



10 July 2023

Credit Rating

Long-term (National):

(TR) AA

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

10 July 2024

TEB Faktoring A.Ş.

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TEB Faktoring A.Ş.

Rating Summary

TEB Faktoring A.Ş. ("the Company", "TEB Faktoring") was established in June 1997 to provide domestic, import and export factoring services to industrial and commercial institutions.

The Company is engaged in offering all factoring services related to domestic and international commercial transactions as well as providing consultancy, accounting and similar services.

The principal and controlling shareholder of the Company is Türk Ekonomi Bankası A.Ş. TEB Holding A.Ş. is the qualified shareholder, directly or indirectly controlling the capital of Türk Ekonomi Bankası A.Ş. BNP Paribas holds 50% of TEB Holding A.Ş. shares, Çolakoğlu Group owning the other 50%.

Being a member of FCI (Factors Chain International), the world's largest factoring chain, the Company was granted 7 times the "Best Export Factor" award by the FCI. In addition to its headquarters in Istanbul, the Company provides its services with 109 personnel in 15 branches as of end-2022.

In addition to the market position of the brand it represents in the factoring industry as well as its financial performance, its corporate structure as a Türk Ekonomi Bankası A.Ş. subsidiary and its level of risk management, TEB Faktoring's previous rating of long-term (National) **AA** and the short-term rating (National) of **A1+** is hereby reconfirmed.

Previous Rating (December 6, 2022):

Long Term: (TR) AA

Short Term: (TR) A1+

Outlook

Export factoring services, which constitute 43.8% of the Company's factoring receivables as of the end of 2022, mainly consist of textile and textile products, metal products, electrical and optical instruments, leather and leather products, and plastic and rubber products industries. In addition, the TEB Faktoring provides services in sectors such as financial intermediation, construction, wholesale and retail trade, motor vehicle services, chemicals and chemical products.

As of the end of 2022, the Company's operating income increased by 127.9% and financing expenses by 93.8%. Its gross profit increased by 216.6% compared to the same period of the previous year, reaching TL 379.1 million (2021: TL 119.7 million). The Company's net factoring receivables reached TL 7.3 billion by the end of 2022, an increase of 57.7% compared to the same period of the previous year (2021: TL 4.6 billion). TEB Faktoring's share in the industry's total factoring receivables is 5.7% as of end-2022 (2021: 7.6%).

the Company grew by 86% and its share in the factoring sector was 7% (2021: 7.9%), which in turn grew by 109% in 2022 compared to the previous year in terms of transactions volume.

As of the end of 2022, the industry's NPL (Non-performing loans)¹ average was 1.6% (2021: 2.8%). Within the same period, the Company's NPL ratio was 0.8% (2021: 0.6%), following a very positive course compared to the industry average.

The Company's financial resources diversity and limits are sufficient, and an effective risk and asset-liability management is implemented. The "Two-factor" system is used in international factoring transactions, and the buyer's default risk can be avoided by means of the foreign correspondent guarantees. Extensive marketing channels and advanced intelligence network

¹ NPL ratio: $\frac{\text{Non-performing Loans}}{\text{Loans Receivable} + \text{Non-performing Loans}}$

are the other strengths of the Company. With the synergy of TEB and the BNPP group, the Company possesses ample means of financial advantages in foreign markets. In addition, the Company takes active measures against currency risk by borrowing in the same currency and maturity matching the loans provided. The Company has a balanced customer segmentation, classified as corporate customers, digital channels, SMEs and exporting companies (SME and Corporate).

In addition to all these factors, the Company's outlook has been determined as "**Stable**", taking into account its ability to access finance and its strong shareholder structure.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections to affect the final note with specific weights. Quantitative analysis components consist Company's performance compared to the sector, analysis of the financial risks, and the assessment of cash flow projections. Default point analysis measures the distance from the point of default and it is based on relevant sector firms' past financial performances, ratios derived from a distinctive default statistics, and statistically derived coefficients. This analysis is based on genuine statistical study of SAHA, covering companies in Turkey. Comparative performance analysis of the sector determines the position of the company concerned in comparison with the sector firms' recent financial performances. Financial risk analysis covers the evaluation of the company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis tackles the company's future base and stress scenario projections subject to scrutiny in the context of the firm's financing tool and assesses the risks of fulfillment of obligations.

Qualitative analysis covers operational issues such as sector and company risks as well as administrative risks in the context of corporate governance practices. Sector analysis evaluates the nature and rate of growth of the sector, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. Company analysis discusses market share and efficiency, growth trend, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and reputation of main partners.

Corporate governance plays an important role in our methodology. Our methodology consists of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

Our long-term credit ratings reflect our present opinion regarding the mid to long term period of one year and above; Our short-term credit ratings reflects our opinion regarding a period of one year. Our long-term credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered “investment worthy” by the market.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

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