

Factoring in Turkey

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Factoring in Turkey

- First factoring company established in 1990
- Today; around 75 factoring companies
- Minimum capital requirement TL 5 Trio (EUR 2,5 mio)
- 45 members in “Turkish Factoring Association”
- Under supervision of Banking Regulatory and Supervisory Agency

Factoring in Turkey



- Domination of domestic factoring
- “a funding facility” backed by S/T post-dated checks and promissory notes
 - Banking transaction
- A “with recourse business” yielding a high profit margin in domestic market
- 2nd biggest exporting country in FCI
- A “without recourse business” yielding a reasonable spread in export factoring

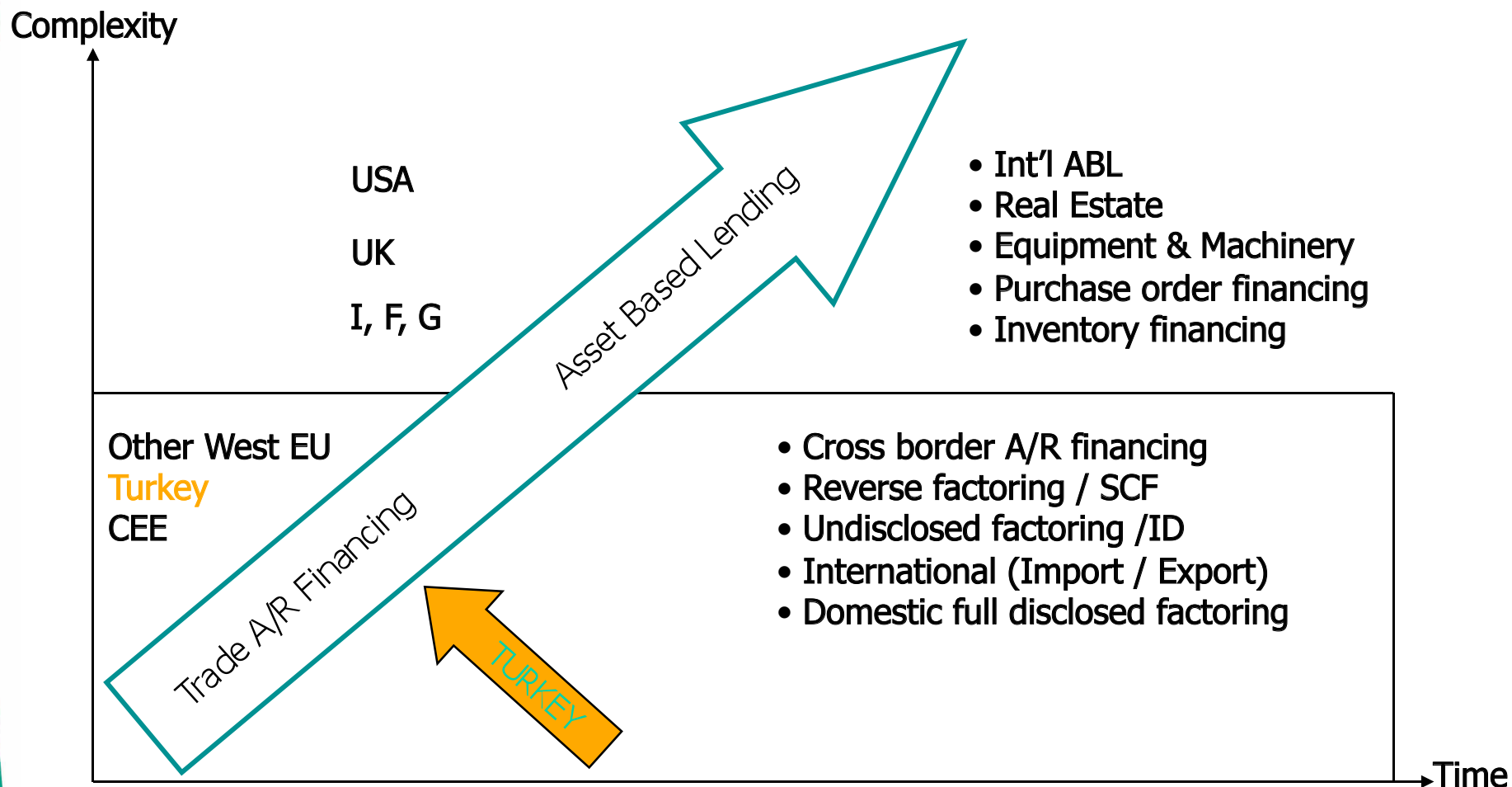
Factoring in Turkey

- Corporate and commercial clients as target segment in domestic
- High competition between factoring co.'s and banks
- Lack of a solid legal framework to protect factors, sellers and buyers.
- Lack of credit insurance
- Domination of bank factoring companies

