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Turkiye Is Bankasi A.S.

CREDIT RATING

BB-/Positive/B

Oct. 21, 2003

B+/B

July 28, 2003

B/B

Outstanding Rating(s)

Counterparty Credit BB-/Positive/B
Certificate of deposit BB-/B

Credit Rating History

Aug. 19, 2004 BB-/B

Sovereign Rating

Local Currency BB/Positive/B
Foreign Currency BB-/Positive/B
Turkey (Republic of)

Major Rating Factors

Strengths:

- Strong business franchise in Turkey;
- Wide customer deposit base;
- Adequate liquidity; and
- Strengthening revenues and profitability.

Weaknesses:

- High industry and economic risks;
- Tightening core capitalization, although smaller holdings of nonfinancial equity investments exert less pressure; and
- Asset quality remains vulnerable to systemic shocks, although loan quality continues to improve significantly.

Rationale

The ratings on Turkey-based Turkiye Is Bankasi A.S. (Isbank) balance the risky banking and economic environment in the Republic of Turkey (foreign currency; BB-/Positive/B, local currency BB/Positive/B) with the bank's leading commercial position and adequate financial

profile and liquidity position. Benefiting from the improving operating environment, the bank's loan quality and profitability continue to recover strongly. Core capital has recently tightened with business growth, despite strong regulatory capitalization.

With total unconsolidated assets of New Turkish lira (TRY) 63.6 billion (\$47.0 billion at TRY1.354 to \$1) at Dec. 31, 2005, Isbank maintains a leading position in retail and corporate banking. It enjoys a 14% market share of loans and 15.1% in deposits among private banks. The bank operates the second-largest branch network in Turkey, with about 870 outlets.

The bank has held a large nonfinancial equity participation portfolio historically, which it has been restructuring through sales and mergers. As a result, the number of subsidiaries decreased to 44 at the first quarter of 2006, from 74 in 2002. Isbank is a private bank, with an unusual shareholding structure made up of its pension fund (41.5%), the Republican People's Party (CHP; a political party; 28.1%), and private investors (30.4%) in the first quarter of 2006. Unlike the other shareholders, the CHP does not receive dividends, having only voting rights.

Revenues continue recovering steadily, following the 2001 economic and financial crisis in Turkey. ROA was a strong 2.2% in 2005, resulting from a net profit of TRY1.1 billion according to IFRS accounts. In 2005, operating revenues rose by 19.7%, while operating and provisioning costs remained fairly stagnant. The level of NPLs has diminished sharply, with the ratio of NPLs to total loans declining to 4.4% in the first quarter of 2006. Previously, Isbank's loan quality had deteriorated dramatically as a direct consequence of the difficult economic situation in Turkey in 2001 and high interest rates during this period. A sustained positive economic climate and workout on bad loans should sustain these positive trends. The bank's NPLs have been fully covered by provisions since year-end 2003. Isbank's core capitalization ratios have tightened due to strong asset growth in 2005. This follows a period of stable capitalization at adequate levels. Although tightening in relation to adjusted assets, capital is stronger in relation to risk-weighted assets (RWA), given the bank's low loan leverage. Furthermore, nonfinancial equity investments have reduced substantially, imposing less pressure on capital. Capitalization still allows room for asset expansion.

Outlook

The positive outlook on Isbank reflects that on the Republic of Turkey, and the bank's improving financial profile. If the positive economic developments continue, the bank will benefit from lower cost of funds and increasing business opportunities. Conversely, if confidence deteriorates, Isbank, along with other Turkish banks, will have to operate in a difficult and volatile financial environment with limited lending opportunities, making progress on asset quality and profitability much more uncertain.

Profile

Isbank is the country's largest private bank in terms of total assets, local currency loans, deposits, and equity. It is a universal bank engaged in corporate and retail banking, capital market operations, and equity participations. As a result of its strong reputation in Turkey and its large branch network, Isbank has a large base of corporate clients: about 400 of the 500 largest corporations in Turkey are regular customers. In total it has 15 million retail, corporate, commercial, and small and midsize enterprise (SME) customers. To retain a leading position in retail banking, a customer-focused and market-oriented corporate culture was established within the bank.

The bank's equity participations portfolio consists of major companies operating principally in the financial, insurance, telecommunications, automotive, and glass sectors. Isbank remains a leading shareholder in the insurance sector. The bank's largest nonfinancial equity participation is its 66% share in the Sisecam industrial group, which includes the world's third-largest producer of household glass products. To restructure these equity holdings, Isbank has embarked on a program under which subsidiaries operating in similar businesses are merged and nonstrategic subsidiaries sold. As a result, the number of subsidiaries decreased to 44 in the first quarter of 2006, from 55 at year-end 2004, and 74 in 2002. Over the years, Isbank has worked on reducing its overhead expenses and the number of employees. In the first quarter of 2006, the bank had slightly more than 17,000 employees, down from more than 20,000 in 1989.

