

11 February 2009

Is Yatirim Menkul Degerler

Year End	Pre fin. Op. profit (TRYbn)	PBT* (TRYbn)	EPS* (Kr)	DPS (Kr)	P/E (x)	Yield (%)
12/06	8.1	26.3	13.2	0.0	6.9	N/A
12/07	63.1	78.0	32.2	0.0	2.8	N/A
12/08e	23.2	51.1	29.0	0.0	3.1	N/A
12/09e	23.6	44.4	25.2	0.0	3.6	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: Emerging investment bank

Is Yatirim is the only listed securities firm in Turkey and one of the market leaders across product segments. Despite the global macroeconomic turmoil, Is Yatirim is well placed to weather the storm, partly due to its market leadership and partly due to the development cycle in Turkish capital markets. At 3.6x 2009 forecast earnings, the stock provides an excellent entry point into the longer-term prospects for the Turkish economy and capital markets.

Proxy for Turkish capital markets

IsY is a market leader in the Turkish capital markets. It is increasing its market share under difficult conditions, and the diversity of revenue lines mitigates the impact of the global downturn. Currently, nearly 50% of its assets remain invested in time deposits and government securities. In the medium term, as asset yields improve, the achievable ROE and hence valuation should improve commensurately.

Leveraging strength of parent bank

Is Yatirim has leveraged off the leading retail network of Is Bank and has developed innovative capital market products for the domestic investor. However, more favourable macroeconomic conditions and an improvement in market sentiment will be required to see significant growth in volumes and returns.

Strong Q3 results in difficult markets

Although the IPO and corporate finance markets have suffered in the wake of the credit crunch, a diversified revenue mix has ensured revenue growth of 11% and strong growth in net profit (adjusted for minority interests). Asset management and derivatives are the key drivers.

Valuation: Low but not yet sure of re-rating?

The stock is currently trading on 0.3x BV or a 2008 P/E of 3.1x (EPS = 29Kr) with a ROE of 11%. This is a discount to the European Banks sector of 0.7x 2009, with a ROE of 11x and a P/E of 4.8x 2008.

Price 91Kr
Market Cap TRY109m

Share price graph



Share details

Code ISMEN. TI
Listing ISE
Sector Financials
Shares in issue 119.4m

Price

52 week High 235Kr Low 66Kr

Balance Sheet as at 31 December 2008*

Debt/Equity (%) N/A
NAV per share (Kr) 5.2
Net cash (TRYbn) 945

*estimated

Business

Is Yatirim Menkul Degerler offers brokerage, corporate finance, investment advisory services and portfolio management services. The company also advises on IPOs.

Valuation

	2007	2008e	2009e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

	Europe	US	Other
UK	100%	0%	0%

Analyst

Maana Ruia 020 3077 5717
mruia@edisoninvestmentresearch.co.uk

Investment summary: Emerging investment bank

Company description: Turkey's only listed investment bank

Is Investment offers a variety of domestic and international services, such as Brokerage, Investment Advisory, Asset Management, Corporate Finance and Research.

Valuation

Is Yatirim trades at 0.3x BV or P/E of 3.1x, with a ROE of 11.3%. This compares to the pan European banks average of 0.7x 2009 BV, with a ROE of 11x and a P/E of 4.8x 2008.

Sensitivities

As with investment banks everywhere, Is Yatirim's future is somewhat hostage to market conditions. The sensitivities are discussed at length later in the report, but in summary:

- **Macroeconomic issues:** Turkey has historically been subject to high inflation and high interest rates, a large current account deficit (which is currently impeding an International Monetary Fund [IMF] agreement for a standby loan agreement). It is also very reliant on foreign investment to fund its current account deficit. All these factors impact lending and investor appetite for IsY's products.
- **Regulatory and political issues:** With municipal elections in March, Turkey is unlikely to see fiscal restraint, and hence an IMF agreement will be delayed. Until this time, we are unlikely to see a reduction in the risk premium attached to Turkey by foreign investors, or the required legislative and tax changes to encourage the growth of, for example, the pension fund market
- **Company specific issues:** Key determinants of IsY's profitability include the continued income generation from arbitrage operations, and continued growth in the asset management (ie pension fund) division and in derivative trading. Finally our forecasts assume no major losses on the prop book, in line with its stated maximum daily loss of US\$1m.