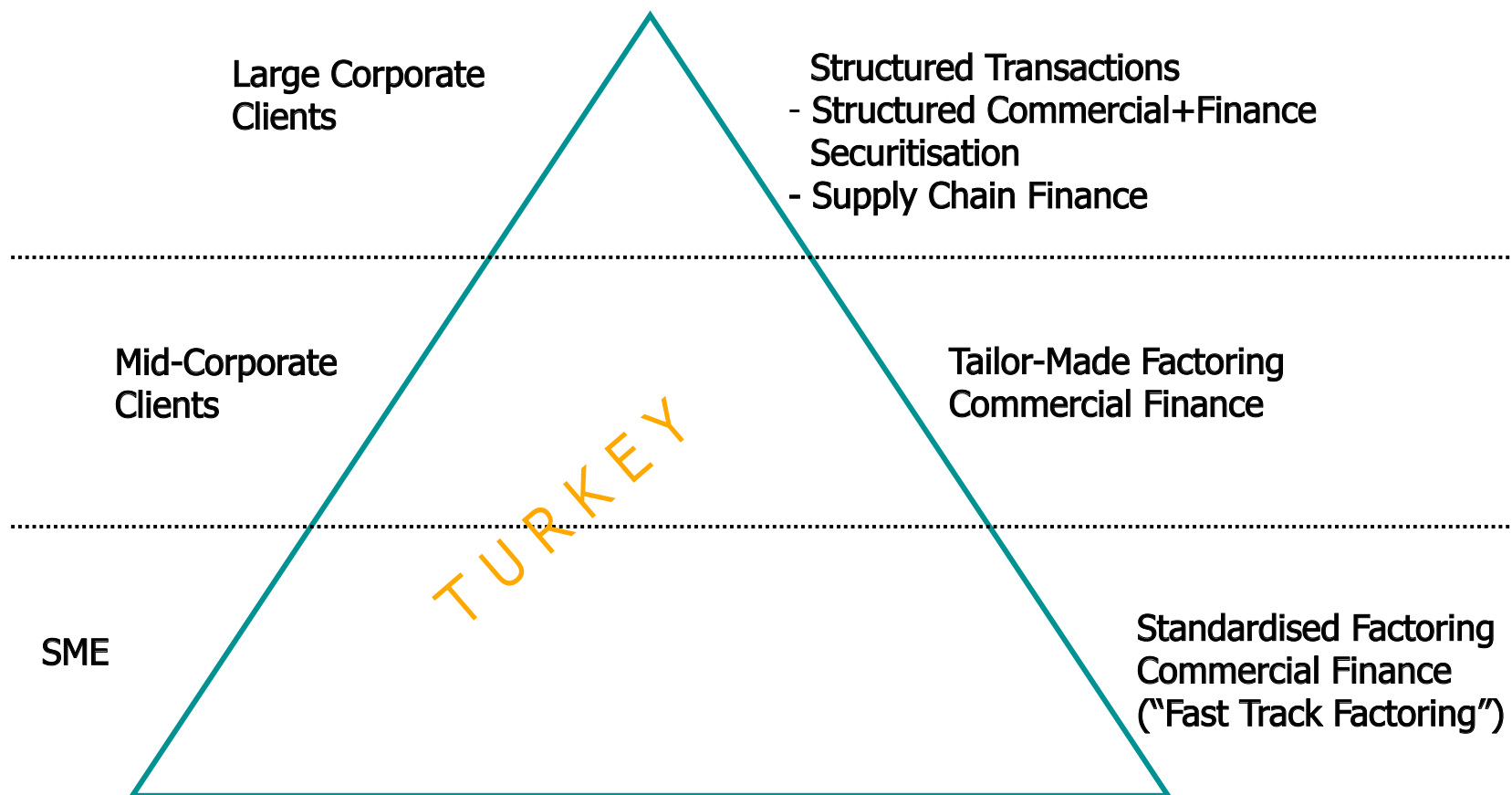
Growth of factoring

- Markets start with Full Service Factoring in export transactions
- Grow with Invoice and Check Discounting in domestic market → TURKEY
- Become mature with asset based lending

