

**Corporate Credit Rating  
(Update)**

**Non-Banking Financial Institution  
Factoring**

SARDES FACTORING		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC	STABLE
		LC	STABLE
National	Local Rating	BBB+(Trk)	A-3(Trk)
	Outlook	STABLE	STABLE
Sponsor Support		3	-
Stand Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC	STABLE
		LC	STABLE

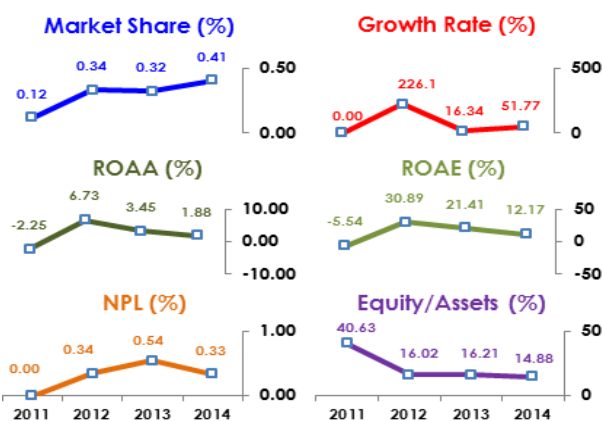
\*Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

**Senior Analyst:** Şevket GÜLEÇ/ +90 212 352 56 73

sevket.gulec@jcrer.com.tr

**Assistant Analyst:** Ersin KILIÇKAP/+90 212 352 56 73

ersin.kilickap@jcrer.com.tr



**Strengths**

- Robust performance with respect to asset and loan growth beating sector averages
- Remarkably low level of non-performing receivables, stood at far below sector averages, despite sturdy growth rates in factoring receivables
- Constant increase in equity base resulting principally from cash equity injection
- The roll of past bond issuance in the diversification of external fund resources planned to be maintained in the on-going financial year
- Skilled and experienced senior management team with successful established track record in the Turkish financial sector,
- Strong emphasis on risk management approach and implementations along with conscious asset and loan growth strategy

SARDES FAKTORİNG A.Ş.				
Financial Data	2014*	2013*	2012*	2011*
Total Assets (000 USD)	46,331	33,228	34,229	9,879
Total Assets(000 TRY)	107,436	70,788	60,846	18,660
Equity(000 TRY)	15,990	11,472	9,746	7,581
Net Profit (000 TRY)	1,393	1,726	2,165	-169
Market Share (%)	0.41	0.32	0.34	0.12
ROAA (%)	1.88	3.45	6.73	-2.25
ROAE (%)	12.17	21.41	30.89	-5.54
Equity/Assets (%)	14.88	16.21	16.02	40.63
NPL (%)	0.33	0.54	0.34	0.00
Growth Rate (%)	51.77	16.34	226.08	n.a

\*End of year

**Company Overview**

Sardes Faktoring A.Ş. (hereinafter referred to as "Sardes Faktoring", or the "Company"), was founded in 2010 to operate in the Turkish Factoring Sector regulated and is supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. The Company offers cash financing to sellers in return for their receivables, based on invoices or other certifying documents representing the domestic sales of goods and services, by undertaking their collection. The Company provided domestic and recourse or non-recourse factoring facilities through a work force of 14 people as of FYE2014.

The qualified shareholders of the company as of December 31, 2014, were Mr. Emin Hakan Eminsoy (76.52%) and Mr. Kazım Cenk Tülümen (23.48%). In accordance with the BRSA regulations regarding the minimum capital requirement, Sardes Faktoring strengthened its equity base through principally cash equity injection and paid in capital increased to TRY 19.1mn as of March 2015.

The Company, with a total asset size of TRY 107.43 mn, had a 0.41 % market share in the factoring sector worth a total of TRY 26.41 bn in FYE2014.

**Constraints**

- Highly volatile profitability levels with recently below sector average profitability indicators
- Remarkable decline in net interest revenues and net profit, despite sturdy factoring receivables growth
- Exceptional increase in financial expenses exerting severe pressure on profitability
- A high credit risk concentration among the top 10 factoring receivables customers increasing vulnerability
- Despite meeting legal requirements regarding standard ratio, descending and below sector average equity level,
- Fierce competition throughout the sector
- Need for improvement in the level of compliance with Corporate Governance Practices
- Persistent political and economic stresses along with regional tensions hosting uncertainties and exerting downward pressure on business prospects

**Publication Date: March 26, 2015**

**"Global Knowledge supported by Local Experience"**

## 1. Rating Rationale

The Turkish Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. The Financial 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 26.41bn at the end of FY2014 and involved 76 factoring companies.

The credit rating analysis is a comprehensive assessment of Sardes Faktoring's financial performance measured in terms of asset and equity growths, returns on equity and assets, capital adequacy base, funding structure, asset quality, efficiency, risk management practices, market position, practices of corporate governance principals, the main shareholders' financial and non-financial positions and expected support along with expectations about the future and the growth strategies. In this sense, the ratings are based on a comprehensive examination of the quantitative and qualitative analysis of the Company.

For this assignment, The Company's independent audit report prepared in conformity with BRSA regulations, statistical data on the sector produced by BRSA, JCR Eurasia Rating's own studies and records have been utilized. In addition, information and clarifications are provided by the Company.

JCR Eurasia Rating has upgraded National Local Rating Note of Sardes Faktoring A.Ş. to 'BBB+ (Trk)' from 'BBB'(Trk) in the Long Term, which donates an investment grade and affirmed 'A-3 (Trk) in the short term both with "Stable" outlooks. In addition, the Company's Long Term Local and Foreign Currency notes have been affirmed as the country ceiling of "BBB-" regarding capital adequacy level, strengthening equity through cash equity injection as well as high asset quality and sturdy growth prospects.

Prominent Rating Considerations are:

### **Strong Asset Gain Underpinned by Robust Factoring Receivables Growth**

In 2014, Sardes Faktoring's total asset growth outstripped the Factoring Sector, thanks to solid increases in factoring receivables. While total assets augmented by 51.77%, total factoring receivables grew by 51.57%. In the same period, the Factoring Sector exhibited a 21.20% assets and 22.97%

receivables growth. Thus, the Company's asset size market share increased to 0.41% from 0.32% at FYE2013.

### **Adequate Capitalization Level, Despite Being Slightly Below Sector Average;**

The Financial Leasing, Factoring and Financing Companies Law No. 6361, came into force on December 13, 2012, required minimum paid in capital of TRY 20mn and following a transition period of 3 years, the firms, which were already established, should comply with the new regulations. In this regard, principally through cash equity injection, the paid in capital increased to TRY 19.1mn as of March 2015. It is expected that the company will increase its capital to TRY 20mn before the 13 December 2015.

Under the current regulations, factoring companies' should sustain their equity to total assets at minimum 3%. At the end 2014, Sardes Faktoring's Standard Ratio (equity to total assets) were 14.88%, demonstrated a decrease compared to the previous year's 16.21%, pursuant to BRSA regulations.

### **Diversified Funding Base Through Bond Issue**

Sardes Faktoring has access to capital markets through bond issue and provided alternative resources which support its growth. As of FYE2014, the Company's issued bond amounted to TRY 20.18mn. For the ongoing year, the Company planned to continue to use capital market instruments.

### **High Assets Quality Supported by the Balance Sheet Composition and High Performing Factoring Receivables**

The Company's assets are almost accounted by factoring receivables with a rate of 98.43%, over the sector averages, which are interest earning assets.

In FY2014, non-performing receivables ratio was 0.33% and negligible, remarkably lower than the sector averages at 4.29%. Therefore, both high performing receivables and the balance sheet composition contributed to the Company's asset quality.

### **Customer Based High Risk Concentration in Receivables**

The Company's receivables portfolio was highly concentrated. 10 largest customers comprised 58.49%, top 20 customers 80.53% and the top 30 customers 92.04% of the total receivables portfolio as of December 25, 2014. The Company has strained to

reduce customer based receivables concentration taking into account of the large number of drawee and invoice debtors. However, the concentration is still higher than the desired level.

### **Persisting Regional Tensions Hosting Uncertainties**

Conflicts and unrest in the countries in the Middle East and near regions persist and are not expected to end in the near future. These circumstances lead to a contraction of Turkey's international trade volume from neighboring countries, particularly Syria and Iraq. Due to the nature of the Company's activities, direct and severe impacts of those actions and circumstances are not expected; however indirect effects such as a decrease in risk appetites of both local and foreign investors and deterioration in expectations probably will exert pressure on trade volume and loan growth.

