

Corporate Credit Rating

New Update

Sector: Banking

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Analysts

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RATINGS

		Long	Short	
International	Foreign	BBB-	A-3	
	Local	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-	-	
National	Local Rating	BBB+(Trk)	A-2(Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support	4	-	-	
Stand-Alone	B	-	-	
Sovereign*	Foreign	BBB-	-	
	Local	BBB-	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Affirmed by JCR on November 27, 2018

Şekerbank T.A.Ş. and Its Subsidiaries

Company Overview

Financial Data	1H2019**	2018**	2017*	2016*	2015*
Total Assets (mn USD)	5,666	6,266	8,725	7,065	8,714
Total Assets (mn TRY)	32,607	32,965	32,911	24,864	25,337
Total Deposit (mn TRY)	23,952	22,941	19,883	16,092	14,894
Total Net Loans (mn TRY)	21,705	21,957	21,741	18,524	17,544
Equity (mn TRY)	2,180	2,453	2,596	2,439	2,448
Net Profit/Loss (mn TRY)	-280	89	91	117	60
Market Share (%) ***	0.73	0.81	0.96	0.87	1.04
ROAA (%)****	n.m.	0.33	0.40	0.58	0.12
ROAE (%)****	n.m.	4.26	4.60	5.94	1.20
Equity/Assets (%)	6.68	7.44	7.89	9.81	9.66
CAR - Capital Adequacy Ratio (%)	12.51	14.33	14.29	12.43	13.06
Asset Growth Rate (Annual) (%)	-1.09	0.16	32.36	-1.87	15.38

*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 35.25% of the Bank's shares are publicly traded on the Borsa İstanbul (BIST). 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 252 branches across Turkey along with services in leasing, factoring, mortgage and brokerage services through its subsidiaries. The Bank was the 17th largest bank among the 47 total banking institutions regarding the solo based asset size of TRY 31,321mn as of FYE2018 (FYE2017: 14th).

Şekerbank T.A.Ş.'s National Local Rating Notes were revised to "BBB+(Trk)" in the long term and "A-2 (Trk)" in the short term, which both donate investment grades, from "AA- (Trk)" in the long term and "A-1+ (Trk)" in the short term respectively considering the high NPLs ratio, notably low profitability indicators, below sector average CAR ratio converging to recommended boundary by BRSA and retrenchment in growth performance in particular.

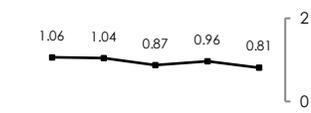
Strengths

- Below Sector average and favorable loan to deposit ratio providing conformity to liquidity management to a certain extent
- 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
- Relatively low exposure in loans granted to the energy and construction sectors which are notably effected by high interest rates and depreciation of TRY against hard currencies and recession in economy

Constraints

- Increase in the NPLs ratio and maintenance of an above sector average trend
- Steadiness of below sector average and feeble profitability metrics
- Above sector average OPEX to total income ratio
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Growth in concentration risk in the cash loans book
- Persistence of high geopolitical risks in the nearby region and cross-border military operations, deteriorating debt service capacities of borrowers and frail recovery in economy exerting detrimental impact on investment climate, profitability and asset quality for both the Bank and the Sector
- High turnover rate in senior management

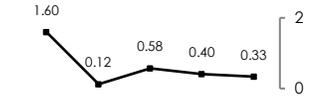
Market Share (%) (Turkish Banking Sector)



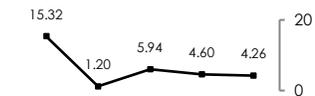
NIM (%)



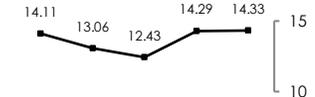
ROAA (%)



ROAE (%)



CAR (%)



Growth Rate (%)

