FitchRatings

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Fitch Affirms Arap Turk Bankasi at 'B+', Outlook Stable

Fitch Ratings - Paris - 25 Jun 2026: Fitch Ratings has affirmed Arap Turk Bankasi A.S.'s (ATB) Long-Term Foreign-Currency (LTFC) and Local-Currency (LTLC) Issuer Default Ratings (IDRs) at 'B+'. The Outlooks are Stable. Fitch has also affirmed the bank's Viability Rating (VR) at 'b+'.

Key Rating Drivers

VR Drives Ratings: ATB's ratings reflect the bank's exposure to Turkiye's improving, but challenging, operating environment, its small niche franchise within trade finance, and high balance-sheet concentration. The ratings also reflect improving but below-sector-average profitability, contained asset-quality risks, adequate capitalisation, and stable, but concentrated, funding.

Geopolitical Tensions Pressure Operating Environment: Fitch considers macroeconomic stability risks and external financing pressures to have risen following the outbreak of the Iran conflict, leading to a marked fall in Turkiye's international reserves. Turkish banks' financial and risk profiles face challenges through higher-for-longer Turkish lira rates and inflation.

Small Trade Finance Bank: ATB is a small trade finance bank that specialises in facilitating trade between Turkiye and Libya, and, to a lesser extent, the Middle East and North Africa. It has close ties to its largest shareholder, Libyan Foreign Bank (LFB; 63%), which provides it with low-cost, FC funding.

High Concentrations: ATB is exposed to high single-name concentrations on both its on- and off-balance sheets. The share of cash lending in FC is high (end-1Q26: 70% of gross loans). Loan growth has accelerated in recent periods (1Q26: 17%; 2025: 101%; 2024: 62%), albeit from a small base, supported by capital injections.

Negligible Impairments: ATB's asset quality benefits from its short-term loan book and counter-guarantees from Turkish banks covering a large share of the Libya country risk in its trade finance operations. The bank's non-performing assets ratio, including on- and off-balance-sheet risks, (which represents a better indicator of asset quality) also remained negligible at end-1Q26. High FC lending and single-obligor concentration present risks to asset quality, alongside slowing economic growth, high inflation and still high lira interest rates.

Improving Profitability: Operating profit at 2.8% of risk-weighted assets (RWAs) in 1Q26 (2025: 2.9%; 2024: 1.6%) remained below the Turkish banking sector average (1Q26: 4.6%), despite strong loan expansion and above-sector net interest margin (NIM). This was due to ATB's higher RWA density and high operating costs. ATB's NIM remains above the sector average, supported by low-cost FC funding from its parent.

Adequate Capitalisation: The bank's common equity Tier 1 (CET1) ratio decreased to 13.4% at end-1Q26 from 18.7% at end-2025, largely reflecting the impact of forbearance removal and high RWA density. The equity/ assets ratio remained high at 17% at end-1Q26 (Turkish banking sector average: 8.7%). Capitalisation is sensitive to lira depreciation and loan growth.

High Parent Funding: Wholesale funding (end-1Q26: 55% of non-equity funding) is the main source of funding for ATB, similar to other trade finance banks. It also relies heavily on FC funding from its parent, which accounts for about 30% of total funding. The rest is through customer deposits, including non-resident deposits from Libyan clients. ATB is exposed to refinancing risk, due to its high reliance on FC wholesale funding, although it is partly mitigated by the short-term profile of the loan book, trade finance exposures and access to parent funding.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

ATB's VR and IDRs could be downgraded due to a weakening of its operating environment that could follow a sovereign downgrade. A substantial reduction in parent funding, prompting a large drop in the bank's FC liquidity, or sustained deterioration in its capitalisation as a result of a material decline in profitability or asset quality, could also lead to a negative rating action.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade in ATB's ratings would require a material strengthening of the bank's business profile, including a reduction in concentration while maintaining adequate financial performance.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The bank's National Long-Term Rating of 'A(tur)', which is on a Stable Outlook, reflects ATB's LC creditworthiness relative to other Fitch-rated Turkish issuers'.

ATB's 'no support' Government Support Rating (GSR) reflects Fitch's view that support from the Turkish authorities cannot be relied on, given the bank's small size and limited systemic importance. Support from ATB's shareholders, while possible, cannot be relied on.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The National Long-Term Rating is sensitive to a change in the bank's creditworthiness in LC relative to that of other Turkish issuers.

An upgrade of ATB's GSR is unlikely given its limited systemic importance.

VR ADJUSTMENTS

The operating environment score of 'bb-' is below the 'bbb' category implied score due to the following adjustment reason(s): sovereign rating (negative).

The asset quality score of 'b+' is below the 'bbb' category implied score due to the following adjustment reason(s): concentrations (negative).

The earnings and profitability score of 'b+' is below the 'bb' category implied score due to the following adjustment reason(s): revenue diversification (negative).

The capitalisation and leverage score of 'b+' is below the 'bb' category implied score due to the following adjustment reason(s): size of capital base (negative).

The funding and liquidity score of 'b+' is below the 'bb' category implied score due to the following adjustment reason(s): deposit structure (negative).

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

ATB has an ESG Relevance Score for Management Strategy of '4', reflecting an increased regulatory burden on all Turkish banks. Management ability across the sector to determine their own strategy and price risk is constrained by the regulatory burden and also by the operational challenges of implementing regulations at the bank level. This has a moderately negative impact on the bank's credit profile and is relevant to its ratings in combination with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores,visithttps://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Arap Turk Bankasi A.S.	LT IDR	B+	Affirmed		B+
	ST IDR	B	Affirmed		B
	LC LT IDR	B+	Affirmed		B+
	LC ST IDR	B	Affirmed		B
	Natl LT	A(tur)	Affirmed		A(tur)
	Viability	b+	Affirmed		b+
	Government Support	ns	Affirmed		ns

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Bank Rating Criteria (pub.08 May 2026) (including rating assumption sensitivity)

National Scale Rating Criteria (pub.22 Dec 2020)

Additional Disclosures

Solicitation Status

Endorsement Status

Arap Turk Bankasi A.S.	EU Issued, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch’s website.

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