



29 November 2024

Credit Rating

Long-term (National):

(TR) AA

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

29 November 2025

BNP Paribas Finansal Kiralama A.Ş.

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BNP Paribas Finansal Kiralama A.Ş.

Rating Summary

BNP Paribas Finansal Kiralama A.Ş. ("the Company", "BNP Paribas") was established in 1990 under the name of Dış Ticaret Finansal Kiralama A.Ş. Since 1993, the Company has operated under the Doğan Group and changed its name to Fortis Finansal Kiralama A.Ş. following the transfer of 89.3% of the shares of the main shareholder, Türk Dış Ticaret Bankası A.Ş., to Fortis Bank NV-SA in 2005. In 2006, the Luxembourg-based Fortis Lease Group SA acquired 100% of the Company's shares from Fortis. The shareholding structure of Fortis Holding, the parent company of Fortis Lease Group SA, in which the Company participates, has undergone significant changes in 2008 and 2009 and as a result of a series of share transfers, the Belgian State's total shareholding in Fortis SA/NV, the ultimate shareholder of the Company, has reached 99,9%. Subsequently, 75% of Fortis was sold by the Belgian State to BNP Paribas, with the Belgian State retaining the remaining 25% of the shares. During this period, Fortis Lease Group SA continued to be the controlling shareholder of the Company and the title of Fortis Lease Group SA was changed to BNP Paribas Leasing Solutions SA.

In 2011, the title of the Company was changed to BNP Paribas Finansal Kiralama A.Ş. In the same year, the Banking Regulation and Supervision Agency (BRSA) approved the merger of TEB Finansal Kiralama A.Ş. by taking over all rights, receivables, payables, liabilities and assets of TEB Finansal Kiralama A.Ş. as a whole, and without liquidation. BNP Paribas Leasing Solutions SA is the majority and controlling shareholder of the Company.

In addition to the market position of the brand it represents in the Leasing sector, as well as its financial performance, its corporate structure as a subsidiary of BNP Paribas Leasing Solutions SA, and its level of risk management, BNP Paribas Finansal Kiralama A.Ş.'s previous long-term (National) rating of **AA** and its short-term rating (National) of **A1+** is hereby reconfirmed.

Previous Rating (December 1st, 2023):

Long Term: (TR) AA

Short Term: (TR) A1+

Outlook

As of June 2024, 19.3% of the Company's finance lease receivables are in Wholesale and Retail Trade, 18.3% in Agriculture, 12.8% in Textiles, 10.6%

in Construction, 7.4% in Mining, 7.4% in Real Estate, 6.9% in Road Transportation, and the remaining 17.3% in Other Services and Manufacturing.

In the first six months of 2024, the Company's operating income increased by 65.0%, its financial expenses increased by 63.0% and its gross profit increased by 66.7% to TL 543.5 million compared to the same period of the previous year (2023 Q2: TL 326.0 million). The Company's net financial leasing receivables reached TL 11.3 billion as of June 2024, an increase of 18.9% compared to the same period of the previous year (2023 Q2: TL 9.5 billion). In the financial leasing sector, which grew by 90.3% in terms of trading volume by the end of 2023 compared to the previous year, the Company recorded a lower growth of 26.1% in comparison and its share in the sector decreased to 5.1% (2022: 7.7%).

As of the end of 2023, the sector's NPL (Non-performing loans)¹ average was 3.9% (2022: 4.1%) while that of the Company's was 1.1% (2022: 1.4%), following a positive trend compared to the industry average. At the end of 1H2024, the sector average NPL rate was 3.7% (1H2023: 3.0%), while the Company's NPL ratio continued to perform favorably compared to the sector with 1.1% (1H2023: 1.3%).

The Company hedges the currency risk arising from foreign currency operating lease receivables with foreign currency loans and carries out foreign exchange spot transactions in order to balance its foreign currency assets and liabilities. According to the independent audit report, the Company's foreign exchange exposure as of June 2024 is (+) TL 25.6 million, and its financials are not sensitive to currency volatility.

The Company's diversified sources of finance are adequate, and an effective risk and asset-liability management is implemented. With the synergy of the BNPP group, the Company has extensive financial opportunities in overseas markets. The Company's client mix is structurally balanced, providing financing service to many commodity categories.

In view of all these factors, in addition to BNP Paribas' ability to access finance and its strong shareholding structure, the Company's outlook has been determined as "**Stable**". As the recent developments in the global trade environment and money markets are closely monitored, their possible effects on the Company will continue to be evaluated during the surveillance period.

¹ NPL ratio: $\frac{\text{Non-performing Loans}}{\text{Loans Receivable} + \text{Non-performing Loans}}$

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections contributing to the final grade with specific weights. The quantitative analysis components consist of the Company's performance compared to industry peers, analysis of the financial risks, and the assessment of cash flow projections in relation to the relevant financing instrument. Comparative performance analysis determines the relative position of the Company as compared with industry peers' financial performances and industry averages. The financial risk analysis of our methodology covers the evaluation of the Company's financial ratios on basis of objective criteria. Liquidity risk, credit exposure, market risk, asset quality, profitability, operational efficiency, volatility, and concentration are treated as sub-headings in this analysis. Finally, scenario analysis tackles the company's future base and stress scenario projections subject to scrutiny in the context of the firm's financing tool and assesses the risks of fulfillment of obligations.

Qualitative analysis covers environmental and operational issues such as sector and company risk as well as administrative risks in the context of corporate governance practices. Sector analysis evaluates the nature and rate of growth of the sector, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. Company analysis discusses market share and efficiency, growth trend, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent/subsidiary company relationships. In this context, the financial strength and reputation of the shareholders and the level of strategic integration of the company with the controlling shareholders are also evaluated.

Corporate governance plays an important role in our methodology. The importance of corporate governance and transparency is once again revealed in the current global financial crisis we witness. Our methodology consists of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

Our long-term credit ratings reflect our present opinion regarding the mid to long term period of one year and above; Our short-term credit ratings reflect our opinion regarding a period of one year. Our long-term credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1+, A1, A2, A3 categories should be considered “investment worthy” by the market. According to the structured finance regulation, for asset backed securities, the top three rating degrees represent “investment worthy” securities.

Short Term	Long Term	Rating Segment	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	First Degree	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Second Degree	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	Third Degree	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Fourth Degree	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Fifth Degree	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Sixth Degree	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Seventh Degree	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Default	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

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This report, edited by SAHA A.Ş. analysts based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the overall credibility of the institutions and/or debt instruments they have issued. The contents of this report and the final credit rating should be interpreted neither as an offer, solicitation, or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment decisions or other purposes.

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