At year-end 2005, the bank's domestic network of almost 870 domestic outlets represented the second-largest network in the sector. In addition, Isbank has the largest ATM distribution capacity (2,691 in the first quarter of 2006). Its interactive banking services allow customers to execute a wide range of transactions through ATMs, by telephone, or over the Internet. Isbank has payroll agreements with about 14,000 organizations (covering more than 1.2 million employees). In total, the bank has more than 13 million individual deposit accounts. The bank holds a prominent position in the debit and credit-card business. It had issued about 3.3 million credit cards at the first quarter of 2006, representing 11.7% of the total Turkish credit-card market in terms of number, and 13.6% in transaction volume.

Isbank has a relatively limited presence abroad. Its largest foreign asset is its fully owned bank subsidiary in Germany (Isbank GmbH), which has 16 branches in Germany, Switzerland, France, and the Netherlands, and is mainly active in the trade finance and retail businesses. Isbank also has branches in London and Turkish-controlled northern Cyprus, a financial services subsidiary in Dublin, an offshore branch in Bahrain, and a representative office in China. Isbank is particularly active in foreign trade finance.

Isbank's accounts for 2005 were audited according to IFRS by Deloitte Touche Tohmatsu. The application of inflation accounting was terminated from Jan. 1, 2006. Standard & Poor's Ratings Services analysis is based on Isbank's unconsolidated accounts. Consolidated accounts do not permit a satisfactory analysis, as they fully consolidate banking, insurance, and industrial companies. Slightly higher income at the group level reflects good results in insurance and finance. As a result of lower inflation and greater market stability, Turkey's domestic currency was redenominated on Jan. 1, 2005; one unit of TRY is equal to one million units of old Turkish lira (TRL).

Ownership And Legal Status

Isbank is a private bank with an unusual shareholding structure. In the first quarter of 2006, it continued to be owned by its own pension fund (41.5%), the CHP political party (28.1%), and by private individuals and institutional investors (30.4%). Isbank shares are listed on the Istanbul Stock Exchange and are traded on the London Stock Exchange in the form of global depository receipts. Also, 68.6% of the free float is held by foreign investors. Although it is not an obligation according to the articles of association, the sole purpose of the bank's pension fund is to distribute retirement payments to former employees (of which there are about 25,000). The CHP is an opposition party to the current ruling party and has no influence over Isbank. Unlike the other shareholders, it does not receive dividends for its participation in Isbank.

The board of directors consists of 11 members, including six representatives of the bank's pension fund and four representatives of the CHP. The bank is closely linked to its pension fund;

for example, Ersin Özince, the bank's CEO and general manager, is also chairman of the bank's pension fund. In addition, two of the seven board members of the pension fund are directors of Isbank, including Ersin Özince.

Strategy: Sustained Economic Growth Will Create Growth Opportunities For Turkiye Is Bankasi

Isbank's management believes that the bank needs to continue to build on its main strength—namely, its strong domestic franchise and solid reputation within Turkey. As a result, it wants to grow its balance sheet, supported by its adequate level of regulatory capitalization and fund-generating capacity. Standard & Poor's considers that if economic development and modernization in Turkey is sustained, they will create enormous growth opportunities for leading Turkish financial institutions. Generally, there is a low level of market penetration with regard to many retail-banking services, but several developments point to potential expansion. Isbank is well positioned to benefit from the economic growth in Turkey, having one of the largest customer franchises. This should benefit from an increasing customer focus and market-oriented approach.

Isbank wants to diversify its revenue base by increasing the share of noninterest income. The focus will be on retail lending, which is characterized by good asset quality and higher returns. Isbank has launched an activity-based costing project, with an external consultant to reduce costs and enhance efficiency. As the bank has already made significant investment into its distribution channels, efficiency is expected to improve in coming years.

Its historical mission to support industrial development in Turkey means that the bank still has significant shareholdings, despite moves to reduce their number in the past decade. The bank is restructuring and consolidating its participations to focus on core activities and optimize its capitalization.

Risk Management

Credit risk: good loan quality should be maintained given the favorable economic climate

Despite rapid loan growth in the past couple of years, the portion of net loans has not grown in Isbank's balance sheet since 2001. At Dec. 31, 2005, Isbank's balance sheet was dominated by securities and cash (54.3% of total assets). The share of loans—particularly higher margin retail and SME loans—is expected to gradually increase, giving the bank a more diversified asset mix. Isbank's loan quality is improving rapidly, as demonstrated by its ratio of NPLs to total loans of 4.8% at Dec. 31, 2005, against 28.1% in 2001, which was due to restructuring, collections, and loan growth. Good loan quality should be maintained given the favorable economic climate. The bank's equity participation risk remains relatively high, although the performance of these companies has been improving, in line with the economic recovery in Turkey.