### **Negligible NPL level, remarkably below the sector average**

Throughout the reviewed period, the NPL ratios were minor and significantly lower than the sector averages. In FY2014, despite a notable increase in factoring receivables with a rate of 51.57%, NPL ratio demonstrated a decrease both in absolute values and proportional and materialized at 0.33%. At the same period, the sector average NPL was 4.29% and 13 times of the Sardes. The fairly low level of NPL represented the effective risk management practices.

### **Need for Improvement in the Level of Compliance with Corporate Governance Practices**

Although Sardes Faktoring is not a publicly traded company, it operates under the regulations and supervision of BRSA. Therefore, full compliance with corporate governance principles is not a legal obligation. However, a higher compliance level with corporate governance principles will contribute to its asset quality and market perception. In this scope, it is considered that there is large room for improvement in the corporate governance field.

### **High Volatility in Profit and Below Sector Average Profit Indicators:**

In 2014, the Company gained a TRY 1.39mn net profit, which exhibits a remarkable decrease with a rate of 19.29% over last year. Although the Company experienced sturdy factoring receivables growth in 2014, this growth did not translate into net interest income, which receded by 44.66% to TRY 2.86mn from TRY5.16mn. Subsequently, the returns on assets and equity ratios materialized at 1.88% and 12.17%,

respectively and remained below sector averages at 3.31% and 18.91%.

## **2. Outlook**

JCR Eurasia Rating has affirmed a "Stable" outlook on the short and long term national and international rating perspectives of Sardes Faktoring considering the Company's asset structure & quality, adequate capital levels, efforts to diversify fund resources through bond issuance, projected growth in assets, equity and net profit figures for the ongoing year along with the current outlook of Turkey's sovereign ratings and growth prospects in the Turkish economy.

On the other hand, the severe contraction in economic activities and decrease in risk appetites of investors, the endurance of geopolitical risks in Turkey, deteriorations in asset quality, profitability indicators, liquidity and capital adequacy levels and difficulties in accessing external fund resources are possible drivers forcing a negative rating outlook and depressed rating notes.

Improvements in profitability ratios, liquidity and capital adequacy ratios and enhancement in practices in corporate governance principals, continuity of recovery in the global economy and management of additional risks combined with the growth of the Company are driving factors that may be taken into consideration for any future positive changes in ratings and outlook status.

## **3. Sponsor Support and Stand Alone**

Sponsor Support grades and their risk estimations reflect the financial and non-financial state and expected support of the controlling shareholder of Sardes Faktoring, Mr. Emin Hakan Eminsoy and Kazım Cenk Tülümen. It is considered that the real person shareholders have the willingness to supply liquidity and equity within their financial capability when financial needs arise in the short or long term and have the sufficient experience to provide operational support to the Company when required.

Within the consideration of these assessments, the Sponsor Support note of the Company has been determined as "3", which denotes an adequate external support possibility.

The Stand Alone Grade has been constituted particularly with respect to Sardes Faktoring's market shares and position, internal resource generating capacity, high asset quality, growth performance, equity level and management practices and the

development of existing risks in the markets and business environment. JCR Eurasia Rating has assigned a Stand Alone Grade of 'B' with the opinion that the Company has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet without any assistance from its shareholders provided the continuity of its current customer base, profitability and effectiveness in the market.

#### 4. Company Profile

##### a. History

Sardes Faktoring was founded by Hakan Eminsoy and Kazım Cenk Tülümen , senior finance professionals with specialized knowledge of the Turkish financial sector, on December 10, 2010. The Company was established to provide factoring services of financing through prepayments, guaranteeing, intermediating to collection and consulting by purchase, sale, assignment or acquisition of the customer receivables based on invoices or other certifying documents representing the domestic commercial sales of goods and services. All factoring operations carried out by the Company are revocable and domestic transactions.

The establishment of Sardes Faktoring was approved by the BRSA on 16 December, 2010 and activities began on August 25, 2011 according to the provision of Article 131.

##### b. Organization & Employees

The organizational chart of the Company consists of six main groups; operations, financial & administration affairs, information technology, credits, marketing and internal control & auditing. As of the reporting date, Sardes Faktoring maintained its factoring operations via its headquarters in Istanbul. The Company's Board has 4 members, one them also occupying the general manager post. By the end of 2014, the labor force of the Company was 14.

##### c. Shareholders, Subsidiaries & Affiliates

The table below indicates the shareholding structure of Sardes Faktoring. The Company's paid capital increased from TRY 7.75 mn in 2013 to TRY 19.10 mn in March, 2015. Qualified shareholder, Mr. Emin Hakan EMINSOY held 76.52% interest of the company.

Shareholder Structure	March 2015	2014	2013	2012
Emin Hakan Eminsoy	14,614,369	10,712,102	5,929,913	5.211.998
Kazım Cenk Tülümen	4,485,628	3,287,895	1,820,084	2.537.999
Gülberk Eminsoy	1	1	0	1
Serhat Kutlu	0	0	0	1
Berna Bayındır	1	1	0	1
Çağlar Şendil	1	1	1	0
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Paid Capital (TRY/000)</b>	<b>19,100</b>	<b>14,000</b>	<b>7,750</b>	<b>7,750</b>

Sardes Faktoring had no subsidiaries or affiliates as of reporting date.

##### d. Corporate Governance

As Sardes Faktoring is not publicly listed, it does not have an obligation to fully comply with the Corporate Governance Practices set out by the Capital Markets Board. However, the BRSA enforces strict regulation and supervision on the Factoring Sector in which the Company operates, thus adoption of corporate governance practices carries much significance.

The Company provides information and documentation through its web page and MKK Information Portal via e-Company. The Articles of Association, periodic audited financial reports, bond issuance documents, rating reports, history and the profile of the Company, minutes of General Meeting and organizational structure are disclosed to the public. On the other hand, the shortcomings of the Company's website such as the absence of ethical principles human resources, disclosure, profit dividend, corporate governance, social responsibility policies, annual reports, vision, strategy, mission, shareholder structure, resume of the Board of Directors should be disclosed to the public via the website to increase the compliance level with internationally accepted best corporate governance practices.

There is no privilege on the shares regarding voting rights, however, there is hindrances concerning the transfer of shares. Transfer of the shares is required to gain the approval of the Board of Directors and recording on the share registry.

The Board of Company consists of four members, none of which are independent. The Board Members possess the necessary qualifications in terms of educational, professional and managerial experience and qualifications expected by the regulator.

Board Members	
Emin Hakan <b>EMINSOY</b>	Chairman
Kazım Cenk <b>TULUMEN</b>	Vice Chairman
Berna <b>BAYINDIR</b>	Board Member
Çağlar <b>SENDİL</b>	Board Member

Subsequently, there is a large room for improvement in compliance with corporate governance best practices.

#### e. The Company & Its Group Strategies

Sardes Faktoring proposed a marketing policy depending on widening its customer range through raising its customer number along with preserving its credit and assets quality. Furthermore, Sardes Faktoring is expected to increase its market perception through maintaining its sturdy growth performance.

In the upcoming period, the company has aimed to sustain bond issuance in order to retain its competitive strength through diversifying its external funding streams. Moreover, the Company planned its outreach by opening branches outside of Istanbul.

### 5. Sector Analysis

The Turkish Factoring Sector is comprised of 76 companies differing in terms of customer base, scope of service, operational business models and strategies, profitability and risk preferences, extent of branching, access opportunities to customers and markets and operational capacity on a local and international scale. As of FYE2014, the sector reached a total asset size of TRY 26.41 bn and equity of TRY 4.42 bn.

The Factoring Sector provides faster guarantee, financing and collection services compared to banks in return for the assignment of spot and mature receivables arising from the sale of products and services domestically and overseas. Throughout 2014, the sector maintained its institutionalization, branching and expansion of customer base. However, a significant portion 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 postdated 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 the economic conjecture in comparison to

banks. In addition, regulatory pressures from the Banking Regulation and Supervision Agency (BRSA) have created difficulties in management policies across the sector.

The sectors of wholesale/retail trade, energy and construction represent the three largest fields of concentration in banks and the Factoring Industry, a trend that is expected to be maintained throughout FY2014 and FY2015. Textiles, metals and automotive supply industries also constitute the traditional client base for the Factoring Sector. Logistics and telecommunications represented new areas of growth for the sector in FY2014.

Expectations regarding greater consolidation in the sector due to the obligations to raise minimum capital levels to TRY 20mn have not resulted in a reduction of such risk across the sector. Funding costs continued to maintain their principal importance for the sector while risk preferences and risk management skill are major determinants of end-of-year performance.

The predomination of Small and Medium Sized Enterprises (SMEs) in production represents the major factor for the buoyant demand for factoring services.

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 margin, low external financing, high equity and profitability levels along with narrow opportunities for access to loans and customers.

