JCR-ER JCR Eurasia Rating
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Vakıf Leasing

Corporate Credit & Issue Rating

☐New ☒Update

Sector: Leasing
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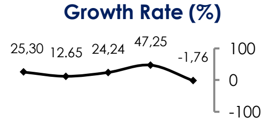
RATINGS

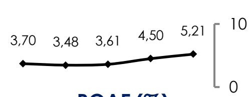
			Long Term	Short Term
International	Foreign Currency		BB	B
International	Local Currency		BB	B
International	Outlook	FC	Negative	Negative
International	Outlook	LC	Negative	Negative
International	Issue Rating		-	-
National	Local Rating		A- (Trk)	A-1 (Trk)
National	Outlook		Stable	Stable
National	Issue Rating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

*Assigned by JCR on April 10, 2020

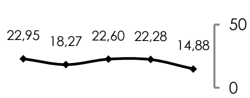
Growth Rate (%)



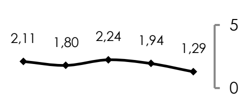
Market Share (%)



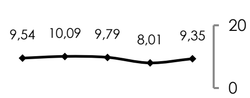
ROAE (%)



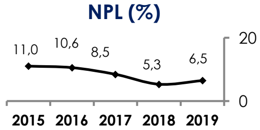
ROAA (%)



Equity/Assets (%)



NPL (%)



Vakıf Finansal Kiralama A.Ş.

Company Overview

Financial Data	2019**	2018*	2017*	2016*	2015*
Total Assets (000 USD)	510.294	586.501	555.521	477.528	517.811
Total Assets (000 TRY)	3.031.147	3.085.523	2.095.369	1.686.534	1.505.588
Equity (000 TRY)	283.345	247.159	205.138	170.103	143.644
Net Profit (000 TRY)	31.578	40.015	33.847	23.281	23.679
Market Share (%)	5,21	4,50	3,61	3,48	3,70
ROAA (%)	1,29	1,94	2,24	1,80	2,11
ROAE (%)	14,88	22,28	22,60	18,27	22,95
Equity/Assets (%)	9,35	8,01	9,79	10,09	9,54
NPL (%)	8.34	5,32	8,45	10,56	11,03
Growth Rate (%)	-1,76	47,25	24,24	12,02	25,30

***Audited consolidated financial statements**
****Audited unconsolidated financial statements**

The Company, **Vakıf Finansal Kiralama A.Ş.**, 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 has been publicly traded since 1991 (with a 22.54% free float rate of its TRY 175mn paid-in capital as of 2019 year-end).

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. **Güneş Sigorta A.Ş.** holds 15.65% of the Company shares. Both the stated shareholders of the Company are listed on the Borsa Istanbul (BIST). Vakıf Leasing has a staff force of 70 as of 2019 year-end. 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.

The Company's long-term national grade was affirmed as **'A- (Trk)'** with a **'Stable'** outlook.

Strengths

- Continuous increase in market share in the last four years.
- Solid liquidity measures
- Advantages of being a bank affiliate company.
- High level of compliance with corporate governance principles
- Strong and reputable shareholding structure
- Qualified management team and successful risk management

Constraints

- Projected contraction on global and local economy in 2020, triggered by coronavirus outbreak
- Downward pressure on profitability figures and margins
- Increasing NPL rate parallel to sector average

1. Rating Rationale

The Banking Regulation and Supervision Agency (BRSA) regulates and supervises The Turkish Leasing Sector since 2006. The Financial Leasing, Factoring and Financing Companies Act (Law No. 6361) came into force on December 13, 2012 and the regulation regarding organization and operating principals of financial leasing, factoring and financing companies came into force on April 24, 2013. Both actions have contributed positively to the sector trough improved product range, increased ability to represent and efficiency-enhanced processes. According to BRSA statistics, the total asset size of the Turkish Leasing Sector was TRY 53.57bn and involved 23 leasing companies, four of which were listed on Borsa Istanbul (BIST) as of FYE2019.

The Company's consolidated independent audit reports prepared in conformity with BRSA regulations, BRSA's year-end sectoral data updated on March 2020, JCR Eurasia Rating's own studies and records, information and clarifications provided by the Company and non-financial figures constitute the major basis of Vakıf Leasing's ratings.

The quantitative and qualitative assessments concerning profitability and performance figures, asset quality, capital adequacy, liquidity profile, corporate governance and risk management practices, the main shareholders' financial and non-financial positions along with expected support, growth strategy, market shares and operating environment constituted the basic framework of the issues taken into consideration in the assignment of Vakıf Leasing's ratings. Additionally, the long and short-term notes attached for the TRY dominated debt instrument issuance has been assigned as the same as the Company's Long and Short Term National Local Ratings as there are no additional legal and/or financial collateral guarantees for the repayment of the possible bond/bono to be issued by Vakıf Leasing. But they do not cover any structured finance instruments.

Main rating considerations are as below;

Improved Market Share and Rising Efforts towards Higher Intra-Group Synergy

Despite a contraction in total asset size, the Company succeeded to increase its market share in 2019, as happened in the previous three years. The trend starting from 3.68% share in term of total asset size, reached to 5.21% in 2019. Moreover, the Company's last five-year cumulative asset growth doubled the sector average in the last year. In addition, the Company's efforts to create synergy with Vakıfbank branches in order to increase its revenue base stimulated increasing trend in Vakıf Leasing's market share.

Solid Liquidity Measures

The short-term weighted borrowing structure is a prominent feature of the sector over the years. The short term borrowings to total assets of the sector ranged between 67% and 76% over the review period while Vakıf Leasing's figures are quite below it. Moreover, thanks to its available funding sources, the Company is strong against liquidity squeezes.

Reputable and Robust Shareholding Structure and Benefits of Being a Bank Affiliate Company

Vakıfbank, a large-scale commercial bank with paid capital, consolidated asset size and net profit figures of TRY 2.5bn, TRY 433bn and TRY 3.3bn, respectively, and 943 domestic branches held the majority stake (58.71%) of the Company shares over the years. Güneş Sigorta A.Ş., one of the major players in the Turkish Insurance Sector with paid-in capital of TRY 540mn, is the following legal entity shareholder of the Company with a 15.65% stake. Both companies are listed on the BIST with a free float of 25.20% and 12.64%, respectively, and are mostly publicly capitalized. Accordingly, the Company uses its benefits regarding access to funding sources, funding term and costs, customer base and network externalities.

Comparatively High Compliance Level with Corporate Governance Principles

As the Company is one of the few leasing companies listed on the BIST, the corporate governance compliance level of it is relatively high compared to sector-wide practices, particularly in the issues of presence of two independent members on the Board, establishment of all committees required by the principles (audit, corporate governance and early detection of risk), existence of an effective shareholders relation unit, and comprehensive website. These factors contribute to the Company's transparency level and to the investors' risk perception for the Company accordingly.

Qualified Management Team and Well-Organized Risk Management Infrastructure

Vakıf Leasing's top management team consists of employees whose past experiences include real sector, banking industry, and finance companies. Majority of the top management and the Board have long-lasting experience within Vakıfbank group. The crew is aware of the Company's strengths and weaknesses, as well as the threats and opportunities in the sector. The Company exhibits maximum effort to align with local regulations including corporate management and financial limits. The Company provides its financial results on its website as well as other documents regarding corporate management. Data is open to the public on the website and the Central Securities Depository of Turkey (MKK). The risk management practices and methodologies are in place within the Company and several committees are working on the corporate risk management issues.

Projected Contraction on Global and Local Economy in 2020, Triggered by Coronavirus Outbreak

As of the reporting date, many European countries, including Turkey, the US and China in combat with the coronavirus pandemic. The rapid spread of the virus to the entire world has turned economic activities upside down and the expectations for the rest of the year have become significantly pessimistic. Many large and small companies in Turkey to reduce their operations, to interrupt the production, and some even had to stop their activities completely. While unemployment becomes a major concern, it is thought that the current quarter will result in a serious contraction in terms of GDP. As a result of this contraction both on the demand side and the supply side, it is highly probable that some firms' cash-generating power will weaken and may have debt-servicing difficulties in the following periods. Although the aforementioned situation is not specific for Vakıf Leasing, these problems, which are expected to be experienced in all sectors, are considered as a sign that the risk will increase for creditors in the scope of failed collections and the probability of default.

Expected Decline in Margins

After the currency shock in August 2018, market interest rates rose rapidly. The high interest rate environment continued in the first half of 2019 as well. Starting to stabilize both foreign exchange rates and interest rates since the second half of 2019, these margins have narrowed. The net interest margin obtained in 2019 was higher compared to previous years based on year-on-year analysis. However, it is seen that this growth was achieved mainly through the transactions in the first half of 2019. In the current year, interest rates are expected to continue to be low based on the expectations that FED and CBRT policies will move towards a global monetary expansion throughout the year. Therefore, the Company's interest margin in 2020 is expected to be lower compared to the previous year and it is highly likely to suppress the profitability level.

Increasing NPL Rate Parallel to Sector Average

The current year, 2020, is quite hard in terms of economic and social conditions. Due to coronavirus pandemic, serious weakening in manufacturing activity and demand side are taking place all over the world and Turkey as well. Although it is hoped that these negativities will be eliminated in the rest of the year, significant economic consequences will be encountered when the whole year is considered. In this context, it is highly likely that Turkish companies, whose production activities have been significantly interrupted, will also face financial difficulties under the pressure of exchange rate and inflation. According to this perspective, the deterioration in the asset quality of Vakıf Leasing and the entire financial sector is highly expected for the current year.

With respect to the above-mentioned factors, we affirmed the long and short term national local ratings as **'A- (Trk)'** and **'A-1 (Trk)'**, respectively, in JCR Eurasia Rating's notation system. As there are no additional legal and/or financial collateral guarantees provided separately for the repayment of the bonds to-be-issued by Vakıf Leasing, the rating assigned for the TRY dominated bond issuance has been assigned as the same as the Company's Long and Short Term National Local Ratings.

