Corporate Credit Rating

(Update)

Factoring

ÇAĞDAŞ faktoring		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook FC	BBB-	A-3
	Outlook LC	Stable	Stable
	Issue Rating	n.a.	n.a.
National	Local Rating	A- (Trk)	A–1 (Trk)
	Outlook	Stable	Stable
	Issue Rating	A- (Trk)	A-1 (Trk)
Sponsor Support		2	-
Stand Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook FC	Stable	-
	Outlook LC	Stable	-

*Affirmed by Japan Credit Rating Agency, JCR on October 7, 2016

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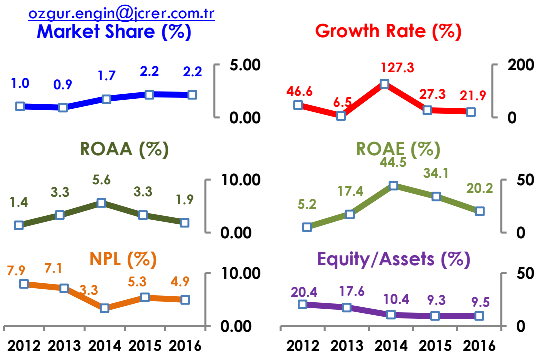


ÇAĞDAŞ FAKTORİNG A.Ş.					
Financial Data	**2016***	**2015***	**2014***	**2013***	**2012***
Total Assets (000 USD)	201,556	200,891	197,897	94,781	106,626
Total Assets (000 TRY)	711,854	584,110	458,904	201,921	189,538
Equity (000 TRY)	67,823	54,231	47,531	35,489	38,597
Net Profit (000 TRY)	12,706	13,426	14,407	3,657	2,079
Market Share (%) (by asset size)	2.15	2.19	1.74	0.93	1.04
ROAA (%)	1.90	3.32	5.59	3.29	1.37
ROAE (%)	20.21	34.07	44.46	17.36	5.20
Equity/Assets (%)	9.53	9.28	10.36	17.58	20.36
NPL (%)	4.92	5.33	3.31	7.11	7.90
Growth Rate (%)	21.87	27.28	127.27	6.53	46.61

*Audited, Year-End

Overview

Çağdaş Faktoring A.Ş. (hereinafter referred to as Çağdaş Faktoring or the Company), is one of the prominent non-bank owned factoring companies with its average market share qualifying for the 2% bracket in the highly fragmented market. Founded in 1994, the Company's is among the first factoring companies in Turkey. Since 2006, the Turkish Factoring Sector is regulated and supervised by the Banking Regulation and Supervision Agency (BRSA).

The Company is owned by the Gülmezgil and Barokas Families, with 80% and 20% respective shares and several projects to improve its corporate governance policies and standards have been undertaken in the recent years.

Çağdaş Faktoring provides funding to its customer portfolio based in Turkey via financing their invoiced/documented receivables. The Company is headquartered in Istanbul and operates through 14 branches located in major cities. As of FYE2016, the Company had 156 employees.

Strengths

- Sustainable loanbook and turnover growth, supported with healthy interest margin
- Notable improvement in the borrower and check underwriter concentration ratios, granulating the bulk loans and reducing idiosyncratic credit risk
- Experienced and well-functioning management team with an emphasis on adoption of corporate governance best practices & efficient internal control mechanisms
- Favourable positive liquidity gap and absence of short foreign currency exposure

Constraints

- Provision expenses stemming from sporadic impaired loans granted to large-ticket size customers, a terminated practice looking forward
- Upward pressure on the borrowing rates, and preference to overweight less risky hence lower margin customers on the profitability,
- Highly competitive and fragmented market structure,
- Persisting economic pressures and uncertainties pertaining to the economic and political reform agenda

Publication Date: April 21, 2017

1. Rating Rationale

This report is based on the independent audit report of Çağdaş Faktoring, and statistical data on the sector compiled by BRSA. Additionally, JCR Eurasia's own analyses, estimations and calculations were incorporated into the report. Certain information concerning the concentration of the loan book and borrowing term structure, along with base line projections are provided by Çağdaş Faktoring management.

The Banking Regulation and Supervision Agency (BRSA) regulates and oversees the activities of the Turkish Factoring Sector since 2006. The Leasing, Factoring and Financing Companies Law No. 6361, the Factoring Sector's first, came into effect on December 13, 2012. Moreover, a regulation regarding organization and operating principals of financial leasing, factoring and financing companies entered into force on April 24, 2013. According to BRSA statistics, the total asset size of the Turkish Factoring Sector was TRY 33.1bn and involved 66 factoring companies.

As there are no additional legal and/or financial collateral guarantees planned to be provided separately for the repayment of the bond issued by Çagdaş Faktoring A.Ş., the rating assigned for the planned TRY dominated bond issuances has been assigned as the same as the Company's Long and Short Term National Local Ratings.

Çagdaş Faktoring's business profile, customer segments, interest margin, liquidity structure, solvency indicators, the capitalization level, asset quality, risk management policies, the management and ownership profile have been taken into consideration for assigning the long term national and international local and foreign currency grades.

Primary drivers of the rating are;

Healthy Interest Margins and Sustainable Loan-Book Growth, Dispersed by Efficient and Profitable Office Network

Despite of the pressure stemming from rising borrowing costs shadowing policy rates of developed economies, Çağdaş Faktoring operates with notably larger interest margins compared to the Sector averages due to its business model. As of 2016 year-end, the Company maintained an average interest margin of approximately 8.35%, compared to Sector average of 5.73%. Consequently, the Company's return on assets and equity were considerably higher than its peers.

Another rating-positive indicator is the break-down of the Company's loanbook with respect to head office in Istanbul and satellite offices (14). As of 1Q2017, Çagdaş Faktoring's branches surpassed the head office with respect to turnover on a consolidated basis.

Granular Loanbook and Reduced Concentration with Respect to Check Originators

Prudent underwriting policies and reasonable branch network for a non-bank owned factoring company reaching 14 offices, supported diversification of the loan book across a large number of borrowers, reducing the idiosyncratic risk stemming from individual firms.

The concentration levels with respect to check originators have also declined considerably, in par with the management's self-imposed limit of TRY 1.5mn per originator. Given the constrained economic outlook, the diversified loan portfolio is a major strength.

Diversified Borrowing Profile and Active Use of Various Funding Alternatives

The Company's funding structure comprises of bank loans, factoring borrowings and bond issuances, in addition to the equity base corresponding to 9.53% of its assets. Çağdaş Faktoring is a frequent user of the money markets, diversifying its fund mix with various sources. While the factoring borrowings are relatively more costly than traditional bank loans, the flexibility provided via the fund mix allows operational efficiencies to the Company. Çağdaş Faktoring plans to continue bond issuances in the following periods, so as to maintain various financing facilities available.

Absence of Short Foreign Currency Position and Positive Liquidity Gap Supporting Cash Flow Management

Çağdaş Faktoring's functional currency is TRY and the Company only has a minimal long exposure to foreign currency exposure on its balance sheet. In this regard, the Company is virtually impervious to the sharp volatilities in the FX markets. While the erosive effects of foreign currency appreciation constrains the financial viability of borrowers/customers with notable short positions, potentially impacting Çağdaş Faktoring's loan book composition; resilience of the Company to such movements support the overall asset quality.

Sizable Provision Expenses Stemming from Past-Due Loans Due From Large-Ticket Borrowers

The Company had sporadic exposure to certain relatively large scale borrowers, and incurred notable provision expenses when they defaulted on their obligations. In the wake of eroding customer confidence, depreciation of TRY, political uncertainties and limited global economic performance several sectors and commercial entities. As the deterioration in the liquidity conditions and debt service capacity of the borrowers were reflected on the factoring sector as in larger impaired receivables balances. As a result of the constrained macro outlook and liquidity concerns, certain borrowers of the

Company defaulted on their obligations. Consequently, the NPL ratios displayed an increase in 2016, after accounting for the impaired loans written-off and transferred.