Financials

Despite global conditions deteriorating further IsY had a solid set of Q3 numbers. With falling volumes on bond and equity markets IsY increased market share, showing the strength of the franchise. Strong risk management and somewhat less sophisticated products than its European peers enjoy have avoided the large write downs seen by the likes of UBS and Deutsche Bank. Asset management and derivatives were the drivers of growth. In terms of profitability, net profit year-to-date was TRY36.8m (TRY24.48m Q1-Q307) and earnings per share (EPS) increased to 31Kr (23Kr in Q1-Q307).

Exhibit 1: Key financials

Note: Figures in TRYm except per share data (Kr).

	Operating profit	EPS	BV/share
12/07	77,795	32.2	2.04
12/08e	51,146	29.0	2.56
12/09e	44,429	25.2	2.29

Source: Is Yatirim Menkul Degerler/Edison Investment Research

Company description: Turkey's only listed investment bank

Is Investment offers a variety of domestic and international services, such as Brokerage, Investment Advisory, Asset Management, Corporate Finance and Research. It is 72% owned by Is Bank and through over 1,000 Is Bank branches addresses 4,100 high net worth individuals, 565 corporate clients, 340 foreign institutional clients and the retail brokerage clients of Is Bank.

Turkey's only listed investment bank

Is Yatirim Menkul Degerler AS, also known as Is Investment, provides financial advisory and security brokerage and dealership services. The firm offers merger and acquisition, valuation, divestment, private placement, joint ventures and public offering advisory services. It caters to energy, media and telecommunications, financial services, manufacturing and agricultural sectors. Is Yatirim was founded in 1996 and is based in Istanbul, Turkey. The company operates as a subsidiary of Turkiye Is Bankasi AS, which is the largest private bank in Turkey by assets, loans and deposits, and has the largest branch network in Turkey.

The company listed 29.7% of its shares on the Istanbul Stock Exchange (ISE) in 2007 through a capital increase. It raised TRY100m in cash, earmarked for future growth. It used TRY30.5m of this to buy a 50% share of Is Asset Management from Is Bank (at a P/BV of 2.33x) in June 2007, increasing its stake in the company to 70%.

Shareholder structure:

Is Yatirim is 72% owned by Is Bank, and is its investment banking subsidiary. The free float is 27.9%.

Exhibit 2: Is Yatirim Menkul Degerler divisional breakdown

Corporate Finance	Investment Advisory	Asset Management	Research
<ul style="list-style-type: none"> ✓ Public Offerings <ul style="list-style-type: none"> Equity issues Corporate bonds ✓ Privatization ✓ Mergers & Acquisitions Advisory ✓ Brokerage activities 	<ul style="list-style-type: none"> ✓ Individual Clients ✓ Corporate Clients ✓ Wealth Management 	<ul style="list-style-type: none"> ✓ Mutual Funds ✓ Discretionary Asset Management ✓ ETF (Equity-Bond) ✓ Hedge Fund 	During the year; <ul style="list-style-type: none"> ✓ 12 Monthly Analysis, ✓ 50 Week Ahead, ✓ 248 Daily Market Watch, ✓ 44 Focal Point, ✓ 69 Company Reports, ✓ 10 Industry Reports
Brokerage and Trading			
Domestic Equity Market	Domestic Fixed Income Market	Derivatives Market	International Capital Markets
<ul style="list-style-type: none"> ✓ Equity Brokerage ✓ Lending and Short Sale ✓ ETF Creation and Redemption 	<ul style="list-style-type: none"> ✓ T-Bills and Government Bonds (Discounted, Fixed or Floating Coupons) ✓ Corporate Bonds ✓ Repo and Reverse Repo ✓ Hard Currency Indexed or Hard Currency Based Domestic Bonds 	TurkDEX Futures: <ul style="list-style-type: none"> ✓ Equity: ISE30, ISE100 ✓ FX: USD/TRY, EUR/TRY ✓ Interest: 91 days, 365 days, Benchmark Bond ✓ Commodity: Cotton, Wheat, Gold OTC Options: <ul style="list-style-type: none"> ✓ Equity: Index and Single Stock ✓ USD/TRY, EUR/TRY 	<ul style="list-style-type: none"> ✓ Turkish Eurobonds, Emerging, Sovereign and Corporate Bonds, G-7 Treasuries, High Yield Corporates ✓ US and European Equities, ADRs, GDRs ✓ FX and commodity markets ✓ Bond and Equity Options, Commodity Futures, and Credit Linked Notes