Of total lending, 38.2% is to the manufacturing sector, with consumer loans accounting for a further 33.9%. Credit risk stemming from intragroup lending at year-end 2005 was low at 1.7% of total loans, but has tended to fluctuate at about 10% historically. Statutory limits on related-party lending have been tightening in recent years, and are due to reduce to 25% in 2006. Geographically, the loan portfolio is concentrated in the Istanbul and Ankara regions of Turkey. The bank's share of short-term loans (up to one-year maturity) represented 44.6% of the net loans portfolio, although this should reduce with growing housing loans. There is a shift toward local currency lending; the majority of the bank's portfolio at year-end 2005 was local currency

denominated, with the remaining 26.4% denominated primarily in U.S. dollars (18.9%) and euros (7.4%).

Isbank's loan approval system is centralized to a large extent, although branches have a certain degree of lending authority. Prior to extending credit, each loan application is assessed initially at the branch level. The credit departments review all the largest credits. Decisions are also based, in the case of corporate borrowers, on industry sector reports and economic analyses prepared by other departments at the head office. Management regularly monitors the overall quality of the loan portfolio through the branches and their corporate loan, commercial loan, consumer loan, and credit-card departments. Another department is in charge of the bank's problematic loans. Loan officers periodically visit clients, and the internal audit department regularly visits branches to prepare reports about loan portfolios. The credit information and financial analysis department also prepares financial analyses on a yearly basis using published financial statements. Standard & Poor's considers Isbank's credit risk management to be good.

Reported NPLs accounted for 4.4% of loans at the first quarter of 2006, down from 11.8% at year-end 2003. This is composed 33% of restructured loans. The level of the bank's NPLs now closely matches that of the system average, but is better among credit cards and consumer finance. The manufacturing sector accounts for by far the largest share of problem loans, followed by the textile and construction sectors. The provision coverage ratio was 100% at the same date, and this rises to 152% when collateral is taken into consideration.

The other main source of asset risk is the equity participations portfolio, whose weight in the bank's balance sheet has been reducing, with asset growth and equity restructuring. The bank's equity participations are the largest in the Turkish financial system. It represented 7.6% of total assets and 69.5% of adjusted common equity (ACE) at year-end 2005. In addition to the banking and insurance sectors, the glass industry was prevalent among Isbank's holdings. Financial institutions are considered core business participations, and the telecommunications and glass sectors are strategic noncore areas. The bank intends to reduce the number of companies in which it invests gradually, and to focus on its most important investments. It will also increase the free float of some of its majority owned listed companies.

Liquidity risk: strong customer deposit base has benefited from flight to quality

Isbank benefits from a solid customer deposit base, but is diversifying its funding via large-volume syndications and securitizations. The bank's liquidity position is adequate.

Customer deposits represent the main source of Isbank's funding, and have increased substantially in recent years due to a flight to quality. Isbank's market share among private banks in total deposits grew to 15.1% at the first quarter of 2006, from 6.8% at year-end 2000. The bank's nationwide branch network provides it with a wide deposit base. Total customer deposits (corporates and individuals, but excluding banks) funded about 59.3% of the bank's total assets at Dec. 31, 2005. About 40.8% of these were denominated in foreign currencies (mainly U.S. dollars and euros). Demand deposits constituted a reducing 19.2% of total deposits. These pay a much lower interest rate than time deposits, and represent a major strength for the bank's profitability and liquidity.

Isbank is experienced at borrowings from international capital markets. During the past decade, it has been able to secure several syndicated loans, as well as two securitizations.

Almost all customer deposits in Turkey are short term. As such, Isbank's asset-liability management is primarily focused on liquidity management and pricing issues. Hence, the bank's policy has been to maintain a high degree of balance-sheet liquidity. The trading and investment

securities portfolio amounted to TRY21.4 billion at Dec. 31, 2005. This portfolio is made up of Turkish lira and foreign exchange-denominated and foreign currency-indexed Turkish government bonds and treasury bills. This situation provides the bank with a high return, but creates a direct link with the government's ability to repay its own domestic debt. The bank's current policy is to maintain closed currency positions.

Profitability: Sustained Economic Growth Should Support Positive Trend In Profitability

With an ROA of 2.2% in 2005, profitability has recovered strongly. Greater macroeconomic stability and forecast good sustained economic growth should support this positive trend. Among the main factors that would affect the economic environment and markets are an EU decision on starting accession negotiations, instability in Iraq, bank privatizations, hikes in interest rates in the U.S., and rise in oil price.

İsbank posted a profit of TRY1.1 trillion in 2005, 63% higher than the previous year, due to an increasing volume of interest earning assets.

