Corporate Credit & Issue Rating

☐New ☒Update

Sector: Factoring
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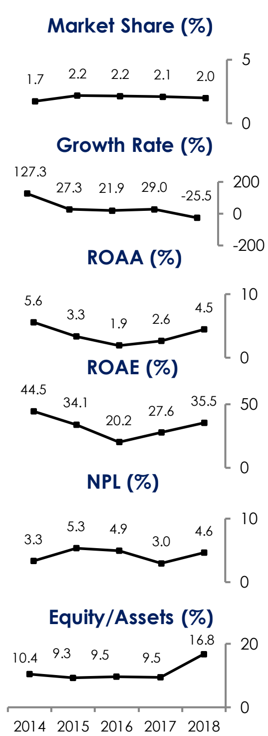
RATINGS

			Long	Short
International	Foreign Currency		BBB-	A-3
	Local Currency		BBB-	A-3
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
	Issue Rating		-	-
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	-
		LC	Stable	-

*Affirmed by JCR on November 27, 2018



Çağdaş Faktoring A.Ş.

Company Overview

Financial Data	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	129,970	241,014	201,556	200,891	197,897
Total Assets (000 TRY)	683,758	918,361	711,854	584,110	458,904
Equity (000 TRY)	114,676	87,054	67,823	54,231	47,531
Net Profit (000 TRY)	27,890	17,047	12,706	13,426	14,407
Market Share (%)	1.98	2.10	2.15	2.19	1.74
ROAA (%)	4.47	2.63	1.90	3.32	5.59
ROAE (%)	35.51	27.64	20.21	34.07	44.46
Equity/Assets (%)	16.77	9.48	9.53	9.28	10.36
NPL (%)	4.61	2.96	4.92	5.33	3.31
Growth Rate (%)	-25.55	29.01	21.87	27.28	127.27

* Audited financial statements, end of year

Çağdaş Faktoring A.Ş. (hereinafter referred to as Çağdaş Faktoring or the Company), is one of the large-scale non-bank owned factoring companies with its average market share exceeding the 2% bracket in the highly fragmented market. The Company' is among the first factoring companies in Turkey, having been founded in 1994. The Turkish Factoring Sector is regulated and supervised by the Banking Regulation and Supervision Agency (BRSA).

Çağdaş Faktoring is owned by the Gülmezgil Family. The Company provides funding to its customer portfolio based in Turkey via financing their invoiced/documented receivables. The Company is headquartered in Istanbul and operates through 13 branches located in major cities. As of FYE2018, the Company had 150 employees.

Strengths

- Preservation of net interest margin and resilient commission income, supporting profitability
- Declining leverage albeit due to slowing down lending activities
- Granular loan portfolio with widespread customer base and limited concentration
- Maintained access to financing lines, providing flexibility to adapt market conditions
- Office network reaching various customers across Turkey

Constraints

- Pressure on the margins as the interest rates increase yet lending rates reversing course faster than borrowing rates
- Highly fragmented market structure
- Deteriorating balance sheets of the borrowers across the Sector in general, due to adverse market conditions
- Higher than average tangible assets in the balance sheet, generating opportunity costs as liquidity gains importance and interest rates increase

1. Rating Rationale

The basis of the rating report is independent audit reports of Çağdaş Faktoring and statistical data on the sector compiled by Association of Financial Institutions and BRSA. When applicable, JCR Eurasia's own analyses, estimations and calculations are incorporated into the report. Information related with the loan book concentration 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 declined to TRY 34.61bn (YE2017: TRY 43.7bn) and comprised 59 factoring companies.

No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been 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 collateralisation. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

Both quantitative elements such as interest margin, liquidity structure, solvency indicators, the capitalization level, asset quality, and qualitative factors such as business strategy, 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;

Reasonable Interest Margin and Commission Income

Following the sharp depreciation of TRY in August 2018 and subsequent increases in the market interest rates, factoring sector reduced its balance sheet, shrinking by 20.83% in 2018. In addition to strong inflation and sharp currency depreciation, interest rates followed an increasing trend, translating into higher borrowing rates. As a result, the increasing trend in both borrowing and lending rates continued throughout 2018, until the last months. The borrowing and lending rates then started declining, particularly in 2019, pressurizing the margins. However, Cağdaş maintained a NIM of 8.92% in 2018 as opposed to 7.58%. IN 2019, while the margins are tighter, the Company is maintaining a healthy profitability level.

Granular Loan Portfolio and Collaterals Received, Diversifying the Risk

While in response to the latest market developments Çağdaş Faktoring's loan-book declined, the Company had a loan book of TRY 684mn is comprised of an on average TRY 35K per transaction loan balance. Therefore, the risk exposure from singular borrower credit events is limited.

The Company's office network comprises 13 branches, covering cities with strong economic activities. The balance is distributed geographically as well as per customer and originator. In this sense, Istanbul and non-Istanbul based branches are having a more balanced distribution. The Company maintains per customer and per originator limits to control the risk exposure.

Continued Access to Various Funding Lines

Çağdaş Faktoring has a diversified funding mix including lines from various banks & factoring companies along with capital market instruments such as bills and bonds. Çağdaş Faktoring also uses various funding limits from factoring companies. While these are typically costlier as opposed to bank financing, the flexibility provided from the former helps the liquidity management considerably.

In response to the market conditions in 3Q2018 and onwards, the financial system reduced their lending to limit their exposure. This has also limited the lending by several factoring firms as their access to funding was constrained as well. However, Çağdaş maintains access to credit lines

from various institutions, allowing the Company to position itself flexibly.
Along with funds borrowed from the financial sector, Çağdaş Faktoring facilitates the capital markets for additional funding with various maturities depending on the market conditions.

Comparatively Lower Provision Coverage of Impaired Assets

Coverage of impaired loans with loss reserves is more aggressive compared to the Sector average. Considering the constrained market outlook, additional impairment across the Sector is expected. In this sense, current lower provision levels might need to be increased in the following periods, undermining the profitability. So as to prevent major downturns, the management actively monitors the asset quality of the loan portfolio and estimates the potential NPLs. The average collection term of approx. 110 days, results in rapid adjustment of the loan portfolio.

Tightening Margins as Borrowing Costs Increase

Towards the second half of 2018, strong inflationary pressures and pass through mechanism of FX basket resulted in interest rate increases, subsequently raising the borrowing costs. While sharp increases in the market rates have fallen since their peak in 3Q2018, lending rates of factoring companies were faster than that of their borrowing costs, tightening the margins. We expect the continuation of the stress on the interest rates, potentially pressurizing the borrowing costs and NIM of the Company.

Considering the rating drivers mentioned above, JCR-ER assigns 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 assigned a **'Stable'** outlook on the National Long-Term Rating perspectives of Çağdaş Faktoring based on the macroeconomic prospects of Turkey, the Sector's growth projections and interest rate environment.