The establishment and working conditions of factoring companies are determined by the BRSA and are organized under the Financial Institutions Union. The composition of managers from educated and highly qualified personnel, the establishment of sound information systems and the identification and evaluation of risks remain legal requirements. Following the adoption of a centralized billing system, receivables arising from the sale of products and services in a duplicated manner have been prevented, thus increasing transparency. The law foresees the establishment of a Centralized Billing Recording System under the "Financial Institutions Union" while enhanced opportunities to gather data from the Risk Center under the Turkish Banking Union will 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 as well as the quality, standardization and transparency of financial reporting practices and providing 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 for diversifying their funding streams since FY2010. However, the principal source of funding for non-banking financial institutions is external with the Turkish Banking System while the trend to access funds from capital markets via debt instruments remains rather weak.

Taiwan and Turkey are the two countries with the largest membership of Factors Chain International after China. Currently, 2 banks and 13 factoring companies are members of FCI. Turkey is ranked 2<sup>nd</sup> on a global basis in export factoring transactions with a share of 15%.

The market entry and exit, shareholder structure and management teams of factoring companies are subject to rapid changes due to the intensely competitive environment in which they operate.

The Factoring Sector is one of the industries that exhibits the highest level of vulnerability to fluctuations in macroeconomic circumstances and instability. Management policies in the sector become more difficult mainly stemming from changes in economic conjuncture and regulatory pressures from the BRSA.

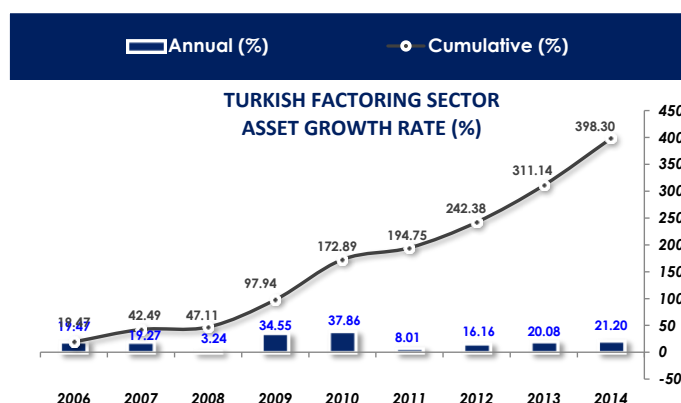
THE KEY INDICATORS OF TURKISH FACTORING SECTOR							
(000.000)	2014	2013	2012	2011	2010	2009	2008
Asset Size-TRY	26,410	21,790	18,146	15,622	14,463	10,491	7,797
Asset Size-USD	11,350	10,228	10,208	8,270	9,406	7,054	5,123
Equity-TRY	4,422	4,015	3,856	3,377	2,941	2,537	2,374
P/L-TRY	645	389	610	493	412	329	439
ROAA %	3.31	3.06	4.50	3.43	3.98	4.62	6.49
ROAE %	18.90	15.54	21.00	16.87	18.11	17.22	21.32
NPL Ratio %	4.26	4.70	4.69	3.94	4.07	5.88	8.25
Equity/T. Sources	16.74	18.42	21.25	21.00	20.33	24.19	30.45

The sector has a relatively low free float rate and enjoys a small share across the wider Turkish Financial Services Sector. 73 companies are located in Istanbul

whilst the remaining 3 firms are based in Izmir and Ankara.

Funds obtained by the Factoring Sector largely belong to companies that are subsidiaries of banks or ones that have banks in among their wider group, making it more difficult for non-bank affiliated factoring companies to carry out their intermediary function. However, in recent years the Factoring Sector has increased its appeal for investors with a rising number of applications to obtain licenses from the BRSA.

As of FYE2014, the total asset size of all Factoring Companies was TRY 26.41bn, with an equity of TRY 4.42bn. Throughout its 25-year history the Factoring Sector has maintained a consistent growth trend with the exception of 1994 and 2001 in which it underwent contractions of 10.31% and 40.23%, respectively. On a cumulative basis, the Factoring Sector exhibited a growth rate of 398.30% for the 2006-2014 period. The growth recorded in the last financial year attained a value of 21.20%.



Factoring receivables constitute the largest item among the sector's assets with a share of 95.03%, whilst loans enjoyed the largest share among its resources with a 69.75% 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 FY2008 and accelerated in FY2012. As such, issued bonds accounted for 10.96% of total resources across the sector as of FYE2014.

The share of equity among total resources of the sector stood at 16.74% and displayed a downward trend. In line with the new regulations, the factoring companies were obliged to have a standard ratio which dictates that the share of equity to total assets should not fall below 3%.

The risk concentration of factoring companies primarily focuses on the manufacturing industry with a share of 56.50%. The largest sectors namely include nuclear fuel, oil and coal products, textile and textile products, metal industry, processed material products and the transportation vehicles industry. Across the services sector, the largest levels of concentration was observed in wholesale and retail trade, motor vehicle services, construction sector, logistics, storage and communications. The ratio of non-performing receivables to total receivables across the sector realized a value of 4.26% as of FYE2014, which remained above the Banking Sector. In addition, the ratio of non-performing receivables to total equity which attained a value of 25.06% is a factor that raises risk perception among the Factoring Sector, weakening its asset quality. The most important reason for the rise in non-performing receivables was the slowdown in the general economy in a macro context.

Factoring Sector profitability indicators stood above those of the Banking Industry as of FY2014, and maintained an upward trend in comparison to FY2013. As such, the indicators **ROAA** (Return on Average Assets) and **ROAE** (Return on Average Equity) attained values of 1.69% and 14.82% for the Banking Sector in comparison to the Factoring Sector's ratios of 3.31% and 18.90%, 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 attained a value of 16.74% in comparison to the Banking Sector's value of 11.64%. The provision rates for non-performing loans across the Factoring Sector outpaced that of the Banking Sector from FY2012.

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 unfair competition. The return on loans and assets across the sector did not undergo any significant changes throughout FY2014. In addition, the absorption of rising costs across interest bearing resources by increases in returns on assets, led to the conservation of break-even interest rates in comparison to the previous year and resulted in an equilibrium at 10.61%.

RETURNS - COST RATIOS ANALYSIS FOR FACTORING INDUSTRY			
ASSET RETURN	2014	2013	2012
Loans Interest Yield	12.76%	9.37%	10.19%
Return on the Commission	1.15%	1.10%	1.10%
FX Return or cost	-0.04%	0.34%	-0.01%
Return or the cost of other operations	2.32%	1.38%	0.90%

Loans Total Return	16.19%	12.19%	12.18%
Cost of Non-Earning Asset	-0.51%	-0.39%	-0.39%
<b>Asset Return</b>	<b>15.68%</b>	<b>11.80%</b>	<b>11.80%</b>

COST OF LIABILITIES	2014	2013	2012
Interest Cost for Cost Bearing Resources	8.58%	5.24%	5.88%
Cost of the Commission for Cost Bearing Resources	0.00%	0.00%	0.00%
Return on Non cost Bearing Resources	-0.40%	0.64%	0.87%
<b>Cost of Liabilities</b>	<b>8.18%</b>	<b>5.88%</b>	<b>6.74%</b>

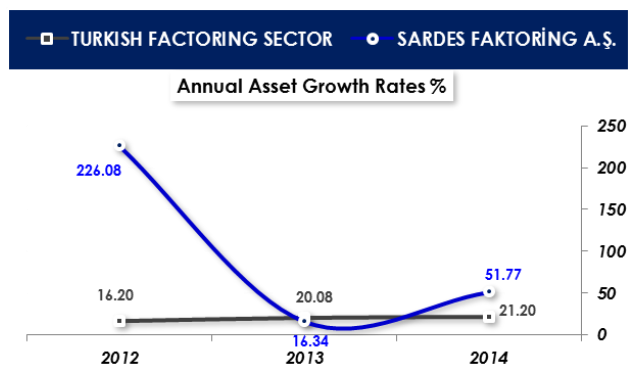
NET PROFIT MARGIN	2014	2013	2012
Interest and Commission Margin	7.50%	5.93%	5.05%
The cost of Provisioning Expenses	-1.31%	-1.25%	-1.28%
The cost of Activities Expenses	-4.11%	-3.77%	-2.60%
<b>Net Profit Margin</b>	<b>2.08%</b>	<b>0.90%</b>	<b>1.17%</b>

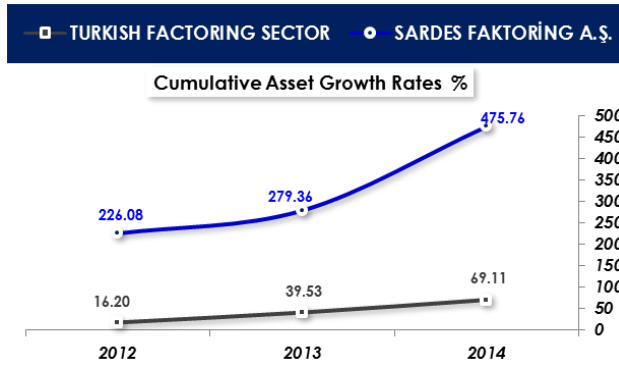
Break-even point in Terms of Interest	2014	2013	2012
Break-even point in Terms of Interest	10.61%	10.21%	12.86%
Break-even point in Terms of Loan size-TRY	19,400.33	16,962.68	13,532.61

## 6. Financial Analysis

### a. Financial Indicators & Performance 1. Indices Relating to Size

Sardes Faktoring, had a total asset size of TRY 107.46mn, corresponding to a 0.41% market share by the end of 2014 and recorded a growth rate of 51.77% in FYE2014 compared to the previous year; it was more than twice the sector average of 21.20%. Over the last three years asset base cumulative growth performance of the Company was also significantly higher than the sector average thanks to remarkable growth rate in FY2012 principally derived from the base effects of relatively newly established company.



