Corporate Credit Rating

☐New ☒Update

Sector: Factoring
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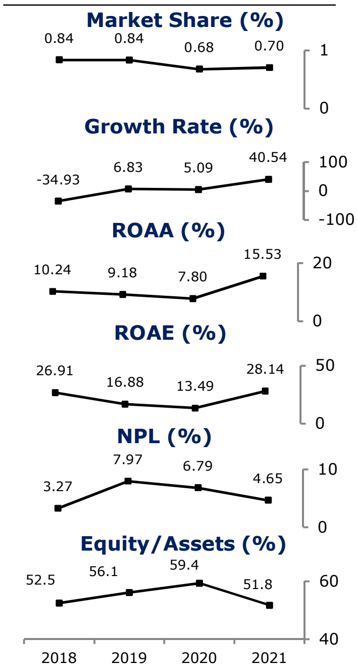
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	**National ICR**	**AA- (tr)**	**J1+ (tr)**
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	J3
	International FC ICR Outlooks	Stable	Stable
	International LC ICR	BB	J3
	International LC ICR Outlooks	Stable	Stable
ISRs (Issue 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.

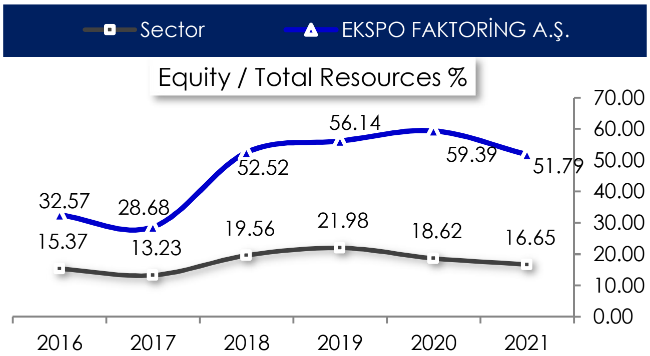
Strengths	Constraints
• Solid and above sector averages equity level backed by internal equity generation capacity • Above sector averages core profitability ratios of returns on assets and equity and profit margin • Low leverage due to equity-heavy funding mix though slight drop contributing to profitability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

1. Rating Rationale

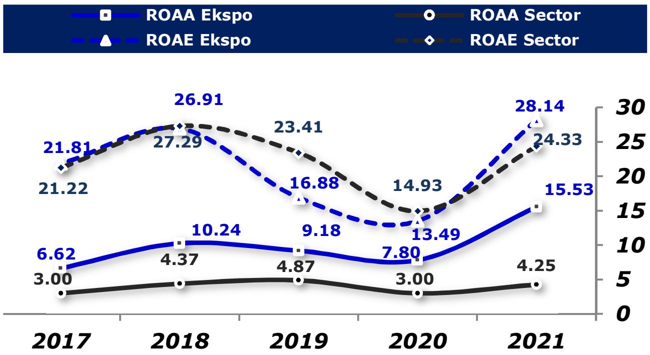
Surpassing sector averages for assets to equity

Total equity of Ekspo Faktoring increased by 22.55% compared with the previous year-end and reached TRY 236.77mn as of year-end 2021 (FYE2020: TRY 193.20mn). The Company's share of equity in assets financing was comfortably above the sector average of 16.65% as of 2021 year-end, reflecting the Company's robust level of capitalization compared to the factoring sector. Robust capitalization of the Company diminishes its dependence for external financing and provides a cushion in the case of adverse financial markets related shocks, such as sharp increases in interest rates and a decline in market liquidity.



Strong Internal Resource Generation Capacity through a Profit Sustainability

Ekspo Faktoring, indicated an increasing net profit figure over the reporting period and stood at TRY 45.51mn in FY2021. In parallel, the net profit margin increased to 53.33% during the reporting period in FY2021, maintaining its figures above the industry averages. The current business strategy and structure helps the Company to enjoy sustainable profitability at high level. Although financing expenses more than triple to to TRY 21.89mn in FY2021, the Company's bottom line profitability increased by 134.33%. The Company's factoring interest income increased by 92.37% in FY2021 and net interest income which is calculated by deducting financial expenses from interest income stood at TRY 58.56mn with a rise of 67.40%.



Besides, the profit from operating activities before income tax increased to TRY 60.77mn and its core profitability indicators of ROAA (15.53%) and ROAE (28.14%) stood above the sector averages (ROAA 4.25% and ROAE 24.33%). The Company has a strong internal resource generation capacity. Provided that the Company preserves its interest spread (around 15%), its core profitability indicators could outperform the sector. Within the Company's cautious growth strategy, the Company managed to maintain its profitability in line with its budget targets thanks to its successful spread management.

Experienced management team and well organized risk management infrastructure

The Company has over twenty years of experience in the factoring sector and operates with a comprehensive risk management infrastructure and framework closely monitoring the risk factors in a timely manner. Decoupling positively from several factoring companies in Turkey market, Ekspo is active in international trade finance, necessitating monitoring of global market risks, interest rates, exchange rates among others.