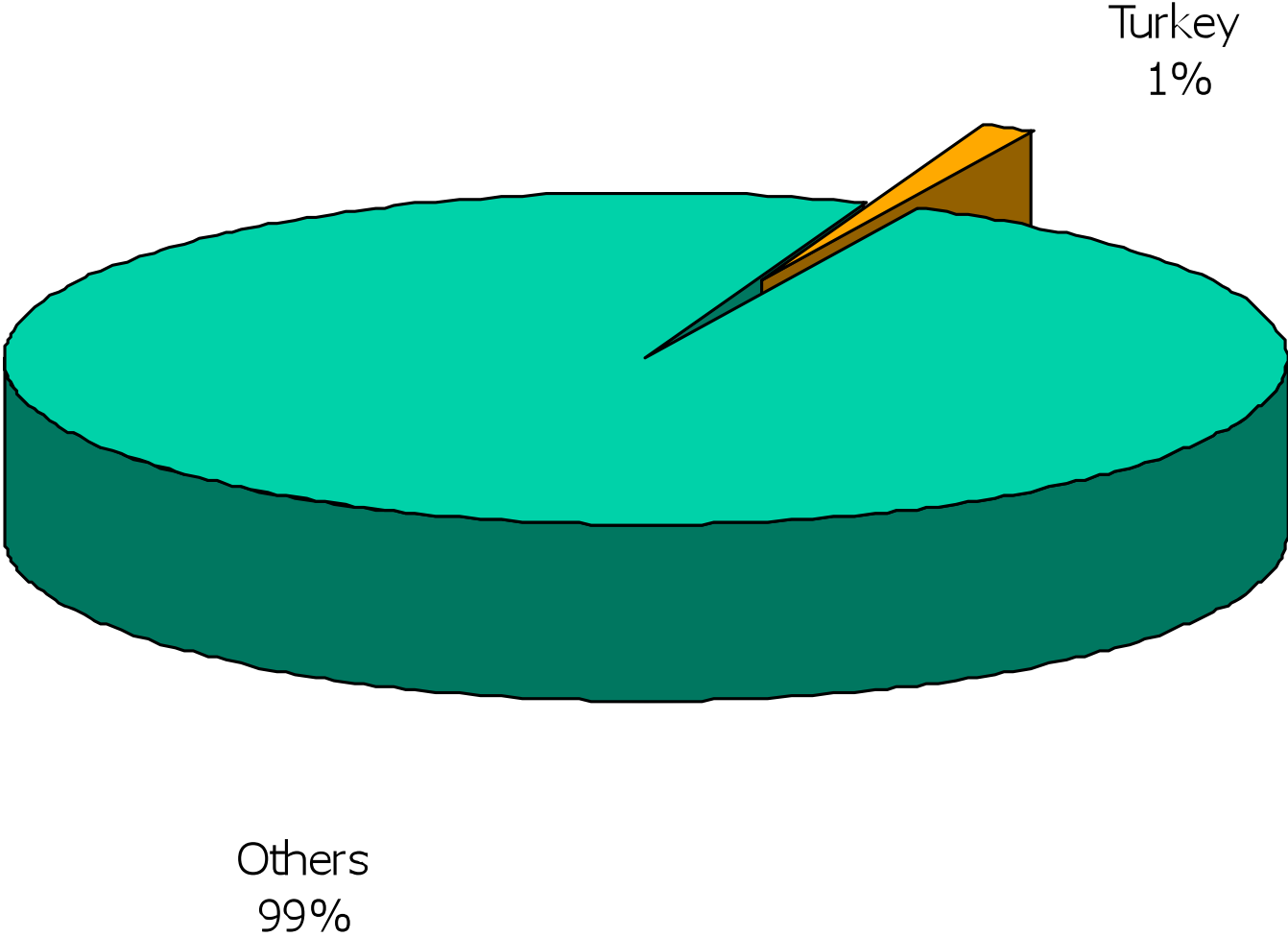
Product expansion : General trends



Clientele / Product relation



