

## Corporate Credit Rating

New  Update

**Sector:** Banking

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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	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Stable	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 10, 2024

## Türkiye Halk Bankası A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Türkiye Halk Bankası A.Ş." in the investment grade category with the highest credit quality, 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/Stable', in line with the sovereign 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 favourable 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.** ("Türkiye Varlık Fonu") on March 10, 2017. The qualified shareholder, Türkiye Varlık Fonu holds 91.49% of the Bank's shares and the remaining shares are publicly traded, as of September 30, 2024.

Halkbank provides services in the corporate, commercial, SME and retail banking fields through 1,087 domestic and 7 foreign branches that are 6 in Türkiye Republic of Northern Cyprus (TRNC) and 1 in Bahrain with 21,807 employees as of September 30, 2024. 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 13 consolidated subsidiaries and affiliates, such as; leasing, factoring, mortgage, and brokerage.

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

### Strengths

- Reasonable earnings power with core profitability indicators, despite declining NIM in the sector as of 3Q2024,
- Low level of NPL ratio supporting asset quality in the analysed period, despite accelerated NPL inflow in 3Q2024,
- Moderate liquidity metrics supporting financial position in the analysed period,
- Diversified funding structure through debt security issuances, providing financial flexibility,
- Maintaining market position thanks to extensive and efficient branch network,
- Ongoing digitalization practices and efforts to develop sustainable banking supporting operational performance,
- High level of compliance and transparency with regard to corporate governance practices,
- Competitive advantages via strong shareholder structure together with deep-rooted operating history.

### Constraints

- Decreasing capital adequacy ratios, despite still compatible with the requirements and expected contribution of Tier-2 bond to be issued,
- Structural maturity mismatch and short-term profile of deposits across the sector,
- Sensitivity of operating environment in Turkish Banking Sector considering macroeconomic and geopolitical risks.

Considering the aforementioned factors, the Bank's Long-Term National Rating has been affirmed at 'AAA (tr)'. Earnings power and solid market position, low NPL ratio despite increase in 3Q2024 and strong shareholder structure as well as decreasing solvency ratios 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'. 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.