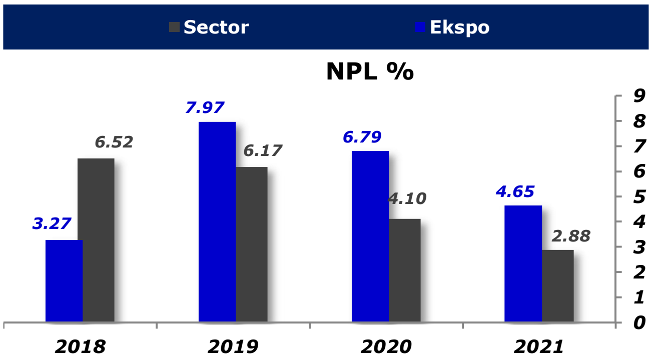
In addition, the significant sector experience and network of the chairman, Mr. Murat Tümay, and Company senior executives are reflected to the Company operations through their cooperation in daily operations. During the review period, turnover rate of the Company's senior executives was low and no material changes occurred in senior management permanency, ensuring the successful continuity of Company operations.

Access to various financing sources including local and foreign Ex-Im banks

The factoring companies in the market by and large use bank financing or funds from other factoring firms, depending on their business models. Ekspo Faktoring, as an institution providing foreign trade finance services, has access to various credit institutions located within Turkey and abroad. The ability to diversify the funding base via receiving lines from foreign export/import banks reduces the risk of funding shortfalls. Additionally, the terms received from the variety of the financing institutions help reduce the borrowing costs, supporting margins.

Slightly Above Sector Averages NPL Ratio

As of FY2021, the gross impaired loan decreased to TRY 21.04mn covering 53 customers. The non-performing loans ratio is considered the main indicator of receivables' quality within the financial sector. Owing to full provision on problematic loans, result in a transparent balance sheet and reasonable asset quality. The Company's NPL ratio decreased to 4.65%, stood slightly above the sector average of 2.88% in FY2021. The repayment performance of the receivables and NPL ratios are determining factors of asset quality. Additionally, the Company softened the pressure on NPL through effective internal control mechanisms, risk management infrastructure supported by internal control systems and experienced and structured management team, cautious lending practices and high provision level.



Industry data source: Banking Regulation and Supervision Agency

Ekspo Faktoring provided full provision coverage of impaired loans stood significantly above sector averages, surpassing the legal minimums. Additionally, the portfolio is internally evaluated by the Company and subject to thorough analysis and the risk is mitigated to a certain extent with respect to the asset quality, the self-liquidating nature of factoring receivables, and solid intelligence operations. Moreover, the Company's risk management policy requires that debtors provide collaterals commensurate with their risk level and their perceived riskiness. The checks, pledges, and tangible collaterals also supported the Company's credit risk and asset quality.

Short term borrowing profile in parallel with the sector

The fact that the Turkish Factoring Sector has had short-term borrowing structure as a major characteristic thereof holds true for Ekspo Faktoring as well. The short-term weighted receivables structure together with maturity matching efforts within the concern of interest rate exposure resulted in a short-term weighted borrowing structure.

High concentration risk

Ekspo Faktoring's loan-book constitutes a relatively concentrated profile actually consisting of a limited customer base despite recorded a rise. The Company works with a relatively limited number of customers compared to the asset size, translating into higher loans underwritten per customer. The level of borrower concentration of the company accounts for 67% of the total factoring receivables of the top 50 borrowers as of FYE2021. Considering that the limited size of the customer portfolio of 189 active customers increased from 281 customers in the previous year (approx. 48% rise), gross levels are quite high and engender notable gross risk exposure. On the other hand, the Company gives priority to increase its customer number, as seen in FY2021. However, customer-based total loans actually stem from a larger number of cheque originators with smaller ticket size per transaction, effectively reducing the counter-party risk. Additionally, cheque-originator based concentration were lower at 31% for top 50 in the same period. In other words, Ekspo Faktoring averts the situation of the possible impact of high levels of customer concentration risk on asset quality despite the strong credit profile of the debtor portfolio through spreading hundreds of invoice customers across the base.

Conservative Growth Strategy Through Focusing On Profitability And Efficiency

As of FY2021, there were 54 companies operating in the sector according to BRSA data. The domination of bank affiliated companies continues, with competitive advantages in funding resources, branch network, access to clients and strong parental support. Therefore, Ekspo Faktoring competes without operational or financial support from Turkish banks. In an intensive competitive environment dominated by bank-owned companies and deteriorated market conditions, the market share of Ekspo Faktoring, based on its active size, increased slightly in fiscal year 2021 and amounted to 0.70%. Ekspo Faktoring does not seize an aggressive growth strategy and instead focuses on profitability and efficiency.

High Competition in the Sector Dominated by Bank-Owned Factoring Companies with Wide Branch Network and Lower Borrowing Costs

The domination of bank-affiliated factoring companies with advantages in funding resources and costs, wide ranging branch network, access to clients, and strong parental support continued the Turkish factoring sector in 2021 as well. Accordingly, Ekspo Faktoring operates in a sector with intense competition that pressure profitability and asset growth opportunities and thus the Company has inherent disadvantages compared with bankowned factoring companies.

With respect to the factors mentioned above, JCR Eurasia Rating has upgraded the Long-Term National Issuer Credit Rating of Ekspo Faktoring as **'AA- (tr)'** and the Short-Term National Issuer Credit Rating as **'J1+ (tr)'** in JCR Eurasia Rating's notation system.