Turkey and FCI – 2008

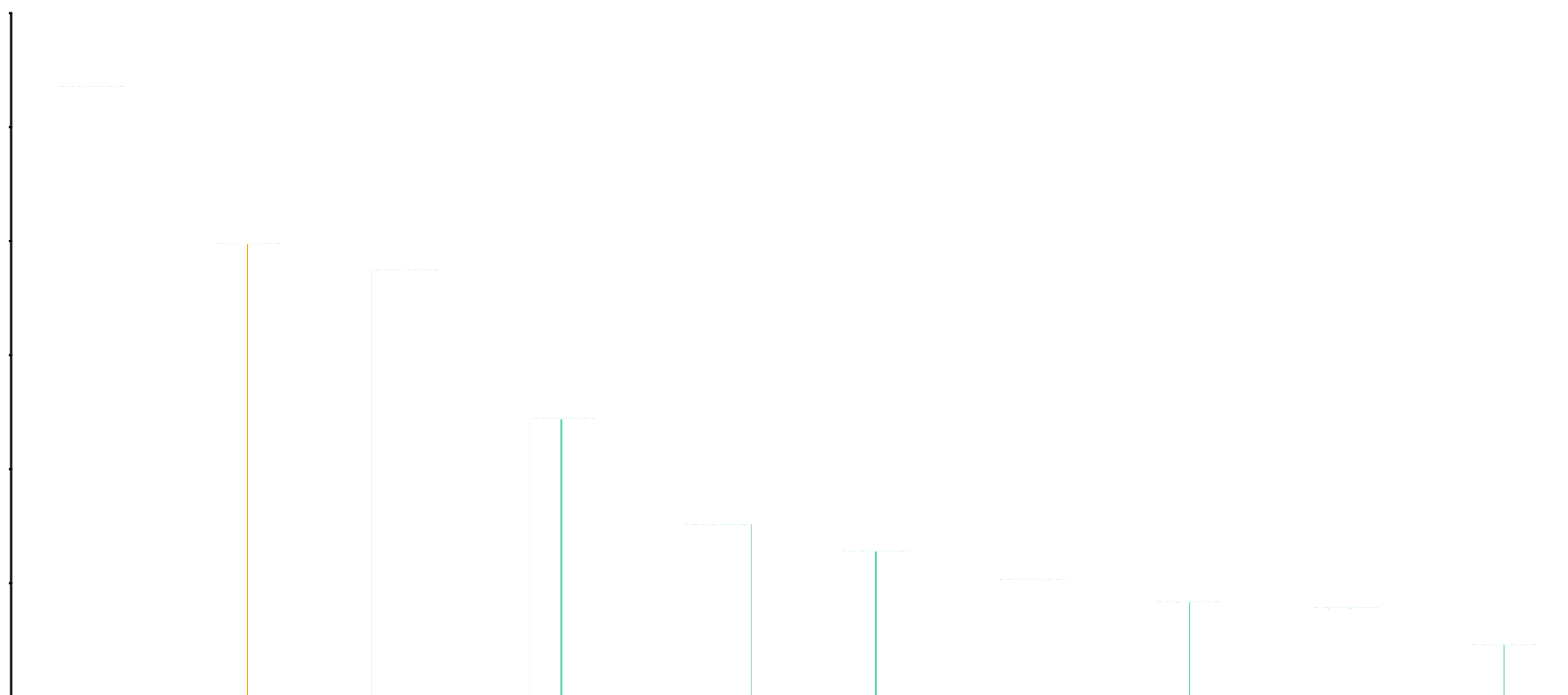


Two factor export volume in FCI – 2008



Turkey is the 2nd !

