

MERCEDES-BENZ FİNANSMAN TÜRK A.Ş.

Long Term National Credit Rating: **TR AAA**
Short Term National Credit Rating: **TR A1**
Outlook: **Stable**

Rating History:

LTNCR: **TR AAA** STNCR: **TR A1** Outlook: **Stable** Date:25.03.2015
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Istanbul, 6 June 2017 – The Long-term National Credit Rating of TR AAA and the Short-term National Credit Rating of TR A1 of Mercedes-Benz Finansman Türk A.Ş. (MBFT hereafter) have been affirmed. The outlook remains stable. These ratings reflect the company's good financial performance and steady profitable growth and are supported by the existence of a strong parent who has the ability and will to support the company. These ratings also take into consideration the solid market position of the vehicle brand financed by MBFT and Daimler's full guarantee on MBFT's loans and bonds.

Strong Market Share and Penetration Rates: Together with its brand partner Mercedes-Benz Türk A.Ş. MBFT extends its financing services to customers through 39 dealer centers owned by 28 Mercedes-Benz authorized dealers across Turkey. At the end of 2016 the market share of MBFT was 26.3% in terms of asset size and in terms of financing loan volume. In 2016, MBFT ranked second overall vehicle financing institutions in Turkey including banks. Of total vehicles sold under Mercedes-Benz brand 48.5% was sold with MBFT credits.

Contraction in Vehicles Finance Loans: Due to the increase in bank deposits and loan loss reserves MBFT's asset size remained unchanged in 2016 despite the decrease in customer finance loans. Under a sluggish 2.9% GDP growth in 2016, tourism companies and construction companies postponed their vehicle park renewal investments. As a consequence Mercedes-Benz brand passenger cars sales increased while the sales of light commercial vehicles, busses and trucks decreased. With a portfolio composition of 91% corporate customers, the decline in the volume of truck and bus sales impacted the vehicle finance volume of MBFT and resulted in 3.3% fall in the loan volume to TL6.8 billion. Total assets remained TL7.7 billion.

Leverage Below Sector¹: MBFT operates with the highest paid-in capital and the highest equity of TL159.9 million in the sector. Retained earnings further strengthened its equity. In 2016 with total borrowings of 9.2 times its equity MBFT had the second lowest leverage ratio.

Prudent Risk Management: Economic slowdown, the increase in the number of bankruptcies and the failed coup attempt have led to the default of some of MBFT's loan customers in 2016. In previous years MBFT's non-performing loan (NPL) ratio had remained below the sector average, but in 2016 due to delays in collection its NPL ratio (3.9%) rose above the sector average (3.4%). We are confident that the company, with its knowhow on the vehicle segment, will be able to lower its NPL ratio in the coming years. Senior management plans to eventually collect these NPLs and raise profits instead of selling them to asset management companies. Already, the company has evidenced such an achievement by making TL17.2 million NPL collection in 2016 (TL10.7 million in 2015).

¹ The Peer Group includes MBFT, VDF, ALJ, Koç Fiat, Koç Finansman, Orfin, TEB and VFS Finance companies whose core business is vehicle finance.

Low Cost Funding: MBFT has the ability to use credits from the financial institution of the Group (Daimler Financial Services) if needed and only 43.6% of its limits with local and international banks are drawn. Outstanding bank loans are largely (84.9%) short term and 29.8% are Euro denominated. All financial borrowings are made with the full guarantee of Daimler, providing a significantly lower cost advantage to MBFT. With this relatively lower funding cost MBFT was one of the companies operating with the highest net interest margins (3.4% in 2016) in the sector for the last five years.

Strong Shareholder Structure: The globally strong Daimler Company headquartered in Stuttgart (Germany) is Daimler Group of Companies' major company and owns 99.9% of MBFT. In 2016, Daimler employed 282 people worldwide and reported €243 billion consolidated assets with €8.8 billion net income.

The Ongoing Enquiry in Various Daimler Plants: In March 2017 Stuttgart's Public Prosecutor started an investigation in Daimler plants in various regions of Germany on allegations that the gas emissions of diesel engine powered passenger cars were modified. Daimler has provided the necessary information and documents to the authorities. Turkrating is following up on the possible repercussions of this investigation on the financials of MBFT.

MBFT Selected Financial Indicators

(1000 TL)	2012	2013	2014	2015	2016
Total Assets	3,055,310	4,529,141	6,019,799	7,706,933	7,688,097
<i>Annual Asset Growth</i>	43.3	48.2	32.9	28.0	-0.2
Total Customer Loans (Net)	2,984,734	4,163,262	5,429,955	6,885,435	6,535,271
<i>NPL Ratios (%)</i>	1.2	1.4	1.9	2.1	3.9
Total Borrowings	2,819,874	4,065,308	5,331,621	6,814,423	6,683,644
Equity	145,537	328,857	472,286	606,764	726,642
<i>Equity /Total Assets (%)</i>	4.8	7.3	7.8	7.9	9.5
Income from Customer Loans	251,835	325,657	415,421	532,212	630,328
<i>Growth (%)</i>	59.6	29.3	27.6	28.1	18.4
Net Income from Customer Loans*	68,869	79,574	159,835	161,911	131,324
<i>Growth (%)</i>	20.8	15.5	100.9	1.3	-18.9
Profit/Loss from Core Operations**	48,806	56,122	134,475	129,600	90,348
Net Profit/Loss	38,743	42,941	143,475	134,473	119,749
<i>Growth (%)</i>	12.7	10.8	234.1	-6.3	-10.9
ROAA(%)	1.5	1.1	2.7	2.0	1.6
ROAE(%)	33.5	19.3	43.0	31.5	21.2

*Net Income from Customer Loans: Interest and Commission received from Customer Loans - (Interest and commission paid to borrowings +/- exchange profit/loss +/- derivatives profit/loss - Loan Loss Provisions)

** Profit/Loss from Core Operations: Net Income from Customer Loans - Net Operational Expenditures