

## Corporate Credit & Issue Rating

New  Update

Sector: Consumer Finance  
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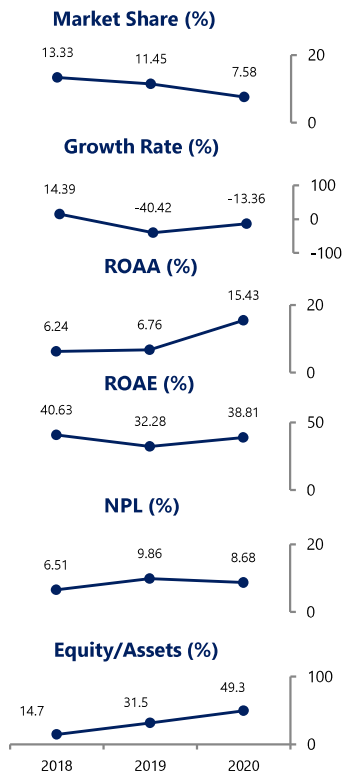
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### RATINGS

		Long Term	Short Term	
National	Local Rating	AA (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	AA (Trk)	A-1+ (Trk)	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	1	-		
Stand-Alone	A	-		
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

\* Assigned by JCR on May 31, 2021



## Turkcell Finansman A.Ş. and Its Subsidiaries

JCR Eurasia Rating, in its periodic review, has evaluated **Turkcell Finansman A.Ş.** in high investment-level category on the national scale and affirmed the ratings on the Long Term National Scale at **'AA (Trk)'** with **'Stable'** outlook. On the other hand, the Company's Long Term International Local and Foreign Currency Ratings are determined as **'BB'**, the same as that of the sovereign ratings of the Republic of Turkey.

**Turkcell Finansman A.Ş.** (referred to as 'the Company' or "TFŞ") was established on October 2015, with the title of 'Turkcell Finansal Danışmanlık Hizmetleri A.Ş.'. Following the permit obtained from Banking Regulation and Supervision Agency (BRSA) within the scope of 'Financial Leasing, Factoring and Financing Companies Law No.6361' on November 2015, the name of the Company has been changed to 'Turkcell Finansman A.Ş.'. The Company is established to meet the technology needs of Turkcell Group's customers by providing consumer financing. In addition, the Company offers life insurance and device insurance products to loan customers for financed products. The Company is a member of the Association of Financial Leasing, Factoring and Financing Companies (Turkish Abbreviation: FKB).

Financing companies are credit institutions providing finance for purchase of all kinds of goods and services through crediting directly by a payment to the seller. The service is differentiated from financing through banks via that credit is linked to a legit purchase and highly customizable for needs of debtor. Those companies are generally active in vehicle, durable goods and telecommunication.

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

#### Strengths

- Sustainable interest margin overperforming the sector averages
- Despite the contraction in credit portfolio, upward trend in profitability thanks to resizable business model
- Due to efficient business model overwhelming the industry averages in numerous metrics
- Strong equity level both in value and ratio enhancing the resilience against the industrial shocks
- Accessing wide-range of customers thanks to being a member of Turkcell Group

#### Constraints

- Although the recovery in the last fiscal year, non-performing loans continue suppressing asset quality
- Decline in household's purchasing power pressuring the demand on mobile phones
- Restrictive measures on imports and consumption (tax, installment restrictions, etc.) are taken by regulatory authorities, potentially suppressing business activities

Considering the aforementioned points, the Company's Long Term National Rating has been affirmed as **'AA (Trk)'**. The Company's high cash generation ability, solid business model, position in the industry and operational profitability have been evaluated as important indicators for the stability of the ratings and the outlooks for long and short term national ratings are determined as **'Stable'**. Sustainability of the Company's profitability performance, changes in market share and equity level together with the trends in financing and telecommunication sectors are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be continued to be monitored.

Main shareholder of TFŞ, Turkcell Bilişim Servisleri A.Ş. is fully owned by Turkcell İletişim Hizmetleri A.Ş. (Turkcell Group). Turkcell is the largest mobile GSM operator of Turkey and operates in 4 countries. Turkcell is the only Turkish company listed on both Borsa İstanbul and on New York Stock Exchange (NYSE) since 2000. As a group that adopt corporate governance principles, Turkcell Group is considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to TFŞ. In this regard, the Company's Sponsor Support Grade has been affirmed as **(1)** in JCR Eurasia Rating's notation system.

Considering the Company's equity level, ongoing operations, liquidity reachability and internal resource generation capacity, we, as JCR Eurasia Rating, state the opinion that the Company has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the Stand-Alone grade of the Company has been determined as **(A)** in the JCR Eurasia Rating notation system.