

Corporate Credit & Issue Rating

New Update

Sector: Banking

Publishing Date: 07/05/2019

Analysts

Sevket GÜLEÇ (Group Head)

+90 212 352 56 73

sevket.gulec@jcrer.com.tr

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 November 27, 2018

Albaraka Türk Katılım Bankası A.Ş.

Company Overview

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000,000 USD)	8,026	9,535	9,320	10,152	9,925
Total Assets (000,000 TRY)	42,222	36,332	32,800	29,517	23,014
Total Deposit (000,000 TRY)	28,539	25,244	23,151	20,341	16,643
Total Net Loans (000,000 TRY)	26,185	25,193	22,722	19,505	16,184
Equity (000,000 TRY)	3,552	2,645	2,273	2,096	1,786
Net Profit (000,000 TRY)	173	265	220	301	248
Market Share (%) **	20.42	22.62	24.72	24.58	22.08
ROAA (%)	0.53	0.92	0.85	1.42	1.60
ROAE (%)	6.78	12.90	12.17	19.28	19.56
Equity/Assets (%)	8.41	7.28	6.93	7.10	7.76
CAR - Capital Adequacy Ratio (%)	15.21	17.78	13.45	15.16	13.89
Asset Growth Rate (Annual) (%)	16.21	10.77	11.12	28.26	33.68

* 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) index under the ticker “ALBRK” with a current actual outstanding share of 18.82%. 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 23,831mn. The group held 54.06% of shares at FYE2018 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 and Syria with a total network of 697 branches/offices.

JCR Eurasia Rating has revised Albaraka Türk's National Local Rating Notes to “AA- (Trk)” from “AA (Trk)” on the long term, which denotes a high investment grade, and ‘A-1+ (Trk)’ in the short term along with downward revision of outlook from “Stable” to “Negative” considering the deterioration in asset quality evinced by remarkable growth in NPL coupled with lower loan loss coverage, tightening in profit and profitability ratios, increase and high concentration in loan portfolio, contraction in market share and expected further growth in NPLs due to weak loan demand reinforced by higher cost of funding, uncertainty in the economic and political arena and deterioration in debt service capacity of the real sector firms.

Strengths

- Permanence of income generation capability through core banking activities
- Maintenance of access to international financial markets
- High level of compliance concerning corporate governance implementations
- High market power in participation banking sector with an asset size-based market share of 20.42%
- Long and good track record
- Experienced management team
- Attached importance for digitalization of their offerings in order to respond to new generation banking needs

Constraints

- Growing, high and above sector average non-performing loans ratio deteriorating asset quality
- Below sector average net profit share margin
- Steadiness of feeble profitability indicators, principally those of ROAA and ROAE, which markedly underperformed the sector averages
- Continuity of below sector average loan loss reserves coverage
- Sector-wide structural maturity mismatch and short maturity profile of collected funds (deposits)
- Though compliant with regulations, below sector averages CET1 lessening loans loss coverage
- Further growth expected in the Banks' NPLs stemming from deteriorating debt service capacities of borrowers, likely feeble economic recovery
- Upsurge and steadiness of high credit risk concentration among the top 100 customers

Market Share (%) (Turkish Banking Sector)

