

Corporate Credit & Issue Rating
Annual Update

Banking

Şekerbank		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC: Stable LC: Stable	Stable
National	Local Rating	AA- (Trk)	A-1+ (Trk)
	Outlook	Negative	Negative
Sponsor Support		2	-
Stand Alone		AB	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC: Stable LC: Stable	-

Şekerbank T.A.Ş.					
Financial Data	2015	2014	2013	2012	2011
Total Assets (000,000 USD)	8,714	9,470	9,099	8,468	7,807
Total Assets (000,000 TRY)	25,337	21,959	19,384	15,052	14,746
Total Deposit (000,000 TRY)	14,894	13,620	12,730	10,238	9,193
Total Net Loans (000,000 TRY)	17,544	15,396	14,082	10,512	9,039
Equity (000,000 TRY)	2,448	2,349	1,963	1,833	1,478
Net Profit (000,000 TRY)	60	274	108	234	204
Market Share (%) *	1.04	1.06	1.08	1.06	1.18
ROAA (%) **	0.12	1.60	0.80	1.97	1.96
ROAE (%) **	1.20	15.32	7.25	17.71	18.33
Equity/Assets (%)	9.66	10.70	10.13	12.17	10.02
CAR - Capital Adequacy Ratio (%)	13.06	14.11	13.05	14.02	12.93
Asset Growth Rate (Annual) (%)	15.38	13.28	28.78	2.08	27.61

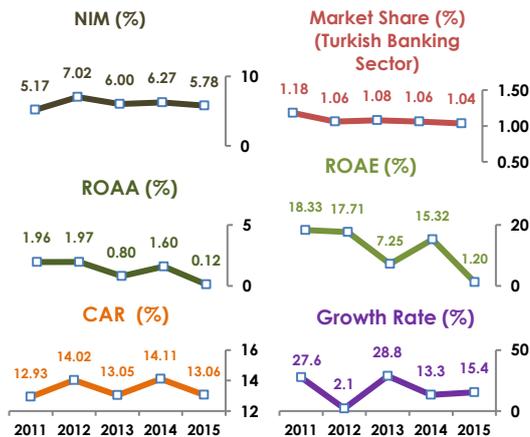
* Solo based among the Turkish Banking Sector ** Pre-tax Profit to Avg. Total Assets and Equity

Overview

Şekerbank T.A.Ş. (hereinafter Şekerbank or the Bank) was established in 1953 in Eskişehir under the name Pancar Kooperatifleri Bankası A.Ş. with the small savings of thousands of Anatolian sugarbeet cooperative farmers with the aim of supporting agricultural production and trade. In 1956, the Bank's head office moved to Ankara and the Bank was renamed as Şekerbank. It has been operating in Istanbul since 2004. As an integrated financial institution, Şekerbank provides services in the corporate, commercial, SME, and retail banking fields through its nationwide network of 273 branches in 71 cities across Turkey along with services in leasing, factoring, finance, insurance, and brokerage services through its subsidiaries.

15% of the Bank's total shares were initially offered to the public in 1997 and 34.19% were quoted on the Borsa İstanbul (BIST) as of FYE2015. On April 29, 2016, 9.43% of Şekerbank's shares belonging to BTA Securities JSC was acquired by the Bank through a TRY 175mn tender. The tender for the share sale was finalized on July 25, 2016. Accordingly, Şekerbank T.A.Ş. Personeli Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı holds the majority of shares.

Notwithstanding the enlargement in both assets and loan portfolio coupled with the increase in net interest income (NII), the Bank's net profit figure tumbled in FY2015 compared to the previous year due to remarkable growth in provision expenses and contraction in other operating income stemming from FX losses. As of 1H2016, the feeble profitability performance and increase in NPLs ratio were maintained. According to the Banks Association of Turkey, Şekerbank was the fifteenth largest banking institution among 47 banks in Turkey in terms of asset size as of FYE2015.



Strengths

- Despite the highly volatile nature, generation of continuous profits over the reviewed period
- Diversified funding sources through overseas bond issuance, declining dependency on the deposits while contributing to the maturity mismatch
- Broad and sticky deposit customer base providing conformity to liquidity management up to a certain extent
- Ability to diversify funding resources by accessing overseas markets and ability to obtain syndication, subordinated, and bond issuances, which is the first asset covered bonds secured by SME loans
- Established relationships with international financial institutions
- Retention of profits and continuity of cash equity injection contributing to the equity level though the capital adequacy level above the requirement level, despite staying below sector averages
- High level of compliance with corporate governance best practices and continuity
- Established operating history dating back over 60 years

Constraints

- High risk content of the loans portfolio, despite low concentration risk in the cash loans book in particular
- Permanency of the deterioration in asset quality through an increase in NPLs, almost double that of the sector's
- Below sector average specific loan loss reserves coverage lessening asset quality
- Remarkably below sector average weak profitability indicators exerting pressure on sustainability
- Increasing geopolitical risks pertaining bordering countries harbouring diminishing risk appetite of investors and deceleration economic growth that suppresses profit margins through weakening debt-servicing capabilities of real sector actors
- Sector-wide structural maturity mismatches and short maturity profile of deposits