

## Corporate Credit Rating

New  Update

**Sector:** Banking

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	BBB+ (tr)	J2 (tr)
	National ICR Outlooks	Positive	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

\* Assigned by JCR on Aug 18, 2021

## ŞEKERBANK T.A.Ş.

JCR Eurasia Rating has evaluated the consolidated structure of 'Şekerbank T.A.Ş.' in the investment-level category and affirmed the Long-Term National Issuer Credit Rating at '**BBB+ (tr)**' with '**Positive**' outlook and the Short-Term National Issuer Credit Rating at '**J2 (tr)**' with '**Stable**' outlook. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**', in parallel with the sovereign rating and outlook of the Republic of Turkey.

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 68 years. The Bank's commercial title was registered as "Şekerbank T.A.Ş." in 1956 after moving to the capital of Turkey 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 46.42% actual outstanding share ratio as of 30.06.2022. 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 31.55%, 12.06% and 6.44% share ratios in the Bank's paid-in capital which was increased by 60.62% from TRY 1,158.00mn to TRY 1,860.00mn via rights issues in Q42020. Şekerbank provides corporate, commercial, SME and retail banking services with its 238 branches and 7 regional offices throughout Turkey along with its presence in the Turkish Republic of Northern Cyprus via its subsidiaries. The Bank employed a staff force of 3,463 people as of the report date. (FYE2020: 3,272)

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

### Strengths

- Ongoing and consistent recovery regarding the asset quality as evidenced by NPLs and provisioning ratios
- Progressing profitability performance together with further improvement signals in 1H2022
- Moderate liquidity structure and capital adequacy indicators converging to sector averages in an uptrend which enables incidental loss absorption
- Accessibility to diversified funding sources thanks to established relations with international FIs and broad-based deposits
- Digital transformation program underpinning operational performance
- High level of compliance with corporate governance practices and prudent risk management strategy
- 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
- Relatively high share of construction and tourism sector in the diversified performing loan book
- Depreciation of TRY and inflationary environment which may limit the debt-servicing capability of the real sector
- Short-term maturity profile of deposits and structural maturity mismatches across the sector despite the contribution of FX-protected deposits

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been affirmed at '**BBB+ (tr)**'. The deep-rooted operating history and proven track record, steadily recovering asset quality, ongoing improvement regarding profitability and capital adequacy metrics thanks to the digital transformation actions which have been started in 2019, incidental loss absorption capacity and further improvement signals in the aforementioned performance metrics during FY2022 have been evaluated as important indicators for the determination of the long-term outlook and the outlook for the Long-Term National Issuer Credit Rating is determined as '**Positive**'. 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 upcoming periods. The national and international market conditions as well as legal framework about the sector will be monitored as well.