Source: Is Yatirim Menkul Degerler

Group strategy

A key strategic aim for Is Investment is to be innovative and create revenue from different business lines. It sees itself as not simply being a market leader, but in fact creating the market. By generating revenue from different business lines it has a diversified revenue mix, which compensates (to some extent) for a downturn in a particular area. In 2008, for example, understandably the IPO pipeline was significantly below 2007 levels, but this loss in revenue has been compensated by a strong performance in derivatives or fund management. The other leg of the strategy is to expand its footprint outside of Turkey. To this end, it has established a full subsidiary that is based in London, Maxis Securities, to enable it to trade on international capital markets.

Trading: Q308 results review

Despite global conditions deteriorating further, Is Yatirim has had a solid set of Q3 numbers. The Turkish equity and bond market volumes fell, but IsY increased its market share in equities to 6.64% and maintained its leadership in bonds. The increased volatility and developmental phase of the derivatives market saw it grow 245% to TRY352.3bn in Q308. IsY's market share is falling, in line with expectations, to 14.2%. In the Asset Management division, IsY grew funds under management (FUM) in a falling market and has a 21% share of the mutual funds market and an 18.9% share in the pension fund market domestically. In terms of profitability, net profit year-to-date was TRY36.8m (TRY24.48m Q1-Q307) and EPS increased to 31Kr (23Kr in Q1-Q307).

Management

Is Yatirim's management team brings many years' experience within Is Bank, with many working at Is Investment since inception. Key management include:

General Manager - İlhami Koç: İlhami Koç started his career at Is Bank in 1986. In 1997, he moved to Is Investment where he has been a manager in the Asset Management, Corporate Finance, Research and International Capital Markets, and Private Equity divisions. In 2002 he became the general manager of Is Investment.

The executive board consists of five other assistant general managers, each with a specific area of responsibility.

The Turkish economy

Recent macroeconomic data from Turkey are not encouraging. The IMF official forecast for GDP growth for 2009 is 3% for the full year, assuming that an IMF agreement is reached. Domestic commentators are forecasting much lower (or negative) growth, given that 60% of exports and 80% of foreign direct investment (FDI) inflows come from Europe, which is on the verge of recession. Consumer price inflation (CPI) has fallen from its peak. January inflation was 9.5% year-on-year (y-o-y) and is expected to continue to fall as the oil price has declined significantly and due to the global recession. Consensus inflation forecasts are in the range of 7.5% for year end 2009. Consequently, the central bank is, along with other authorities globally, expected to continue to cut rates from 15% in December to 13% by H109. Part of the reason for this change in policy is that Turkey's growth model is dependent on foreign borrowing. With ongoing global financial deleverage, Turkish growth is in jeopardy. Domestic savings need to be encouraged as high interest rates act as a disincentive to equity investment and pension fund growth.

Simultaneously the current account deficit has widened to 6.7% of GDP (roughly US\$50bn) and the funding of the deficit will also be harder in the current global slowdown. Unsurprisingly, FDI and portfolio investment into Turkey are down 34% and 67% y-o-y, respectively. However, foreign exchange (FX) reserves of US\$76bn, which amounts to 155% of the current account deficit, ensure that Turkey has a safety net for any short-term funding problems. In addition, the falling oil price should see a decrease in the current account deficit as energy consumption makes up almost 90% of the current account deficit. Turkey continues to have one of the largest current account deficits in the world, and this is a major risk for any Turkish equity investment.