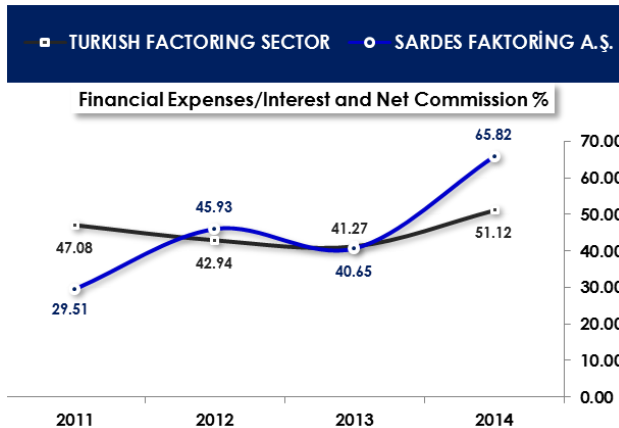


**2. Indices Relating to Profitability**

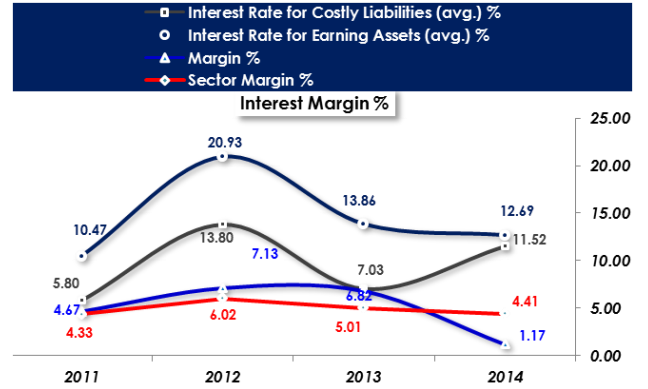
Over the reviewed period, the net profit and profitability ratios depict a fluctuating pattern and in the last two consecutive years displayed a decrease. At the end of FY2014, Sardes Faktoring recorded a net profit of TRY 1.39mn, demonstrated a decline of 19.29% compared to the net profit of FY2013 (TRY 1.73mn).

In FY2014, although loans and receivables demonstrated an increase 51.62% year on year basis, net interest income exhibited a sharp decrease of 44.66% owing to exceptional increase in financial expenses with a rate of 116.48%. In the same period increase in financial liabilities was 46.62%. Furthermore, increase in interest income was 24.07% at the end of FY2014 and fairly below the growth in loans and receivables at 51.61%.

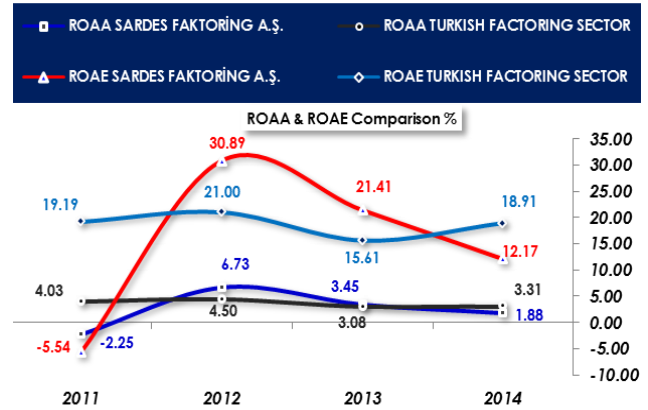
As seen the below chart, financial expenses to interest and net commission ratio displayed remarkable surge in 2014 and surpassed the sector average at 51.12%



The Company's interest margin was significantly decreased in FY2014 due to the aforementioned reason and materialized at 1.17% and for the first time in the reviewed period, fallen to the below the sector average at 4.41%.

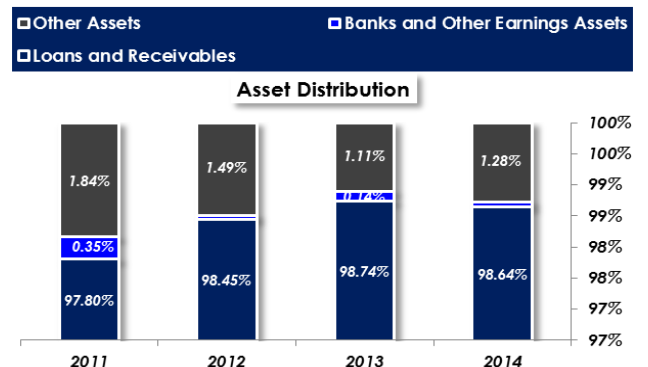


Consequently, return on assets and equity ratios, fundamental profitability indicators in the financial sector, attained decrease in FY2014 and stayed below that of sector performance. Those indicators designate that the company should concentrate on the profitability along with the asset base growth while preserving asset quality.



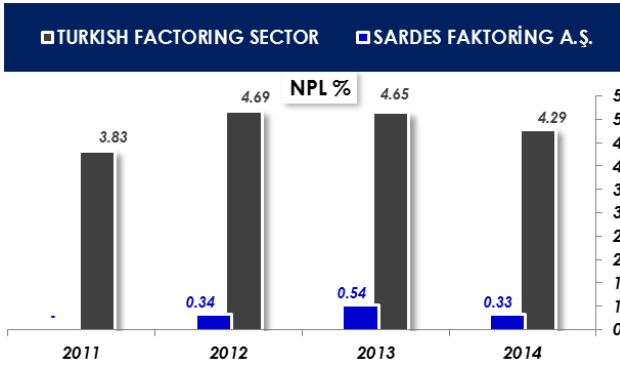
**b. Asset Quality**

The Company's earning assets, which is almost derived from factoring receivables, accounted for 98.64% of total assets, above the sector average of 93.57%, contributing to the asset quality.

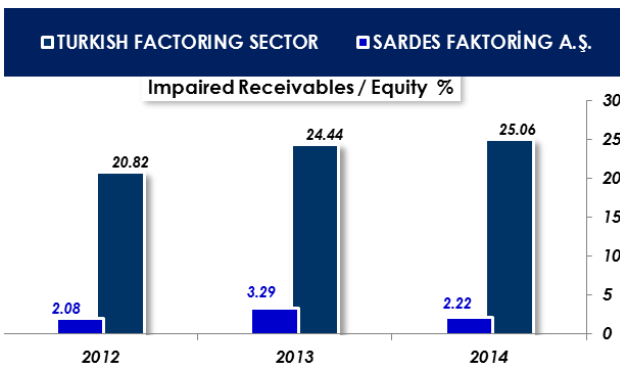




The Company's overdue loans were TRY 355k at the end of FY2014 and negligible considering assets, equity and receivables sizes. Although, factoring receivables displayed robust growth with a rate of 51.57% in 2014, the impaired receivables or overdue loans demonstrated an improvement both in absolute volume and proportion. Over the reviewed period, the NPL ratios stayed remarkably below the sector averages which indicate the asset quality of the Company and the risk oriented management success.

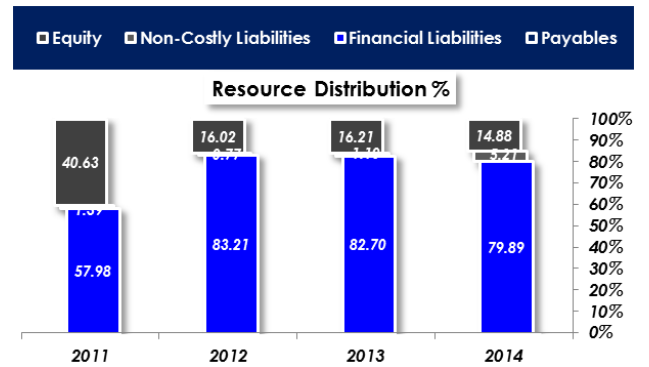


In general, the Company ratio of impaired receivables to equity was remarkably below the sector averages thanks to quality of the factoring receivables portfolio and management success through comprehensive risk management exercises. In addition, the Company attained the full provision policy for impaired receivables over the reviewed period. As a result loan loss reserves of the Company were 100%, while the sector stood at 81.17%.