When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Group's Long- and Short-Term International Issuer Credit Ratings are assigned at **'BB'** and **'J3'**, respectively.

2. Rating Outlook

JCR Eurasia Rating has affirmed the outlooks for the Long and Short Term National Ratings of Ekspo Faktoring A.Ş. as **"Stable"** based on the Company's asset quality, fully provisioned NPL stock and low impairment flows, reasonable level of risk appetite in a contracting market, the level of net interest margin compared to the sector average, internal revenue generation capacity, sufficient level of collaterals and adequate provisioning, the level of profitability ratios, domestic and global macroeconomic prospects and ongoing volatility in financial markets, prevailing liquidity shortage in the Turkish real sector and high interest rates environment.

JCR Eurasia Rating has evaluated the Ekspo Faktoring's International Long and Short Term Foreign and Local Currency Ratings' outlooks in line with the Long-Term Sovereign Rating outlook of the Republic of Turkey as **"Stable"**.

Significant factors that may be taken into consideration for any future change in ratings and outlook status include;

Factors that Could Lead to an Upgrade

- Solid growth performance in assets volume
- Increasing net interest margin above the sector average
- Robust amelioration of profitability indicators
- Reduction in financing costs and robust economic growth in the domestic and international markets supporting the real and factoring sector

Factors that Could Lead to a Downgrade

- Deteriorating asset quality and liquidity profile,
- Increasing cost of funding and its effect on profitability,
- Deteriorating interest margins and material increase in the NPL ratio
- Growing turmoil in the domestic and international markets and negative effects of these on the real and factoring sectors

3. Projections

The Company's FY2021 actual figures with comparison to budgeted FY2022 figures in the table below. The Company projected a 2022 year-end asset size of TRY 757.08mn through annual growth rate of 65.58%. These values assessed to be partly achievable considering low base effect on one hand but to remain as a monitoring issue regarding the current conditions in the market, on the other.

Summary Financials	Realized	Budgeted
TRY (000)	**2021**	**2022**
Banks, Cash and Cash Equivalents	16,747	7,207
Factoring Receivables	431,613	732,447
Other Assets	8,860	17,435
Total Assets	**457,220**	**757,089**
Bank Loans	202,702	450,404
Factoring Payables	7,702	1,627
Other Liabilities	10,037	23,464
Equity	236,779	281,593
- Net Profit for the Period	45,511	53,947
Total Liabilities & Equity	**457,220**	**757,089**

The Company projected a cautious growth in line with a moderate factoring interest income and fee and commission income with watchful lending due to market conditions. The level of non-performing loans is projected to continue to be negligible. We expect the continuation of the positive trend given equity cover, liquidity, reasonable NIM, and prudent management. Given the track record of Company, the group synergy, and dispersed customer base, the Company's business volume and profitability metrics are adequate to cover short-term bank facilities.

	Realized	Budgeted
TRY (000)	**2021**	**2022**
Factoring Interest Income	79,548	148,311
Net Fee and Commission Income	8,054	7,317
Total Operating Income	19,577	15,264
Financing Costs	21,894	60,829
Provisions	765	4,412
Operating Expense	23,794	35,590
Pre-tax Profit	60,777	70,061
Net Profit	45,511	53,947

Thanks to the successful track record, the Company's path shows that a sustainable profitability has been achieved and the operational costs are under control. For this reason, the Company does not need an aggressive growth strategy in the market. The Company's realistic approach on financial and strategic projections are enough to maintain its healthy asset structure and profitability.

Considering the assumption that there will be no additional legal or financial collateral guarantees provided separately for the repayment of the bonds-to-be-issued, as is the general case in the Turkish corporate bond market, the TRY dominated bond issuance rating is determined as the same as the Company's Long and Short Term National Local Ratings which are **'AA-(Trk)'** and **'J1+(Trk)'**.

4. Company Profile & Industry

a. History and Activities

Ekspo Faktoring has a track record of more than 20 years in the market and offers both domestic and international trade financing. The Company has a network of foreign correspondent financial institutions, facilitating various import/export finance products. Notwithstanding, the majority of Company's operations concern domestic factoring activities, typically accounting for 70-75% of total factoring receivables. Ekspo Faktoring's is among the relatively fewer factoring companies in Turkey providing international trade services. As such, it has a customer base with a strong demand for international trade financing.

As a financing institution with services facilitating international trade, Ekspo Faktoring developed business ties with international trade financing institutions comprising a network of ECAs and multinational development banks so as to facilitate international trade factoring services.

Ekspo maintains the founding shareholders in its current ownership structure. The majority shareholders are Tümay Family, who have a long history in finance sector.

Shareholder Structure of Ekspo Faktoring A.Ş.

