

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

**Primary Credit Analyst:**

Magar Kouyoumdjian, London (44) 20-7176-7217; magar\_kouyoumdjian@standardandpoors.com

**Secondary Credit Analyst:**

Goeksenin Karagoez, Paris (33) 1-4420-6724; goeksenin\_karagoez@standardandpoors.com

- 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		

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

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

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

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

**Additional Contact:**

Financial Institutions Ratings Europe; FIG\_Europe@standardandpoors.com

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at [www.globalcreditportal.com](http://www.globalcreditportal.com) and RatingsDirect subscribers at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://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.

Copyright ( c ) 2010 by Standard & Poor's Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