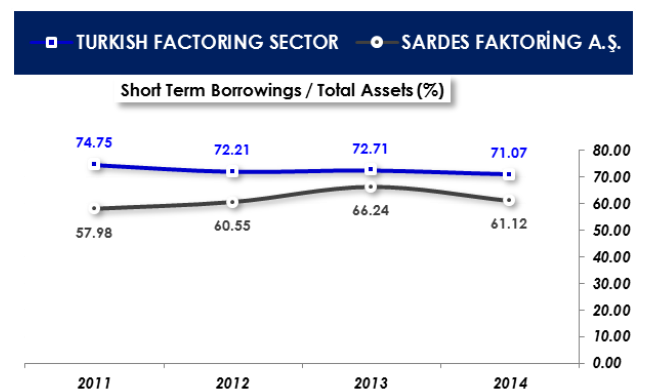


**c. Funding & Adequacy of Capital**

Sardes Faktoring meets its funding needs through mostly financial liabilities derived from bank loans and bond issue, its own equity and other sources in descending order. It can be said that the Company's external liabilities were accounted for almost entirely by financial liabilities. Although the Company's financial liabilities demonstrated a growth of 46.62% in FY2014 in absolute values, the share in total external liabilities displayed a slight decrease.



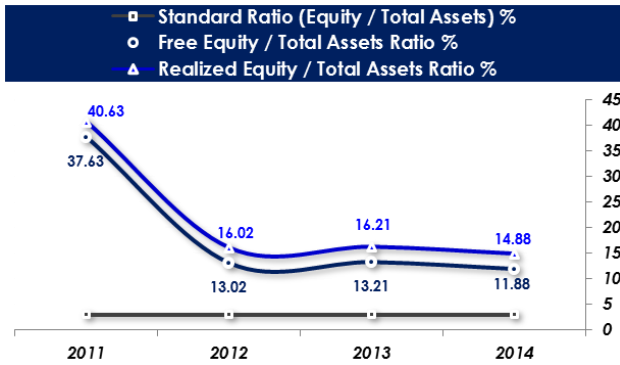
The primary funding source of operations of Sardes Faktoring's was short term bank borrowings with rate of 61.11%. The Company's short term bank borrowings amounted to TRY 65.65mn with an increase of 40.01% as of FYE2014. Foreign currency denominated borrowing constitutes 9.04% of total bank borrowing. Furthermore, the Company has attained bond issue since FY2012 to diversify fund resources. Sardes Faktoring's short term borrowings to total assets ratio stayed below the sector average since its establishment that contributes liquidity management.



The Company increased its paid in capital from TRY 7.75mn at the end of FY2013 to TRY 19.1mn as of March 2015, through principally cash equity injection and internal resources in order to comply with the regulations. Although the equity base strengthened through mainly equity injection, the standard ratio demonstrated a slight decrease thanks to solid increase

in assets which was derived from factoring receivables growth.

The BRSA regulations embrace the provision that the standard ratio (equity to total assets) should be at least 3%. The Company materialized a standard ratio of 14.88% as of FYE2014, which stayed slightly below the sector average of 16.74%.



## 7. Risk Profile & Management

### a. Risk Management Organization & its Function – General Information

Sardes Factoring is exposed to mainly credit, liquidity, market and operational risks derived from its operating activities and use of financial instruments. The responsibility for instituting a risk management framework and overseeing risk management activities rests with the Board of Directors and senior management. The Company set up Credit, Asset & Liabilities and Risk Committees. The members of the Committees are drawn from board directors and senior managers. The committees hold weekly meeting to assess and evaluate;

- credit, market, operational and financial risks relating to each customer base
- credit proposals
- credit risk concentration and diversification on customer, drawee and invoice debtor bases
- maturity, interest and foreign currency risk on balance sheet items along with weight cost and return spreads of factoring receivables and liabilities and effects of developments in financial markets
- weekly status of collection of non-performing receivables
- targets, realization and customers visits

The Company has established the internal control unit, which assists the Board of Directors for identifying, defining, measuring and managing potential risks.

### b. Credit Risk

The credit risk is almost derived from short term factoring receivables. Total credit risk exposure of the Company was TRY 105.98mn at the end of FY2014 and increased from TRY 69.89mn at the end of FY2013.

The management executes its credit risk by evaluating the credit worthiness of each customer considering their ability to repay, collateral and economic conditions and various other factors.

The Company's receivables portfolio was highly concentrated. 10 largest customers comprised 58.49%, top 20 customers 80.53% and the top 30 customers 92.04% of the total receivables portfolio as of December 25, 2014.

As of December 25, 2014	
Customer List	Share in Total Receivables (%)
First 10 - Customer	58.49
First 20 - Customer	80.53
First 30 - Customer	92.04

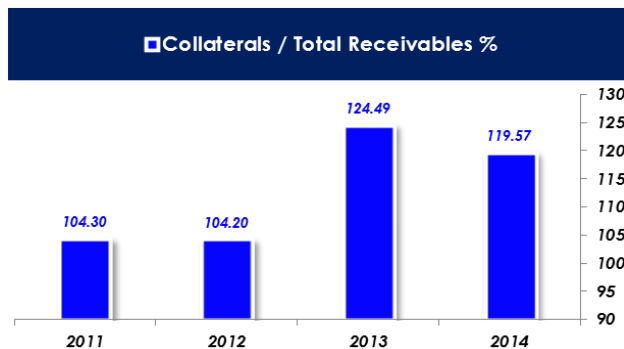
Although concentration of clients base risk was alleviated regarding Drawee and Invoice debtor risks, it was still high. Considering drawees, 10 largest drawees comprised 25.57%, top 20 drawees 38.47% and the top 30 customers 59.68% of the total receivables portfolio.

The sectoral base diversification of the receivable portfolio was given below chart. Textiles and textile product industry accounted the largest share with a rate of 20.64%, followed by construction 14.46% and manufacturing industry 14.25% as of FYE2014.

Gross Factoring Receivables Concentration Table	2014	%	2013	%
Construction	15,870	14.46	21,429	29.71
Wholesale and Retail Motor Vehicles	6,215	5.66	10,730	14.88
Manufacture Industry	15,632	14.25	8,798	12.20
Transport Activities	6,797	6.19	8,017	11.12
Hotels and Restaurants	2,651	2.42	4,356	6.04
Textiles and Textile Products Industry	22,649	20.64	4,172	5.78
Vehicles Industry	11,779	10.73	3,625	5.03
Other-Tourism	7,192	6.55	2,969	4.12
Metals and Other Mining Industry	-	-	2,621	3.64
Medicine Pharmaceutical Industry	3,528	3.22	1,536	2.13
Food, Beverages and Tobacco Industry	10,282	9.37	1,525	2.11
Research, Consultancy & Advertising Services	768	0.70	1000	1.39
Chemical and Chemical Products	41	0.04	173	0.24

Wholesale Trading and Brokerage Operations	2,850	2.60	124	0.17
Machinery and Equipment Industry	-	-	52	0.07
Logistics, Storage and Communication	-	-	-	-
Computer and Related Activities	750	0.68	-	-
Mining Activities	1,998	1.82	-	-
Leather and Leather Products	724	0.66	999	1,39
<b>Total</b>	<b>109,726</b>	<b>100</b>	<b>72,126</b>	<b>100</b>

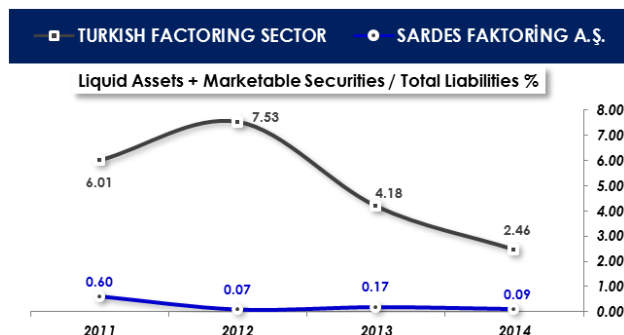
The Company's collaterals to total receivables ratio demonstrated a slight decrease to 119.57% as of FYE2014 from 124.49% in FY2013, however ensured full coverage over the years. The factoring receivables, totally amounted TRY 105.7mn, have been collateralized in the amount of TRY 127.14mn tangible collateral in the form of cheques, mortgage, vehicle pledges, securities and notes.



