

29 May 2020

Credit Rating

**Long-term (National):
(TR) BBB**

**Outlook:
Stable**

**Short-term (National):
(TR) A3**

**Outlook:
Stable**

Doruk Finansman A.Ş.

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Rating Summary

Doruk Finansman A.Ş. ("Doruk" or "the Company") is a consumer finance company founded in 2008 with a partnership between Doğan Şirketler Grubu Holding A.Ş. ("Doğan Holding") and Deutsche Bank AG, and authorized by the Banking Regulation and Supervision Agency (BRSA). In August 2017, all 49% shares of Deutsche Bank AG were transferred to Doğan Holding and since that date, Doğan Holding has the management and capital control of the Company.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as the Company's domestic market position, Doruk's National Short Term rating of **(TR) A3** and the National Long Term rating of **(TR) BBB** has been reconfirmed.

Previous Rating (30 May 2019):

Long-term: (TR) BBB+

Short-term: (TR) A2

Outlook

The trend in the non-bank financing sector, which has shown a high growth over the years, has turned its direction downward since 2018. From then on, it has been observed that the profitability of the sector was adversely affected and the non-performing loan (NPL) ratio increased. In 2018, as the sector's total outstanding loan balance shrank by 5% compared to the previous year, the Company increased its loans by 40.4% implementing a new marketing strategy. In 2019 however, as the sector's outstanding loan balance decreased by 30%, the Company's outstanding loans shrank by 45.2%.

In the past years, after minimizing the mortgage finance portfolio in order to avoid negative interest margins and after restructuring its equity, the Company has developed an alternative strategy in the

financing sector and has focused on trade invoice financing. According to the independent auditor's report, the mortgage loan portfolio of TL 19.4 million still carried in the balance sheet (not transferred) at the end of 2018, decreased to TL 14.6 million as of the end of 2019. As of December 31, 2019, housing loans receivables with an average maturity of 4 years constitute 32% of total loan receivables, while 68% of the portfolio consists of trade finance loans.

As a result of the Company's increasing its new trade financing loans volume in addition to reducing its non-profitable and high NPL ratio mortgage portfolio, the NPL ratio¹ of the Company, has improved by the end of 2018, reaching 4.99%. As of the end of 2019, with the increase in non-performing loans and decreasing outstanding loan stock this ratio increased above the sector average and was realized as 15.56%.

Compared to the end of 2018, which was the basis of the previous rating study, the Company's total financial liabilities (borrowings + issuances) decreased in line with the decrease in its extended loans volume. The Company's indebtedness ratio and standard ratio has improved within this period. At the same time Doruk has a positive net foreign currency position as of December 31, 2019 and is not sensitive to possible exchange rate hikes.

In addition to all these factors, the Company's short and long-term outlook has been determined as **"Stable"** considering its strong ownership structure and ability to access sources of finance. The expected negative effects of the COVID-19 pandemic on the global trade environment and the overall demand are closely monitored, and in the event of tangible effects beyond our expectations, changes may be made in the Company's rating and outlook.

¹ NPL ratio :
$$\frac{\text{Non Performing Loans}}{\text{Loan Receivables} + \text{Non Performing Loans}}$$

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 risks 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. 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 reflects 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 term 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

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