

Turkey Full Rating Report

Kuveyt Turk Katilim Bankasi A.S

Ratings

Foreign Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
Local Currency	
Long-Term IDR	BBB
Short-Term IDR	F3
National	
Long-Term Rating	AAA(tur)
Individual Rating	D
Support Rating	2
Sovereign Risk	
Foreign-Currency Long-Term IDR	BB+
Local-Currency Long-Term IDR	BB+
Country Ceiling	BBB-

Outlooks

Foreign-Currency Long-Term IDR	Positive
Local-Currency Long-Term IDR	Positive
National Long-Term Rating	Stable
Sovereign Long-Term IDRs	Positive

Financial Data

Kuveyt Turk Katilim Bankasi A.S		
	30 Sep 10	31 Dec 09
Total assets (USDm)	5,930.8	4,631.1
Total assets (TRYm)	8,645.2	6,904.5
Total equity (TRYm)	1,225.5	807.3
Operating profit (TRYm)	152.0	157.5
Published net income (TRYm)	128.5	127.1
Operating ROAA (%)	2.63	2.49
Operating ROAE (%)	20.8	21.1
Tier 1 ratio (%)	17.0	14.0

Analysts

Levent Topcu
+90 212 284 7819
levent.topcu@fitchratings.com

Turda Ozmen
+90 212 284 7882
turda.ozmen@fitchratings.com

Related Research

Applicable Criteria

- *Global Financial Institutions Rating Criteria (August 2010)*
- *Short-Term Ratings Criteria for Corporate Finance (November 2010)*
- *National Ratings - Methodology Update (December 2006)*

Other Research

- *Turkey's Banking System: Asset Quality Trends and Outlook (May 2010)*

Rating Rationale

- Kuveyt Turk Katilim Bankasi A.S's (Kuveyt Turk) IDRs, Support and National Long-Term Ratings reflect the support it can expect to receive from its majority shareholder, Kuwait Finance House (KFH, rated 'A+' / Stable), in case of need. The Individual Rating reflects Kuveyt Turk's concentrated lending and limited – albeit improving – franchise. These are offset by good profitability, low market risk, adequate capitalisation and stable funding.
- Kuveyt Turk's margins are the highest in its peer group, reflecting widespread cheaper deposits. Fee income generation is still low (fees contribute 11% of revenues) and are set to be developed as a stable source of revenue. Efficiency metrics are good and compare well by international standards. Operating ROE has consistently been above 20% and is the highest in its group. Fitch acknowledges Kuveyt Turk's sound profitability as a key strength in a competitive environment.
- Lending is primarily focused on corporate and commercial clients. Retail banking, together with SMEs, constitute 31% of loans. Lending is concentrated into the construction sector due to the high share of off-balance-sheet exposures. Fitch believes that Kuveyt Turk's NPL ratio is in line with sector averages and already peaked in 2009. The bank is particularly exposed to sudden large-scale credit events due to its large exposure to the construction sector.
- Liquid assets are high and comfortably covered 32% of customer deposits in 9M10. Capital was strengthened in June 2010 when new cash capital was injected to support growth. As a result, capital ratios are adequate. Liquidity and capitalisation should be considered together with the support Kuveyt Turk could expect to receive from its parent.
- Kuveyt Turk's primary source of support, were it to run into difficulties, would be its principal shareholder, KFH. Fitch Ratings believes that KFH has a high propensity to provide support, but its ability to do so may be constrained by Turkey's 'BBB-' Country Ceiling.

Support

What Could Trigger an Upgrade?

- A change in KFH's ability and/or willingness to support Kuveyt Turk could affect the latter's IDRs and Support Rating. However, the bank's Foreign-Currency Long-Term IDR is constrained by Turkey's Country Ceiling of 'BBB-' and its Local-Currency Long-Term IDR is capped two notches above the sovereign's. A higher Country Ceiling, if there were a sovereign upgrade, would be reflected in Kuveyt Turk's IDRs and Support Rating. The Positive Outlook on its IDRs reflects that of the sovereign.
- The Individual Rating could only be upgraded if loan diversification improves.

Profile

Kuveyt Turk is 62%-owned by KFH. Kuveyt Turk engages in interest-free banking, primarily comprising corporate, commercial (medium-sized corporate) and SME lending. The bank was the 18th-largest by unconsolidated assets of the 49 banks in Turkey, with a 0.9% market share at end-9M10. It controlled 1.1% of deposits in the system and had 137 branches, including in Germany and Dubai.

