



08 April 2024

Credit Rating

Long-term (National):
(TR) AA

Outlook:
Positive

Short-term (National):
(TR) A1+

Outlook:
Positive

Expiry Date:
08 April 2025

Koç Finansman A.Ş.

Ünalan Mah., Ayazma Cad., Koç
Çamlica İş Merkezi, A Blok, 34700,
Üsküdar, İstanbul

Tel: +90 (216) 556 35 00

Fax: +90 (216) 556 35 80

<http://www.kocfinans.com.tr>

KOÇ FİNANSMAN A.Ş.

Rating Summary

Koç Finansman A.Ş. ("Koç Finans" or "the Company") was established in 1995 to provide consumer financing services. Established in Turkey as a Koç Group affiliate, Koç Finans is the first finance company which acquired the "Financing Company Operating License".

Koç Finans is engaged in housing finance and product and service financing in various sectors, primarily automotive. Also serving as an insurance broker for the loans which it provides, the Company is subject to the supervision and regulation of the Banking Regulation and Supervision Agency ("BRSA") and operates within the framework of the provisions of the Law on Financial Leasing, Factoring and Funding Companies No. 6361.

In November 2022, a joint stock company named KF Sigorta Aracılık Hizmetleri A.Ş. with a capital of TL 5 million, in which the Company participated 100%, was established and started its operations in order to carry out insurance agency activities. Koç Finans also holds 4.9% stake in Koç Kültür Sanat ve Tanıtım Hizmetleri A.Ş.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position, Koç Finansman's long term rating of **(TR) AA** and its short term rating of **(TR) A1+** is hereby reconfirmed.

Previous Rating (April 6, 2023):

Long Term: (TR) AA

Short Term: (TR) A1+

Outlook

The most important industry that feeds the non-bank financing sector is automotive. According to AFI (Association of Financial Institutions) data, as of end-2023, approximately 90.9% of the fresh loans issued were for vehicle financing. In this context, sector performance shows a high correlation with the course of the automotive industry. Vehicle loans accounted for 99.8% of the Company's new loans in 2023. In the January-December period of 2023, the total Turkish automobile and light commercial vehicle market size increased by 57.4% compared to the same period of the previous year, reaching 1,232,635 units. According to the financial statement data released by the BRSA, the outstanding loan balance (Net) of financing companies in 2023 increased by 89.2% compared to 2022 and amounted to TL 116.8 billion. In this period, Koç Finans's net financing receivables balance increased by 103.4% to TL 15.1 billion (2022: TL 7.4 billion).

The sector's non-performing loan ratio¹ ("NPL") was 3.3% in 2021, 1.9% in 2022 and 1.0% in 2023, showing a downward trend over the years. The Company's NPL ratio, on the other hand, showed a better development compared to the sector and was realized at 1.4%, 0.8% and 0.6%, respectively.

In general, it has been concluded that the Company has an effective risk management implementation. According to the independent audit report data, the net foreign currency balance as of end-2023 is TL (+) 21.6 million (2022: TL (+) 4.6 million). As of this date, the Company has no exchange risk against possible currency fluctuations. Furthermore, according to the independent audit report, financial instruments such as swaps and derivatives are utilized to hedge interest and exchange rate risks.

In addition to the above-mentioned factors, Koç Finans's strong ownership structure, financial and operational performance, effective risk, maturity and cost management, and ability to access financing have been included in the assessment and the Company's outlook has been updated as "**Positive**". The consequences of developments in local and global money and capital markets are being monitored by us and their possible impact on the Company will 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. 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 the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis evaluates the Company's performance with respect to its capability to fulfill its obligations under the future projections of a base and a stress scenario.

The qualitative analysis covers operational issues such as industry and company risk as well as administrative risks in the context of corporate governance practices. The industry analysis evaluates factors like the nature and rate of growth of the industry, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. The company analysis evaluates market share and efficiency, trends and volatilities in key performance indicators, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships if any.

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 consist 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 reflects our opinion regarding a period of one year. Our long -erm 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.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	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	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+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	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-	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-	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-	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	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

This Credit Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) in collaboration with Koç Finansman A.Ş. and is based on information disclosed to the public by Koç Finansman A.Ş.

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.

SAHA A.Ş. has embraced and published the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies on its web site (www.saharating.com) and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

©2024, Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. All rights reserved. This publication or parts thereof may not be republished, broadcast, or redistributed without the prior written consent of Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. and Koç Finansman A.Ş.

Contacts:

Report Prepared by / Rating Specialist:

Tuba Erdener
terdener@saharating.com

Rating Committee Members

S.Suhan Seçkin
suhan@saharating.com

S.Mehmet İnanhan
minhan@saharating.com

Ali Perşembe
apersembe@saharating.com

Saha Corporate Governance and Credit Rating Services, Inc.

Valikonağı Cad., Hacı Mansur Sok., Konak Apt. 3/1, Nişantaşı, İstanbul

Tel: (0212) 291 97 91, Fax: (0212) 291 97 92 • info@saharating.com • www.saharating.com