FITCH TAKES RATING ACTIONS ON TWO TURKISH PARTICIPATION BANKS

Fitch Ratings-London/Istanbul-21 December 2010: Fitch Ratings has upgraded Turkey-based Asya Katilim Bankasi A.S.'s (Bank Asya) Long-term Foreign Currency and Local Currency Issuer Default Ratings (LT IDRs) to 'B+' from 'B' and Kuveyt Turk Katilim Bankasi A.S.'s (Kuveyt Turk) Long-term Local Currency IDR to 'BBB' from 'BBB-'. A full list of rating actions is provided at the end of this commentary.

Bank Asya's IDRs are driven by its stand-alone financial strength. The upgrade reflects Bank Asya's reasonable performance in an improving operating environment. The ratings are also supported by the bank's diversified deposit base and low exposure to market risk. However, the ratings also reflect the loan portfolio's concentration in the construction sector and large borrowers and potential asset quality risks due to rapid loan growth.

Bank Asya was incorporated in 1996 as a financial institution providing interest-free banking services. A large part of its shares (47.5%) are held by 254 different shareholders, although Fitch understands that a limited number of large shareholders may have control of the bank. The remaining 52.5% shares are on the free-float in the Istanbul Stock Exchange. It provides banking services in its main business lines -- corporate, commercial, SME and retail banking -- with a focus on larger SMEs and trade finance. Bank Asya represented 1.4% of total Turkish banking system assets (ranking 13th among 49 banks) and 1.7% of total deposits (ranking the 10th) at end-Q310.

Kuveyt Turk's IDRs are based on potential support from its majority shareholder, Kuwait Finance House (KFH, rated 'A+'). The upgrade of the LT local currency IDR reflects Fitch's view that support would be likely to flow to KFH's Turkish subsidiary, if required. Kuveyt Turk's LT foreign currency IDR is constrained by the Turkish Country Ceiling of 'BBB-'. The Positive Outlooks on the IDRs reflects that on the sovereign.

Kuveyt Turk is 62.2%-owned by KFH, which is, in turn, 48% owned by the Kuwaiti government via several public institutions. Kuveyt Turk engages in interest-free banking, primarily comprising corporate, commercial (mid-sized corporate) and SME lending. The bank was the 18th largest by unconsolidated assets among the 49 banks in Turkey with a 0.9% market share as of end-9M10.

Rating actions:

**Bank Asya**
- LT FC IDR: upgraded to 'B+' from 'B'; Outlook Stable
- LT LC IDR: upgraded to 'B+' from 'B'; Outlook Stable
- ST FC IDR: affirmed at 'B'
- ST LC IDR: affirmed at 'B'
- National Long-term rating: upgraded to 'A-(tur)' from 'BBB+(tur)'; Outlook Stable
- Individual Rating: affirmed at 'D'
- Support Rating: affirmed at '5'
- Support Rating Floor: affirmed at 'NF' (No Floor)

**Kuveyt Turk**
- LT FC IDR: affirmed at 'BBB-'; Outlook changed to Positive from Stable
- LT LC IDR: upgraded to 'BBB' from 'BBB-'; Outlook changed to Positive from Stable
- ST FC IDR: affirmed at 'F3'
- ST LC IDR: affirmed at 'F3'
- National Long-term rating: affirmed at 'AAA(tur)'; Stable Outlook
- Individual Rating: affirmed at 'D'
- Support Rating: affirmed at '2'
Senior unsecured notes (Sukuk issue): affirmed at 'BBB-' 

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Applicable Criteria and Related Research:
Global Financial Institutions Rating Criteria
Short-Term Ratings for Corporate Finance
Criteria Report on Rating Banks Above The Local Currency Sovereign Rating

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