

## DISBANK

### *Comment on Fortis Acquisition*

#### **It is Finally Over**

On June 14, 2004, Dogan Holding had decided to hire an advisor to seek and evaluate potential partnership and share sale opportunities for Disbank. In the past several months, there were announcements regarding foreign banks interest in Disbank that caused a strong momentum in the Bank's market performance. Intesa, Societe Generale and Fortis were the names whispered in market rumors. Fortis stated in its strategy statement that high margins can mainly be found in new markets like Central and Eastern Europe, including Turkey. Therefore the Bank partially achieved its goal. Fortis will acquire 89.3% of Disbank's shares outstanding. Fortis will also make a public bid for the remaining 10.7% of Disbank's shares. Total transaction will be ~EUR 985 million, subject to price adjustments. Total consideration corresponds to US\$1,277mn for the whole Bank as the announcement also includes the shares subject to call and carries a 19% upside potential relative to the US\$1,075mn market cap. Through a US\$855mn 2005 book value, the deal will go through a 1.49x P/B multiple. Our target value for the Bank was US\$1,141mn. Disbank's major shareholders are Dogan Holding (62.6%), two pension funds (17.57%), Aydin Dogan (4%), and other family members (5.17%). These shareholders may also have additional listed shares. **There would be around US\$800mn cash inflow to Dogan Holding from the sale. We expect Disbank's Mcap to display a strong rise approaching to the deal price. We expect Dogan Holding stock to be positively affected as well, as its current NAV (taking into account the current transaction price) at US\$2,341mn implies a 21% upside for its US\$1,930mn Mcap.**

Disbank is the 10<sup>th</sup> largest Bank after Finansbank and followed by Denizbank with US\$5.3bn (consolidated 2004E US\$5.7bn) of assets and US\$737mn 2004 shareholders' equity. The Bank that operates through 173 branches mainly in the western and southern parts of Turkey has 3.1% market share in loans and 1.8% share in deposits. Disbank that used to be a bank that serves to large corporates five years ago, now lays emphasis on retail clients and SMEs as its core target market. The Bank is strong in credit card business, especially as an acquirer (POS volume) with a 6.5% market share in 2004. It is the 5<sup>th</sup> largest bank in terms of POS volume following the big-4 private banks, whereas the issuing volume market share is 3.1%.

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