions, provisions for credit cards and a small part for commercial loans.

**Taxation:** Tax credits on losses can be carried forward and deducted from the tax bill for a maximum of five consecutive years. As the courts decided in Disbank's favour, allowing it to deduct accumulated losses from its corporate tax base for 2002 and subsequent periods, the bank created a deferred tax asset of TRL46.3trn for 2002 and TRL48.3trn (5.4% of shareholders' equity) at end-2003. Disbank estimates that it will be totally utilised by end-2006.

**Prospects:** Disbank expects its loan book to substantially grow (by 57%) in 2004 and that it will have 48% of assets in loans, with the increase to come from retail lending. Of total assets, it expects 30% in government securities and 12.5% in liquid assets at end-2004, while customer deposits should increase by 59.4% to fund 58.4% of total assets, which should help fund this growth. As a result, the bank's regulatory capital adequacy ratio is expected to drop. Although the switch from government securities to loans is healthier in a lower inflation environment, the rapid increase in the bank's loan portfolio may bring asset quality problems, which in turn may lead to a hike in loan loss provisions. On the other hand, the planned increase in credit cards and POS machines may help it to increase its net fee and commission income in future. The sharp increase in expenses resulted in the bank's unconsolidated cost to income ratio deteriorating to 116.5% in 1H04, and this is unlikely to improve materially without a sharp increase in revenues as costs are expected to continue to rise on the back of planned further expansion. The bank needs to get a much closer grip on costs though they are for

increasing the market shares and improve its revenues.

#### ■ RISK MANAGEMENT

- **Asset quality improved, with total NPLs equating to 3.6% at end-2003 with 94% reserve coverage**
- **Borrower concentration**

The bank's Risk Management Department is organised to cover credit, market, liquidity and operational risks, directly reporting to a board member solely responsible for risk management and internal control. Disbank is aiming to complete a credit risk management project in 2004, where the current internal rating system is being upgraded to make it conform with Basel II requirements. Operational risk is analysed by the Internal Control Unit. The bank allocates 36% of its economic capital to non-trading market risk and 32% to credit risk. Operational risk and market risk from trading made up 15% and 8% of economic capital, respectively.

**Credit Risk:** In addition to the legal lending limits set by the Banking Law, Disbank has its own internal restrictions. Disbank caps its maximum cash and non-cash exposure to any economic sector at 15% of total advances. Medium- and long-term loans are also capped at 15%. Retail credit allocation and credit card limits are centralised; retail loans can be approved by the Credit Department at head office.

In 2003, Disbank's gross loans declined by 5.3% to equate to 42.3% of year-end assets (2002: 46.1%). However, as of end-1H04, on a bank-only basis, Disbank's loan portfolio increased 36.1% to equal 49.4% of total assets. In terms of sectors, the bank has a diversified loan portfolio. As of end-2003, retail loans increased by 95.6%, but from a low base, to reach 10% (2002: 5%) of total gross loans. This increase was mainly a result of the number of credit cards issued doubling. The bank expects to allocate 20% of its loan portfolio in the form of retail lending by end-2004. The increase will again come from higher levels of credit cards. In terms of corporate and commercial loans, the highest exposure was textiles, as well as the wholesale and retail trade sectors, with 14% each. As the proportion of retail loans, especially credit cards, grew in the bank's loan portfolio, the proportion of TRL loans increased to 38.1% of total loans at end-2003, compared with 25% at end-2002. As retail lending increases, it is likely that the proportion of TRL loans will grow. At end-2003, 44.3% of total loans had maturities of less than three months and 18.5% beyond one year, reflecting the bank's relatively short-term loan profile compared with some of its peers.

Non-cash loans, primarily consisting of international trade-related L/Gs, L/Cs, acceptance credits and other commitments and contingencies equated to 36% and 34.1% of total assets at end-2003 and end-2002, respectively. Although lower compared with end-2002, there is a slight concentration in terms of sectors in non-cash loans, with construction and cement having a 21% share (2002: 28%), followed by metal processing with 12% (18%). All other sectors each had either 10% share or lower.

Disbank reduced its related party exposure in 2003, however, it was still the largest exposure at end-2003. Its largest cash exposure, to related parties, equated to 9.5% of loans at end-2003 (2002: 15%). After deducting the related party cash loans extended against pledged deposits; this share dropped to 8.4% of loans and 22.6% of equity. The bank's non-cash exposure to related parties equated to 3.3% of total non-cash loans (2002: 2.1%) and 7.6% of equity (2002: 6%). When total related party deposits are taken into account, the net cash and non-cash exposures equated to only 2.8% (2002: 2.7%) of shareholders' equity. Disbank's top 20 cash and non-cash exposures amounted to a high 37% of total cash and non-cash loans and 188% of equity at end-2003. Even though the bank was within the limits allowed by the regulations, Fitch believes that loan concentration by borrower is still high. There were no non-performing loans among the bank's top 20 loans at end-2003.

