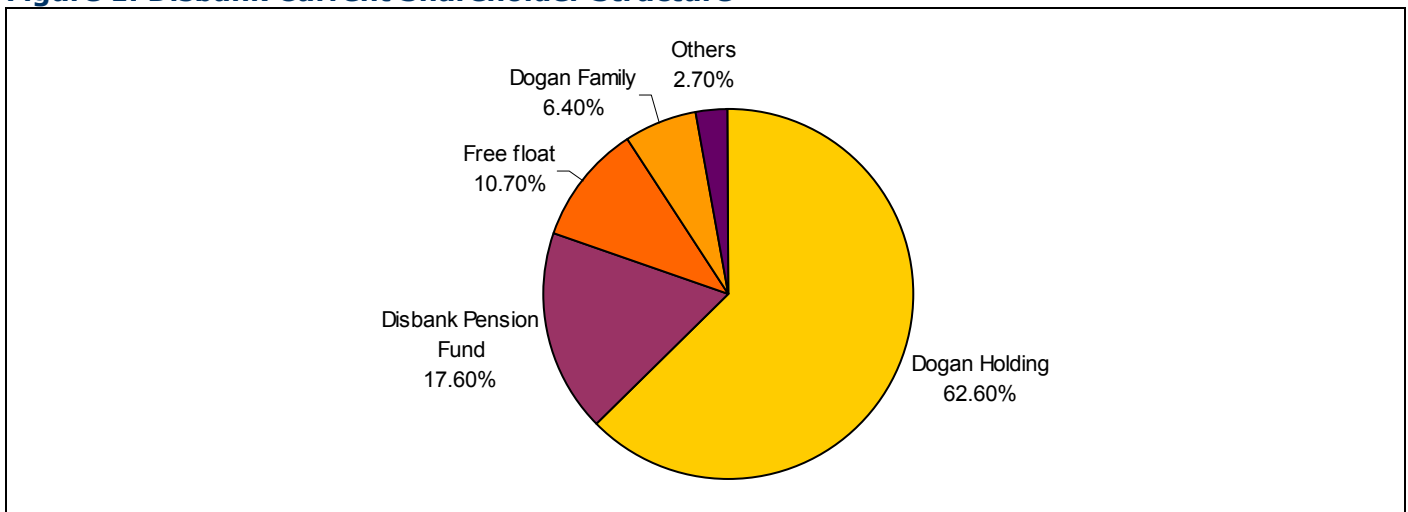


### Disbank is being sold to Fortis Group at €985mn...

Fortis Group (FG) announced that it is buying Disbank's 89.3% from Dogan Group (DG), whereby valuing the bank at €985mn (US\$1.26bn). The Fortis Group will also put a call option for the remaining 10.7% stake in the bank. This price suggests a P/BV of 1.9x for Disbank, much higher than the current 2005E P/BV multiple average of 1.26x for the seven other banks under our coverage. Yet, please note that the final price will be determined on the basis of the audited accounts for the period ending on May 31, 2005. **We recommend investors to participate in the upcoming call option for Disbank, as our target mcap for Dis is already at US\$1.3bn. On the other hand, approximately US\$800mn will be injected into Dogan Group. We rate Dogan Holding BUY with a target mcap of US\$2,435mn, suggesting 27% upside.**

In mid 2004, Dogan Group had openly declared that the financial sector is not a core segment for them and they openly put their willingness to divest Disbank. Since then major international groups' names were pronounced as interested parties in Disbank. Among these, DG now shakes hands with Fortis. Please note that currently, Dogan Holding holds 62.6% of Disbank. Below you can find the existing shareholder structure for the bank.

**Figure 1. Disbank Current Shareholder Structure**



Disbank is the seventh largest private bank in Turkey with consolidated assets of €4,221mn (US\$5,757mn) as of end of 2004 (BRSA bank only US\$5,329mn). This implies 2.4% market share in Turkey. It has 173 branches. Bank only loans and deposits were US\$2,256mn and US\$1,264mn, respectively at 2004YE. The bank reported US\$80mn net income last year, pointing to a ROE of 11.7% according to the BRSA bank only figures. However, **its IFRS consolidated figures point to only €6mn (US\$8.2mn) net income in 2004, which suggests a ROE of 1.2%.** The plunge in the bottom line from €167mn in 2003 was mainly due to the deteriorating trading gains in Turkey, on the back of lower interest rates, as well as increased provisioning. Its NPL ratio was 6.9% in 2004 compared to 3.6% in 2003. The bank's 70% of the loan portfolio is collateralized, therefore Dis expects to recover a significant portion of this. Disbank's capital adequacy ratio was at 16.8% in 2004.

