

Corporate Credit Rating

New Update

Sector: Banking

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Senior Analyst

Ezgi Çiçek Yılmaz
 +90 212 352 56 73

ezgi.yilmaz@jcrer.com.tr

Assistant Analyst

Barbaros Dişçi
 +90 212 352 56 73

barbaros.disci@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	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
Sovereign *	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 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 and outlooks were determined 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 91.49% 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 1,066 domestic and 6 foreign branches that are 5 in Türkiye Republic of Northern Cyprus (TRNC) and 1 in Bahrain with 22,195 employees as of September 30, 2023. 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

- Solid earnings power with core profitability indicators despite decreasing NIM as of 3Q2023 in parallel with the sector,
- Asset quality underpinned via decreasing trend in the NPL ratio,
- Moderate liquidity structure with increasing liquidity coverage ratios which enables incidental loss absorption and reduce interest rate and currency risks through its deposit portfolio,
- Diversified funding structure through debt security issuances, providing financial flexibility,
- Sustainable market position thanks to extensive and efficient branch network,
- Digitalization practices 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,
- Competitive advantages in domestic market via strong shareholder structure together with long-standing operating history.

Constraints

- Despite improvement, capital adequacy ratios still standing below the sector averages,
- 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 Long-Term National Issuer Credit Rating has been affirmed at '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 Issuer Credit Ratings are determined as 'Stable'. The Bank's financial structure, attainability of the Bank's projections, 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.

