

10 JUL 2025

Fitch Affirms Arap Turk Bankasi at 'B', Outlook Positive

Fitch Ratings - Paris - 10 Jul 2025: 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' with Positive Outlooks. Fitch has also affirmed the bank's Viability Rating (VR) at 'b'.

Fitch has upgraded ATB's National Rating to 'A-(tur)' from 'BBB(tur)', reflecting a strengthening in its creditworthiness relative to other Turkish issuers in LC, following improved earnings and adequate capitalisation buffers in an improving operating environment. The Positive Outlook reflects that on the bank's LTLC IDR.

Key Rating Drivers

VR Drives Ratings: ATB's IDRs are driven by its standalone creditworthiness, as reflected in its VR. The VR reflects the bank's exposure to the improving, but challenging, operating environment in Türkiye, its small niche franchise within trade finance and high balance sheet concentration. It also reflects stable but below sector average profitability, contained asset quality risks, adequate capitalisation and stable, but concentrated, funding. The Positive Outlooks on the IDRs are due to the improving operating environment in Türkiye, which should support the bank's overall better performance that could lead to a rating upgrade.

Improving but Challenging Operating Environment: ATB's operations are concentrated in the improving but challenging operating environment in Türkiye. The normalisation of monetary policy has reduced macrofinancial stability risks and external financing pressures. However, recent political developments have led to increased financial market volatility, which, if sustained, could disrupt disinflation and economic rebalancing.

Banks remain exposed to high inflation, potential further Turkish lira depreciation, slowing economic growth and multiple macroprudential regulations, despite simplification efforts. In addition, as a trade finance bank, ATB is also exposed to the negative effect of geopolitical risks in world trade in 2025, although we expect trade finance banks to remain resilient.

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

High Concentrations: The bank's underwriting standards compare well with Fitch-rated trade finance

peers', although it faces risks from its single name concentration on and off-balance sheet. On-balance sheet lending is mainly in FC (end-1Q25: 79% of total loans) and is, therefore, sensitive to lira depreciation.

Negligible Impairments: ATB's asset quality benefits from the short-term nature of the loan book and counter-guarantees by Turkish banks against a large proportion of its Libya country risk in its trade finance operations. The bank's non-performing assets ratio (NPA, which include on- and off-balance sheet risks, and represents a better indicator of asset quality) was negligible at end-1Q25. Asset-quality risks remain due to high FC lending and single-obligor concentration.

Improving Profitability: Operating profit rose to 1.7% of risk-weighted assets at 3M25 - annualised (2024: 1.6%; 2023: 0.8%). This was largely driven by lending growth and an increase in net interest margins (NIM) as the bank used its new capital to extend TRY loans with higher yields. The bank's NIM remains above the sector average and benefits from low-cost FC funding from its parent.

Capital Increase: The bank's common equity Tier 1 ratio increased to 19.8% at end-1Q25 (17% excluding forbearance), from 18.4% at end-2024, supported by the rise in its paid-up capital in 1Q25, to TRY2.6 billion from TRY440 million. ATB's paid-up capital was raised further, to TRY3.2 billion, in May 2025. The bank's capital is adequate for the risks it faces, including from lira depreciation, given that the majority of the balance sheet is in FC.

High Parent Funding: ATB is mainly wholesale-funded (58% of funding at end-1Q25), similar to other trade finance banks. It relies heavily on FC funding from its parent, which accounts for about 30% of funding. The remainder is through (largely non-resident) customer deposits from Libyan clients. ATB is exposed to refinancing risk, given its high reliance on FC wholesale funding, although the short-term maturity profile of the loan book and trade finance exposures supports liquidity.

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, although this is not our base case. A substantial reduction in parent funding, prompting a large drop in the bank's FC liquidity, could also lead to a negative rating action.

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

ATB's ratings could be upgraded following an upward revision of its operating environment score, provided that the bank maintains overall stable risk and financial profiles.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The bank's National Long-Term Rating of 'A-(tur)'/Positive reflects ATB's LC creditworthiness relative to other Fitch-rated Turkish issuers.

The bank's 'B' Short-Term IDRs are the only possible option mapping to LT IDRs in the 'B' rating category.

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

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The National 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 'ns' GSR is unlikely given its limited systemic importance.

VR ADJUSTMENTS

The operating environment score of 'b+' for Turkish banks is lower than the category implied score of 'bbb' due to the following adjustment reason: macroeconomic volatility (negative), which reflects market volatility, high dollarisation and high risk of FX movements in Türkiye.

The asset quality score of 'b' is below the category implied score of 'bb' due to the following adjustment reason: concentrations (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's 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 banks' credit profiles and is relevant to the banks' 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, visit <https://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) 	Upgrade	BBB(tur) 
	Viability	b	Affirmed	b
	Government Support	ns	Affirmed	ns

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Bank Rating Criteria \(pub.21 Mar 2025\) \(including rating assumption sensitivity\)](#)

[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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