

## Corporate Credit Rating

New Update

**Sector:**

Banking

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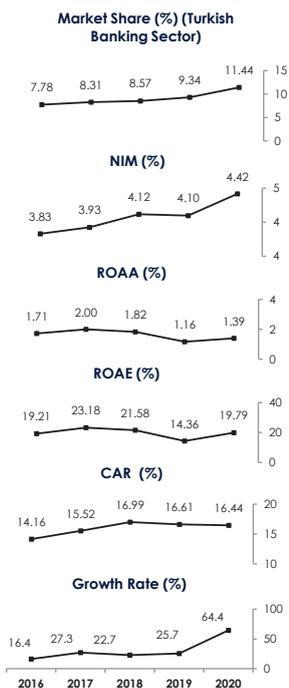
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## RATINGS

		Long Term	Short Term
<b>National</b>	Local Rating	AAA (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
<b>International</b>	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC Stable LC Stable	Stable Stable
Sponsor Support	1	-	
Stand-Alone	A	-	
<b>Sovereign*</b>	Foreign	BB	-
	Local Currency	BB	-
	Outlook	FC Stable LC Stable	- -

\*Assigned by JCR on May 31, 2021



## Türkiye Vakıflar Bankası T.A.O.

JCR Eurasia Rating evaluated the consolidated structure of “Türkiye Vakıflar Bankası T.A.O. 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/ Stable’.

With a track record dating back to 1954, Türkiye Vakıflar Bankası T.A.O. (hereinafter referred to as ‘Vakıfbank’ or ‘the Bank’) has consistently expanded its operations and provides the full spectrum of financial services including retail, corporate, commercial, SME, agricultural and private banking along with financial intermediation, factoring and leasing services through its financial subsidiaries. The Bank has a wide geographical reach across Turkey serving through a total of 933 branches in Turkey and 4,247 ATMs along with 3 overseas branches in New York-USA, Erbil-Iraq and Bahrain. The share transfer process for Group A (43%) and Group B (15.51%) shares belonging to the General Directorate of Foundations to the Ministry of Treasury and Finance was completed as of December 11, 2019 whilst Group D (listed shares) were unaffected with a current free-float rate of 16.14% as of December 31, 2020. Headquartered in Istanbul, the Company was ranked 2<sup>th</sup> overall (FYE2019: 4<sup>th</sup>) in the sector based on solo asset size whilst the number of personnel employed across Company operations amounted to 16,748 in FYE2020 (FYE2019: 16,721).

### Strengths

- Widened branch network and efficiency level supporting its leading market position,
- Diversified funding sources thanks to access capability to international funding resources,
- Improved income stream capacity despite slowdown in NIM,
- Well diversified loans book underpinning market influence,
- Sufficient capital ratios continuing to indicate the capacity to absorb incidental losses,
- Improvement in capital via sponsor support providing room for growth,
- Asset quality underpinned via low level of NPL ratio- remaining below the sector average and underpinned by high level of provision,
- High level of compliance in corporate governance practices and sustainability.

### Constraints

- Below the sector averages of NIM and profitability ratios,
- OPEX and swap position partially suppressing profitability,
- Structural maturity mismatch and short-term profile of deposits across the sector,
- Expected increase in NPLs ratios for the upcoming period stemming from impact recognition in Stage 2 loans,
- 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 The capability to independently survive irrespective of the support from the current shareholders and at the system level, widespread branch network, adequate capitalization structure, internal resource generation capacity, ability to access international funding markets and roll-over debt, the presence of prudent provisions in addition to the high level of specific loan loss provisions and the asset quality accompanied by selective and efficiency focused credit policies as well as 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.

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 Türkiye Vakıflar Bankası T.A.O ’s has been determined considering the financial strength and support willingness of the sole shareholder Turkey Wealth Fund and the Ministry of Treasury and Finance 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 role and place in the country’s economy and financial markets, high asset quality, diversified resource structure, balance sheet composition along with strong internal equity generation capacity, 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.