	December, 2021		December,2020	
TRY, 000	**Amount-TRY**	**%**	**Amount-TRY**	**%**
M. Semra Tümay	29.400	49	29.400	49
Murat Tümay	15.300	25,50	15.300	25,50
Zeynep Ş. Akçakayalıoğlu	15.300	25,50	15.300	25,50
Total	**60.000**	**100**	**60.000**	**100**

b. Industry Assessment

As of 2021, the total asset size and equity of the Turkish Factoring Sector amounted to TRY65bn and TRY10.8bn, respectively. There has been a growth in asset size by 35% in TRY and -25% in USD terms. The sector experienced to increase its net profit by 86%, compared to year end 2021. Containing 54 companies of various sizes with total of 350 branches and 4,026 employees, total turnover in the sector was TRY 26.7bn and bottom line was TRY1.8bn. Based on the data of Association of Financial Institution, the trading volume, the number of customer and company in factoring sector are listed as below:

	3Q2021	2020	2019	2018	2017
Trading Volume (mn TRY)	136.08	148.501	129.912	146.687	145.047
Customer	81.288	74.414	83.636	92.422	109.658
Company	54	55	56	58	61

The factoring sector provides faster "guarantee", "financing", and "collection" services in comparison to the banking industry via the transfer of spot and forward receivables stemming from the sales of goods and services domestically and overseas. The sector maintained its efforts in the fields of corporate institutionalization and the extension of branch network and customer base throughout in the last years. However, a significant number of companies operating in the Turkish Factoring Sector do not possess the necessary infrastructure to provide collection services nor the capability to carry out export factoring activities. The certification of a significant portion of assigned receivables via post-dated checks has turned the business model of some factoring companies into one where numerous small amount checks are discounted partially or completely.
Factoring companies increasingly maintain the practice of transferring their non-performing (uncollectible) receivables to asset management companies in resemblance to the banking sector. The factoring sector exhibits a higher level of susceptibility to economic conjecture in comparison to the banking industry whilst changes in economic conjecture and regulatory pressures from the BRSA make management policies in the sector more difficult.

When the distribution of turnover in factoring services across different sectors is examined, it's observed that the manufacturing sector occupies the leading position with a share of 47.59% in 2017, 62.69% in 2018, 64.04% in 2019, 59.40% in 2020 and 50.04% in 2021 through decreasing its share. Below are the details provided by BRSA.

Turnover (000/TRY) Sectoral Break-Down

Factoring Sector	2018	2019	2020	2021
Manufacturing	21,446,629	12,764,579	12,955,604	13,343,085
Services	10,782,458	5,930,247	7,771,985	11,456,345
Agriculture	419,757	211,151	184,498	408,301
Financial Intermediation	1,026,003	615,435	707,056	1,229,428
Others	537,546	410,534	192,834	225,044
Total	**34,212,393**	**19,931,946**	**21,811,977**	**26,662,203**

Turnover Sectoral Distribution %

Factoring Sector	2018	2019	2020	2021
Manufacturing	62.69	64.04	59.40	50.04
Services	31.52	29.75	35.63	42.97
Agriculture	1.23	1.06	0.85	1.53
Financial Intermediation	3.00	3.09	3.24	4.61
Others	1.57	2.06	0.88	0.84
Total	**100**	**100**	**100**	**100**

Transport industry is ranked first under the wider manufacturing sector, followed by the textile products industry and metal industry while the wholesale and retail motor vehicles service sector are ranked first among the wider services sector followed by the construction sector.
Some factoring companies are subsidiaries or associates of banks. The fundamental characteristic of factoring companies which are bank subsidiaries is that they operate with a lower level of equity, higher level of external resources, wide capability to reach loans and customers, higher level of assets, take-over of risks belonging to lower profile firms, and low profitability. The fundamental characteristics of non-bank subsidiaries are that they operate with a lower level of assets, higher NPL level and interest margin, lower financing, and higher equity level and profitability and have a narrow credit-customer reaching capability.

The principles relating to the establishment and working conditions of factoring companies are regulated by the BRSA and is organized under the Financial Institutions Union. It remains a legal requirement that the sector management structures contain people that are educated and have sufficient professional experience, establish sound information systems, and identify and evaluate the risks they are exposed to. The implementation of a centralized invoice registry system in factoring transactions prevented the duplicate transfer of receivables arising from sale of goods and services and as such increased transparency. The establishment of the Central Invoice Recording System under the "Financial Institutions Union" and the improvement of conditions in the process of obtaining data from the information pool in the Risk Centre within the Turkish Banking Union increase the capability to reach more accurate intelligence by the sector, contributing to the increase and preservation of the sector's asset quality.

In accordance with the implemented reforms, the legal infrastructure of the sector has been improved from an effective supervision and governance perspective and the obligations for the establishment of risk measurement systems and internal control processes provided the sector with a positive acceleration with regards to the improvement in its corporate structure, improvement in the quality, standardization, and transparency of financial reporting, and the provision of competition equality. With regards to the sector's effectiveness and standardization, it is anticipated that further progress from the current level of gains will be parallel to the expected performance from the "Financial Institutions Union" to an important extent.
The bond market in Turkey has provided factoring companies with the opportunity to diversify their funding resources since 2010. Non-Banking Financial Institutions exhibit the fundamental characteristic of obtaining funding externally and from the Turkish Banking System. However, their tendency to raise funding from capital markets via debt issuances continues to show an upward trend.
The Factoring Sector exhibits one of the highest levels of vulnerability to fluctuations in macroeconomic circumstances and instability. Management policies in the sector become more difficult mainly due to changes in economic conjuncture and regulatory pressures from the BRSA.