Potential IMF agreement: Turkey's last stand-by agreement with the IMF ended in May 2008. An IMF team is currently in Turkey monitoring and discussing a possible agreement with politicians. There are two potential outcomes: 1) a precautionary stand-by agreement is signed if both parties can agree terms, or 2) post-programme monitoring takes place. If a new agreement is signed, it would certainly help to reduce the risk premium international investors are currently attaching to Turkey. However, no decision is likely until March, after the municipal elections, as the fiscal austerity required by the IMF would not help election campaigning. Our base case assumption is that an US\$18bn standby agreement would be signed with fiscal austerity embedded within it.

The Turkish political landscape

Political uncertainty has been an integral part of life in Turkey. A few months ago we saw a clash between the ruling AKP party and the media. However, the lawsuit against Prime Minister Tayyip Erdogan and the AKP party has been resolved in favour of the latter, and as is typical with Turkish political 'scandals' it seems not to have a significant impact on the functioning of the Turkish economy.

Of greater importance are the local municipal elections that have been set for 29 March 2009. Studies have shown that the Turkish electorate is growth sensitive. Given the global recession we are sinking into, Turkey's growth rate has slowed significantly. This should be a drag on the

AKP's performance in the local elections, although how much is somewhat unclear. Consequently, we expect no hard decisions to be taken on the economy until Q209.

Revenue growth within a new global environment?

In the current market environment, revenue generation is a challenge. Fees and trading flows in related securities, issuance and asset management are all being hit in the wake of faltering global credit markets. In this context, we have seen a de-rating of investment banks globally and huge write downs of assets. Turkey is slightly insulated from these trends, with a lower level of product complexity and lower leverage than its international peers. Is Yatirim has excelled in diversifying its revenue mix and in creating new markets. In the short term it is unlikely to escape the global downturn, but should be well positioned for a recovery.

Brokerage, fees and trading revenues

IsY ended 2008 with a 6.6% market share in equity trading volumes and is the market leader ahead of Ak Yatirim, Garanti Yatirim and Yapi Kredi Yatirim. The broking market is hugely fragmented in Turkey with over 100 brokers, and equity commission rates of 10 basis points (bps). IsY targets a 7% market share in 2009 and 10% over the medium term, and could potentially consider acquisitions of small competitors if they provide a good book of clients in geographic areas in which IsY is under-represented. Given the economic environment, we do not expect any significant pick up in volumes through 2009, expecting a further fall in H1 as the all important foreign investor shuns the lack of visibility till after the municipal elections. IsY confirms that it does not have any exposure to lowly rated counterparty risk or sub-prime exposure. Reassuringly, Turkish capital markets legislation does not allow the trading of structured products.

Corporate finance/issuance

Weak global markets have resulted in less issuance and corporate activity, and Turkey has been impacted by this, although bond issuance may hold up, given the high interest rates. As of Q308, IsY had corporate finance revenues of TRY1.45m. Although it remains the top ranked firm, it is unlikely that the heady days of 2007 (M&A size of US\$500m) will be revisited in the next two years. A similar trend has been seen in the IPO market, which has seen no IPOs in Q3 or Q4. This compares to 2007, when IsY floated three companies of the value of US\$2.4bn (compared to a total Turkish IPO market size of US\$3.3bn). Is Yatirim benefits from the strength of its parent bank retail franchise, and as such will be a key beneficiary when retail sentiment picks up.

