Corporate Credit & Issue Rating

☐New ☒Update

Sector: Factoring
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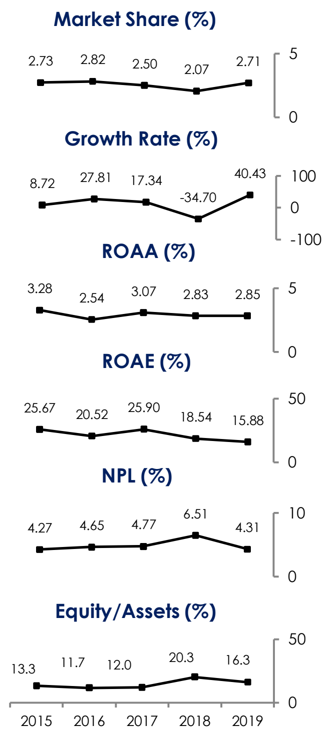
RATINGS

			Long Term	Short Term
International	Foreign Currency		BB+	B
	Local Currency		BB+	B
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
	Issue Rating		-	-
National	Local Rating		AA- (Trk)	A-1+ (Trk)
	Outlook		Stable	Stable
	Issue Rating		AA- (Trk)	A-1+ (Trk)
Sponsor Support			2	-
Stand-Alone			B	-
Sovereign*	Foreign Currency		BB+	-
	Local Currency		BB+	-
	Outlook	FC	Negative	-
		LC	Negative	-

***Assigned by JCR on April 10, 2020**



Ulusal Faktoring A.Ş.

Company Overview

Financial Data	1Q2020**	2019*	2018*	2017*	2016*	2015*
Total Assets (000 USD)	168,095	169,033	135,914	290,282	264,194	251,093
Total Assets (000 TRY)	1,104,384	1,004,087	715,030	1,094,915	933,079	730,077
Equity (000 TRY)	164,649	163,283	145,007	131,562	109,101	97,130
Net Profit (000 TRY)	1,332	18,807	19,379	27,121	16,890	18,361
Market Share (%) * **	2.98	2.71	2.07	2.50	2.82	2.73
ROAA (%)	n.a	2.85	2.83	3.07	2.54	3.28
ROAE (%)	n.a	15.88	18.54	25.90	20.52	25.67
Equity/Assets (%)	14.91	16.26	20.28	12.02	11.69	13.30
NPL (%)	4.45	4.31	6.51	4.77	4.65	4.27
Growth Rate (%)	9.99	40.43	-34.70	17.34	27.81	8.72

**Audited, End of year ** unaudited ***by asset size*

Ulusal Faktoring A.Ş. (hereinafter referred to as Ulusal Faktoring or the Company) is a prominent non-bank owned factoring company. Founded in 1999, the Company began operations in 2001 following its acquisition by the current shareholders from the Saving Deposits Insurance Funds (SDIF). In December 2011, the investment company **PineBridge Eurasia Financial Investment S.a.r.l.** purchased 46.99% of its shares. Together with the experienced global partnership of **PineBridge**, the Company reinforced its growing trend in the market. Consequently, the Company ranked 4th among non-bank affiliated factoring companies in terms of average factoring receivables as of FYE2019. The Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006.

Ulusal Faktoring provides funding to its customer portfolio based in Turkey through the financing of their invoiced receivables. The Company is mainly focused on funding micro, small and medium sized enterprises **(MSMEs**) through its headquarters in Maslak (Istanbul) and fourteen branches in the cities of Istanbul, Ankara, Bursa, Gaziantep, Kocaeli, Izmir, Antalya, Çorlu-Tekirdağ, Adana, Konya and Samsun. The customer base of the Company decreased to 7,441 active clients in 2019, from 8,112 in the previous year due to weakened economic circumstances. Ulusal Faktoring employed a staff of 212 at the end of 2019 (FYE 2018:226). **Ulusal Faktoring**'s Long Term National Grade has been affirmed as **"AA- (Trk)"** in JCR Eurasia Rating's notation system, which denotes a high investment grade.

Strengths

- Cumulative asset growth outperforming the sector while maintaining a prudential scale
- Favourable and better than sector average interest margins, supporting the equity base with internally generated resources
- Well diversified and granular loan portfolio with widespread customer base and limited concentration
- Sufficient equity level and retention ratio, contributing to funding profile
- Maintenance of access to financing lines, providing flexibility to adapt market conditions
- Resilience to fluctuations in FX risks due to absence of non-TRY denominated liabilities
- Risk focused management and investments in digital IT infrastructure
- Stable and experienced management team with an emphasis on adoption of corporate governance best practices & efficient internal control mechanisms

Constraints

- Ongoing uncertainties arising from the global Covid-19 pandemic, pressuring the global economic outlook and asset quality of lenders
- Provision expenses having exerted pressure on profitability
- High operating expenses by scale and pressures to continuously squeeze costs despite notable improvement over the previous year
- Short term borrowing profile of the sector
- Intensive competitive environment dominated by bank-owned companies which have a comparative advantage with wide branch networks and low borrowing costs
- Aggravating circumstances to exert adversities on debt-servicing capabilities of real sector accompanied by weakened demand and rising unemployment