

RESEARCH

Research Update: Four Major Turkish Banks Assigned 'trA+/trA-1' National Scale Ratings

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Credit Rating: BB-/Positive/B

Rationale

On May 26, 2006, Standard & Poor's Ratings Services assigned its 'trA+' long-term and 'trA-1' short-term Turkey national scale ratings to four major Turkish banks: Kocbank (BB-/Positive/B), Turkiye Is Bankasi A.S. (Isbank; BB-/Positive/B), Turkiye Vakiflar Bankasi T.A.O. (Vakiflar Bankasi; BB-/Positive/B), and T.C. Ziraat Bankasi A.S. (BB-/Positive/B). No outlooks are assigned to Turkey national scale long-term ratings. The ratings in brackets denote Standard & Poor's global scale ratings. (For more information, see "Standard & Poor's Launches Turkey National Rating Scale; Assigns Sovereign 'trAA+' L-T Rating," and "Credit FAQ: Standard & Poor's Turkey National Scale Ratings," published on May 10, 2006, on RatingsDirect, Standard & Poor's Web-based credit analysis system.)

National scale ratings differ from the global scale ratings in terms of the basis of comparison. National scale ratings are based primarily on credit-risk comparisons within a single country, while global scale ratings are based on international comparisons. Also, in contrast to global scale ratings, which address all relevant credit risks, national scale ratings exclude or discount certain direct sovereign risks and other systemic risks of an economywide nature. Each of Standard & Poor's national scale ratings are designed to meet the unique needs of a specific domestic financial market, reflecting the tailoring of the national scale ratings to the credit-risk environment in a single country.

Kocbank, Isbank, Vakiflar Bankasi, and Ziraat Bankasi are large and diversified banks, ranked by assets in the top-10 in Turkey. They have demonstrated sustained recovery in their financial profile and strong business growth during the past three years, benefiting from the favorable economic climate, with strong GDP growth and reduced inflation. This has led to improved profitability and asset quality, although the recent fast loan growth, particularly in consumer finance, remains untested to a full economic cycle. All four Turkish banks currently enjoy strong liquidity, which has benefited from a healthy growth in primary deposits, and good access to international capital markets.

Despite significant improvements, Standard & Poor's still considers the Turkish banking sector to have a high risk profile, which is the product of the country's fragile economic and financial environment. Most of the factors behind the ratings on the Republic of Turkey (foreign currency; BB-/Positive/B, local currency; BB-/Positive/B) constitute major risks for the banks. The government's still-heavy debt and interest burden mean that banks, which finance the majority of domestic government debt, are at the mercy of the state's monetary policies, and are also vulnerable to the latter's potential payment problems. Furthermore, Standard & Poor's core capitalization indicators for banks have recently tightened with business growth, despite strong regulatory capitalization.

Ratings List

Kocbank

Long-term Turkey national scale rating	trA+
Short-term Turkey national scale rating	trA-1

Turkiye Is Bankasi A.S.

Long-term Turkey national scale rating	trA+
Short-term Turkey national scale rating	trA-1

Turkiye Vakiflar Bankasi T.A.O.

Long-term Turkey national scale rating	trA+
Short-term Turkey national scale rating	trA-1

T.C. Ziraat Bankasi A.S.

Long-term Turkey national scale rating	trA+
Short-term Turkey national scale rating	trA-1

Ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. It can also be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office Hotline (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495 703 4017. Members of the media may also contact the European Press Office via e-mail on: media_europe@standardandpoors.com.

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