

## Corporate Credit Rating

New  Update

**Sector:** Banking

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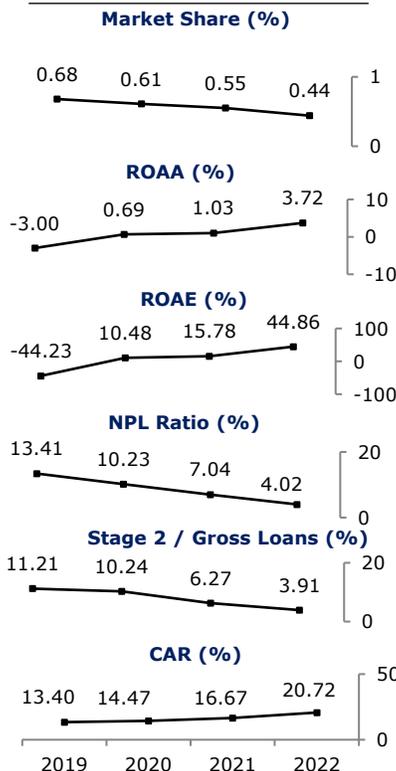
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2022



## ŞEKERBANK T.A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of 'Şekerbank T.A.Ş.' in the high investment level category and revised the Long-Term National Issuer Credit Rating from 'BBB+ (tr)' to 'A (tr)' and Short-Term National Issuer Credit Rating from 'J2 (tr)' to 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Negative', as parallel to international ratings and outlooks of Republic of Türkiye.

The operating history of Şekerbank T.A.Ş. ("the Bank" or "Şekerbank") goes back to early 1950s as Pancar Kooperatifleri Bankası A.Ş. was established in 1953 in Eskişehir, indicating a sectoral experience in agricultural banking over 70 years. The Bank's commercial title was registered as "Şekerbank T.A.Ş." in 1956 after moving to the capital of Türkiye and since 2004, Şekerbank maintains its operations with its headquarters in İstanbul with its broad experience particularly in agricultural and SME banking.

In 1997, the Bank's shares were initially offered to public and since then Şekerbank has been publicly traded on BIST with a 50.73% free float ratio as of 30.06.2023. As of the report date, the qualified shareholders were "Şekerbank T.A.Ş. Personeli Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı", "Samruk-Kazyna Invest LLP" and "Şekerbank T.A.Ş. Personeli Sosyal Sigorta Sandığı Vakfı" with 30.62%, 12.06% and 6.59% share ratios in the Bank's paid-in capital which was increased by 60.62% from TRY 1,158mn to TRY 1,860mn via rights issues in Q42020. Şekerbank provides corporate, commercial, SME and retail banking services with its 238 branches and 7 regional offices throughout Türkiye along with its presence in the Turkish Republic of Northern Cyprus via its subsidiaries. The Bank employed a staff force of 3,266 people as of 1H2023. (FYE2022: 3,427)

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

### Strengths

- Asset quality underpinned via decreasing trend in the NPL ratio driven by prudent risk management strategy,
- Ongoing improvement in the core profitability indicators,
- Strong capital adequacy ratios being compatible with the requirements in 1H2023,
- Moderate liquidity structure with increasing liquidity coverage ratios which enables incidental loss absorption and reduce interest rate and currency risks through its deposit portfolio,
- Accessibility to diversified funding sources thanks to established relations with international FIs and broad-based deposits,
- Digital transformation program supporting operational performance and efforts to develop sustainable banking,
- As an institution subject to Capital Market Law, improved transparency with regard to corporate governance compliance,
- Deep-rooted operating history dating back to 1950s along with broad experience in agricultural and SME banking.

### Constraints

- Asset growth below sector averages leading to retreating market share,
- Short-term maturity profile of deposits and structural maturity mismatches across the sector despite the contribution of FX-protected deposits until 3Q2023,
- Volatile environment for Turkish Banking Sector due to weakened TL and inflationary headwinds despite tighter post-election monetary policies of CBRT including interest rate hikes.

Considering the aforementioned points, the Bank's the Long-Term National Issuer Credit Rating has been revised from 'BBB+ (tr)' to 'A (tr)'. The deep-rooted operating history and proven track record, steadily recovering asset quality through prudent risk management strategy, ongoing improvement regarding profitability, moderate liquidity structure and capital adequacy ratios thanks to the digital transformation actions which have been started in mid-2018, incidental loss absorption capacity and further improvement signals in the aforementioned performance metrics during FY2023 have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Bank's solvency performance, profitability indicators, performing loans and asset quality, capital adequacy metrics, risk appetite towards emerging markets along with macroeconomic indicators at national and international markets will be closely monitored by JCR Eurasia Rating in the upcoming periods. The national and international market conditions as well as legal framework about the sector will be monitored as well.