

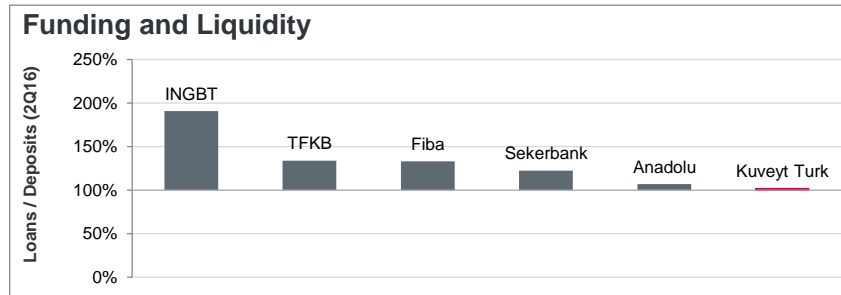
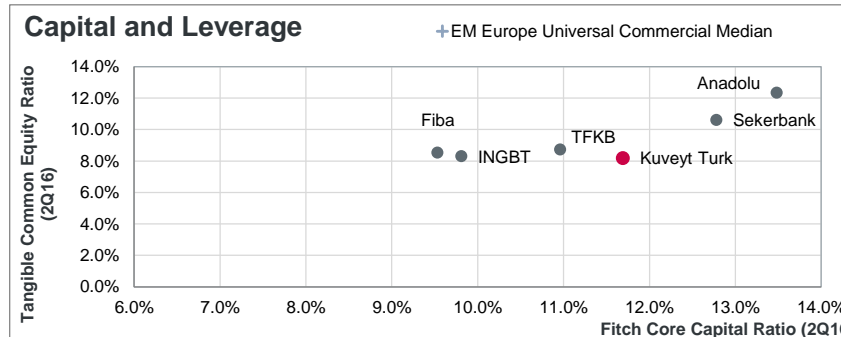
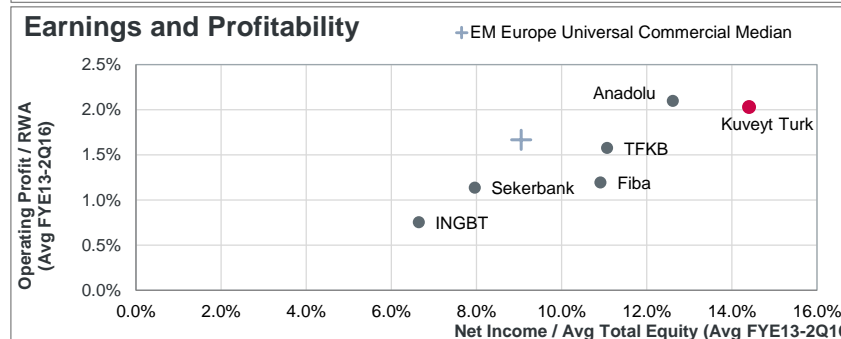
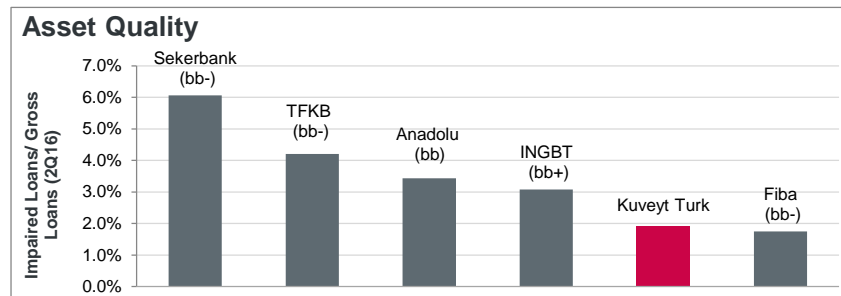
Banks Ratings Navigator		
Navigator date:	08 Dec 2016	
Last rating action:	16 Nov 2016	
Sector Details:		
Bank sector:	Universal Commercial	
Region:	EM Europe	
Country:	Turkey	
Country IDR:	BBB- Negative	
Last action:	19 Aug 16 Affirmed	
Country ceiling:	BBB	
Macro prudential indicator:	2	
Bank systemic indicator:	bbb	
Bank Rating History		
Viability Rating (VR)		
16 Nov 16	bb-	Affirmed
19 Nov 15	bb-	Affirmed
02 Dec 14	bb-	Affirmed
Issuer Default Rating (IDR)		
16 Nov 16	BBB Negative	Affirmed
25 Aug 16	BBB Negative	Affirmed
19 Nov 15	BBB Stable	Affirmed
Support Rating Floor (SRF)		
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
108	EM Europe Universal Commercial	
12	Turkey Universal Commercial	
Relevant Criteria & References		
Global Bank Rating Criteria (Jul 2016)		
Macro-Prudential Risk Monitor (May 2016)		
Analysts		
Lindsey Liddell (+44 20 3530 1008)		
Ahmet Kilinc (+44 203 530 1272)		

Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Financial Profile			Viability Rating	Institutional Support	Issuer Default Rating
						Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa									aaa	AAA	AAA
aa+									aa+	AA+ Negative	AA+
aa									aa	AA Negative	AA
aa-									aa-	AA- Negative	AA-
a+									a+	A+ Negative	A+
a									a	A Negative	A
a-									a-	A- Negative	A-
bbb+									bbb+	BBB+ Negative	BBB+
bbb									bbb	BBB Negative	BBB Negative
bbb-									bbb-	BBB- Negative	BBB-
bb+									bb+	BB+ Negative	BB+
bb									bb	BB Negative	BB
bb-									bb-	BB- Negative	BB-
b+									b+	B+ Negative	B+
b									b	B Negative	B
b-									b-	B- Negative	B-
ccc									ccc	CCC Negative	CCC
cc									cc	CC Negative	CC
c									c	C Negative	C
f									f	NF Negative	D or RD

Institutional Support		Value
Parent IDR		A+
Total Adjustments (notches)		-4
Institutional Support:		BBB
Support Factors (negative)		
	Equalised	1 Notch
		2+ Notches
Parent Ability to Support		
Parent/group regulation		✓
Relative size		✓
Parent Propensity to Support		
Role in group		✓
Potential for disposal		✓
Implication of subsidiary default		✓
Integration		✓
Jurisdiction		✓
Size of ownership stake		✓
Support track record		✓
Subsidiary performance and prospects		✓
Branding		✓
Legal commitments		✓
Cross-default clauses		✓

Drivers & Sensitivities	
Support-Driven IDRs	Kuveyt Turk's ratings are driven by the high probability of support from its controlling shareholder, Kuwait Finance House (KFH; A+/Stable), based on its ownership, strategic importance to and integration with its parent.
Limited Franchise	Kuveyt Turk's Viability Rating (VR) reflects its limited franchise (1.8% of sector assets at end-1H16). However, the bank is a market leader in the participation banking segment in Turkey, which offers reasonable growth prospects in the medium to long term, in Fitch's view.
Fairly High Risk Appetite	Credit risk is heightened by above-sector-average foreign-currency lending (43% of loans), a large share of which consists of riskier FC-indexed lending, and high SME lending (30%). Bad loans should feed through quickly given the largely monthly amortising structure of loans.
Low NPL Ratio; Downside Risks to Asset Quality	Loans overdue 90 days (NPLs) were equal to a low 1.9% of loans at end-1H16, but watch-list loans have risen (4.5% at end-1H16, of which 58% were restructured). Downside risks exist given the operating environment, high SME and FC lending, and potential further lira depreciation.
Mainly Deposit Funded	The loans/deposits ratio (end-1H16: 103%) has consistently compared well with the sector average, reflecting the bank's stable, diversified deposit base (which also supports its NIM). Foreign-currency wholesale funding is below-sector-average (21% of total funding).
Adequate Capitalisation	Capitalisation (end-1H16: Fitch core capital ratio of 11.7%) is supported by reasonable internal capital generation. Capital is sufficient to absorb moderate shocks, but risks remain given potential further lira depreciation, NPL growth and a potential sovereign downgrade.
Good Performance	Kuveyt Turk's performance has been stable and return on equity (ROE) remained above the sector average at 15.7% in 1H16, supported by an above-sector-average NIM. However, Loan impairment charges absorbed 41% of pre-impairment profit in 1H16.
IDRs Sensitive to Sovereign Actions; NPL Growth	A downgrade of Turkey's Country Ceiling would result in a downgrade of the bank's IDRs, as would a multi-notch downgrade of KFH. A VR upgrade is unlikely in the current operating environment. A VR downgrade could result from sharp NPL growth or a sharp weakening in FC liquidity.

