

Rating

Outlooks On Eight Turkish Financial Entities Revised To Stable After Change On Sovereign

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Publication date: 01-Aug-08, 10:53:58 EST

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LONDON (Standard & Poor's) Aug. 1, 2008--Standard & Poor's Ratings Services said today that it has revised its outlook to stable from negative on eight Turkish financial entities:

- T.C. Ziraat Bankasi A.S. (Ziraat),
- Türkiye Is Bankasi A.S. (Isbank),
- Türkiye Garanti Bankasi A.S. (Garanti),
- Garanti Finansal Kiralama A.S. (Garanti Leasing),
- Yapi ve Kredi Bankasi A.S. (YapiKredi),
- Türkiye Vakiflar Bankasi T.A.O. (VakifBank),
- HSBC Bank A.S., and
- Dogus Holding A.S.

Standard & Poor's also affirmed its 'BB-/B' long- and short-term counterparty credit ratings on Ziraat, Isbank, Garanti Leasing, YapiKredi, VakifBank, and Dogus. The 'BB-' long-term counterparty credit rating on Garanti and the 'BB/B' long- and short-term counterparty credit ratings on HSBC Bank A.S. were affirmed as well.

The rating actions on these entities follow our outlook revision yesterday on the Republic of Turkey (foreign currency BB-/Stable/B; local currency BB/Stable/B) (see "Research Update: Republic of Turkey Outlook Revised To Stable From Negative; Ratings Affirmed" published July 31, 2008, on RatingsDirect). The outlook revision on Turkey reflected diminished near-term political uncertainties in the wake of the July 30, 2008, decision by the constitutional court not to ban the ruling Justice and Development Party (AKP) and many of its leading politicians from office. The resulting improved prospects for policy continuity and political stability will likely bolster investor confidence, widening the sources for the financing of Turkey's large current account deficit.

Turkish banks' performance and fundamentals are highly correlated with sovereign creditworthiness through, among other things, their significant holdings of government securities. We consider the Turkish operating environment to be risky, often subject to swings in foreign investor confidence and the associated movement of capital. However, unlike earlier in this decade, we expect Turkish banks to remain resilient to moderate political and economic volatility. At the same time, inflationary pressure and hikes in interest rates would affect their loan growth, financial performance, and asset quality. The banks' inherent strength has improved significantly, following several years of major restructuring, the increased presence of foreign banks, and six successive years of economic growth and modernization. They are therefore well placed to benefit from any improvements in their operating environment.

RATINGS LIST

	To	From
T.C. Ziraat Bankasi A.S.		
Counterparty credit rating	BB-/Stable/B	BB-/Negative/B
Certificates of deposit	BB-/B	BB-/B
Türkiye Is Bankasi A.S.		
Counterparty credit rating	BB-/Stable/B	BB-/Negative/B
Certificates of deposit	BB-/B	BB-/B
Türkiye Garanti Bankasi A.S.		
Counterparty credit rating	BB-/Stable/--	BB-/Negative/--
Certificates of deposit	BB-	BB-
Garanti Finansal Kiralama A.S.		
Counterparty credit rating	BB-/Stable/B	BB-/Negative/B
Yapi ve Kredi Bankasi A.S.		
Counterparty credit rating	BB-/Stable/B	BB-/Negative/B
Certificates of deposit	BB-/B	BB-/B
Türkiye Vakiflar Bankasi T.A.O.		
Counterparty credit rating	BB-/Stable/B	BB-/Negative/B
Certificates of deposit	BB-/B	BB-/B
HSBC Bank A.S.		
Counterparty credit rating	BB/Stable/B	BB/Negative/B
Certificates of deposit	BB/B	BB/B
Dogus Holding A.S.		
Counterparty credit rating	BB-/Stable/B	BB-/Negative/B

NB: This list does not include all ratings affected.

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