JCR Eurasia Rating will continue to monitor developments in regard to the proposed projection and will evaluate Çağdaş Faktoring's growth strategy, profitability indicators, debt-level and the health of its equity.

Additionally, as JCR Eurasia Rating, we have affirmed **'Negative'** outlooks on the international Long and Short Term Local Currency rating perspectives of Çağdaş Faktoring, which are the sovereign ratings' outlooks of the Republic of Turkey.

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

Positive:
-Lower leverage levels,
-Wider net interest margin without compromising asset quality,
-More efficient operational costs,
-Robust economic growth in the domestic and international markets

Negative:
-Significant increases in leverage,
-Upward trend in non-performing loans,
-Potential loss of flexibility in financing,
-Decreasing investor appetite and growing turmoil in the domestic and international markets
-Inability to preserve interest margins

3. Sponsor Support and Stand-Alone Assessment

Çağdaş Faktoring's Sponsor Support Grade of the Company is affirmed as **"2",** considering the willingness and the capacity of the shareholders to provide support. The primary considerations include; financial strength of the key shareholders, the long track record of the Company, the historical profitability performance and dividend pay-out & retention policy. The assigned level indicates an adequate financial and operational support by the shareholders.

Stand Alone rating of the Company, reflecting its ability to service its obligations and commitments without resorting to external support is affirmed as **"B"**, based on Çağdaş Faktoring's resilient cash flows, internal resource generation capacity, reasonable interest margin and funding structure.

4. Company Profile

a) History & Activities

Çağdaş Faktoring's history dates back to 1994 making the Company one of the oldest factoring companies in the Sector.

The Company provides recourse financing of invoiced/documented receivables stemming from domestic sales or services. Even though the majority of the Company's business is generated in Istanbul as per the intensity of the economy, its branch network is covering large cities of Turkey.

The senior management actively works to diversify the loan base across the various operational branches so as to limit geographical exposure.

b) Organization & Employees

As of YE2018, Çağdaş operated with 13 offices. The main base of operations is Istanbul, with 5 offices, followed by Ankara (2) and other prominent cities. The Company has 150 employees.

Çağdaş Faktoring is managed with a functional management comprising 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.

The Board of Directors of Çağdaş Faktoring comprises 5 members, one of which is independent. The Company's general manager is a member as well, while the largest shareholder Dikran GÜLMEZGİL chairs the Board.

c) Shareholders, Subsidiaries & Affiliates

Çağdaş Factoring is owned by Gülmezgil Family. The paid-in capital of Çağdaş Faktoring has been increased to TRY 50mn, exceeding the newly mandated threshold of TRY 30mn from TRY 20mn. The Company did not have any subsidiaries or affiliates as of FYE2018. The details of the shareholding structure are displayed in the table below.

Çağdaş Faktoring A.Ş.	Share %	
Shareholding Structure	2018	2017
Dikran GÜLMEZGİL	69	59
Melissa GÜLMEZGİL BAĞ	29.9	29.9
Alen BAĞ	1	1
Other	0.1	0.1
Total	**100**	**100**
Paid Capital (TRY 000)	**50,000**	**40,000**

d) Corporate Governance

The Banking Regulation and Supervision Agency (BRSA) is the main regulatory body of the factoring sector in Turkey. Under BRSA regulations factoring companies are expected to approach a certain level of standard in transparency, accountability and corporate governance structure. Çağdaş Faktoring is not listed on the Borsa Istanbul and therefore is not subject to Capital Market Board requirements but since it is a bond issuer, certain requirements are in place for the Company to comply with. The Company prepares its financial statements in line with the standards pointed out by the BRSA.

The target of BRSA regulations are to maintain principles and procedures concerning the running of the factoring market. Çağdaş Faktoring's financial records and governance practices are aligned with the international standards and are audited by independent entities and the results are publicly disclosed.

Internal Audit and Corporate Governance Committees are formed under the Board of Directors. Both senior management and board members have sufficient and appropriate professional and managerial experience depending on their position.

Çağdaş Faktoring has a compliance unit and a separate internal control department to ensure effective risk management. Executive departments are also responsible to consider related risk with their responsibility areas and they established a certain level of interaction to adopt company-wide risk management applications.

Information technology systems are built and running to make daily factoring operations and are consistent with the size of the business, activities and level of complexity.

Information security exercises are in place to ensure the secure storage of company and customer data.

The Company has an active Investor Relations department which is ready to inform the actual and potential investors on demand. All disclosed documents of Çağdaş Faktoring are available on the website of Central Securities Depository of Turkey (MKK).

e) The Company Strategies

Çağdaş Faktoring's business model comprises providing dispersing the underwriting portfolio to a large customer base with higher than average margins. So as to maintain asset quality, Çağdaş focuses on rapid processing of market intelligence and exploiting its wide-spread customer and cheque originator database. 13 branches operating in Turkey supports the Company operationally to this end.

In order to achieve its return and growth objectives, Çağdaş Faktoring has established risk monitoring, market intelligence procedures. The Company's main policy is to maximize risk adjusted return and minimize operational cost per revenue.

As for financing of the balance sheet, the Company uses a mix of spot & revolving bank loans, funds from other factoring companies and bill & bond issuances from capital markets.

5. Sector Overview & Operational Environment

As of FYE2018, the total asset size and equity of the Turkish Factoring Sector amounted to TRY 34.6bn (USD 6.5bn) and TRY 6.77bn (USD 1.28bn) respectively. There has been a shrinkage in asset size by %20.83 in TRY and % 43.45% in USD. Containing 59 companies of various sizes, turn-over in the sector recorded decrease of 17.13% in comparison to the previous year and realized a value of TRY 35.2bn. The number of companies decreased from 61 to 59.

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 domestic and overseas. The sector maintained its efforts in the fields of corporate institutionalization and the extension of branch network and customer base throughout FY2017. 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.

The realization of manufacturing activities primarily by SMEs is the most fundamental reason underlying the dynamism of the demand for factoring services. When the distribution of factoring services turn-over across different sectors is examined, it's observed that the manufacturing sector occupies the leading position with a share of 58.41% in 2016, 47.59% in 2017 and 60.86% in 2018. The services sector, on the other hand, reached a share of 32.86% in 2016, 42.00% in 2017 and 33.51% in 2018. The significant rises in the activities of retail trade and motor vehicle services are the major contributors to the increase in the share of services sector. Although the construction sector still holds an important place in the services sector, the decrease in its share compared to 2017 also led to a decrease in the share of the services sector.

