

Financial Services
Turkey
Update

Lider Faktoring Hizmetleri A.S.

Ratings

National
Long-Term Rating BBB+(tur)

Sovereign Risk
Long-Term Foreign-Currency IDR BB+
Long-Term Local-Currency IDR BB+

Outlooks

National Long-Term Rating Stable
Sovereign Long-Term Foreign-Currency IDR Positive
Sovereign Long-Term Local-Currency IDR Positive

Financial Data

Lider Faktoring Hizmetleri A.S.		
	31 Dec 10	31 Dec 09
Total assets (USDm)	240.6	205.9
Total assets (TRYm)	370.9	307.0
Total equity (TRYm)	58.5	52.0
Operating profit (TRYm)	6.5	17.1
Published net income (TRYm)	5.4	13.7
Comprehensive income (TRYm)	6.4	14.2
Operating ROAA (%)	1.92	6.63
Operating ROAE (%)	11.79	38.11
Internal capital generation (%)	9.26	26.26

Analysts

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Related Research

- Criteria
- *Global Financial Institutions Rating Criteria (August 2010)*
 - *National Ratings Criteria (January 2011)*
 - *Finance and Leasing Companies Criteria, (December 2010)*

Rating Rationale

- The National Long-Term Rating of Lider Faktoring Hizmetleri A.S. (Lider) reflects its small size within the Turkish financial system and weakened profitability as well as its good asset quality, access to long-term funding, sound capitalisation and good corporate governance standards.
- Lider's factoring receivables grew by 21% in 2010, less than the sector average of 45%. Lider enjoys competitive advantages over its independent peers in terms of the availability of stable long-term funding and factoring receivables that are well diversified by seller, buyer, industrial sector and geographical area.
- Profitability weakened in 2010, mainly reflecting a continued narrowing of margins in a declining interest rate environment, with assets repricing faster than liabilities, resulting in the factoring yield declining more than the cost of funding. Despite a focus on controlling expenses, Lider's cost base is higher than that of peers, reflecting its focus on labour-intensive smaller-ticket business. In 2010, Lider continued to recover its pro-cyclical provisions, which it had cautiously set aside in 2008.
- Asset quality continued to improve in 2010 and remained better than the Turkish factoring segment average. Lider maintains 100% reserve coverage for impaired receivables.
- In managing its liquidity, the company closely monitors the maturity profile of its receivables and borrowings using cash flow and liquidity gap analysis. In order to diversify funding sources and stabilise the cost of funding, Lider issued the first TRY50m tranche of TRY150m of floating-rate notes with a two-year maturity in June 2010.
- Shareholders retained earnings at the company in 2010 to support planned growth, and no dividend distribution is planned until 2013. Equity remained sound and equalled 16% of assets at end-2010, while Lider's factoring receivables/equity ratio was significantly better than the regulatory ceiling (30x) at 6.12x.

Support

- Although Lider's shareholders may have the financial capacity and willingness to support the company if need be, this cannot be ascertained and therefore cannot be relied upon.

Key Rating Drivers

- Upside to the rating is limited given Lider's small share of the Turkish financial system. Downside risk, although small, could arise from major and persistent asset quality deterioration leading to weakening capitalisation.

Profile

Lider provides only with-recourse domestic factoring services to its customers and is focused on serving SMEs. Lider was the largest independent factoring company in Turkey in 2010 and the eighth-largest factoring company overall (including bank-owned companies). Credit Suisse Investments (Netherlands) B.V. of Credit Suisse Group AG (Credit Suisse Group; 'AA-'/Stable) is a minority shareholder with a 9.9% share.

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