

Corporate Credit Rating

Annual Update

Leasing

| Şeker Leasing | | Long Term | Short Term |
|-----------------|------------------|------------|------------|
| International | Foreign Currency | BBB- | A-3 |
| | Local Currency | BBB- | A-3 |
| | Outlook | FC | Stable |
| LC | | Stable | Stable |
| National | Local Rating | BBB+ (Trk) | A-2 (Trk) |
| | Outlook | Positive | Stable |
| 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 July 19, 2016

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| ŞEKER FİNANSAL KİRALAMA A.Ş. and ITS SUBSIDIARY | | | | | | |
|---|---------|---------|---------|---------|---------|---------|
| Financial Data | 1H2016 | 2015* | 2014* | 2013* | 2012* | 2011* |
| Total Assets (000 USD) | 157,126 | 146,836 | 172,193 | 187,097 | 156,994 | 111,105 |
| Total Assets (000 TRY) | 453,276 | 428,481 | 400,677 | 398,592 | 279,073 | 209,867 |
| Equity (000 TRY) | 61,934 | 61,462 | 54,956 | 49,365 | 44,150 | 40,454 |
| Net Profit (000 TRY) | 1,258 | 6,860 | 5,590 | 5,248 | 3,546 | 4,956 |
| Market Share (%) | 1.07 | 1.05 | 1.23 | 1.40 | 1.38 | 1.13 |
| ROAA (%) | 0.10 | 1.95 | 0.80 | 1.91 | 1.81 | 1.84 |
| ROAE (%) | 0.69 | 13.86 | 6.13 | 13.87 | 10.48 | 9.79 |
| Equity/Assets (%) | 13.66 | 14.34 | 13.72 | 12.38 | 15.82 | 19.28 |
| NPL (%) | 13.01 | 17.64 | 14.46 | 10.17 | 12.22 | 16.43 |
| Growth Rate (%) | 14.48 | 6.94 | 0.52 | 42.83 | 32.98 | 8.37 |

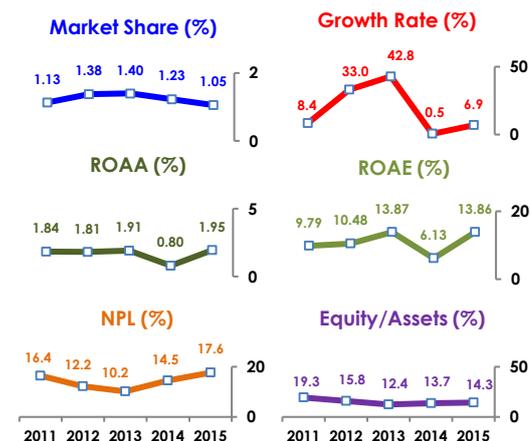
*End of year

Overview

Şeker Finansal Kiralama A.Ş. (Şeker Leasing, the Company), offering leasing services for investment support of domestic and international assets and capital goods needed by 'Small and Medium Size Enterprises' (SMEs), was founded in 1997 and has been publicly traded since 2004 (with a 15.80% free float of its capital of TL 45mn as of 1H2016). One of five leasing companies in Turkey listed on the Borsa İstanbul (BİST), the Company performs its activities via its headquarters and regional offices in Ankara, Bursa and İzmir as well as in the widespread branch network of Şekerbank T.A.Ş. (the Bank). The Company employed a staff force of 30 people as of 1H2016.

The main shareholder of Şeker Leasing with a 54.13% stake is Şekerbank T.A.Ş. (assigned a long-term national rating of 'AA-(Trk)' and a long-term international rating of 'BBB-' by JCR Eurasia Rating), a mid-scale commercial bank in Turkey. Şekerbank T.A.Ş. Personel Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı (Voluntary Pension Fund) is the ultimate majority shareholder of the Company. The Company has a subsidiary named Sekar Oto Kiralama Turizm Kargo Taşımacılık Hizmeti ve Tic. Ltd.Şti. as of the report date.

Constraints



Strengths

- Continuing bond issuances relieving liquidity management through long term weighted borrowing structure in contrast to the short term weighted sector composition
- High collateral level and collection capability of overdue loans, diminishing the pressure on asset quality and generating potential of positive contribution to future profitability figures
- Improving standard ratio against deteriorating sector figures over the last two years despite below sector standing
- Enhanced pre-tax profit generation capacity and profitability indicators together with interest margin displaying an above sector average pattern over the years
- Subsidiary with improved contribution to consolidated profitability
- High compliance to corporate governance principals
- Advantages of being a bank related company regarding customer base and network
- Reputable and robust stakeholders structure
- Downtrend in market share regarding asset size in line with the Company's cautious management strategy along with improvement in the first half of the current year
- Continuing volatility potential on future profitability figures derived from increasing share of other operating income and decreasing revenue from core business activities
- Above sector average NPL ratio despite improvement in the first half of the current year and overdue loans almost at equity level, suppressing asset quality and ascending risk level
- Restrained profit generation capacity due to above sector average patterns in operating and financial expenses and increasing provisions
- Diminishing and approaching sector average interest margin, restraining profit generation capacity
- Highly competitive and challenging market conditions together with the possible adverse effects of failed coup attempt that might pressure profit margins via worsening debt-service capabilities of real sector firms

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