International ratings of the Company have been reassigned based on the study conducted by JCR Eurasia Rating on November 21, 2019 named 'reconciliation of international ratings'. In this sense, the Company's international ratings have been affirmed as **'BB'** in the long term international foreign and local currency scales together with the negative outlooks, in parallel to the country rating ceiling methodology.

2. Outlook

A **'Stable'** outlook has been assigned for the Company's short and long term national grades, with the expectation of minimal changes in existing conditions, state of affairs and development trend due to profit amount increased and stood at a equity supportive level together with slightly deteriorated but above sector average profitability ratios, above sector five-year cumulative growth leading to increased market share and effectiveness, improved asset quality thanks to NPL ratio that falls below averages for the first time over the review period together with its relatively high collectability, relieved liquidity management through diversified funding sources and better maturity composition of borrowings, increased contribution of other operating income together with its increasing volatility generating potential on future profitability figures, decreased equity level, restrained profitability due to above sector average financial and operating expenses and doubled provisions, challenging market conditions and highly competitive operating environment.

Additionally, JCR Eurasia Rating has affirmed **'Negative'** outlooks on the international long and short-term local currency rating perspectives of Vakıf Leasing, respectively, which are the sovereign ratings' outlooks of the Republic of Turkey.

The main driving forces that can call forth a revision in the current outlook status include Company related issues affecting asset quality, liability profile and profitability, along with Turkey's sovereign rating which is highly responsive to domestic and foreign political and economic uncertainties, tensions and developments.

3. Sponsor Support and Stand-Alone Assessment

Risk estimations matched with the sponsor support grades reflect the financial and non-financial state, support capability and the degree of desire to support of the major controlling shareholder of Vakıf Leasing, **Türkiye Vakıflar Bankası T.A.O.**, and the sector's support level by public authorities. It is believed that the main shareholder, as a large-scale commercial bank in Turkey with a domestic network of over 900 branches and capitalized mostly with public, has the ample power and equipment to provide financial and efficient operational support as and when required. On the other hand, the sector's support level by public authorities lags behind the banking sector despite the improvements achieved through latest legislative regulations.

In this regard, despite the sector's support level falling behind the banking sector, JCR Eurasia Rating has affirmed the **Sponsor Support Grade** as **'1'**, indicating the highest level of sponsor support potential.

The Stand-Alone Grade has been constituted particularly with respect to the Company's operational track record, asset size and quality, equity level and structure, growth rates and market efficiency, risk management and corporate governance practices and the development of existing risks in the markets and business environment. Within this context, the **Stand Alone Grade** of the Company has been affirmed as **'AB'** in JCR Eurasia Rating's notation system, with the opinion that Vakıf Leasing has reached the level of strong experience and facilities to manage the incurred risks on its balance sheet without any assistance from its shareholders provided that it improves its profit generation capacity and market efficiency.

4. Company Profile

a) History & Activities

Vakıf Leasing was established in 1988 and has been publicly traded since 1991 under the ticker of VAKFN. It was the first leasing company listed on the BIST and had a 22.54% free float of its paid-in capital of TRY 175mn as of 2019 year-end.

The Company has been subject to the "Financial Leasing, Factoring and Financing Companies" Law since December 2012 and conducts its activities within the framework of the provisions of the related Regulation dated April 24, 2013.

The Company offers leasing services of investment support for domestic and international assets and capital goods needed by SMEs through its headquarters and five regional offices in Ankara, Adana, Izmir, Bursa and Antalya as well as the widespread branches of Vakıfbank.

b) Organization & Employees

The company's organizational chart did not change compared to last year and was composed of 12 units (law-monitoring and liquidation, credits, risk monitoring & asset management, financial affairs and investor relations, human resources, administrative affairs, marketing, operations & insurance, IT, financing, risk management and internal control) structured under a general manager and a deputy general manager.

Vakıf Leasing's Board has 7 members, including one executive as general manager. The labor force of the headquarters and regional offices was 70 people as of year-end 2019 (2018: 74).

Board Members

Hazım AKYOL	Chairman
Halil ÇELİK	Deputy Chairman
Nurcan KÖYLÜOĞLU	Member
Emine UYUMAZ	Member
Burhaneddin TANYERİ	Member
Şeref YAROĞLU	Member
Şeref AKSAÇ	Member / General Manager

c) Shareholders, Subsidiaries & Affiliates

The following table provides the Company's 2019 year-end shareholder structure and paid-in capital amount. While the shareholding structure of the Company did not change over the review period, its paid-in capital continuously increased up to TRY 175mn as of 2019 and the capital increases are completed through internal resources. Vakıfbank, with paid-in capital, asset size and net profit figures of TRY 2.5bn, TRY 433bn and TRY 3.3bn, respectively in 2019, held the majority stake of the Company shares over the years.

Vakıf Leasing – Shareholder Structure

Shareholders	2019	2018	2017
Vakıfbank	58.71%	58.71%	58.71%
Güneş Sigorta A.Ş.	15.65%	15.65%	15.65%
Public	22.54%	22.54%	22.53%
Other	3.10%	3.10%	3.11%
Paid-in Capital (mn TRY)	175	140	109

VakıfBank was established under a special charter act (Law No. 6219) and commenced operations in 1954. It is a large-scale bank, operating in retail and private banking, as well as corporate, commercial, small and medium size enterprises (SMEs) and agricultural business banking through its 943 domestic and 3 foreign branches (2018: 948, 3) along with a 16,835 staff force (2018: 16,767) as of 2019 year-end. Bank shares have been publicly traded since December 18, 2005 with a free float rate of 25.22% of its TRY 2.5bn paid-capital.

The other legal entity shareholder of the Company is **Güneş Sigorta A.Ş.** (Güneş Sigorta). It operates in Turkish Insurance Sector and provides both the elemental and health insurance services through its headquarters, 10 regional offices, 11 financial district offices, 2 representative offices and 1,412 authorized agents. Güneş Sigorta, established in 1957, have been publicly traded since 1994 with a free float rate of 19.42% of its TRY 540mn paid-in capital as of 2019 year-end.

Moreover, the Company has three affiliates, all of which (Vakıf Faktoring Hizmetleri A.Ş., Vakıf Pazarlama Sanayi ve Tic. A.Ş., Vakıf Yatırım Menkul Degerler A.Ş.) were recorded in the marketable securities account.

Affiliates	Shares (%)
Vakıf Faktoring A.Ş.	3.79
Vakıf Pazarlama Sanayi ve Tic.A.Ş.	3.27
Vakıf Yatırım Menkul Değerler A.Ş.	0.25

d) Corporate Governance

As a publicly traded and bank affiliate company, Vakıf Leasing had a comparatively high compliance to Corporate Governance Principles. Moreover, requirements of its operating field which is regulated by BRSA increases its compliance with corporate governance principles. The Board of Vakıf Leasing consists of 7 members including one executive and two independent members. All the three committees (Audit, Early Detection of Risk and Corporate Governance) designated by Principles have been established under the Board. A Shareholders Relation Unit fully in accordance with the relevant regulations has been established. The Company's web site provides sufficient information and disclosed documentation in terms of transparency; the shareholder structure, audit reports, annual reports, articles of association along with changes and amendment texts, general assembly meeting documents, disclosure and dividend policies, code of ethics, compliance reports and statements of corporate governance principles, material disclosures, board structure, rating reports and affiliates.

In other respects, the executive managers' CVs and the Company social responsibility policy are included in the annual report but not disclosed directly on the Company web site. Within the context of social responsibility, the Company contributes to the social responsibility projects of the Group along with a need of greater contribution to the community through educational, charitable, cultural, social and sporting events.

e) The Company Strategies

At the very beginning of the Company's goals are to increase the transactions volume by taking into account Turkey's domestic market growth and demand for commercial loans and to realize a healthy growth. The company aims to achieve these goals through its wide customer portfolio and service network across the country backed by the corporate power of Vakıfbank's nearly a thousand branches. In line with its sustainable targets, the Company aims to concentrate on real estate, business, construction and production machines, and aims to increase its market share in 2020 by supporting investments without considering scale and sector differences.

5. Sector Overview & Operational Environment

As of FYE2019, the total asset size and equity of the Turkish Leasing Sector, containing 23 companies of various sizes and ranking 24th in the global market in terms of transaction volume, decreased by 15% to TRY 53.57bn (USD 9.79bn) and increased by 8% to TRY 10.38bn (USD 1.75bn), respectively.

The Turkish Leasing Sector, providing mid and long-term investment financing services, operates essentially as a complement to the Turkish Banking Sector and conducts its activities under the supervision and control of the Banking Regulation and Supervision Agency (BRSA).

THE KEY INDICATORS OF TURKISH FINANCIAL LEASING SECTOR

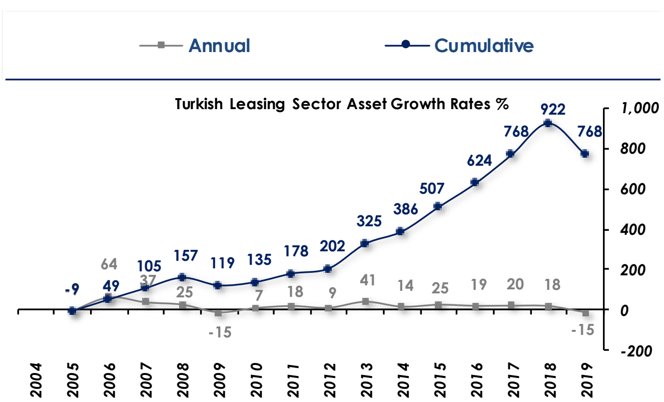
(000,000)	2019	2018	2017	2016	2015	2014
Asset Size-TRY	58,176	68,506	58,124	48,353	40,524	32,438
Asset Size-USD	9,794	12,972	15,410	13,740	13,917	13,941
Equity-TRY	10,376	9,601	8,604	7,757	6,838	6,023
P/L-TRY	1,125	917	952	923	809	526
ROAA %	2.22	1.88	2.19	2.57	2.74	2.20
ROAE %	15.41	13.17	14.26	15.63	15.52	11.82
NPL Ratio %	8.31	7.20	5.53	6.26	6.03	6.71
Equity/T. Sources %	17.84	14.01	14.80	16.04	16.88	18.57

Leasing activities in Turkey began under the regulation and supervision of the Undersecretariat of the Treasury in 1983 and the first leasing company was established in 1986. The BRSA became the sector's regulator and supervisor following the Banking Law which has been entered into force in late 2005. According to data provided by BRSA, 23 leasing companies, all with headquarters located in Istanbul, were active in the Turkish Leasing Sector as of FYE2019. The official authorization of 60 leasing companies have been cancelled due to mergers, withdrawal from the sector and the inability to adapt to BRSA regulations since Merch, 2006.

