

Corporate Credit Rating

New Update

Sector: Factoring

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| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|-------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | AA-(tr) | J1+ |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | J3 |
| | International FC ICR Outlooks | Stable | Stable |
| | International LC ICR | BB | J3 |
| ISRs (Issue Specific Rating Profile) | National ISR | AA- | J1+ |
| | International FC ISR | - | - |
| | International LC ISR | - | - |
| Sovereign* | Foreign Currency | BB (Stable) | - |
| | Local Currency | BB (Stable) | - |

* Assigned by JCR on May 31, 2021

Ekspo Faktoring A.Ş.

JCR Eurasia Rating, has evaluated the "Ekspo Faktoring A.Ş." in the investment level category and upgraded the Long-Term National Issuer Credit Rating from 'A+(tr)' to 'AA-(tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as 'BB/Stable' as parallel to international ratings and outlooks of Republic of Turkey.

Ekspo Faktoring, offers trade finance and export/import factoring and refactoring services to domestic customers since 2000. Ekspo has an established presence in the Turkish factoring sector, a highly fragmented and mostly bank-owned subsidiary dominated market. The Sector is supervised by Banking Regulation and Supervision Agency of Turkey (BRSA) and market players are members of Associations of Financial Institutions, an umbrella organization for factoring, leasing and consumer finance companies.

The Company operates with notable equity to assets, compared to the sector averages and maintains an equity base well above the mandatory capital level required by BRSA. Ekspo has arrangements with various international ECAs such as US Ex-Im Bank and Black Sea Trade and Development Bank.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Solid and above sector averages equity level backed by internal equity generation capacity
- Above sector averages core profitability ratios of returns on assets and equity and profit margin
- Low leverage due to equity-heavy funding mix though slight drop contributing to profitability
- Experienced management team and well organized risk management infrastructure
- Access to various financing sources including local and foreign Ex-Im banks

Constraints

- Above sector averages NPL ratio though provided full provision coverage of impaired loans despite decreasing trend over the reporting period
- Short term borrowing profile in parallel with the sector
- High concentration risk
- Fierce competition in the Sector dominated by bank-owned factoring companies with wide branch network and lower borrowing costs
- The geopolitical risks stemming from the Russia-Ukraine tension weakening the risk appetite

Considering the aforementioned factors, the Company's the Long-Term National Issuer Credit Rating has been upgraded as 'AA-(tr)'. Softening the pressure on NPL through effective internal control mechanisms and risk management infrastructure supported by internal control systems; high provision level; experienced and structured management team; the contribution of above sector averages interest margin on income; above sector equity level and keeping a substantial portion of its profits under its profit reserves increasing equity quality; above sector averages assets and equity returns; and generation of internal resources and cash flows to meet interest expenses together are the factors that taking into account in the determining of Long and Short Term Notes of Company with 'Stable' outlook. On the other hand, Ekspo Faktoring's turnover and asset development, interest margin trend, market share, profit margin, capitalization level, maturity and indebtedness structure, the growth in the number of customers in the competitive market, improvements in receivable portfolio granularity to reduce the concentration exposure, the general outlook of the sector collection performance of problematic receivables and the NPL level are issues to be monitored by JCR Eurasia Rating.

