

PRESS RELEASE

İstanbul – April 21, 2017

JCR Eurasia Rating

has revised the credit ratings of “Çağdaş Faktoring A.Ş.” and ‘Cash Flows of the Bond Issuance’ within the scope of periodic review and affirmed the ratings as “A- (Trk)/Stable” on the Long Term National Local Scale and as “BBB-/Stable” on the Long Term International Foreign Currency Scale.

JCR Eurasia Rating has revised the credit ratings of “Çağdaş Faktoring A.Ş.” and “Cash Flows of the Bond Issuances” within the scope of periodic review and affirmed the high investment grade ratings as “A- (Trk)/Stable” Long Term National Scale. The details of the affirmed ratings are listed in the table below:

Long Term International Foreign Currency	:	BBB- / (Stable Outlook)
Long Term International Local Currency	:	BBB-/ (Stable Outlook)
Long Term National Local Rating	:	A- (Trk) / (Stable Outlook)
Long Term National Local Rating	:	A- (Trk)
Short Term International Foreign Currency	:	A-3 / (Stable Outlook)
Short Term International Local Currency	:	A-3 / (Stable Outlook)
Short Term National Local Rating	:	A-1 (Trk) / (Stable Outlook)
Short Term National Local Rating	:	A-1 (Trk)
Sponsor Support	:	2
Stand Alone	:	B

The Factoring Sector is marked by high level of vulnerability to fluctuations in macroeconomic circumstances and instability. Management policies in the sector are strongly influenced by the changes in economic outlook and regulatory procedures from the Banking Regulation and Supervision Agency (BRSA). On the other hand, 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 have 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. Considering the fact that factoring companies generate revenues mainly from real sector firms, the probable adversities on the factoring sector of the market volatility and low-growth environment deriving from domestic/overseas economic, political and geopolitical developments serve as an issue that should be monitored closely.

Çağdaş Faktoring A.Ş. provides domestic factoring services mainly to SMEs and micro enterprises via its headquarters based in Istanbul and 14 branches located in major cities of Turkey. In 2015, the Company purchased a land plot in Esentepe district, to be used as the new headquarters upon renewal and renovations, expected to be completed by the end of 2017. The new head office complex, considering its location with high valuation potential brings an upside potential to as a one-off cash flow in case of sale or sustainable uplift should the property is used internally and excess capacity is leased to third parties.

Çağdaş Faktoring A.Ş. improved its low risk concentration per customer and per check originator, driven by its large active customer base. More prudent and strict application of self-imposed risk limits per sector, customer and cheque drawer reduces the receivable portfolio credit risk and supports asset and equity returns owing to high interest margins. However, in the wake of strong political and economic headwinds, sharp foreign currency movements and the volatilities in 2016, borrowers of the firm incurred losses and weakened debt service capacity, pressurizing the asset quality of Sector and raising the impaired receivable balance. Parallel with the Sector, Çağdaş Faktoring’s gross impaired receivable balance before provision, transfers and write-offs displayed an increase. We note that the majority of the impaired receivables were due from large loan-balance customers evaluated as group and that the Company has imposed more strict internal limits to borrower risk balances. More stringent underwriting policies and strong executive management would help cap additions to past-due receivables. The Company’s sustainable asset growth, effective liquidity and currency risk management, fair corporate governance structure, experienced management profile, favorable interest margins along with the diversified funding base underpin the main rating drivers of the Long Term National Rating affirmed as “A- (Trk)/Stable”.

Asset quality, slightly contracting interest margin and liquidity availability of the factoring sector, reflecting the conditions perpetuated by macroeconomic outlook, uncertainties of the domestic market following the referendum, will frame the Company’s operational environment. JCR-ER will continue to monitor the annual turnover, funding & maturity structure, trend of interest margin, financial leverage and asset quality of Çağdaş Faktoring. A separate rating report has not been compiled as the resources obtained from the bond issue will be carried in the Company’s balance sheet and was subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company’s other liabilities with respect to its legal standing and collateralization, as such the notations outlined in the corporate credit rating report also reflect the issue rating.

Sponsor support potential has been evaluated considering the financial and operational power and willingness of shareholders. In this context, regarding the business background of the main shareholder Dikran GÜLMEZGİL, profitability, dividend payment policy and growth performance of the Company, Çağdaş Faktoring’s Sponsor Support Grade has been assigned as (2), which indicates adequate level. Stand Alone Rating of the company demonstrates the capacity to generate resources internally without depending its shareholders or any other entity. Considering the interest margin, liquidity level and maturity structure of liabilities and internal resources of the Company, Stand Alone Rating of Çağdaş Faktoring has been determined as (B) that corresponds to satisfactory level.

For more information regarding the rating results, you may visit our internet site <http://www.jcrer.com.tr> or contact our analysts **Mr. Özgür Fuad ENGİN**.

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Administrative Board