

Ratings Raised On Seven Turkish Financial Institutions Following Sovereign Upgrade; Outlook Positive

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- The long-term foreign currency ratings on the Republic of Turkey were raised to 'BB/B' on Feb. 19, 2010, reflecting our view of the government's strong track record in steadily reducing the debt burden over the last decade.
- We are raising our counterparty credit ratings on seven Turkish financial institutions.
- The positive outlook reflects that on the sovereign.

LONDON (Standard & Poor's) Feb. 22, 2010--Standard & Poor's Ratings Services said today that it raised its counterparty credit ratings on the following seven Turkish financial institutions. (See the Ratings List below for full details.)

- Albaraka Turk Katilim Bankasi AS
- HSBC Bank A.S.
- Garanti Finansal Kiralama A.S.
- Türkiye Garanti Bankasi A.S.
- Türkiye Is Bankasi A.S.
- Türkiye Vakiflar Bankasi T.A.O.
- Yapi ve Kredi Bankasi A.S.

The rating actions follow the upgrade of the sovereign, the Republic of Turkey (foreign currency BB/Positive/B, local currency, BB+/Positive/B), reflecting our view of the Turkish government's improving economic policy flexibility as a result of its strong track record in steadily reducing the debt burden over the past decade. It also reflects our opinion of the success of Turkey's regulatory institutions in preserving the solidity of the financial sector, despite external adversity. We consider that improvements in the banking

sector have also helped Turkey maintain better access to global financial markets compared with many peer banking systems. (For more information, see " Republic of Turkey Long-Term Foreign Currency Rating Raised To 'BB' On Improving Economic Flexibility; Outlook Positive," published on Feb. 19, 2010, on RatingsDirect.)

The ratings reflect our opinion that these banks are well positioned to benefit from an improvement in their operating environment, which should help reduce their credit and funding risks as well as creating business growth opportunities. In our view, the impact of the recent economic slowdown on Turkish banks has been very limited due to their resilience, built up over a decade of reform following the severe 2001 financial and economic crisis. Although we see scope for further deterioration in asset quality due to delayed effects following the economic slowdown, these are expected to remain manageable, and are already incorporated in current ratings.

Although benefits reaped from the reducing interest rate environment are not expected to continue, the latter enabled Turkish banks to improve their financial performance in 2009, with system net profits increasing by almost 50%. In our view, growing business volumes under the current improving economic climate could help sustain banks' good performance going forward. We believe good levels of capitalization and adequate funding provide these banks with the financial flexibility to grow their business. Most banks have access to a strong customer deposit base and have continued to successfully access foreign markets to refinance their wholesale debt.

Turkish banks' financial performance and fundamentals will likely remain highly correlated with sovereign creditworthiness through, among other things, their significant holdings of government securities and exposure to the domestic economic and financial environment. We expect ongoing pressure from asset quality associated with the economic slowdown, although this should remain manageable.

The positive outlook on these financial institutions mirrors that on Turkey. The ratings on the banks could gain positive momentum if Turkey succeeds in putting public finances on a sustained path of fiscal consolidation, as this would create a more supportive environment. Conversely, if confidence or the domestic economic environment deteriorates more than we expect, it may put additional pressure on banks' asset quality and financial performance, putting pressure on their ratings.

RELATED RESEARCH

- Republic of Turkey Long-Term Foreign Currency Rating Raised To 'BB' On Improving Economic Flexibility; Outlook Positive, Feb. 19, 2010
- Bank Rating Analysis Methodology Profile, March 18, 2004

RATINGS LIST

	To	From
Upgraded; Ratings Affirmed		

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Albaraka Turk Katilim Bankasi AS		
Counterparty credit rating	BB/Positive/B	BB-/Stable/B
Long-term Turkey national scale rating	trAA-	trA+
Short-term Turkey national scale rating	trA-1	trA-1
Certificates of deposit	BB/B	BB-/B
Garanti Finansal Kiralama A.S.		
Counterparty credit rating	BB/Positive/B	BB-/Stable/B
HSBC Bank A.S.		
Counterparty credit rating	BB+/Positive/B	BB/Stable/B
Long-term Turkey national scale rating	trAA+	trAA+
Short-term Turkey national scale rating	trA-1	trA-1
Certificates of deposit	BB+/B	BB/B
Türkiye Garanti Bankasi A.S.		
Counterparty credit rating	BB/Positive/--	BB-/Stable/--
Certificates of deposit	BB	BB-
Türkiye Is Bankasi A.S.		
Counterparty credit rating	BB/Positive/B	BB-/Stable/B
Long-term Turkey national scale rating	trAA	trA+
Short-term Turkey national scale rating	trA-1	trA-1
Certificates of deposit	BB/B	BB-/B
Türkiye Vakiflar Bankasi T.A.O.		
Counterparty credit rating	BB/Positive/B	BB-/Stable/B
Certificates of deposit	BB/B	BB-/B
Long-term Turkey national scale rating	trAA	trA+
Short-term Turkey national scale rating	trA-1	trA-1

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Yapi ve Kredi Bankasi A.S.

Counterparty credit rating

BB/Positive/B

BB-/Stable/B

Certificates of deposit

BB/B

BB-/B

Long-term Turkey national scale rating

trAA

trA+

Short-term Turkey national scale rating

trA-1

trA-1

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Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

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