### c. Liquidity

Sardes Faktoring manages its liquidity risk by matching contractual maturities, amounts of financial liabilities and factoring receivables through monitoring cash flows as well as maintaining the adequate credit lines. The primary liquidity resources of the Company are its own equity, loans from financial institutions and bond issue.

The liquid assets plus marketable securities to total assets ratio of the Company constantly stayed below the sector averages during the reviewed period in accordance with the management strategy of ensuring minimum idle balance and maximizing the interest bearing assets thus the profitability.



As of March 19, 2015, credit lines worth TRY 94.8mn have been extended to Sardes Faktoring and TRY 37.4mn of this line has been drawn upon, with a free line amounting to TRY 57.4mn. Additionally, the company has carried out its efforts to diversify the credit lines through bond issue. As of FYE2014, the issued bond amounted to TRY 20.18mn.

Although the current level of liquid assets was stressful, adequate and available credit lines provided conformity to the liquidity management.

### d. Market Risk

Sardes Faktoring is primarily exposed to interest rate within the context of market risk. The company manages its interest risk by balancing interest bearing asset and liabilities. Significant part of its liabilities and factoring receivables is placed in the up to 3 month bracket and almost balanced.

The Company's foreign currency denominated balance sheet items is almost equal to each other ensuring negligible FX position. As of FYE2014, the Company held TRY 105k long position, which was minor and held almost no effect on the balance sheet.

### e. Operational, Legal Regulatory & Other Risks

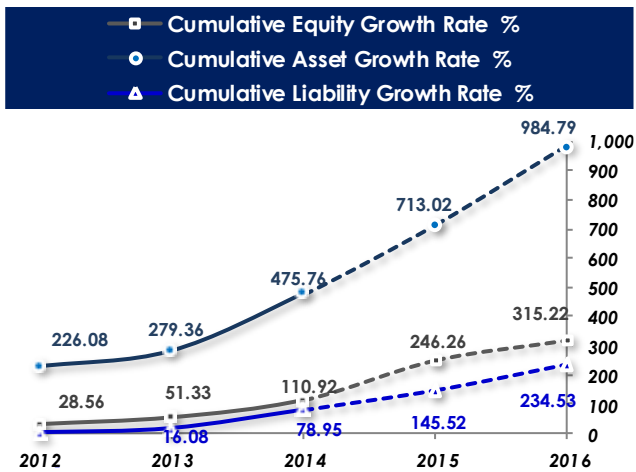
In the scope of operational risk, Sardes Faktoring stated no losses ensuing from transactions, system and human errors in 2014 along with the absence of penalties brought against the Company by regulatory and supervisory authorities over the last year.

Although the company has established IT procedures and back-up facilities to prevent business interruptions and reduce possible financial loss, it has not yet set up and disclosed a comprehensive emergency and contingency plan defining the rules to be monitored in the event of disruption in operations due to internal and external unexpected events. However, to minimize operational risk and its potential impact, a human resources policy and risk management applications have been implemented.

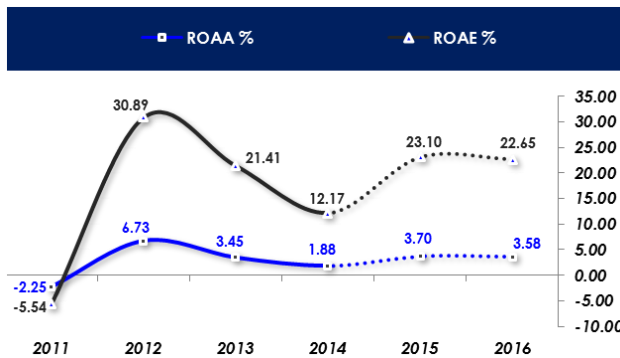
## 8. Budget & Debt Issue

Sardes Faktoring projected a growth of 88.41%, 96.38% and 87.01% in asset size, equity base and total liabilities, respectively, within the framework of projections and budgeting activities in FY2016 compared to the results of FY2014. Furthermore, the cumulative growths performance is expected to reach

984.79% in assets, 234.53% in liabilities and 315.22% in Equity as of 31 December 2016.



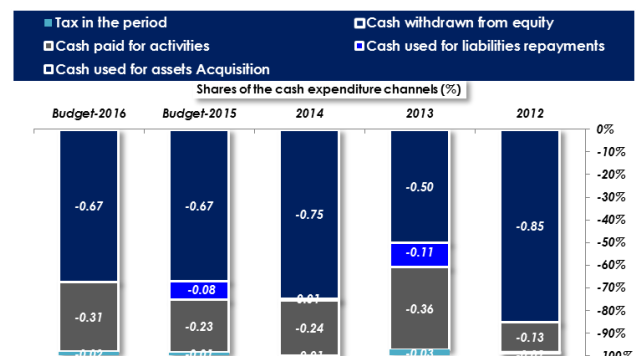
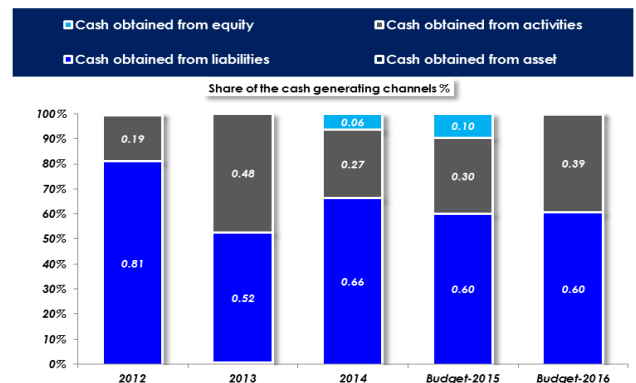
In the context of profitability, the company anticipated to record a net profit of TRY 3.8mn and 5.1mn in FY2015 and FY2016 respectively. The net profit increase was predicted as 264.54% compared to the FY2014.

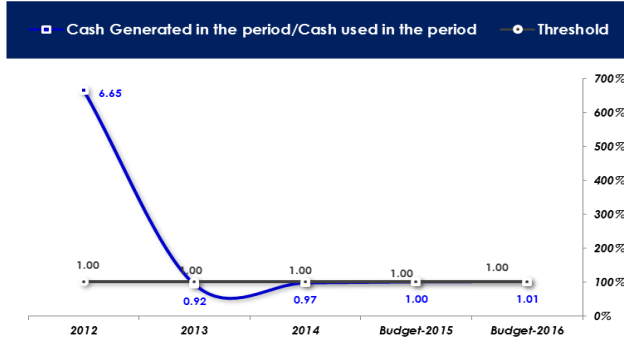


Sardes Faktoring issued a bond amounting to TRY 20mn in FY2014. For the on-going year, it has projected a bond issue with a nominal value up to TRY 30mn to be offered to qualified investors in three tranches as TRY 10mn in April, TRY 10mn in July and 10mn in September. The planned bond issue accounted for approximately 20% of total assets and 114% of equity in FY2015.

As seen in the cash and fund flow statements and graphs related with cash sources and cash utilization, following FY2014, the Company will not generate net cash at the end of FY2016.

CASH FLOW & FUND FLOW STATEMENTS- Summary	Budget				
	2012	2013	2014	Budget -2015	Budget -2016
<b>CASH AT BEGINNING OF THE PERIOD</b>	66	38	102	83	15
<b>Cash Generated in the period</b>	49,502	20,036	49,060	66,361	75,227
Cash obtained from asset	-	119	-	194	0
Cash obtained from liabilities	40,021	10,386	32,481	39,616	45,484
Cash obtained from activities	9,231	9,531	13,415	20,162	29,593
Cash obtained from equity	250	-	3,164	6,389	150
<b>Cash used in the period</b>	49,530	19,972	49,079	66,429	75,227
Cash used for assets Acquisition	42,214	9,997	36,667	44,536	50,712
Cash used for liabilities repayments	-	2,170	390	5,563	-
Cash paid for activities	6,555	7,260	11,744	15,372	23,246
Cash withdrawn from equity	250	-	-	-	-
Tax in the period	511	545	278	958	1,269
<b>Net cash generated during the period</b>	-	64	19	68	0
<b>Cash at the end of the period</b>	38	102	83	15	15
Positive Valuation Differences	352	219	367	156	442
Negative Valuation Differences and amortization	98	266	221	683	120
<b>FUND NET INCREASE OR DECREASE DURING THE PERIOD</b>	254	47	146	527	322
<b>CASH AND FUND NET INCREASE OR DECREASE DURING THE PERIOD</b>	226	17	127	595	322





Giving to the budget estimations and the previous track record of the Company, interest payments could be paid off without financial tension through generated internal sources.

