

## Corporate Credit Rating

New Update

**Sector:** Factoring

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A+ (tr)	J1+ (tr)
	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	A+	J1+
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

\* Assigned by JCR on May 31, 2021

## Kent Faktoring A.Ş.

JCR Eurasia Rating, has evaluated the "Kent Faktoring A.Ş." in the investment level category and upgraded the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A+ (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.

Kent Faktoring A.Ş. (Kent Faktoring or the Company) is a Süzer Group company operating in Turkish Faktoring market since 1997. Based in Istanbul, Kent Faktoring provides receivable financing to domestic firms for more than 20 years. The company is a member of FCI, the international factoring and credit finance industry association. Kent Faktoring's business model offers trade finance and export/import factoring services to large-scale companies after a thorough credit analysis. As a Süzer Group company, Kent Faktoring has a strong and experienced partnership structure.

As of 2020, the main shareholder of the company is Süzer Holding, which owns 75% of the total shares. The Süzer Group is a conglomerate operating in various sectors such as finance, energy, construction, real estate development and tourism.

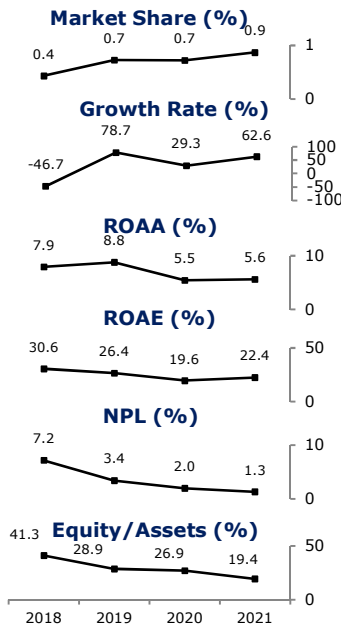
Key rating drivers, as strengths and constraints, are provided below.

### Strengths

- Increasing Return on Average Assets (ROAA) and Return on Average Equity (ROAE) figures
- Moderate net interest margin continuing to outperform the sector
- Above sector average equity level though performing a downward trend over the reporting period
- Contributions to asset quality with the below sector NPL ratios
- Diversified borrowing profile through debt security issuances

### Constraints

- Short term borrowing profile in parallel with the sector
- Need for customer granularity increase to minimize concentration risk despite improvement
- 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 'A+ (tr)' from 'A (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, Kent 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.