**Sales Contacts:**

**Soner Inanc** (+90 212 347 5313) soneri@ekspresinvest.com **Can Oksun** (+90 212 267 3402) cano@ekspresinvest.com

**Ekspres Yatirim Menkul Degerler A.S.** Buyukdere Cad. No: 106 Kat: 15 34394 Esentepe, Istanbul TURKEY

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*You may find our research on Bloomberg page; EKSP*

**Figure 2. Consolidated IFRS Income Statement (€mn)**

	2002	2003	2004
Net Interest Income	211	183	204
Net trading Income	51	166	27
Net fees & commissions	21	44	78
Other Income	57	18	14
<b>Gross Operating Income</b>	<b>340</b>	<b>410</b>	<b>323</b>
Operating Expenses	-209	-210	-243
Provisions	-37	-13	-52
<b>Net Operating Income</b>	<b>94</b>	<b>188</b>	<b>28</b>
Monetary Gain/(loss)	-47	-22	-43
Taxes	-16	3	20
Minority Interest	-2	-1	1
<b>Net Income</b>	<b>30</b>	<b>167</b>	<b>6</b>
<b>Total Assets</b>	<b>3,592</b>	<b>3,590</b>	<b>4,221</b>
<b>Shareholders Equity</b>	<b>422</b>	<b>553</b>	<b>517</b>
Cost/Income	72.3%	86.1%	82.2%
<b>ROE</b>	<b>7.0%</b>	<b>30.3%</b>	<b>1.2%</b>
NPL Ratio	4.3%	3.6%	6.9%
Loan Coverage ratio	96.3%	80.4%	58.0%
CAR	20.4%	21.4%	16.8%

Fortis is expected to strengthen Disbank's recent focus on the retail segment. The group is projecting to enhance Dis' current 173 branch network to 300 by the year 2009. Investors should note that compared to 11% of Disbank's loans directed to the consumer segment in 2003, this level increased to 20% at the end of last year. Disbank's strength in commercial and trade banking should be enhanced with an owner like Fortis. Another area of growth will be private banking. Mortgage market opportunities should also be tackled. Fortis' target is to reach 6% market share in Turkey in terms of asset size (2.4% at 2004YE). Fortis is also planning to search for growth in insurance business. Disbank's 67% participation Ray Sigorta is listed on the ISE and is currently trading at US\$29mn Mcap. The company is ranked 13<sup>th</sup> according to premiums generated among the Turkish insurers with 2.51% market share. The company's 2004 premium figure was US\$119mn, up by 20% YoY.

Our forecasts for Disbank points to an assets size of US\$6.3bn in 2005 and US\$7.2bn in 2006 (BRSA bank only figures), growing by 18% and 14% per annum. In terms of ROE we expect 2005 figure to be at 13.8% followed by 15.8%, improving on the back of growing retail banking segment. Our 2005YE target valuation for Disbank is already at US\$1.3bn, with the deal price only slightly lower at US\$1.26bn. Therefore, **we maintain our target and BUY recommendation for the bank. However, we suggest investors to participate at the call option, considering possibly draining stock liquidity.**

**Figure 3. Disbank Forecasts (US\$m – BRSA bank only)**

	2004A	2005	2006
<b>Total Assets</b>	<b>5,329</b>	<b>6,274</b>	<b>7,169</b>
Marketable Securities	1,527	1,709	1,888
Loans	2,256	3,176	3,983
Deposits	2,613	2,935	3,199
<b>Shareholders Equity</b>	<b>738</b>	<b>842</b>	<b>937</b>
<b>Net Interest Income</b>	<b>262</b>	<b>319</b>	<b>403</b>
Net Fee & Commission Income	92	122	156
Net trading Gain	71	58	47
Operating Expenses	284	308	337
<b>Net Income</b>	<b>80</b>	<b>109</b>	<b>140</b>

Overall, Fortis is paying €985mn to Disbank, which suggests a P/BV of 1.9x. However, a final adjustment will be made to the price based on the audited financial accounts at May 31, 2005. Still, such a multiple truly brings out the current discount of the Turkish banking sector that trades at 1.26x of 2005E P/BV. Investors should also note that compared to Disbank's 1.2% ROE in 2004, the average for the other banks under our coverage was 13.4% (if YKB excluded, average is at 15.8%). Also, please keep in mind that the already interested global players in the Turkish banks, namely Intesa and Societe General, may alternatively turn to other banks for possible M&A deals, which therefore should have positive effects on the overall re-rating of the sector.

**Figure 4. Turkish Banks (as of April 11, 2004)**

	P/E 05	P/E 06	P/BV 05	P/BV 06	Adj P/BV 05*	Adj P/BV 06*	ROAE 05	ROAE 06	Adj ROAE 05**	Adj ROAE 06**
Akbank	8.12	7.21	1.31	1.16	1.33	1.17	17.91%	17.07%	18.49%	17.52%
Garanti Bank	10.75	8.78	1.63	1.44	2.12	1.68	16.59%	17.40%	24.68%	23.28%
Is Bank	11.92	10.52	1.40	1.29	2.08	1.76	12.74%	12.78%	21.72%	24.13%
Yapi Kredi Bank	20.19	13.75	0.85	0.84	0.91	0.89	4.29%	6.15%	6.44%	9.30%
<b>Disbank</b>	<b>9.83</b>	<b>7.64</b>	<b>1.27</b>	<b>1.14</b>	<b>1.36</b>	<b>1.19</b>	<b>13.79%</b>	<b>15.77%</b>	<b>18.21%</b>	<b>20.26%</b>
Finansbank	7.91	6.60	1.55	1.32	1.44	1.16	22.05%	21.58%	28.31%	25.71%
TEB	9.81	7.39	0.93	0.87	0.90	0.82	10.26%	12.21%	13.10%	15.67%
Denizbank	6.50	5.74	1.12	0.98	1.19	1.02	18.36%	18.17%	20.44%	22.15%
<b>Average of 8</b>	<b>10.63</b>	<b>8.45</b>	<b>1.26</b>	<b>1.13</b>	<b>1.41</b>	<b>1.21</b>	<b>14.50%</b>	<b>15.14%</b>	<b>18.92%</b>	<b>19.75%</b>

