

Corporate Credit Rating
Annual Update

Banking

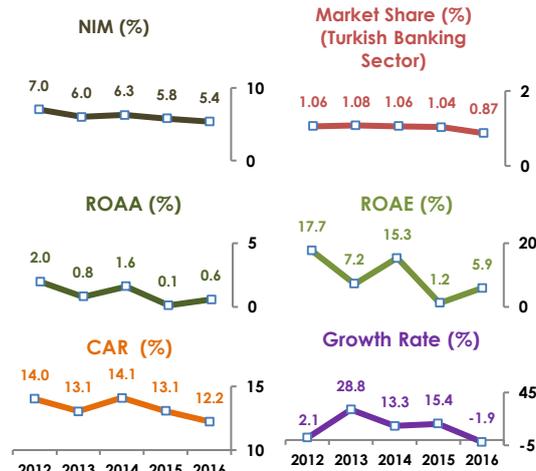
Şekerbank		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC	Stable
LC		Stable	Stable
National	Local Rating	AA- (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
Sponsor Support		2	-
Stand Alone		AB	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook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

Şekerbank T.A.Ş.						
Financial Data	1H2017	2016	2015	2014	2013	2012
Total Assets (mn USD)	7,683	7,065	8,714	9,470	9,099	8,468
Total Assets (mn TRY)	27,020	24,864	25,337	21,959	19,384	15,052
Total Deposit (mn TRY)	17,004	16,092	14,894	13,620	12,730	10,238
Total Net Loans mn TRY)	19,562	18,524	17,544	15,396	14,082	10,512
Equity (mn TRY)	2,591	2,439	2,448	2,349	1,963	1,833
Net Profit (mn TRY)	51.6	117	60	274	108	234
Market Share (%) *	0.91	0.87	1.04	1.06	1.08	1.06
ROAA (%) **	n.m.	0.58	0.12	1.60	0.80	1.97
ROAE (%) **	n.m.	5.94	1.20	15.32	7.25	17.71
Equity/Assets (%)	9.59	9.81	9.66	10.70	10.13	12.17
CAR - Capital Adequacy Ratio (%)	15.06	12.24	13.06	14.11	13.05	14.02
Asset Growth Rate (Annual) (%)	13.44	-1.87	15.38	13.28	28.78	2.08

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

*Affirmed by Japan Credit Rating Agency, JCR on October 07, 2016

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Strengths

- Generation of continuous profits over the reviewed period, despite the highly volatile nature and below sector average figures
- Broad and sticky deposit customer base ensuring conformity to liquidity management to a certain extent
- Expertise in SMEs and agricultural banking
- Capability to diversify funding resources by accessing overseas markets through borrowing, syndication, subordinated loan and bond issuances
- Established relationships with international financial institutions
- High level of compliance with corporate governance implementations and steadiness
- Established operating history dating back over 60 years

Overview

Şekerbank T.A.Ş. (hereinafter Şekerbank or the Bank) was established in 1953 in Eskişehir under the name of 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. 15% of the Bank's shares were initially offered to public in 1997 and currently 34.19% of the Bank's shares are publicly traded on the Borsa Istanbul (BIST). Şekerbank T.A.Ş. Personeli Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı, provides its members with additional social rights and retirement guarantees in the social security system, holds the majority of shares.

Şekerbank provides services in the corporate, commercial, SMEs, and retail banking fields through 273 branches across Turkey as of June 2017 along with services in leasing, factoring, mortgage and brokerage services through its subsidiaries. According to the Banks Association of Turkey, Şekerbank was the 16th largest bank among the 47 total banking institutions regarding the solo based asset size of TRY 23.8bl as of FYE2016.

Despite quite limited increase in NII and net fee & commission income as of FYE2016, the Bank's net profit almost doubled compared to the previous year thanks to other operating income growth. Increase in NPLs ratio was maintained in FY2016 despite the write-off of TRY 500mn non-performing loans and their sale with the amount of TRY 11mn. As of 1H2017, the Bank's capital adequacy ratio exhibited significant progress resulting principally from the regulations made by BRSA.

Constraints

- Perpetuity of the deterioration in asset quality through an increase in NPLs, nearly twofold that of the sector's
- Growth in concentration risk in the cash loans book
- High risk content of the loans portfolio
- Notably below sector average specific loan loss reserves coverage fading asset quality
- Continuity of remarkably below sector average and feeble profitability metrics
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Sector wide difficulties in the rollover of overseas borrowing facilities to a small extent and funding lines in recent period