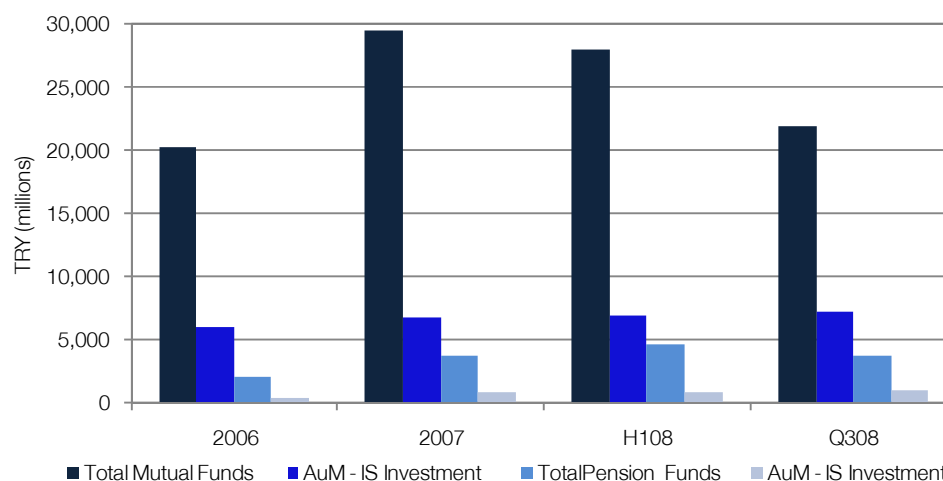
Asset management

The development of a pension fund market is a key milestone in most emerging economies. In Turkey, the high inflation/interest rates, low savings ratio and lack of tax breaks have provided little impetus for the retail investor to invest in a pension fund to date. As these factors move in the right direction, we should see gradual growth of the asset management business.

The majority of assets under management are managed within Is Asset Management, of which Is Yatirim owns 70%. In total IsY manages TRY7.2bn, of which TRY7bn comes from the asset management company. Split another way (as of Q308), Is Bank had TRY5.3bn in mutual funds

(74%), TRY1.1bn (15%) in pension funds (from the pension fund company of Is Bank, Anodolo Emekliilik) and the rest in discretionary funds. In terms of revenue generation, the mutual funds generate fees of about 6bps, however should see continued growth. This can be explained by the fact that these 'mutual funds' act as quasi current accounts. They are open-ended and invest in one-month treasury bills, paying roughly 13% pa. Since current accounts pay little or no interest and term or saving accounts do not allow liquidity, these products are used as a current account facility by retail investors. The pension funds on the other hand, though small in terms of assets under management, generate fees of 1.6-1.7%.

Exhibit 3: Asset breakdown



Source: Is Yatirim Menkul Degerler/Edison Investment Research

IsY is one of the most innovative in the sector. In May 2007, it launched an equity ETF (Open Ended Collective Investment Trust) and in August 2008, it launched a bond ETF. The total portfolio value of the equity and bond ETFs are TRY5.8m and TRY14.4m, respectively, as of the end of October 2008. ISY has also just launched the first Turkish hedge fund, with a strategy of arbitrage of money market, spot and derivative market instruments to enhance return and minimise risk. For the FY08, the contribution of the asset management division to group (consolidated) profitability is expected to be about 22%, continuing to grow faster than the other divisions to reach close to 28% by 2010.

Derivatives

IsY has been the market innovator within the derivative market in Turkey. As a founder-member of the TurkDex, it helped to generate a significant increase in trading volumes. At launch, IsY had a market share on TurkDex of 25%. It has now decreased (in line with expectations) to 13.7% (year end 2008) and is expected to be stable at these levels. In 2008, we have seen consolidation of competition with the nearest competitor, EFG, taking a 7.8% share. The volume of contracts traded has increased by 43% and is expected to grow at the same pace again in 2009. The potential is huge, given that in Western markets the cash markets are roughly 20% of the derivative market. About 60-65% of trading volume comes from the trade account of the company and the rest comes from client transactions, which pay roughly 6bps. The development pipeline includes single stock futures.

IsY has also developed two online trading platforms, TradeMaster and TradeMaster International, for domestic and international retail clients. The company has strict monitoring of initial and ongoing margin calls, and has seen no bad debts to date.

Risk management

IsY has an independent risk management department. Exposure to credit, operational and counterparty risk arises through brokerage activities and market risk arises through the prop book. The limit of the total counterparty position is US\$4.6bn, but IsY's internal limits are super-equivalent to the Capital Markets Board (CMB). IsY monitors intra-day, overnight and stop loss limits to control the market risk on its prop book. The propriety trading limit is 30% of equity in the Turkish lira fixed income portfolio and 20% of equity in the TRY equity portfolio, but the actual counterparty position is currently TRY4.7m. The company does not speculate on the FX market and has a matched FX position. Value at risk (VAR) and stress test limits are in place. IsY's VAR is calculated by a historical simulation method and is between TRY1-5m with a 99% confidence level. In 2007, on TRY100m of free capital, it generated a 20% return. This is higher than the yield on treasury bills, but obviously this is a volatile income line.