Sizable Leverage Level, Partly Offset by Retained Earnings

The Company has achieved CAGR of 40.66% in the last 5 years, boosting the need for external funding. The leverage distribution of the Sector is not normally distributed due the funding profile of several bank-owned and sporadic yet sizable equity financed companies. On the other side, the Company's shareholders maintain a retention ratio of above 50% and systematically increase the paid-in capital via internal funds, supporting the equity base to a certain extent. The decision of management to increase paid-in capital to TRY 40mn in 2016 supports the owners' view to support the Company.

Constrained Global and Regional Economic Outlook with Persistent Uncertainties Related with the Monetary Policies of Developed Economies

Factoring sector is sensitive to the economic prospects and the consumer confidence due to the fast-paced nature of the business. Deterioration in inflation and current account deficit, unrest in the Middle East, policy actions and developments following the constitutional referendum in April 2017, possible increases in the future cost of borrowing due to rate hikes by the Federal Reserve, subsequent reduction of inflows into emerging economies as well as rising levels of unemployment and regional tensions are expected to lead to a slowdown in economic growth throughout 2017. Pressurized economic outlook and investment sentiment might limit growth.

Accounting for the aforementioned factors, affirmed Çağdaş Faktoring's Long Term National Grade as **'A- (Trk)'.** The Company's Long Term International Foreign and Currency ratings are affirmed at the country ceiling, **"BBB-".**

2. Outlook

JCR Eurasia Rating has affirmed the **'Stable'** outlook on the National Long Term Rating of **Çağdaş Faktoring A.Ş.** based on the global projections and domestic macroeconomic expectations of Turkey, normalizing yield curve spearheaded by the US Fed, the Sector's growth projections, financial leverage of the Company and the corporate governance structure. The outstanding and planned debt instruments issuances are also evaluated in the determination of the outlook.

JCR Eurasia Rating evaluated The Company's International Long and Short Term Local Currency Ratings in line with the Long Term Sovereign Rating outlook of the Republic of Turkey.

Potential rating drivers for upward revision;

Further amelioration of profitability indicators particularly due to healthy loanbook growth and wider interest margin premium, solid asset quality, reduction in the financing costs and robust economic growth in the domestic and international markets are possible factors a positive rating outlook.

Potential rating drivers for negative revision;

Continuous transfers to the non-performing loan accounts, potential loss of flexibility in financing, deteriorating asset quality and liquidity profile, concentration of the loan portfolio, failure to achieve the pro-forma targets by a notable discrepancy, decreasing investor appetite and growing turmoil in the domestic and international markets, inability to preserve interest margins are evaluated as potential factor necessitating downward pressure on the outlook.

3. Sponsor Support & Stand Alone Assessment

The willingness and the capacity of the shareholders to provide support to the Company in case of need is evaluated with respect to the financial strength of the key shareholders, the long track record of the Company, the historical profitability performance and dividend payout & retention policy. In this regard, the Sponsor Support Grade is affirmed as '**2**' reflecting an adequate financial and operational support by the shareholders.

Çağdaş Faktoring's ability to service its obligations and commitments without resorting to external support is reflected in its Stand Alone rating affirmed as **'B'**. This level underlines the Company's strong cash flows, internal resource generation capacity, sizable interest margin and funding structure.

4. Company Profile

a) History & Activities

Founded in 1994, Çağdaş Faktoring is one of the first factoring companies in Turkey, founded as Çağdaş Finans Faktoring Hizmetleri A.Ş. in early 1994. It is renamed as Çağdaş Faktoring in 2012. The Company's capital base is supported with internally generated revenues and earnings retained within the Company.

Çağdaş Faktoring mainly provides recourse financing of invoiced/documented receivables stemming from domestic sales or services. The majority of the Company's business is generated in Istanbul, while its branch network is extending to cover prominent cities in Turkey.

b) Organization & Employees

Çağdaş Faktoring is organized as a head office and branches across country, reporting to the head office. The general management of the Company is divided into core functions such as Public Relations & Legal Affairs, Credit Risk Monitoring & Financial Analysis, Fund Management, Financial Affairs, Operations and Human Resources, Information Technologies, Corporate Marketing and SME Marketing. In addition to these executive functions and units, the Company has an Internal Audit Department, reporting to the Board of Directors.

As of FYE2016, Cagdaş Faktoring had 14 branches in 10 cities, including Istanbul, Ankara, Bursa, Izmir, Gaziantep, Samsun, Adana, Antalya, Konya, Kocaeli. The Group's physical network growth plans account for macroeconomic outlook and focuses on break-even profitability analysis.

The Board of Directors of Çağdaş Faktoring comprises 5 members, two of which are independent. The Company's general manager is a member as well, while the largest shareholder Dikran GÜLMEZGİL chairs the Board. As of December 2016, the Company employed 155.

c) Shareholders, Subsidiaries & Affiliates

Çagdaş Factoring is owned by Gülmezgil and Barokas Families, possessing 80% and 20% of shares respectively. The paid-in capital of Çağdaş Faktoring has been increased to TRY 40mn as planned, doubling the TRY 20mn threshold required by the BRSA. The Company did not have any subsidiaries or affiliates as of FYE2016. The details of the shareholding structure are displayed in the table below.

Çağdaş Faktoring A.Ş.	Share %	
Shareholding Structure	2016	2015
Dikran GÜLMEZGİL	59.00	58.80
Metin BAROKAS	20.00	20.00
Melissa GÜLMEZGİL BAĞ	19.90	19.00
Alen BAĞ	1.00	1.00
Other	0.10	1.20
Total	100.00	100.00
Paid Capital (TRY 000)	40,000	30,000

d) Corporate Governance

Owing to the supervision and regulation of BRSA, the factoring sector in Turkey has a minimum set of disclosure requirements and corporate governance policies. Financial reporting is done in accordance with the BRSA template and is audited by independent audit companies. Therefore, the reporting standards, transparency and overall corporate governance quality of the factoring companies satisfy fundamental expectations.

In order to manage the inherent financial and operational risks embedded in the factoring sector, Cagdas Faktoring has established several committees and internal audit systems to supervise the operations and provide reasonable assurance concerning the coverage and performance of internal control procedures. Çağdaş Faktoring has a clearly defined risk management, credit allocation and internal control policy where the responsibilities of the functions are organized within a certain framework. Information about the financial statements, senior management, the Board, minutes of annual general assemblies are accessible via the Company's corporate webpage. However, the webpage does not have an English version catering to the international investors.

As per adoption of corporate management culture, the Company's human resources policy and job descriptions are documented, providing a baseline for fundamental HR activities such as recruitment, performance appraisal, promotion, compensation and dismissals, and it aims to establish an objective and widely accepted management structure. The responsibilities of each position are stated in the aforementioned policy. The executive team of the Company are experienced in their respective areas and financial sector.

The Board of Directors of Çağdaş Faktoring's Board of Directors consists of 5 members, including the general manager of Çağdaş Faktoring and two independent members. Internal Audit, Corporate Governance and Early Detection of Risk Committees are formed within the Board of Directors, comprised by the independent members.

Çagdaş Faktoring has performed several improvements in the previous periods so as to increase the adoption standards with respect to transparency, disclosure, internal & external reporting and internal control systems.

e) The Company & Its Group Strategies

Focusing on long-term, sustainable and profitable growth, Çağdaş Faktoring has established risk monitoring, market intelligence procedures in order to accurately and pre-emptively manage the risks of the factoring receivables due from its customer portfolio. The Company's main policy is to maximize risk adjusted return and minimize operational cost per revenue.

On the financing side, the Company management and treasury closely monitors the market developments and aim to minimize the average funding costs. In this regard Cagdas Faktoring actively uses money markets.

5. Sector Overview & Operational Environment

The Turkish factoring sector is comprised of 61 companies with different ownership and management structures, customer bases, scope of services, operational business models and strategies, profitability and risk preferences, branching facilities, access opportunities to customers and markets, funding sufficiency and operational capacities on a local and/or international scale. As of FYE2016, the sector reached a total asset size of TRY 33bn and an equity of TRY 5bn.

Providing guarantees, financing and collection services faster than banks in return for the assignment of spot and deferred receivables arising from the sale of products and services domestically and overseas, the sector continued its institutionalization, branching and extension of customer base activities in 2016. However, a significant number of companies operating in the sector do not possess the necessary capabilities to provide 'collection' services and export factoring. The certification of part of the assignment claims via post-dated checks has transformed the business model of some factoring companies into one which is predominantly occupied with the discount of small volume checks.