THE KEY INDICATORS OF TURKISH FACTORING SECTOR

mn	2021	2020	2019	2018
Asset Size-TRY	64,971	48,044	37,017	34,608
Asset Size-USD	4,874	6,545	6,232	6,553
Equity-TRY	10,816	8,946	8,137	6,770
P/L-TRY	1,821	979	1,374	1,306
ROAA %	4.25	3.00	4.87	4.37
ROAE %	24.33	14.93	23.41	27.29
NPL Ratio%	2.88	4.1	6.17	6.52
Equity / T. Sources	16.65	18.62	21.98	19.56

source: Banking Regulation and Supervısıon Agency

As of 2021, the total asset size of factoring companies was TRY 65bn along with an equity size of TRY 10.8bn. In its all history, the factoring sector has grown consistently, with the exception of 1994 and 2001 in which it contracted by 10.31% and 40.23%, respectively. The growth rate in the last year was 35%.

Factoring receivables occupy the highest share among sector's assets with a rate of 92% while loans occupy the highest share among resources at 71%. The sector meets a significant part of its resource needs through the short-term loans obtained from banks and is characterized by its inability to generate resource diversity.

NPL ratios are reflected on the sector's balance sheets and steadily declined from 6.26% in 2018 to 2.88% in 2021. The further projections show a balanced ratio and a moderate decline in the following periods. The performance of the factoring sector has maintained a faster upward acceleration in comparison to the banking sector in 2016-2019 periods. Despite the ratios of "ROAA (avg.)" and "ROAE (avg.)" has decreased in 2020 because of the Covid-19 pandemic, with the pandemic losing its effects, the aforementioned profitability ratios improved to 4.25% for ROAA and 24.33% for ROAE.
The growth of the factoring sector throughout 2022 will be dependent on interest rate levels, regulations, the contribution of technological infrastructure works, improvement in supplier finance, and success in the fields of export factoring works in addition to effects of coronavirus and conjectural developments at the macro level. New regulations concerning "the reduction of transaction costs regarding the investment climate" and "the abolition of different applications among financial institutions" will contribute positively to the sector. Factoring companies can quickly reach customers anywhere in Turkey with digital onboarding without increasing the number of personnel, that providing a rise in the number of customers with less cost.

5. Additional Rating Assessments

BRSA and CMB regulations demand certain corporate governance and risk management safeguards. The risk management framework is created and maintained at the Board of Directors level and executed at the senior management level. Underwriting and Internal Audit committees formed under the Board of Directors convene periodically to monitor the activities of the Company and finalize major lending decisions. Furthermore, the internal audit unit reporting to the Internal Audit Committee help the corporate risk management mandate at an operational level.

Credit Risk

Ekspo Faktoring is exposed to credit risk due to its factoring transactions and executes the underwriting process with comprehensive analysis of the customers' financial statements and market intelligence. The Company continuously monitors its credit risk through its pre-credit allocation and pre-credit monitoring procedures formed in line with the management's credit policy. The BoD and senior management execute credit risks by evaluating the credit worthiness of each customer considering their ability to repay, collateral and economic conditions, and various other factors through credit intelligence studies by continuously utilizing the Credit Bureau (KKB) and the Central Bank records. The Company demands a certain amount of collateral for its receivables. Credit risks are controlled by the limits set by the Board of Directors. The credit lines committed to borrowers are reviewed periodically concerning the receivables' quality and creditworthiness of the borrowers. The Company's credit risk strategy aims to ensure sustainable profitability and growth along with a high-quality credit base.

The Company's factoring receivables are spread across diverse sectors, with the highest concentration on customers operating in textile (22%), chemistry (14%), transport (11%), wholesale and retail trade (9%), leather and leather products industry (5%) as of FY2021.

As of FY2021, the loan book exhibited a notable concentration, with the top 50 customers accounting for 67% of receivables. As such, the credit portfolio seems exposed to high concentration risk. However, customer-based total loans actually stem from a larger number of cheque originators with smaller ticket size per transaction, effectively reducing the counter-party risk. Additionally, cheque-originator based concentration were lower at 31% for top 50 in the same period. Ekspo Faktoring averts the situation of the possible impact of high levels of customer concentration risk on asset quality despite the strong credit profile of the debtor portfolio through spreading hundreds of invoice customers across the base.

Market Risk

The focus with respect to market risk is on the interest and foreign currency exposure. Ekspo, due to its international trade finance services, has significant FX assets financed with FX loans with corresponding notional and structure, hedging the exposure. As of YE2021, the net FX exposure was at an equivalent of TRY 53.1mn. The Company continuously monitors the foreign currency risk derived from cash flow of its activities and financing agreements denominated in foreign currencies. The Company's foreign currency positions regarding its foreign currency denominated on and off-balance sheet items have not posed significant pressure on its profitability.

Bank sourced borrowings, financing export lending and domestic loans are typically fixed rate loans. In this sense, the interest rate exposure at both asset and liability side will likely stem from fixed rates.

According to information received, the Company did not receive penal action by the regulatory and supervisory authorities, within the scope of legal risk.

Liquidity Risk

Upon the application filed before by the Financial Institutions Association (FKB) to Takasbank (Istanbul Settlement and Custody Bank), Leasing, Factoring and Finance Companies have become members in the Clearing System and been entitled to enter into borrowing/lending transactions in the Takasbank Money Market (TPP) based on certain limits and identified collaterals beginning with the enactment of the Takasbank Money Market Regulation and Procedure on April 10, 2015. This practice is expected to provide the factoring companies in Turkey with access to alternative funding channels and to improve systemic support level.