Money market revenues/source of funds

Globally, access to short-term funding remains difficult, despite government bail-outs, but in Turkey, there seems to be no such problem, due to a structural anomaly in the sector. The three-month borrowing rate is currently about 16.5%. These funds are then deposited at various banks, which pay a higher interest rate (roughly 20%). The difference between the two rates is Is Yatirim's income. The banks do this in a desperate bid to grow their balance sheets and compensate for the loss on deposit accounts by charging about 30% on credit cards! This kind of income amounted to TRY3.4m or 9.2% of net profit. In 2008 this was the key source of asset growth for the company, but with borrowings of TRY911m vs a total borrowing limit of TRY5.2bn, it remains conservative. It is important to note that the company matches assets and liabilities so there is no maturity mismatch. Longer term, we have modelled a decline in this income, expecting some spread compression as interest rates fall, and as part of the normal structural change within a developing economy. Management however does not expect this, and indeed in the near term there are no signs of this occurring, with 2009 interest income forecast to be 25% higher than 2008.

Sensitivities

Is Yatirim, is operating in a global and competitive environment and is subject to global trends, the Turkish economic and political situation and finally company-specific issues.

Macro issues:

Slowing GDP growth, high interest rates and inflation should be negative for revenue growth. Currently GDP is slowing and November CPI was 10.75%. However, the falling oil price should mean that inflation has peaked. Generally Turkish banks do not carry FX risk. The lira weakness hits Turkish banks when it coincides with bond yields going up.

Political issues:

Political instability has been a feature in Turkey for several years. However, the risk premium attached to Turkey (in the mind of investors) increases at times of political uncertainty. The recent standoff between the IMF and the government is a factor to be aware of.

Technical issues:

IsY is owned and controlled by Is Bank, which owns (directly and via its subsidiaries) nearly 72% of the stock. This does not help the liquidity of the stock, but on the other hand, it has a stable shareholder in difficult markets.

Sector issues:

In terms of volumes and value of investment banking products and revenues, Turkey lags behind its Western peers. This helps IsY in current markets as the leverage is low and there is more scope for endogenous growth and innovation in various products. However, competition from global and domestic investment banks remains fierce. Over time, growth rates and spreads should see compression, similar to the market situation in, for example, Greece.

Company specific issues:

If the level of economic activity is lower than anticipated, investment banking and asset management revenues are likely to undershoot targets. In addition there is a possibility of further credit market or balance sheet write downs as seen with international peers.

IFRS accounting impact

For IsY the biggest change has been the consolidation of subsidiaries. What was held on the trade account has been moved to the subsidiary account as it has no intention to sell its minority holdings. In this way IsY has avoided taking the loss in market value on the trade account through the income statement.

Financial forecasts

Forecasting IsY revenues and profitability on the one hand benefits from the structural development of the banking and capital markets in Turkey (increased product penetration and new product development) and on the other hand faces the headwinds from the global turmoil, which creates a poor environment for market activity. Our 2008 forecasts are helped by a strong H1. Although trading revenue increased 2% in 2008, we have forecast a decline of roughly 10% for 2009, reflecting a weaker macroeconomic climate. This, however, is not the key driver of profitability. We continue to forecast growth in asset management, driven by the mutual fund business and in the derivative lines of revenue, and these are the largest drivers of profitability in the near term. We remain bearish on corporate finance and cautiously have forecast no revenues from IPOs through all of 2009. Revenue from financial investments and time deposits are expected to increase 25% in 2009.

We forecast assets under management will generate 30% of fee-based revenues over the next three years. This assumes a continuation of the mutual funds and current growth rates, the maintenance of a 6bp margin, a growth of pension funds and maintaining current fee levels. In the next two years, we expect a gradual reduction in interest income to 10% due to falling

interest rates. In line with the conventional model that Western European brokers have taken, as interest income opportunities decline, the company will redeploy its liquid assets into higher yielding products (eg derivatives), gradually increasing the ROE from 11% to 15%.

