

CREDIT RATING REPORT

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LEAD ANALYST: TOLGA KARACA

+90 212 232 84 50 tolga.karaca@drcrating.com

ISUER: İŞ FAKTORİNG A.Ş.

ISSUE: -

CORE BUSINESS

FACTORİNG

NEW:

UPDATE:

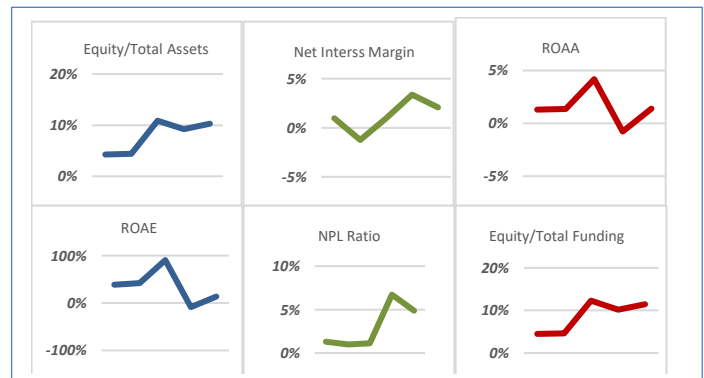
İŞ FAKTORİNG A.Ş. İş Kuleleri, Kule 1 Kat:10 34330 Levent / İstanbul Tel: (0212) 317 00 99 www.isfaktoring.com.tr	RATINGS*					
	ISSUER RATING		OUTLOOK	ISSUE RATING		OUTLOOK
	LONG TERM	SHORT TERM		LONG TERM	SHORT TERM	
INTERNATIONAL FOREIGN CURRENCY	-	-	-	-	-	-
INTERNATIONAL LOCAL CURRENCY	-	-	-	-	-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

*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) has been assigned a **long-term national credit rating of TR AA- a short-term national credit rating of TR A-1 and outlook Stable**. The credit ratings reflect our opinion in the increase of Company's factoring receivables despite Covid-19 Pandemic's impact that has continued since March of 2020 in Turkey which caused deterioration in macroeconomic indicators and slowdown in economic activity, for product promotion activities, information and document exchange and financial support provided by the indirect parent company İş Bankası A.Ş., diversified funding sources, and diversity in factoring products and services, sustainable market share in the sector, the presence of stable and experienced management staff, the organizational power of the customer access channels, the importance it attaches to IT systems, their regular issuance of debt instruments in capital markets, increasing financial debt due to the growth in factoring receivables and rapid increase in Non-Performing Loans.

Key Financial Data (Million ₺)

	2016	2017	2018	2019	2020
Total Assets	3.025	4.268	2.771	3.265	4.645
Factoring Receivables (Net)	2.985	4.205	2.730	3.160	4.417
Financial Liabilities	2.859	4.066	2.446	2.953	4.146
Equity	129	189	301	300	477
Non Performing Loans (NPL)	39	42	31	228	227
Net Profit	33	50	147	-23	55



**Ratings Rationale, Outlook and Important Factors for the Future:**İstanbul, May 21st, 2021**Financial Data**December 31st, 2020

(Million ₺)

Total Assets	4,645.2
Fact. Receivables (Gross)	4,644.2
Equity	476.6
Incom. from Fact. Operat.	348.3
Tot. Financial Liabilities	4,146.2
Net Profit/Loss	55.3

Financial Ratios

ROAA (%)	1.4
ROAE (%)	13.8
NPL/Gross Fact. Receiv. (%)	4.9
Equity/Total Assets (%)	10.3
Net Fact. Interest Margin (%)	2.4

The credit ratings reflect our opinion in the increase of the Company's factoring receivables despite Covid-19 Pandemic's impact that has continued since March of 2020 in Turkey which caused deterioration in macroeconomic indicators and slowdown in economic activity, for product promotion activities, information and document exchange and financial support provided by the indirect parent company İş Bankası A.Ş., diversified funding sources, and diversity in factoring products and services, sustainable market share in the sector, the presence of stable and experienced management staff, the organizational power of the customer access channels, the importance it attaches to IT systems, their regular issuance of debt instruments in capital markets, increasing financial debt due to the growth in factoring receivables and rapid increase in Non-Performing Loans.

Although there was no significant increase in the amount of NPLs in 2020 and 98.4% provision was reserved for existing NPLs, NPLs that increased due to the payment difficulty experienced by a customer in the corporate segment from 2019 have a negative impact on İş Faktoring's financial statements. Despite being above the sector average, operating with the lowest return on equity ratio in peer group¹, high concentration risk and decreasing productivity ratios put pressure on the Company's credit ratings.

DRC RATING has determined the outlook of İş Faktoring's National Long-Term Rating as "Stable". Credit limits established in many domestic and international banks, low occupancy ratios of bank borrowing lines, successful management of FX

risk, R&D activities including the development of factoring software with ongoing testing processes, not making dividend payments in order to strengthen equity, positive past performance regarding the repayment of debt instruments issued, high financial leverage ratio compared to the industry average and the less than one month maturity mismatch between receivables and payables are taken into consideration as positive/negative factors.

All of the shareholders of İş Faktoring, notably İş Finansal Kiralama A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş., are subsidiaries of İş Bankası, one of the most established and most important institutions in Turkey. İş Bankası, the first national bank of Turkey, continues its activities with its widespread branch network established in Turkey and abroad. According to the consolidated audit report of İş Bankası, which has 20 subsidiaries and 1 affiliate, as of 2020, its total assets increased to 718,152 million ₺, its equity to 74,862 million ₺ and its net profit to 7,752 million ₺.

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

Positive

- Recovery in economic activities,
- Growth of factoring operating margin,
- Increasing ROAA and ROAE,
- The success of the collection of the restructured factoring receivables,

Negative:

- Loss of corporate customers due to competition for top positions in the factoring sector,
- Negative effect of possible increase in financing cost on the Company's profitability,
- Deterioration in the asset quality of the sector due to the increase in NPLs of factoring companies,
- Increase in concentration risk,

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



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