

Corporate Credit Rating

New Update

Sector: Leasing

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on August 18, 2022

VAKIF FİNANSAL KİRALAMA ANONİM ŞİRKETİ

JCR Eurasia Rating, has evaluated the "Vakif Finansal Kiralama A.Ş" in the very high-investment level category and revised the Long-Term National Issuer Credit Rating as 'AA (tr)' from 'AA- (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Negative' as parallel to international ratings and outlooks of Republic of Türkiye.

Vakif Finansal Kiralama A.Ş. (hereinafter referred to as "the Company" or "Vakif Leasing"), is licensed as a leasing company and has been subject to the "Financial Leasing, Factoring, Financing and Saving Financing Companies Law" dated December, 2012 and conducts its activities within the framework of "Regulation on Principles for Establishment and Operations of Financial Leasing, Factoring and Financing Companies" dated April 24, 2013. The Company 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 performs its activities through its headquarters in İstanbul and five branches in Adana, Ankara, Antalya, Bursa and İzmir as well as in the widespread branch network of Vakifbank. Vakif Leasing had a staff force of 76 as of FYE2022 (FYE2021: 76).

The Company is a subsidiary of **Türkiye Vakıflar Bankası T.A.O.** (referred to as "the Bank"), which ranks 2nd among Turkish banks in terms of asset size with its consolidated assets of TRY 1.71bn. Vakıfbank holds 62.05% of the Company's share as of FYE2022, while the remaining shares are publicly traded. The Company has been publicly traded on the Borsa İstanbul (BIST) since 1991 under the ticker symbol "VAKFN".

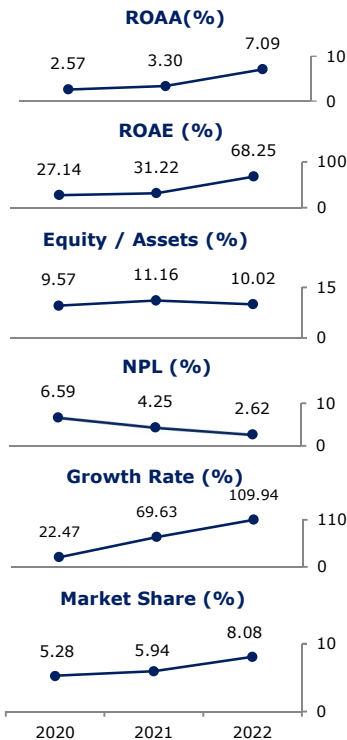
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Healthy improvement in operational and financial performance in FY2022,
- Steady increase in profitability indicators providing operational sustainability,
- Low level of NPL ratio, remaining below the sector average in FY2022 supporting asset quality,
- Balanced receivables and liabilities structure and rising share of local currency lending mitigating credit risk,
- As a bank-owned leasing company, harnessing from strong brand name of Vakıfbank with wide branch network,
- Established position in the sector along with shareholders' extensive experience in finance sector,
- As a publicly traded company, high level of compliance with corporate governance best practices, experience of senior management and continuity of well-established risk management practices.

Constraints

- Rising sentiment to interest rate volatility due to increased share of debt structure with variable interest rate in FY2022,
- Above sector leverage rates, albeit increasing equity levels,
- Credit risk concentration among the top fifty customers,
- Challenging macro environment and highly competitive market conditions.



Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised to 'AA (tr)' from 'AA- (tr)'. Improved performance indicators of the Company, profitable outlook, decreased NPL ratio, intra-group synergy through Vakıfbank branches as well as sentiment to FX and interest rate levels, above sector leverages, geopolitical and economic concerns across the globe have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Company's Sectorial regulations, NPL ratios, profitability ratios, cash flow generation and the Company's market share and market conditions will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.