

**Corporate Credit Rating**

New  Update

Sector: Banking

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**RATINGS**

	Long	Short
<b>International</b>		
Foreign	B-	C
Local Currency	B-	C
Outlook	FC Negative	Negative
	LC Negative	Negative
Issue Rating	-	-
<b>National</b>		
Local Rating	BBB(Trk)	A-3(Trk)
Outlook	Stable	Stable
Issue Rating	-	-
<b>Sponsor Support</b>	3	-
<b>Stand-Alone</b>	B	-
<b>Sovereign*</b>		
Foreign	BB+	-
Local Currency	BB+	-
Outlook	FC Neg.	-
	LC Neg.	-

\*Assigned by JCR on April 10, 2020

**Şekerbank T.A.Ş. and Its Subsidiaries**

**Company Overview**

Financial Data	9M2020**	2019**	2018**	2017*	2016*	2015*
Total Assets (mn USD)	4,897	5,395	6,266	8,725	7,065	8,714
Total Assets (mn TRY)	37,959	32,045	32,965	32,911	24,864	25,337
Total Deposit (mn TRY)	28,715	24,042	22,941	19,883	16,092	14,894
Total Net Loans (mn TRY)	23,912	20,897	21,957	21,741	18,524	17,544
Equity (mn TRY)	2,167	1,961	2,453	2,596	2,439	2,448
Net Profit (mn TRY)	88	-782	89	91	117	60
Market Share (%) ***	0.61	0.68	0.81	0.96	0.87	1.04
ROAA (%)****	0.32	-3.00	0.33	0.40	0.58	0.12
ROAE (%)****	5.10	-44.23	4.26	4.60	5.94	1.20
Equity/Assets (%)	5.71	6.12	7.44	7.89	9.81	9.66
CAR - Capital Adequacy Ratio (%)	13.11	12.48	14.33	14.29	12.43	13.06
Asset Growth Rate (An.) (%)	20.58	-2.79	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

Small savings of thousands of Anatolian sugarbeet cooperative farmers with the aim of supporting agricultural production and trade were banded together under the name of Pancar Kooperatifleri Bankası A.Ş. in 1953 and after moving the head office to Ankara in 1956 the Bank was renamed as Şekerbank T.A.Ş. (hereinafter Şekerbank or the Bank). Since 2004 it has been operating in Istanbul. 15% of the Bank's shares were initially offered to public in 1997 and by the end of FY2019, 35.67% of the Bank's shares are publicly traded on the BIST. Şekerbank T.A.Ş. Personeli Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı holds the 35.44% of the shares according to the FYE2019 annual report. Via 238 branches, Şekerbank provides services in the corporate, commercial, SMEs and retail banking fields 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 as of FYE2019.

Şekerbank T.A.Ş.'s National Local Rating Notes were revised to "BBB(Trk)/Stable" in the long term and "A-3 (Trk)/Stable" in the short term, which both donate investment grades, from "BBB+(Trk)" in the long term and "A-2 (Trk)" in the short term respectively considering remarkable increase in non-performing loans, severe deterioration in profitability indicators in FY2019 and below sector average asset growth performance and CARs in FY2019, meanwhile there have been improvements in related areas in 2020 especially the recent realization of paid capital increase up to 60.62% of the current paid capital.

The Bank's Long Term International LC and FC ratings are assigned as "B-/Negative" due to the study conducted in JCR Eurasia Rating in scope of harmonization of national and international ratings, significant uncertainties in economic activities stemming from the global Covid-19 outbreak and challenges of accessing to the international funds standing ahead.

**Strengths**

- Deep rooted operating history dating back to 1950s
- Solid experience in SMEs and agricultural banking
- High level of compliance with corporate governance implementations
- Established relations with international financial institutions (IFIs)
- Below sector average loan to deposit ratio comforting the liquidity management in a certain extent

**Constraints**

- Severe contraction in profitability indicators at FYE2019
- Remarkable increases in NPLs deteriorating asset quality coupled with the profitability
- Maintenance of an above sector average trend in OPEX/Total Income ratio
- Decline in net interest margin
- Short maturity profile of deposits and sector-wide structural maturity mismatches
- Concerns about the entire banking sector's asset quality due to Covid-19 pandemic's effects

