



Rating Action: **Turkiye Is Bankasi AS**

Moody's reviews Turkish banks' ratings

Limassol, August 03, 2009 -- Moody's Investors Service today placed on review for possible downgrade the local currency deposit ratings of 11 and the national scale ratings of three Turkish banks, within the context of its global review of the systemic support available to banking systems, following the global financial crisis. Moody's also affirmed the local currency deposit ratings of four Turkish banks and the issuer rating of one government-related institution (GRI).

Moody's also changed to stable from positive the outlook on the standalone bank financial strength ratings (BFSRs) of three banks. These actions reflect Moody's expectation of a deep economic contraction in Turkey during 2009 (5.0% GDP decline) and only a slow recovery in 2010 (1.8% GDP increase) and its recognition that short-term pressure on financial strength currently outweighs the likelihood of an improvement, over the medium term, in the franchises of the affected banks.

Following these outlook changes, 14 of the 15 Turkish banks rated by Moody's now have stable outlooks on their BFSRs. This reflects the rating agency's expectation that the weak economic environment will continue to exert pressure on Turkish banks' asset quality metrics, although Moody's recognises that the banks' overall financial strength remains robust for the time being, supported by their strong capitalisation and profitability profiles.

REVIEW OF LOCAL CURRENCY DEPOSIT RATINGS

Under Moody's banking methodology, local currency deposit ratings incorporate (i) banks' intrinsic financial strength, (ii) the probability and financial strength of shareholder support and (iii) the probability of systemic support and ability of national governments to support banks.

Moody's believes that most governments are at least as likely, if not more likely, to support their banking systems as they are to service their own debts -- a view that has traditionally led to bank ratings often benefiting from significant uplift due to systemic support (using the local currency deposit ceiling as a proxy for the government's ability to support banks). However, in the event of a banking crisis becoming truly systemic and protracted, the capacity of a country and its central bank to support the nation's banks converges with the government's own debt capacity (see Moody's Special Comment entitled "Financial Crisis More Closely Aligns Bank Credit Risk and Government Ratings in Non-Aaa Countries", published in May 2009).

Moody's will be reassessing the level of systemic support for Turkish banks to determine whether the systemic support they receive needs to be more closely aligned with the government's local currency bond rating.

Factors that Moody's will consider in its assessment of systemic support include the size of the banking system in relation to the Turkish government's resources, the level of stress in the banking system and the banking system's foreign currency obligations relative to the government's own foreign exchange resources.

Government actions during past crises are indicative of the Turkish government's high focus on supporting the nation's banks. During Turkey's 2000-01 banking crisis, the government acted purposefully to contain the potential contagion effects of troubled institutions in the market. However, deposits denominated in the local currency of highly supported banks are now rated as high as A3, six notches above the Ba3 debt rating (local currency) of the government.

Moody's expects that the ratings of highly rated Turkish banks could drop by as much as three notches following its review. The greatest impact is likely to be on those banks with (i) moderate or low intrinsic financial strength and (ii) whose local currency deposit ratings incorporate a very high probability of systemic support. A high probability of support from a highly rated parent could mitigate the impact of any possible downward revision of the rating.

REVIEW OF NATIONAL SCALE RATINGS

Not all banks have been assigned national scale ratings. National scale ratings, which address the relative credit risk within a country, are derived from local currency deposit ratings. As such, where banks have already been assigned national scale ratings, and where their local currency deposit ratings have been placed on review for possible downgrade, we have similarly placed their national scale ratings on review for possible downgrade.

LIST OF RATING ACTIONS

The following rating actions were taken:

- (i) Akbank AS's A3 long-term local currency deposit rating was placed on review for possible downgrade. Its other ratings were unaffected;
- (ii) Anadolubank's Ba1 long-term local currency deposit rating was placed on review for possible downgrade. Its other ratings were unaffected;
- (iii) Asya Katilim Bankasi AS's Ba1 long-term local currency deposit rating and A1.tr/TR-1 national scale ratings were placed on review for possible downgrade. Its other ratings were unaffected;
- (iv) Bankpozitif's Baa3/Prime-3 local currency deposit ratings were affirmed with a stable outlook. Its other ratings were unaffected
- (v) Denizbank's Baa1 long-term local currency deposit rating was placed on review for possible downgrade. Its other ratings were unaffected;
- (vi) Eurobank Tekfen's Ba1/Not Prime local currency deposit ratings were affirmed with a stable outlook. Its other ratings were unaffected;
- (vii) Finansbank's A3/Prime-2 local currency deposit ratings were affirmed. Its other ratings were unaffected;
- (viii) HSBC Bank AS's A3/Prime-2 local currency deposit ratings were affirmed with a stable outlook. Its other ratings were unaffected;
- (ix) T.C. Ziraat Bankasi's Baa1/Prime-2 local currency deposit ratings were placed on review for possible downgrade. Its other ratings were unaffected;
- (x) Turk Ekonomi Bankasi's Baa1 long-term local currency deposit rating was placed on review for possible downgrade. The outlook on the bank's D+ BFSR was changed to stable from positive;
- (xi) Turkiye Garanti Bankasi's A3 long-term local currency deposit rating and Aaa.tr long-term national scale rating were placed on review for possible downgrade. Its other ratings were unaffected;
- (xii) Turkiye Is Bankasi's A3/Prime-2 local currency deposit ratings were placed on review for possible downgrade. The outlook on the bank's D+ BFSR was changed to stable from positive;
- (xiii) Turkiye Sinai Kalkinma Bankasi's Baa1/Prime-2 local currency deposit ratings were placed on review for possible downgrade. Its other ratings were unaffected;
- (xiv) Turkiye Vakiflar Bankasi's Baa1/Prime-2 local currency deposit ratings were placed on review for possible downgrade. Its other ratings were unaffected;
- (xv) Yapi ve Kredi Bankasi's A3 long-term local currency deposit rating and Aaa.tr long-term national scale rating were placed on review for possible downgrade. The outlook on the bank's D+ BFSR was changed to stable from positive;

(xvi) Export Credit Bank of Turkey's Ba1 issuer rating was affirmed with a stable outlook;

PREVIOUS RATING ACTIONS AND PRINCIPAL METHODOLOGIES

The last rating action on Akbank AS was on 24 April 2007 when its BFSR was upgraded to C- from D+.