Table 1: Shareholder Structure

	(%)
Kuwait Finance House (KFH)	62.2
Directorate of Vakif Foundations – Turkey	18.7
Public Institution for Social Security – Kuwait	9.0
Islamic Development Bank	9.0
Others	1.1
Total	100.0

Source: company data

Profile

Majority-Owned by Kuwait Finance House

Kuveyt Turk was incorporated in 1989 and is 62%-owned by KFH. Other shareholders also exist, and their interests are represented at board level through four members (out of nine). The Kuwaiti state owns a direct 9.0% stake in the company through a state fund named the Public Institution for Social Security.

KFH is the second-largest bank in Kuwait. It is a major consumer durables lender and has a large retail deposit base. Importantly, KFH is 43%-owned by Kuwaiti government agencies. Its international operations include banking subsidiaries in Malaysia, Turkey and Bahrain. It had a consolidated assets size of USD41.2bn and equity of USD5.2bn at end-H110. Kuveyt Turk alone accounts for around 18% of consolidated KFH group in terms of assets and equity.

Kuveyt Turk engages in interest-free banking – primarily corporate, commercial (medium-sized corporate) and SME lending. The bank also targets retail banking clients and its loan exposure to such segments (19% of total lending in 9M10) is higher than peers'. Its product range also includes investment accounts, insurance products and private pension schemes for retail clients. The bank was the 18th-largest by unconsolidated assets of the 49 banks in Turkey, with a 0.9% market share as at end-9M10. It controlled 1.1% of deposits in the system and had 137 branches, including in Germany and Dubai.

Strategy

Planning to Grow Faster Than Peers

Kuveyt Turk is set to grow purely organically in the medium term. 20 new branches were opened in 2010 and another 20 are planned in 2011, taking the total to 170 branches. The bank wishes to expand faster than peers and envisages becoming one of the 10 largest banks in Turkey. The retail and SME segments are planned to account for 50% of the bank's lending in 2014 (they currently make up about 30%). In the meantime, it has a clear ROE target of 20%, and maintaining a sound profitability is the factor that is limiting growth.

Kuveyt Turk has taken steps to diversify its funding and issued the first "Sukuk" (the equivalent of a senior unsecured bond) in Turkey in Q310. This issue has already enabled the bank to access long-term project finance deals, especially in the energy sector. In Fitch's opinion, Kuveyt Turk's growth plans will only deliver results if the marginal productivity on new units improves as targeted. The upper echelons of the Turkish banking system are highly competitive and the main long-term challenge for Kuveyt Turk will be to diversify its assets (and liabilities) mix into interest-free products while remaining profitable and competitive.

Presentation of Accounts

Fitch's analysis is based on Kuveyt Turk's audited financial statements, prepared in accordance with Banking Regulation and Supervision Agency (BRSA) guidelines, which are very similar to IFRS. Interim figures are based on the auditor's limited review, in accordance with BRSA guidelines.

Performance and Profitability

Operating Environment

Fitch revised the Outlooks on Turkey's 'BB+' IDRs to Positive from Stable on 24 November 2010. The Outlook revisions reflect a strong economic recovery, improving public finances and increasing confidence that a lasting transformation in economic prospects and stability is underway.

Following a sharp recession of 4.7% in 2009, the Turkish economy returned to growth and Fitch forecasts GDP growth of 8% in 2010 and 5% for 2011. Turkey has proven relatively resilient to the severe stress of the global financial crisis. The

Table 2: Market Share and Ranking

	9M10	
	Share (%)	Rank
Total assets	0.9	18
Deposits	1.1	16
Loans	1.2	18
Equity	1.0	19

Source: Participations Banks' Association of Turkey and Commercial Banks Association of Turkey data, adapted by Fitch

banking system is moderate in size, profitable, deposit-funded and well-capitalised. NPLs are comparatively low, and there is no foreign-currency lending to households.

Sound Profitability Metrics Except for Fee Revenue

Interest rates in Turkey have been declining since late-2008 and Turkish banks' margins (including participation banks) started to come under pressure in 2010. Kuveyt Turk's margins are the highest in its peer group and even higher than the commercial banks' average. The bank has a widespread loyal deposit base, which provides relatively cheaper funding.

Operating revenues are driven by financing income from loans, fees and trading income. Kuveyt Turk is actively involved in the trading of FX and commodities, which usually contributes to trading income. Fee income generation is still low (fees contribute 11% of revenue) and is set to be developed as a stable source of revenue.

In line with peers', Kuveyt Turk's cost/income ratio worsened to 56% in 9M10 (2009: 45%); however, at 56%, Fitch still considers efficiency metrics to be good and on a par with international peers'. Operating ROE has been consistently above 20% and the highest in its peer group. Fitch recognises Kuveyt Turk's sound profitability as a key strength in a competitive environment. Its ability to perform favourably against its peers will depend on it sustaining its core profitability with an increased focus on stable fee-generating businesses. The bank plans to deliver above-sector growth in 2011; however, ROE could remain below the 20% threshold, due to rising pressure on margins.

