Corporate Credit Rating

☐New ☒Update

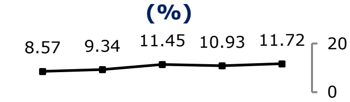
Sector: Banking
Publishing Date: 23.06.2023

Analyst
Ezgi Çiçek Yılmaz
+90 212 352 56 73
ezgi.yilmaz@jcrer.com.tr
Assistant Analyst
Barbaros Dişci
+90 212 352 56 73
barbaros.disci@jcrer.com.tr

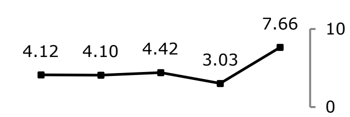
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on August 18, 2022*

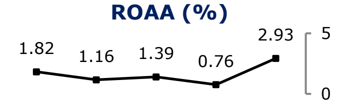
Asset Market Share (%)



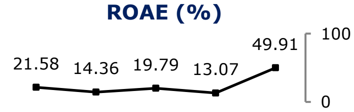
NIM (%)



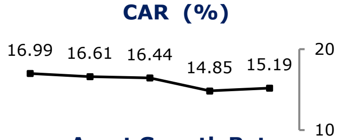
ROAA (%)



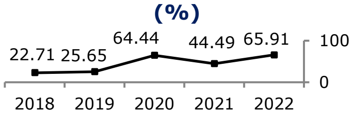
ROAE (%)



CAR (%)



Asset Growth Rate (%)



Türkiye Vakıflar Bankası T.A.O.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Türkiye Vakıflar Bankası T.A.O."** in the investment level category with highest credit quality and 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.

With a track record dating back to 1954, **Türkiye Vakıflar Bankası T.A.O.** (hereinafter referred to as **'Vakıfbank'** or **'the Bank')** has consistently expanded its operations and provides the full spectrum of financial services including retail, corporate, commercial, SME, agricultural and private banking along with financial intermediation, factoring and leasing services through its financial subsidiaries. The Bank has, 12 financial affiliates and subsidiaries and 14 non-financial affiliates and subsidiaries. The Bank has a wide geographical reach across Türkiye serving through a total of 949 branches in Türkiye and 4,148 ATMs along with 4 overseas branches in New York-USA, Erbil-Iraq, Qatar and Bahrain.

By the Decision of the Bank's Board of Directors dated February 9, 2022, it was provided that the Bank will remain within the registered capital ceiling, the Bank's paid-in capital of TRY 3,906mn will be increased through the method of cash increase of capital. It has been decided to sell to the Turkish Wealth Fund by allocated sales method without a public offering, within the framework of the relevant legislation of the Capital Market Board, the Banking Regulation and Supervision Agency, and Borsa Istanbul's Procedure for Wholesale Transactions. As of March 9, 2022, shares of the nominal value of TRY 3,205mn issued by the Bank was sold to the Turkish Wealth Fund. As of March 28, 2023, shares of the nominal value of TRY 2,805mn issued by the Bank was sold to the Turkish Wealth Fund. Group A-B shares are currently belonging to the Ministry of Treasury and Finance, whilst Group D shares of the Türkiye Wealth Fund reached 74.79% and Group D (listed shares) accounted with a current free-float rate of 6.35%.

Headquartered in Istanbul, the Bank was ranked 2^{nd} overall (FYE2022: 2^{nd}; FYE2021: 2^{nd}) in the sector based on solo asset size whilst the number of personnel employed amounted to 17,038 in 1Q2023 (FYE2022: 16,961; FYE2021: 16,929).

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

Strengths	Constraints
• Ongoing improvement in the NIM and other core profitability indicators in FY2022, • Well diversified loans book underpinning market influences and high influences in core banking fields, • Asset quality underpinned via low level of NPL ratio- remaining below the Turkish deposit banking sector average, • Moderate liquidity structure with increasing liquidity coverage ratios which enables incidental loss absorption, • Diversified funding sources thanks to access capability to international funding resources, providing financial flexibility, • Widened branch network and efficiency level supporting its leading market position, • Systemically important bank along with the provision of integrated and diversified financial services via subsidiaries and affiliates, • High level of compliance in corporate governance practices and sustainability.	• Capital adequacy ratios standing below sector average despite being compatible with the requirements, • 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, • Weakening TL and high inflation increasing the expectation of contraction in debt service payment capacity of the real sector and tightening in external financing conditions specific to the banking sector.

Considering the aforementioned points, the Bank's the Long-Term National Issuer Credit Rating has been affirmed at '**AAA (tr)**'. Taking into account The capability to independently survive irrespective of the support from the current shareholders including mainly Türkiye Wealth Fund and the Ministry of Treasury and Finance and at the system level, widespread branch network, adequate capitalization structure, internal resource generation capacity, ability to access international funding markets and roll-over debt, the presence of prudent provisions in addition to the high level of specific loan loss provisions and the asset quality accompanied by selective and efficiency focused credit policies 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 are determined as '**Stable**'. Non-performing loans due to downward efficiency in economic activities caused by the geopolitical risks driven uncertainties and the erosion in the debt payment capacity raising provisioning requirement, resulting a higher credit risk cost, 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.