IsY has seen strong cost growth in recent years as marketing costs have increased with new product launches. Currently the cost/income ratio is 63%. We expect operating costs to decline in 2009 through a cut in market and IT expenses (given the installation of MIS and CRM systems) as opposed to a large reduction in labour costs as new branch openings continue.

Funding and returns

IFRS and Basel II will require banks to have more capital. IsY has no long-term debt and its short-term debt is covered by liquid assets. The bulk of its assets are invested in lower risk government securities and time deposits (money market arbitrage) and also from customer payables and prepayments. However, IsY's balance sheet is volatile and linked to its trading activity levels. IsY maintains a high level of free capital, 44% of total equity at end 2007. In this economic climate a capital buffer is prudent and facilitates underwritings and new product development. Is Yatirim is targeting a ROE of 18-20% in five years' time, compared to the current 12%. This is a more conservative target than several of its peers, and is more a reflection of a higher equity base than lower returns. However, in the near term, lower trading revenues and reduced capital market revenues should decrease margins and returns.

Valuation

Currently the EU banking sector is trading well below its historical mean. This is typical in periods of recession when the market takes the view that the impact of a global recession will not be fully seen in EPS numbers (and the write down of asset values) for a few years.

Price/book value versus ROE – the dividend discount model

This valuation approach compares the price/book value (P/BV) of IsY to the forecast ROE. It captures the free cash flow available to shareholders. We forecast equity and earnings figures for 2008 and 2009, and then a sustainable ROE. A single cost of capital is used throughout the valuation period.

Exhibit 4: Gordon growth model: Target P/BV = sustainable ROE-g/(cost of equity-growth)

P:BV calculation	TRYm
Sustainable core ROE = 2010-2015	15%
Cost of equity	18%
Adjusted LT growth rate	5%
Implied target P/BV	0.77

Source: Edison Investment Research

Based on our Gordon growth model, IsY should be trading at 0.77x P/BV, giving a target price of TRY1.97 per share.

Comparative multiples

Currently the EU banking sector is trading on 4.8x 2008 P/E, rising to 5.8x 2009. On a P/BV basis it trades on 0.7x 2008, with an 11.3% ROE. Within this the investment banks trade at a significant discount, given the large write downs we have seen. Our European IB peer group, is

trading at a 2008 P/BV of 0.8x, a ROE of 10.9% and are all forecast to make large losses in 2008. Turkish banks are trading at 1.2x 2008 P/BV with 21% ROE.

Exhibit 5: Financials

Year end 31 December	TRYm	2005 TAS	2006 TAS	2007 TAS	2008e IFRS	2009e IFRS
PROFIT & LOSS						
Trading Income		28,970,138	21,227,501	29,866,666	30,467,997	27,421,197
Trading Costs		(28,937,464)	(21,225,640)	(29,858,783)	(30,478,997)	(27,431,097)
Trading Profit		32,674	1,862	7,883	(11,000)	(9,900)
Income from service (net)		38,447	41,967	69,130	46,550	39,568
Other operating income		3,113	6,592	52,380	56,000	54,525
Operating expenses		(31,136)	(42,347)	(66,315)	(68,384)	(60,638)
Pre financials operating profit		43,099	8,074	63,079	23,166	23,555
Other income		29,810	56,424	7,201	1,600	1,500
Other expenses		(3,698)	(12,732)	(6,728)	(8,420)	(8,000)
Net financials		(715)	(25,420)	14,423	34,800	27,374
Operating Profit		68,495	26,346	77,975	51,146	44,429
Other		0	0	0	0	0
Profit Before Tax (norm)		68,495	26,346	77,975	51,146	44,429
Tax		(7,573)	(2,227)	(8,305)	(10,404)	(9,015)
Profit After Tax (norm)		60,922	24,119	69,670	40,742	35,414
BALANCE SHEET						
Fixed Assets		16,091	19,440	28,372	47,341	46,222
Intangible Assets		(5,814)	(5,996)	982	1,102	900
Tangible Assets		2,504	3,472	5,540	6,117	5,200
Investments		19,401	21,963	21,850	40,122	40,122
Current Assets		352,302	522,704	1,212,511	1,613,446	1,418,961
Financial assets		217,749	206,018	302,883	280,798	260,718
Debtors		76,415	144,918	226,628	371,995	334,796
Cash		57,131	171,507	680,918	952,973	819,557
Other		1,007	261	2,083	7,681	3,890
Current Liabilities		(104,073)	(261,246)	(833,389)	(1,196,208)	(1,049,499)
Creditors		(61,712)	(63,925)	(182,539)	(260,213)	(234,192)
Financial liabilities		(36,418)	(188,654)	(638,041)	(920,826)	(801,119)
Tax and social security		(4,244)	(5,001)	(4,219)	(6,893)	(6,204)
Other short term liabilities		(1,699)	(3,667)	(8,589)	(8,276)	(7,984)
Long Term Liabilities		(737)	(739)	(1,014)	(1,407)	(1,303)
Long term borrowings		(1)	(1)	0	0	0
Other long term liabilities		(737)	(738)	(1,014)	(1,407)	(1,303)
Net Assets		263,584	280,159	406,481	463,172	414,381
Minority interest		124,929	127,536	162,711	156,945	140,890
Shareholders equity		138,655	152,623	243,770	306,227	273,492
Net Cash		55,431	167,840	672,328	944,697	811,573