Impairment charges for loans decreased significantly in 9M10 to 14% of pre-impairment operating profits (2009: 44%), helped by better asset quality and improved collections (see *Loan Loss Experience and Reserves*).

Risk Management

The audit and risk committee is responsible for all types of risk and consists of four non-executive members of the board of directors. The bank implements a regional hub model, with six regional offices spread across the country, each responsible for its own region and equipped with its own risk management departments. The bank has a separate department to monitor loan collateral, so that loan placement and performance-tracking functions are segregated.

Table 3: Performance Indicators Compared

Long-Term IDR/ Individual Rating (%)	Kuveyt Turk ('BBB-'/'D')			Bank Asya ('B+'/'D')			Al Baraka ('B+'/'D')		
	9M10	2009	2008	9M10	2009	2008	9M10	2009	2008
Total assets (TRYm)	8,645	6,905	5,768	13,355	11,739	8,155	7,672	6,415	4,789
Asset growth	25	20	49	14	44	29	20	34	30
Loan growth	20	17	38	17	32	38	17	27	32
Profitability and efficiency									
Net financing margin	6	6.5	6.2	5.9	8.0	8.6	4.6	5.0	5.9
Cost/income	55.6	45.4	45.8	60.5	47.5	51.0	56.4	44.8	40.3
Cost/average assets	3.8	3.7	4.1	4.3	4.7	5.7	3.2	2.9	2.9
Operating ROE	20.9	21.1	24.5	16.6	23.9	26.3	19.4	17.8	26.4
Capitalisation									
Fitch eligible capital ratio	17.4	14.6	15	14.0	14.5	12.5	13.6	15.3	17.8
Regulatory capital ratio	17.6	14.6	15.6	14.2	14.8	13.2	13.6	15.3	18.1
Asset quality									
NPL ratio	4.3	5.7	4.9	4.8	5.3	4.9	3.2	3.5	2.8
Cost of risk	0.6	2.6	2.6	0.4	1.7	1.7	0.5	2.2	1.0
Funding									
Loans/customer deposits	100	99	114	102	96	113	94	90	98
Customer deposits/total funding	89	91	80	94	98	93	92	98	98

Source: Bank data adapted by Fitch

Table 4: Loan Portfolio Breakdown

(%)	9M10	2009
Corporate loans	68	70
SMEs	12	10
Retail, of which	19	20
Mortgage	16	16
Credit card	1	2
Other	2	2
Total	100	100

Source: bank data, adapted by Fitch

It has 10-grade rating model and corporate and commercial loans have been assigned rating since 2010. Retail and SME loans are assigned internal scorings. Its systems are ready to report credit risk according to Basel II principles (expected in Turkey in 2011).

Concentration into Construction Sector Driven by Off-Balance-Sheet Exposures

Commercial and corporate customers have historically made up the lion's share of the loan portfolio: 68% of lending was to this segment in 9M10. Services include project financing, profit-/loss-sharing agreements, leasing and letters of credit and guarantees. Off-balance-sheet credit facilities to customers, in the form of guarantees and acceptances, are popular for peers but Kuveyt has the lowest exposure in its group (43% of assets). Off-balance-sheet exposures are subject to the same risk weighting and provisioning rules. These loans generate fee income and non-performance risk is usually much lower than on-balance-sheet exposures. However, around 50% of off-balance-sheet credit facilities were made to the construction sector, meaning that Kuveyt Turk's combined loans (including off-balance-sheet) were 27% to the construction sector, indicating a substantial concentration. Exposures to the top-20 borrowers (on- and off-balance-sheet) equalled 15% of the total loan book (150% of equity) reflecting also some concentration to large borrowers in 9M10.

Retail banking is driven by mortgages (16% of total lending) and SMEs (12% of the total). The maximum LTV allowed on mortgages is 75% and real-estate collaterals are regularly revalued. Other types of consumer loans are negligible.

Loan Loss Experience and Reserves

Kuveyt Turk's NPL ratio improved to 4.3% in 9M10 (2009: 5.7%), helped by rising credit volumes, better recoveries and write-offs in 2009. Fitch notes that the bank's NPL ratio is in line with the sector average but the coverage of problem loans with specific reserves is still low at 58%. However, reserve coverage rises to a reasonable 84% when including the general loan impairment reserves (accounted under liabilities).

The bank also has restructured receivables (recorded as performing) equalling 5.6% of loans, that could potentially become non-performing in case of a persistent volatility. Due to the "monthly payment" rule for all loans, asset quality problems are usually identified earlier at participation banks than at commercial banks. Fitch believes that NPLs have already peaked and the general trend will be an improvement. Kuveyt Turk in particular, is exposed to sudden large-scale credit events due its large exposure to the construction sector.

