

Corporate Credit Rating

New Update

Sector: Banking

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	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 August 18, 2022

Türkiye Halk Bankası A.Ş.

JCR Eurasia Rating has evaluated "Türkiye Halk Bankası A.Ş." in the highest investment-grade category, affirmed the Long-Term National Issuer Credit Rating as 'AAA (tr)' and the Short-Term National Issuer Credit Rating as 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB / Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Türkiye Halk Bankası A.Ş. (hereinafter referred to as 'Halkbank' or 'the Bank' or 'the Group') was established in Türkiye in 1933 in accordance with Law Number 2284 and began operations in 1938 with the intention of transferring resources under favorable conditions to tradesmen and small business owners and activating capital growth. The Bank received state-owned bank status in 1963. In 2007, 24.98% of Halkbank's shares were offered to the public for the first time. Following this successful offering, 23.92% of the Bank's shares were offered for the second time in 2012. In 2006, the ownership of the Bank was transferred to the Privatization Administration, a government body. The shares belonging to the Privatization Administration were transferred to **Türkiye Varlık Fonu Yönetimi A.Ş.** (hereinafter referred to as 'Türkiye Varlık Fonu') on March 10, 2017. The qualified shareholder, Türkiye Varlık Fonu, currently holds 87.70% of the Bank's shares and the remaining shares are publicly traded.

Halkbank provides services in the corporate, commercial, SME and retail banking fields through 1,030 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus (TRNC) and 1 in Bahrain with 20,395 employees as of September 30, 2022. The Bank has 1 country directorate office in TRNC and 2 representative offices in England and Iran, also operates in Macedonia, Netherlands and Serbia via its subsidiaries and affiliates. As an integrated financial company, the Bank carried out services, through a total of 11 consolidated subsidiaries and affiliates, such as; leasing, factoring, mortgage, and brokerage.

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

Strengths

- Well diversified and broad-based loan portfolio underpinning market influence,
- Downward trend in NPL ratio in line with the sector,
- Sustainable market position thanks to extensive and efficient branch network,
- Moderate liquidity structure with increasing liquidity coverage ratios which enables incidental loss absorption,
- Competitive advantages in domestic market via strong shareholder structure together with long-standing operating history,
- Convenience and solutions offered through expanded digitalization practices together with advantages of scale,
- High level of compliance regarding corporate governance and sustainability implementations.

Constraints

- Capital adequacy ratio standing below sector average despite being compatible with the requirements,
- Core profitability indicators standing below sector averages over the analyzed period despite notable increase in 3Q2022,
- The continuation of maturity mismatch and short-term profile of deposits across the sector despite FX-Protected deposits support,
- Concerns on debt-servicing capabilities of the real sector due to weakened TL and CPI along with global recession and geopolitical risks.

Considering the aforementioned points, the Bank's Long-Term National Issuer Credit Rating has been affirmed as 'AAA (tr)'. The Bank's solid market positions, well diversified loans book, asset quality supported by high provision levels despite its relatively low NPL portfolio, liquidity position above the minimum legal limits, adequate capitalization level and strong shareholder structure have been evaluated as important indicators for the stability of the ratings and the outlooks for long- and short-term national ratings has been affirmed as 'Stable'. The Bank's financial structure, attainability of the Bank's projections, the possible impacts of the Russia-Ukraine War on the global and Türkiye's economy and its effects on Bank's activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

