

Corporate Credit Rating
(Annual Review)

Leasing

		Long Term	Short Term	
International	Foreign currency	BBB-	A-3	
	Local currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating		n.a	n.a	
National	Local Rating	BBB+ (Trk)	A-2 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	BBB+ (Trk)	A-2 (Trk)	
Sponsor Support		2	-	
Stand Alone		AB	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Affirmed by Japan Credit Rating Agency, JCR on October 07, 2016

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VAKIF FİNANSAL KİRALAMA A.Ş. and ITS SUBSIDIARY					
Financial Data	2016*	2015*	2014*	2013*	2012*
Total Assets (000 USD)	479,238	517,811	518,160	499,746	453,932
Total Assets (000 TRY)	1,686,534	1,505,588	1,201,561	1,066,607	806,909
Equity (000 TRY)	170,103	143,644	104,972	109,114	107,400
Net Profit (000 TRY)	23,281	23,679	-3,822	1,348	5,416
Market Share (%)	3.48	3.70	3.69	3.75	3.98
ROAA (%)	1.80	2.11	0.08	-0.05	1.09
ROAE (%)	18.27	22.95	0.85	-0.42	7.39
Equity/Assets (%)	10.09	9.54	8.74	10.23	13.31
NPL (%)	10.56	11.03	10.93	12.04	8.07
Growth Rate (%)	12.02	25.30	12.65	32.18	34.32

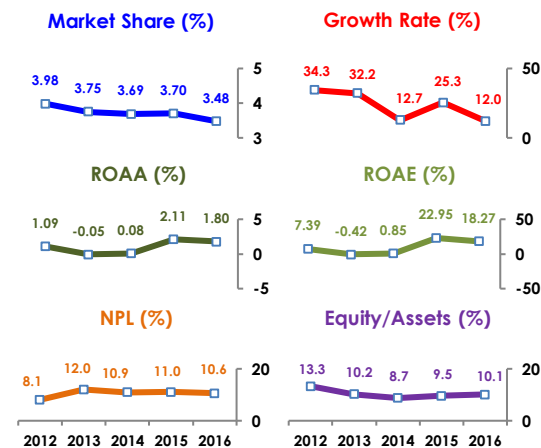
*End of year

Overview

The Company, **Vakif Finansal Kiralama A.Ş.**, was founded in 1988 to provide leasing services to real sector firms, particularly to Small and Medium Size Enterprises (SMEs), for their investments regarding assets and capital goods. The Company has been publicly traded since 1991 (with a 22.54% free float rate of its TRY 87mn paid-capital as of FYE2016).

The Company is a subsidiary of **Türkiye Vakıflar Bankası T.A.O.**, a large-scale and mostly publicly capitalized commercial bank in Turkey, with a 58.71% stake. **Güneş Sigorta A.Ş.** holds 15.65% of the Company shares. Both the stated shareholders of the Company are listed on the Borsa İstanbul (BIST). Vakif Leasing had a staff force of 52 and a subsidiary named **Vakif Sigorta Aracılık Hizmetleri Ltd.Şti.** with a 84.85% stake as of FYE2016.

The Company performs its activities through its headquarters in İstanbul and six branches in Ankara, Adana, Bursa, İzmir and Antalya as well as in the widespread branch network of Vakıfbank.



Strengths

- Strong and reputable capital structure including bank ownership together with its benefits regarding market recognition, customer base, access network, funding sources and liquidity
- Almost stabilised satisfactory net profit generation capacity over the last two years and the management strategy envisaging to support the equity level through keeping the generated internal resources in the company
- Relatively high level of compliance with corporate governance principles
- The possible positive effects of increased collection capability through improved collateral level and structure on future profitability indicators
- Borrowing structure with a better composition than the sector average and the possible positive effects of projected debt instrument issuance in the upcoming periods
- High realisation ratios of last two years' projections indicating an effective managerial foresight ability

Constraints

- Remarkably above sector and exceeding equity NPL ratio, restraining asset quality
- Improved but below sector equity level inherit in the bank related companies, despite meeting legal requirements
- Comparatively high other operating income level despite improvements together with its volatility generating potential in the upcoming periods' total income
- Below sector average growth in the last year leading to market share evolving to declining trend for the last five-year period
- Below sector average pre-tax profit generation capacity derived mainly from above sector financing and operating expenses
- Highly competitive and volatile market conditions together with cautious investor appetite leading to more challenging risk management period

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