The Turkish Leasing Sector holds a quite small share of the overall financial system of Turkey. The sector exhibited a rapid growth until 2008 and its growth decelerated following the stated year in which the low rate VAT on financial leasing transactions was terminated. The growth of the sector exhibited an almost stable pattern after the termination of low VAT advantage between 2008 and 2012. The sector growth accelerated after 2012 due to the 'Leasing, Factoring and Financing Companies' law that contains growth supporting provision entered into force in December, 2012, and the VAT advantage which was started again in 2012 and was expanded in 2013. The sector's market penetration rate, which is defined as the share of total leases excluding immovable assets among fixed capital investments, is still quite low in Turkey. While the leasing rate of total fixed capital investments stands at approximately 15-20% in industrialized countries, it stands at circa 5% in Turkey, reflecting ample room for future improvements.

Leasing services provide assistance and financing opportunities in terms of efficiency and cost management to the companies through allowing the use of production and investment instruments with leasing instead of purchasing. It stands as a financing method which gives operating rights of a property to lessee while the lessor preserves ownership rights. Leasing transaction is the transfer of ownership rights between two parties for a limited period of time in return for a clearly stated rental price. This method allows companies to gain essential financial advantages and use their capital efficiently. The financial lease provides the benefits of; - no need for large amounts of cash outflows from the business for investment purposes, - payment of investments made by businesses in fixed periodical installments, - no banking and insurance transaction tax except the fee and stamp tax, - in addition to the cost of the goods, the payment of transportation and assembly fees in installments, -nearly 100% financing support for investment without using working capital, - flexibility in determining installment amounts, - the property cannot be confiscated as the lease company holds its ownership in case of bankruptcy, - possibility to take over the property at a symbolic price at the end of the lease agreement.

As of FYE2019, total asset size of leasing companies in Turkey was TRY 58,176mn and total equity was TRY 10,376mn. The sector presented a positive growth until 2008 before contracting by 15% due to new tax regulations in 2009. Following 2009, the sector continued to grow until the last year in which a 15% contraction realized as in 2009. Accordingly, the cumulative asset growth of the sector between 2004 and 2019 decreased from 922% to 768%.



The Leasing Sector to be reach a higher trading volume will have a positive impact on SMEs having high growth potential and highly competitive sectors. Tax regulations, particularly changes in VAT rates, are the most influential factor on companies' leasing decisions. An additional factor behind growth in the sector was the implementation of the "Sell & Leaseback" concept as a part of leasing methods. Both the above stated issues contributed positively to growth of the leasing sector since 2015. On the other hand, the risk perception of investors which has been highly deteriorated due to volatile market conditions led to a remarkable contraction in the sector in 2019.

In terms of cost value of financial leasing contracts, the most concentrated sectors of the leasing market are Manufacturing (51.73%) and Services (38.75%). In the manufacturing sector, the Metal Main Industry and Processed Matter Production ranks first and the Textile and Textile Products Industry second. In the services sector, the first is Construction sector and the second is Wholesale and Retail Trade and Motor Vehicles Services.

(000 TRY)	Financial Leasing Contract Value-Sectoral Distribution		Rent Receivables	
	2018	2019	2018	2019
Agriculture	622,415	209,064	730,278	240,692
Manufacturing	10,329,845	7,325,712	12,194,511	8,557,646
Financial Intermediation	168,474	214,185	200,323	248,618
Services	10,594,286	5,487,756	13,268,291	6,718,602
Consumer Housing Finance	439,890	62,229	491,760	69,107
Other	67,238	863,820	80,192	959,948
Total	**22,222,148**	**14,162,766**	**26,965,355**	**16,794,613**

Share %	Financial Leasing Contract Value-Sectoral Distribution		Rent Receivables	
	2018	2019	2018	2019
Agriculture	2.80%	1.48%	2.71%	1.43%
Manufacturing	46.48%	51.73%	45.22%	50.95%
Financial Intermediation	0.76%	1.51%	0.74%	1.48%
Services	47.67%	38.75%	49.20%	40.00%
Consumer Housing Finance	1.98%	0.44%	1.82%	0.41%
Other	0.30%	6.10%	0.30%	5.72%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Leasing receivables constituted the highest portion of the sector assets with a share of 86.46% (FYE2018: 92.02%) while short term borrowings constituted the highest part of the liabilities at a rate of 70.49% (FYE2018: 68.68%). Total equity level of the sector was 17.84% (FYE2018: 14.01%) of total resources. The increase in the level of equity derived from an 8.08% increase in equity amount and a 15.01% decrease in total assets.

The non–performing receivables ratio of the sector stood at 8.31% as of FYE2019 (FYE2018: 7.20%), approximately one and a half times higher than the Banking Sector. The ratio of non–performing receivables to total equity was 42.56% (FYE2018) 49.07%, improved but still imposing pressure on the risk perception of the sector in terms of suppressed asset quality.

The financial leasing sector's profitability indicators of ROAA and ROAE were higher than that of the Banking Sector in 2019. While ROAA and ROAE of the Banking Sector were 1.17% and 11.53%, respectively, they were 2.22% and 15.41% for the leasing sector, respectively, in the same period.

Asset and transaction volume concentration rates are quite high amongst the 23 leasing companies. Asset and transaction volume concentration is mostly composed of companies which contain banks in their shareholder structure. Bank subsidiary leasing companies constitutes above 80% of the leasing sector in terms of asset size. This concentration leads to a more parallel banking and leasing activities compared to other countries and an oligopolistic market. As a result, a credit contraction in the banking sector will inevitably have an adverse effect on the leasing sector. The fact that the bank related large leasing companies generally creates advantages such as increasing the funding capacity of the sector and providing a cost advantage to the users together with creating unfair competition due to the use of bank's customer networks.

As the significant part of the sector transaction volume is realized in foreign currency, the developments in the value of TRY against foreign currencies and in the capability of obtaining long-term funding still are important criteria for the growth of the sector.

The providing leasing services of participation banks, titled 'icara', is another issue that would support the growth of the sector when market conditions and investment risk appetite return to normal. The developments in public and private sector construction investments is important for the leasing sector as the Construction and Real Estate Sector in Turkey constitute almost half of the overall leasing activities and the construction equipment and machinery investments significantly affect the demand for leasing and leasing transaction volume. On the other hand, the construction sector is very sensitive to developments in the economic conjuncture, making the growth of the leasing industry also fragile and challenging the management of sustainability risk.

The issues, starting in 2018 and continuing in 2019, of contraction in investment climate, slowdown in household consumption expenditures and distortions in consumer and real sector confidence adversely affected the leasing sector in the last year. In particular, the weakening of investment trends especially in sectors that have a significant share in leasing transactions such as construction, plastics and textile and weakening of private sector machinery investments cannot contributed positively to the development of the sector.

In line with the 3-year new economy program announced in the last quarter of 2019 and predicting 5% annual growth, it is expected that the companies will focus on their deferred investment and increasing their production capacity in 2020 with the improvement of the economic indicators and investment environment. The investments in renewal and capacity upgrading at macro level, the investments in energy and energy efficiency, the use of leasing in public investments, the ongoing weight of construction equipment and machines in leasing services and the ability of access to long term financing facilities will be important criteria in 2020 in terms of growth of the leasing sector.

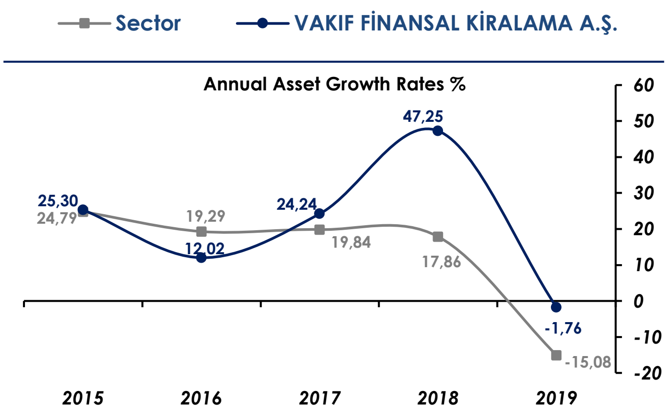
Sources: *Banking Regulation and Supervision Agency (BRSA), Central Bank of Turkey (CBRT), Association of Financial Institutions (AFI)*

6. Financial Foundation

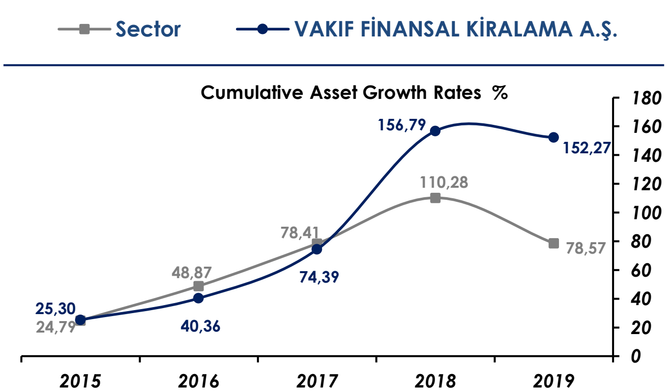
a) Financial Indicators & Performance

i. Indices relating to size

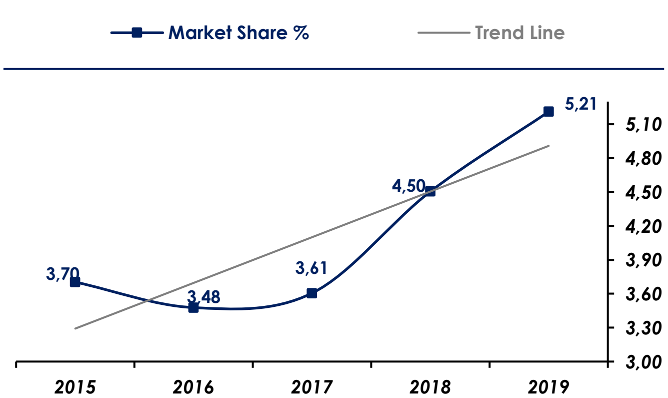
2019 was a year in which leasing sector companies exhibited a contraction in asset size. The sectors average growth was negative at 15%. Amid the sector was squeezing in terms of assets, Vakıf Leasing succeeded to keep the contraction at minimum with a rate of 1.76%. The modest decline in asset size is not emanated from the main asset pillar for a leasing company, leasing receivables. While the other accounts exhibiting that decline, the Company achieved to preserve and increase its receivables base.



