

PRESS RELEASE
Istanbul – September 27, 2017

JCR Eurasia Rating

has affirmed the credit ratings of **Şekerbank T.A.Ş.** as **'AA-(Trk)'** on the Long Term National Scale and as **'A-1+(Trk)'** on the Short-Term National Scale in the periodic annual review and revised the outlook to **"Stable"** from **"Negative"**. The Long Term International Foreign Currency Rating has been affirmed as **'BBB-'** along with a **'Stable'** outlook.

JCR Eurasia Rating has evaluated Şekerbank T.A.Ş in a high level investment category and affirmed the credit ratings as **'AA- (Trk)'** on the Long Term National Scale and as **'A-1+ (Trk)'** on the Short Term National Scale and revised its outlooks to **'Stable'**. On the other hand, the Long Term International Local and Foreign Currency ratings have been affirmed as **'BBB-'**. Other notes and details of the ratings are given in the table below.

Long Term International Foreign Currency	: BBB- / (Stable Outlook)
Long Term International Local Currency	: BBB- / (Stable Outlook)
Long Term National Local Rating	: AA-(Trk) / (Stable Outlook)
Short Term International Foreign Currency	: A-3 / (Stable Outlook)
Short Term International Local Currency	: A-3 / (Stable Outlook)
Short Term National Local Rating	: A-1+(Trk)/ (Stable Outlook)
Sponsor Support	: 2
Stand Alone	: AB

In line with its mission and an operational track record exceeding 60 years, **Şekerbank T.A.Ş.** which has a widespread customer base in the field of SME and agricultural banking, is an integrated financial institution with its subsidiaries and affiliates operating in the fields of capital markets, factoring, leasing and mortgages. The Bank's management put into place a series of measures regarding the increase of effectiveness, productivity and asset quality in FY2016. Within this regard, the Bank underwent a contraction to some extent in contrast to the growth observed in the wider sector largely stemming from the re-assessment of credit limits at the branch and regional level, the non-extension of credits to customers that remained below a certain score in the internal rating systems, the change of collateral conditions in the issued loans, close monitoring of impaired loans and collection performance along with re-structuring in order to provide services at a rational scale by reducing the number of personnel and branches.

The profit and profitability ratios of the Bank which displayed a below sector average performance with respect to deposit and loan growth along with the return on assets and equity throughout FY2016 as in the previous year, exhibited a significant rise in comparison to the previous year. Following the acquisition of 9.43% of shares held by BTA Securities JSC for a value of TRY 175mn, the capital adequacy ratio of the Bank approached the limits envisaged in the BRSA regulations stemming from the aforementioned transaction and the redemption of sub-ordinate loans. However, as of June, 2017 it underwent a significant increase owing to the effects of both the BRSA regulations that came into effect in 2017 along with the sub-ordinate loan of USD 85mn obtained in June. Despite the mentioned increase, the Bank's capital adequacy ratio maintains its below sector average level. The above sector average level of non-performing loans among total loans and the relatively low level of provisioning are factors that maintain pressure on the asset quality. Despite the maintenance of high interest margin, the operating expenses and the provisions set for non-performing loans, continued to exert significant pressure on the Bank's net profit throughout FY2016. In the 1H2017, an improvement was recorded in the ratio of non-performing loans due to both the high level of growth in the issued loans within the context of the Credit Guarantee Fund and the measures taken. The maturity mismatch and the pressure exerted on liquidity management by a deposit term structure with a maturity of less than 3 months also holds true for Şekerbank. Şekerbank which has a resource structure resembling that of the sector, diversified its resource structure via the funds obtained from various foreign funding resources overseas, contributes to its liquidity management and increases its international integration.

Taking into consideration the improvements recorded in the capital adequacy ratio and asset quality to a limited extent, the improvements made in the collateral structure of cash loans, the regulations of legal authorities generally supporting production and employment along with the positive contribution provided by the steps taken to improve the level of risk-weighted assets, provisions, capital and liquidity levels of the banking sector in the 1H2017, the outlook of the Bank's Long and Short-term National Ratings have been converted from **"Negative"** to **"Stable"**. Taking into account, the Bank's shareholder structure, balance sheet composition, capital adequacy, capability to access international markets and obtain funding, ability to generate internal resources and retention of generated internal resources, SME loans portfolio, collaboration with international financial institutions, provision of support for the financing of projects with the aim of increasing energy productivity, risk appetite and corporate governance practices, the long term international foreign and local currency ratings have been affirmed at the country ceiling level of BBB-. Developments in profitability, capital adequacy and impaired receivables portfolio are the factors that will be kept closely under review in the upcoming period.

The fiscal strength of the Bank's shareholders and willingness to support the Bank have been affirmed as (2), whilst the Stand-Alone grade, referring to the ability of the Bank to manage the incurred risks regardless of shareholder support, has been determined as (AB). The (AB) grade in the Stand-Alone category and the (2) grade in the Sponsor Support category denote "High" and "Sufficient" levels, respectively, based on JCR Eurasia Rating's notation system.

For more information related to the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analyst **Mr. Şevket GÜLEÇ**.

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