The last rating action on Anadolubank was on 26 August 2008 when the outlook on its D BFSR and Ba1/NP local currency deposit ratings was changed to positive from stable.

The last rating action on Asya Katilim Bankasi AS was on 10 August 2007 when it was assigned first-time ratings. The bank was assigned a D BFSR, Ba1/Not Prime local currency deposit ratings and B1/Not Prime foreign currency deposit ratings, as well as A1.tr long-term and TR-1 short-term Turkish National Scale Ratings. All ratings carried a stable outlook.

The last rating action on Bankpozitif was on 24 April 2008 when it was assigned first-time ratings. The bank was assigned a D BFSR, Baa3/Prime-3 local currency deposit ratings and B1/Not Prime foreign currency deposit ratings. All ratings carried a stable outlook.

The last rating action on Denizbank was on 1 October 2008 when its local currency long-term deposit and senior unsecured debt ratings were downgraded to Baa1 from A3; all its other ratings were affirmed.

The last rating action on Eurobank Tekfen was on 24 April 2007 when its BFSR was upgraded to D- from E+. Local currency deposit ratings of Ba1/Not Prime were also assigned.

The last rating action on Finansbank was on 24 April 2007 when its BFSR was upgraded to C- from D+.

The last rating action on HSBC Bank AS was on 24 April 2007 when its BFSR was upgraded to C- from D+.

The last rating action on T.C. Ziraat Bankasi was on 26 August 2008 when its BFSR was upgraded to D+ from D.

The last rating action on Turk Ekonomi Bankasi was on 25 May 2007 when it was assigned Baa1/Prime-2 local currency deposit ratings. The outlook on the Baa1 long-term local currency deposit rating was positive.

The last rating action on Turkiye Garanti Bankasi was on 24 April 2007 when its BFSR was upgraded to C- from D+.

The last rating action on Turkiye Is Bankasi was on 10 September 2008 when the outlook on its D+ BFSR was changed to positive from stable.

The last rating action on Turkiye Sinai Kalkinma Bankasi was on 24 April 2007 when local currency deposit ratings of Baa1/Prime-2 were assigned.

The last rating action for Turkiye Vakiflar Bankasi was on 24 April 2007 when its BFSR was upgraded to D+ from D-.

The last rating action for Yapi ve Kredi Bankasi was on 10 September 2008 when the outlook on its D+ BFSR was changed to positive from stable.

The last rating action on Export Credit Bank of Turkey was on 23 August 2006 when its Ba1 issuer rating was affirmed.

The principal methodologies used in rating the Turkish banks are the "Bank Financial Strength Ratings: Global Methodology" and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology", which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating the Turkish banking system can also be found in the Credit Policy & Methodologies directory.

T.C Ziraat Bankasi, Turkiye Vakiflar Bankasi and Export Credit Bank of Turkey are headquartered in Ankara, Turkey. All the other banks are headquartered in Istanbul, Turkey.

Akbank AS had total assets of TRY92.7 billion (US\$61.0 billion) under IFRS at the end of December 2008.

Anadolubank had total assets of TRY3.8 billion (US\$2.5 billion) under IFRS at the end of December 2008.

Asya Katilim Bankasi AS had total assets of TRY8.1 billion (US\$5.3 billion) under IFRS at the end of December 2008.

Bankpozitif had total assets of TRY1.8 billion (US\$1.2 billion) under IFRS at the end of December 2008.

Denizbank had total assets of TRY24.2 billion (US\$15.9 billion) under BRSA at the end of December 2008.

Eurobank Tekfen had total assets of TRY3.6 billion (US\$2.4 billion) under BRSA at the end of December 2008.

Finansbank had total assets of TRY30.1 billion (US\$19.9 billion) under BRSA at the end of December 2008.

HSBC Bank AS had total assets of TRY14.6 billion (US\$9.6 billion) under IFRS at the end of December 2008.

T.C. Ziraat Bankasi had total assets of TRY104.4 billion (US\$77.6 billion) under BRSA at the end of December 2008.

Turk Ekonomi Bankasi had total assets of TRY17.0 billion (US\$11.2 billion) under IFRS at the end of December 2008.

Turkiye Garanti Bankasi had total assets of TRY98.2 billion (US\$69.7 billion) under IFRS at the end of December 2008.

Türkiye İş Bankası had total assets of TRY97.5 billion (US\$63.4 billion) under IFRS at the end of December 2008.

Türkiye Sınai Kalkınma Bankası had total assets of TRY6.3 billion (US\$4.2 billion) under IFRS at the end of December 2008.

Türkiye Vakıflar Bankası had total assets of TRY54.6 billion (US\$35.9 billion) under BRSA at the end of December 2008.

Yapı ve Kredi Bankası had total assets of TRY69.9 billion (US\$46.0 billion) under IFRS at the end of December 2008.

Export Credit Bank of Turkey had total assets of TRY4.9 billion (US\$3.2 billion) under IFRS at the end of December 2008.

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