

Corporate Credit Rating

□ New ☒ Update

Sector: Banking

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Analyst(s)

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RATINGS

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

*Affirmed by JCR on August 14, 2018

Şekerbank T.A.Ş. And Its Subsidiaries

Company Overview

Financial Data	1H2018**	2017*	2016*	2015*	2014*
Total Assets (mn USD)	7,547	8,725	7,065	8,714	9,470
Total Assets (mn TRY)	34,420	32,911	24,864	25,337	21,959
Total Deposit (mn TRY)	21,525	19,883	16,092	14,894	13,620
Total Net Loans (mn TRY)	23,278	21,741	18,524	17,544	15,396
Equity (mn TRY)	2,405	2,596	2,439	2,448	2,349
Net Profit (mn TRY)	71	91	117	60	274
Market Share (%) ***	0.89	0.96	0.87	1.04	1.06
ROAA (%)****	n.m.	0.40	0.58	0.12	1.60
ROAE (%)****	n.m.	4.60	5.94	1.20	15.32
Equity/Assets (%)	6.99	7.89	9.81	9.66	10.70
CAR - Capital Adequacy Ratio (%)	13.53	14.29	12.24	13.06	14.11
Asset Growth Rate (Annual) (%)	3.90	32.36	-1.87	15.38	13.28

*Based on end-of-year IFRS consolidated financials ** Based on end-of-period BRSA consolidated financials *** Solo based among the Turkish Banking Sector **** Pre-tax Profit to Avg. Total Assets and Equity

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 34.24% of the Bank's shares are publicly traded on the Borsa İstanbul (BİST). Şekerbank T.A.Ş. Personeli Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı which 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 with a staff force of 3,565 at June-end 2018 along with services in leasing, factoring, mortgage and brokerage services through its subsidiaries. The Bank was the 14th largest bank among the 46 total banking institutions regarding the solo based asset size of TRY 31,346mn as of FYE2017 (FYE2016: 16th)

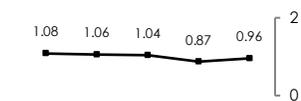
Strengths

- Favorable loan to deposit ratio providing conformity to liquidity management to a certain extent
- Continuity of income generation power
- Enhanced and satisfactory capitalization level above the regulatory level, despite staying below the sector average over the reviewed period
- Capability to diversify funding resources through borrowing, syndication, subordinated loan and bond issuances
- Established relationships with international financial institutions
- Expertise in SMEs and agricultural banking
- High level of compliance with corporate governance implementations and steadiness
- Established operating history dating back over 60 years

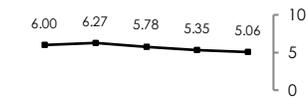
Constraints

- Despite the improvement in the NPLs ratio, its maintenance above the sector averages
- Steadiness of below sector average and feeble profitability metrics for the last three years period
- Remarkably above sector average OPEX to total income ratio
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Continuity of high risk content of the loans portfolio
- Growth in concentration risk in the cash loans book
- Increase in interest rates, accelerated depreciation of TRY against hard currencies, difficulties in the rollover of overseas borrowing facilities, persistence of high geopolitical risks in the nearby region with further detrimental impact on investment climate, profitability and asset quality

Market Share (%)
(Turkish Banking Sector)



NIM (%)



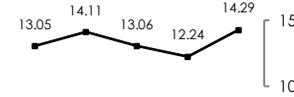
ROAA (%)



ROAE (%)



CAR (%)



Growth Rate (%)

