Corporate Credit Rating

☐New ☒Update

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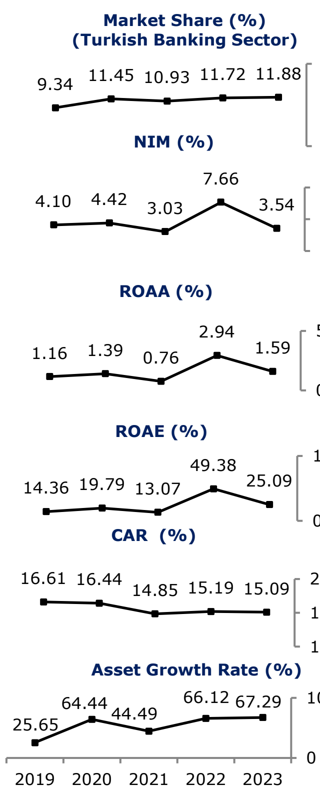
Senior Analyst
Ezgi Çiçek Yılmaz
+90 212 352 56 73
ezgi.yilmaz@jcrer.com.tr
Assistant Analyst
Barbaros Dişci
+90 212 352 56 73
barbaros.disci@jcrer.com.tr

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	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 Vakıflar Bankası T.A.O.

JCR Eurasia Rating, has evaluated the consolidated structure of **"Türkiye Vakıflar Bankası T.A.O."** 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 assigned as **'BB/Stable'** as parallel to sovereign 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 11 financial affiliates and subsidiaries and 15 non-financial affiliates and subsidiaries. The Bank has a wide geographical reach across Türkiye serving through a total of 948 branches in Türkiye and 4,063 ATMs along with 4 overseas branches in New York-USA, Erbil-Iraq, Qatar and Bahrain.

As of 1Q2024, the share capital of Vakıfbank is TRY 9,916mn, while the Group A-B shares belong to the Republic of Türkiye Ministry of Treasury and Finance and other appendant foundations, Group C shares belong to VakifBank Pension Fund and other individuals and legal entities, whilst Group D shares of the Türkiye Wealth Fund reached 74.79% and Group D listed shares accounted with a free-float rate of 6.35%.

Headquartered in Istanbul, the Bank was ranked 2nd overall in the sector based on solo asset size, as of 1Q2024 (FYE2023: 2nd), and the number of personnel employed amounted to 18,687 in 1Q2024 (FYE2023: 17,263).

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

Strengths	Constraints
• Sustainable core profitability indicators though downward trend in line with the sector, • Well diversified loans book underpinning market influence, • Decreasing trend in NPL ratio supporting asset quality in the analysed period, • Maintaining liquidity metrics supporting financial position, • Diversified funding sources thanks to access capability to international funding resources, providing financial flexibility, • Widened branch network and efficiency level supporting its prominent 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, • Competitive advantages in domestic market via strong shareholder structure together with long-standing operating history.	• Decreasing trend in capital adequacy ratios despite being compatible with the requirements, • Increasing OPEX and swap position partially suppressing profitability, • Structural maturity mismatch and short-term profile of deposits across the sector, • Volatile environment for Turkish Banking Sector due to tight monetary policies of CBRT together with loan and deposit interest rate hikes in parallel with increasing inflation.

Considering the aforementioned points, the Bank's Long-Term National Issuer Credit Rating has been affirmed at '**AAA (tr)**'. Taking into account the Bank's capability to independently survive irrespective of the support from the shareholders, strong branch network, adequate capitalization structure, internal resource generation capacity, satisfactory liquidity position, ability to access international funding markets, the provision level 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.