Taking account of the Company's asset and equity growth performance in the previous periods and the recorded levels of profitability, the Company's projections are realizable. We, as JCR Eurasia Rating, believe that the Company has the potential to accomplish its obligations in a timely manner depending on the preservation of its customer portfolio and quality, continuity of the income streams, realization of its projection as well as absence of serious fluctuations in the financial markets.




SARDES FAKTORİNG A.Ş. BALANCE SHEET - ASSET TRY (000)	(Year-end 2014 USD (Converted)	(Year-end 2014 TRY (Original)	(Year-end 2014 TRY (Average)	(Year-end 2013 TRY (Original)	(Year-end 2013 TRY (Average)	(Year-end 2012 TRY (Original)	(Year-end 2012 TRY (Average)	(Year-end 2011 TRY (Original)	As % of 2014 Assets (Original)	As % of 2013 Assets (Original)	As % of 2012 Assets (Original)	2014 Growth Rate	2013 Growth Rate	2012 Growth Rate
<b>A-TOTAL EARNING ASSETS (I+II+III)</b>	<b>45,738.50</b>	<b>106,063.00</b>	<b>88,031.50</b>	<b>70,000.00</b>	<b>64,969.50</b>	<b>59,939.00</b>	<b>39,127.50</b>	<b>18,316.00</b>	<b>98.72</b>	<b>98.89</b>	<b>98.51</b>	<b>51.52</b>	<b>16.79</b>	<b>227.25</b>
<b>I- LOANS AND RECEIVABLES (net)</b>	<b>45,702.70</b>	<b>105,980.00</b>	<b>87,939.00</b>	<b>69,898.00</b>	<b>64,899.50</b>	<b>59,901.00</b>	<b>39,075.50</b>	<b>18,250.00</b>	<b>98.64</b>	<b>98.74</b>	<b>98.45</b>	<b>51.62</b>	<b>16.69</b>	<b>228.22</b>
a) Factoring Receivables	45,603.95	105,751.00	87,761.50	69,772.00	64,836.50	59,901.00	39,075.50	18,250.00	98.43	98.56	98.45	51.57	16.48	228.22
b) Financing Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Lease Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Over Due Loans	153.09	355.00	366.50	378.00	290.50	203.00	101.50	0.00	0.33	0.53	0.33	-6.08	86.21	n.a
e) Others	98.75	229.00	177.50	126.00	63.00	0.00	0.00	0.00	0.21	0.18	n.a	81.75	n.a	n.a
f) Receivable from Customer due to Brokerage Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-153.09	-355.00	-366.50	-378.00	-290.50	-203.00	-101.50	0.00	-0.33	-0.53	-0.33	-6.08	86.21	n.a
<b>II-BANKS AND OTHER EARNING ASSETS</b>	<b>35.79</b>	<b>83.00</b>	<b>92.50</b>	<b>102.00</b>	<b>70.00</b>	<b>38.00</b>	<b>52.00</b>	<b>66.00</b>	<b>0.08</b>	<b>0.14</b>	<b>0.06</b>	<b>-18.63</b>	<b>168.42</b>	<b>-42.42</b>
a) Banks	35.79	83.00	92.50	102.00	70.00	38.00	52.00	66.00	0.08	0.14	0.06	-18.63	168.42	-42.42
b) Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Balance With Banks-Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>III-SECURITIES AT FAIR VALUE THROUGH P/L</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
a) Treasury Bills and Government Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Other Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Repurchase Agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
a) Investments in Associates (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>C-NON-EARNING ASSETS</b>	<b>592.09</b>	<b>1,373.00</b>	<b>1,080.50</b>	<b>788.00</b>	<b>847.50</b>	<b>907.00</b>	<b>625.50</b>	<b>344.00</b>	<b>1.28</b>	<b>1.11</b>	<b>1.49</b>	<b>74.24</b>	<b>-13.12</b>	<b>163.66</b>
a) Cash and Cash Equivalents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Financial Assets at Fair Value through P/L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Asset Held For Sale And Discontinued Operations (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Other	592.09	1,373.00	1,080.50	788.00	847.50	907.00	625.50	344.00	1.28	1.11	1.49	74.24	-13.12	163.66
- Intangible Assets	67.27	156.00	114.50	73.00	95.00	117.00	111.50	106.00	0.15	0.10	0.19	113.70	-37.61	10.38
- Property and Equipment	109.97	255.00	219.00	183.00	212.00	241.00	155.50	70.00	0.24	0.26	0.40	39.34	-24.07	244.29
- Deferred Tax	316.96	735.00	573.00	411.00	420.00	429.00	290.50	152.00	0.68	0.58	0.71	78.83	-4.20	182.24
- Other	97.89	227.00	174.00	121.00	120.50	120.00	68.00	16.00	0.21	0.17	0.20	87.60	0.83	650.00
<b>TOTAL ASSETS</b>	<b>46,330.59</b>	<b>107,436.00</b>	<b>89,112.00</b>	<b>70,788.00</b>	<b>65,817.00</b>	<b>60,846.00</b>	<b>39,753.00</b>	<b>18,660.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>51.77</b>	<b>16.34</b>	<b>226.08</b>

SARDES FAKTORING A.Ş. BALANCE SHEET-LIABILITIES+EQUITY TRY (000)	(Year-end) 2014 USD (Converted)	(Year-end) 2014 TRY (Original)	(Year-end) 2014 TRY (Average)	(Year-end) 2013 TRY (Original)	(Year-end) 2013 TRY (Average)	(Year-end) 2012 TRY (Original)	(Year-end) 2012 TRY (Average)	(Year-end) 2011 TRY (Original)	As % of 2014 Assets (Original)	As % of 2013 Assets (Original)	As % of 2012 Assets (Original)	2014 Growth Rate	2013 Growth Rate	2012 Growth Rate
<b>C- COST BEARING RESOURCES (I+II)</b>	<b>37,019.28</b>	<b>85,844.00</b>	<b>72,192.00</b>	<b>58,540.00</b>	<b>54,584.50</b>	<b>50,629.00</b>	<b>30,724.50</b>	<b>10,820.00</b>	<b>79.90</b>	<b>82.70</b>	<b>83.21</b>	<b>46.64</b>	<b>15.63</b>	<b>367.92</b>
<b>I-PAYABLES</b>	<b>5.61</b>	<b>13.00</b>	<b>6.50</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
a) Factoring Payables	5.61	13.00	6.50	0.00	0.00	0.00	0.00	0.00	0.01	n.a	n.a	n.a	n.a	n.a
b) Lease Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>II-BORROWING FUNDING LOANS &amp; OTHER</b>	<b>37,013.67</b>	<b>85,831.00</b>	<b>72,185.50</b>	<b>58,540.00</b>	<b>54,584.50</b>	<b>50,629.00</b>	<b>30,724.50</b>	<b>10,820.00</b>	<b>79.89</b>	<b>82.70</b>	<b>83.21</b>	<b>46.62</b>	<b>15.63</b>	<b>367.92</b>
a) Fund Borrowed-Short Term	28,311.70	65,652.00	56,271.50	46,891.00	41,866.00	36,841.00	23,830.50	10,820.00	61.11	66.24	60.55	40.01	27.28	240.49
b) Fund Borrowed-Long Term	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Marketable Securities For Issued (net)	8,701.97	20,179.00	15,914.00	11,649.00	12,718.50	13,788.00	6,894.00	0.00	18.78	16.46	22.66	73.23	-15.51	n.a
d) Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>D- NON COST BEARING RESOURCES</b>	<b>2,415.80</b>	<b>5,602.00</b>	<b>3,189.00</b>	<b>776.00</b>	<b>623.50</b>	<b>471.00</b>	<b>365.00</b>	<b>259.00</b>	<b>5.21</b>	<b>1.10</b>	<b>0.77</b>	<b>621.91</b>	<b>64.76</b>	<b>81.85</b>
a) Provisions	16.82	39.00	214.50	390.00	222.00	54.00	27.00	0.00	0.04	0.55	0.09	-90.00	622.22	n.a
b) Current & Deferred Tax Liabilities	128.51	298.00	319.00	340.00	312.50	285.00	217.00	149.00	0.28	0.48	0.47	-12.35	19.30	91.28
c) Trading Liabilities (Derivatives)	17.25	40.00	20.00	0.00	0.00	0.00	0.00	0.00	0.04	n.a	n.a	n.a	n.a	n.a
d) Other Liabilities	2,253.22	5,225.00	2,635.50	46.00	89.00	132.00	121.00	110.00	4.86	0.06	0.22	11,258.70	-65.15	20.00
<b>E- TOTAL LIABILITIES</b>	<b>39,435.08</b>	<b>91,446.00</b>	<b>75,381.00</b>	<b>59,316.00</b>	<b>55,208.00</b>	<b>51,100.00</b>	<b>31,089.50</b>	<b>11,079.00</b>	<b>85.12</b>	<b>83.79</b>	<b>83.98</b>	<b>54.17</b>	<b>16.08</b>	<b>361.23</b>
<b>F- MINORITY INTEREST</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
<b>F- EQUITY</b>	<b>6,895.51</b>	<b>15,990.00</b>	<b>13,731.00</b>	<b>11,472.00</b>	<b>10,609.00</b>	<b>9,746.00</b>	<b>8,663.50</b>	<b>7,581.00</b>	<b>14.88</b>	<b>16.21</b>	<b>16.02</b>	<b>39.38</b>	<b>17.71</b>	<b>28.56</b>
a) Prior Year's Equity	5,065.33	11,746.00	10,746.00	9,746.00	8,663.50	7,581.00	3,790.50	0.00	10.93	13.77	12.46	20.52	28.56	n.a
b) Equity (Internal & external resources added during the year)	1,229.46	2,851.00	1,425.50	0.00	0.00	0.00	3,750.00	7,500.00	2.65	n.a	n.a	n.a	n.a	-100.00
c) Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	125.00	250.00	n.a	n.a	n.a	n.a	n.a	-100.00
d) Profit & Loss	600.72	1,393.00	1,559.50	1,726.00	1,945.50	2,165.00	998.00	-169.00	1.30	2.44	3.56	-19.29	-20.28	-1,381.07
<b>TOTAL LIABILITY+EQUITY</b>	<b>46,330.59</b>	<b>107,436.00</b>	<b>89,112.00</b>	<b>70,788.00</b>	<b>65,817.00</b>	<b>60,846.00</b>	<b>39,753.00</b>	<b>18,660.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>51.77</b>	<b>16.34</b>	<b>226.08</b>
<b>USD 1 = TRY</b>		<b>2.3189</b>		<b>2.1304</b>		<b>1.7776</b>		<b>1.8889</b>						