The practice of selling non-performing receivables to asset management companies is increasingly utilized by factoring companies in a similar fashion to that of banks. The Factoring Sector displays a higher level of sensitivity to changes in economic conjecture in comparison to banks, while regulatory pressures from the Banking Regulation and Supervision Agency (BRSA) continues to create difficulties in management policies across the sector.

Demand for Factoring Sector services result from the predominance of Small and Medium Sized Enterprises (SME) in production activities. The sector mainly concentrates on transportation, energy, textile, main metal and machinery industries. Although the energy sector, covering nuclear fuel, petroleum and coal products, dominated the factoring sector in 2015, the energy sector's share fell to second place and transportation sector took the pole position in 2016.

Although the non-performing loans, collections and diminishing returns created a handicap for Factoring Sector, agile and fast-responsive structure of factoring companies is expected them to adapt to the current conjuncture. Growth in both customer numbers and operational volume is expected to continue at an increased pace in 2017.

A significant number of factoring companies operate as subsidiaries of banks or bank affiliated firms. The principal feature of such factoring companies is their ability to carry out operations with lower equity, higher external resources, access to large loans and customers, large asset levels and possession of risks with lower profile and lower levels of profitability. On the other hand, non-bank subsidiary factoring companies are characterized by low asset and high NPL levels, high interest margins, low external financing and high equity and profitability levels along with narrow opportunities for access to loans and customers.

The establishment and working conditions of factoring companies are regulated by the BRSA and are organized under the Financial Institutions Union. The employment of managers with good education and sufficient vocational experience, establishment of sound information systems and the identification and evaluation of risks remain legal requirements of the sector. Following the adoption of a centralized billing system, the duplicate assignment of receivables arising from the sale of products and services have been prevented and thus transparency increased. A law introducing the establishment of a Centralized Billing Recording System under the **'Financial Institutions Union'** and enhanced opportunities to gather data from the **Risk Center** under the **Turkish Banking Union** is expected to improve the sector's ability to access higher quality data, contributing to its asset quality.

In line with the undertaken reforms, the sector's legal infrastructure has been improved with regards to effective surveillance and control. As such, the mandatory installation of information, risk measurement and internal control systems made a positive contribution to the improvement of the sector's institutional set-up, and the quality, standardization and transparency of financial reporting practices and facilitated fair competition. Greater progress than the current achievements regarding the sector's effectiveness and standardization will be in line with the performance expected from the 'Financial Institutions Union'.

The Turkish bond market has provided Turkish factoring companies with opportunities to diversify their funding streams since 2010. However, the principal sources of funding for non-banking financial institutions are external and are provided through the Turkish Banking System, while the trend to access funds from capital markets via debt instruments remains rather weak.

Turkey is currently ranked 13th in the world and 8th in Europe in terms of the size of its factoring sector. Turkey is also ranked 2nd on a global basis in export factoring transactions after China. The shareholder structure and management teams of factoring companies are subject to rapid changes due to a comparatively large market entry and exits derived from the intensely competitive environment in which they operate.

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

(000.000)	2016	2015	2014	2013	2012	2011	2010
Asset Size-TRY	33,089	26,716	26,515	21,790	18,146	15,622	14,463
Asset Size-USD	9,402	9,155	11,395	10,228	10,208	8,270	9,406
Equity-TRY	5,084	4,627	4,442	4,015	3,856	3,377	2,940
P/L-TRY	665	395	598	495	581	447	368
ROAA %	2.81	1.93	3.12	2.97	4.50	3.43	3.98
ROAE %	17.33	11.34	17.82	15.08	21.00	16.87	18.11
NPL Ratio %	4.66	5.49	4.83	4.70	4.69	3.94	4.07
Equity/T.Sources %	15.37	17.32	16.75	18.42	21.25	21.00	20.33

The Factoring Sector has a relatively low free floating rate and enjoys a small share across the wider Turkish financial services sector. 60 of the companies are located in Istanbul while only 1 is based in the capital, Ankara.

Funds obtained by the Factoring Sector largely belong to companies that are subsidiaries of banks or ones that have banks among the wider group, making it more difficult for non-bank affiliated factoring companies to carry out their intermediary function.

As of FYE2016, the total asset size of Turkish factoring companies was TRY 33,089mn, with an equity of TRY 5,084mn. Throughout its 27-year history, the Turkish Factoring Sector has maintained a consistent growth trend with the exception of 1994 and 2001 during which the sector underwent contractions of 10.31% and 40.23%, respectively. Between 2006 and 2016, the Factoring Sector exhibited a cumulative growth rate of 524.3%. The growth rate for the last financial year was 23.85%.

Factoring receivables constitute the largest item among the sector's assets with a share of 94.64%, whilst loans enjoyed the largest share among its resources with a 71.03% share. The sector primarily utilizes short-term bank loans in order to meet its funding requirements and its inability to diversify its resource base remains an inherent feature of the sector. However, bond issues began to slowly gather momentum since 2008 and accelerated in 2012, but experienced a slowdown in 2016. As a result, bond issuances comprised 10.27% of the sector's total resources in 2016. The share of equity among total resources of the sector stood at 15.37% and displayed a downward trend within total liabilities. In line with the new regulations, factoring companies are obliged to have a standard ratio which dictates that the share of equity to total assets shall not fall below 3%.

In 2016, the risk concentration of factoring companies primarily focused on the manufacturing industry with a share of 47.33%, the largest sectors being nuclear fuel, oil and coal products, textile and textile products, metal industry, processed material products and transportation vehicles. Across the services sector, the largest levels of concentration were observed in the sectors of wholesale and retail trade, motor vehicle services, construction, logistics, storage and communications.

The sector's non-performing receivables to total receivables ratio decreased from 5.49% in 2015 to 4.66% in 2016. However, speculation in the market exists regarding the level of additional non-performing receivables that have not yet been recorded to the balance sheets of the sector. The ratio of non-performing receivables to equity of the sector declined to 29.92% from 31.5% in 2016. Provisions made regarding the non-performing receivables increased from 80.46% in 2015 to 85.36% in 2016.

Factoring sector profitability indicators were below the Banking Industry in 2015. However, the performance of the factoring sector accelerated in 2016, compared to the Banking Industry. **ROAA** (Return on Average Assets) and **ROAE** (Return on Average Equity) indicators attained values of 1.86% and 16.81%, respectively, for the Banking Sector in comparison to the Factoring Sector's ratios of 2.81% and 17.33%, respectively. When the share of equity to total assets is taken into consideration, the Factoring Sector has a higher level of equity compared to the Banking Sector. As such, the **Equity/Total Assets** ratio for the Factoring Sector in 2016 attained a value of 18.16% in comparison to the Banking Sector's value of 10.99%. The provision rates for the non-performing loans across the factoring sector outpaced that of the Banking Sector from 2012 onward.

Bank affiliated factoring companies carry a competitive advantage in comparison to non-bank affiliated firms with regards to competition, access to funding, scale of service provision and alternative distribution channels, resulting in competitive distortion. The return on loans and assets across the sector underwent significant changes throughout 2016 and as the increases in asset returns could not cope with the increases in interest rate sensitive resources, the break-even interest rate settled at 12.12%. The most important outcome was the rapid increase in the net interest rate margin from 0.20% to 1.68%.

