

CREDIT RATING REPORT

DATE: 22.05.2023

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ISUER: İŞ FAKTORİNG A.Ş.

ISSUE: -

CORE BUSINESS

FAKTORİNG

NEW:

UPDATE:

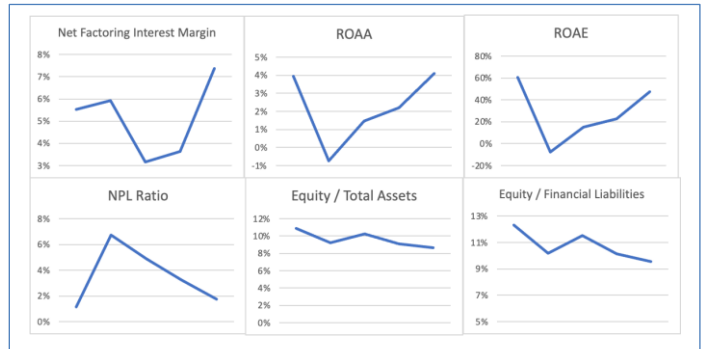
İŞ FAKTORİNG A.Ş. İş Kuleleri, Kule 1 Kat:10 34330 Levent / İstanbul Tel: (0212) 317 00 99 www.isfaktoring.com.tr	RATINGS*					
	ISSUER RATING		OUTLOOK	ISSUE RATING		OUTLOOK
	LONG TERM	SHORT TERM		LONG TERM	SHORT TERM	
INTERNATIONAL FOREIGN CURRENCY	-	-	-	-	-	-
INTERNATIONAL LOCAL CURRENCY	-	-	-	-	-	-
NATIONAL RATING	TR AA TR AA-	TR A-1 TR A-1	Stable Stable			

*Previous ratings are at the bottom right of the cells. **NR:** Not rated by DRC RATING. **Outlook:** Positive, Negative, Stable, Developing.

SUMMARY: İş Faktoring A.Ş. (hereafter İş Faktoring or the Company) ratings have been determined with an upgrade on **long-term national credit rating to TR AA**, with a **short-term national credit rating of TR A-1 and outlook Stable** confirmed. The credit ratings reflect our opinion regarding the consistent increase in the market share of factoring receivables, Company's leadership in equity size among the private factoring companies, the increase in the profitability ratios driven by the high increase in the factoring income, the diversified funding sources, having Türkiye İş Bankası A.Ş., which is one of the long-established corporations in Turkey, as an indirect main shareholder and the concentration risk of the factoring receivables portfolio. The fact that the NPL ratio of the company is above the average of its close competitors puts pressure on the credit ratings. In the upcoming period, the Company's asset quality indicators will be positively affected if the Company becomes able to make collections from a single large receivable within its NPL portfolio in line with its expectations. With the factoring software project that is planned to be implemented in 2023, it's expected that operational costs will be reduced, transaction times will be shortened, and customer profitability will be measured more accurately. In 2023, a more limited growth in factoring receivables is expected compared to the previous year. The continuation of the deterioration in macroeconomic indicators and the resulting contraction in business volume, increase in funding costs, acceleration in NPL generation are the main risks within the scope of the negative scenario for the sector in 2023.

Key Financial Data (Million TL)

	2018	2019	2020	2021	2022
Factoring Receivables	2,730	3,160	4,417	6,672	15,632
Non Performing Loans	31	228	227	223	277
Financial Liabilities	2,442	2,953	4,136	6,258	14,862
Shareholders' Equity	301	300	477	634	1,420
Total Assets	2,771	3,265	4,645	6,950	16,429
Net Profit	147	-23	55	121	445



**Ratings Rationale, Outlook and Important Factors for the Future:**Istanbul, May 22nd, 2023December 31st, 2022**Financial Data** (Million TL)

Total Assets	16,429.1
Factoring Receivables	15,631.7
Financial Liabilities	14,862.1
Shareholders' Equity	1,420.5
Net Factoring Income	694.4
Net Profit / Loss	445.4

Financial Ratios

Net Factoring Interest Margin	7.37%
ROAA	4.11%
ROAE	47.57%
NPL Ratio	1.74%
Shareholders' Equity / Total Assets	8.65%

The credit ratings reflect our opinion in:

- The age of the NPL portfolio and the increase in the NPL formation rate and cost of risk related to the factoring receivables
- Continuation of the concentration risk in factoring receivables at a decreasing rate
- Increase in Company's profitability ratios
- Diversified funding sources and easy access to funding sources
- High and growing market share in factoring receivables
- Türkiye İş Bankası A.Ş., which is one of the long-established corporations in Turkey, being an indirect main shareholder

The high increase in the Company's factoring revenues in 2022 resulted in a rise in the net factoring interest margin and ROAA. The increase in the profitability ratios of the company is considered as a positive development. On the other hand, the fact that these ratios are below the average of the peer group ⁽¹⁾ puts pressure on the Company's credit ratings.

Especially in the second half of 2022, with the decline in banks' appetite for lending, the demand for the factoring sector surged, the sector and the Company completed 2022 with high growth rates in factoring receivables, which are 113.8% and 134.3%, respectively. Such a high increase has put downward pressure on the level of the NPL ratio of the sector and the Company. It is expected that the growth of the receivables of factoring companies, whose funding opportunities from banks have been relatively narrowed due to the macroprudential measures implemented in

the factoring sector at the beginning of 2023, will slow down in 2023, also due to the base effect. The rapid growth experienced in factoring receivables in 2022 is considered as a factor that may increase the credit risk in terms of NPL formation in 2023 for the sector and the Company.

On the other hand, the Company accelerated its transformation efforts regarding the digitalization process in 2022. With the factoring software project that it plans to implement in 2023, the company aims to reduce operational costs, shorten transaction times and better measure customer profitability.

DRC RATING has confirmed the outlook of İş Faktoring's National Long Term Rating as "Stable". The positive impact of the growth in the fee and commission income of the company on the profitability, its advantage in accessing the Takasbank Money Market, the low collection risks for the corporate company customers despite the concentration risk they create, the increase in the financial leverage ratio were taken into account; and positive/negative factors were evaluated in determining the outlook.

Key factors to consider for future change in rating and outlook:

Positive

- Consistent and sustainable growth in factoring receivables
- Increase in collection rate from non-performing loans and decrease in provision expenses
- Continuing improvement in net factoring interest margin and ROAA
- Measurable effects of the company's digital transformation projects on profitability and collections

Negative

- Continuation of deterioration in macroeconomic indicators
- Possible contraction in business volume
- Increase in funding costs
- Continuation of the risk of concentration in factoring receivables

⁽¹⁾ Garanti Faktoring, Deniz Faktoring, QNB Finans Faktoring, TEB Faktoring, Vakıf Faktoring and Yapı Kredi Faktoring have been chosen as peer group.



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