Before the 2001 crises, the bank had been highly profitable, with an ROA (adjusted for inflation) of about 2.5% between 1997-2000, as it benefited from wide net interest margins and a favorable trading environment. The bank benefited from the high real interest rate in Turkey during the past decade.

The larger volumes of higher margin lending are offsetting declining, but still high, local currency interest rates. Net interest income of TRY2.6 billion in 2005 reflected a solid 23.4% annual increase, despite a reduced net interest margin to 6.4% from 7.3%. Noninterest income also demonstrated positive trends in 2005. Although fees and commission income developed well, it was somewhat offset by shrinking trading gains. Fees and commissions are among the highest in the banking sector, reflecting the bank's high involvement in core banking business and strong position in retail banking. However, they remain rather low by international standards, representing only 20% of total revenues in 2005. Nevertheless, they are growing rapidly, as expected, and show the bank's improving revenue diversification.

Costs rose only moderately over the year, affected primarily by increases in personnel costs and other provisions associated with business expansion. High productivity is reflected by effective personnel cost management, for which costs are maintained at about 20% of revenues. Furthermore, İsbank manages expenses in supporting its extensive infrastructure well, demonstrated by a cost-to-income ratio of 37.3% in 2005.

Capital: Capitalization Tightening With Balance-Sheet Growth

İsbank's core capitalization ratios—as measured by Standard & Poor's ACE-to-assets ratio—has tightened to 10.9% at year-end 2005 due to strong asset growth in 2005. This follows a period of stable capitalization at an adequate level of about 15%. Its regulatory capital-adequacy ratio experienced sustained improvement after being adversely affected by the financial crisis in 2001, but has reduced somewhat in 2005 with balance-sheet growth, reaching 25.4% in the first quarter of 2006 (29.0% at year-end 2004). This ratio still allows room for asset expansion.

Although tightening in relation to adjusted assets, capital is stronger in relation to RWA, given the bank's low loan leverage. Furthermore, nonfinancial equity investments have reduced substantially, imposing less pressure on capital. Free equity reached TRY5.9 billion at year-end 2005 or 55.5% of total shareholders' equity. The bank has embarked on a restructuring project for

its equity participations portfolio, together with an international consultancy firm, to increase the efficiency of the portfolio and enhance shareholder value.

The bank's dividend payout ratios were 32.7% in 2004 and 32.1% in 2005. However, almost all shareholders reinvest this money in the bank (through the purchase of rights shares). Hence, the bank is able to retain almost all of its profits (with the exception of bonuses paid to employees).