Low Market Risk

The bank has no securities portfolio, except for a negligible amount of trading derivatives. As an interest-free institution, interest rate risk is minimal; unless the bank intentionally adjusts its margins in response to interest rate movements in the market.

FX-rate volatility is the major market risk. Open FX positions are not allowed internally and are usually hedged with forward transactions or FX swaps. The effect of potential FX volatility would flow through risk-weighted assets into capitalisation, since a considerable share of loans (35%) and deposits (40%) are foreign-currency-denominated. According to the results of Kuveyt Turk's stress tests, the potential impact is limited: a 20% depreciation of the Turkish lira would lead to about a 100bp decrease in Kuveyt Turk's regulatory capital ratio.

Table 5: NPL Ratios by Segment

(%)	9M10	2009	2008
Corporate loans	4.7	4.9	4.6
SMEs	4.6	11.8	6.1
Retail, of which	5.6	5.8	5.1
Mortgage	3.3	4.2	3.8
Credit card	26.8	16.5	8.9
Other	5.3	6.4	7.4
Total NPL ratio	4.3	4.9	4.6
Reserve coverage ^a	58.1	49.5	52.2

^a Includes only specific provisions, excludes general loan provisions recorded under liabilities

Source: bank data adapted by Fitch

Funding and Capital

Well-Diversified Deposit Base

Kuveyt Turk is 89% funded by participation accounts (customer deposits). These deposits are well diversified between small depositors, as evidenced by the low share of top-20 accounts (only 9%) in the total. Management has so far made substantial efforts to improve deposit diversification.

Fitch believes that the stability of the deposit base has been tested several times during previous economic cycles. The Islamic motivation of certain depositors to avoid commercial banks and interest-related income also supports deposit stability. In addition, the bank can always increase the profit-/loss-sharing ratio (which is currently at 80%), so that it can attract new deposits at the expense of margins.

Table 6: Asset Quality Trends Compared

(%)	9M10		
	Kuveyt Turk	Bank Asya	Albaraka
Loan growth	20.5	16.7	17.0
NPL ratio	4.3	4.8	3.2
Cost of risk ^a	0.55	0.42	0.52
Restructured loans ^b	5.6	6.7	4.1
Reserve coverage	58.2	70.1	90.9

^a Loan impairment charges/average gross loans

^b Restructured loans reported as performing/gross loans

Source: bank data adapted by Fitch

Kuveyt Turk issued the first ever Sukuk in Turkey in August 2010. Although the issue was very small in size (USD100m), Fitch considers it a positive move in the direction of funding diversification.

Comfortable Liquidity

Given the absence of other liquid assets or securities that could be pledged at the central bank for overnight borrowing, a high level of liquid assets is necessary. Liquid assets (defined as cash, advances to banks and reserves at the central bank) equalled a satisfactory 23% of assets in 9M10, and covered 32% of customer deposits, the highest in its peer group.

Fitch's view on the bank's liquidity is positive. Its liquidity ultimately relies on its core deposit base, which has been stable to date, as well as on the support it could expect to receive from its parent.

Table 7: Capitalisation and Liquidity Compared

(%)	9M10		
	Kuveyt Turk	Bank Asya	Albaraka
Regulatory capital ratio	17.6	14.2	13.6
Fitch core capital ratio	17.4	14	13.6
Liquid assets/customer deposits	32	23	25
Loans/customer deposits	100	102	94

Source: bank data adapted by Fitch

Cash Capital Injection in June 2010 to Support Planned Growth

In June 2010, shareholders increased the paid-in capital to TRY850m through a cash capital injection of TRY300m. New capital will be used towards planned growth. As a result of the capital increase, Fitch's core capital ratio increased to 17.4% and Kuveyt Turk's regulatory capital ratio was 17.6% at end-9M10.

Given the potentially volatile operating environment, Fitch considers Kuveyt Turk's capitalisation to be adequate as long as current capitalisation ratios are maintained. Fitch also believes that KFH would provide capital support if and when required.

