

Corporate Credit Rating

New Update

Sector: Banking

Publishing Date: 24.06.2022

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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 | J3 |
| | International FC ICR Outlooks | Stable | Stable |
| | International LC ICR | BB | J3 |
| 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 31, 2021

Türkiye Vakıflar Bankası T.A.O.

JCR Eurasia Rating, has evaluated the consolidated structure of "Türkiye Vakıflar Bankası T.A.O." assigned the ratings as "AAA (Trk)" on the Long-Term National Issuer Credit Rating 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 international ratings and outlooks of Republic of Turkey.

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 a wide geographical reach across Turkey serving through a total of 933 branches in Turkey and 4,185 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. Group A-B shares (0.57%) are currently belonging to the Ministry of Treasury and Finance, whilst Group D shares of the Turkey Wealth Fund reached 64.85% and Group D (listed shares) accounted with a current free-float rate of 8.87%.

Headquartered in Istanbul, the Company was ranked 2nd overall (FYE2021: 2nd; FYE2020: 2nd) in the sector based on solo asset size whilst the number of personnel employed across Company operations amounted to 16,876 in 1Q2022 (FYE2021: 16,929; FYE2020: 16,748).

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

Strengths

- Remarkable improvement in NIM since 4Q2021 despite maintaining below the sector average,
- 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 sector average,
- Diversified funding sources thanks to access capability to international funding resources,
- 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.

Constraints

- OPEX and swap position partially suppressing profitability,
- Maintained below sector average of CAR, despite cash injection support in 1Q2022,
- The continuation of maturity mismatch and short-term profile of deposits across the sector despite FX-Protected Deposits support,
- Increase in TRY amount of Stage 2 loans,
- Weakened TL and inflation rate impacting on debt-servicing capabilities of the real sector and tighter conditions of external financing at the lower sovereign rating level in banking sector.

Considering the aforementioned points, the Bank's the Long-Term National Issuer Credit Rating has been assigned as 'AAA (tr)'. Taking into account The capability to independently survive irrespective of the support from the current shareholders including mainly Turkey 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 Bank has been assigned with 'Stable' outlooks in the long and short-term perspectives.

Market Share (%) (Turkish Banking Sector)