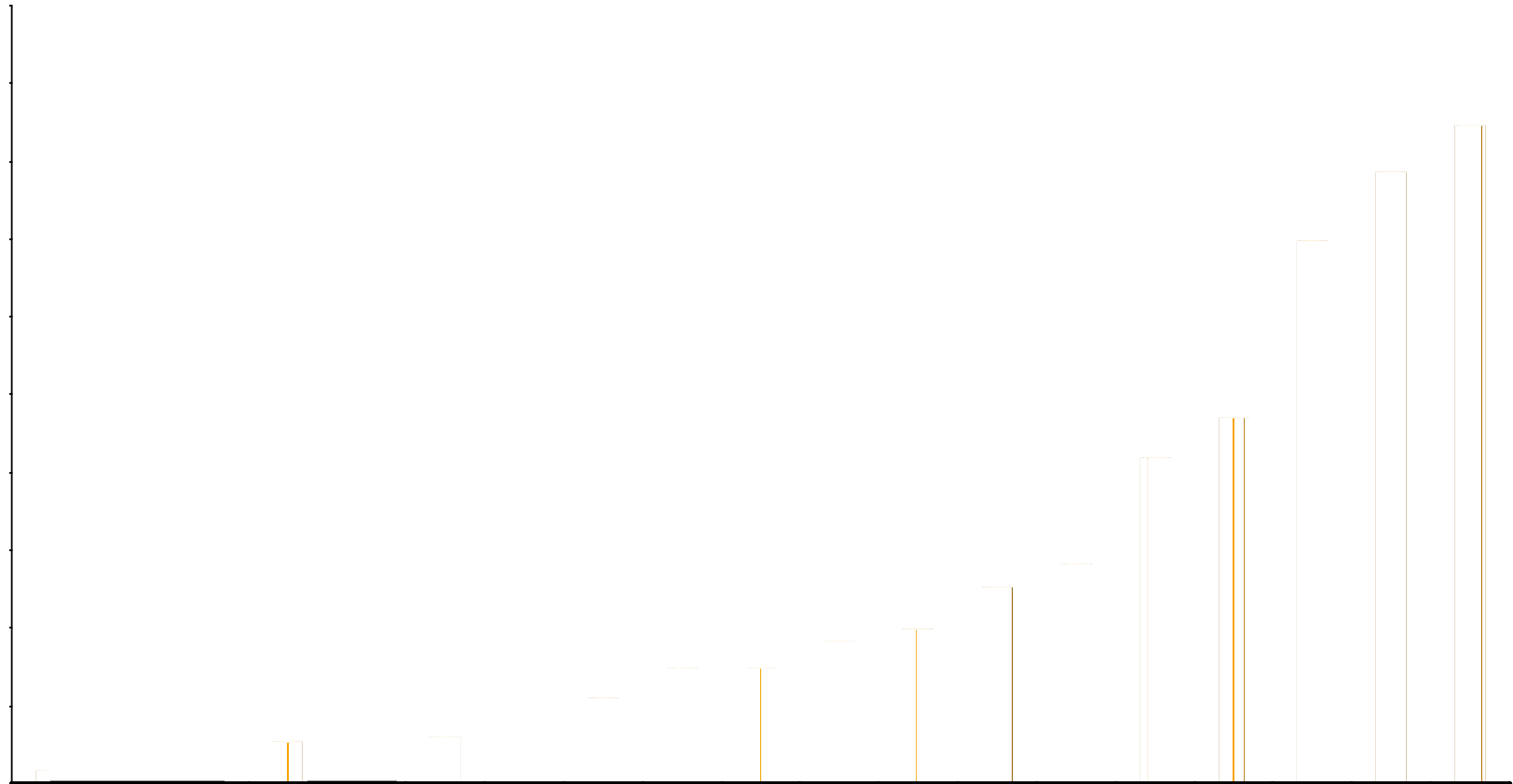
(Mio EUR)



