

PRESS RELEASE

Istanbul – April 6, 2015

JCR Eurasia Rating

has revised the credit ratings of “**Çağdaş Faktoring A.Ş.**” and ‘**Cash Flows on Prospective Bond Issue**’ and upgraded its rating to “**A- (Trk)/Stable**” on the Long Term National Local Scale and affirmed its rating 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 on Prospective Bond Issue**’ and upgraded its Long Term National rating to “**A- (Trk)/Stable**”. Other grades and details of the ratings are given 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)
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)
Sponsor Support	:	2
Stand Alone	:	B

The factoring sector continues to entail a significant future growth potential taking into account low levels of domestic penetration along with the increase in the extent of effectiveness by supervisory and regulatory authorities and the increased representational powers and effectiveness of the “Financial Institutions Union” which brings together all factoring, leasing, consumer financing companies constituted by legal obligations put in place at FYE2012. Furthermore, the new Takasbank Money Market (TMM) Procedure which will be coming into force on 10 April 2015 enabling Leasing, Factoring and Financing Companies to join the membership of Takasbank Money Markets (TMM) is estimated to provide factoring companies with alternative models of funding and improve systemic support levels in the subsequent period. On the other hand, the intensely competitive operating environment that prevails throughout the sector, necessitates tailor made solutions for customers, rapid conclusion of business procedures and sustainable growth, whilst rising transactional volume and pressure requires emphasis on effective risk management procedures. The possibility of damage to the balance sheets and liquidity flows in line with the economic and political volatility observed in the international and domestic markets, will stimulate factoring companies to be more conservative with respect to their operations in 2015 in comparison to previous periods.

Commencing its operations in 1994, **Çağdaş Faktoring A.Ş.** has been offering with-recourse factoring services of domestic trade receivables. The Company initiated a significant reorganization project with establishing branches in Istanbul as well as several important trade centers of the country including Ankara, Izmir, Gaziantep and Bursa. As of the first quarter of 2015, in addition to its headquarters the Company’s branch count reached 13, including a branch which was under construction as of date. The Company will move its headquarters to a new head office that is fully owned by the Company.

The significantly over the sector asset growth parallel with the enlarging branch network, combined with the Company’s interest margin which is larger than the sector resulted in a sizable increase in the profitability. The Company, over performing the returns on assets and equity of the Sector owing to growing loan book size powered by the aforementioned reorganization, managed to reduce its operational expenses that were large compared to its total income to the Sector averages. The non-performing receivables ratio downwardly affected by the sizable factoring receivables growth, was further reduced with the impaired receivables sales realized on a revenue sharing basis in 2014, similar to the previous year. On the other hand, the fall of the balance sheet quality and liquidity levels of the real sector within the scope of their indebtedness levels and net short foreign currency position due to increasing uncertainties in the upcoming periods might affect the asset quality of the Sector. Nevertheless, it is thought that the effective and periodical monitoring of fundamental risk factors owing to progress recorded by Çağdaş Faktoring in risk management and corporate governance applications will help preserve the asset quality. Moreover, customer and drawer concentration level, which is evaluated as low and displayed an improvement over the previous year, positively affects the risk position of the Company.

Çağdaş Faktoring’s satisfactory level of asset and equity returns, above sector average interest margin which is managed through effective pricing methodologies, rapidly growing investment volume supported via its expanding branch network and large customer base, diversification of funding resources via debt issues, the contribution of the investment in new headquarters funded by long-term project finance loans to the balance sheet structure, rise in paid capital met through internal resources, past practices and future plans to establish effective risk management and corporate governance practices along with an experienced and qualified management team constituted the principle reasons underlying the upgrade of the Company’s Long Term National Rating and outlook to “**A-/Stable**”.

It is considered that the controlling shareholder Dikran **Gülmezgil** have the willingness to ensure long term liquidity and equity depending on his financial capability when required and experience to provide efficient operational support to Çağdaş Faktoring Hizmetleri A.Ş. regarding the scale of the Company, its track record and the contribution of the projected investments in terms of growth and profitability. In this regard, the Company’s Sponsor Support grade has been determined as **(2)**.

Additionally, taking into account the internal profitability indicators, considerable asset growth performance, expanding organizational network, improving customer base and acceptable concentration level, we, as JCR Eurasia Rating, are of the opinion that the Company has reached the adequate level of financial strength, administrative experience and foundation to manage its financial obligations regardless of any assistance, provided that the range of macroeconomic indicators persist in line with the Company’s projections. Within this context, the Stand Alone grade of the **Çağdaş Faktoring A.Ş.** has been determined as **(B)** in the JCR Eurasia Rating notation system.

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

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