Kuveyt Turk Katilim Bankasi A.S Income Statement

	30 Sep 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	TRYth	Earning	TRYth	Earning	TRYth	Earning	TRYth	Earning
	Unqualified	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets	Unqualified	Assets
1. Income on Financing	330.9	482,345.0	8.68	643,945.0	11.36	538,750.0	10.65	383,865.0	11.23
2. Other Income from Financing	18.4	26,750.0	0.48	24,189.0	0.43	23,221.0	0.46	13,347.0	0.39
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Financing and Dividend Income	349.3	509,095.0	9.17	668,134.0	11.78	561,971.0	11.11	397,212.0	11.62
5. Funding Expense on Customer Deposits	143.4	209,040.0	3.76	299,973.0	5.29	268,140.0	5.30	177,465.0	5.19
6. Other Funding Expense	6.1	8,883.0	0.16	20,502.0	0.36	30,315.0	0.60	30,440.0	0.89
7. Total Funding Expense	149.5	217,923.0	3.92	320,475.0	5.65	298,455.0	5.90	207,905.0	6.08
8. Net Financing Income	199.8	291,172.0	5.24	347,659.0	6.13	263,516.0	5.21	189,307.0	5.54
9. Net Gains (Losses) on Trading and Derivatives	30.3	44,224.0	0.80	80,471.0	1.42	84,799.0	1.68	22,941.0	0.67
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
13. Net Fees and Commissions	28.9	42,129.0	0.76	58,116.0	1.02	53,441.0	1.06	38,495.0	1.13
14. Other Operating Income	12.8	18,670.0	0.34	30,169.0	0.53	25,369.0	0.50	15,121.0	0.44
15. Total Non-Financing Operating Income	72.0	105,023.0	1.89	168,756.0	2.98	163,609.0	3.23	76,557.0	2.24
16. Personnel Expenses	81.6	118,986.0	2.14	134,827.0	2.38	110,263.0	2.18	83,049.0	2.43
17. Other Operating Expenses	69.6	101,400.0	1.83	99,843.0	1.76	85,433.0	1.69	60,452.0	1.77
18. Total Non-Funding Expenses	151.2	220,386.0	3.97	234,670.0	4.14	195,696.0	3.87	143,501.0	4.20
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	120.6	175,809.0	3.17	281,745.0	4.97	231,429.0	4.57	122,363.0	3.58
21. Financing Impairment Charge	16.3	23,817.0	0.43	124,221.0	2.19	100,087.0	1.98	33,762.0	0.99
22. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. Operating Profit	104.3	151,992.0	2.74	157,524.0	2.78	131,342.0	2.60	88,601.0	2.59
24. Equity-accounted Profit/ Loss - Non-operating	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	8.3	12,051.0	0.22	6,153.0	0.11	3,059.0	0.06	4,786.0	0.14
29. Pre-tax Profit	112.5	164,043.0	2.95	163,677.0	2.89	134,401.0	2.66	93,387.0	2.73
30. Tax expense	24.4	35,543.0	0.64	36,544.0	0.64	30,315.0	0.60	19,264.0	0.56
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
32. Net Income	88.2	128,500.0	2.31	127,133.0	2.24	104,086.0	2.06	74,123.0	2.17
33. Change in Value of AFS Investments	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
34. Revaluation of Fixed Assets	n.a.	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	88.2	128,500.0	2.31	127,133.0	2.24	104,086.0	2.06	74,123.0	2.17
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	88.2	128,500.0	2.31	127,133.0	2.24	104,086.0	2.06	74,123.0	2.17
40. Memo: Common Dividends Relating to the Period	7.0	10,275.0	0.18	5,500.0	0.10	6,990.0	0.14	2,528.0	0.07
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange rate