Table 1

| Balance Sheet Statistics | | | | | | | | | | |
|--|-----------------------------|-------------|-------------|-------------|-------------|--|-------------|-------------|-------------|-------------|
| (Mil. TRY) | —Year ended Dec. 31— | | | | | Breakdown as a % of assets (adjusted) | | | | |
| | 2005* | 2004 | 2003 | 2002 | 2001 | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>Assets</i> | | | | | | | | | | |
| Cash and money market instruments | 12,109 | 3,802 | 5,439 | 4,236 | 5,622 | 19.05 | 9.96 | 15.45 | 13.87 | 19.83 |
| Securities | 22,436 | 14,316 | 13,187 | 10,026 | 7,187 | 35.29 | 37.49 | 37.46 | 32.82 | 25.36 |
| Trading securities (marked to market) | 0 | 0 | 2,216 | 1,327 | 4,576 | 0.00 | 0 | 6.29 | 4.34 | 16.15 |
| Nontrading securities | 22,436 | 14,316 | 10,971 | 8,699 | 2,611 | 35.29 | 37.49 | 31.17 | 28.48 | 9.21 |
| Loans to banks (net) | 292 | 108 | 0 | 0 | 0 | 0.46 | 0.28 | 0.00 | 0.00 | 0.00 |
| Customer loans (gross) | 22,620 | 14,218 | 11,514 | 10,659 | 10,257 | 35.58 | 37.23 | 32.71 | 34.89 | 36.19 |
| Foreign loans | 275 | 139 | 0 | 0 | 0 | 0.43 | 0.36 | 0 | 0 | 0 |
| All other loans | 22,345 | 14,079 | 11,514 | 10,659 | 10,257 | 35.15 | 36.87 | 32.71 | 34.89 | 36.19 |
| Loan-loss reserves | 1,178 | 1,276 | 1,483 | 871 | 1,062 | 1.85 | 3.34 | 4.21 | 2.85 | 3.75 |
| Customer loans (net) | 21,442 | 12,943 | 10,031 | 9,787 | 9,195 | 33.73 | 33.89 | 28.50 | 32.04 | 32.44 |
| Earning assets | 51,176 | 29,727 | 27,568 | 22,225 | 20,693 | 80.50 | 77.84 | 78.32 | 72.76 | 73.01 |
| Equity interests/participations (nonfinancial) | 3,667 | 4,155 | 2,600 | 2,840 | 2,588 | 5.77 | 10.88 | 7.39 | 9.30 | 9.13 |
| Investments in unconsolidated subsidiaries (financial companies) | 1,147 | 716 | 1,000 | 820 | 1,079 | 1.80 | 1.88 | 2.84 | 2.68 | 3.81 |
| Fixed assets | 1,762 | 1,916 | 2,511 | 2,592 | 2,509 | 2.77 | 5.02 | 7.13 | 8.49 | 8.85 |
| Derivatives credit amount | 12 | 5 | 0 | 0 | 0 | 0.02 | 0.01 | N.A. | N.A. | N.A. |
| Accrued receivables | 394 | 61 | 0 | 66 | 107 | 0.62 | 0.16 | 0.00 | 0.22 | 0.38 |
| All other assets | 311 | 169 | 433 | 178 | 56 | 0.49 | 0.44 | 1.23 | 0.58 | 0.20 |
| Total reported assets | 63,572 | 38,190 | 35,200 | 30,546 | 28,345 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Adjusted assets | 63,572 | 38,190 | 35,200 | 30,546 | 28,345 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Breakdown as a % of liabilities and equity | | | | | | | | | | |
| | 2005* | 2004 | 2003 | 2002 | 2001 | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>Liabilities</i> | | | | | | | | | | |
| Total deposits | 46,151 | 28,610 | 22,443 | 21,922 | 19,738 | 72.60 | 74.92 | 63.76 | 71.77 | 69.63 |
| Noncore deposits | 8,304 | 3,889 | 667 | 411 | 633 | 13.06 | 10.18 | 1.90 | 1.35 | 2.23 |
| Core/customer deposits | 37,847 | 24,721 | 21,776 | 21,511 | 19,105 | 59.53 | 64.73 | 61.86 | 70.42 | 67.40 |
| Repurchase agreements | 5,693 | 807 | 2,174 | 393 | 587 | 8.96 | 2.11 | 6.17 | 1.29 | 2.07 |
| Other borrowings | 56 | 28 | 3,407 | 2,114 | 2,473 | 0.09 | 0.07 | 9.68 | 6.92 | 8.73 |
| Other credit reserves | 162 | 138 | 233 | 304 | 177 | 0.26 | 0.36 | 0.66 | 0.99 | 0.63 |
| Other liabilities | 1,376 | 845 | 699 | 524 | 364 | 2.17 | 2.21 | 1.99 | 1.72 | 1.29 |
| Total liabilities | 53,439 | 30,429 | 28,954 | 25,257 | 23,340 | 84.06 | 79.68 | 82.26 | 82.69 | 82.34 |
| Total shareholders' equity | 10,132 | 7,762 | 6,246 | 5,288 | 5,005 | 15.94 | 20.32 | 17.74 | 17.31 | 17.66 |
| Common shareholders' equity (reported) | 10,132 | 7,762 | 6,246 | 5,288 | 5,005 | 15.94 | 20.32 | 17.74 | 17.31 | 17.66 |
| Share capital and surplus | 4,347 | 4,183 | 1,427 | 814 | 814 | 6.84 | 10.95 | 4.05 | 2.66 | 2.87 |

Table 1

| Balance Sheet Statistics (cont.'d) | | | | | | | | | | |
|---|-----------------------------|-------------|-------------|-------------|-------------|--|-------------|-------------|-------------|-------------|
| (Mil. TRY) | —Year ended Dec. 31— | | | | | Breakdown as a % of assets (adjusted) | | | | |
| | 2005* | 2004 | 2003 | 2002 | 2001 | 2005* | 2004 | 2003 | 2002 | 2001 |
| Revaluation reserve | 2,056 | 574 | (251) | (215) | 82 | 3.23 | 1.50 | (0.71) | (0.70) | 0.29 |
| Reserves (including inflation revaluations) | 0 | (3) | 2,527 | 2,788 | 2,740 | 0.00 | (0.01) | 7.18 | 9.13 | 9.67 |
| Retained profits | 3,729 | 3,008 | 2,543 | 1,902 | 1,369 | 5.87 | 7.88 | 7.22 | 6.23 | 4.83 |
| Total liabilities and equity | 63,572 | 38,190 | 35,200 | 30,546 | 28,345 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Less revaluation reserve, intangibles | (2,056) | (574) | 251 | 215 | (82) | | | | | |
| Tangible total equity | 8,076 | 7,188 | 6,497 | 5,504 | 4,923 | | | | | |
| Tangible common equity | 8,076 | 7,188 | 6,497 | 5,504 | 4,923 | | | | | |
| Less equity in unconsolidated subsidiaries | (1,147) | (716) | (1,000) | (820) | (1,079) | | | | | |
| Adjusted common equity | 6,929 | 6,471 | 5,497 | 4,684 | 3,844 | | | | | |
| Adjusted total equity | 6,929 | 6,471 | 5,497 | 4,684 | 3,844 | | | | | |

*Data at Dec. 31, year end. Financial statements are audited, consolidated, and presented according to IFRS, and are adjusted according to IAS29. TRY—New Turkish lira. N.A.—Not available.

