

11 February 2010

TÜRKIYE VAKIFLAR BANKASI RATINGS ACTION

Capital Intelligence (CI), the international credit rating agency, today announced that it has affirmed the Foreign Currency ratings of Turkey's Türkiye Vakıflar Bankası (Vakıfbank) at BB- (Long-term) and B (Short-term), at the level of the country's Sovereign ratings, and the Financial Strength rating at BBB-. The Support rating was also affirmed at 2. All ratings carry a Stable outlook.

Türkiye Vakıflar Bankası was established in 1954 under a special law by the General Directorate of Foundations (GDF) to administer the financial affairs of charitable organisations and foundations. In 1957 Vakıfbank established an insurance company and shortly thereafter several subsidiaries involved in leasing and factoring. In the early 1990s it began to expand its retail banking activity by introducing new products such as auto loans, mortgage loans and credit cards. Vakıfbank is now a full-service commercial bank with its headquarters in Ankara and branches covering 81 Turkish cities. The majority shareholder (58%) is the GDF, and other 16% is held by the VB Pension Fund.

By both total assets and by capital, Vakıfbank ranks sixth among Turkey's 32 deposit banks. Overall, its market share of total assets is about 8%. Vakıfbank is primarily a corporate bank, and like other Turkish banks, it has expanded its portfolio of retail lending and credit cards.

Like many banks, Vakıfbank has experienced sharp increases in both NPLs and the NPL ratio in 2008 and again in H1 2009. Until 2009, rapid loan portfolio and balance sheet growth had masked the increase in NPLs by keeping the ratio low and had also strained the Bank's capital in relation to that large and growing portfolio. The bank has addressed the former by continuing to make full provisioning for its NPL portfolio, and the latter with a greatly reduced dividend for 2008 and increased operating profitability in the first half of 2009.

Vakıfbank has traditionally displayed reasonably good liquidity ratios, and those further improved in the first half of 2009. While those ratios are underpinned by a very strong customer deposit base, VB's profile as a corporate bank has resulted in a larger than average share of deposits being accounted for by more volatile and more expensive time deposits. Overall profitability has been erratic over the past eighteen months, as operating costs have risen sharply in both 2008 and H1 2009. The cost ratio has not reflected that, because of the high growth in gross income. Vakıfbank has continued to manage its asset quality, liquidity and capital reasonably well through the current global economic crisis, and CI believes that it will continue to make prudent decisions like these in the future.

At mid-year 2009 Vakıfbank operated a network of 429 full-service branches (including two foreign branches), 100 satellite branches and five mobile branches, covering 81 Turkish cities, although the Bank's marketing strength lies largely to the east of Ankara. Its retail franchise encompasses 9.0mn customers..

Contact:

Tom Kenzik
Darren Stubing

tom.kenzik@ciratings.com
darren.stubing@ciratings.com

Tel: 357 2534 2300