

Turkey  
Update

# Turkiye Is Bankasi A.S.

## Ratings

<b>Foreign Currency</b>	
Long-Term IDR	BBB-
Short-Term IDR	F3
<b>Local Currency</b>	
Long-Term IDR	BBB-
Short-Term IDR	F3
<b>National</b>	
Long-Term Rating	AAA(tur)
Individual Rating	C
Support Rating	3
Support Rating Floor	BB
<b>Sovereign Risk</b>	
Foreign-Currency Long-Term IDR	BB+
Local-Currency Long-Term IDR	BB+
Country Ceiling	BBB-

## Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable
National Long-Term Rating	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

## Financial Data

<b>Turkiye Is Bankasi A.S.</b>		
	31 Dec 09	31 Dec
Total assets (USDm)	86,489.6	72,901.8
Total assets (TRYm)	128,916.5	111,208.0
Total equity (TRYm)	15,305.9	11,991.3
Operating profit (TRYm)	3,422.2	2,256.2
Published net income (TRYm)	2,752.3	1,819.0
Comprehensive income (TRYm)	3,358.6	923.9
Operating ROAA (%)	2.86	2.25
Operating ROAE (%)	25.15	19.19
Eligible capital/weighted risks (%)	16.25	13.72
Total regulatory capital ratio (%)	18.13	16.24

## Analysts

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## Related Research

### Applicable Criteria

- *Global Financial Institutions Rating Criteria (December 2009)*
- *Rating The Banks Above The Local Currency Sovereign Rating (August 2007)*
- *National Ratings - Methodology Update (December 2006)*

## Rating Rationale

- Turkiye Is Bankasi A.S.'s (Isbank) IDRs are driven by its intrinsic financial strength. The Individual Rating reflects Isbank's broad and diversified franchise, which places it among the leaders of the Turkish financial system, management's demonstrated capacity to manage through economic fluctuations, and track record of good performance. It also considers the limitations arising from the challenging operating environment.
- In 2009 performance measures were boosted from improved loan margins and securities income, helped by a supportive interest-rate environment. These improvements led to solid pre-impairment profitability, providing significant first-line loss-absorption capacity. Isbank's strong balance sheet and deposit franchise provided it with the competitive advantage of continued low-cost funding throughout the year. The strength of the bank's core profitability would benefit from a solid return to growth in 2010.
- Despite relatively rapid (albeit in line with peers) credit loan growth before the start of the global financial crisis in 2008, Isbank's cautious approach, complemented by prudent reserving, helped contain asset-quality deterioration and restrained loan impairment fears. Strong core deposits ensuring a limited loans/deposits ratio and sound liquidity underpinned balance-sheet flexibility and enabled the bank to take market opportunities.
- Isbank comfortably complies with local capital requirements. Its Tier 1 capital was 16.7% at end-Q110. Isbank Group monitors its stand-alone and consolidated (including non-bank financial and insurance subsidiaries where surplus capital is ample) risk and capital management capability.

## Support

- In light of Isbank's importance to the Turkish financial system, Fitch believes the authorities would try to provide support if needed. However, the probability of support is moderate due to the sovereign's limited ability to provide it, as indicated by its ratings.

## Key Rating Drivers

- Isbank's Local-Currency Long-Term IDR is driven by its Individual Rating and rated one notch above the sovereign rating. Its Foreign-Currency Long-Term IDR is rated at the Country Ceiling.
- The Individual Rating would benefit from an improvement in risk indicators and maintenance of good profitability, although this will continue to be balanced by a challenging operating environment.

## Profile

Isbank was established as Turkey's first private commercial bank with a mission to support economic development. It is the largest private bank in Turkey by branch network, customer deposits and Turkish lira loans at end-2009. The bank is part of the Isbank Group, whose core business is financial services.