Turnover (000/TRY) Sectoral Break-Down				
Faktoring Sector	**2015**	**2016**	**2017**	**2018**
Manufacturing	15,334,465	21,419,970	20,235,112	21,446,629
Services	11,476,551	12,050,371	17,859,298	11,808,461
Agriculture	478,855	519,672	580,040	419,757
Financial Intermediation	1,058,808	1,103,661	1,835,966	1,026,003
Others	926,353	1,579,590	2,010,045	537,546
Total	**29,275,032**	**36,673,264**	**42,520,461**	**35,238,396**
Turnover Sectoral Distribution %				
Faktoring Sector	**2015**	**2016**	**2017**	**2018**
Manufacturing	52.38%	58.41%	47.59%	60.86%
Services	39.20%	32.86%	42.00%	33.51%

Agriculture	1.64%	1.42%	1.36%	1.19%
Financial Intermediation	3.62%	3.01%	4.32%	2.91%
Others	3.16%	4.31%	4.73%	1.53%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

The nuclear fuel, petroleum, coal products industry is ranked first under the wider manufacturing sector, followed by extraction of energy generation mines, transportation activities and textiles and textile products industry while the wholesale and retail motor vehicles service sector are ranked first among the wider services sector followed by the construction sector.

Non-performing receivables, collection difficulties, rapid credit contraction of the banking sector and rising funding costs have forced the factoring sector throughout 2018. We anticipate that the sector's growth trend will be limited throughout 2019 with respect to both the number of customers and transaction volume.

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 NPR 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, standardisation, and transparency of financial reporting, and the provision of competition equality. With regards to the sector's effectiveness and standardisation, 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 is on an increasingly upward trend.

Based on overall size, the Turkish Factoring Sector is ranked 13th on a global scale and 8th in Europe. In the field of export factoring, it is ranked 2nd globally behind China. Factoring companies which operate in an environment characterised by intense levels of competition have high levels of entry and while displaying high turn-over rates in their shareholder structure and management teams.

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

	2018	2017	2016	2015	2014	2013	2012
Asset Size-TL	34,608	43,712	33,080	26,716	26,515	21,790	18,146
Asset Size-USD	6,553	11,589	9,400	9,155	11,395	10,228	10,208
Equity-TL	6,770	5,781	5,082	4,627	4,442	4,015	3,856
P/L-TL	1,306	929	652	395	616	495	581

ROAA %	4.37	3	2.78	1.86	3.12	2.97	4.5
ROAE %	27.29	21.23	17.1	10.94	17.82	15.08	21
NPL Ratio%	6.26	3.47	4.62	5.49	4.83	4.7	4.69
Equity / T. Sources	19.56	13.23	15.36	17.32	16.75	18.42	21.25

The factoring sector has a relatively low free float rate and occupies a rather small share in the general finance sector. Location wise, 58 factoring companies are based in Istanbul and 1 in Ankara.

Taking into consideration the fact that the funds supplied by the factoring companies are largely provided by bank-subsidiary factoring firms or those that contain banks within their groups, it becomes difficult for non-bank subsidiary factoring companies and the sector to carry out their intermediary function.

As of FYE2018, the total asset size of factoring companies was TRY 34.60bn along with an equity size of TRY 6.77bn. In its 29-year 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. In addition, there has been a shrinkage by %20.83 in 2018. The factoring sector exhibited a cumulative growth rate of 552.99% in the 2006-2018 period. The growth rate in the last year was -20.83%.

Factoring receivables occupy the highest share among sector's assets with a rate of 91.82% while loans occupy the highest share among resources at 66.60%. 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. However, bond issuances slowed down starting in FY2008 but began to gather momentum as an aggregate sum in FY2012 before somewhat declining in 2016 and re-entering a phase of growth in FY2017. In FY2018, there have been macro-level difficulties in bond issuance. As of FY2018, issued bonds comprised 10.14% of total resources. The share of equity among total resources stands at 19.56% while its share among total resources is increasing in FY2018. The practice of standard ratio was adopted across factoring companies with the new regulations and the rules brought into place dictated that the ratio of equity to the total assets of factoring companies should not fall below 3%.

Risk concentration is principally focused on the manufacturing sector with a rate of 60.86% with a pre-dominance of the nuclear fuel, petroleum products, coal industry, extraction of energy generation mines, transport vehicles and textile and textile products. The highest level of concentration among the wider services industry is observed in the sectors of wholesale and retail trade, motor vehicles services, construction, transportation, warehousing, and communication.

NPL ratios are reflected on the sector's balance sheets and declined from 5.49% in FY2015 to 4.62% and 3.47% in 2016 and 2017, respectively. On the other hand, the sector's NPL ratio increased to 6.26% in FY2018. However, it is widely known that there are impaired receivables in the market which are not yet treated on the sector's balance sheets as non-performing. The ratio of impaired receivables across the sector to its equity reached 30.97%. The level of provisioning for non-performing receivables was 87.85% in 2017 decreased to 82.47% in 2018. The current rigidity of non-performing receivables experienced a comparative increase in line with the economic strains throughout FY2018.

The performance of the factoring sector has maintained a faster upward acceleration in comparison to the banking sector since FY2016. The ratios of **"ROA** (avg.)**"** and **"ROE** (avg.)**"** were 1.85% and 16.94% respectively in the banking sector whilst the same ratios in the factoring sector were 4.37% and 27.29%, respectively. When the ratio of equity to total assets is taken into consideration, the factoring sector has a higher level of equity. The **"Equity/Total Assets"** ratio stood at 19.56% in 2018 whilst the same ratio for the banking sector was 10.88%. Similarly, the special provisioning ratios for the impaired receivables across the factoring sector rose to a level above that of the banking sector since FY2012. On the other hand, in 2018, due to IFRS 9 regulations, the amount of special provisions for impaired receivables in banking sector exceeded the one of factoring sector.

The privileged position of bank-originated factoring companies in areas such as competition, access to funding, scale of service provision, and alternative distribution channels generate competitive distortions with other factoring companies. The return rates on loans and assets across the sector recorded a significant increase throughout 2018. As the increase in the cost of interest-bearing resources could be compensated by the increase in asset returns, the break-even point in terms of interest displayed a significant change in comparison to the previous year and was balanced at the level of 18.51%. Most importantly, net profit margins underwent a rapid rise from the level of 2.01% to 3.06%.

