

## Fitch Upgrades Turkey's Isbank

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Fitch Ratings-London/Istanbul/New York-07 September 2005: Fitch Ratings, the international rating agency, has today upgraded Turkey-based Turkiye Is Bankasi's ("Isbank") Long-term local currency rating to 'BB' from 'BB-' (BB minus). At the same time, the agency has upgraded Isbank's Individual rating to 'C' from 'C/D' and its National Long-term rating to 'A+ (tur)' from 'A (tur)'. The bank's Long-term foreign currency, Short-term foreign and local currency, and Support ratings are affirmed at 'BB- (BB minus)', 'B' and '4', respectively. The Outlooks on all the Long-term ratings remain Stable.

The upgrades are driven by Isbank's stronger and consistent profitability, continued solid funding structure, improved asset quality measures and good capitalisation. This is balanced by relatively low, albeit improved, free capital and a sizeable proportion of government securities at 38% of assets. The Long-term foreign currency rating is constrained by the Sovereign Ceiling of 'BB- (BB minus)' while the Long-term local currency rating is above that of the Sovereign.

Isbank recorded strong profitability with net earnings of TRY859.8 million in 2004 (consolidated with financial companies only) compared to TRY512.1m in 2003. This trend continued into H105. The bank benefits from an above-average net interest margin which is aided by low funding costs and income from the government securities portfolio, most of which is classified as available for sale. Efficiency improved and fees and commissions have grown steadily. This enabled the bank to boost its Tier 1 capital ratio to 26.28% at end-H105. Free capital of 4.28% will continue to improve due to the pending disposal of the bank's stake in Petrol Ofisi. Asset quality improved as non-performing loans declined to 5.76% of the portfolio at H105 from 7.95% at end-2004 while Isbank maintains reserve coverage in excess of 100%.

Isbank is the largest private sector bank in Turkey with a 13% market share in both loans and deposits. It is 41.5%-owned by the bank's pension fund and 28% by the Republican People's Party. Historically a corporate bank, Isbank has concentrated on building its loans to the small business and retail sectors, which tend to be more diverse and profitable.

For more information, please refer to Credit Analysis on the agency's website at [www.fitchratings.com](http://www.fitchratings.com).