RETURNS - COST RATIOS ANALYSIS FOR FACTORING INDUSTRY

ASSET RETURN	2016	2015	2014
Loans Interest Yield	13.86%	11.70%	10.43%
Commission Return	1.11%	1.05%	0.96%
FX Return or cost	0.61%	0.19%	-0.03%
Return/Cost of other operations	1.69%	1.42%	1.76%
Loans Total Return	**17.27%**	**14.36%**	**13.12%**
Cost of Non-Earning Asset	**-0.59%**	**-0.49%**	**-0.45%**
Asset Return	**16.68%**	**13.87%**	**12.68%**

COST OF LIABILITIES	2016	2015	2014
Interest Cost for Cost Bearing resources	9.81%	8.36%	6.86%
Cost of the Commission for Cost Bearing Resources	0.00%	0.00%	0.00%
Return on Non cost Bearing resources	-0.59%	0.05%	0.66%
Cost of Liabilities	**9.22%**	**8.41%**	**7.51%**

NET PROFIT MARGIN	2016	2015	2014
Interest and Commission Margin	7.46%	5.46%	5.16%
The cost of provisioning expenses	-1.38%	-1.75%	-1.22%
The cost of Activities Expenses	-4.40%	-3.51%	-3.29%
Net Profit Margin	**1.68%**	**0.20%**	**0.66%**

Break-evens	2016	2015	2014
Break-even point in Terms of Interest	12.12%	12.87%	12.03%
Break-even point in Terms of Loan size-TRY	25,264.54	25,275.78	21,513.82

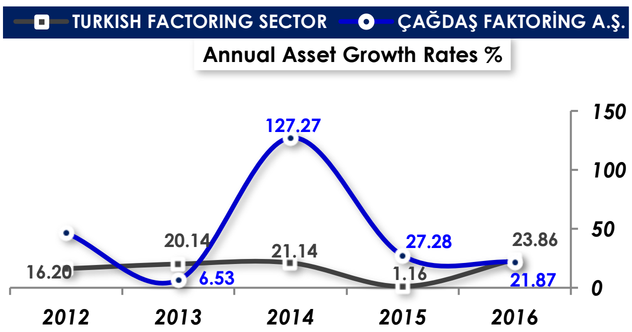
Growth of the factoring sector in 2017 will be strictly related with macroeconomic conjuncture, new regulations, technological advances, better collection services, and the success in export factoring subsector. In particular, the 'decline in transaction costs of investment environment' and 'removal of unparalleled practices between different financial institutions' will positively affect the performance of the sector.

6. Financial Foundation

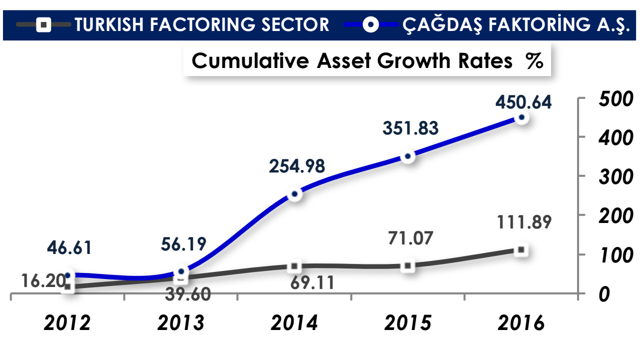
a) Financial Indicators & Performance

- **Indices Relating to Size**

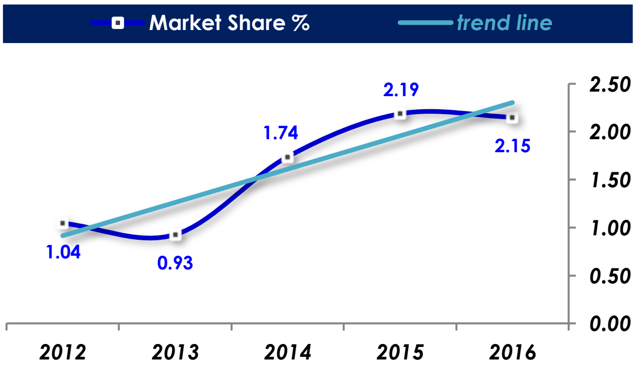
The Company's asset (21.87%) and loan book (17.33%) growth was lower compared to the Sector average in 2016, even though the average growth is still in excess of the Sector. Loan book developments in 2016 were slightly better than the forecasts in the previous year. The main driver of the asset growth in the sector and for the Company however, was the increase in the average loan maturity, from 103 to 116 for Cagdas Factoring.



In a hi storical persective, Çağdaş Faktoring posted a CAGR of 40.66%, compared to Sector CAGR of 16.20%. Deceleration of growth is partly due to the constrained macro outlook, evidenced by slowing downs Sector growth and leading industry indicators.



Based on total asset base, Çağdaş Faktoring preserves its position in the 2%-plus base. However, market share with respect to factoring receivables is lower. Given good access to funding and reasonable branch network, we expect Çagdaş Factoring to maintain and slightly improve its market share in the next periods provided that macroeconomic recovery is initiated. The Company's focus on low ticket size customers necessitate a positive outlook due to higher risk factors of the customer base.

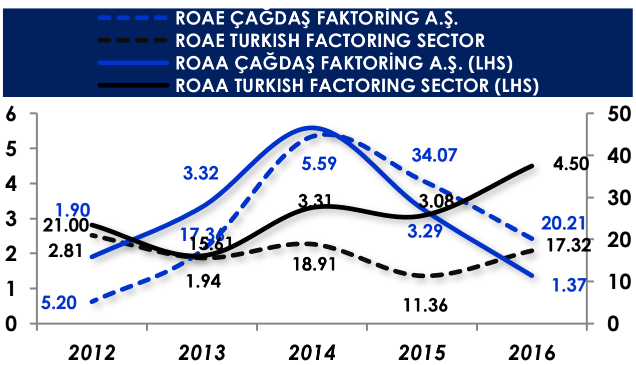


Ultimate risk factor due from loans extended is due from the check drawers, as the payment obligation is tracked back to the originator in case of delinquency. The concentration levels with respect to top 50 borrowers and originators were 24.52 and 12.27%.

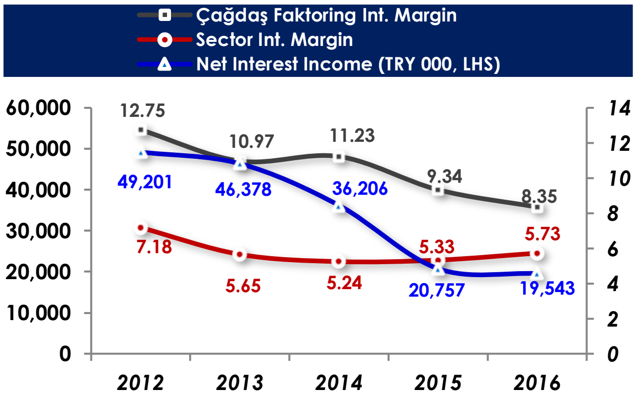
- **Indices Relating to Profitability**

In 2016, Cagdaş Factoring recorded a net interest income of TRY 49.20mn, increasing by 6.09% over the previous year. Annual turnover for the same period was TRY 1,791.21mn, increasing by 5% over 2015, which is in excess of the Sector's turnover growth of 3.4%.

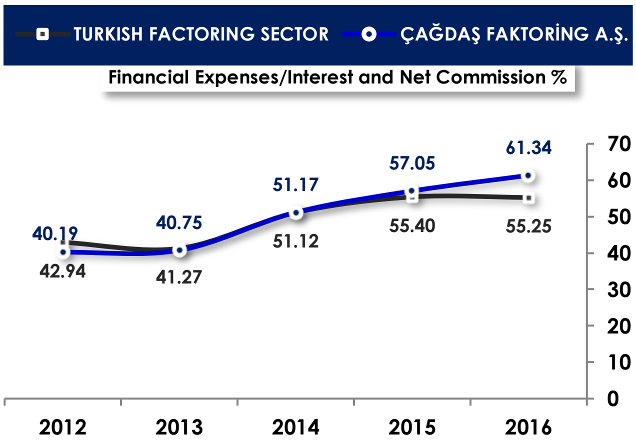
Cagdaş Factoring business model focusing on low ticket size customers continue to allow the Company to charge Sector superior margins. Its return on equity is in excess of the Sector average, dominated by bank-owned peers, and ROAE is on par with the peers.



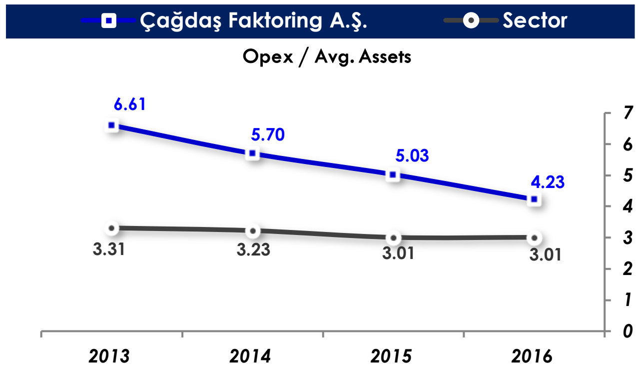
Working with low-ticket size and relatively higher risk customers, Cagdaş Faktoring continues to earn more on a per loan basis, with the net interest margin, net interest revenues over average receivables, recorded as 8.35% as of FYE2016. Average cost of liabilities has increased to 15.38% in 2016, from 15.01 in 2014. On the revenue side, the Company's average annual interest declined from 24.58% in 2014 to23.43% in 2016.



