

Corporate Credit & Issue Rating

New Update

Sector: Banking

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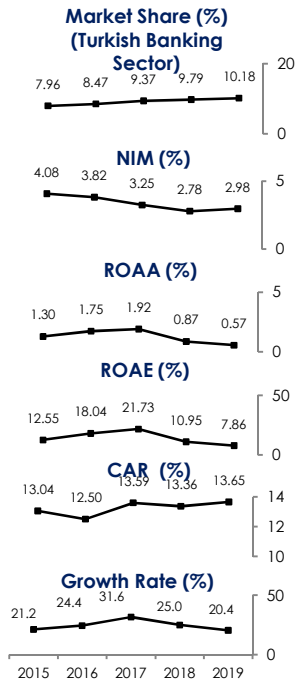
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RATINGS

		Long Term	Short Term	
International	Foreign Currency	BB+	B	
	Local Currency	BB+	B	
	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 Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
LC		Negative	-	

*Assigned by JCR on April 10, 2020

RATIOS



Türkiye Halk Bankası A.Ş.

JCR Eurasia Rating scored **Türkiye Halk Bankası A.Ş.** in the highest investment-grade category and affirmed the Long Term National Rating as **'AAA (Trk)'** and the Short Term National Rating as **'A-1+ (Trk)'** in JCR Eurasia Rating's notation system along with **'Stable'** outlook. Halkbank's Long Term International Foreign and Local Currency Scales were also evaluated at **'BB+'** which are the same as that of the Sovereign Ratings of the Republic of Turkey, along with **'Negative'** outlooks.

Türkiye Halk Bankası A.Ş. was established in Turkey in 1933 and began operations in 1938 with the intention of transferring resources under favorable conditions to tradesmen and small business owners and activating capital growth. In 2006, the ownership of the Bank was transferred to the Privatization Administration, a government body. The shares belonging to the Privatization Administration were transferred to Türkiye Varlık Fonu Yönetimi A.Ş. (Turkey Wealth Fund) on 10 March 2017. In 2007 and 2012 about 50% of Halkbank's shares were offered to the public. In 2020, Türkiye Varlık Fonu A.Ş. increased total capital of the Bank's by TRY 7bn. The qualified shareholder (Türkiye Varlık Fonu), currently holds 75.29% of the Bank's shares and the remaining shares are publicly traded.

Halkbank provides services in the corporate, commercial, SME and retail banking fields through more than 1,000 domestic (34 of branches are satellite) and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain with 18,830 employees. The Bank has 3 representative offices in England, Singapore and Iran, also operates in Macedonia, Netherlands and Serbia via its subsidiaries and associates. As an integrated financial company, the Bank carried out services, through a total of 11 consolidated subsidiaries and affiliates, such as; leasing, factoring, mortgage, and brokerage.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Becoming the second largest bank in the sector in terms of loan, deposit and asset size as a result of the continued market share increase with its strong growth performance
- Solid market position, sustained influence through strong and efficient franchise
- Maintaining asset quality with the below sector average NPL ratio
- Continuity of income generation capacity despite weakening profitability indicators
- Competitive advantages in domestic market via strong shareholder structure
- Improved corporate governance implementations and sustainability

Constraints

- Weakening profitability indicators coupled with below sector average return on assets and equity ratios
- Below sector average CAR and LCR
- Due to carried short FX position, increased pressure on equity and profitability ratios
- Potential adverse effects of geopolitical and economic issues predominantly pandemic
- Wear in the solvency of real sector firms and the pressure of non-performing loan portfolio on profitability

Considering the aforementioned points, the Company's the Long Term National Rating has been affirmed as **"AAA (Trk)"**. The continuation of the Company's growing trend in banking sector and becoming 2nd largest regarding deposit, loan and asset size and strong shareholder structure have been evaluated as important indicators for the stability of the ratings and the outlooks for long and short term national ratings are affirmed as **'Stable'**. JCR Eurasia Rating will continue to monitor the asset quality, CAR, LCR or FX position of the Company, general macroeconomic environment of Turkey and the growth trends in the domestic and international markets and consider to determine whether to maintain Bank's stable outlook. The Sponsor Support Note of Halkbank's has been determined considering the financial strength and support willingness of the qualified shareholder Türkiye Varlık Fonu. Türkiye Varlık Fonu shall provide assistance to the Bank to meet any immediate financial needs if required due to the overall importance of the Bank to the Turkish banking sector and financial markets. In this regard, the Company's Sponsor Support Note has been affirmed as **(1)**, which denotes high level of external support.

Considering market power, asset quality, liquidity level, growth rates, resource generation capacity, risk management efficiency, corporate governance implementations of the Bank's, the Stand Alone Note of the Bank has been affirmed at **"A"**, corresponding to the highest levels in JCR Eurasia Rating's notation system.