ASSET RETURN	2018	2017
Loans Interest Yield	21.70%	12.56%
Return the Commission	1.37%	1.74%
FX Return or cost	0.50%	-0.25%
Return or the cost of other operations	1.74%	1.63%
Loans Total Return	25.32%	15.69%
Cost of Non-Earning Asset	-0.83%	-0.59%
Asset Return	24.49%	15.09%

COST OF LIABILITIES	2018	2017
İnterest Cost for Cost Bearing resources	17.25%	8.44%
Cost of the Commission for Cost Bearing Resources	0.00%	0.00%
Return on Non-cost Bearing resources	-1.72%	-0.19%
Cost of Liabilities	15.53%	8.25%

NET PROFIT MARGIN	2018	2017
Interest and Commission Margin	8.95%	6.85%
The cost of provisioning expenses	-1.85%	-0.80%
The cost of Activities Expenses	-4.05%	-3.70%
Net Profit Margin	3.06%	2.35%

	2018	2017
Break-even point in Terms of Interest	18.51%	10.11%
Break-even point in Terms of Loan size-TL	32,359	11,660

The growth of the factoring sector throughout FY2019 will be dependent on specially awaited new legal regulations, the contribution of technological infrastructure works, improvement in supplier finance, and success in the fields of export factoring works in addition to 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.

"The supply chain finance" method developed by the sector will support the trade cycle and increase the transaction volume of the factoring sector throughout 2018. This method will enable all financial institutions, purchasers, and suppliers to meet in the same electronic platform to be established within the Financial Institutions Union and suppliers will be able to finance transactions based on the credibility of the sides to which sales were undertaken without the need to wait for the maturity set by financial institutions.

6. Financial Foundation

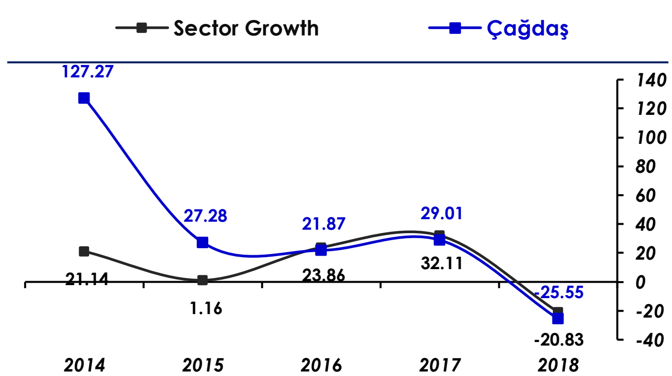
a) Financial Indicators & Performance

i. Indices relating to size

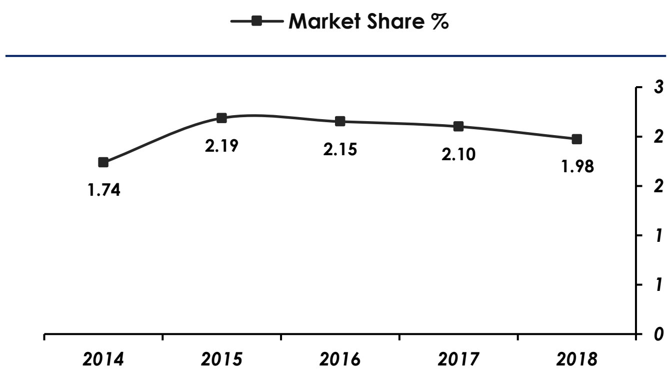
Factoring sector in Turkey is mostly dominated by the bank-owned factoring companies with respect to assets. These firms typically operate with tighter margins and higher leverage, due to easier access to financing through their parents. On the other hand, the market is highly fragmented in addition to being skewed. Despite of BRSA mandated minimum capital requirement of previously TRY 20mn and currently TRY 30mn, the market is still fragmented.

Following August 2018, Turkey has entered a state of economic downturn with resulted in higher interest rates, inflation, unemployment and lower economic confidence and spending. As a result, several factoring companies reduced the scope of their operations, while other opted to increase lending with much higher rates.

In 2018, Çağdaş's asset declined by 25.55%, reducing the CAGR to 27.63% between 2018-2013 year-ends. This compares with a decline of 20.83% and 9.68% CAGR of the Sector for the same periods. As a result, Çağdaş's market share (by asset size) slightly declined below 2% threshold for the first time after exceeding the level for the last 3 years.



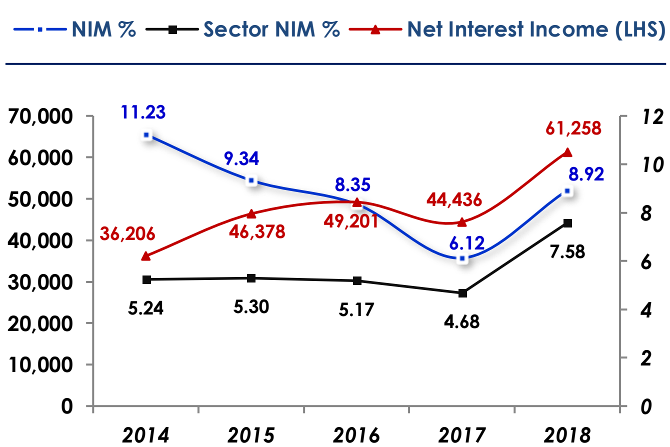
The firm's annual turnover reached TRY 2.199mn as of YE2018. Since the Company works with a large and granular customer portfolio average loans underwritten per customer is low, typically around TR 35K on average, per transaction.



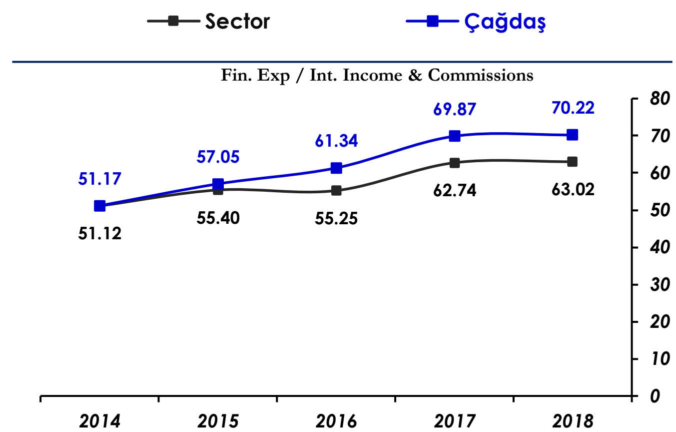
ii. Indices relating to profitability

The interest rates in the sector and system has increased considerably following the currency shock. While the rates have since then stabilised and are expected to maintain their current level through 2019, potentially declining in the last quarter if CBRT reduces the policy rate. As a result of the high interest rate environment, Çağdaş Faktoring's net interest margin, and that of the Sector, increased significantly.

