

Outlooks On Various Turkish Financial Institutions Revised To Stable From Negative Following Sovereign Outlook Revision

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- The outlook on the Republic of Turkey was revised to stable from negative on Sept. 17, 2009, reflecting the easing in external financing risks and the publication of the government's medium-term fiscal plan.
- We are revising the outlooks on seven Turkish financial institutions and one operating holding company to stable from negative.
- The outlook revision reflects that on the sovereign.

LONDON (Standard & Poor's) Sept. 23, 2009--Standard & Poor's Ratings Services said today that it revised its outlooks on seven Turkish financial institutions and one operating holding company. The outlooks on the following entities were revised to stable from negative:

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

At the same time, the 'BB-/B' long- and short-term counterparty credit ratings on Isbank, Garanti Leasing, YapiKredi, VakifBank, Albaraka Turk, and Dogus Holding were affirmed. Furthermore, 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. Additionally, the Turkish long-term national scale ratings on Isbank, VakifBank, and YapiKredi were raised to 'trA+' from 'trA', and the Turkish long-term national scale rating on HSBC Bank A.S. was raised to 'trAA+' from 'trAA'. The 'trA-1' short-term national scale rating on Isbank, VakifBank, YapiKredi, and HSBC Bank A.S. was affirmed.

The outlook revisions follow that on the sovereign, the Republic of Turkey (foreign currency, BB-/Stable/B; local currency, BB/Stable/B), reflecting the easing in external financing risks. The outlooks also factor in the publication of the government's medium-term fiscal plan, which we believe reduces uncertainty regarding the fiscal trajectory in Turkey. (For more information, see "Turkey Outlook Revised To Stable From Negative On Economic Resilience And Reduced Policy Uncertainty; Ratings Affirmed", published on Sept. 17, 2009, on RatingsDirect.)

Turkish banks are proving to be quite resilient to the deterioration in their operating environment, although scope for more significant deterioration in asset quality exists as the economic slowdown persists. Turkish banks have been able to maintain adequate financial performance in recent quarters and successfully tapped foreign markets to refinance their wholesale debt. The slowdown in business volumes has been largely compensated by increased interest margins following sharp interest rate cuts by the central bank of Turkey. Despite moderate setbacks to asset quality, rated Turkish banks' inherent business and financial strengths encapsulate built-in resilience, following several years of major restructuring, the increased presence of

foreign banks, and a more sound regulatory environment.

Turkish banks' financial performance and fundamentals will 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. The stable outlook on these financial institutions mirrors that on Turkey. If confidence or the domestic economic environment deteriorates more than expected, it will put additional pressure on banks' asset quality and financial performance, putting pressure on their ratings. Conversely, 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.

RELATED RESEARCH

Turkey Outlook Revised To Stable From Negative On Economic Resilience And Reduced Policy Uncertainty; Ratings Affirmed, Sept. 17, 2009

RATINGS LIST

| | To | From |
|--|---------------|-----------------|
| Albaraka Turk Katilim Bankasi AS | | |
| 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 |
| Garanti Finansal Kiralama A.S. | | |
| Counterparty credit rating | BB-/Stable/B | BB-/Negative/B |
| HSEC Bank A.S. | | |
| Counterparty credit rating | BB/Stable/B | BB/Negative/B |
| Certificates of deposit | BB/B | BB/B |
| Long-term Turkish national scale rating | trAA+ | trAA |
| Short-term Turkish national scale rating | trA-1 | trA-1 |
| Türkiye Garanti Bankasi A.S. | | |
| Counterparty credit rating | BB-/Stable/-- | BB-/Negative/-- |
| Certificates of deposit | BB- | BB- |
| Türkiye Is Bankasi A.S. | | |
| Counterparty credit rating | BB-/Stable/B | BB-/Negative/B |
| Certificates of deposit | BB-/B | BB-/B |
| Long-term Turkish national scale rating | trA+ | trA |
| Short-term Turkish national scale rating | trA-1 | trA-1 |
| Türkiye Vakiflar Bankasi T.A.O. | | |
| Counterparty credit rating | BB-/Stable/B | BB-/Negative/B |
| Certificates of deposit | BB-/B | BB-/B |
| Long-term Turkish national scale rating | trA+ | trA |
| Short-term Turkish national scale rating | trA-1 | trA-1 |
| Yapi ve Kredi Bankasi A.S. | | |
| Counterparty credit rating | | |

| | | |
|--|--------------|----------------|
| Certificates of deposit | BB-/Stable/B | BB-/Negative/B |
| Long-term Turkish national scale rating | BB-/B | BB-/B |
| | trA+ | trA |
| Short-term Turkish national scale rating | trA-1 | trA-1 |

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