

Turkey
Credit Update

Turkiye Is Bankasi A.S.

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Local Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
National	
Long-Term	AAA(tur)
Individual	C
Support Rating	4
Support Rating Floor	B+
Sovereign Risk	
Foreign Long-Term IDR	BB-
Local Long-Term IDR	BB
Country Ceiling	BB

Outlook

Foreign Long-Term IDR	Stable
Local Long-Term IDR	stable
National Long-Term	Stable
Sovereign Foreign Long-Term IDR	Stable
Sovereign Local Long-Term IDR	Stable

Financial Data

Turkiye Is Bankasi A.S.	31 Dec 2007	31 Dec 2006
Total Assets (USDm)	77,513.4	58,925.9
Total Assets (TRYm)	90,078.3	83,026.7
Total Equity (TRYm)	11,876.5	10,253.5
Operating Profit (TRYm)	3,111.4	2,412.9
Published Net Income (TRYm)	2,026.8	1,415.3
Comprehensive Income (TRYm)	2,001.8	876.2
Operating ROAA (%)	3.59	3.16
Operating ROAE (%)	28.12	24.05
Internal Capital Generation (%)	18.09	8.73
Eligible Capital/Weighted Risks (%)	23.34	23.68
Tier 1 Ratio (%)	20.47	24.01

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Rating Rationale

- Turkiye Is Bankasi A.S.'s (Isbank) IDRs are driven by its intrinsic financial strength. Its Individual Rating reflects its strong franchise within Turkey, good profitability, healthy risk profile, stable core funding and adequate capitalisation, but also exposure to a volatile operating environment.
- Profitability improved in 2007 driven by strong growth in retail and commercial lending. Performance compared with peers was also satisfactory in 2007 despite more measured volume growth benefiting from higher yields. Profitability further improved in Q108 as loan growth picked up in this period.
- Despite decelerated growth, gross loans including leasing receivables equalled a higher 47% of assets at end-Q108 (2006: 41%, 2005: 36%), reflecting the shift in asset composition in favour of loans. The loan portfolio is dominated by Turkish lira retail and commercial loans, while the share of FX loans has risen to 33% in Q108 (2007: 29.1%) due to project finance loans extended. Favourable trends in asset quality continue as the loan portfolio remains diversified and healthy.
- A structural maturity mismatch and its potential liquidity risks are mitigated to some extent by Isbank's stable core deposit base, continued access to international and money market funds and close monitoring of its cash management projections. Although capital ratios declined in Q108 due to the increase in risk-weighted assets and revaluation reserves of securities, they remained adequate and among the highest of Turkey's private banks.

Support

- As one of the dominant banks in the financial system, Fitch believes the authorities would endeavour to provide support to Isbank in case of need. However their ability to do so is limited given Republic of Turkey's Long-Term Foreign Currency IDR.

Key Rating Drivers

- The bank's Long-Term Foreign Currency IDR is constrained by the Country Ceiling, and its Long-Term Local Currency IDR is capped two notches above the Sovereign Rating. It would change to mirror any change in the Sovereign Rating.
- Upside for the Individual Rating is limited given Turkey's longstanding volatile environment, whereas downward pressure might come from a major, persistent deterioration in asset quality and capitalisation, which is unlikely at present.

Profile

Isbank was established as Turkey's first private commercial bank to support economic development. It is the largest bank in the country by equity and has leading market shares in assets, loans and deposits. The bank is part of the Isbank Group, whose core business is financial services.