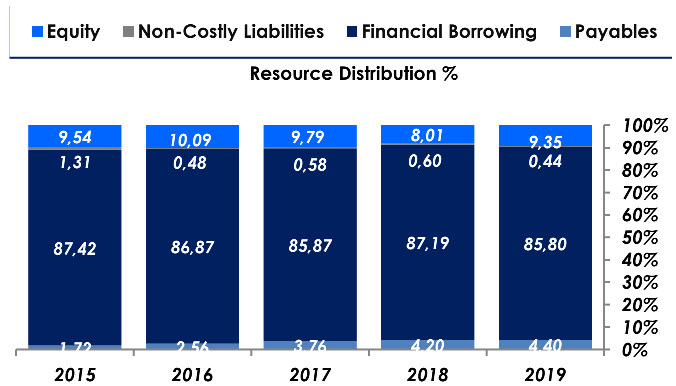
Moreover, the Company's cumulative asset growth for the last five years exceeded the sector averages for the first time in 2017, ended its below average trend and stood at above sector figure (78.57%) of 152.27% as of year-end 2019.



Correspondingly, the market share that started strong positive lean in 2017, continues to increase. The Company realized a noteworthy improvement from circa 3.50% in the previous years to 4.50% in the 2018 and 5.21% in 2019.

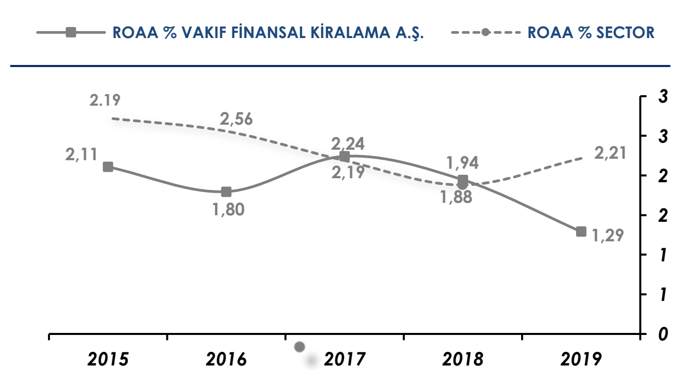


In terms of resource distribution, the Company's equity is roughly 10% of total balance sheet size, which is below the sector average of 17%. The Company's success in managing cost of capital together with the reality that the main shareholder is a state-owned bank, evaporate a possible thought about a low level of equity.

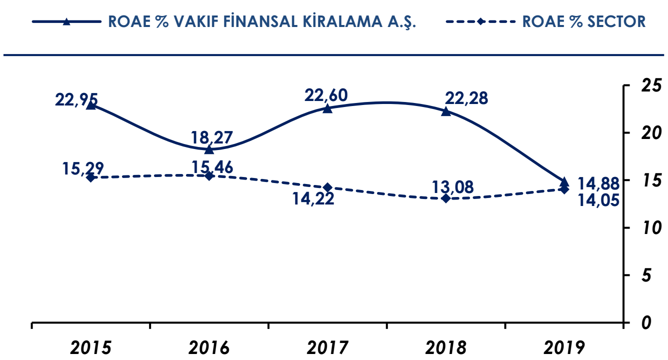


ii. Indices relating to profitability

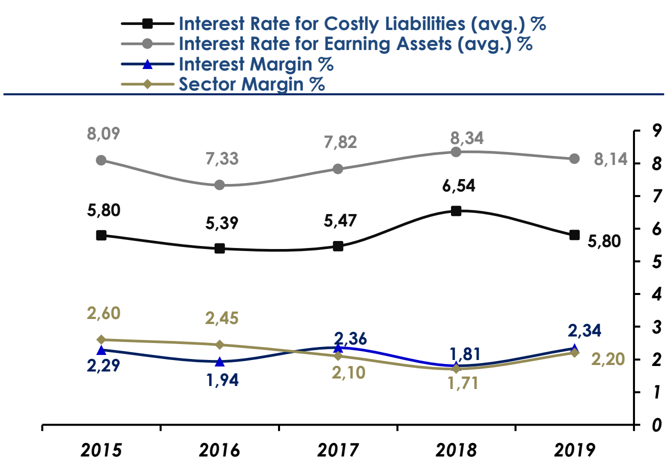
Both the Company and sector profitability ratios ROAA and ROAE deteriorated in the last two years. As we mentioned in our previous report, the decline in 2018 was primarily caused by strong growth in asset size and equity base, despite a growth in recorded profit. However, the decline in those ratios in 2019 was emanated from squeeze in pre-tax profit around 20% compared to previous year. In 2019, the Company's ROAA is recorded at 1.29% while the sector enjoyed 2.21%.



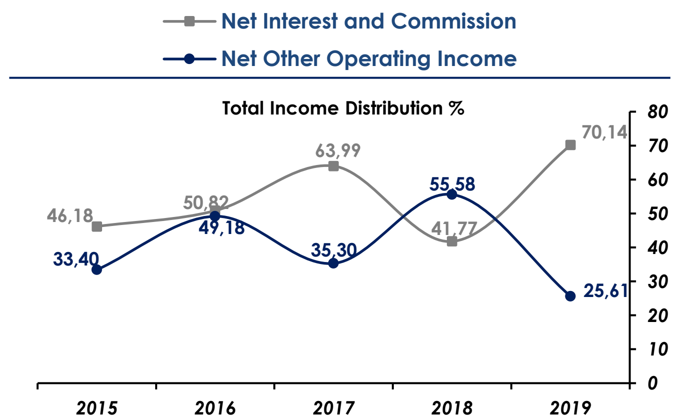
Despite the decline in pre-tax profit, thanks to its highly leveraged equity, ROAE for the company continued to stand above the sector in 2019.



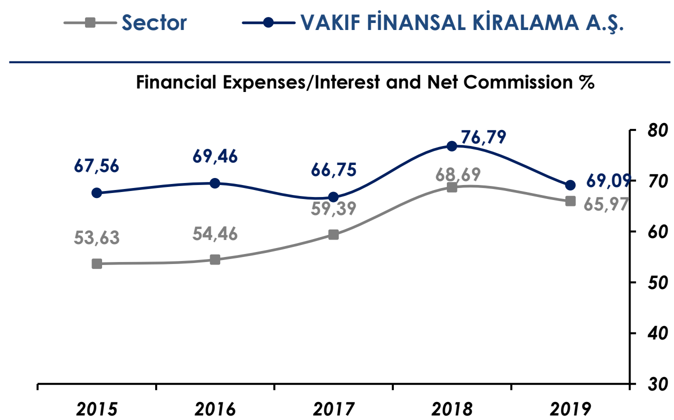
Both the sector's and the Company's average interest margin slightly increased in the last year due to a decline in market interest rates, especially in the second half of 2019, help the Company to achieve cheaper resources. The Company's interest margin (2.34%) preserved its above sector average (2.20%) standing achieved through comparatively low-cost loans from overseas sources and world bank in the previous year.



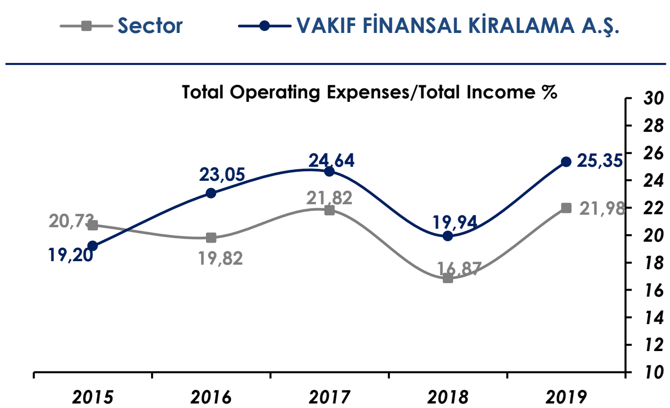
The below lines representing the shares of the two main revenue streams, net interest and commission income and other operating income, that make up the Company's total revenue. The trend exhibits a zigzag pattern for the last years. 2019 was a year that positively distinguished, showing that 70% of revenue is generated through main operations, net interest and commission. A company's capacity to generate revenue through its main operations is a n indicator of the sustainability of those revenues. In that sense, the results grasped in 2019 seems positive.



