

CREDIT RATING REPORT

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ISSUER: MERCEDES-BENZ FİNANSMAN TÜRK A.Ş.

ISSUE: -

CORE BUSINESS: VEHICLE FINANCE

NEW:



UPDATE:



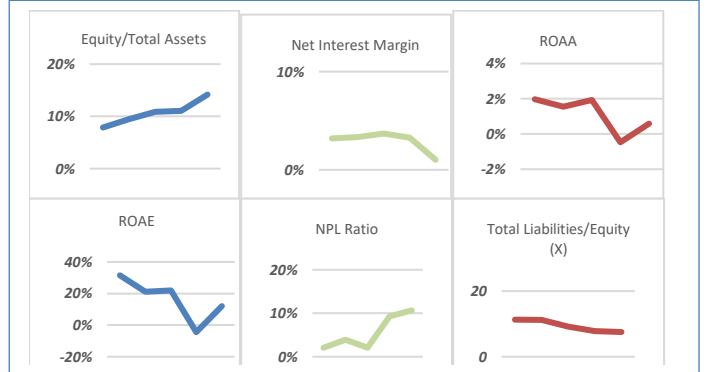
MERCEDES-BENZ FİNANSMAN TÜRK A.Ş. Akçaburgaz Mah. Süleyman Şah Cad. No:6 34522 Esenyurt / İstanbul Tel: (0212) 866 65 65 www.mercedes-benz-finansalhizmetler.com	RATINGS*					
	ISSUER RATING		OUTLOOK	ISSUE RATING		OUTLOOK
	LONG TERM	SHORT TERM		LONG TERM	SHORT TERM	
	INTERNATIONAL FOREIGN CURRENCY	-		-	-	
INTERNATIONAL LOCAL CURRENCY	-	-	-	-	-	-
NATIONAL RATING	TR AAA	TR A-1	Stable			
	NR	NR	NR			

*If the report is an update, previous ratings are at the bottom right of the cells. **NR**: Not rated by DRC RATING. **Outlook**: Positive, Negative, Stable, Developing.

SUMMARY: Mercedes Benz Finansman Türk A.Ş. (hereafter MBFT or the Company) has been assigned a **long-term national credit rating of TR AAA, a short-term national credit rating of TR A-1 and outlook Stable**. The credit ratings reflect our opinion on the financial performance of MBFT, the penetration rate in Mercedes-Benz brand sales, the strong shareholding structure and the supporting power and willingness of the partners. MBFT's credit rating is based on the fact that the main shareholder Daimler AG has provided 100% payment guarantee for all borrowings of the Company. Although the contraction in the automotive market, increasing interest rates, depreciation of TL against FX and increasing non-performing loans suppressed the credit rating, the strong equity structure, relatively low funding costs, the collaterals received for NPLs above the asset value and the high debt solvency were effective in determining the credit ratings.

Key Financial Data (million TL)

	2015	2016	2017	2018	2019/6
Toplam Varlıklar	7,707	7,688	8,077	7,609	6,238
Total Customer Loans (Net)	6,885	6,535	7,217	6,162	5,348
Financial Liabilities	5,644	5,505	6,209	6,161	4,945
Equity	607	727	878	841	884
Income from Customer Loans	539	634	667	866	409
Net Profit / Loss	134	120	152	-37	43



Istanbul, December 23rd, 2019

Financial Data

January 30th, 2019

(Million TL)

Total Assets	6,238
Total Cust. Loans (Gross)	5,986
Equity	884
Income from Cust. Loans	409
Total Financial Liab.	4,945
Net Profit/Loss	43

Financial Ratios

ROAA (%)	0.6
ROAE(%)	5.2
NPL Ratio (x)	10.7
Equity/Tot Assets (%)	-3.7

Ratings Rationale, Outlook and Important Factors for the Future:

The ratings assigned by DRC Rating for MBFT are a reflection of the penetration rate in Mercedes-Benz brand sales, the strong shareholding structure and the supporting power and willingness of the partners. MBFT's credit rating is based on the fact that the parent company Daimler AG has guaranteed 100% payment for all of the Company's borrowings.

The rating notes reflects the Company's position in the sector¹, the strong market share of financed brands and penetration rates in Mercedes-Benz brand vehicles, cautious risk management and the power and willingness of the partners to provide full support to the Company when necessary. Although the contraction in the automotive market, increasing interest rates, depreciation of TL and increasing non-performing loans are pushing credit rating downward, strong equity structure, relatively low funding costs, collaterals for NPLs above asset value and high debt repayment capability were effective in determining the credit ratings.

DRC RATING has determined the outlook of MBFT's National Long-Term Rating as "Stable". The shareholder's power and willingness to provide financial support to the Company, the balanced distribution of vehicle loans to customers, the successful performance in the collection of NPLs, the positive track record of repayment of borrowing instruments issued abroad, the government's incentives for vehicle demand, weakening of growth expectation due to contraction, ongoing collection risk, diversity of funding sources, flexibility and economies of scale in providing financing, and global macroeconomic expectations and in-country expectations in providing financing, the volatility of TL were also taken into consideration and positive / negative factors were evaluated in determining the

outlook.

The contraction experienced in the domestic market in the automotive sector in 2018 continues in 2019 as well. In the last 11 months of 2019, total sales of the automotive sector decreased by 28.9% on an annual basis. When the sub-segments of the sector which constitute the target market of Mercedes-Benz vehicles are examined; passenger car sales decreased by 25.6%, light commercial vehicle sales by 38.7%, truck sales by 41.4% and bus sales by 45.7%. Except the 10.7% increase in the sales of buses from Mercedes-Benz brand vehicles that MBFT provided vehicle loan services, the sales of passenger cars, light commercial vehicles and trucks decreased, albeit below the sector average. With the contraction in the sector, the increase in NPLs led MBFT to be more cautious when issuing new vehicle loans to its customers. . As of 30 June 2019, the Company's total assets decreased by 26% to TL 6,238 million compared to the first half of the previous year. Net financing loans, which decreased 28.4% to TL 5,348 million, accounted for the largest portion of the Company's decline in assets. On the other hand, according to the unaudited financial statements dated 30 September 2019, the Company's financing loans and assets contracted but interest income and net profit for the period increased. According to the top management, the Company will close 2019 with a higher than expected profit and reduced NPL ratio.

Important factors to consider for the future change in ratings and/or outlook:

Positive:

- More prudent risk policy,
- Leverage ratios below the sector averages,
- Net interest margin above the sector average,
- Decreasing interest rates,

Negative:

- Decrease in automotive sector sales,
- Depreciation of TL against foreign currencies,
- Increase in non-performing loans,
- Decrease in income from customer loans,

¹ As a sector, financing companies that have vehicle financing and provide vehicle loans to customers are taken into consideration.

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