Source: Company accounts/Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
	N/A		Litigation/regulatory	●
			Pensions	○
			Currency	●
			Stock overhang	○
			Interest rates	●
			Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 05-09e	N/A	ROCE 08e	N/A	Gearing 08e	N/A	Address:	
EPS CAGR 07-09e	10.7	Avg ROCE 05-09e	N/A	Interest cover 08e	N/A	İş Kuleleri, Kule-2 Kat 12 34330 4. Levent, Istanbul Turkey	
EBITDA CAGR 05-09e	N/A	ROE 08e	5.6	CA/CL 08e	1.3	Phone	+90 212 350 2000
EBITDA CAGR 07-09e	N/A	Gross margin 08e	N/A	Stock turn 08e	N/A	Fax	+90 212 350 2001
Sales CAGR 05-09e	N/A	Operating margin 08e	N/A	Debtor days 08e	N/A	www.isinvestment.com/wwwa_ir.aspx	
Sales CAGR 07-09e	N/A	Gr mgn / Op mgn 08e	N/A	Creditor days 08e	N/A		

Principal shareholders		%	Management team
Is Bank		65.7	General Manager: İlhami Koç Started his career at Is Bank in 1986. In 1997, he moved to Is Investment where he has been a manager in the Asset Management, Corporate Finance, Research and International Capital Markets, and Private Equity divisions. In 2002 he became the general manager of Is Investment.
Is Factoring		2.4	
Is Leasing		2.4	
Sisecam		1.5	
Camis Investment Holding		0.2	
Forthcoming announcements/catalysts		Date *	
FY results		15 April	
Interim results		End May	
AGM		End April	
<i>Note: * = estimated</i>			

EDISON INVESTMENT RESEARCH LIMITED

Edison is Europe's leading independent investment research company. With a team of 50 including over 30 analysts supported by a department of supervisory analysts, editors and assistants, Edison writes on more than 200 companies across every sector. Working directly with corporates, investment banks and fund managers, Edison's research is read by every major institutional investor in the UK, as well as by the private client broker and international investor communities. Edison was founded in 2003 and is authorised and regulated by the Financial Services Authority.

DISCLAIMER

Copyright 2009 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Is Yatirim Menkul Degerler and prepared and issued by Edison Investment Research Limited for publication in the United Kingdom. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison Investment Research Limited at the time of publication. The research in this document is intended for professional advisers in the United Kingdom for use in their roles as advisers. It is not intended for retail investors. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. A marketing communication under FSA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison Investment Research Limited has a restrictive policy relating to personal dealing. Edison Investment Research Limited is authorised and regulated by the Financial Services Authority for the conduct of investment business. The company does not hold any positions in the securities mentioned in this report. However, its directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. Edison Investment Research Limited or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.