

Corporate Credit & Issue Rating

New Update

Sector: Banking

Publishing Date: 20/06/2018

Analyst(s)

Özgür Fuad Engin, CFA

+90 212 352 56 73

ozgur.engin@jcrer.com.tr

RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Stable	Stable
		LC Stable	Stable
National	Issue Rating	BBB-	BBB-
	Local Rating	AAA (Alb)	A-1+ (Alb)
	Outlook	Stable	Stable
	Issue Rating	AAA (Alb)	A-1+ (Alb)
Sovereign*	Sponsor Support	2	-
	Stand-Alone	AB	-
	Foreign Currency	BB+	B
	Local Currency	BB+	B
	Outlook	FC Positive	Stable
		LC Positive	Stable

*Affirmed by JCR ER on June 13, 2018

Banka Kombetare Tregtare Sh.A.

Company Overview

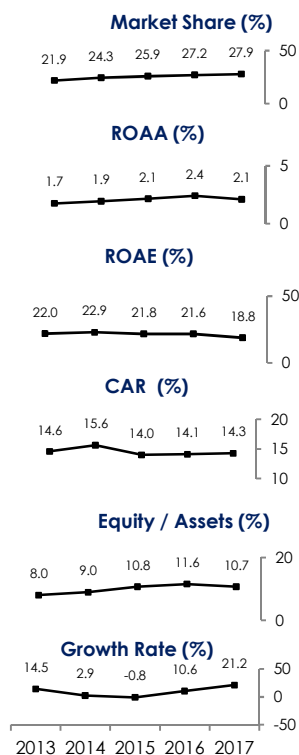
Financial Data	1Q2018 **	2017*	2016*	2015*	2014*
Total Assets (EURO mn)	3,106	3,066	2,861	2,502	2,266
Total Assets (USD mn)	3,829	3,659	3,019	2,730	2,753
Equity (USD mn)	414	391	350	294	247
Loans to Customers (USD mn)	1,215	1,172	1,007	917	920
Customer Deposits (USD mn)	3,006	2,868	2,348	2,223	2,141
Net Profit (USD mn)	15	59	58	50	44
Market Share (%) ⁽¹⁾	27.99	27.87	27.23	25.9	24.33
ROAA, pre-tax (%)	n.a	2.09	2.41	2.15	1.95
ROAE, pre-tax (%)	n.a	18.80	21.58	21.78	22.91
Equity/Assets (%)	10.82	10.70	11.58	10.75	8.96
Capital Adequacy Ratio (%)	15.00	14.28	14.08	13.99	15.61
Annual Asset Growth Rate (%)	n.a	21.22	10.58	-0.82	2.87

* Audited financial statements ** Unaudited figures ⁽¹⁾ Based on BoA Reporting Standards

Banka Kombetare Tregtare Sh.A. (referred to as “the Bank” or “BKT”) dates back to 1993 in its current name, when it was founded after the merger of the Albanian Commercial Bank and the National Bank of Albania, while its historical origins trace back to 1925 with the inauguration of its first branch in Durres. Çalık Finansal Hizmetler A.Ş., a subsidiary of a leading Turkey based conglomerate Çalık Holding A.Ş., fully acquired the Bank in 2009 and Çalık Group maintains the ultimate ownership status. As the oldest commercial bank in Albania, the Bank offers a wide range of products and services to the public & private sectors as well as retail banking services for individuals.

The Bank continues to surpass the Sector benchmarks and maintains its leading position with respect to asset size, equity, deposits, loan to customer, investment securities, placement and net profit. BKT maintains its commanding position in the Sector, having been identified as a systemically important bank in Albania. BKT's net income as of YE2017 accounted for 31.17% of the banking sector profits, including only the profitable banks in the system.

BKT operates principally in the Republic of Albania through 65 branches (including 2 custom agencies). The network in Kosovo comprises 27 branches. As of December 31, 2017, the Bank employed a staff of 1,292, 348 of which were employees of the Kosovo Branch.



Strengths

- Dominant position in Albanian banking system
- Consistent and strong profitability indicators, outperforming sector peers
- Widespread and core deposit base, supporting the liquidity profile and enlarging the funding pool
- Established risk management and underwriting procedures along with prudent collateralization
- Corporate governance framework coupled with well-established risk management framework and practices
- Consistent and experienced management team

Constraints

- Challenging operating environment consisting of persistent high impaired loans, weak consumer spending, material unemployment rates, low level of wages, high public debt, informal economy and reform requirements in institutional effectiveness and solvency laws
- Lack of credit growth from foreign underwriting component despite potential, due to limitations imposed by the regulator
- While notable below the Sector averages, high impaired loans and relatively low provision coverage of NPLs
- Continuity of high credit risk concentration among the top 20 corporate cash loans customers