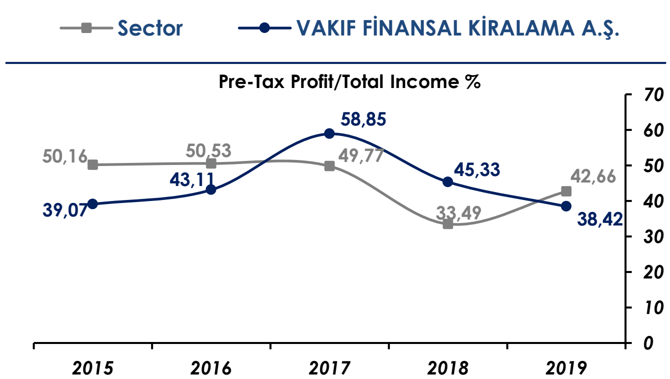
The share of financial expenses in total net interest and commission income decreased for both the Company and the sector in the last year. The Company's stated ratio displayed a continuously above sector pattern over the review period and stood at 69.09% as of 2019, generating an above sector suppressing effect on profit generation capacity.



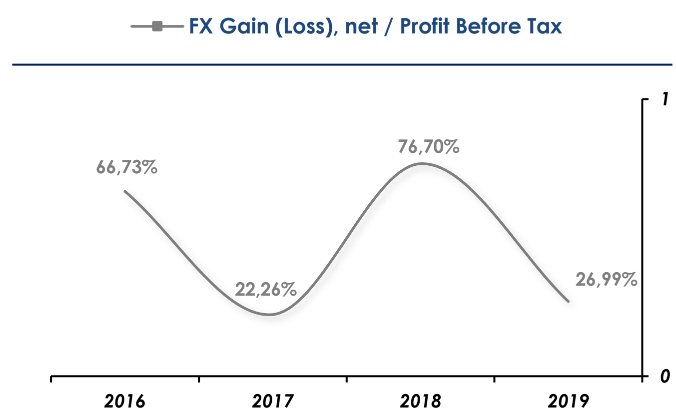
Both the Company and the sector ratio of "total operating expenses to total income" increased in the last year. A slowdown in the increase of total income increased the Company's stated ratio from 19.94% to 25.35% in 2019, maintaining its above sector standing and generating a cooperatively suppression on the Company's profit generation capacity.



In the year of 2019, the Company's performance in terms of pre-tax profit to total income ratio was worse than the sector average. The Company's pre-tax profit to total income ratio was 38.42% while the same ratio for the sector was 42.66%.

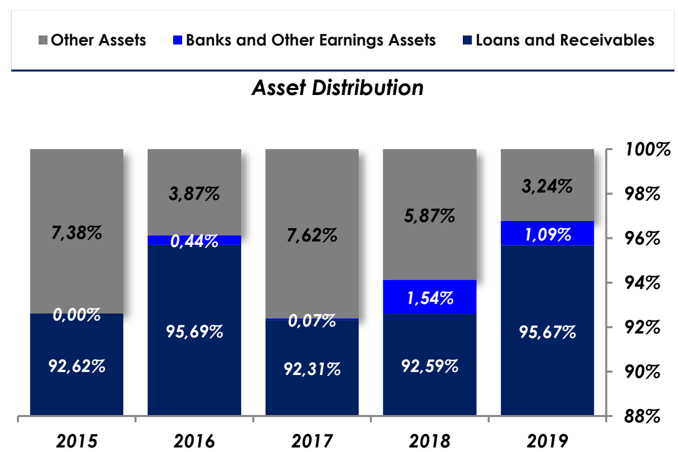


The Company recorded TRY 10.65mn FX gain, no loss or gain on derivative instruments and TRY 39.47mn pre-tax profit as of 2019 (2018: TRY 38.64mn FX gain, 1.02mn loss on derivatives, TRY 50.38mn pre-tax profit). In 2018, the FX gains was main ingredient of the pre-tax profit with a share of 76.70%. The scene changed in 2019, and the ratio dropped to 26.99%. Obviously, a pre-tax profit which do not lean to gains from FX is much more favorable in terms of sustainable profit generation.

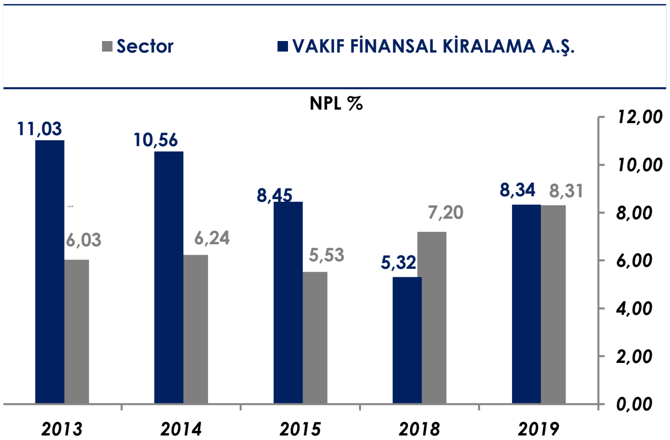


b) Asset quality

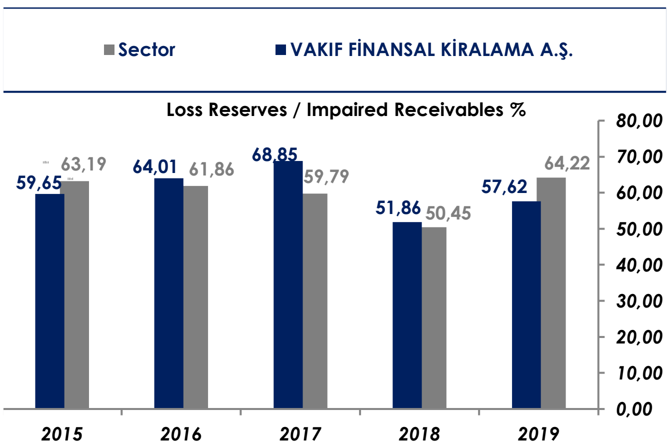
The Company's total assets size slightly contracted by 1.76% and amounted to TRY 3,031mn as of 2019 (2018: TRY 3,085mn). The year-end shares of earning and non-earning assets were 96.76% and 3.24%, respectively. The sector parallel earning assets weighted dispersion, the common characteristic of leasing sector, contributes to the Company's asset quality.



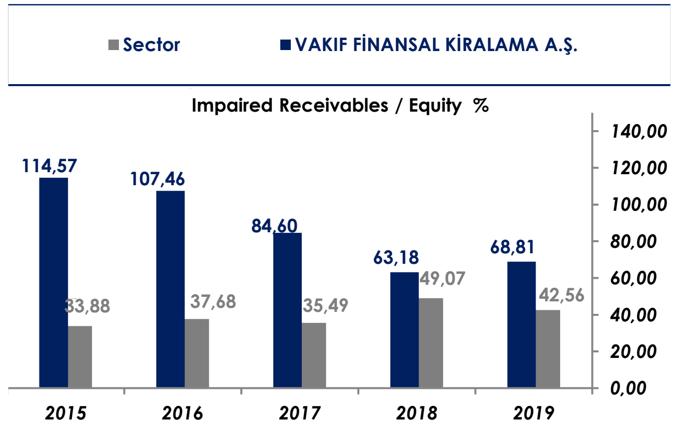
The average NPL ratio of the sector continued to deteriorate and reached from 7.20% to 8.31% in 2019. On the Company's side, after a sharp decline in NPL in 2018, the ratio climbed up again to the slightly above of the sector average with 8.44%. The decline in NPL ration in 2018 was achieved through the write off about TRY 61.3mn uncollectible doubtful receivables and increase in leasing receivables base. 2019 was not favorable in this sense and NPL ratio exhibited the aforementioned incline.



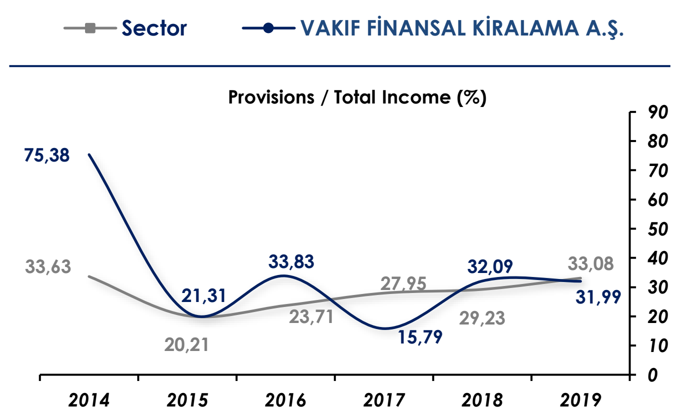
The Company's loss reserves coverage ratio moves around the sector averages for years, but a bit lower in 2019, with 57.62% while the sector was 64.22%.



The Company's impaired receivables level standing above the equity level over the years and decreased below the equity level in 2016 and continued to improve in the last years except 2019. Compared to the sector, Vakıf Leasing's lower equity level ends up with higher impaired receivables over equity ratio among its rivals. The ratio of 'impaired receivables to equity' leveled at a figure above the sector average, at 68.81% whilst the sector is at 42.56%.

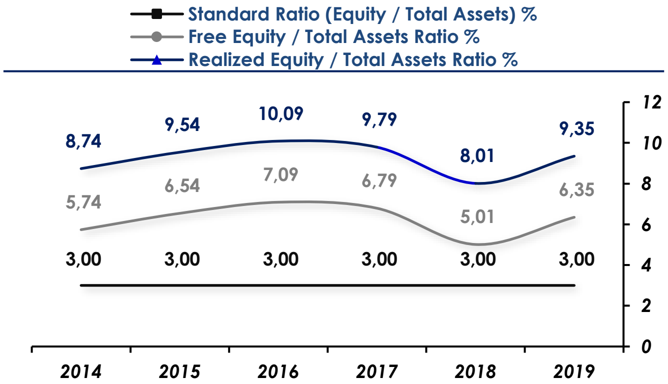


The Company's ratio of 'provisions to total income' circles around the sector average for the last couple of years. In 2019, the Company's ratio was 1% below the sector whilst it was over 2% higher in the previous year.

