

Corporate Credit Rating

New Update

Sector: Leasing

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AA-(tr)	J1+(tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
ISRs (Issue Specific Rating Profile)	International FC ISR	-	-
	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 31, 2021

Vakıf Finansal Kiralama A.Ş.

JCR Eurasia Rating, has evaluated the **"Vakıf Finansal Kiralama A.Ş."** and the **Cash Flows on its Potential Bond Issuances** in the high-investment level category and revised the Long-Term National Issuer Credit Rating as **'AA-(tr)'** from **'A (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/Stable'** as parallel to international ratings and outlooks of Republic of Turkey.

The Company, **Vakıf Finansal Kiralama A.Ş.** (referred to as **'the Company'** or **Vakıf Leasing**), 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 Istanbul and five branches in Ankara, Adana, Bursa, Izmir and Antalya as well as in the widespread branch network of Vakıfbank. Vakıf Leasing has a staff force of 76 as of FYE2021 (FYE2020: 68).

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. **Türkiye Sigorta A.Ş.** holds 15.65% of the Company shares. Both the stated shareholders of the Company are listed on the Borsa Istanbul (BIST). The Company has been publicly traded on the Borsa İstanbul (BIST) since 1991 with a 25.64% free float rate under the ticker symbol **"VAKFN"**.

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

Strengths

- Enhancement in profitability indicators supporting internal equity generation,
- Notable improvement in NPL ratio in FY2021 coupled with under the sector average,
- Balanced leasing receivables and financial liabilities mitigating FX volatility's effects,
- Opportunities of being a bank affiliate company,
- Robust and reputable shareholder structure providing advantages,
- High level of compliance with corporate governance best practices and continuity of well-established risk management practices,
- Qualified and experienced management team in leasing sector.

Constraints

- Participation banks' transactions in the sector escalating competition,
- Volatile interest rate and foreign exchange rate environment increasing uncertainty,
- Highly competitive and volatile market conditions.

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been revised to **'AA-(tr)'** from **'A (tr)'**. Sustainability of the Company's profitability performance, balanced FX position, intra-group synergy with Vakıfbank branches and equity level together with the trend of NPL ratio 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.