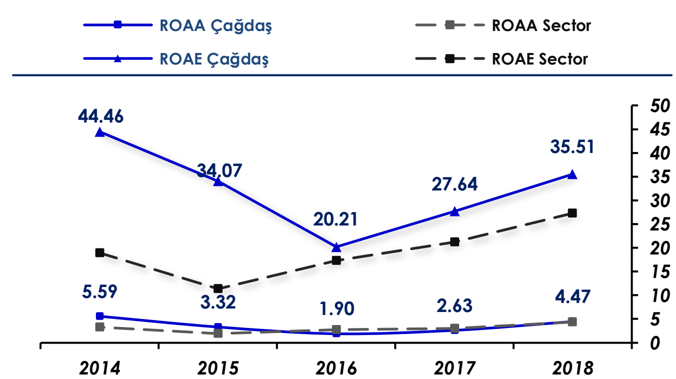
Our NIM calculation excludes revenues reported as commissions and focuses solely on interest income received and interest expenses incurred for comparison across the Sector. In 2018, Çağdaş reported TRY 12.85mn net commission revenues, supporting profitability (YE2017: TRY 8.60mn).



Çağdaş Faktoring maintains its ample NIM compared to the Sector average and the operating environment/competitive structure of the sector. Due to rapid increase in the interest rates and rising interest rate environment in Turkey, factoring companies charged much higher rates than historical rates.

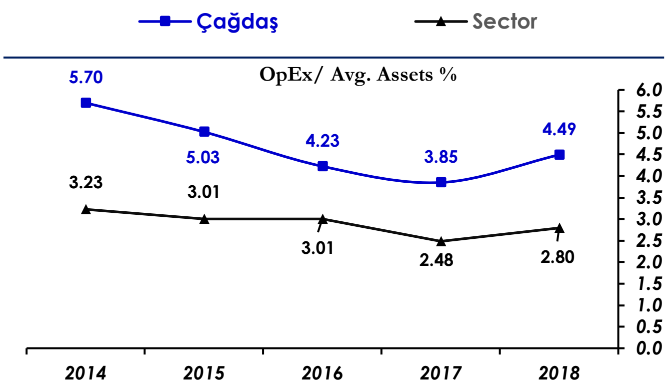


As an extension of the larger margin, financial expenses to interest and commission income is efficient, realizing levels comparing better to the Sector average. Considering the challenging operating environment, asset quality pressure is a major concern for all companies in the Sector. In this regard, while margins are increasing, risk adjusted cost might increase throughout 2019.



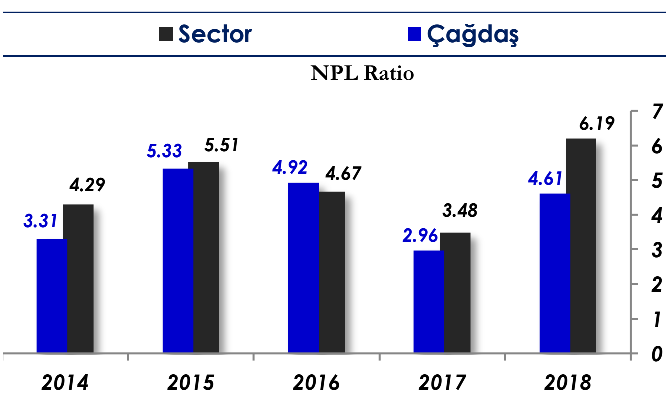
Operating expenses to average assets are used asses the operational efficiency and economies of scale. Given the fixed costs stemming from maintaining IT security, central intelligence and financial analysis capabilities and IT infrastructure to rapidly serve customer base in the competitive Sector, achieving economies of scale is important.

Since the Sector Opex to Assets ratio is skewed by bank-owned companies, Çağdaş had relatively higher operating expenses to average assets, stemming from its 13 branches and low ticket-size transactions. Given the business model of the Company, we do not expect notable improvement in this efficiency metric, however Çağdaş's ample NIM should balance the additional expenses its business model.



b) Asset quality

Çağdaş Faktoring has established underwriting policies and limits per borrowers, revised as TRY 750K per originator and borrowers, barring few exceptions. Owing to high circulation of the receivables and small ticket size of average loans ~ TRY 35K, the max exposure to single part is managed dynamically. Given TRY 2.3 billion turnover in 2018, the additional impairment of TRY 12.90mn in the same period is low, pointing out to strong asset quality, considering the sizable FX shock and subsequent deterioration of debt service capacity.



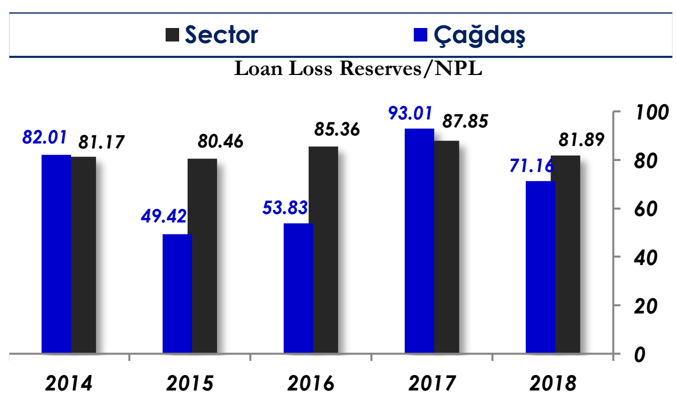
Coverage of impaired loans with loss reserves is more aggressive compared to the Sector average. The management actively monitors the asset quality of the loan portfolio and estimates the potential NPLs. The average collection term of approx. 110 days, results in rapid adjustment of the loan portfolio.

We focus on the concentration levels for the borrowers of the firm as an additional indicator of asset quality. The firm has a granular loan portfolio, with the vast majority of the receivables and cheques received distributed to a large of base originators.

Range (TRY 000)	# Cheques/Bills	Risk (TRY 000)
0-50	13,889	284,946.30
50-100	1,896	136,855.60
100-250	643	94,725.70
250-500	49	17,094.83
500-1.000	23	13,531.58
Total	**16,500**	**547,154.00**

Range (TRY 000)	# of Borrowers	Risk (TRY 000)
0-250	3,162	191,445
250-500	290	93,317
500-1.000	113	72,516
1.000-3.000	69	109,865
3.000-6.000	10	38,153
6.000 +	4	41,858
Total	**3,648**	**547,154**

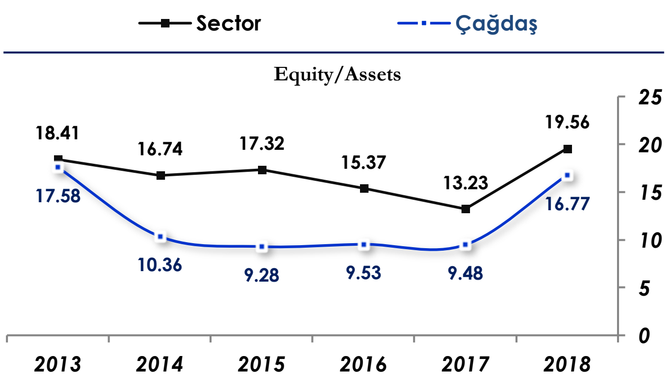
The distribution of the loans and collaterals received from a large originator base reduces the single-party credit risk. While there are few firms with large loan amounts, Çağdaş monitors them closely and has a long history with these customers allowing the Company to gain access to critical information.