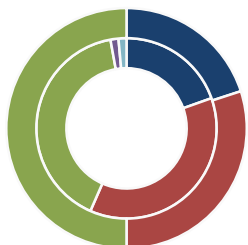
Key Financial Ratios (06 Dec 2016)	Kuveyt Turk				Direct Peers Median				Region Sector Median							
	Number of Banks: Statement:				6	5	6	4	2Q16	FYE15	FYE14	FYE13	2Q16	FYE15	FYE14	FYE13
Size (USDm)																
Total assets	15,265	14,465	14,614	12,068	11,175	13,242	12,013	10,487	n.a.	3,669	3,807	3,884	n.a.	3,245	3,294	2,970
Risk weighted assets (RWA)	10,666	9,147	9,705	8,758	8,826	9,147	9,257	8,792	n.a.	3,245	3,294	2,970	n.a.	3,245	3,294	2,970
Total equity	1,293	1,185	1,317	1,088	1,079	1,150	1,192	1,040	n.a.	306	425	487	n.a.	306	425	487
Fitch core capital (FCC)	1,247	1,144	1,287	1,062	1,053	1,132	1,161	1,006	n.a.	276	396	441	n.a.	276	396	441
Asset Quality																
Impaired loans/gross loans	1.9%	1.7%	2.2%	2.2%	3.3%	2.6%	2.5%	2.3%	n.a.	6.5%	5.5%	5.0%	n.a.	6.5%	5.5%	5.0%
Growth of gross loans	7.1%	26.6%	28.3%	40.3%	4.9%	26.6%	19.7%	40.0%	n.a.	10.0%	15.6%	14.2%	n.a.	10.0%	15.6%	14.2%
Reserves for impaired loans/impaired loans	76.8%	72.4%	85.0%	88.1%	64.2%	63.3%	61.8%	65.8%	n.a.	78.5%	77.8%	77.7%	n.a.	78.5%	77.8%	77.7%
Loan impairment charges/avg gross loans	1.3%	1.3%	1.0%	1.1%	1.3%	1.3%	1.0%	0.8%	n.a.	2.7%	1.5%	1.4%	n.a.	2.7%	1.5%	1.4%
Earnings and Profitability																
Operating profit/risk weighted assets	2.0%	2.0%	2.1%	2.0%	1.3%	1.2%	1.6%	1.8%	n.a.	1.4%	1.7%	2.0%	n.a.	1.4%	1.7%	2.0%
Net interest income/average earning assets	5.0%	4.9%	4.9%	5.0%	5.0%	4.9%	4.9%	4.9%	n.a.	4.5%	5.2%	5.7%	n.a.	4.5%	5.2%	5.7%
Non-interest expense/gross revenues	52.1%	53.4%	54.8%	53.2%	51.5%	54.0%	55.7%	56.8%	n.a.	53.4%	54.6%	56.0%	n.a.	53.4%	54.6%	56.0%
Loans & secs imp charges/pre-imp op. profit	41.1%	38.3%	28.6%	30.4%	50.4%	47.2%	35.3%	27.4%	n.a.	48.0%	38.8%	34.8%	n.a.	48.0%	38.8%	34.8%
Operating profit/average total assets	1.4%	1.4%	1.6%	1.7%	1.1%	1.2%	1.5%	1.7%	n.a.	1.2%	1.4%	1.5%	n.a.	1.2%	1.4%	1.5%
Net income/average total equity	15.7%	13.1%	13.7%	15.2%	10.6%	9.4%	12.7%	12.5%	n.a.	8.9%	8.0%	10.3%	n.a.	8.9%	8.0%	10.3%
Capital and Leverage																
FCC/FCC-adjusted risk weighted assets	11.7%	12.5%	13.3%	12.1%	11.3%	11.1%	12.0%	11.4%	n.a.	12.7%	13.7%	14.4%	n.a.	12.7%	13.7%	14.4%
Basel leverage ratio	5.7%	5.6%	n.a.	n.a.	7.0%	7.3%	7.6%	n.a.	n.a.	6.7%	7.6%	n.a.	n.a.	6.7%	7.6%	n.a.
Tangible common equity/tangible assets	8.2%	7.9%	8.8%	8.8%	8.6%	8.6%	9.0%	9.4%	n.a.	10.1%	10.5%	11.9%	n.a.	10.1%	10.5%	11.9%
CET1 capital ratio	11.6%	12.4%	13.2%	n.a.	11.3%	10.9%	11.9%	0.0%	n.a.	12.9%	12.8%	13.4%	n.a.	12.9%	12.8%	13.4%
Internal capital generation	15.0%	12.3%	11.0%	12.4%	10.4%	7.9%	10.8%	11.4%	n.a.	5.6%	5.3%	5.5%	n.a.	5.6%	5.3%	5.5%
Imp loans less reserves for imp Loans/FCC	3.6%	3.8%	2.4%	2.0%	8.8%	6.7%	8.2%	4.9%	n.a.	6.2%	4.6%	3.6%	n.a.	6.2%	4.6%	3.6%
Funding and Liquidity																
Loans/customer deposits	102.7%	98.7%	99.9%	102.7%	127.8%	125.2%	125.8%	121.9%	n.a.	101.1%	111.6%	112.1%	n.a.	101.1%	111.6%	112.1%
Liquidity coverage ratio	154.2%	170.1%	n.a.	n.a.	116.9%	130.9%	104.8%	n.a.	n.a.	130.3%	305.0%	n.a.	n.a.	130.3%	305.0%	n.a.
Customer deposits/total funding excl derivs	74.7%	75.1%	73.3%	73.4%	69.2%	71.6%	69.2%	72.4%	n.a.	75.5%	74.9%	74.1%	n.a.	75.5%	74.9%	74.1%



Business Mix

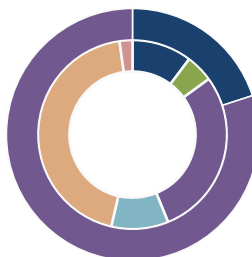
(by profit or revenue)

- Retail banking (20%)
- SME banking (30%)
- Corporate banking (50%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (0%)



Lending Type

- Resi mortgages (20%)
- Comm mortgages (0%)
- Asset finance (0%)
- Other secured (80%)
- Personal unsecured (0%)
- Comm unsecured (0%)
- Fls & Sovs (0%)
- High yield (0%)
- Other unsecured (0%)



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