**Loan Loss Experience and Reserves:** Disbank addresses problem loans more conservatively than set by the Provisioning Regulation. Instead of the 90 days set by the regulation, a loan is classified as an NPL after being only 30 days delinquent.

The bank historically had low NPLs. Its non-performing loans were down 20.1% at end-2003 compared with end-2002, and equalled 3.6% of gross loans (2002: 4.3%). The bank both collected and wrote off some NPLs and, as a result, reserve coverage decreased to a still comfortable 94% of total NPLs as opposed to 96.3% at end-2002. On a bank-only basis, there was a 9.5% increase in NPLs in the first half of 2004; however, this was coming from a low base. Due to the loan growth, the bank's NPL ratio fell to 2.9% of total 1H04 loans. These NPLs were 106.8% covered by reserves. Management revealed there were no restructured loans and no foreclosed property on Disbank's books as of end-2003.

**Market Risk:** In 2003, Disbank completed the separation of its banking and trading books, as well as the installation of front- and back-office software. The bank applies value at risk (VaR) and Extreme

Value Theory calculations to measure market risk, and daily VaR reports, scenario reports and yield curves are generated to calculate potential losses under various scenarios. Credit and operational risks have not yet been integrated into the Risk Management Policy but are calculated separately. Management estimates that all these processes will be consolidated by 1H04.

The bank's securities portfolio grew 14.5% in 2003, to equate to 33.6% of end-2003 assets (2002: 30.4%). Almost all of these securities were Turkish government bonds, treasury bills and Eurobonds. Only 0.8% of its government securities portfolio was classified as 'held to maturity'. At end-2003, 40% of its securities were denominated in foreign exchange and 50% had a maturity of over a year. At end-1H04, TRL floating rate note securities represented 46% of the total while FX floating rate securities were only 5%. Therefore, as the fixed rate portion of the portfolio is higher the bank is faced with interest rate risk.

At end-2003, Disbank's gross and net foreign exchange position equated to a small 8.3% and 6.3% of equity, respectively.

As with much of the Turkish banking sector, Disbank has a structural maturity mismatch between its short-term funding base and relatively longer term assets, exposing it to short-term increases in interest rates. At end-2003, 49.4% of performing loans had a re-pricing date (or maturity) of less than three months, reducing its maturity mismatch markedly.

## ■ FUNDING AND CAPITAL

- **Customer deposits fund fewer assets than peers – 50.8% at end-2003**
- **Liquidity is sound**
- **Solid capital structure**

**Funding:** Though Disbank has been historically reliant on wholesale funding, its customer deposits have increased since 2001. However, customer deposits shrank in 2003 and funded 50.8% (1H04: 51.3%) of total assets compared with 61.8% at end-2002. At end-2003, demand deposits equated to only 8.5% of total deposits, providing a cheap source of funding; meanwhile, foreign currency deposits represented 56.7% of the entire book. The bank's top 20 depositors contributed 10.5% of total customer deposits, excluding related party deposits, at end-2003 (2002: 6%), while 55% of customer deposits were accounts totalling less than TRL50bn, reflecting a well-distributed core deposit base. Disbank repaid a USD70m syndicated loan in December 2002 before returning to the market in July 2003 raising a USD200m one year loan from 39

mainly international banks, which will be used to provide export financing for its customers; this helped ease the maturity mismatch. Borrowed funds accounted for 20.5% of Disbank's liabilities (including shareholders' equity) at end-2003, a high percentage of its total liabilities compared with its peers, reflecting its relatively greater reliance on borrowed funds as well as the bank's ability to access the international capital markets and raise funds when needed. In August 2004, it received a one year syndication loan for USD400m.

**Liquidity:** Disbank's liquid assets, comprising cash, US treasuries and balances with the Central Bank, domestic and international banks increased to 18.5% of total end-2003 assets (2002: 17%), and covered 36.4% (27.5%) of total customer deposits. This was a higher level than its peers. Coverage would improve to 57.6% if assets and liabilities maturing

within three months were included (2002: 74.3%). Disbank's liquidity is further enhanced by the fact that 82.7% of all maturing deposits are rolled over.