Turkey total turnover per years

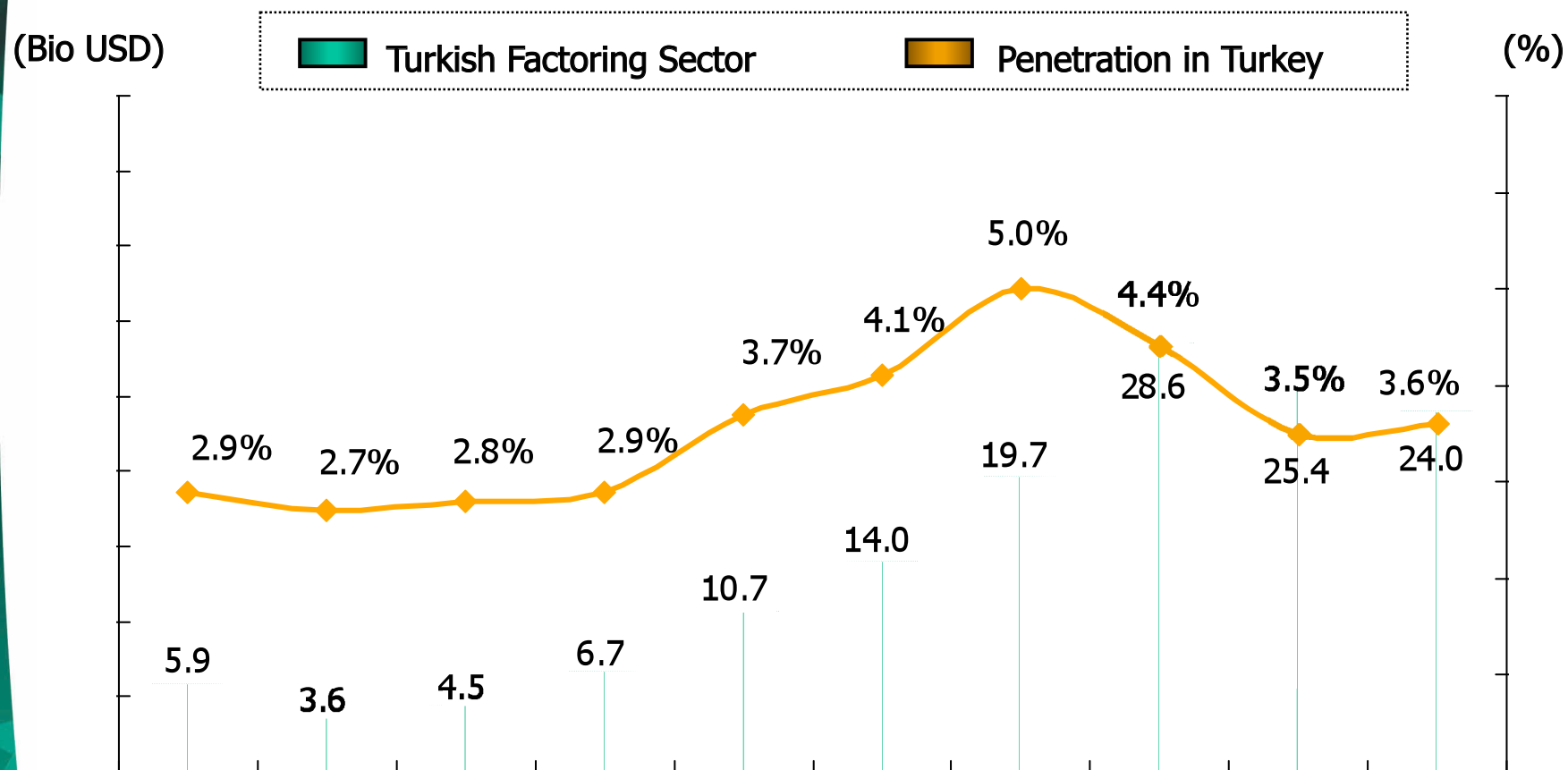


Turkey export turnover per years



Factoring sector and penetration in Turkey

Average growth per year (2000-2009) : 22.44%



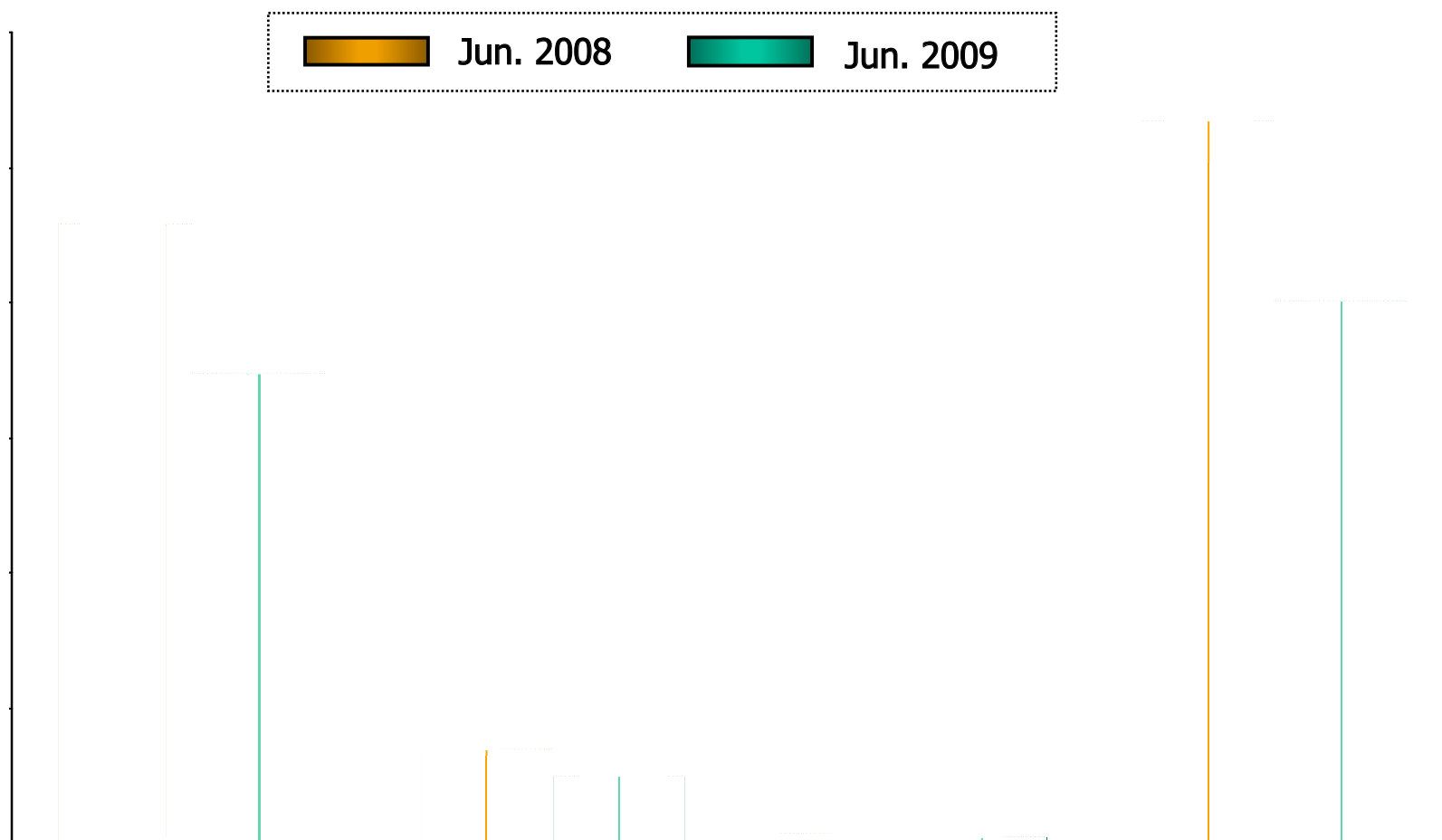
Domestic / international turnover split – 2008



(Mio USD)	Turkey	%	FCI	%
Domestic	21,516	85	908,221	82
International	3,935	15	201,683	18
Total	25,451	100	1,109,904	100

Factoring Association turnover – June 2009

(000 USD)



Growth

-24%

-30%

-34%

-25%

Consolidated industry balance sheets – June 2009



(Billion TL)	2006	2007	Jun. 08	Dec. 08	Mar.09	Jun.09	Jun. 08 / 09 Growth (%)
Receivables	5,1	6,2	7,5	5,6	5,4	6,5	-12.7
NPL	0,1	0,3	0,4	0,5	0,6	0,5	44.3
Provisions Provided	0,1	0,2	0,3	0,4	0,4	0,4	39.9
Banks	0,6	0,4	0,3	1,1	0,7	1,0	182.3
Total Assets	6,3	7,6	8,7	7,8	7,2	8,4	-3.6
Bank Borrowings	4,2	4,9	6,1	4,9	4,5	5,7	-6.0
Equities	1,8	2,0	2,3	2,4	2,4	2,4	3.5