The Company is exposed to liquidity risk during the funding of its operations and manages its liquidity risk through regularly monitoring forecasted and actual cash flows, matching the maturity profiles of financial assets and liabilities and providing the continuation of adequate funding sources. The Company mainly meets its funding needs through banks and continuously analyses the liquidity risk by monitoring the changes in funding sources as well as the collection and payment schedule.

The average collection period of Ekspo Faktoring is around 120 days while average credits is 45 days. As of February 2022, the Company used only 51.84% of its cash credit limits.

As Ekspo Faktoring has a diversified funding base with credit lines provided from several domestic and international institutions, including export/import and development banks, it can effectively manage the liquidity profile. Given the uncertain macro environment and plunging global trade, the Company expects to maintain a reasonable cash cushion.

Operational, Legal Regulatory & Other Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure. Information systems, internal control policies, and procedures outline the overall operational risk management profile. The Company has established well-prepared and detailed implementation procedures regarding the allocation, utilization, and monitoring of its factoring receivables and effective invoice and accounting control processes that reduce the operational risks. The Company's business and operation management policies are monitored by the internal control unit to ensure compliance with workflow procedures under the existing rules and regulations. The Company has taken the necessary measures with errors occurring in transactions and IT systems.

EKSPO FAKTORİNG A.Ş. BALANCE SHEET - ASSET TRY (000)	(Year end) 2021 USD (Converted)	(Year end) 2021 TRY (Original)	(Year end) 2021 TRY (Average)	(Year end) 2020 TRY (Original)	(Year end) 2020 TRY (Average)	(Year end) 2019 TRY (Original)	(Year end) 2019 TRY (Average)	(Year end) 2018 TRY (Original)
A-TOTAL EARNING ASSETS (I+II+III)	**33,637.93**	**448,360.00**	**383,577.50**	**318,795.00**	**310,225.50**	**301,656.00**	**292,276.50**	**282,897.00**
I- LOANS AND RECEIVABLES (net)	**32,381.50**	**431,613.00**	**365,439.00**	**299,265.00**	**294,828.50**	**290,392.00**	**279,094.00**	**267,796.00**
a) Factoring Receivables	32,381.50	431,613.00	365,439.00	299,265.00	294,828.50	290,392.00	279,094.00	267,796.00
b) Financing Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c) Lease Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) Over Due Loans	1,578.66	21,042.00	21,428.50	21,815.00	23,478.50	25,142.00	17,102.00	9,062.00
e) Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
f) Receivable from Customer due to Brokerage Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
g) Allowance for Loan and Receivables Losses (-)	-1,578.66	-21,042.00	-21,428.50	-21,815.00	-23,478.50	-25,142.00	-17,102.00	-9,062.00
II-BANKS AND OTHER EARNING ASSETS	**1,256.43**	**16,747.00**	**18,138.50**	**19,530.00**	**15,397.00**	**11,264.00**	**13,182.50**	**15,101.00**
a) Banks	1,256.43	16,747.00	18,138.50	19,530.00	15,397.00	11,264.00	13,182.50	15,101.00
b) Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c) Balance With Banks-Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
III-SECURITIES AT FAIR VALUE THROUGH P/L	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
a) Treasury Bills and Government Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b) Other Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c) Repurchase Agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
a) Investments in Associates (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b) Equity Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C-NON-EARNING ASSETS	**664.72**	**8,860.00**	**7,693.00**	**6,526.00**	**7,215.50**	**7,905.00**	**7,391.00**	**6,877.00**
a) Cash and Cash Equivalents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
b) Financial Assets at Fair Value through P/L	0.00	0.00	0.00	0.00	0.00	0.00	400.00	800.00
c) Asset Held For Sale And Discontinued Operations (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) Other	664.72	8,860.00	7,693.00	6,526.00	7,215.50	7,905.00	6,991.00	6,077.00
- Intangible Assets	22.06	294.00	283.00	272.00	277.00	282.00	272.50	263.00
- Property and Equipment	285.54	3,806.00	3,732.00	3,658.00	4,331.00	5,004.00	3,658.00	2,312.00
- Deferred Tax	218.02	2,906.00	2,216.50	1,527.00	1,517.50	1,508.00	1,914.00	2,320.00
- Other	139.10	1,854.00	1,461.50	1,069.00	1,090.00	1,111.00	1,146.50	1,182.00
TOTAL ASSETS	**34,302.65**	**457,220.00**	**391,270.50**	**325,321.00**	**317,441.00**	**309,561.00**	**299,667.50**	**289,774.00**