**Capital:** During 2003, Disbank's shareholders' equity increased and equated to 15.7% of total assets at the end of the year, predominantly through retained earnings. The bank's regulatory capital ratio was 20.61% at end-2003. After the dividend paid the bank's bank-only regulatory capital ratio was 12.66% at end-1H04. It expects to have 17% capital ratio by end-2004. Its capital is consisting entirely of Tier 1 capital. Excluding fixed assets and unreserved NPLs, free capital equated to a sound 11.2%, 12.2% and 8% of end-1H04, end-2003 and end-2002 assets respectively, among the highest amongst the privately-owned commercial banks in Turkey. However, if the planned growth is realized both the free capital and the regulatory capital ratios may fall.

Balance Sheet Analysis  
DISBANK (C.)

	31 Dec 2003				31 Dec 2002		31 Dec 2001		31 Dec 2000	
	Year End USDm	Year End TRlbn	As % of Assets	Average TRlbn	Year End TRlbn	As % of Assets	Year End TRlbn	As % of Assets	Year End TRlbn	As % of Assets
	Original	Original	Original	Original	Restated	Restated	Restated	Restated	Restated	Restated
<b>A. LOANS</b>										
1. Short-term	1,621.7	2,264,961.0	39.33	2,348,453.5	2,431,946.0	43.77	1,451,146.0	32.72	1,271,382.4	25.94
2. Medium and Long-term	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Other	34.0	47,512.0	0.83	40,905.5	34,299.0	0.62	n.a.	-	n.a.	-
4. Impaired	65.4	91,379.0	1.59	102,908.5	114,438.0	2.06	110,342.0	2.49	53,101.7	1.08
5. Leased Assets	83.2	116,232.0	2.02	102,545.0	88,858.0	1.60	50,074.0	1.13	77,961.2	1.59
6. (Loan Loss Reserves)	61.5	85,851.0	1.49	98,020.0	110,189.0	1.98	76,780.0	1.73	50,092.6	1.02
<b>TOTAL A</b>	<b>1,742.9</b>	<b>2,434,233.0</b>	<b>42.27</b>	<b>2,496,792.5</b>	<b>2,559,352.0</b>	<b>46.07</b>	<b>1,534,782.0</b>	<b>34.61</b>	<b>1,352,352.7</b>	<b>27.59</b>
<b>B. OTHER EARNING ASSETS</b>										
1. Deposits with Banks	531.4	742,144.0	12.89	662,424.0	582,704.0	10.49	1,364,192.0	30.76	1,865,306.0	38.05
2. Deposits with Central Bank	164.1	229,243.0	3.98	265,580.0	301,917.0	5.43	213,031.0	4.80	114,916.5	2.34
3. Government Securities	1,323.1	1,847,936.0	32.09	1,762,321.5	1,676,707.0	30.18	906,178.0	20.43	799,310.7	16.31
4. Other Investments	61.5	85,837.0	1.49	49,114.5	12,392.0	0.22	10,801.0	0.24	433,814.0	8.85
5. Equity Investments	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	20,808.9	0.42
<b>TOTAL B</b>	<b>2,080.1</b>	<b>2,905,160.0</b>	<b>50.45</b>	<b>2,739,440.0</b>	<b>2,573,720.0</b>	<b>46.33</b>	<b>2,494,202.0</b>	<b>56.24</b>	<b>3,234,156.1</b>	<b>65.98</b>
<b>C. TOTAL EARNING ASSETS (A+B)</b>	<b>3,823.0</b>	<b>5,339,393.0</b>	<b>92.73</b>	<b>5,236,232.5</b>	<b>5,133,072.0</b>	<b>92.39</b>	<b>4,028,984.0</b>	<b>90.85</b>	<b>4,586,508.8</b>	<b>93.57</b>