Source: BRSA Financial Markets Report

Consolidated industry income statements – June 2009



(Mio TL)	2006	2007	Jun. 08	Dec. 08	Mar.09	Jun.09	Jun. 08 / 09 Growth (%)
Factoring Incomes	1.021,2	1.530,8	816,2	1.756,9	352,9	658,6	-19.3
Factoring Revenues	1.015,0	2.203,3	715,6	1.926,2	679,3	1.067,1	49.1
Factoring Expenses	503,9	619,5	348,9	808,1	138,6	254,8	-27.0
Expenses Other Than Factoring Expenses	874,1	2.285,0	724,9	1.838,3	676,5	1.022,9	41.1
Operating Expenses	205,7	264,7	165,0	345,4	83,7	153,2	-7.2
Tax Provisions	61,0	78,0	19,4	53,3	12,7	35,1	81.1
Net Income	490,8	426,6	200,2	439,6	52,7	157,5	-21.3

Source: BRSA Financial Markets Report

Industry ratios – June 2009

(Mio TL)	2006	2007	Jun. 08	Dec. 08	Mar.09	Jun.09
The Share within Non-banking Financial Sector (%)	32,2	30,0	30,8	26,3	24,9	29,2
Receivables / Equities	2,9	3,1	3,2	2,4	2,3	2,7
ROE	27,9	21,3	8,8	18,5	2,2	6,6
ROA	7,8	5,6	2,3	5,6	0,7	1,9
NPL (%)	2,7	4,0	4,6	8,2	9,8	7,4
Provisions Ratio (%)	92,1	87,0	82,1	77,0	75,5	79,6

Source: BRSA Financial Markets Report

Industry operational details – June 2009



Unit	2006	2007	Jun. 08	Dec. 08	Mar.09	Jun.09	Jun. 08 / 09 Growth (%)
Number of Companies	81	82	77	77	79	75	-2 (unit)
Number of Branches	3	16	25	20	23	23	-2 (unit)
Number of Regions	147	119	119	128	113	100	-19 (unit)
Number of Staff	2,425	2,912	3,127	3,009	2,879	2,689	-438 (unit)
Number of Clients	v.y.	v.y.	65,215	50,228	51,378	35,493	-45,6 (unit)
Number of Signed Agreements	v.y.	v.y.	127,558	146,558	99,503	72,639	-43,1 (unit)

Source: BRSA Financial Markets Report

Market outlook – 2009

- Unfavourable market conditions for all factoring companies
- Domestic factoring turnover decreased by 24% in the first half of 2009
- Export factoring turnover increased by 30% in the first half of 2009
- Less factoring co.'s active in market;
 - Less liquidity in the market
 - Bad debts increasing

Market outlook – 2009

- The new law imposed by BRSA has not been approved yet.
 - Still in process and under discussion.

- The tax department of Turkey is implementing heavy tax controls on 75 factoring companies (all industry) to raise extra charges to nett – off the budget deficit.
 - Provisions for bad debts
 - Discounting charges (accruals)
 - Many law suits will follow !

- BRSA cancelled license of some factoring companies .
 - The total number is now 75. (It was 84).

Market outlook – 2009

- There are problems noted in terms of “demand” and in terms of “funding facilities” concerning Turkish exporters.
- Increasing importance of some new markets:
 - Azerbaijan, Algeria, China, Qatar, Kazakhstan, Egypt, Uzbekistan, Russia, UAE, Turkmenistan, Ukraine.
 - The share of Europe is decreasing, Middle-East increasing
- There is a need for pre-export funding or pre-shipment funding
- There is an increase in cost of funding !

Market outlook – 2009

- Accounts receivable collection period is getting longer; accounts payable and bank borrowings maturities are getting shorter !
- Losses on open accounts receivables are increasing !
- Problems noted on credit covers given by banks and factoring companies.
- Due to the lack of government incentives and the competitor countries performance (India, Bangladesh, Indosenia etc.) Turkish exporters are losing market share; especially in textile industry.

Conclusion

- Today, funding and credit protection have more importance than yesterday
- There is a definite need to increase FCI network concerning the new markets; such as Middle-East etc.
- There is a need for :
 - Supply chain finance/purchase order management or pre-export funding for credit protection.
 - The stability and the service quality of the import factors are extremely important than ever.

“The use of factoring will increase and factoring will be a more widely used financial instrument in near future”

Thank you