Table 2

| Profit And Loss Statement Statistics | | | | | | | | | | |
|---|-----------------------------|-------------|-------------|-------------|-------------|------------------------------------|-------------|-------------|-------------|-------------|
| (Mil. TRY) | —Year ended Dec. 31— | | | | | Adjusted average assets (%) | | | | |
| | 2005* | 2004 | 2003 | 2002 | 2001 | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>Profitability</i> | | | | | | | | | | |
| Interest income | 5,401 | 4,493 | 4,172 | 4,323 | 5,437 | 10.61 | 12.24 | 14.45 | 16.71 | 21.40 |
| Interest expense | 2,819 | 2,400 | 2,925 | 2,847 | 3,438 | 5.54 | 6.54 | 10.13 | 11.00 | 13.53 |
| Net interest income | 2,582 | 2,093 | 1,247 | 1,476 | 1,999 | 5.07 | 5.70 | 4.32 | 5.70 | 7.87 |
| Operating noninterest income | 1,932 | 1,677 | 1,575 | 1,143 | (93) | 3.80 | 4.57 | 5.45 | 4.42 | (0.37) |
| Fees and commissions | 894 | 710 | 551 | 339 | 503 | 1.76 | 1.93 | 1.91 | 1.31 | 1.98 |
| Trading gains | 214 | 441 | 701 | (111) | (1,196) | 0.42 | 1.20 | 2.43 | (0.43) | (4.71) |
| Other noninterest income | 824 | 527 | 322 | 915 | 599 | 1.62 | 1.44 | 1.12 | 3.54 | 2.36 |
| Operating revenues | 4,514 | 3,770 | 2,821 | 2,619 | 1,906 | 8.87 | 10.27 | 9.77 | 10.12 | 7.50 |
| Noninterest expenses | 1,684 | 1,611 | 1,480 | 1,387 | 1,658 | 3.31 | 4.39 | 5.12 | 5.36 | 6.53 |
| Personnel expenses | 905 | 741 | 707 | 675 | 741 | 1.78 | 2.02 | 2.45 | 2.61 | 2.92 |
| Other general and administrative expense | 687 | 768 | 673 | 620 | 819 | 1.35 | 2.09 | 2.33 | 2.40 | 3.22 |
| Depreciation and amortization-other | 92 | 102 | 100 | 91 | 99 | 0.18 | 0.28 | 0.35 | 0.35 | 0.39 |
| Net operating income before loss provisions | 2,830 | 2,159 | 1,341 | 1,232 | 248 | 5.56 | 5.88 | 4.64 | 4.76 | 0.97 |
| Credit-loss provisions (net new) | 1,045 | 903 | 869 | 617 | 1,095 | 2.05 | 2.46 | 3.01 | 2.38 | 4.31 |
| Net operating income after loss provisions | 1,785 | 1,256 | 473 | 616 | (847) | 3.51 | 3.42 | 1.64 | 2.38 | (3.33) |
| Pretax profit | 1,785 | 1,256 | 473 | 616 | (847) | 3.51 | 3.42 | 1.64 | 2.38 | (3.33) |
| Tax expense/credit | 655 | 414 | 118 | 73 | (368) | 1.29 | 1.13 | 0.41 | 0.28 | (1.45) |
| Net income before minority interest | 1,129 | 842 | 354 | 542 | (479) | 2.22 | 2.29 | 1.23 | 2.10 | (1.89) |
| Net income before extraordinary | 1,129 | 842 | 354 | 542 | (479) | 2.22 | 2.29 | 1.23 | 2.10 | (1.89) |
| Extraordinary Income | 0 | (148) | 0 | 0 | 0 | 0.00 | (0.40) | 0.00 | 0.00 | 0.00 |
| Net income after extraordinary | 1,129 | 694 | 354 | 542 | (479) | 2.22 | 1.89 | 1.23 | 2.10 | (1.89) |
| Core earnings | 1,129 | 842 | 354 | 542 | (479) | 2.22 | 2.29 | 1.23 | 2.10 | (1.89) |
| | 2005* | 2004 | 2003 | 2002 | 2001 | | | | | |