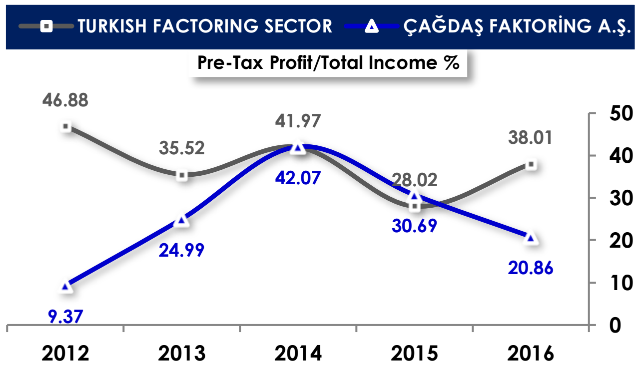
Cost of borrowing compared to interest and commission revenues had decoupled from the Sector averages and surpassed the average. Average borrowing for 2017 is expected to stay between 15-16%, while the Company is expected to maintain a margin of 8.5% throughout the year.



The operating expenses to average assets continued to display improvement due to positive marginal revenue supported via economies of scale. Despite of its wide branch network, Çagdaş Faktoring manages to improve its operational efficiency and reduce opex per loans.



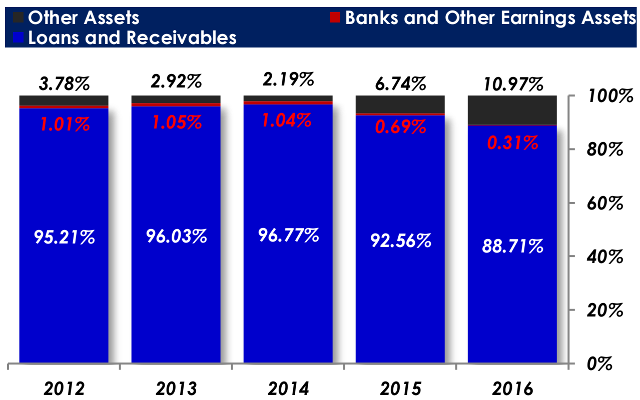
Comparatively higher provision expenses pulled Cagdaş Faktoring's net income to total income beneath that of Sector averages. Net income ratios continue to fluctuate with sharp movements due to volatility of the provision expenses, due to inconsistent macroeconomic outlook.



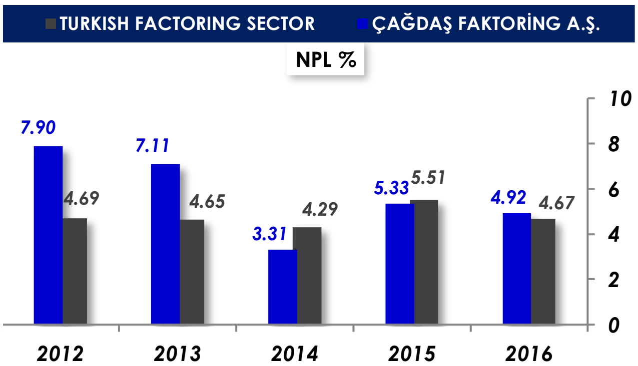
b) Asset Quality

Loan book quality of the Company tied to the financial viability of small ticket size customers, who are sensitive consumer confidence, economic outlook and availability of external funding channels due to their limited equity base.

Secondary item affecting the overall asset quality is the fixed assets, the head office building, demolished to be renewed, purchased in 2015 and properties acquired from delinquent borrowers.



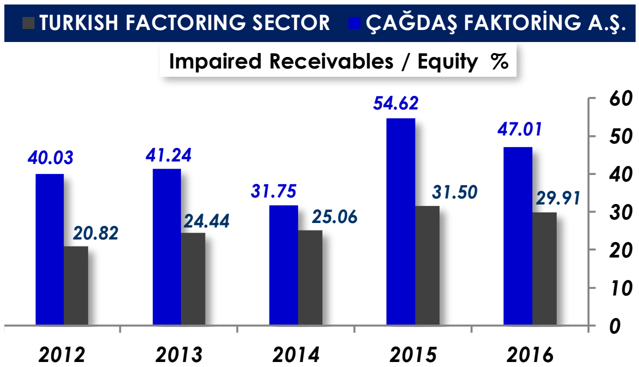
Factoring receivables of Çağdaş Faktoring, predominantly with recourse clauses, accounted for 88.71% of total assets as of FYE2016. Gross impaired receivables amounted to TRY 29.62mn, increasing from TRY 15.09mn in the previous year as of FYE2016. Consequently, the provisions for past-due receivables 17.25% to TRY 17.16mn. grew by 18.28%, reaching TRY14.64mn as of FYE2015. Pressurized economic outlook and persisting political uncertainties vacuums the liquidity in the market and urges economic actors to postpone/cancel long-term investment decisions. Given the large share of consumer spending in the GDP and fragile consumer confidence, inadequate demand despite sizable subsidies and tax incentives, weakens the balance sheet of the borrowers, increasing the number of delinquent loans.



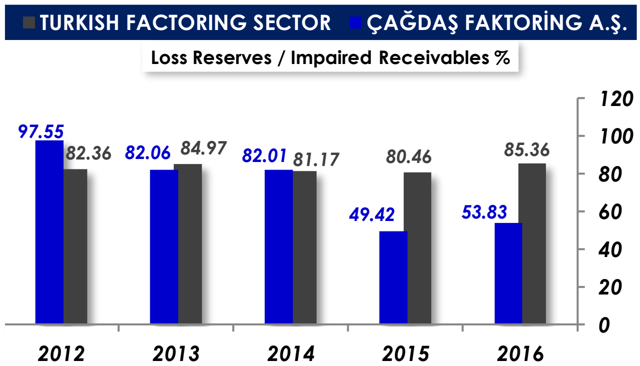
In 2016, the Company has written off TRY5.11mn of impaired receivables and transferred TRY 10.72mn with revenue sharing agreement (FYE2015: TRY 3.49mn, TRY 6.31mn). Consequently, NPL ratio declined, despite surpassing the Sector average. Given the comparatively higher NPL ratio of the Company despite of write-offs and transfers, the asset quality of the Company is deemed pressurized. Çagdaş Faktoring's relatively riskier customer segments generally translates into 1.1-1.3% conversion to impaired loans. The timeline to liquidate collaterals received from the delinquent borrowers will have a major influence on the asset quality of the Company going forward.

Non-Performing Loans Ageing Table (TRY-000)			
Year	Annual Turnover	Net Change in Impaired Receivables	Net Change in Provision Balance
...		12,002	8,591
2009	84,337	1,196	4,607
2010	118,450	-4,533	-4,589
2011	514,715	-1,532	-1,771
2012	589,647	8,318	8,235
2013	672,293	-816	-3,064
2014	1,359,280	457	368
2015	1,703,000	14,530	2,262
2016	1,791,187	2,261	2,525
TOTAL		**29,622**	**14,639**

Due to increase in the past-due receivables, despite increasing equity base, impaired receivables to equity is higher than Sector averages. The Company does not expect to inject additional cash, as the equity is supported with retained earnings. The loss reserves to gross impaired loans are below the Sector average, reducing the asset quality, considering the low collections of the past-due receivables.



BRSA regulations require 20%, 50% and 100% provision coverage to impaired receivables which are past due by up to 180 days, 1 year and more than 1 year, respectively. The Company complies with the legal requirements and provisioned at the lower end of the spectrum as the bulk of the delinquent loans were recent additions qualifying for lower provision amounts. Therefore, the Company fell behind the Sector average, though legally compliant.



