CREDIT RATING REPORT

DATE: 12.06.2024

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ISUER: İŞ FAKTORING A.Ş.

İSSUE: -

CORE BUSINESS FACTORING

NEW: ☐ **UPDATE:** ☒

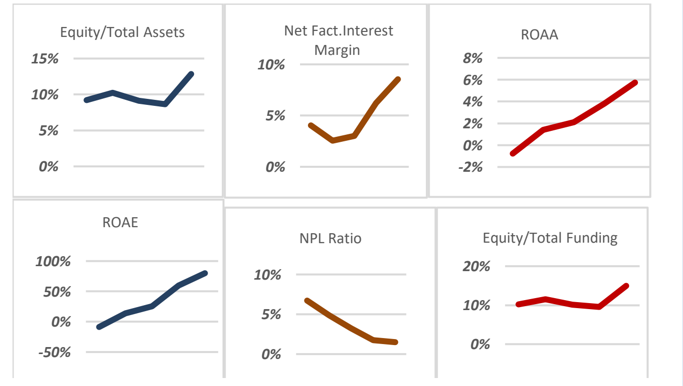
	RATINGS*					
İŞ FAKTORING A.Ş. İş Kuleleri, Kule 1 Kat:10 34330 Levent / İstanbul Tel: (0212) 317 00 99 www.isfaktoring.com.tr	**ISSUER RATING**		**OUTLOOK**	**ISSUE RATING**		**OUTLOOK**
	LONG TERM	**SHORT TERM**		**LONG TERM**	**SHORT TERM**	
INTERNATIONAL FOREIGN CURRENCY	- -	- -	- -			
INTERNATIONAL 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 of TR AA+, a short-term national credit rating of TR A-1 and outlook Stable** confirmed. The credit ratings reflect our view on the steady increase in the Company's market share in factoring receivables, its ranking first among private equity factoring companies in terms of total assets, receivable balance and net profit, the improvement in profitability ratios due to the high increase in factoring revenues, diversified funding sources through the issuance of debt instruments and the fact that the Company's indirect parent Türkiye İş Bankası A.Ş. is one of the most well-established and powerful institutions in Türkiye. The strengthening of shareholders' equity with the retention of the profit for the period, the completion of software development and digital transformation activities this year, which are expected to increase operational efficiency and the rapidly declining non-performing loan and borrowing ratios are among the highlights.

Key Financial Data (Million ₺)

	2019	2020	2021	2022	2023
Total Assets	3,265	4,645	6,950	16,429	24,005
Factoring Receivables	3,160	4,417	6,672	15,632	22,155
Financial Liabilities	2,953	4,146	6,266	14,876	20,609
Equity	300	477	634	1,420	3,084
Non Performing Loans (NPL)	228	227	223	277	337
Net Profit	-23	55	121	445	1,160



İŞ FAKTORİNG

İstanbul, June 12th 2024

Financial Data
December 31st, 2023

(Million ₺)	
Total Assets	24,005
Factoring Receivables	22,155
Equity	3,084
Net Factoring Income	1,615
Net Profit/Loss	1,160

Financial Ratios

ROAA (%)	5.7
ROAE (%)	80.0
NPL/Gross Fact. Receive. (%)	1.5
Equity/Total Assets (%)	12.8
Net Fact. Interest Margin (%)	8.5

Ratings Rationale, Outlook and Important Factors for the Future:

The credit ratings reflect our view on the steady increase in the Company's market share in factoring receivables, its ranking first among private equity factoring companies in terms of total assets, receivable balance and net profit, the improvement in profitability ratios(1) due to the high increase in factoring revenues, diversified funding sources through the issuance of debt instruments and the fact that the Company's indirect parent Türkiye İş Bankası A.Ş. is one of the most well-established and powerful institutions in Türkiye. The strengthening of shareholders' equity with the retention of the profit for the period, the completion of software development and digital transformation activities this year, which are expected to increase operational efficiency, the rapidly declining non-performing loan and borrowing ratios are among the highlights.

According to the Company's independently audited financial statements dated 31.12.2023, compared to 2022 year-end; asset size increased by 46.1% to ₺24,005 million, factoring receivables increased by 41.7% to ₺22,155 million, shareholders' equity increased by 117.1% to ₺3,084 million and net profit for the period increased by 160.4% to ₺1,160 million.

DRC RATING has determined the outlook of İş Faktoring's National Long-Term Rating as “**Stable**”. The positive impact on liquidity ratios of the increase in the value of İş Yatırım Menkul Değerler A.Ş. shares held by the Company and traded on the stock exchange, low collection risks of corporate customers operating in the motor vehicles, energy, technology, industry and finance sectors, although this increases concentration risk, financial leverage ratios below the peer group(2) average in 2023 as in 2022, the possibility that the recent rise in the number and amount of returned checks may increase customer risk has been taken into account and positive/negative factors have been evaluated in determining the outlook.

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

Positive

- Continued sustainable profitable growth in factoring receivables,
- Increase in collections from non-performing receivables and decrease in provision expenses,
- Continued increase in net factoring interest margin and return on average assets,
- Increase in productivity with the realization of the Company’s digital transformation projects,

Negative:

- Possible contraction in trade volume depending on the conjuncture,
- Corporate customers becoming insolvent,
- Difficulties in accessing financing due to restrictive measures that may be imposed by the regulatory authority.

(1) Net factoring interest margin, return on average assets (ROAA) and return on average equity (ROAE) ratios are calculated by taking into account the net profit for the period and the average of the beginning and end of the period balances of the related balance sheet items.

(2) 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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