- *Including JCR Eurasia Rating's adjustments where applicable,*

EKSPO FAKTORİNG A.Ş. BALANCE SHEET-LIABILITIES+EQUITY TRY (000)	(Year end) 2021 USD (Converted)	(Year end) 2021 TRY (Original)	(Year end) 2021 TRY (Average)	(Year end) 2020 TRY (Original)	(Year end) 2020 TRY (Average)	(Year end) 2019 TRY (Original)	(Year end) 2019 TRY (Average)	(Year end) 2018 TRY (Original)
C- COST BEARING RESOURCES (I+II)	**15,785.43**	**210,404.00**	**169,264.50**	**128,125.00**	**130,470.50**	**132,816.00**	**132,630.00**	**132,444.00**
I-PAYABLES	**577.84**	**7,702.00**	**10,948.00**	**14,194.00**	**15,255.00**	**16,316.00**	**12,288.50**	**8,261.00**
a) Factoring Payables	577.84	7,702.00	10,948.00	14,194.00	15,255.00	16,316.00	12,288.50	8,261.00
b) Lease Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c) Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II-BORROWING FUNDING LOANS & OTHER	**15,207.59**	**202,702.00**	**158,316.50**	**113,931.00**	**115,215.50**	**116,500.00**	**120,341.50**	**124,183.00**
a) Fund Borrowed-Short Term	15,207.59	202,702.00	158,316.50	113,931.00	115,215.50	116,500.00	120,341.50	124,183.00
b) Fund Borrowed-Long Term	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
c) Marketable Securities For Issued (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
e) Subordinated Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D- NON COST BEARING RESOURCES	**753.02**	**10,037.00**	**7,012.50**	**3,988.00**	**3,473.00**	**2,958.00**	**4,044.00**	**5,130.00**
a) Provisions	99.33	1,324.00	1,241.00	1,158.00	1,237.50	1,317.00	1,223.50	1,130.00
b) Current & Deferred Tax Liabilities	583.31	7,775.00	4,483.50	1,192.00	960.00	728.00	1,586.50	2,445.00
c) Trading Liabilities (Derivatives)	0.00	0.00	0.00	0.00	0.00	0.00	286.50	573.00
d) Other Liabilities	70.37	938.00	1,288.00	1,638.00	1,275.50	913.00	947.50	982.00
E- TOTAL LIABILITIES	**16,538.45**	**220,441.00**	**176,277.00**	**132,113.00**	**133,943.50**	**135,774.00**	**136,674.00**	**137,574.00**
F- MINORITY INTEREST	**0.00**		**0.00**		0.00		**0.00**	
F- EQUITY	**17,909.75**	**236,779.00**	**215,963.50**	**193,208.00**	**183,497.50**	**173,787.00**	**162,993.50**	**152,200.00**
a) Prior Year's Equity	14,495.31	193,208.00	183,497.50	173,787.00	162,993.50	152,200.00	140,348.10	128,496.20
b) Equity (Internal & external resources added during the year)	0.00	0.00	0.00	0.00	0.00	0.00	-2,800.60	-5,601.20
c) Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) Profit & Loss	3,414.43	45,511.00	32,466.00	19,421.00	20,504.00	21,587.00	25,446.00	29,305.00
TOTAL LIABILITY+EQUITY	**34,448.20**	**457,220.00**	**392,240.50**	**325,321.00**	**317,441.00**	**309,561.00**	**299,667.50**	**289,774.00**
USD 1 = TRY		**13.3290**		**7.3405**		**5.9402**		**5.2609**

- *Including JCR Eurasia Rating's adjustments where applicable,*

EKSPO FAKTORİNG A.Ş. INCOME STATEMENT TRY (000)	2021	2020	2019	2018
Net Interest Income	**58,565**	**34,983**	**59,264**	**50,799.00**
A) Interest income	79,548	41,350	69,034	81,584.00
a) Factoring Interest Income	79,548	41,350	69,034	81,584.00
b) Financing Loans Interest Income	0	0	0	0.00
c) Lease Income	0	0	0	0.00
d) Banks	0	0	0	0.00
B) Fınancial Expense	20,983	6,367	9,770	30,785.00
Net Fee and Commission Income	**7,143**	**2,242**	**4,125**	**3,701.00**
a) Fee and Commission Income	8,054	2,866	5,037	4,710.00
b) Fee and Commission Expense	911	624	912	1,009.00
Total Operating Income	**19,628**	**9,117**	**6,531**	**5,388.00**
Interest Income from Other Operating Field	51	619	1,088	1,263.00
Foreign Exchange Gain or Loss (net) (+/-)	18,164	4,898	598	3,942.00
Gross Profit from Retail Business	0	0	0	0.00
Gains or Loss on Derivative Instruments (+/-)	0	0	-227	27.00
Income on Sale of Equity Participations and Consolidated Affiliates	0	0	0	0.00
Gains from Investment Securities (net)	0	0	0	0.00
Other Operating Income	1,413	3,600	5,072	156.00
Taxes other than Income Tax	0	0	0	0.00
Dividend	0	0	0	0.00
Provisions	**765**	**56**	**22,395**	**6,348.00**
Provision for Impairment of Loan and Trade Receivables	765	56	22,395	6,348.00
Other Provision	0	0	0	0.00
Total Operating Expense	**23,794**	**21,525**	**20,013**	**15,887.00**
Salaries and Employee Benefits	17,570	16,493	15,082	12,161.00
Depreciation and Amortization	0	0	0	0.00
Other Expenses	6,224	5,032	4,931	3,726.00
Profit from Operating Activities before Income Tax	**60,777**	**24,761**	**27,512**	**37,653.00**
Income Tax – Current	15,266	5,340	5,925	8,348.00
Income Tax – Deferred	0	0	0	0.00
Net Profit for the Period	**45,511**	**19,421**	**21,587**	**29,305.00**