\*P & BV adjusted for participations; \*\*P & Earnings adjusted for participations

The deal is very positive for **Dogan Holding** as the company owns 62.6% of the bank and hence will collect approximately US\$800mn after this deal. We believe that this will strengthen the company's position for new business ventures and upcoming tenders such as National Lottery, Telsim and electricity distribution businesses. The following table represents the anticipated tentative NAV for Dogan Holding. **Our target for Dogan is US\$2,435mn, which represents 27% upside potential. We maintain our BUY recommendation.**

**Figure 5. Dogan Holding NAV table (after the deal)**

(US\$mn)	Business	Total Stake	Current Value	Target Value	Current Participated Value	Target Participated Value	
<b>Listed</b>					<b>1,549</b>	<b>1,619</b>	
Dogan Yayin Holding	Media	66.80%	1,490	1,480	996	989	
Petrol Ofisi	Petroleum Distr.	44.31%	1,127	1,300	499	576	
Milliyet Pazarlama	Market.&Distr.	65.00%	44	44	29	29	
Çelik Halat	Iron, Steel & Metals	52.44%	18	18	9	9	
Ditaş Doğan	Auto Parts	55.71%	28	28	16	16	
<b>Unlisted</b>					<b>41</b>	<b>41</b>	
Others			60	60	41	41	
					<b>Current</b>	<b>Target</b>	
					Listed Participations	1,549	1,619
					Unlisted Participations	41	41
					Enterprise Value	1,590	1,660
					Net Cash *	775	775
					<b>NAV</b>	<b>2,365</b>	<b>2,435</b>
					Dogan Holding Mcap	1,924	1,924
					<b>Premium / (discount)</b>	<b>-19%</b>	<b>-21%</b>
					Upside Potential	23%	27%

(\*) after plugging in US\$800mn of proceeds from Disbank sale

## Research Department

<b>Haldun Alperat</b> Head of Research	Equity Strategy	halduna@ekspresinvest.com +90 212 356 7542
<b>Guldem Atabay Elicin</b> Chief Economist	Macroeconomy, Politics	guldema@ekspresinvest.com +90 212 336 5193
<b>Ozlem Bayraktar Korcan</b> Economist	Macroeconomy, Politics	ozlembk@ekspresinvest.com +90 212 354 8224
<b>Ebru Bayar Goktan</b> Assistant Director	Automotive, Conglomerates, Consumer Durables, Beverage, Steel	ebrub@ekspresinvest.com +90 212 336 5194
<b>Ecem Nalbantgil</b> Assistant Director	Banks, Telecoms	ecemn@ekspresinvest.com +90 212 336 5197
<b>Sinan Goksen</b> Assistant Director	Conglomerates, Energy, Petroleum and Derivatives, Media, Retail	sinang@ekspresinvest.com +90 212 336 5190
<b>Tamer Sengun</b> Analyst	Cement, Glass, Insurance, Tires, REIT, Sports	tamers@ekspresinvest.com +90 212 336 5192
<b>Adil Giyici</b> Analyst	Quantitative analysis, Tractors, Health services, Heating Appliances, Diversified	adilg@ekspresinvest.com +90 212 336 5174

## Institutional Sales & Trading Department

<b>Mehmet Akkent</b> Managing Director, Institutional Sales and Trading	mehmeta@ekspresinvest.com +90 212 347 2688
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### Trading

**Baris Gokahmetoglu**  
Trading Director, Institutional Sales and Trading  
barisg@ekspresinvest.com  
+90 212 347 2689

**Emre Sanli**  
Trading Director, Institutional Sales and Trading  
emres@ekspresinvest.com  
+90 212 336 5123

### Settlements

**Pinar Sevsevil**  
Settlements  
pinars@ekspresinvest.com  
+90 212 336 5111

## Corporate Finance Department

**Bahar Sayiner**  
Acting Director, Corporate Finance  
bahars@ekspresinvest.com  
+90 212 336 5106

### Sales

**Soner Inanc**  
Sales Director, Institutional Sales and Trading  
soneri@ekspresinvest.com  
+90 212 347 5313

**Can Oksun**  
Sales Director, Institutional Sales and Trading  
cano@ekspresinvest.com  
+90 212 267 3402

**Demir Demirbag**  
Associate, Corporate Finance  
demird@ekspresinvest.com  
+90 212 347 5314