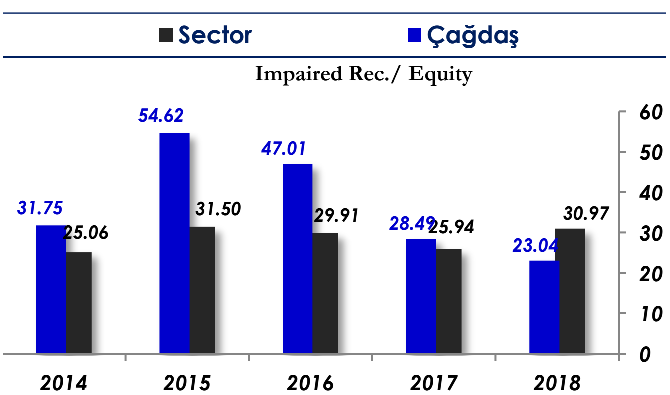
We note the firm has more tangible than most of the peers, stemming from a property to be used as the new head office and the be leased to third parties to generate additional revenue. IN addition to the new head office, the Company is in possession of an investment property in the tourism region of Antalya. The latter is expected to be cashed out as the market conditions improve. The resources tied to the tangible properties result in an opportunity cost as in relatively lower funds to provide loans to customers, potentially undermining profitability.

c) Funding & Adequacy of Capital

As mentioned previously, the Sector's core metrics such as leverage are skewed due to high overall leverage use of bank-owned factoring companies with greater access to borrowing sources. Nevertheless, the Sector on average is leveraged with limited exceptions, with short borrowing shaping the term structure. However, due to the currency shock and subsequent contraction in economic activity and lending in the Sector, most of the firms have deleveraged considerably. Çağdaş Faktoring's balance sheet likewise declined comparably with the Sector, reducing the leverage.



As a result of deleveraging, equity coverage of the impaired loans was better compared to the Sector average, stemming from lower leverage and written-off impaired loan balance.



During times of expansion, the Company has active efforts to diversify its funding base. In Turkey factoring market, most of the companies predominantly draw funds from retail banks with cheque covered facilities. Parallel to the Sector dynamics, Çağdaş has access to funds of several bank lines. The firm uses bank lines, Takasbank financing, accessible to all factoring in the Sector, and taps into capital markets to use longer term financing.

7. Risk Profile and Management

a) Risk Management Organization & its Function – General Information

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.

The Company operates under the strict regulations of the BRSA along with its effective internal control system, auditing, and risk management activities. Additionally, Company operations are audited periodically by Independent auditing firms.

b) Credit Risk

Çağdaş Faktoring employs a comprehensive underwriting policy that includes interest coverage and debt service analysis of clients, review of factoring documents and cross check of cheque originators and trade accounts.

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. The Company has weekly convening Credit Underwriting Committee to oversee revisions and line allocations. Additionally, the new software implemented in 2019 allows the executives to track and analyse the borrowers' credit information on-line, allowing faster decisions with an accessible track record.

Çağdaş Faktoring's business strategy comprises diversifying the underwriting to a widespread base of borrowers following rapid analysis and utilization of the market intelligence network provided by the said customer base and branch network. As a result, the Company is has quite low single-party credit risk exposure. However, due to relatively higher riskiness of the portfolio, Çağdaş utilizes daily monitoring of loan and cheque/bill portfolio to capture early warning signs.

Given the constrained outlook in the market, we note that the inherent riskiness of the Sector and existing issues in the market could surface and result in an increase in the impaired receivables.

As of 2018, Çağdaş had a customer count of in the neighbourhood of 3,500, declining from approx. 4,500 due to deliberate slowing of the underwriting activities. The concentration level per sector is dynamic and reflects the market conditions.

c) Market Risk

Within the scope of market risk, interest rate and foreign currency risks are examined. As the local currency is the virtually the only currency the Company performs its business, the FX exposure is non-existent, save for an immaterial amount held in cash balance.

While the direct FX exposure is null, indirect exposure stemming from the short FX position of the borrowers and the impact of sharp depreciation of LCY on the debt service performance is a potential impact weighing on the credit risk.

The Company's borrowings from the money markets and banks along with factoring operations engender interest risk. Çağdaş Faktoring's bank borrowings are mainly in fixed rates with set maturities. On the other hand, the bond/bill issuances carry float rates.

d) Liquidity Risk

Average maturity profile of the underwritten loans are typically shorter than the borrowings, giving the Company a positive liquidity.

Additionally, the Company closely monitors the liquidity position on a daily basis and models the cash requirements. In order to effectively manage daily liquidity requirements, The Company maintains credit lines from various banks and draws funds from capital markets. Additionally, the self-liquidating nature of the factoring receivables provides considerable liquidity capabilities.

e) Operational, Legal Regulatory & Other Risks

Primary operational risk factors mainly arise from the transactions prior to the loan underwriting and due diligence & document collection processes. So as to minimize the human errors and potential risk exposures, the Company has invested in automation and decision support software. The new module installed in 2019 supports the underwriting decisions and reduces the time taken to evaluate prospective clients.

Emergency policies and back-up systems are in place in the company to ensure physical security and crisis management. Systems are designed to minimize the risk that arises from human based errors. The operational risks are mitigated through the detective and preventive controls conducted by internal control unit of the Company.

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

8. Budget & Debt Issue

Çağdaş Faktoring has an outstanding bill issuance of TRY 11mn, maturing on April 9, 2019. Throughout 2018, the firm had other bill & bond issuances with various maturities. The Company plans to diversify the funding base via additional issuances depending on the market conditions in 2019.

No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been 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 collateralisation. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments. Therefore, the rating assigned for the TRY dominated bond issuance is assigned as the same as the Company's Long and Short Term National Local Ratings which are **'A (Trk)'** and **'A-1'**.

TRY (000)	2019
Banks, Cash and Equ.	**549**
Factoring Receivables	**680,188**
Net Impaired Loans	**2,085**
-Impaired Loans	37,991
-Provisions for NPL	35,906
Other Assets	**139,780**
Total Assets	**822,602**
Bank Loans	**267,287**
Factoring Borrowings	**375,290**
Issued Debt Instruments	**21,000**
Other Liabilities	**18,871**
Equity	**140,154**
-Paid-In Capital	60,000
-Net Income	24,364
-Others	55,790
Total Liabilities	**822,602**
Pre-tax Profit	**27,795**
Annual Asset Growth (%)	**-10.43**
Equity/Total Asset (%)	**17.04**
ROAA – Pre-tax (%)	**3.93**
ROAE – Pre-tax (%)	**30.08**
NPL (%)	**5.29**

Following a contraction of assets Sector-wide in 2018, a relatively flat trend is expected in 2019 given the slow recovery in corporates and high interest rates. CBRT might start reducing the rates towards the end of 2019, potentially increasing the accessibility of external financing for corporates.

