

Corporate Credit Rating & Issue Rating

New Update

Sector: Banking

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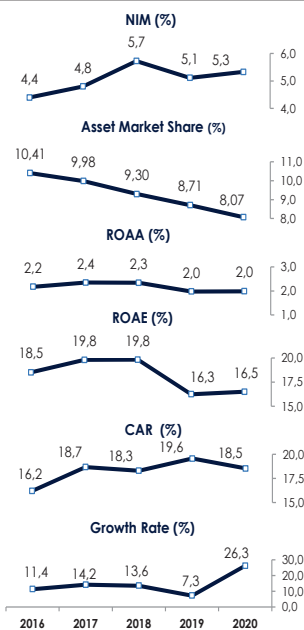
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RATINGS

		Long Term	Short Term	
National	Local Rating	AAA (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	AAA (Trk)	A-1+ (Trk)	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Issue Rating	FC	BBB-	A-3
		LC	BBB	A-3
Sovereign	Sponsor Support	1	-	
	Stand-Alone	A	-	
	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021



Türkiye Garanti Bankası A.Ş.

JCR Eurasia Rating evaluated the consolidated structure of “Türkiye Garanti Bankası A.Ş.” affirmed the ratings at “AAA (Trk)” on the Long-Term National Scale and at “A-1+ (Trk)” on the Short-Term National Scale with ‘Stable’ outlooks. On the other hand, the Long-Term International FC and LC Ratings have been affirmed at ‘BBB’- and ‘BBB’ positioned above the country ceiling, respectively were also assigned in this rating action with ‘Stable’ outlooks.

Türkiye Garanti Bankası A.Ş. (hereinafter referred to as “Garanti” or the “Bank”), operating in the fields of corporate, private, commercial, SME, investment and retail banking through its diversified clientele and integrated business mix, is a foreign deposit bank and one of the market leaders in the Turkish financial system. Banco Bilbao Vizcaya Argentaria S.A (BBVA), one of the leading banking groups in Europe with an asset and equity sizes of EUR648bn and EUR50bn, respectively as at the end of 1H2021, has been the sole major shareholder of the Bank consequent to the share transfer between Doguş Group and BBVA finalized on March 22, 2017 raising the BBVA’s stake to 49.85% from 39.90%. Garanti’s 50.15% stakes have been traded on the Borsa Istanbul (BIST) since 1990. Garanti’s widespread distribution network of (at the end of 1H2021) 871 domestic branches, 8 foreign branches and 1 international representative office, 21,871 employees with its subsidiaries (as of 1H2021), comprehensive and digitalized infrastructure of its alternative delivery channels and its affiliates bolster the franchise strength of the Bank.

Strengths

- Sufficient capitalization and high level of free provision continuing to indicate the capacity to absorb incidental losses,
- Well diversified loans book underpinning market influence,
- Earnings power with core profitability indicators outperforming sectorial averages,
- Solid market position & sustained influence through strong and efficient franchise,
- Strong liquidity position thanks to established access to capital markets & diminishing dependency on external funding,
- High level of compliance in corporate governance practices and sustainability.

Constraints

- Above the sector NPLs continuing its pattern,
- Ongoing slowdown in market share,
- OPEX and swap position partially suppressing profitability,
- Structural maturity mismatch and short-term profile of deposits across the sector,
- Concerns on the banking sector’s asset quality and higher credit loss provisions due to ending of measures in force of Covid-19 outbreak.

Considering the mentioned drivers, the Bank’s the Long-Term National Rating has been affirmed as “AAA (Trk)”. Taking into account, adequacy to absorb incidental losses as evidenced by the Bank’s capital adequacy and CET1 share, earnings power with core indicators and NIM through contributions from securities with CPIs; supporting asset quality with high provision levels despite a relatively high NPL portfolio, strong liquidity position realized well above legal limits, continuing to decrease the level of dependency on external funding and maintenance of loan-driven moderate growth strategy were the main inputs of the affirmation of Garanti’s outlooks as ‘Stable’ in the long- and short-term perspectives.

Taking into account existence of BBVA (Banco Bilbao Vizcaya Argentaria S.A), one of the leading banking groups in Europe, in the Bank’s shareholding structure as the sole major shareholder consequent to additional share transfer from Doguş Group during 2017 as well as Garanti’s sturdy balance sheet composition, the Long Term International Local Currency ‘BBB’ and Long Term International Foreign Currency ‘BBB-’ ratings have been affirmed above Turkey’s sovereign ratings ‘BB’ within the investment grade.

The financial strength of the current major shareholder, its willingness to provide funds to the Bank and the Bank’s importance in the overall economy and financial markets due to its magnitude and geographical outreach have been assessed within the highest rank of ‘1’ for ‘Sponsor Support’ category. The current senior management’s ability to administer the risks undertaken and high degree of convergence to corporate governance and sustainability practices given the Bank’s strong equity base, profitability indicators above the sector averages and liquidity position also correspond to the highest level of ‘Stand Alone’ category with ‘A’ under JCR Eurasia’s notation system.