Table 2

| Profit And Loss Statement Statistics (cont.'d) | | | | | | | | | | |
|---|-----------------------------|-------------|-------------|-------------|-------------|------------------------------------|-------------|-------------|-------------|-------------|
| (Mil. TRY) | —Year ended Dec. 31— | | | | | Adjusted average assets (%) | | | | |
| | 2005* | 2004 | 2003 | 2002 | 2001 | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>Asset quality</i> | | | | | | | | | | |
| Nonperforming assets | 1,444 | 1,433 | 1,733 | 1,948 | 2,634 | | | | | |
| Nonaccrual loans | 1,053 | 1,133 | 1,312 | 1,534 | 2,630 | | | | | |
| Restructured loans | 390 | 300 | 421 | 413 | 4 | | | | | |
| <i>Average balance sheet</i> | | | | | | | | | | |
| Average customer loans | 17,192 | 11,487 | 8,706 | 8,340 | 8,471 | | | | | |
| Average earning assets | 40,452 | 28,647 | 21,873 | 18,857 | 18,247 | | | | | |
| Average assets | 50,881 | 36,695 | 28,881 | 25,875 | 25,405 | | | | | |
| Average total deposits | 37,381 | 25,527 | 19,489 | 18,304 | 15,533 | | | | | |
| Average interest-bearing liabilities | 40,673 | 28,734 | 23,041 | 20,750 | 19,373 | | | | | |
| Average common equity | 8,947 | 7,004 | 5,139 | 4,522 | 5,162 | | | | | |
| Average adjusted assets | 50,881 | 36,695 | 28,881 | 25,875 | 25,405 | | | | | |
| <i>Other data</i> | | | | | | | | | | |
| Number of branches | 879 | 848 | 842 | 839 | 847 | | | | | |
| Off-balance-sheet credit equivalents | 14,559 | 7,551 | 9,372 | 9,556 | 7,761 | | | | | |

*Data at Dec. 31, year end. Financial statements are audited, consolidated, and presented according to IFRS, and are adjusted according to IAS29. TRY—New Turkish lira. N.A.—Not available.

Table 3

| Ratio Analysis | | | | | |
|---|-----------------------------|-------------|-------------|-------------|-------------|
| | —Year ended Dec. 31— | | | | |
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>ANNUAL GROWTH (%)</i> | | | | | |
| Customer loans (gross) | 59.09 | 23.48 | 8.03 | 3.92 | (2.71) |
| Loss reserves | (5.22) | (17.59) | 46.02 | (5.17) | 56.26 |
| Adjusted assets | 66.46 | 8.49 | 15.24 | 7.76 | (3.84) |
| Customer deposits | 53.09 | 13.53 | 1.23 | 12.59 | 27.90 |
| Tangible common equity | 12.36 | 10.63 | 18.05 | 11.80 | (19.52) |
| Total equity | 30.54 | 24.27 | 18.10 | 5.67 | (25.79) |
| Operating revenues | 19.74 | 33.60 | 7.74 | 37.41 | (46.52) |
| Noninterest expense | 4.53 | 8.83 | 6.74 | (16.38) | (7.75) |
| Net operating income before provisions | 31.08 | 60.94 | 8.86 | 397.52 | (85.98) |
| Loan-loss provisions | 15.71 | 3.97 | 40.90 | (43.68) | 103.84 |
| Net operating income after provisions | 42.15 | 165.65 | (23.23) | N.M. | (168.91) |
| Pretax profit | 42.15 | 165.65 | (23.23) | N.M. | (168.91) |
| Net income | 34.18 | 137.48 | (34.67) | N.M. | (155.62) |
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>PROFITABILITY (%)</i> | | | | | |
| Interest margin analysis | | | | | |
| Net interest income (taxable equivalent)/average earning assets | 6.38 | 7.30 | 5.70 | 7.83 | 10.96 |
| Net interest spread | 6.42 | 7.33 | 6.38 | 9.20 | 12.05 |