USD1 = TRY1.45766

USD1 = TRY1.49090

USD1 = TRY1.52545

USD1 = TRY1.16210

Kuveyt Turk Katilim Bankasi A.S

Balance Sheet

	30 Sep 2010			31 Dec 2009			31 Dec 2008			31 Dec 2007		
	9 Months - 3rd Quarter USDm	9 Months - 3rd Quarter TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets	
Assets												
A. Financing												
1. Residential Mortgage Financing	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	
2. Other Mortgage Financing	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-	
3. Other Consumer/ Retail Financing	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	
4. Corporate & Commercial Financing	4,117.2	6,001,496.0	69.42	4,904,932.0	71.04	4,237,341.0	73.46	3,086,584.0	79.79			
5. Other Financing	182.7	266,245.0	3.08	298,209.0	4.32	216,346.0	3.75	133,128.0	3.44			
6. Less: Reserves for Impaired Financing	106.3	155,004.0	1.79	147,611.0	2.14	112,984.0	1.96	59,574.0	1.54			
7. Net Financing	4,193.5	6,112,737.0	70.71	5,055,530.0	73.22	4,340,703.0	75.25	3,160,138.0	81.69			
8. Gross Financing	4,299.9	6,267,741.0	72.50	5,203,141.0	75.36	4,453,687.0	77.21	3,219,712.0	83.23			
9. Memo: Impaired Financing included above	182.7	266,245.0	3.08	298,209.0	4.32	216,346.0	3.75	133,128.0	3.44			
10. Memo: Financing at Fair Value included above	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
B. Other Earning Assets												
1. Financing to Banks	820.3	1,195,763.0	13.83	531,395.0	7.70	642,491.0	11.14	216,936.0	5.61			
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
3. Trading Securities and at FV through Income	2.5	3,610.0	0.04	0.0	0.00	64.0	0.00	133.0	0.00			
4. Derivatives	24.5	35,744.0	0.41	9,925.0	0.14	13,933.0	0.24	3,978.0	0.10			
5. Available for Sale Securities	3.1	4,547.0	0.05	27.0	0.00	0.0	0.00	0.0	0.00			
6. Held to Maturity Securities	0.0	0.0	0.00	7,529.0	0.11	7,583.0	0.13	5,852.0	0.15			
7. At-equity Investments in Associates	39.2	57,170.0	0.66	49,362.0	0.71	38,420.0	0.67	13,438.0	0.35			
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
9. Total Securities	69.3	101,071.0	1.17	66,843.0	0.97	60,000.0	1.04	23,401.0	0.60			
10. Memo: Government Securities included Above	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
12. Investments in Property	11.4	16,595.0	0.19	16,770.0	0.24	16,911.0	0.29	17,237.0	0.45			
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
15. Total Earning Assets	5,094.6	7,426,166.0	85.90	5,670,538.0	82.13	5,060,105.0	87.73	3,417,712.0	88.35			
C. Non-Earning Assets												
1. Cash and Due From Banks	562.9	820,512.0	9.49	867,201.0	12.56	562,157.0	9.75	357,377.0	9.24			
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
3. Foreclosed Real Estate	10.6	15,485.0	0.18	10,600.0	0.15	7,870.0	0.14	3,236.0	0.08			
4. Fixed Assets	108.4	157,990.0	1.83	133,244.0	1.93	91,469.0	1.59	67,485.0	1.74			
5. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
6. Other Intangibles	6.2	9,077.0	0.10	8,187.0	0.12	2,806.0	0.05	1,590.0	0.04			
7. Current Tax Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
8. Deferred Tax Assets	6.0	8,740.0	0.10	7,719.0	0.11	9,361.0	0.16	7,461.0	0.19			
9. Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
10. Other Assets	142.1	207,181.0	2.40	207,037.0	3.00	34,266.0	0.59	13,457.0	0.35			
11. Total Assets	5,930.8	8,645,151.0	100.00	6,904,526.0	100.00	5,768,034.0	100.00	3,868,318.0	100.00			
Liabilities and Equity												
D. Remunerative Liabilities												
1. Customer Deposits - Current	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
3. Customer Deposits - Term	4,285.0	6,246,041.0	72.25	5,233,840.0	75.80	3,916,453.0	67.90	2,857,147.0	73.86			
4. Total Customer Deposits	4,285.0	6,246,041.0	72.25	5,233,840.0	75.80	3,916,453.0	67.90	2,857,147.0	73.86			
5. Deposits from Banks	164.4	239,700.0	2.77	124,417.0	1.80	152,919.0	2.65	71,161.0	1.84			
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
7. Other Deposits and Short-term Borrowings	258.7	377,098.0	4.36	378,385.0	5.48	795,549.0	13.79	52,003.0	1.34			
8. Total Deposits, Money Market and Short-term Funding	4,708.1	6,862,839.0	79.38	5,736,642.0	83.09	4,864,921.0	84.34	2,980,311.0	77.04			
9. Senior Debt Maturing after 1 Year	100.1	145,878.0	1.69	5,296.0	0.08	5,060.0	0.09	366,137.0	9.47			
10. Subordinated Funding	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
11. Other Funding	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
12. Total Long Term Funding	100.1	145,878.0	1.69	5,296.0	0.08	5,060.0	0.09	366,137.0	9.47			
13. Derivatives	11.0	16,056.0	0.19	6,231.0	0.09	25,664.0	0.44	6,647.0	0.17			
14. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
15. Total Funding	4,819.2	7,024,773.0	81.26	5,748,169.0	83.25	4,895,645.0	84.88	3,353,095.0	86.68			
E. Non-Remunerative Liabilities												
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
2. Credit Impairment Reserves	46.3	67,483.0	0.78	51,166.0	0.74	39,026.0	0.68	22,419.0	0.58			
3. Reserves for Pensions and Other	18.5	26,941.0	0.31	31,665.0	0.46	24,584.0	0.43	23,238.0	0.60			
4. Current Tax Liabilities	25.1	36,564.0	0.42	34,902.0	0.51	32,215.0	0.56	7,816.0	0.20			
5. Deferred Tax Liabilities	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
7. Discontinued Operations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
9. Other Liabilities	181.0	263,853.0	3.05	231,312.0	3.35	90,885.0	1.58	73,167.0	1.89			
10. Total Liabilities	5,090.1	7,419,614.0	85.82	6,097,214.0	88.31	5,082,355.0	88.11	3,479,735.0	89.95			
F. Hybrid Capital												
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
G. Equity												
1. Common Equity	840.8	1,225,537.0	14.18	807,312.0	11.69	685,679.0	11.89	388,583.0	10.05			
2. Non-controlling Interest	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
3. Securities Revaluation Reserves	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-			
5. Fixed Asset Revaluations and Other Accumulated OCI	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00			
6. Total Equity	840.8	1,225,537.0	14.18	807,312.0	11.69	685,679.0	11.89	388,583.0	10.05			
7. Total Liabilities and Equity	5,930.8	8,645,151.0	100.00	6,904,526.0	100.00	5,768,034.0	100.00	3,868,318.0	100.00			
8. Memo: Fitch Core Capital	834.5	1,216,460.0	14.07	799,125.0	11.57	682,873.0	11.84	386,993.0	10.00			
9. Memo: Fitch Eligible Capital	834.5	1,216,460.0	14.07	799,125.0	11.57	682,873.0	11.84	386,993.0	10.00			

