

## **MOODY'S ASSIGNS Ba3 FOREIGN CURRENCY SENIOR UNSECURED ISSUER RATING TO TURKEY'S FINANS FINANSAL KIRALAMA A.S.**

### First-time issuer ratings

Moody's Investors Service has assigned a first-time Ba3 long-term senior unsecured foreign currency issuer rating to Finans Finansal Kiralama A. S. (Finans Leasing). The outlook is stable. Finans Leasing's foreign currency issuer rating is capped at the level of Turkey's own rating for foreign currency denominated debt, currently at Ba3, with a stable outlook.

The ratings are supported by Finans Leasing's good niche franchise in the small, but growing Turkish leasing sector; it is consistently within the top five leasing companies in its home market of Turkey by most measures, and has a market share of leasing volume of approximately 7%. Like the other Turkish leasing companies owned by large retail banks, Finans Leasing has an important distribution advantage relative to independent leasing companies. In addition to its own small network of 13 representative offices, it also has access to Finansbank's entire branch network (approximately 200 branches in Turkey), and benefits from synergies with its parent bank, as its products can be offered in conjunction with those of Finansbank.

The ratings further reflect Finans Leasing's adequate overall financial fundamentals, underscored by a relatively well-diversified client lease portfolio, exhibiting good sector and name diversification, as well as adequate lease portfolio quality for the Turkish operating environment. We note that the level of lease exposure to related companies, which has been consistently decreasing over time, is now at low levels. In addition, Finans Leasing's very high equity levels provide significant downside cushion against adverse events. Recent equity participation sales have improved its free capital and will allow

management to better focus on the company's core leasing business, while the sale of its previously consolidated property and casualty insurance subsidiary, Finans Sigorta, should improve the transparency of its financial statements. Finally, relatively good margins and reasonable efficiency combine to enable strong profitability overall.

These strengths are offset by challenges in Finans Leasing's funding profile, underscored by its dependence on wholesale sources of funding, although we note favourably a very low level of funding reliance on related-party companies relative to other Turkish leasing companies. Finans Leasing recently eliminated related-party funding altogether, and its strategy is to source its funding entirely from domestic and international markets rather than related companies. Finally, the ratings reflect the challenge for Finans Leasing to manage its transition from the bank's captive finance company to a financially independent entity, as well as the fact that the tax benefits of leasing are a driver of the attraction for leases in Turkey, and any changes to the tax regime could negatively impact the franchise of all leasing companies in Turkey.

The Ba3 foreign currency rating remains underpinned by the expectation that support from Finans Leasing's parent Finansbank AS (B1/NP/D+ and Baa3/P-3 for local currency deposits) would be forthcoming in the event of need. In addition to Finansbank's direct 51.04% stake in Finans Leasing, the bank indirectly owns an additional 8.21% of Finans Leasing's equity via Finans Invest, itself 99.4% owned by Finansbank. Any upgrade or downgrade of Finansbank's local currency deposit rating would be likely to trigger a rating review of Finans Leasing's own rating. At the same time, any change in majority ownership of Finans Leasing's equity could have positive, negative or neutral effects on the rating of Finans Leasing, depending upon Moody's estimation of the financial strength of any eventual acquirer and the specificities of the transaction.

Headquartered in Istanbul, Turkey, Finans Leasing reported total assets of YTL359.8 million (USD268.1 million) at 31 December 2005.