

Fitch Takes Rating Action following Sovereign Criteria Change

Fitch Ratings, **London/Moscow**, 27 July 2016: Fitch Ratings has today downgraded the Long-term Local Currency IDR of Turkiye Finans. The Outlook remains on Stable.

The rating action follows Fitch's downgrade of Turkey's Long-term Local Currency IDR to 'BBB-' from 'BBB', as a result of which it is now equalized with the sovereign Long-term Foreign Currency IDR. This was driven by the change in Fitch's sovereign rating criteria, which now requires the presence of two key factors to achieve an uplift of the Long-term Local Currency IDR above the Long-term Foreign Currency IDR, which are not present in Turkey: (i) strong public finance fundamentals relative to external finance fundamentals, and (ii) previous preferential treatment of LC creditors relative to FC creditors. For more details please see *Fitch Applies Criteria Changes to [Turkey's Ratings](#)*.

The bank's Long-term Foreign Currency IDR, Viability rating and National Long-term rating remains unaffected by this rating action. However, due to the change in the sovereign Long-term Local Currency IDR Fitch's National Rating scale for Turkey is being reviewed. Any recalibration of this scale could result in changes to the National Rating of the bank and of Turkish banks in general.

A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS – LOCAL CURRENCY IDR; SHORT-TERM FOREIGN CURRENCY IDR OF TURKIYE FINANS

The Long-Term Local Currency IDR of foreign-owned Turkiye Finans has been downgraded by one notch to 'BBB' from 'BBB+'. The bank's ratings are driven by institutional support from its higher rated foreign shareholder. This rating action maintains the one notch between the bank's and the sovereign's Long-term Local Currency IDR and continues to take into account Turkish country risks.

The upgrade of the Short-term foreign currency IDR of Turkiye Finans reflects a reassessment by Fitch of potential liquidity support from the bank's parent.

RATING SENSITIVITIES - LOCAL CURRENCY IDRS

The bank's Long-Term Local Currency IDR remains sensitive to further movement in Turkey's Sovereign Long-Term Local Currency IDR and to Turkey country risks. In addition, a weakening in the ability and the propensity of the bank's parent to provide support could result in negative rating action on the bank's ratings.

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The rating actions are as follows:

Turkiye Finans Katilim Bankasi AS:

Long-term FC IDR unaffected at 'BBB'; Stable Outlook

Long-term LC IDR downgraded to 'BBB' from 'BBB+'; Stable Outlook

Short-term FC IDR upgraded to 'F2' from 'F3'

Short-term LC IDR affirmed at 'F2'

Viability Rating unaffected at 'bb-'

Support Rating unaffected at '2'

National Long-term Rating unaffected at 'AAA(tur)' Stable Outlook

Senior unsecured debt issue (sukuk) (Turkiye Finans TF Varlik Kiralama A.S.) unaffected at 'BBB'