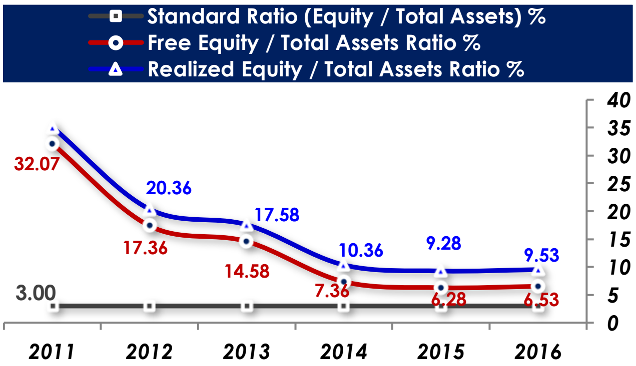
The breakdown of the total factoring receivables in terms of total loan size thresholds and total ticket size are displayed below.

(000 TRY)	Customer Risk Concentration Per Category			Total Ticket Size Per Category		
Size	Count	Loan Size	%	Count	Value	%
0-250	3,588	209,310	34	24,625	550,098	90
250-500	306	107,673	18	185	52,696	9
500-1,000	131	89,911	15	15	8,691	1
1,000 +	96	206,829	33	2	2,238	0
Total	4,121	613,723	100	24,827	613,723	100

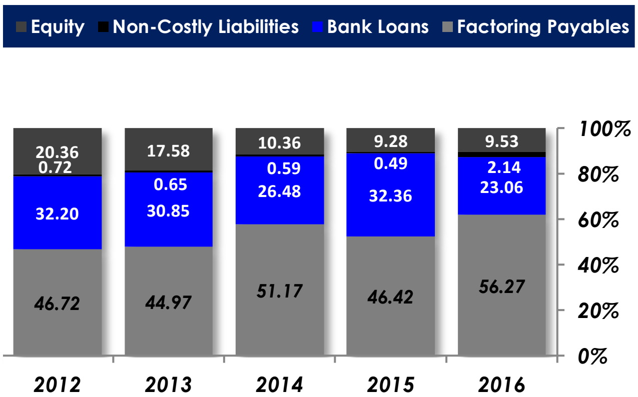
c) Funding & Adequacy of Capital

Çagdaş Factoring's funding model comprises primarily drawing funds from other factoring institutions and banking institutions as a secondary source. The Company is an active user of capital market instruments as well, issuing bonds to generate additional funding.

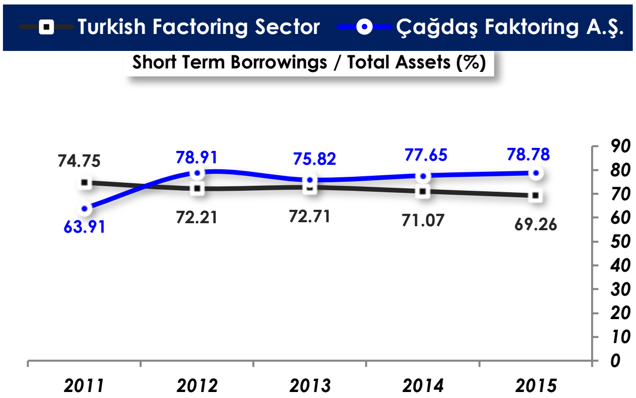
Equity base of the Company is supported with retained earnings, and the paid-up capital has been raised to TRY 40mn in 2016, from TRY 30mn.



The average funding cost of the Company was around 15% in 2016. In 2017, there are strong indicators of increasing borrowing costs, due to anticipated FED rate increases and rapidly increasing domestic inflation. The borrowing costs might increase up to more than 100 bps in 2017, however we expect this cost to be passed through to the borrowers.

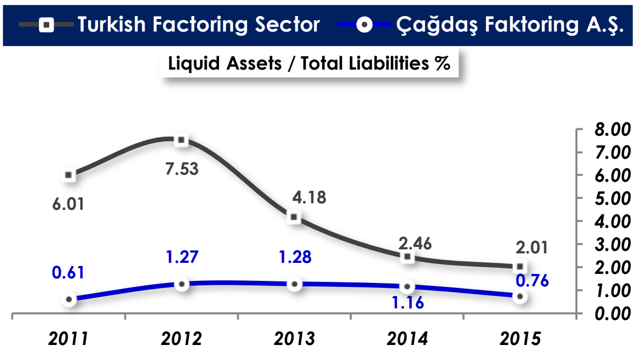


The Company's bond issuances typically have maturities of 12-months to 6-months maturities, contributing to the short-term concentration of the funding profile. Credit facility financing the head office land and building acquisition is long term.



In order to maximize interest revenue, the Company aims to limit the idle cash. As of FYE2016, non-earning cash comprised less than 1% of total liabilities. Average maturity of the receivables increased from 104 days to 116 days as of FYE 2016 (Sector: 77 to 84). Extended receivable maturities reduce the positive funding buffer in the Company's longer borrowing horizon.

Due to the quick cash conversion rate of the receivables, estimated as approximately 116 days as of FYE2016, the Company is able to engender funds from its operations in a short period of time. The average maturity of the payables is reported as 144 days.



7. Risk Profiles & Management

a) Risk Management Organization & Its Function – General Information

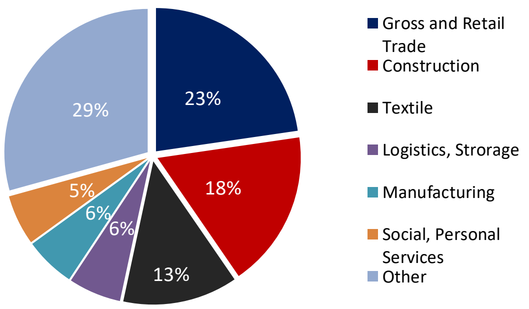
Çağdaş Faktoring is primarily exposed to credit, interest, liquidity and operational risk stemming from its activities and use of financial instruments. The risk management framework is created and maintained at the Board of Directors level and executed at the senior management level. The committees formed under the Board provide management and monitoring support. Furthermore, the internal audit units reporting to the Internal Audit Committee help the corporate risk management mandate at an operational level.

b) Credit Risk

The credit risk exposed by the Company is monitored daily and managed according to certain standards, thresholds and limits. The Company aims to minimize size and number of loans exceeding TRY 5mn per customer and TRY 1.5mn per check originator. The Company management has predefined concentration limits with respect to customers, cheque drawers and sectors. The Board of Directors has the ultimate authority in credit allocation decisions. The credit lines committed to borrowers are reviewed periodically and revised upwards or downwards in case of acquisition of material information concerning the creditworthiness of the borrower.

As of 2016 year-end, the concentration of top 10, 20 and 50 customers were 10.36%, 15.12% and 24.52% respectively (FYE2015: 14.17%, 21.82%, 33.49%). The cheque drawer concentration levels were 5.95%, 8.05% and 12.27% as of FYE2016. Both of the metrics have improved significantly compred to the previous, as the Company has limited bulk loans to large groups.

The customer base of the Company increased to 3,716 in 2015, from 3,624 in the previous year. The majority of the loans were concentrated on customers operating in gross & retail trade, construction and textile sectors, reflecting the concentration of the business activity in the general economy.



c) Market Risk

Within the framework of market risk, interest and foreign currency mismatch risks are potential risk factors. However, Çağdaş Factoring exclusively operates in local currency (LCY), eliminating the currency risk within the scope of market risk. The use borrowings from the money markets, factoring institutions, and banks along with factoring operations engender interest risk. Çağdaş Faktoring borrows from other factoring companies and bank predominantly on fixed rates; while the bond issuances carry float rates.

The float rate liabilities accounted for 5.66% of total cost bearing liabilities (FYE2014: 12.78%). The relatively small share of float-rate liabilities reduces the sensitivity of the Company's borrowing costs to the market rates. Furthermore, the average maturity of loans underwritten are 116 as opposed to the average maturity of borrowings of 144 days, giving Çagdaş Factoring the ability to reflect the changes in the market rates before the borrowing costs increase.

d) Liquidity Risk

Principally, the timeline of cash outflows and inflows and the uncertainties concerning the size and timeliness of cash flow requirements generates liquidity risk. Çagdaş Faktoring has a positive liquidity gap, owing to short collection periods of receivables. Furthermore, the Company closely monitors the liquidity position on a daily basis and models the cash requirements.

