Corporate Credit Rating

☐New ☒Update

Sector: Banking
Publishing Date: 28.09.2023

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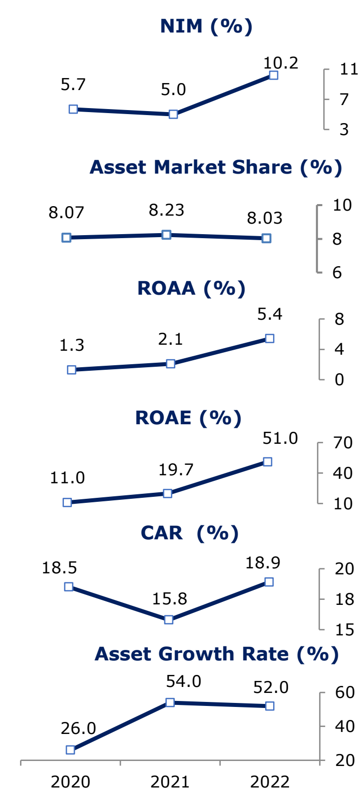
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AAA (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BBB-	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BBB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific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



Türkiye Garanti Bankası A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Türkiye Garanti Bankası A.Ş."** in the highest investment level category, affirmed the Long-Term National Issuer Credit Rating at **'AAA (tr)'** 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 at **'BBB-'** and **'BBB'** respectively, with **'Stable'** outlooks, positioned above the country ceiling.

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 (hereinafter referred to as "BBVA"), one of the leading banking groups in Europe with an asset and equity sizes of EUR 762bn and EUR 53bn respectively, as of June 30, 2023, has been the sole major shareholder of the Bank consequent to the share transfer between Dogus 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% and Garanti's 14.03% of stakes have been currently traded on the Borsa Istanbul (BIST).

As of FYE2022, Garanti's widespread distribution network of 829 domestic branches, 8 foreign branches, 1 representative office abroad, 18,544 employees with its subsidiaries, 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	**Constraints**
• Solid earnings power with core profitability indicators despite high OpEx growth in 1H2023, • Sufficient capitalization and high level of free provision despite reversal in 1H2023 continuing to strengthen asset quality, • Well diversified loans book underpinning market influence, • Decreasing trend in NPL ratio driven by prudent risk management, • Solid liquidity position and diminishing dependency on external funding thanks to easy access to capital markets and stickier demand deposit base, • Competitive advantage via maintenance of strong market position and influence through efficient franchise, • High level of compliance in corporate governance principles, risk management framework and sustainability policies.	• The continuation of maturity mismatch and short-term profile of deposits across the sector despite contribution of ongoing short-term lending strategy and FX-Protected Deposit scheme 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 factors, the Bank's the Long-Term National Rating has been affirmed at **'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 as well as the possible negative effects of the macroeconomic conditions on the Turkish Banking Sector, the outlooks for Long and Short-Term National Issuer Credit Ratings of the Bank are determined as **'Stable'**. Global macroeconomic environment and the impact of the decisions taken by the regulatory authorities on the sector will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.