Corporate Credit & Issue Rating

☐New ☒Update

Sector: Banking
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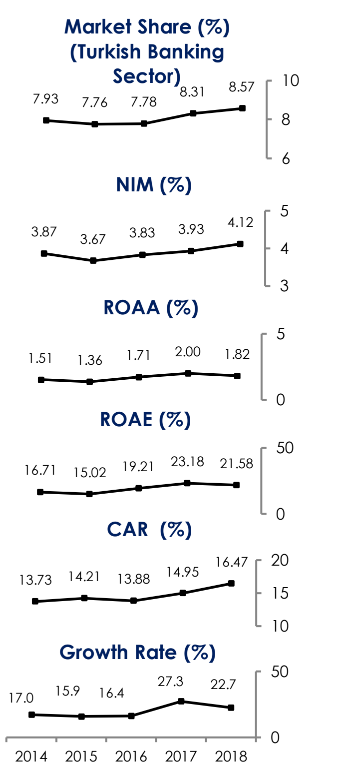
RATINGS

			Long	Short
International	Foreign		BBB-	A-3
	Local Currency		BBB-	A-3
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating		-	-
National	Local Rating		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 November 27, 2018



Türkiye Vakıflar Bankası T.A.O.

Company Overview

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000,000 USD)	65,509	73,709	62,705	65,203	70,530
Total Assets (000,000 TRY)	344,638	280,859	220,671	189,586	163,551
Total Deposit (000,000 TRY)	182,476	157,988	126,259	112,010	93,423
Total Loans& Rec. (000,000 TRY)	228,650	190,621	152,512	128,003	107,956
Equity (000,000 TRY)	29,106	23,623	19,607	17,003	14,961
Net Profit (000,000 TRY)	4,604	4,017	2,792	1,874	1,814
Total Assets Market Share (%) **	8,57	8.31	7.78	7.76	7.93
ROAA (%)	1.82	2.00	1.71	1.36	1.51
ROAE (%)	21.58	23.18	19.21	15.02	16.71
Equity/Assets (%)	8.45	8.41	8.89	8.97	9.15
CAR - Capital Adequacy Ratio (%)	16.47	14.95	13.88	14.21	13.73
Asset Growth Rate (Annual) (%)	22.71	27.27	16.40	15.92	17.00

** End of year ** On solo basis among the Turkish Banking Sector*

Türkiye Vakıflar Bankası T.A.O. (hereinafter referred to as 'VakıfBank' or 'the Bank'), headquartered in Istanbul, was established in 1954 in accordance with the law numbered 6219 and titled "Türkiye Vakıflar Bankası Türk Anonim Ortaklığı" with the aim of evaluating the resources of the foundations in the best possible way in order to contribute to Turkey's economic development. The Bank provides a wide range of services including the full scale of banking operations such as retail, corporate, commercial, SME, agricultural and private banking along with financial intermediation, factoring, leasing and insurance services through its subsidiaries and associates. The Bank, has a total of 23 subsidiaries and affiliates, 11 of which are consolidated, and carried out its operations through a total of 951 branches (948 of which are domestic with 3 overseas branches based in New York-US, Erbil-Iraq and Bahrain) and employed a total workforce of 16,767 personnel across its operations (FYE2017: 16,097). VakıfBank's shares are traded on the BIST Index since November 18, 2005 with a current free float rate of 25.22% and included in the BIST Sustainability Index since FY2014.The majority of the Bank's shares (58.45%) belonging to the General Directorate of Foundations are transferred to the Turkish Treasury in line with the statutory decree numbered 696 published in the official gazette on 24 December 2017, though the transaction is not completed up to report date. As per solo financials, VakıfBank is the 6th largest bank in Turkey in terms of assets and net profit figures whilst being ranked 5th in loans and 7th in deposits and equity at FYE2018.

Strengths

- Good access to international funding resources and achievement in rollover of syndications with rate of over %100 under the challenging operating environment
- Sound growth in net fee & commission income
- Increase in its market share and high influence in core banking fields
- Established earnings power and outperformance in net profit growth compared to other state-owned banks and the sector average at FYE2018
- High asset quality evidenced by below sector average NPLs, despite increase
- Highest CAR among the state-owned banks
- One of the leading franchises and a market maker in securities, systemically important bank along with the provision of integrated and diversified financial services via subsidiaries and affiliates
- Strong sponsor support in the event of systemic risk due to the shareholder structure in addition to solid financial competences

Constraints

- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Despite reduced risk levels refinancing risk for the Turkish Banking Sector is still on the agenda due to current global financing circumstances
- Persistence of high geopolitical risks in the nearby region and cross-border military operations exerting pressure on the investor sentiment
- Susceptibility of its assets and liabilities composition to probable impacts of public authorities
- Potential increase in the Banks' NPLs stemming from deteriorating debt services capacities of borrowers, expected feeble recovery and restructuring problematic loans