<b>D. FIXED ASSETS</b>	<b>137.8</b>	<b>192,468.0</b>	<b>3.34</b>	<b>204,916.5</b>	<b>217,365.0</b>	<b>3.91</b>	<b>183,358.0</b>	<b>4.13</b>	<b>153,969.4</b>	<b>3.14</b>
<b>E. NON-EARNING ASSETS</b>										
1. Cash and Due from Banks	36.8	51,382.0	0.89	56,969.0	62,556.0	1.13	77,700.0	1.75	20,401.0	0.42
2. Other	125.2	174,916.0	3.04	158,764.5	142,613.0	2.57	144,602.0	3.26	141,036.1	2.88
<b>F. TOTAL ASSETS</b>	<b>4,122.9</b>	<b>5,758,159.0</b>	<b>100.00</b>	<b>5,656,882.5</b>	<b>5,555,606.0</b>	<b>100.00</b>	<b>4,434,644.0</b>	<b>100.00</b>	<b>4,901,915.3</b>	<b>100.00</b>
<b>G. DEPOSITS &amp; MONEY MARKET FUNDING</b>										
1. Savings Deposits	542.4	757,492.0	13.16	590,428.0	423,364.0	7.62	210,519.0	4.75	30,237.4	0.62
2. Commercial Deposits	364.6	509,158.0	8.84	550,241.0	591,324.0	10.64	382,383.8	8.62	89,924.9	1.83
3. Foreign Currency Deposits	1,187.0	1,657,793.0	28.79	2,042,670.0	2,427,547.0	43.70	1,953,893.3	44.06	1,197,589.2	24.43
4. Interbank Deposits	75.1	104,888.0	1.82	198,738.0	292,588.0	5.27	100,072.3	2.26	677,433.7	13.82
5. Other	1,081.6	1,510,640.0	26.23	1,172,566.5	834,493.0	15.02	876,228.2	19.76	1,952,496.3	39.83
<b>TOTAL G</b>	<b>3,250.6</b>	<b>4,539,971.0</b>	<b>78.84</b>	<b>4,554,643.5</b>	<b>4,569,316.0</b>	<b>82.25</b>	<b>3,523,096.6</b>	<b>79.44</b>	<b>3,947,681.5</b>	<b>80.53</b>
<b>H. OTHER FUNDING</b>										
1. Subordinated Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	0.0	0.00
2. Other Long-term Borrowing	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	0.0	0.00
3. Hybrid Capital	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	0.0	0.00
<b>I. OTHER (Non-int. bearing)</b>	<b>224.2</b>	<b>313,078.0</b>	<b>5.44</b>	<b>314,784.0</b>	<b>316,490.0</b>	<b>5.70</b>	<b>206,648.5</b>	<b>4.66</b>	<b>202,043.0</b>	<b>4.12</b>
<b>J. LOAN LOSS RESERVES (see A above)</b>										
<b>K. OTHER RESERVES</b>	<b>2.4</b>	<b>3,307.0</b>	<b>0.06</b>	<b>2,840.0</b>	<b>2,373.0</b>	<b>0.04</b>	<b>59,312.6</b>	<b>1.34</b>	<b>6,280.4</b>	<b>0.13</b>
<b>L. EQUITY</b>										
1. Preference shares	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Common equity	645.7	901,803.0	15.66	784,615.0	667,427.0	12.01	645,586.3	14.56	745,910.4	15.22
<b>TOTAL L.</b>	<b>645.7</b>	<b>901,803.0</b>	<b>15.66</b>	<b>784,615.0</b>	<b>667,427.0</b>	<b>12.01</b>	<b>645,586.3</b>	<b>14.56</b>	<b>745,910.4</b>	<b>15.22</b>
<b>M. TOTAL LIABILITIES &amp; EQUITY</b>	<b>4,122.9</b>	<b>5,758,159.0</b>	<b>100.00</b>	<b>5,656,882.5</b>	<b>5,555,606.0</b>	<b>100.00</b>	<b>4,434,644.0</b>	<b>100.00</b>	<b>4,901,915.3</b>	<b>100.00</b>
Exchange Rate		USD1 = TRI 1396638.0000			USD1 = TRI 1396638.0000		USD1 = TRI 1396638.0000		USD1 = TRI 1396638.0000	

