

Corporate Credit Rating

New Update

Sector: Banking

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Chief Analyst

Ömer Sucu

+90 212 352 56 73

omer.sucu@jcrer.com.tr

Analyst

Büke Bora

+90 212 352 56 73

buke.bora@jcrer.com.tr

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

* Assigned by JCR on Aug 18, 2022

Türkiye Garanti Bankası A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Türkiye Garanti Bankası A.Ş." affirmed the ratings as "AAA (tr)" on the Long-Term National Issuer Credit Rating and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings have been affirmed as 'BBB-' and 'BBB' positioned above the country ceiling and respectively were also affirmed in this rating action with 'Stable' outlooks.

Türkiye Garanti Bankası A.Ş. (hereinafter referred to as "Garanti" or "the Bank"), operating in the fields of corporate, private, commercial, SME, investment and retail banking through its diversified clientele and integrated business mix, is a foreign deposit bank and one of the market leaders in the Turkish financial system. Banco Bilbao Vizcaya Argentaria S.A (BBVA), one of the leading banking groups in Europe with an asset and equity sizes of EUR 715bn and EUR 49bn, respectively at the end of 1H2022, has been the sole major shareholder of the Bank consequent to the share transfer between Doguş Group and BBVA finalized on March 22, 2017 raising the BBVA's stake to 49.85% from 39.90%. On March 31, 2022, the voluntary tender offer process of 36.12% shares launched by BBVA and approved by CMB. Hence, BBVA's current stake at Garanti has reached 85.97%, as of May 18, 2022. Garanti's 14.03% stakes have been currently traded on the Borsa Istanbul (BIST).

Garanti's widespread distribution network of (as of FYE2021) 863 domestic branches, 9 foreign branches, 1 representative office abroad, 21,517 employees with its subsidiaries (as of FYE2021), comprehensive and digitalized infrastructure of its alternative delivery channels and its affiliates bolster the franchise strength of the Bank.

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

Strengths

- Sufficient capitalization and high level of free provision continuing to indicate the capacity to absorb incidental losses,
- Well diversified loans book underpinning market influence,
- Earnings power with core profitability indicators outperforming sectorial averages,
- Solid market position & sustained influence through strong and efficient franchise,
- Strong liquidity position thanks to established access to capital markets & diminishing dependency on external funding,
- High level of compliance in corporate governance practices and sustainability.

Constraints

- Above the sector average NPLs driven by prudent risk management,
- OPEX and swap position partially suppressing profitability,
- The continuation of maturity mismatch and short-term profile of deposits across the sector despite FX-Protected Deposits support,
- Weakened TL and inflation rate impacting on debt-servicing capabilities of the real sector and tighter conditions of external financing at the lower sovereign rating level in banking sector.

Considering the aforementioned points, the Bank's the Long-Term National Issuer Credit Rating has been affirmed as 'AAA (tr)'. Taking into account adequacy to absorb incidental losses as evidenced by the Bank's capital adequacy and CET1 share, earnings power with core indicators and NIM through contributions from securities with CPIs; supporting asset quality with high provision levels despite the current, NPL portfolio, strong liquidity position realized well above legal limits, continuing to decrease the level of dependency on external funding and maintenance of loan-driven moderate growth strategy as well as the possible negative effects of the macroeconomic conditions on the Turkish banking sector; were the main inputs of the affirmation of Garanti's outlooks as 'Stable' in the long and short-term perspectives.