- *Including JCR Eurasia Rating's adjustments where applicable,*
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EKSPO FAKTORİNG A.Ş. FINANCIAL RATIO %	2021	2020	2019
I. PROFITABILITY & PERFORMANCE			
1. ROA - Pretax Profit / Total Assets (avg.)	15.53	7.80	9.18
2. ROE - Pretax Profit / Equity (avg.)	28.14	13.49	16.88
3. Total Income / Equity (avg.)	39.51	25.25	43.04
4. Total income / Total Assets (avg.)	21.81	14.60	23.41
5. Provisions / Total Income	0.90	0.12	31.93
6. Total Expense / Total Resources (avg.)	13.50	16.07	14.81
7. Net Profit for the Period / Total Assets (avg.)	11.63	6.12	7.20
8. Total Income / Total Expenses	358.65	215.29	346.58
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	52.04	58.61	54.54
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	0.26	-0.78	-1.60
11. Total Operating Expenses / Total Income	27.88	46.45	28.53
12. Interest Margin	15.27	11.28	20.28
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	20.90	9.81	12.44
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	37.86	16.96	22.87
15. Interest Coverage – EBIT / Interest Expenses	389.65	488.90	381.60
16. Net Profit Margin	53.33	41.91	30.77
17. Gross Profit Margin	71.22	53.43	39.22
18. Market Share	0.70	0.68	0.84
19. Growth Rate	40.54	5.09	6.83
II. CAPITAL ADEQUACY (year end)			
1. Internal Equity Generation / Previous Year's Equity	23.56	11.18	14.18
2. Equity / Total Assets (Standard Ratio)	51.79	59.39	56.14
3. Equity / Total Liabilities	107.41	146.24	128.00
4. Free Equity / Total Receivables Ratio	53.91	63.25	58.03
5. Tangible Assets / Total Assets	0.83	1.12	1.62
6. Intangible Assets / Total Assets	0.06	0.08	0.09
III. LIQUIDITY (year end)			
1. Liquid Assets + Marketable Securities / Total Assets	3.66	6.00	3.64
2. Liquid Assets + Marketable Securities / Total Liabilities	7.60	14.78	8.30
3. Short Term Borrowings / Total Assets	46.02	39.38	42.90
4. Net Interest and Commission / Total Assets	14.37	11.44	20.48
5. Liquid Assets + Marketable Securities / Equity	7.07	10.11	6.48
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	4.65	6.79	7.97
2. Total Provisions / Profit Before Provision and Tax	1.24	0.23	44.87
3. Impaired Receivables / Gross Receivables	4.65	6.79	7.97
4. Impaired Receivables / Equity	8.89	11.29	14.47
5. Loss Reserves for Receivables / Impaired Receivables	100.00	100.00	100.00
6. Collaterals / Total Receivables	264.19	240.16	225.75
7. Total FX Position / Total Assets	11.61	8.55	0.48
8. Total FX Position / Equity	22.42	14.39	0.85

Rating Info

Rated Company:	Ekspo Faktoring Anonim Şirketi Ayazağa Mah. Maslak Meydan Sokak Spring Giz Plaza B Blok, 34398 Sarıyer/İstanbul Telephone: 0212 276 39 59
Rating Report Preparation Period:	01.03.2022 – 23.03.2022
Rating Publishing Date:	24.03.2022
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2021-FYE2020-FYE2019 | Solo
Previous Rating Results:	19.03.2021 / Long Term National Scale / A+ (Trk) Other rating results for the Company are available at www.jcrer.com.tr
Rating Committee Members:	Ş. Güleç *(Head of Group)* , Z. M. Çoktan *(Head of Group)*, B. Pakyürek *(Chief Analyst)* , F.Lap *(Chief Analyst)* , K. F. Özüdoğru *(Chief Analyst)*

Disclaimer

The ratings upgraded by JCR Eurasia Rating are a reflection of the Company's independent audit reports prepared in conformity with Turkish Financial Reporting Standards (TFRS) and International Financial Reporting Standards (IFRS), on and off-balance sheet figures, general market conditions in its fields of activity, unaudited financial statements, information and clarifications provided by the Company, and non-financial figures. Certain financial figures of the Company for previous years have been adjusted in line with the JCR Eurasia Rating's criteria.

The Company's balance sheet composition, asset quality, risk management practices, business profile, liquidity management, history in the sector, profitability figures, revenues, debt structure
e, growth rates, off-balance sheet commitments, and the financial and non-financial positions of the main shareholders were taken into consideration while determining the risk assessment of the long-term international local currency and foreign currency ratings as well as national ratings.

Considering the fact that there are no additional legal or financial collateral guarantees provided separately for the repayment of the bonds issued, the note assigned for the TRY dominated bond issuance is assigned as the same as the Company's Long and Short Term National Local Ratings, unless otherwise stated.

Previous rating results and other relevant information can be accessed on www.jcrer.com.tr

This rating report has been composed within the methodologies registered with and certified by the SPK (CMB-Capital Markets Board of Turkey), BDDK (BRSA-Banking Regulation and Supervision Agency) and internationally accepted rating principles and guidelines but is not covered by NRSRO regulations.

JCR Eurasia Rating
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