The Company has ample credit lines from various major financial institutions, supporting liquidity management. On the other hand, the Company's business model of mixing factoring and bank financing along with money market issuances allows Çağdaş Faktoring to create liquidity effectively. It is also noted that the self-liquidating nature of the factoring receivables provides considerable liquidity capabilities.

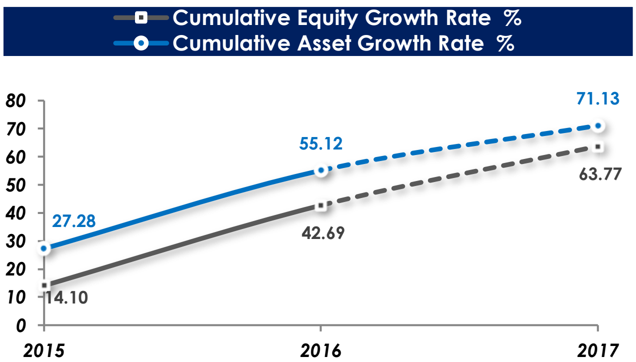
The Factoring Sector at large has been able to draw funds from Clearing System and entitled to enter into borrowing/lending transactions in the Takasbank Money Market (TPP) based on certain limits and identified collaterals beginning with the enactment of the Takasbank Money Market Regulation and Procedure. While not widely adopted by the market, this practice provides the factoring companies in Turkey with access to alternative funding channels and to improve systemic support level.

8. Budget & Debt Issue

The budget forecast of the Company and estimations are presented below. The Company expects to realize approximately 10% growth in 2017.

TRY (000)	2017
Banks, Cash and Cash Equ.	2,401
Factoring Receivables	690,170
Net Non-Performing Loans	2,248
- Non-Performing Loans	40,655
- Provisions for NPL	38,406
Other Assets	87,459
Total Assets	785,337
Bank Loans	220,916
Factoring Borrowings	412,000
Issued Debt Instruments	65,000
- Bonds	20,000
- Bills	45,000
Other Liabilities	7,226
Equity	77,481
- Paid-In Capital	40,000
- Net Profit for the Period	12,189
- Others	14,559
Total Liabilities	785,337
Pre-tax Profit	17,137
Annual Asset Growth (%)	10.32
Equity/Total Asset (%)	9.91
ROAA – Pre-tax (%)	2.29
ROAE – Pre-tax (%)	23.53
NPL (%)	5.56

Çağdaş Faktoring recorded a CAGR of 40.66% in the past 5 years. However, Çagdaş Faktoring's asset growth will stabilize, as the Company aims to achieve a controlled and sustainable growth.



Çağdaş Faktoring has been able enjoy a notable interest margin due to its business model and customer base, allowing to generate above average returns. The interest margin is expected to be preserved in 2016, even though the interest costs might increase slightly, due to global macroeconomic conditions.

TRY (000)	Actual 2016	Forecast 2017
Total Income	147,982	169,371
Factoring Interest	138,075	156,538
Factoring Commissions	6,814	8,270
Repo Interest	167	198
Other	2,926	4,366
Total Expenses	135,276	157,182
Financing Costs	88,874	97,747
Salary & Wages	18,101	19,798
Other	607	5,779
SG&A	8,676	7,668
Provisions	19,393	21,242
Corporate Tax	-375	4,948
Net Income	12,706	12,189

As of FYE2016, the Company had two bills and one bond outstanding at total of TRY 30mn and TRY 20mn nominal value, maturing at 01.06.2017 and 05.05.2017 for bills, and 03.11.2017 for the bond, respectively. The Company's projected turnover and liquidity structure supports a strong capacity to cover the interest and capital payments of the outstanding and projected issuance.

Çağdaş Faktoring A.Ş. BALANCE SHEET - ASSETS TRY (000)	Year end 2016 USD (Converted)	Year end 2016 TRY (Original)	2016 TRY (Average)	Year end 2015 TRY (Original)	2015 TRY (Average)	Year end 2014 TRY (Original)	2014 TRY (Average)	Year end 2013 TRY (Original)	As % of 2016 Assets (Original)	As % of 2015 Assets (Original)	As % of 2014 Assets (Original)	2016 Growth Rate	2015 Growth Rate	2014 Growth Rate
A-TOTAL EARNING ASSETS (I+II+III)	**179,435**	**633,730**	**589,230**	**544,729**	**496,799**	**448,868**	**322,450**	**196,031**	**89.03**	**93.26**	**97.81**	**16.34**	**21.36**	**128.98**
I- LOANS AND RECEIVABLES (net)	**178,804**	**631,501**	**586,090**	**540,678**	**492,383**	**444,088**	**318,996**	**193,903**	**88.71**	**92.56**	**96.77**	**16.80**	**21.75**	**129.03**
a) Factoring Receivables	174,637	616,782	571,239	525,695	483,534	441,373	316,325	191,277	86.64	90.00	96.18	17.33	19.10	130.75
b) Financing Loans	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Lease Receivables	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Over Due Loans	9,027	31,883	30,753	29,622	22,357	15,092	14,864	14,635	4.48	5.07	3.29	7.63	96.28	3.12
e) Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
f) Receivable from Customer due to Brokerage Activities	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-4,860	-17,164	-15,902	-14,639	-13,508	-12,377	-12,193	-12,009	-2.41	-2.51	-2.70	17.25	18.28	3.06
II-BANKS AND OTHER EARNING ASSETS	**631**	**2,229**	**3,140**	**4,051**	**4,416**	**4,780**	**3,454**	**2,128**	**0.31**	**0.69**	**1.04**	**-44.98**	**-15.25**	**124.62**
a) Banks	631	2,229	3,140	4,051	4,416	4,780	3,454	2,128	0.31	0.69	1.04	-44.98	-15.25	124.62
b) Other	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Balance With Banks-Current Accounts	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
III-SECURITIES AT FAIR VALUE THROUGH P/L	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a**	**n.a**	**n.a**	n.a	n.a	n.a
a) Treasury Bills and Government Bonds	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Other Investment	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Repurchase Agreement	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
a) Investments in Associates (net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
C-NON-EARNING ASSETS	**22,120**	**78,124**	**58,753**	**39,381**	**24,709**	**10,036**	**7,963**	**5,890**	**10.97**	**6.74**	**2.19**	**98.38**	**292.40**	**70.39**
a) Cash and Cash Equivalents	1	2	1	0	3	5	3	1	0.00	n.a	0.00	n.a	-100.00	400.00
b) Financial Assets at Fair Value through P/L	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Asset Held For Sale And Discontinued Operations (net)	4,151	14,662	7,331	0	0	0	0	0	2.06	n.a	n.a	n.a	n.a	n.a
d) Other	17,968	63,460	51,421	39,381	24,706	10,031	7,960	5,889	8.91	6.74	2.19	61.14	292.59	70.33
- Intangible Assets	90	318	227	136	161	185	148	110	0.04	0.02	0.04	133.82	-26.49	68.18
- Property and Equipment	11,880	41,957	37,015	32,073	17,002	1,930	1,792	1,654	5.89	5.49	0.42	30.82	1,561.81	16.69
- Deferred Tax	103	363	318	273	693	1,113	1,814	2,514	0.05	0.05	0.24	32.97	-75.47	-55.73
- Other	5,896	20,822	13,861	6,899	6,851	6,803	4,207	1,611	2.93	1.18	1.48	201.81	1.41	322.28
TOTAL ASSETS	201,556	711,854	647,982	584,110	521,507	458,904	330,413	201,921	100.00	100.00	100.00	21.87	27.28	127.27

