

Corporate Credit Rating

New Update

Sector: Banking

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Analyst

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	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 Halk Bankası A.Ş.

Company Overview

Financial Data	1H2019**	2018*	2017*	2016*	2015*
Total Assets (000,000 USD)	76,505	73,966	81,712	67,246	65,437
Total Assets (000,000 TRY)	440,293	389,130	311,354	236,654	190,265
Total Deposit (000,000 TRY)	265,982	250,549	193,253	150,390	122,499
Total Net Loans (000,000 TRY)	291,243	260,079	208,279	161,434	129,067
Equity (000,000 TRY)	29,965	29,525	26,313	22,007	19,312
Net Profit (000,000 TRY)	600	2,698	4,185	3,018	1,787
Market Share (%) ***	10.16	9.79	9.37	8.47	7.96
ROAA (%) ****	n.m.	0.87	1.92	1.75	1.30
ROAE (%) ****	n.m.	10.95	21.73	18.04	12.55
Equity/Assets (%)	6.81	7.59	8.45	9.30	10.15
CAR - Capital Adequacy Ratio (%)	14.03	13.36	13.59	12.50	13.04
Asset Growth Rate (%)	13.41	24.98	31.57	24.38	21.19

*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 the Bank's shares were offered for the second time in 2012 and currently 48.43% of shares are publicly traded on the Borsa Istanbul (BIST) index. Türkiye Varlık Fonu A.Ş. (Turkey Wealth Fund), the qualified shareholder, currently holds 51.11% of the Bank's shares including publicly traded shares.

Halkbank provides services in the corporate, commercial, SME and retail banking fields through almost 1,000 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 18,799 across its operations at June-end 2019. 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 and brokerage. As per the solo financials, Halkbank rose by two rankings to the 3rd place based on asset size in the Turkish Banking Sector. In addition, it is the second largest bank in deposits and third largest with respect to loans at FYE2018.

Strengths

Constraints

- Growth in its market shares and high inspiration in principal banking fields
- Despite deterioration in NPLs, below sector average NPL ratio contributing to the asset quality
- One of the leading franchises and a market maker in securities and a systemically important bank, high market effectiveness through integrated and diversified financial services via its subsidiaries and affiliates
- Preservation of earning power despite weakening in profit and profitability indicators stemming from provisioning expenses and tapering NIM margin in FY2018 and the ongoing year
- Below sector average LDR denoting a comfortable liquidity position compared to the sector
- Solid sponsor support in the event of systemic risk due to the shareholder structure
- High level of compliance with corporate governance implementations and sustainability
- Persistence of tapering interest margin through principally extended loans in favor of market conditions to stimulate economic activities led by state-owned banks, pressuring net profit and profitability metrics
- Notably below sector average return on assets and equity ratios
- Sector-wide structural maturity mismatches and short maturity profile of deposits
- Tenacity of high geopolitical risks in the nearby region and cross-border military operations exerting pressure on the investor sentiment
- Sensitiveness of its assets and liabilities composition to likely impacts exerted by public authorities
- Sector-wide expected further growth in NPLs through deteriorated debt servicing capacity of the borrowers, feeble recovery in economy, increase in some regulatory forbearance and restructuring problematic loans