TRY (000)	Forecast 2019
Total Income	**264,529**
Factoring Income	257,835
Other	6,694
Total Expenses	**230,362**
Financing Costs	167,701
Salary & Wages	31,848
Other	-5,833
SG&A	9,550
Provisions	17,293
Pre-Tax Income	**34,167**
Corporate Tax	9,803
Net Income	**24,364**

ÇAĞDAŞ FAKTORING A.Ş. BALANCE SHEET - ASSET TRY (000)	(Year end) 2018 USD (Converted)	(Year end) 2018 TRY (Original)	2018 TRY (Average)	(Year end) 2017 TRY (Original)	2017 TRY (Average)	(Year end) 2016 TRY (Original)	2016 TRY (Average)	(Year end) 2015 TRY (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	2018 Growth Rate	2017 Growth Rate	2016 Growth Rate
A-TOTAL EARNING ASSETS (I+II+III)	**105,534**	**555,206**	**686,532**	**817,858**	**725,794**	**633,730**	**589,230**	**544,729**	**81.20**	**89.06**	**89.03**	**-32.11**	**29.05**	**16.34**
I- LOANS AND RECEIVABLES (net)	**105,452**	**554,775**	**684,394**	**814,012**	**722,757**	**631,501**	**586,090**	**540,678**	**81.14**	**88.64**	**88.71**	**-31.85**	**28.90**	**16.80**
a) Factoring Receivables	104,004	547,154	679,716	812,277	714,530	616,782	571,239	525,695	80.02	88.45	86.64	-32.64	31.70	17.33
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	5,023	26,425	25,615	24,805	28,344	31,883	30,753	29,622	3.86	2.70	4.48	6.53	-22.20	7.63
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 (-)	-3,574	-18,804	-20,937	-23,070	-20,117	-17,164	-15,902	-14,639	-2.75	-2.51	-2.41	-18.49	34.41	17.25
II-BANKS AND OTHER EARNING ASSETS	**82**	**431**	**2,139**	**3,846**	**3,038**	**2,229**	**3,140**	**4,051**	**0.06**	**0.42**	**0.31**	**-88.79**	**72.54**	**-44.98**
a) Banks	82	431	2,139	3,846	3,038	2,229	3,140	4,051	0.06	0.42	0.31	-88.79	72.54	-44.98
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	**24,435**	**128,552**	**114,528**	**100,503**	**89,314**	**78,124**	**58,753**	**39,381**	**18.80**	**10.94**	**10.97**	**27.91**	**28.65**	**98.38**
a) Cash and Cash Equivalents	1	6	4	2	2	2	1	0	0.00	0.00	0.00	200.00	0.00	n.a
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)	1,578	8,301	7,135	5,969	10,316	14,662	7,331	0	1.21	0.65	2.06	39.07	-59.29	n.a
d) Other	22,856	120,245	107,389	94,532	78,996	63,460	51,421	39,381	17.59	10.29	8.91	27.20	48.96	61.14
- Intangible Assets	3	18	119	219	269	318	227	136	0.00	0.02	0.04	-91.78	-31.13	133.82
- Property and Equipment	18,992	99,916	87,813	75,710	58,834	41,957	37,015	32,073	14.61	8.24	5.89	31.97	80.45	30.82
- Deferred Tax	0	0	0	0	182	363	318	273	n.a	n.a	0.05	n.a	-100.00	32.97
- Other	3,861	20,311	19,457	18,603	19,713	20,822	13,861	6,899	2.97	2.03	2.93	9.18	-10.66	201.81
TOTAL ASSETS	**129,970**	**683,758**	**801,060**	**918,361**	**815,108**	**711,854**	**647,982**	**584,110**	**100.00**	**100.00**	**100.00**	**-25.55**	**29.01**	**21.87**

ÇAĞDAŞ FAKTORING A.Ş. BALANCE SHEET- LIABILITIES+EQUITY TRY (000)	(Year end) 2018 USD (Converted)	(Year end) 2018 TRY (Original)	2018 TRY (Average)	(Year end) 2017 TRY (Original)	2017 TRY (Average)	(Year end) 2016 TRY (Original)	2016 TRY (Average)	(Year end) 2015 TRY (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	2018 Growth Rate	2017 Growth Rate	2016 Growth Rate
C- COST BEARING RESOURCES (I+II)	**106,521**	**560,398**	**692,890**	**825,382**	**727,086**	**628,790**	**577,901**	**527,012**	**81.96**	**89.88**	**88.33**	**-32.10**	**31.27**	**19.31**
I-PAYABLES	**66,229**	**348,425**	**449,746**	**551,066**	**475,810**	**400,554**	**335,855**	**271,155**	**50.96**	**60.01**	**56.27**	**-36.77**	**37.58**	**47.72**
a) Factoring Payables	66,229	348,425	449,746	551,066	475,810	400,554	335,855	271,155	50.96	60.01	56.27	-36.77	37.58	47.72
b) Lease Payables	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Other	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
II-BORROWING FUNDING LOANS & OTHER	**40,292**	**211,973**	**243,145**	**274,316**	**251,276**	**228,236**	**242,047**	**255,857**	**31.00**	**29.87**	**32.06**	**-22.73**	**20.19**	**-10.80**
a) Fund Borrowed-Short Term	36,118	190,013	209,774	229,534	196,830	164,126	176,566	189,006	27.79	24.99	23.06	-17.22	39.85	-13.16
b) Fund Borrowed-Long Term	0	0	0	0	0	0	8,115	16,230	n.a	n.a	n.a	n.a	n.a	-100.00
c) Marketable Securities For Issued (net)	4,174	21,960	33,371	44,782	54,446	64,110	57,366	50,621	3.21	4.88	9.01	-50.96	-30.15	26.65
d) Securities Sold Under Repurchase Agreements	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
D- NON COST BEARING RESOURCES	**1,651**	**8,684**	**7,305**	**5,925**	**10,583**	**15,241**	**9,054**	**2,867**	**1.27**	**0.65**	**2.14**	**46.57**	**-61.12**	**431.60**
a) Provisions	422	2,220	1,690	1,160	1,126	1,092	972	851	0.32	0.13	0.15	91.38	6.23	28.32
b) Current & Deferred Tax Liabilities	1,097	5,772	4,982	4,192	2,931	1,670	1,520	1,369	0.84	0.46	0.23	37.69	151.02	21.99
c) Trading Liabilities (Derivatives)	132	692	346	0	0	0	0	0	0.10	n.a	n.a	n.a	n.a	n.a
d) Other Liabilities	0	0	287	573	6,526	12,479	6,563	647	n.a	0.06	1.75	-100.00	-95.41	1,828.75
E- TOTAL LIABILITIES	**108,172**	**569,082**	**700,195**	**831,307**	**737,669**	**644,031**	**586,955**	**529,879**	**83.23**	**90.52**	**90.47**	**-31.54**	**29.08**	**21.54**
F- MINORITY INTEREST	**0**		**0**		0		**0**		**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
F- EQUITY	**21,798**	**114,676**	**100,865**	**87,054**	**77,439**	**67,823**	**61,027**	**54,231**	**16.77**	**9.48**	**9.53**	**31.73**	**28.35**	**25.06**
a) Prior Year's Equity	16,547	87,054	77,439	67,823	61,027	54,231	50,881	47,531	12.73	7.39	7.62	28.35	25.06	14.10
b) Equity (Internal & external resources added during the year)	-51	-268	958	2,184	1,535	886	-2,920	-6,726	-0.04	0.24	0.12	-112.27	146.50	-113.17
c) Minority Interest	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Profit & Loss	5,301	27,890	22,469	17,047	14,877	12,706	13,066	13,426	4.08	1.86	1.78	63.61	34.16	-5.36
TOTAL LIABILITY+EQUITY	**129,970**	**683,758**	**801,060**	**918,361**	**815,108**	**711,854**	**647,982**	**584,110**	**100.00**	**100.00**	**100.00**	**-25.55**	**29.01**	**21.87**
USD 1 = TRY		**5.2609**		**3.8104**		**3.5318**		**2.9076**						