Table 3

| | —Year ended Dec. 31— | | | | |
|---|----------------------|-------------|-------------|-------------|-------------|
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| Interest income (taxable equivalent)/average earning assets | 13.35 | 15.68 | 19.07 | 22.93 | 29.80 |
| Interest income on loans/average total loans | 17.13 | 19.62 | 20.94 | 21.92 | 36.62 |
| Interest expense/average interest-bearing liabilities | 6.93 | 8.35 | 12.70 | 13.72 | 17.75 |
| Interest expense on deposits/average deposits | 5.96 | 7.65 | 13.06 | 13.61 | 20.35 |
| <i>Revenue analysis</i> | | | | | |
| Net interest income/revenues | 57.20 | 55.51 | 44.18 | 56.36 | 104.90 |
| Fee income/revenues | 19.80 | 18.82 | 19.54 | 12.94 | 26.38 |
| Market-sensitive income/revenues | 4.75 | 11.69 | 24.85 | (4.24) | (62.74) |
| Noninterest income/revenues | 42.80 | 44.49 | 55.82 | 43.64 | (4.90) |
| Personnel expense/revenues | 20.04 | 19.65 | 25.06 | 25.78 | 38.86 |
| Noninterest expense/revenues | 37.30 | 42.73 | 52.46 | 52.95 | 87.00 |
| Noninterest expense/revenues less investment gains | 37.30 | 42.73 | 52.46 | 52.95 | 87.00 |
| Expense less amortization of intangibles/revenues | 37.30 | 42.73 | 52.46 | 52.95 | 87.00 |
| Expense less all amortizations/revenues | 35.25 | 40.01 | 48.92 | 49.47 | 81.82 |
| Net operating income before provision/revenues | 62.70 | 57.27 | 47.54 | 47.05 | 13.00 |
| Net operating income after provisions/revenues | 39.54 | 33.31 | 16.75 | 23.51 | (44.45) |
| New loan-loss provisions/revenues | 23.16 | 23.96 | 30.79 | 23.55 | 57.44 |
| Pretax profit/revenues | 39.54 | 33.31 | 16.75 | 23.51 | (44.45) |
| Net income/revenues | 25.02 | 22.33 | 12.56 | 20.71 | (25.15) |
| Tax/pretax profit | 36.73 | 32.97 | 25.02 | 11.88 | 43.41 |
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>Other returns</i> | | | | | |
| Net income before minority interest/average adjusted assets | 2.22 | 2.29 | 1.23 | 2.10 | (1.89) |
| Net income/average assets and securitized assets | 2.22 | 2.29 | 1.23 | 2.10 | (1.89) |
| Personnel expense/branch (mil. TRY) | 1.05 | 0.88 | 0.84 | 0.80 | 0.87 |
| Noninterest expense/branch (mil. TRY) | 1.95 | 1.91 | 1.76 | 1.64 | 1.94 |
| Cash earnings/average tangible common equity (ROE) (%) | 16.01 | 13.80 | 7.57 | 12.15 | (6.89) |
| Core earnings/average tangible common equity (ROE) (%) | 14.80 | 12.30 | 5.91 | 10.41 | (8.68) |
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>FUNDING AND LIQUIDITY (%)</i> | | | | | |
| Customer deposits/funding base | 72.92 | 83.96 | 77.71 | 88.05 | 83.80 |
| Total loans/customer deposits | 60.54 | 57.95 | 52.88 | 49.55 | 53.69 |
| Total loans/customer deposits and long-term funds | 47.75 | 44.10 | 41.09 | 39.77 | 42.54 |
| Customer loans (net)/assets (adjusted) | 33.73 | 33.89 | 28.50 | 32.04 | 32.44 |
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>CAPITALIZATION (%)</i> | | | | | |
| Adjusted common equity/adjusted assets | 10.90 | 16.94 | 15.62 | 15.33 | 13.56 |
| Adjusted common equity/adjusted assets and securitization | 10.90 | 16.94 | 15.62 | 15.33 | 13.56 |
| Adjusted common equity/customer loans (net) | 32.32 | 50.00 | 54.80 | 47.86 | 41.80 |
| Internal capital generation/prior year's equity | 14.55 | 13.47 | 3.58 | 10.84 | (10.31) |
| Adjusted total equity/adjusted assets | 10.90 | 16.94 | 15.62 | 15.33 | 13.56 |

Table 3

| | —Year ended Dec. 31— | | | | |
|--|----------------------|-------|-------|-------|---------|
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| Adjusted total equity/adjusted assets and securitizations | 10.90 | 16.94 | 15.62 | 15.33 | 13.56 |
| Adjusted total equity plus LLR (specific)/customer loans (gross) | 35.84 | 54.49 | 60.62 | 52.12 | 47.82 |
| Common dividend payout ratio | 32.1 | 32.7 | 46.64 | N.A. | (45.06) |
| | 2005* | 2004 | 2003 | 2002 | 2001 |
| <i>ASSET QUALITY (%)</i> | | | | | |
| New loan-loss provisions/average customer loans (net) | 6.08 | 7.86 | 9.98 | 7.39 | 12.92 |
| Loan-loss reserves/customer loans (gross) | 5.21 | 8.97 | 12.88 | 8.17 | 10.35 |
| Nonperforming assets (NPA)/customer loans and ORE | 6.38 | 10.08 | 15.05 | 18.27 | 25.69 |
| NPA (excluding delinquencies)/customer loans and ORE | 6.38 | 10.08 | 15.05 | 18.27 | 25.69 |
| Net NPA/customer loans (net) and ORE | 1.24 | 1.22 | 2.49 | 11.00 | 17.11 |
| NPA (net specifics)/customer loans (net specifics) | 1.24 | 1.22 | 2.49 | 11.00 | 17.11 |
| Loan-loss reserves/NPA (gross) | 81.58 | 89.00 | 85.58 | 44.73 | 40.29 |

*Data at Dec. 31, year end. Financial statements are audited, consolidated, and presented according to IFRS, and are adjusted according to IAS29.
TRY—New Turkish lira. N.A.—Not available.

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