ÇAĞDAŞ FAKTORİNG A.Ş. BALANCE SHEET-LIABILITIES+EQUITY TRY (000)	(Year end) 2016 USD (Converted)	(Year end) 2016 TRY (Original)	(Year end) 2016 TRY (Average)	(Year end) 2015 TRY (Original)	(Year end) 2015 TRY (Average)	(Year end) 2014 TRY (Original)	(Year e 2014 TRY (Averag
C- COST BEARING RESOURCES (I+II)	**178,037**	**628,790**	**577,901**	**527,012**	**467,836**	**408,660**	
I-PAYABLES	**113,414**	**400,554**	**335,855**	**271,155**	**252,990**	**234,825**	
a) Factoring Payables	113,414	400,554	335,855	271,155	252,990	234,825	
b) Lease Payables	0	0	0	0	0	0	
c) Other	0	0	0	0	0	0	
II-BORROWING FUNDING LOANS & OTHER	**64,623**	**228,236**	**242,047**	**255,857**	**214,846**	**173,835**	
a) Fund Borrowed-Short Term	46,471	164,126	176,566	189,006	155,270	121,534	
b) Fund Borrowed-Long Term	0	0	8,115	16,230	8,115	0	
c) Marketable Securities For Issued (net)	18,152	64,110	57,366	50,621	51,461	52,301	
d) Securities Sold Under Repurchase Agreements	0	0	0	0	0	0	
e) Subordinated Loans	0	0	0	0	0	0	
D- NON COST BEARING RESOURCES	**4,315**	**15,241**	**9,054**	**2,867**	**2,790**	**2,713**	
a) Provisions	309	1,092	972	851	544	237	
b) Current & Deferred Tax Liabilities	473	1,670	1,520	1,369	1,697	2,024	
c) Trading Liabilities (Derivatives)	0	0	0	0	0	0	
d) Other Liabilities	3,533	12,479	6,563	647	550	452	
E- TOTAL LIABILITIES	**182,352**	**644,031**	**586,955**	**529,879**	**470,626**	**411,373**	
F- MINORITY INTEREST	**0**		**0**		0		
F- EQUITY	**19,204**	**67,823**	**61,027**	**54,231**	**50,881**	**47,531**	
a) Prior Year's Equity	15,355	54,231	50,881	47,531	41,510	35,489	
b) Equity (Internal & external resources added during the year)	251	886	-2,920	-6,726	-4,546	-2,365	
c) Minority Interest	0	0	0	0	0	0	
d) Profit & Loss	3,598	12,706	13,066	13,426	13,917	14,407	
TOTAL LIABILITY+EQUITY	**201,556**	**711,854**	**647,982**	**584,110**	**521,507**	**458,904**	
USD 1 = TRY		**3.5318**		**2.9076**		**2.3189**	

Çağdaş Faktoring A.Ş. INCOME STATEMENT TRY (000)	2016	2015	2014
Net Interest Income	**49,201**	**46,378**	**36,206**
A) Interest income	138,075	116,969	79,259
a) Factoring Interest Income	138,075	116,969	79,259
b) Financing Loans Interest Income	0	0	0
c) Lease Income	0	0	0
d) Banks	0	0	0
B) Financial Expense	88,874	70,591	43,053
Net Fee and Commission Income	**6,814**	**6,776**	**4,884**
a) Fee and Commission Income	6,814	6,776	4,884
b) Fee and Commission Expense	0	0	0
Total Operating Income	**3,093**	**3,337**	**2,778**
Interest Income from Other Operating Field	167	150	0
Foreign Exchange Gain or Loss (net) (+/-)	544	1,449	104
Gross Profit from Retail Business	0	0	0
Gains or Loss on Derivative Instruments (+/-)	0	0	0
Income on Sale of Equity Participations and Consolidated Affiliates	0	0	0
Gains from Investment Securities (net)	0	0	0
Other Operating Income	2,382	1,738	2,674
Taxes other than Income Tax	0	0	0
Dividend	0	0	0
Provisions	**19,393**	**12,947**	**6,583**
Provision for Impairment of Loan and Trade Receivables	19,393	12,947	6,583
Other Provision	0	0	0
Total Operating Expense	**27,384**	**26,207**	**18,831**
Salaries and Employee Benefits	18,101	15,889	10,899
Depreciation and Amortization	0	0	0
Other Expenses	9,283	10,318	7,932
Profit from Operating Activities before Income Tax	**12,331**	**17,337**	**18,454**
Income Tax – Current	-375	3,911	2,646
Income Tax – Deferred	0	0	1,401
Net Profit for the Period	**12,706**	**13,426**	**14,407**

Total Income	**59,108**	**56,491**	**43,868**
Total Expense	**27,384**	**26,207**	**18,831**
Provision	**19,393**	**12,947**	**6,583**
Pre-tax Profit	**12,331**	**17,337**	**18,454**

ÇAĞDAŞ FAKTORİNG A.Ş. FINANCIAL RATIO %	2016	2015	2014
I. PROFITABILITY & PERFORMANCE			
1. ROA - Pretax Profit / Total Assets (avg.)	1.90	3.32	5.59
2. ROE - Pretax Profit / Equity (avg.)	20.21	34.07	44.46
3. Total Income / Equity (avg.)	96.86	111.03	105.68
4. Total income / Total Assets (avg.)	9.12	10.83	13.28
5. Provisions / Total Income	32.81	22.92	15.01
6. Total Expense / Total Resources (avg.)	4.67	5.57	6.52
7. Net Profit for the Period / Total Assets (avg.)	1.96	2.57	4.36
8. Total Income / Total Expenses	215.85	215.56	232.96
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	0.69	3.03	8.76
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	-8.83	-6.25	-1.60
11. Total Operating Expenses / Total Income	46.33	46.39	42.93
12. Interest Margin	8.35	9.34	11.23
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	15.62	16.86	18.62
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	165.84	172.81	148.17
15. Interest Coverage – EBIT / Interest Expenses	113.87	124.56	142.86
16. Net Profit Margin	21.50	23.77	32.84
17. Gross Profit Margin	20.86	30.69	42.07
18. Market Share	2.15	2.19	1.74
19. Growth Rate	21.87	27.28	127.27
II. CAPITAL ADEQUACY (year end)			
1. Equity Generation / Prior Year's Equity	1.63	-14.15	-6.66
2. Internal Equity Generation / Previous Year's Equity	23.43	28.25	40.60
3. Equity / Total Assets (Standard Ratio)	9.53	9.28	10.36
4. Equity / Total Liabilities	10.53	10.23	11.55
5. Free Equity / Total Receivables Ratio	4.05	4.07	10.23
6. Tangible Assets / Total Assets	5.89	5.49	0.42
7. Intangible Assets / Total Assets	0.04	0.02	0.04
8. Equity / Total Guarantees and Commitments + Equity	100.00	100.00	100.00
III. LIQUIDITY (year end)			
1. Liquid Assets + Marketable Securities / Total Assets	0.31	0.69	1.04
2. Liquid Assets + Marketable Securities / Total Liabilities	0.35	0.76	1.16
3. Short Term Borrowings / Total Assets	79.33	78.78	77.65
4. Net Interest and Commission / Total Assets	7.87	9.10	8.95
5. Liquid Assets + Marketable Securities / Equity	3.29	7.47	10.07
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	2.65	2.64	2.71
2. Total Provisions / Profit Before Provision and Tax	61.13	42.75	26.29
3. Impaired Receivables / Gross Receivables	4.92	5.33	3.31
4. Impaired Receivables / Equity	47.01	54.62	31.75
5. Loss Reserves for Receivables / Impaired Receivables	53.83	49.42	82.01
6. Collaterals / Total Receivables	831.96	598.49	102.54
7. Total FX Position / Total Assets	0.00	0.00	0.00
8. Total FX Position / Equity	0.00	0.00	0.00

The History of the Company's Credit Ratings

KENTFACTORING		August 11, 2014		April 6, 2015		March 29, 2016		April 21, 2017	
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International*	Foreign Currency	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Local Currency	BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Outlook FC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
	Outlook LC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
National	Local Rating	BBB (Trk)	A-3 (Trk)	A- (Trk)	A-1 (Trk)	A- (Trk)	A-1 (Trk)	A- (Trk)	A-2 (Trk)
	Outlook	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Sponsor Support		2	-	2	-	2		-	2
Stand Alone		B	-	B	-	B		-	B
Sovereign*	Foreign Currency	BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Local Currency	BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Outlook FC	Stable	-	Stable	-	Stable	-	Stable	-
	Outlook LC	Stable	-	Stable	-	Stable	-	Stable	-
		*Assigned by JCR on May 23, 2013		*Assigned by JCR on July 11, 2014		*Assigned by JCR on August 28, 2015		*Assigned by JCR on October 7, 2016	