ÇAĞDAŞ FAKTORİNG A.Ş. INCOME STATEMENT TRY (000)	2018	2017	2016
Net Interest Income	**61,258**	**44,436**	**49,201**
A) Interest income	236,036	167,409	138,075
a) Factoring Interest Income	236,036	167,409	138,075
b) Financing Loans Interest Income	0	0	0
c) Lease Income	0	0	0
d) Banks	0	0	0
B) Financial Expense	174,778	122,973	88,874
Net Fee and Commission Income	**12,854**	**8,601**	**6,814**
a) Fee and Commission Income	12,854	8,601	6,814
b) Fee and Commission Expense	0	0	0
Total Operating Income	**10,599**	**10,539**	**3,093**
Interest Income from Other Operating Field	0	125	167
Foreign Exchange Gain or Loss (net) (+/-)	1,602	997	544
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	8,997	9,417	2,382
Taxes other than Income Tax	0	0	0
Dividend	0	0	0
Provisions	**12,901**	**10,794**	**19,393**
Provision for Impairment of Loan and Trade Receivables	12,901	10,794	19,393
Other Provision	0	0	0
Total Operating Expense	**35,994**	**31,379**	**27,384**
Salaries and Employee Benefits	23,554	21,426	18,101
Depreciation and Amortization	0	0	0
Other Expenses	12,440	9,953	9,283
Profit from Operating Activities before Income Tax	**35,816**	**21,403**	**12,331**
Income Tax – Current	7,926	4,356	-375
Income Tax – Deferred	0	0	0
Net Profit for the Period	**27,890**	**17,047**	**12,706**

Total Income	**84,711.00**	**63,576.00**	**59,108.00**
Total Expense	**35,994.00**	**31,379.00**	**27,384.00**
Provision	**12,901.00**	**10,794.00**	**19,393.00**
Pretax Profit	**35,816.00**	**21,403.00**	**12,331.00**

ÇAĞDAŞ FAKTORING A.Ş. FINANCIAL RATIO %	2018	2017	2016
I. PROFITABILITY & PERFORMANCE			
1. ROA - Pretax Profit / Total Assets (avg.)	4.47	2.63	1.90
2. ROE - Pretax Profit / Equity (avg.)	35.51	27.64	20.21
3. Total Income / Equity (avg.)	83.98	82.10	96.86
4. Total income / Total Assets (avg.)	10.57	7.80	9.12
5. Provisions / Total Income	15.23	16.98	32.81
6. Total Expense / Total Resources (avg.)	5.14	4.25	4.67
7. Net Profit for the Period / Total Assets (avg.)	3.48	2.09	1.96
8. Total Income / Total Expenses	235.35	202.61	215.85
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	-0.76	-0.82	0.69
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	-17.53	-10.30	-8.83
11. Total Operating Expenses / Total Income	42.49	49.36	46.33
12. Interest Margin	8.92	6.12	8.35
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	26.29	17.71	15.62
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	208.79	186.44	165.84
15. Interest Coverage – EBIT / Interest Expenses	120.49	117.40	113.87
16. Net Profit Margin	32.92	26.81	21.50
17. Gross Profit Margin	42.28	33.67	20.86
18. Market Share	1.98	2.10	2.15
19. Growth Rate	-25.55	29.01	21.87
II. CAPITAL ADEQUACY (year end)			
1. Equity Generation / Prior Year's Equity	-0.31	3.22	1.63
2. Internal Equity Generation / Previous Year's Equity	32.04	25.13	23.43
3. Equity / Total Assets (Standard Ratio)	16.77	9.48	9.53
4. Equity / Total Liabilities	20.15	10.47	10.53
5. Free Equity / Total Receivables Ratio	2.66	1.37	4.05
6. Tangible Assets / Total Assets	14.61	8.24	5.89
7. Intangible Assets / Total Assets	0.00	0.02	0.04
8. Equity / Total Guarantees and Commitments + Equity	100.00%	7.91%	10.31%
III. LIQUIDITY (year end)			
1. Liquid Assets + Marketable Securities / Total Assets	0.06	0.42	0.31
2. Liquid Assets + Marketable Securities / Total Liabilities	0.08	0.46	0.35
3. Short Term Borrowings / Total Assets	78.75	85.00	79.33
4. Net Interest and Commission / Total Assets	10.84	5.78	7.87
5. Liquid Assets + Marketable Securities / Equity	0.38	4.42	3.29
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	3.28	2.76	2.65
2. Total Provisions / Profit Before Provision and Tax	26.48	33.52	61.13
3. Impaired Receivables / Gross Receivables	4.61	2.96	4.92
4. Impaired Receivables / Equity	23.04	28.49	47.01
5. Loss Reserves for Receivables / Impaired Receivables	71.16	93.01	53.83
6. Collaterals / Total Receivables	2,036.41	1,017.56	831.96
7. Total FX Position / Total Assets	0.00	0.00	0.00
8. Total FX Position / Equity	0.00	0.00	0.00