

## Corporate Credit & Issue Rating

New  Update

Sector: Banking

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### RATINGS

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

\*Affirmed by JCR on November 10, 2017

## Albaraka Türk Katılım Bankası A.Ş.

### Company Overview

Financial Data	2017*	2016*	2015*	2014*	2013*
Total Assets (000,000 USD)	9,535	9,320	10,152	9,925	8,081
Total Assets (000,000 TRY)	36,332	32,800	29,517	23,014	17,216
Total Deposit (000,000 TRY)	25,244	23,151	20,341	16,643	12,529
Total Net Loans (000,000 TRY)	25,193	22,722	19,505	16,184	12,060
Equity (000,000 TRY)	2,645	2,273	2,096	1,786	1,497
Net Profit (000,000 TRY)	265	220	301	248	241
Market Share (%) **	22.62	24.72	24.58	22.08	17.92
ROAA (%)	0.92	0.85	1.42	1.60	2.02
ROAE (%)	12.90	12.17	19.28	19.56	22.03
Equity/Assets (%)	7.28	6.93	7.10	7.76	8.69
CAR - Capital Adequacy Ratio (%)	17.78	13.45	15.16	13.89	14.82
Asset Growth Rate (Annual) (%)	10.77	11.12	28.26	33.68	39.65

\* End of year \*\* On solo basis among the Participation Banking Sector

Albaraka Türk Katılım Bankası A.Ş. (hereinafter referred to as “Albaraka” or “the Bank”) operates in the fields of SME, corporate, commercial, investment and retail banking services strictly conformable to the principles of Islamic Shari’a. The first finance institution in the interest-free banking field in Turkey, the Bank was incorporated in 1984 and launched operations in the beginning of 1985. Albaraka Türk went public in 2007 and is currently trading on the Borsa Istanbul A.Ş. (BIST) under the ticker “ALBRK” with a current free float rate of 25.16%. The qualified shareholder, the Bahrain-based Al Baraka Banking Group B.S.C., is listed on the Bahrain stock exchange and NASDAQ Dubai and is one of the leading groups in the Middle East with an asset size of USD 25,453mn. The group held 54.06% of shares at FYE2017 and is engaged in banking activities strictly conformable to the principles of Islamic Shari’a in Algeria, Bahrain, Tunisia, Egypt, Lebanon, Jordan, Turkey, Africa, Sudan, Pakistan and Syria with a total network of 675 branches/offices.

While all notes of Albaraka have been affirmed, its short and long term national ratings outlooks were revised to “Stable” from “Negative” considering; notable improvement in capital adequacy level, a slight improvement in NPLs though remaining above sector averages, a slight enhancement in profitability, net profit growth projection and provided perpetuity additional capital Tier 1 amounting to USD 205mn through Sukuk Issuance- listed on the Irish Stock Exchange, in accordance with Basel III criteria.

### Strengths

- Continuity of income generation power,
- Favorable loan to deposit ratio providing conformity to liquidity management
- Maintenance of access to international financial markets
- High level of compliance concerning corporate governance implementations
- Good track record and qualified management team
- High market influence in participation banking sector with an asset size-based market share of 22.62%

### Constraints

- High and above sector average non-performing loans ratio pressuring asset quality
- Lower net fee & commission income generation competence than the sector averages
- Continuity of weak profitability indicators, particularly those of ROAA and ROAE, which underperformed the sector averages
- Below sector average loan loss reserves coverage
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Dependence on tier 2 capital instruments despite the presence of satisfactory capitalization
- Persistence of high geopolitical risks in the nearby region and cross-border military operations pressuring the investor sentiment
- Steadiness of high credit risk concentration among the top 100 customers