Exchange rate

USD1 = TRY1.45766

USD1 = TRY1.49090

USD1 = TRY1.52545

USD1 = TRY1.16210

Kuveyt Turk Katilim Bankasi A.S

Summary Analytics

	30 Sep 2010 9 Months - 3rd Quarter	31 Dec 2009 Year End	31 Dec 2008 Year End	31 Dec 2007 Year End
A. Financing Ratios				
1. Income from Financing/ Average Gross Financing	8.32	13.34	14.04	13.35
2. Funding Expense on Customer Deposits/ Average Customer Deposits	4.85	6.56	7.92	6.80
3. Gross Financing and Dividend Income/ Average Earning Assets	10.49	12.45	13.26	13.25
4. Total Funding Expense/ Average Remunerative Liabilities	4.55	6.02	7.24	6.97
5. Net Financing Income/ Average Earning Assets	6.00	6.48	6.22	6.31
6. Net Fin. Income Less Fin. Impairment Charges/ Av. Earning Assets	5.51	4.16	3.86	5.19
7. Net Fin. Income Less Preferred Stock Dividend/ Av. Earning Assets	6.00	6.48	6.22	6.31
B. Other Operating Profitability Ratios				
1. Non-Financing Income/ Gross Revenues	26.51	32.68	38.30	28.80
2. Non-Funding Expense/ Gross Revenues	55.63	45.44	45.82	53.98
3. Non-Funding Expense/ Average Assets	3.81	3.70	4.06	4.22
4. Pre-impairment Op. Profit/ Average Equity	24.11	37.74	43.09	38.49
5. Pre-impairment Op. Profit/ Average Total Assets	3.04	4.45	4.80	3.60
6. Fin. and securities impairment charges/ Pre-impairment Op. Profit	13.55	44.09	43.25	27.59
7. Operating Profit/ Average Equity	20.85	21.10	24.45	27.87
8. Operating Profit/ Average Total Assets	2.63	2.49	2.73	2.60
9. Taxes/ Pre-tax Profit	21.67	22.33	22.56	20.63
10. Pre-Impairment Operating Profit / Risk Weighted Assets	3.35	5.15	5.08	4.58
11. Operating Profit / Risk Weighted Assets	2.90	2.88	2.88	3.32
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	17.62	17.03	19.38	23.32
2. Net Income/ Average Total Assets	2.22	2.01	2.16	2.18
3. Fitch Comprehensive Income/ Average Total Equity	17.62	17.03	19.38	23.32
4. Fitch Comprehensive Income/ Average Total Assets	2.22	2.01	2.16	2.18
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	2.45	2.33	2.28	2.77
7. Fitch Comprehensive Income/ Risk Weighted Assets	2.45	2.33	2.28	2.77
D. Capitalization				
1. Fitch Core Capital/Weighted Risks	17.36	14.62	14.99	14.48
2. Fitch Eligible Capital/ Weighted Risks	17.36	14.62	14.99	14.48
3. Tangible Common Equity/ Tangible Assets	14.09	11.59	11.84	10.01
4. Tier 1 Regulatory Capital Ratio	17.01	13.97	15.08	14.15
5. Total Regulatory Capital Ratio	17.59	14.56	15.63	14.72
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	14.18	11.69	11.89	10.05
8. Cash Dividends Paid & Declared/ Net Income	8.00	4.33	6.72	3.41
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	8.00	4.33	6.72	3.41
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	12.90	15.07	14.16	18.42
E. Financing Quality				
1. Growth of Total Assets	25.21	19.70	49.11	31.75
2. Growth of Gross Financing	20.46	16.83	38.33	27.17
3. Impaired Financing/ Gross Financing	4.25	5.73	4.86	4.13
4. Reserves for Impaired Financing/ Gross Financing	2.47	2.84	2.54	1.85
5. Reserves for Impaired Financing/ Impaired Financing	58.22	49.50	52.22	44.75
6. Impaired Financing less Reserves for Imp Financing/ Equity	9.08	18.65	15.07	18.93
7. Financing Impairment Charges/ Average Gross Financing	0.55	2.57	2.61	1.17
8. Net Charge-offs/ Average Gross Financing	0.00	1.66	0.83	1.06
9. Impaired Fin. + Foreclosed Assets/ Gross Fin. + Foreclosed Assets	4.48	5.92	5.03	4.23
F. Funding				
1. Financing/ Customer Deposits	100.35	99.41	113.72	112.69
2. Interbank Assets/ Interbank Liabilities	498.86	427.11	420.15	304.85
3. Customer Deposits/ Total Funding excl Derivatives	89.12	91.15	80.42	85.38