## Income Statement Analysis DISBANK (C.)

	31 Dec 2003		31 Dec 2002		31 Dec 2001		31 Dec 2000	
	Income	As % of	Income	As % of	Income	As % of	Income	As % of
	Expenses	Total AV	Expenses	Total AV	Expenses	Total AV	Expenses	Total AV
	TRlbn	Earning Assts	TRlbn	Earning Assts	TRlbn	Earning Assts	TRlbn	Earning Assts
	Original	Original	Restated	Restated	Restated	Restated	Restated	Restated
1. Interest Income	778,412.0	14.87	1,019,225.0	22.25	1,462,684.0	33.95	1,278,541.2	32.33
2. Interest Expense	489,585.0	9.35	681,772.0	14.88	915,838.0	21.26	524,764.3	13.27
<b>3. NET INTEREST REVENUE</b>	<b>288,827.0</b>	<b>5.52</b>	<b>337,453.0</b>	<b>7.37</b>	<b>546,846.0</b>	<b>12.69</b>	<b>753,776.9</b>	<b>19.06</b>
4. Net Fees & Commissions	70,472.0	1.35	31,974.0	0.70	33,045.0	0.77	-4,101.8	-0.10
5. Other Operating Income	263,184.0	5.03	82,413.0	1.80	-332,597.0	-7.72	-279,212.3	-7.06
6. Personnel Expenses	112,030.0	2.14	99,976.0	2.18	106,728.0	2.48	122,266.7	3.09
7. Other Operating Expenses	225,959.0	4.32	223,484.0	4.88	194,663.0	4.52	180,729.3	4.57
8. Loan Loss Provisions	20,158.0	0.38	57,094.0	1.25	64,620.0	1.50	20,193.6	0.51
<b>9. OPERATING PROFIT</b>	<b>264,336.0</b>	<b>5.05</b>	<b>71,286.0</b>	<b>1.56</b>	<b>-118,717.0</b>	<b>-2.76</b>	<b>147,273.2</b>	<b>3.72</b>
10. Other Income and Expenses	1,812.0	0.03	1,685.0	0.04	n.a.	-	n.a.	-
<b>11. PROFIT BEFORE EXCEPTIONAL ITEMS</b>	<b>266,148.0</b>	<b>5.08</b>	<b>72,971.0</b>	<b>1.59</b>	<b>-118,717.0</b>	<b>-2.76</b>	<b>147,273.2</b>	<b>3.72</b>
12. Exceptional Items	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
<b>13. PRE-TAX PROFIT</b>	<b>266,148.0</b>	<b>5.08</b>	<b>72,971.0</b>	<b>1.59</b>	<b>-118,717.0</b>	<b>-2.76</b>	<b>147,273.2</b>	<b>3.72</b>
14. Taxes	-4,213.0	-0.08	24,151.0	0.53	7,310.0	0.17	-53,884.5	-1.36
<b>15. Published Net Income Including Minorities</b>	<b>270,361.0</b>	<b>5.16</b>	<b>48,820.0</b>	<b>1.07</b>	<b>-126,027.0</b>	<b>-2.93</b>	<b>201,157.7</b>	<b>5.09</b>
16. FITCH NET INCOME	270,361.0	5.16	48,820.0	1.07	-126,027.0	-2.93	201,157.7	5.09

## Ratio Analysis DISBANK (C.)

		31 Dec 2003	31 Dec 2002	31 Dec 2001	31 Dec 2000
		Original	Restated	Restated	Restated
<b>I. PROFITABILITY LEVEL</b>					
1. Pre-tax Profit/Total Assets (av.)	%	4.70	1.46	-2.54	3.42
2. Net income less pref.Dividends/ Common equity(av.)	%	34.46	7.44	-18.11	32.33
3. Net Income/Equity (av.)	%	34.46	7.44	-18.11	32.33
4. Net Income/Total Assets (av.)	%	4.78	0.98	-2.70	4.68
5. Non-int. Exp./Net Interest Rev. + Other Operating Income	%	54.30	71.59	121.88	64.40
6. Net Interest Rev./Total Assets (av.)	%	5.11	6.76	11.71	17.52
7. Net Int. Income Adjusted for F/X Losses/Total Assets (av.)	%	5.18	6.54	8.62	10.60
<b>II. CAPITAL ADEQUACY (year end)</b>					
1. Internal Capital Generation	%	34.46	7.44	-18.11	32.33
2. Equity/Total Assets	%	15.66	12.01	14.56	15.22
3. Equity/Loans	%	37.05	26.08	42.06	55.16
4. Capital/Risks - Tier 1	%	n.a.	n.a.	n.a.	n.a.
5. Capital/Risks - Total	%	n.a.	n.a.	n.a.	n.a.
6. Free Capital/Total Assets	%	12.22	8.02	9.67	11.59
7. Common Equity/Total Assets	%	15.66	12.01	14.56	15.22
<b>III. LIQUIDITY (year end)</b>					
1. Liquid Assets/Deposits & Money Mkt Funding	%	60.17	55.53	72.69	70.93
2. Liquid Assets & Marketable Debt Securities/Deposits & Money Mkt Funding	%	65.12	57.70	73.00	81.92
3. Loans/Deposits & Money Mkt Funding	%	55.51	58.42	45.74	35.53
<b>IV. ASSET QUALITY</b>					
1. Loan Loss Provisions/Loans (av.)	%	0.81	2.79	4.48	1.85
2. Loan Loss Provisions/Profit before Provisions and Tax	%	7.04	43.90	-119.45	12.06
3. Loan Loss Reserves/Gross Loans	%	3.41	4.13	4.76	3.57
4. Impaired Loans/Gross Loans	%	3.63	4.29	6.85	3.79
5. Impaired Loans net/equity	%	0.61	0.64	5.20	0.40
6. Loan Loss Reserves/Impaired Loans	%	93.95	96.29	69.58	94.33
7. Impaired Assets/Total Loans and foreclosed property	%	3.74	4.37	6.85	3.79

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