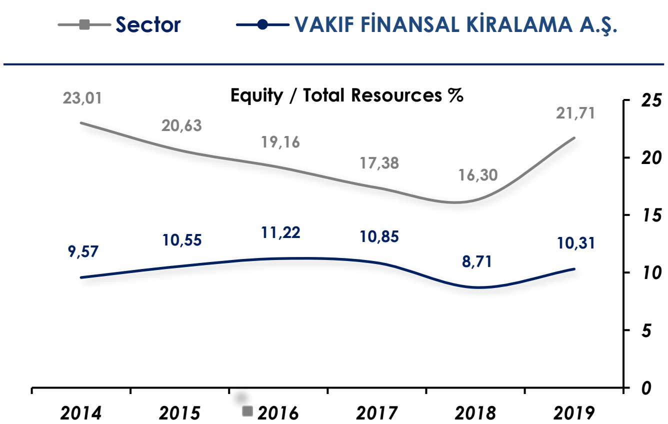


c) Funding & Adequacy of Capital

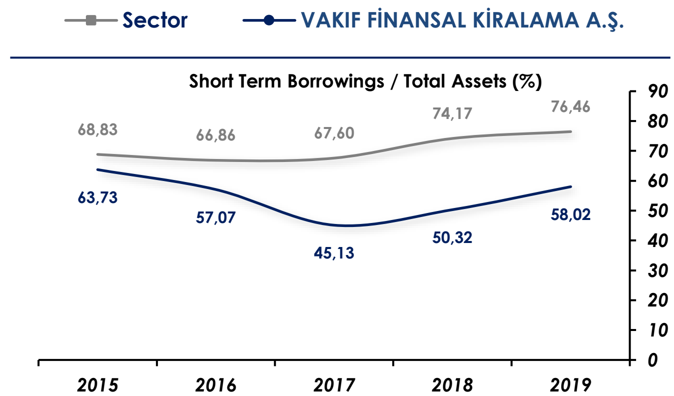
The BRSA regulation related to the leasing companies' equity level states that the standard ratio (equity to total assets) of them should be at least 3%. 14.65% equity growth which was beyond the contraction in asset size around 1.76% resulted in an increase in the Company's standard ratio. However, the share of equity among total assets continued to float below the sector average. But it should be noted that, the comparatively low standard ratio inherits in all bank affiliated financial institutions due to their operating model with comparatively low equity level derived from their ease of access to relatively low-cost funding sources via their shareholding structure.



While the equity to total resources ratio of the sector displayed a strong jump in 2019 to over 20% threshold, the Company figure showed a modest increase from 8.71% to 10.31%. Both for the sector and the Company, the increase in the level of this ratio primarily emanated from the slowdown in asset growth. In addition, the Company's ratio continuously stayed below the sector averages due to its comparatively low equity level briefly explained in the previous paragraph.



The short-term weighted borrowing structure is a prominent feature of the sector over the years. The related ratio, short term borrowings to total assets, of the sector ranged between 67% and 76% over the review period and exercised its highest value in the last year. The stated ratio of the Company exercised below sector average values in the same period. Funding needs met through long-term borrowings and debt instrument issuances including bono and asset-backed securities contributed positively to funding structure and liquidity level.



7. Risk Profile and Management

a) Risk Management Organization & its Function – General Information

The use of the financial instruments exposes the company to credit, liquidity and market risks. The Board of Directors of the Company is responsible for the establishment and supervision of the risk management structure. The board manages the effectiveness of the risk management system through the mechanisms existing within the Group. Additionally, the Company owns the Early Detection of Risk Committee required in the Corporate Governance Principles. The risk management policies and processes of the Company have been configured in a structure aiming to identify and analyze the risks exposure, to determine the appropriate risk limits and controls and to monitor risk and compliance with established limits. Risk management policies and systems are subject to regular revisions to update the changes in the products/services and market conditions. The Company aims to build up a disciplined and constructive control environment in which all employees understand their duties and responsibilities through training and management standards and procedures. Moreover, since the Company is a subsidiary of Vakıfbank on a consolidated basis, it performs a periodical data declaration to Vakıfbank in order to calculate operational, market, credit and liquidity risk exposures.

b) Credit Risk

The Company is exposed to credit risk through its leasing transactions. The Company and the Group, which it belongs, aim to reduce their credit risk by transacting with parties having credit liability and obtaining sufficient collateral where possible. Moreover, the financial situations and the credibility of customers are analyzed and credit risks are monitored through these analyses supplemented by intelligence reports. Credit risk is controlled through limits set by the Company Board. Moreover, the Company had a Risk Monitoring Committee consisting of the General Manager, the Assistant General Manager, the Group Manager and the Risk Monitoring and Asset Management Managers attached with a detailed monitoring process, and an internal scoring system applied for the lease activities up to EUR 250k. The "Customer Delay Report" is prepared daily by the Risk Monitoring and Asset Management Departments and is shared with related departments.

In addition, geographical and sector credit concentration is avoided to minimize the related risk exposures. The Company's leasing receivables are spread across diverse sectors. The Company had a sector dispersion of 48.34% in manufacturing (2018: 44.67%), 23.48% in construction (2018: 25.22%) and 7.44% in wholesale and retail commerce (2018: 8.23%) as of 2019.

The Company's top 10 customers composed 22.40% (2018: 20.31%) of the total receivables portfolio including overdue loans as of 2019, the top 20 customers 34.33% (2018: 32.55%) and the top 50 customers 54.28% (2018: 53.54%) for the same period. The concentration ratios in all brackets displayed a slight deterioration and stayed within the accepted national reference indices.

Additionally, the annual number of contracts signed are 353 amounted USD 173mn whose USD 170mn are capitalized.

c) Liquidity Risk

The liquidity risk management is under the responsibility of Company Board. A suitable liquidity risk management has been formed by the Board to meet the short, medium and long-term funding and liquidity requirements of the Company. The Company manages its liquidity risk by holding an adequate level of funding and borrowing sources through regular following of estimated and realized cash flows and due matching efforts of assets and liabilities. Additionally, the Company's receivables and payables are evaluated weekly in asset and liability meetings (APCO) on the basis of maturity dispute and average interest rate analyses, and monthly information is given to the Board.

As of March 13, 2020, cash credit lines worth TRY 5.81bn were extended to Vakıf Leasing by 26 different financial institutions (as of February 21, 2019, TRY 4.59bn by 23 institutions) and circa 35% of this total line was utilized in cash and non-cash loans. Additionally, a TRY 450mn borrowing/lending limit was extended to the Company to transact in the Takasbank Money Market (TPP). Moreover, the Company has received CMB approval for the issuance of bonds/financing bills with TRY 500mn issuance ceiling. The issuance date and terms of borrowing instruments are defined according to market conditions.

Although the Company's liquidity position prognosticates a short-term funding need, the above stated free cash credit lines relieves the liquidity risk level given that the existing funding sources remains valid in the short-term.

d) Market Risk

Market risk is subject to the Company's ALCO meetings held on a weekly basis and managed through regulatory measures revised in accordance with the changing market conditions.

The leasing operations and borrowings denominated in foreign currencies exposes the Company to foreign currency risk. Moreover, the Company ratios regarding FX position decreased and maintained remarkably below sector average standings in the last year, rising positive contribution to its risk level. The pre-tax profit of the Company had a variance range of (+/-) TRY 3.44mn (2018: TRY 6.6mn), corresponding below 8.7% of the pre-tax profit.

The Company's net gains or losses on FX position exhibited a continuously positive value over the years and declined in the last year with a 2019 year-end gain of TRY 10.65mn (2018: TRY 38.64mn), positively contributing to pre-tax profit generation capacity.

The Company is exposed to interest rate risk stemming from its leasing receivables and bank loans and tries to manage it through monitoring interest rate range and specifying pre-approved limits for reprising bands. Roughly one third of the Company's loans are on floating interest rate. The sensitivity analysis of 1% change in interest rate maintained its negligible variance range of (+/-) TRY 88k on the Company's 2019 year-end pre-tax profit (2018: TRY 86k).

e) Operational, Legal Regulatory & Other Risks

The Company tries to minimize the human risk through implementations such as awareness and duties and legislation trainings, transition studies to performance system based on qualitative data, system and automation investments for manual errors, supervision of work processes through control points by Internal Control, extension the scope of approval mechanisms for risky transactions and creation of authority and limit matrices. In order to ensure information and system security, the independent auditing company and the controlling shareholder Vakıfbank perform periodic IT audits. In addition, in-house trainings are performed to increase the awareness of staff regarding systemic threats. Emergency regulations and emergency action plans have been established in order to minimize and manage external factor risks.

8. Budget & Debt Issue

The Company's projected balance sheet for the year of 2020 is provided below together with the projected and realized values of 2019.

(TRY 000)	2019 Realized	2019 Forecast	2020 Forecast
EARNING ASSETS	**2,933,046**	**3,310,378**	**3,000,604**
Banks and Other	33,019	100,000	44,100
Leasing Receivables	2,579,147	3,144,328	2,823,919
Net NPL	82,625	57,550	120,585
Non-Performing Loans	194,970	170,039	262,443
Provision for NPL(-)	112,345	112,489	141,858
Other	238,274	8,500	12,000
NON-EARNING ASSET	**98,082**	**39,536**	**265,770**
TOTAL ASSETS	**3,031,147**	**3,349,914**	**3,266,374**
Bank Borrowings	2,600,857	3,021,212	2,827,412
Issued Debt Instruments	0	0	0
Other Liabilities	146,945	45,747	136,358
EQUITY	**283,345**	**282,955**	302,604
Paid-Capital	175,000	175,000	195,000
Net Profit	31,578	36,798	33,604
TOTAL L&E	**3,031,147**	**3,349,914**	**3,266,374**

(TRY 000)	2019 Realized	2019 Forecast	2020 Forecast
Annual Asset Growth %	-1,76	8.57	7.76
Equity/Total Asset %	9.34	8.45	9.26
ROAA %	1.29	1.46	1.07
ROAE %	14.88	17.71	11.47
NPL %	8.34	5.13	8.5

According to the projections for the following year, Vakıf Leasing expects a moderate growth in asset size and profitability. The Company projects an increase in paid-in capital from TRY 175mn to TRY 195mn. The forecasted and realized figures of 2019 are close enough to infer that the Company's projections are aligned with reality. The expectations on net profit for 2020 will be monitored by JCR Eurasia Rating, under the expected contraction scenario in 2020, emanated from coronavirus outbreak.

