

Various Rating Actions Taken on Turkish Banks

LONDON (Standard & Poor's) Aug. 19, 2004--Standard & Poor's Ratings Services said today it raised its long-term counterparty credit ratings on Turkey-based T.C. Ziraat Bankasi A.S. (Ziraat), Turkiye Is Bankasi A.S. (Isbank), and Koçbank to 'BB-' from 'B+'. The outlook on these banks is stable.

At the same time, Standard & Poor's revised its outlook on Turkiye Garanti Bankasi A.S. (Garanti) and Garanti Finansal Kiralama A.S. (Garanti Leasing) to positive from stable. The 'B' long-term counterparty credit ratings on these institutions were affirmed.

In addition, Standard & Poor's raised its public information ("pi") rating on Akbank T.A.S. to 'BB-pi' from 'Bpi'. Standard & Poor's does not publish outlook statements on pi-rated entities. The 'Bpi' ratings on Yapi ve Kredi Bankasi A.S. and Turkiye Vakiflar Bankasi T.A.O. were also affirmed.

"The various rating actions reflect the improving economic environment in Turkey as well as the positive trends in the banks' financial profiles and performance," said Standard & Poor's credit analyst Emmanuel Volland. The recent sovereign upgrade reflected the progress that Turkey is making toward durable macroeconomic stability, and the country's expected adherence to a strict macroeconomic program beyond 2004 (see media release entitled "Turkey's Long-Term FC/LC Ratings Raised To 'BB-/BB' on Macroeconomic Stability; Outlook Stable," published on Aug. 17, 2004, on RatingsDirect, Standard & Poor's Web-based credit analysis system).

"Improvements in the banks' asset quality, profitability, and capitalization have been strong over the past two years," said Mr. Volland. "They now operate in a sounder competitive environment with lower systemic risk as the nonviable banks have disappeared," he added. As nonrecurring trading gains on government securities are shrinking, banks are moving their business model toward deeper customer intermediation. Increasing opportunities for growth will be created for leading Turkish financial institutions if positive and sustainable economic developments continue. Turkish banks' remain exposed to the creditworthiness of the Republic of Turkey (foreign currency, BB-/Stable/B; local currency, BB/Stable/B) through their large holdings of government securities. In addition, some of the banks have not yet fully recovered from the crisis and their capitalization is only barely adequate when the still-risky environment is taken into account.

The ratings on Ziraat reflect its full ownership by the Republic of Turkey and its importance to the banking sector as the largest bank. The bank also operates the largest branch network, with more than 1,100 outlets. The restructuring of Ziraat has been successful and profitability, liquidity, and capitalization have improved significantly over the past two years. The bank's main challenges are to diversify its revenues, achieve better

efficiency through better automation, and increase loan leverage. The bank's large balance sheet is characterized by the dominance of government debt. The ratings on Ziraat will continue to depend on the creditworthiness of its shareholder, the economic environment, and the ability of the bank's management to make it competitive with private sector banks.

The ratings on Isbank balance the high-risk banking and economic environment in Turkey with the bank's leading commercial position and adequate financial profile and liquidity position. The bank's asset quality and capitalization are recovering fast after being negatively affected by the economic and financial crisis. Nonperforming loans have decreased by more than 50% from its peak in 2001.

The ratings on Koçbank reflect the bank's adequate financial position and ownership structure. Koçbank is owned equally by the Koç Group (not rated), the largest and most diversified conglomerate in Turkey, and UniCredito Italiano SpA (AA-/Stable/A-1+). UniCredito appears highly committed to Koçbank. It has provided technical and managerial resources, as it views the bank as its foothold into the large Turkish market. Mitigating these factors are the small size of the bank compared with its domestic peers and weaker financial profile and performance. The bank's ambitious growth plans are challenging, and reliant on boosting capital.

The outlook on Garanti reflects the bank's improving financial profile in line with the strengthening economic environment. The bank is majority owned by the Dogus group, one of the largest financial and industrial conglomerates in Turkey. As one of the leading banks in Turkey, it is expected to benefit from increasing business volume. This should allow it to continue to improve its efficiency, profitability, and capitalization. The only factor constraining the rating on the bank is the Dogus group's high leverage and tight liquidity position of the holding (Dogus Holding A.S.; B-/Stable/C), however. Following the failed sale of Garanti to Banca Intesa SpA (Intesa; A/Stable/A-1), Dogus Holding actively seeks to extend its debt maturity profile and reduce leverage through a combination of asset disposals, dividends, and recourse to the capital markets. Any progress in these areas would alleviate this negative rating factor for Garanti. Any rating change on Garanti Leasing will mainly depend on the creditworthiness of its parent.

The public information rating on Akbank reflects the bank's leading commercial position, large customer deposit base, and strong financial profile. However, the bank remains exposed to its holdings of government debt and faces the challenge of diversifying revenues. Akbank is the second-largest private sector bank in Turkey, majority owned by the Sabanci group, one of the largest Turkish financial-industrial conglomerate.

RATINGS LIST

To From

T.C. Ziraat Bankasi A.S.

-- Counterparty credit ratings

BB-/Stable/B B+/Positive/B

-- Certificates of deposit

BB-/B B+/B

Turkiye Is Bankasi A.S.

-- Counterparty credit ratings

BB-/Stable/B B+/Positive/B

-- Certificates of deposit

BB-/B B+/B

Koçbank

-- Counterparty credit ratings

BB-/Stable/B B+/Positive/B

-- Certificates of deposit

BB-/B B+/B

Akbank T.A.S

-- Counterparty credit rating

BB-pi Bpi

Turkiye Garanti Bankasi A.S.

-- Long-term foreign currency counterparty credit rating

B/Positive/-- B/Stable/--

-- Certificate of deposit

B B

Garanti Finansal Kiralama A.S.

-- Counterparty credit rating

B/Positive/B B/Stable/B

Yapi ve Kredi Bankasi A.S.

-- Counterparty credit rating

Bpi Bpi

Turkiye Vakiflar Bankasi T.A.O.

-- Counterparty credit rating

Bpi Bpi