JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd."

Corporate Credit Rating

☐New ☒Update

Sector: Factoring
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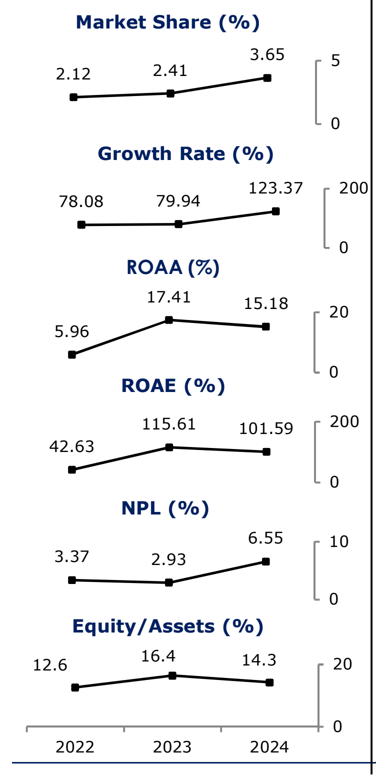
Team Leader
Fırat TUNÇ
+90 212 352 56 73
fırat.tunc@jcrer.com.tr
Analyst
İsa YILMAZ
+90 212 352 56 73
Isa.yilmaz@jcrer.com.tr

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

** Assigned by JCR on May 10, 2024*



Ulusal Faktoring A.Ş.

JCR Eurasia Rating, has evaluated **"Ulusal Faktoring A.Ş."** in the investment-level category with the very high credit quality and affirmed the Long-Term National Issuer Credit Rating at **'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 determined as **'BB/Stable'** in line with sovereign ratings and outlooks of Republic of Türkiye.

Ulusal Faktoring Anonim Şirketi (referred to as **'Ulusal Faktoring'** or **'the Company'** or **'the Group'**) was founded in 1999 to operate in Türkiye Factoring Sector. Based in Istanbul, Ulusal Faktoring provides receivable financing to domestic firms for more than 25 years. Ulusal Faktoring organizes its activities through its headquarters located in İstanbul and 44 branches across Türkiye with 482 employees as of FY2024. The Group has 9,922 of active clients as of FY2024 (FY2023: 7,448) which has one of the highest number of customers including bank-owned factoring companies. The Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. Ulusal Faktoring established Ulusal Finans Teknolojileri Anonim Şirketi on 17 May 2024 with a capital of TRY 10mn in order to engage in financial technology and software development activities and has a subsidiary as of the reporting date.

The main shareholder of Ulusal Faktoring is İzak Koenka with the share of 18.5% as of FYE2024 (As at the reporting date: %20.4). Ulusal Faktoring's shares (FYE2024: 56.5%) have been traded on Borsa İstanbul Index (BIST) since 2014 under the ticker-name of "ULUFA".

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

Strengths	Constraints
• Above sector average net interest margin contributing to the Group's income & profit generation in FY2024, • Business volume growth and increasing market share, • Customer granularity with miscellaneous sector variety and strategic branch locations, • Diversified and robust borrowing profile supporting the liquidity and growth potential of the Group, • Experienced and skilled top management with determined approach to improve internal processes, • As a publicly traded company, compliance with Corporate Governance Practices.	• Significantly increased NPL ratio compared to the previous year, maintaining its position above industry averages, • Although solid internal capital generation supported equity growth, the standard ratio (equity to total assets) fell short of the sector average in FYE2024, • Highly competitive and fragmented market structure, • Ongoing uncertainties arising from economic and political risks creating volatility in financial markets, disrupting the asset quality and increasing the inherent risk factors.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been affirmed at **'AA- (tr)'**. The Group's revenue generation capacity, capital adequacy, risk management infrastructure supported by internal control systems, provision level, experienced management team together with the general outlook of the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**. Attainability of the Group's budgeted projections, 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 will be closely monitored by JCR Eurasia Rating in upcoming periods.