

## Corporate Credit Rating

New  Update

Sector: Banking

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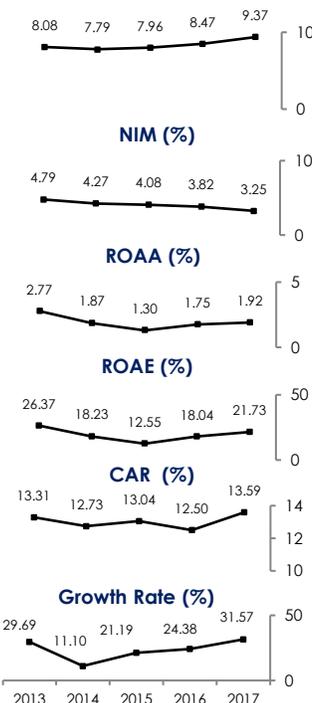
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### RATINGS

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

\*Affirmed by JCR on August 14, 2018

Market Share (%) (Turkish Banking Sector)



# Türkiye Halk Bankası A.Ş.

## Company Overview

Financial Data	1H2018**	2017*	2016*	2015*	2014*
Total Assets (000,000 USD)	76,369	81,712	67,246	65,437	67,701
Total Assets (000,000 TRY)	356,830	311,354	236,654	190,265	156,991
Total Deposit (000,000 TRY)	221,935	193,253	150,390	122,499	103,649
Total Net Loans (000,000 TRY)	244,130	208,279	161,434	129,067	103,696
Equity (000,000 TRY)	28,621	26,313	22,007	19,312	16,527
Net Profit (000,000 TRY)	1,845	4,185	3,018	1,787	2,265
Market Share (%) ***	9.49	9.37	8.47	7.96	7.79
ROAA (%) ****	n.m.	1.92	1.75	1.30	1.87
ROAE (%) ****	n.m.	21.73	18.04	12.55	18.23
Equity/Assets (%)	8.02	8.45	9.30	10.15	10.53
CAR - Capital Adequacy Ratio (%)	12.75	13.59	12.50	13.04	12.73
Asset Growth Rate (%)	14.29	31.57	24.38	21.19	11.10

\*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

Türkiye Halk Bankası A.Ş. (hereinafter referred to as “Halkbank” or the “Bank”) was established in Turkey in 1933 in accordance with Law Number 2284 and began operations in 1938 with the intention of transferring resources under favorable conditions to tradesmen, artisans and small business owners and activating capital growth. The Bank received state-owned bank status in 1963. In 2007, 24.98% of Halkbank’s shares were offered to the public for the first time. Following this successful offering, 23.92% of Bank shares were offered for the second time in 2012 and currently 48.93% of shares are publicly traded on the Borsa İstanbul (BİST). Türkiye Varlık Fonu A.Ş. (Turkey Wealth Fund), the qualified shareholder, currently holds 51.11% of the Bank shares including publicly traded shares.

Halkbank provides services in the corporate, commercial, SMEs, and retail banking fields through a total 978 branches including 6 foreign branches, 5 of which are in Turkish Republic of Northern Cyprus (TRNC) and 1 in Bahrain and employed a total workforce of 18,889 personnel across its operations at June-end 2018. The Bank also operates in Macedonia, the Netherlands and Serbia through its subsidiaries and associates. As an integrated financial company, the Bank carried out services, through a total of 13 consolidated subsidiaries and affiliates, such as; leasing, factoring, mortgage, insurance, portfolio management and brokerage. As per solo financials, Halkbank is the 5<sup>th</sup> largest bank in Turkey in terms of assets and net profit figures whilst being ranked 4<sup>th</sup> in loans and 3<sup>rd</sup> in deposits at FYE2017.

### Strengths

- High asset quality proved by the remarkably below sector average NPLs
- Established earning power and progress in core profitability indicators in the last two consecutive years
- Established brand as a market maker in securities and a systemically important bank, high market effectiveness through wide range of advanced, integrated and diversified financial services together with subsidiaries and affiliates
- Robust enlargement in core banking activities conduced increase in its market shares
- Below sector average OPEX to assets ratio, specifying efficient management
- Below sector average LDR signifying a comfortable liquidity position while promising further growth
- Solid sponsor support in the event of systemic risk due to the shareholder structure in addition to robust financial competences
- High level of compliance with corporate governance implementations and sustainability

### Constraints

- Persistence of tapering interest margin pressuring net profit and profitability metrics
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- High interest rates, notable 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 future investment climate, profitability and asset quality
- Sensitiveness of its assets and liabilities composition to probable impacts exerted by public authorities
- Increase in some regulatory forbearance and recommendatory decisions taken by banking union and the government in interest rates and loan restructuring that will exert pressure on the banking sector’s profitability and asset quality