As of reporting date, the Company has no outstanding issued debt in the market. The projections for the year of 2020 shows that new bond issuance is not in the scope of the Company during current year. On the other hand, as of April 6, 2020 , in line with the decision taken by the Board of Directors of the Company, has been applied for issuing bonds to the Capital Market Board to TRY 500mn not exceeding 2 years in different maturities depends on market conditions. In a case of new issuance, considering the assumption that there will be no additional legal or financial collateral guarantees provided separately for the repayment of the debt instruments-to-be-issued, as is the general case in Turkish corporate bond/bono market, the rating assigned for the TRY dominated bond/bono issuance is assigned as the same as the Company's Long and Short Term National Local Ratings which are **'A- (Trk)'** and **'A-1 (Trk)'**. But they do not cover any structured finance instruments like lease certificates.

VAKIF FİNANSAL KİRALAMA A.Ş. BALANCE SHEET - ASSET TRY (000)	(Year end) 2019 USD (Converted)	(Year end) 2019 TRY (Original)	(Year end) 2019 TRY (Average)	(Year end) 2018 TRY (Original)	(Year end) 2018 TRY (Average)	(Year end) 2017 TRY (Original)	(Year end) 2017 TRY (Average)	(Year end) 2016 TRY (Original)	As % of 2019 Assets (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	2019 Growth Rate	2018 Growth Rate	2017 Growth Rate
A-TOTAL EARNING ASSETS (I+II+III)	**493,781.99**	**2,933,065.00**	**2,918,723.50**	**2,904,382.00**	**2,420,077.50**	**1,935,773.00**	**1,778,511.00**	**1,621,249.00**	**96.76**	**94.13**	**92.38**	**0.99**	**50.04**	**19.40**
I- LOANS AND RECEIVABLES (net)	**488,223.23**	**2,900,046.00**	**2,878,408.50**	**2,856,771.00**	**2,395,518.50**	**1,934,266.00**	**1,774,062.50**	**1,613,859.00**	**95.67**	**92.59**	**92.31**	**1.51**	**47.69**	**19.85**
a) Factoring Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Financing Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Lease Receivables	434,199.83	2,579,147.00	2,546,409.50	2,513,672.00	2,137,265.00	1,760,858.00	1,630,495.50	1,500,133.00	85.09	81.47	84.04	2.60	42.75	17.38
d) Over Due Loans	32,823.23	194,970.00	175,558.50	156,147.00	164,850.50	173,554.00	178,174.50	182,795.00	6.43	5.06	8.28	24.86	-10.03	-5.06
e) Others	40,113.47	238,274.00	253,102.00	267,930.00	193,636.50	119,343.00	83,638.50	47,934.00	7.86	8.68	5.70	-11.07	124.50	148.97
f) Receivable from Customer due to Brokerage Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-18,913.30	-112,345.00	-96,661.50	-80,978.00	-100,233.50	-119,489.00	-118,246.00	-117,003.00	-3.71	-2.62	-5.70	38.74	-32.23	2.12
II-BANKS AND OTHER EARNING ASSETS	**5,558.75**	**33,019.00**	**40,315.00**	**47,611.00**	**24,559.00**	**1,507.00**	**4,448.50**	**7,390.00**	**1.09**	**1.54**	**0.07**	**-30.65**	**3,059.32**	**-79.61**
a) Banks	5,558.75	33,019.00	40,315.00	47,611.00	24,559.00	1,507.00	4,448.50	7,390.00	1.09	1.54	0.07	-30.65	3,059.32	-79.61
b) Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Balance With Banks-Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
III-SECURITIES AT FAIR VALUE THROUGH P/L	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**n.a**	**n.a**	**n.a**	n.a	n.a	n.a
a) Treasury Bills and Government Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Other Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Repurchase Agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
a) Investments in Associates (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
C-NON-EARNING ASSETS	**16,512.12**	**98,082.00**	**139,611.50**	**181,141.00**	**170,368.50**	**159,596.00**	**112,440.50**	**65,285.00**	**3.24**	**5.87**	**7.62**	**-45.85**	**13.50**	**144.46**
a) Cash and Cash Equivalents	5,722.39	33,991.00	74,742.50	115,494.00	113,024.50	110,555.00	59,908.00	9,261.00	1.12	3.74	5.28	-70.57	4.47	1,093.77
b) Financial Assets at Fair Value through P/L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Asset Held For Sale And Discontinued Operations (net)	2,258.75	13,417.00	12,082.00	10,747.00	9,509.50	8,272.00	7,136.50	6,001.00	0.44	0.35	0.39	24.84	29.92	37.84
d) Other	8,530.98	50,674.00	52,787.00	54,900.00	47,834.50	40,769.00	45,396.00	50,023.00	1.67	1.78	1.95	-7.70	34.66	-18.50
- Intangible Assets	152.86	908.00	715.50	523.00	503.00	483.00	550.50	618.00	0.03	0.02	0.02	73.61	8.28	-21.84
- Property and Equipment	4,080.81	24,240.00	22,391.50	20,543.00	20,721.50	20,900.00	21,044.50	21,189.00	0.80	0.67	1.00	18.00	-1.71	-1.36
- Deferred Tax	974.41	5,788.00	9,067.00	12,346.00	11,324.00	10,302.00	13,128.50	15,955.00	0.19	0.40	0.49	-53.12	19.84	-35.43
- Other	3,322.90	19,738.00	20,613.00	21,488.00	15,286.00	9,084.00	10,672.50	12,261.00	0.65	0.70	0.43	-8.14	136.55	-25.91
TOTAL ASSETS	**510,294.11**	**3,031,147.00**	**3,058,335.00**	**3,085,523.00**	**2,590,446.00**	**2,095,369.00**	**1,890,951.50**	**1,686,534.00**	**100.00**	**100.00**	**100.00**	**-1.76**	**47.25**	**24.24**

VAKIF FİNANSAL KİRALAMA A.Ş. BALANCE SHEET- LIABILITIES+EQUITY TRY (000)	(Year end) 2019 USD (Converted)	(Year end) 2019 TRY (Original)	(Year end) 2019 TRY (Average)	(Year end) 2018 TRY (Original)	(Year end) 2018 TRY (Average)	(Year end) 2017 TRY (Original)	(Year end) 2017 TRY (Average)	(Year end) 2016 TRY (Original)	As % of 2019 Assets (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	2019 Growth Rate	2018 Growth Rate	2017 Growth Rate
C- COST BEARING RESOURCES (I+II)	**460,331.99**	**2,734,372.00**	**2,777,109.00**	**2,819,846.00**	**2,348,923.50**	**1,878,001.00**	**1,693,127.00**	**1,508,253.00**	**90.21**	**91.39**	**89.63**	**-3.03**	**50.15**	**24.51**
I-PAYABLES	**22,477.27**	**133,515.00**	**131,523.50**	**129,532.00**	**104,110.00**	**78,688.00**	**60,942.50**	**43,197.00**	**4.40**	**4.20**	**3.76**	**3.07**	**64.61**	**82.16**
a) Factoring Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Lease Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Other	22,477.27	133,515.00	131,523.50	129,532.00	104,110.00	78,688.00	60,942.50	43,197.00	4.40	4.20	3.76	3.07	64.61	82.16
II-BORROWING FUNDING LOANS & OTHER	**437,854.71**	**2,600,857.00**	**2,645,585.50**	**2,690,314.00**	**2,244,813.50**	**1,799,313.00**	**1,632,184.50**	**1,465,056.00**	**85.80**	**87.19**	**85.87**	**-3.33**	**49.52**	**22.82**
a) Fund Borrowed-Short Term	273,574.75	1,625,034.00	1,524,070.50	1,423,107.00	1,145,018.50	866,930.00	893,101.00	919,272.00	53.61	46.12	41.37	14.19	64.15	-5.69
b) Fund Borrowed-Long Term	164,279.97	975,823.00	1,037,174.00	1,098,525.00	967,993.50	837,462.00	691,623.00	545,784.00	32.19	35.60	39.97	-11.17	31.17	53.44
c) Marketable Securities For Issued (net)	0.00	0.00	84,341.00	168,682.00	131,801.50	94,921.00	47,460.50	0.00	n.a	5.47	4.53	-100.00	77.71	n.a
d) Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
D- NON COST BEARING RESOURCES	**2,260.94**	**13,430.00**	**15,974.00**	**18,518.00**	**15,374.00**	**12,230.00**	**10,204.00**	**8,178.00**	**0.44**	**0.60**	**0.58**	**-27.48**	**51.41**	**49.55**
a) Provisions	804.71	4,780.00	4,763.50	4,747.00	4,263.00	3,779.00	3,544.50	3,310.00	0.16	0.15	0.18	0.70	25.62	14.17
b) Current & Deferred Tax Liabilities	0.00	0.00	0.00	0.00	1,654.00	3,308.00	3,040.50	2,773.00	n.a	n.a	0.16	n.a	-100.00	19.29
c) Trading Liabilities (Derivatives)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Other Liabilities	1,456.23	8,650.00	11,210.50	13,771.00	9,457.00	5,143.00	3,619.00	2,095.00	0.29	0.45	0.25	-37.19	167.76	145.49
E- TOTAL LIABILITIES	**462,592.93**	**2,747,802.00**	**2,793,083.00**	**2,838,364.00**	**2,364,297.50**	**1,890,231.00**	**1,703,331.00**	**1,516,431.00**	**90.65**	**91.99**	**90.21**	**-3.19**	**50.16**	**24.65**
F- EQUITY	**47,701.18**	**283,345.00**	**265,252.00**	**247,159.00**	**226,148.50**	**205,138.00**	**187,620.50**	**170,103.00**	**9.35**	**8.01**	**9.79**	**14.64**	**20.48**	**20.60**
a) Prior Year's Equity	41,609.26	247,159.00	226,148.50	205,138.00	187,620.50	170,103.00	156,873.50	143,644.00	8.15	6.65	8.12	20.48	20.60	18.42
b) Equity (Internal & external resources added during the year)	775.76	4,608.00	3,272.00	1,936.00	1,576.00	1,216.00	2,197.00	3,178.00	0.15	0.06	0.06	138.02	59.21	-61.74
c) Minority Interest	0.00	0.00	35.00	70.00	21.00	-28.00	-14.00	0.00	n.a	0.00	-0.00	-100.00	-350.00	n.a.
d) Profit & Loss	5,316.16	31,578.00	35,796.50	40,015.00	36,931.00	33,847.00	28,564.00	23,281.00	1.04	1.30	1.62	-21.08	18.22	45.38
TOTAL LIABILITY+EQUITY	**510,294.11**	**3,031,147.00**	**3,058,335.00**	**3,085,523.00**	**2,590,446.00**	**2,095,369.00**	**1,890,951.50**	**1,686,534.00**	**100.00**	**100.00**	**100.00**	**-1.76**	**47.25**	**24.24**
USD 1 = TRY		**5.9400**		**5.2609**		**3.7719**		**3.5318**						