Kuveyt Turk Katilim Bankasi A.S

Reference Data

	30 Sep 2010			31 Dec 2009		31 Dec 2008		31 Dec 2007	
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of
	USDm	TRYth	Assets	TRYth	Assets	TRYth	Assets	TRYth	Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	2,220.1	3,236,124.0	37.43	2,867,436.0	41.53	2,799,023.0	48.53	1,451,541.0	37.52
4. Acceptances and documentary credits reported off-balance sheet	330.2	481,287.0	5.57	463,195.0	6.71	394,277.0	6.84	318,242.0	8.23
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	588.3	857,510.0	9.92	1,924,469.0	27.87	655,231.0	11.36	346,571.0	8.96
7. Total Business Volume	9,069.4	13,220,072.0	152.92	12,159,626.0	176.11	9,616,565.0	166.72	5,984,672.0	154.71
8. Memo: Total Weighted Risks	4,807.6	7,007,819.0	81.06	5,465,599.0	79.16	4,555,841.0	78.98	2,672,367.0	69.08
9. Fitch Adjustments to Weighted Risks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Fitch Adjusted Weighted Risks	4,807.6	7,007,819.0	81.06	5,465,599.0	79.16	4,555,841.0	78.98	2,672,367.0	69.08
B. Average Balance Sheet									
Average Financing	3,976.2	5,795,929.0	67.04	4,828,414.0	69.93	3,836,700.0	66.52	2,875,784.0	74.34
Average Earning Assets	4,453.0	6,490,962.0	75.08	5,365,322.0	77.71	4,238,909.0	73.49	2,997,997.0	77.50
Average Assets	5,306.6	7,735,221.0	89.47	6,336,280.0	91.77	4,818,176.0	83.53	3,402,200.0	87.95
Average Managed Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Remunerative Liabilities	4,393.3	6,403,946.0	74.08	5,321,907.0	77.08	4,124,370.0	71.50	2,983,606.0	77.13
Average Common equity	668.8	974,863.0	11.28	746,496.0	10.81	537,131.0	9.31	317,911.0	8.22
Average Equity	668.8	974,863.0	11.28	746,496.0	10.81	537,131.0	9.31	317,911.0	8.22
Average Customer Deposits	3,952.4	5,761,278.0	66.64	4,575,147.0	66.26	3,386,800.0	58.72	2,610,328.0	67.48
C. Maturities									
Asset Maturities:									
Financing < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Financing 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Financing 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Financing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Interbank > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Equity Reconciliation									
1. Equity	840.8	1,225,537.0	14.18	807,312.0	11.69	685,679.0	11.89	388,583.0	10.05
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustment	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	840.8	1,225,537.0	14.18	807,312.0	11.69	685,679.0	11.89	388,583.0	10.05
E. Fitch Eligible Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	840.8	1,225,537.0	14.18	807,312.0	11.69	685,679.0	11.89	388,583.0	10.05
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	6.2	9,077.0	0.10	8,187.0	0.12	2,806.0	0.05	1,590.0	0.04
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	834.5	1,216,460.0	14.07	799,125.0	11.57	682,873.0	11.84	386,993.0	10.00
10. Eligible weighted Hybrid capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	834.5	1,216,460.0	14.07	799,125.0	11.57	682,873.0	11.84	386,993.0	10.00
13. Eligible Hybrid Capital Limit	357.7	521,338.0	6.03	342,481.0	4.96	292,659.0	5.07	165,854.0	4.29

Exchange Rate USD1 = TRY1.45766 USD1 = TRY1.49090 USD1 = TRY1.52545 USD1 = TRY1.16210

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