

Corporate Credit Rating

New Update

Sector:

Banking

Publishing Date:

30/12/2020

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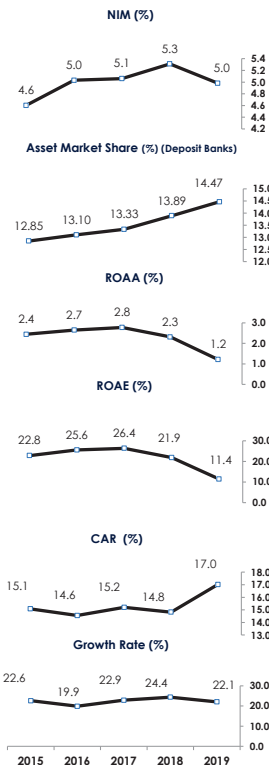
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RATINGS

		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	Stand-Alone	1	-	
	Stand-Alone	A	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

*Assigned by JCR on April 10, 2020

RATIOS



T.C. ZIRAAT BANKASI A.Ş.

JCR Eurasia Rating evaluated the consolidated structure of “T.C. Ziraat Bankası A.Ş.” and affirmed the ratings as “AAA (Trk)” on the Long-Term National Scale and as “A-1+ (Trk)” on the Short-Term National Scale with ‘Stable’ outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as ‘BB+ / Negative’.

T.C. Ziraat Bankası A.Ş., one of the oldest national banks, leads the sector with its asset size, loans, deposits, equity, net profit and number of branches / employees. All of the Bank's shares belong to Turkey Wealth Fund as of September 30, 2020.

The Bank provides services through a network of 1,758 branches, 26,973 employees, over 7,200 ATMs, online and mobile systems. The Bank also provides services at 111 points in 18 different countries and has an international service network consisting of 9 international banking subsidiaries, 24 overseas branches and 1 representative office as of September 30, 2020. The Bank maintains its position as an increasingly expanding integrated financial service provider, including portfolio management, brokerage, participation banking, real estate investment trust, technology and venture capital activities.

Strengths

- Widened branch network and high efficiency level supporting its leading market position,
- First-Rate support level,
- Improvement in capital via sponsor support providing room for growth,
- Asset quality underpinned via NPL ratio remaining below the sector average and high level of provision,
- Deposit funding and cost-oriented diversified funding sources,
- Sufficient capital ratios continuing to indicate the capacity to absorb incidental losses,
- Convenience and solutions offered through expanded digitalization practices together with advantages of scale,
- High level of compliance in corporate governance practices and sustainability.

Constraints

- Below the sector averages of NIM and profitability ratios,
- SWAP position partially suppressing profitability,
- Restrained profitability indicators and exceeding sector average OPEX level regarding total income,
- Structural maturity mismatch and short-term profile of deposits across the sector,
- Concerns on the banking sector's asset quality, revenue streams and higher credit loss provisions due to Covid-19 outbreak worsening macroeconomic environment

Considering the mentioned drivers, the Bank's the Long-Term National Rating has been affirmed as “AAA (Trk)”. Taking into account as being one of the pioneers of the Turkish financial system, strong branch network, asset quality supported by high provision levels despite its relatively low NPL portfolio, liquidity position above the minimum legal limits, maintaining a loan-based growth strategy, the possible negative effects of the Covid-19 outbreak on the Turkish banking sector.; the Bank has been affirmed with ‘Stable’ outlooks in the long- and short-term perspectives. The Long Term International Foreign and Local Currency Ratings have been assigned at the country ceiling level of ‘BB+ / Negative’.

Increased non-performing loans due to downward efficiency in economic activities caused by the Covid-19 Pandemic and the erosion in the debt payment capacity raising provisioning requirement, resulting a higher Credit Risk Cost, and the impact of the decisions taken by the regulatory authorities on the sector will be the issues to be monitored in the future.

The Sponsor Support Note of Ziraat Bank's has been determined considering the financial strength and support willingness of the sole shareholder Turkey Wealth Fund that 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 as “A”, corresponding to the highest levels in JCR Eurasia Rating's notation system.