VAKIF FİNANSAL KİRALAMA A.Ş. INCOME STATEMENT TRY (000)	2019	2018	2017
Net Interest Income	**76,435**	**48,339**	**46,607**
A) Interest income	237,489	201,918	139,151
a) Factoring Interest Income	0	0	0
b) Financing Loans Interest Income	0	0	0
c) Lease Income	234,637	200,059	139,042
d) Banks	2,852	1,859	109
B) Fınancial Expense	161,054	153,579	92,544
Net Fee and Commission Income	**-4,367**	**-1,912**	**-517**
a) Fee and Commission Income	4,259	4,370	2,987
b) Fee and Commission Expense	8,626	6,282	3,504
Total Operating Income	**26,318**	**61,774**	**25,425**
Interest Income from Other Operating Field	0	0	0
Foreign Exchange Gain or Loss (net) (+/-)	10,652	38,639	9,438
Gross Profit from Retail Business	0	0	0
Gains or Loss on Derivative Instruments (+/-)	0	-1,023	0
Income on Sale of Equity Participations and Consolidated Affiliates	0	0	6
Gains from Investment Securities (net)	0	0	0
Other Operating Income	15,666	24,049	15,981
Taxes other than Income Tax	0	0	0
Dividend	0	109	0
Provisions	**32,870**	**35,665**	**11,376**
Provision for Impairment of Loan and Trade Receivables	32,870	35,665	11,376
Other Provision	0	0	0
Total Operating Expense	**26,043**	**22,158**	**17,746**
Salaries and Employee Benefits	17,687	14,893	11,637
Depreciation and Amortization	1,656	1,138	1,204
Other Expenses	6,700	6,127	4,905
Profit from Operating Activities before Income Tax	**39,473**	**50,378**	**42,393**
Income Tax – Current	1,695	12,456	3,917
Income Tax – Deferred	6,200	-2,093	4,629
Net Profit for the Period	**31,578**	**40,015**	**33,847**

Total Income	**102,753.00**	**111,136.00**	**72,032.00**
Total Expense	**26,043.00**	**23,181.00**	**17,746.00**
Provision	**32,870.00**	**35,665.00**	**11,376.00**
Pretax Profit	**43,840.00**	**52,290.00**	**42,910.00**

VAKIF FİNANSAL KİRALAMA A.Ş. FINANCIAL RATIOS %	2019	2018	2017
I. PROFITABILITY & PERFORMANCE			
1. ROA - Pretax Profit / Total Assets (avg.)	1.29	1.94	2.24
2. ROE - Pretax Profit / Equity (avg.)	14.88	22.28	22.60
3. Total Income / Equity (avg.)	38.74	49.14	38.39
4. Total income / Total Assets (avg.)	3.36	4.29	3.81
5. Provisions / Total Income	31.99	32.09	15.79
6. Total Expense / Total Resources (avg.)	0.93	0.98	1.04
7. Net Profit for the Period / Total Assets (avg.)	1.03	1.54	1.79
8. Total Income / Total Expenses	394.55	479.43	405.91
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	6.56	2.74	2.76
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	-2.79	-5.27	-7.03
11. Total Operating Expenses / Total Income	25.35	19.94	24.64
12. Interest Margin	2.62	2.00	2.62
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	6.56	7.87	7.14
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	75.60	90.19	71.92
15. Interest Coverage – EBIT / Interest Expenses	124.51	132.80	145.81
16. Net Profit Margin	30.73	36.01	46.99
17. Gross Profit Margin	38.42	45.33	58.85
18. Market Share	5.21	4.50	3.61
19. Growth Rate	-1.76	47.25	24.24
II. CAPITAL ADEQUACY (year end)			
1. Equity Generation / Prior Year's Equity	1.86	0.94	0.71
2. Internal Equity Generation / Previous Year's Equity	12.78	19.51	19.90
3. Equity / Total Assets (Standard Ratio)	9.35	8.01	9.79
4. Equity / Total Liabilities	10.31	8.71	10.85
5. Free Equity / Total Receivables Ratio	8.90	7.91	9.50
6. Tangible Assets / Total Assets	0.80	0.67	1.00
7. Intangible Assets / Total Assets	0.03	0.02	0.02
8. Equity / Total Guarantees and Commitments + Equity	0.03	0.03	0.03
III. LIQUIDITY (year end)			
1. Liquid Assets + Marketable Securities / Total Assets	2.21	5.29	5.35
2. Liquid Assets + Marketable Securities / Total Liabilities	2.44	5.75	5.93
3. Short Term Borrowings / Total Assets	58.02	50.32	45.13
4. Net Interest and Commission / Total Assets	2.38	1.50	2.20
5. Liquid Assets + Marketable Securities / Equity	23.65	65.99	54.63
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	3.73	2.76	5.82
2. Total Provisions / Profit Before Provision and Tax	45.44	41.45	21.16
3. Impaired Receivables / Gross Receivables	8.34	5.32	8.45
4. Impaired Receivables / Equity	68.81	63.18	84.60
5. Loss Reserves for Receivables / Impaired Receivables	57.62	51.86	68.85
6. Collaterals / Total Receivables	897.25	808.13	839.20
7. Total FX Position / Total Assets	1.13	2.15	2.67
8. Total FX Position / Equity	12.13	26.80	27.23
9. Assets / Total Guarantees and Commitments + Assets	0.36	0.34	0.29

Previous Rating Results Issued by JCR-ER

			March 23, 2012		May 29, 2013		July 11, 2013		March 28, 2014		June 8, 2015	
Vakıf Leasing			Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International	Foreign		BB	B	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
International	Local Currency		BB	B	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
International	Outlook	FC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
International	Outlook	LC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
International	Issue Rating		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
National	Local Rating		A (Trk)	A–1 (Trk)	A (Trk)	A–1 (Trk)	A (Trk)	A–1 (Trk)	BBB (Trk)	A–3 (Trk)	BBB (Trk)	A-3 (Trk)
National	Outlook		Positive	Stable	Positive	Stable	Stable	Stable	Stable	Stable	Positive	Positive
National	Issue Rating		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sponsor Support			2	-	2	-	2	-	2	-	2	-
Stand-Alone			AB	-	AB	-	AB	-	AB	-	AB	-
Sovereign*	Foreign		BB	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
Sovereign*	Local Currency		BB	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
Sovereign*	Outlook	FC	Stable	-	Stable	-	Stable	-	Stable	-	Stable	-
Sovereign*	Outlook	LC	Positive	-	Stable	-	Stable	-	Stable	-	Stable	-
			(*) Affirmed by Japan Credit Rating Agency, on June 28, 2012		(*) Assigned by Japan Credit Rating Agency, on May 23, 2013		(*) Assigned by Japan Credit Rating Agency, on May 23, 2013		(*) Assigned by Japan Credit Rating Agency, on May 23, 2013		(*) Affirmed by Japan Credit Rating Agency, on July 11, 2014	

			March 17, 2016		March 9, 2017		March 14, 2018		August 17, 2018		March 21, 2019	
Vakıf Leasing			Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International	Foreign		BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
International	Local Currency		BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
International	Outlook	FC	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Negative	Negative	Negative
International	Outlook	LC	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Negative	Negative	Negative
International	Issue Rating		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
National	Local Rating		BBB+ (Trk)	A–2 (Trk)	BBB+ (Trk)	A–2 (Trk)	A- (Trk)	A–1 (Trk)	A- (Trk)	A–1 (Trk)	A- (Trk)	A-1 (Trk)
National	Outlook		Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
National	Issue Rating		N/A	N/A	A- (Trk)	A-1 (Trk)	A- (Trk)	A-1 (Trk)	A- (Trk)	A-1 (Trk)	A- (Trk)	A-1 (Trk)
Sponsor Support			2	-	2	-	2	-	2	-	1	-
Stand-Alone			AB	-	AB	-	AB	-	AB	-	AB	-
Sovereign*	Foreign		BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
Sovereign*	Local Currency		BBB-	-	BBB-	-	BBB-	-	BBB-	-	BBB-	-
Sovereign*	Outlook	FC	Stable	-	Stable	-	Stable	-	Stable	Stable	Negative	Negative
Sovereign*	Outlook	LC	Stable	-	Stable	-	Stable	-	Stable	Stable	Negative	Negative
			(*) Affirmed by Japan Credit Rating Agency, on August 28, 2015		(*) Affirmed by Japan Credit Rating Agency, on October 7, 2016		(*) Affirmed by Japan Credit Rating Agency, on November 10, 2017		(*) Affirmed by Japan Credit Rating Agency, on August 14, 2018		(*) Affirmed by Japan Credit Rating Agency, on November 27, 2018	