<b>SARDES FAKTORİNG A.Ş.</b> <b>INCOME STATEMENT</b> <b>TRY (000)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Net Interest Income</b>	<b>2,857.00</b>	<b>5,163.00</b>	<b>3,948.00</b>
A) Interest income	11,170.00	9,003.00	8,188.00
a) Factoring Interest Income	11,170.00	9,003.00	8,188.00
b) Financing Loans Interest Income	0.00	0.00	0.00
c) Lease Income	0.00	0.00	0.00
d) Banks	0.00	0.00	0.00
B) Financial Expense	8,313.00	3,840.00	4,240.00
<b>Net Fee and Commission Income</b>	<b>1,459.00</b>	<b>444.00</b>	<b>1,043.00</b>
a) Fee and Commission Income	1,747.00	499.00	1,043.00
b) Fee and Commission Expense	288.00	55.00	0.00
<b>Total Operating Income</b>	<b>498.00</b>	<b>-257.00</b>	<b>-70.00</b>
Interest Income from Other Operating Field	0.00	0.00	0.00
Foreign Exchange Gain or Loss (net) (+/-)	99.00	29.00	-2.00
Gross Profit from Retail Business	0.00	0.00	0.00
Gains or Loss on Derivative Instruments (+/-)	0.00	0.00	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	0.00	0.00
Gains from Investment Securities (net)	0.00	0.00	0.00
Other Operating Income	399.00	-286.00	-68.00
Taxes other than Income Tax	0.00	0.00	0.00
Dividend	0.00	0.00	0.00
<b>Provisions</b>	<b>0.00</b>	<b>175.00</b>	<b>203.00</b>
Provision for Impairment of Loan and Trade Receivables	0.00	175.00	203.00
Other Provision	0.00	0.00	0.00
<b>Total Operating Expense</b>	<b>3,143.00</b>	<b>2,904.00</b>	<b>2,042.00</b>
Salaries and Employee Benefits	2,018.00	1,989.00	1,438.00
Depreciation and Amortization	138.00	105.00	87.00
Other Expenses	987.00	810.00	517.00
<b>Profit from Operating Activities before Income Tax</b>	<b>1,671.00</b>	<b>2,271.00</b>	<b>2,676.00</b>
Income Tax – Current	278.00	527.00	788.00
Income Tax – Deferred	0.00	18.00	-277.00
<b>Net Profit for the Period</b>	<b>1,393.00</b>	<b>1,726.00</b>	<b>2,165.00</b>
<b>Total Income</b>	<b>4,814.00</b>	<b>5,350.00</b>	<b>4,923.00</b>
<b>Total Expense</b>	<b>3,143.00</b>	<b>2,904.00</b>	<b>2,044.00</b>
<b>Provision</b>	<b>0.00</b>	<b>175.00</b>	<b>203.00</b>
<b>Pretax Profit</b>	<b>1,671.00</b>	<b>2,271.00</b>	<b>2,676.00</b>



<b>SARDES FAKTORİNG A.Ş.</b> <b>FINANCIAL RATIO %</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROAA - Pretax Profit / Total Assets (avg.)	1.88	3.45	6.73
2. ROAE - Pretax Profit / Equity (avg.)	12.17	21.41	30.89
3. Total Income / Equity (avg.)	35.06	50.43	56.82
4. Total income / Total Assets (avg.)	5.40	8.13	12.38
5. Provisions / Total Income	0.00	3.27	4.12
6. Total Expense / Total Resources (avg.)	4.17	5.26	6.57
7. Net Profit for the Period / Total Assets (avg.)	1.56	2.62	5.45
8. Total Income / Total Expenses	153.17	184.23	240.85
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	18.82	16.19	15.30
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	3.94	-0.02	-0.72
11. Total Operating Expenses / Total Income	65.29	54.28	41.48
12. Interest Margin	3.25	7.95	10.09
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	11.20	9.28	17.40
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	72.71	57.60	79.83
15. Interest Coverage – EBIT / Interest Expenses	120.10	159.14	163.11
16. Net Profit Margin	28.94	32.26	43.98
17. Gross Profit Margin	34.71	42.45	54.36
18. Market Share	0.41	0.32	0.34
19. Growth Rate	51.77	16.34	226.08
<b>II. CAPITAL ADEQUACY (year-end)</b>			
1. Equity Generation / Prior Year's Equity	24.27	0.00	0.00
2. Internal Equity Generation / Previous Year's Equity	11.86	17.71	28.56
3. Equity / Total Assets (Standard Ratio)	14.88	16.21	16.02
4. Equity / Total Liabilities	17.49	19.34	19.07
5. Free Equity / Total Receivables Ratio	14.70	16.05	15.67
6. Tangible Assets / Total Assets	0.24	0.26	0.40
7. Intangible Assets / Total Assets	0.15	0.10	0.19
8. Equity / Total Guarantees and Commitments + Equity	100.00	100.00	100.00
<b>III. LIQUIDITY (year-end)</b>			
1. Liquid Assets + Marketable Securities / Total Assets	0.08	0.14	0.06
2. Liquid Assets + Marketable Securities / Total Liabilities	0.09	0.17	0.07
3. Short Term Borrowings / Total Assets	61.12	66.24	60.55
4. Net Interest and Commission / Total Assets	4.02	7.92	8.20
5. Liquid Assets + Marketable Securities / Equity	0.52	0.89	0.39
<b>IV. ASSET QUALITY</b>			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	0.33	0.54	0.34
2. Total Provisions / Profit Before Provision and Tax	0.00	7.15	7.05
3. Impaired Receivables / Gross Receivables	0.33	0.54	0.34
4. Impaired Receivables / Equity	2.22	3.29	2.08
5. Loss Reserves for Receivables / Impaired Receivables	100.00	100.00	100.00
6. Collaterals / Total Receivables	119.57	124.49	104.20
7. Total FX Position / Total Assets	0.10	0.48	8.34
8. Total FX Position / Equity	0.66	2.99	52.05
9. Assets / Total Guarantees and Commitments + Assets	100.00	100.00	100.00

		The Rating Results Issued by JCR-ER						
		March 30, 2015		May 22, 2014		May 24, 2013		
		Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	
International	Foreign Currency	BBB-	A-3	BBB-	A-3	BB+	B	
	Local Currency	BBB-	A-3	BBB-	A-3	BBB-	A-3	
	Outlook	FC	Stable	Stable	Stable	Stable	Stable	Stable
		LC	Stable	Stable	Stable	Stable	Stable	Stable
National	Local Rating	BBB+(Trk)	A-3(Trk)	BBB(Trk)	A-3(Trk)	BBB-(Trk)	A-3(Trk)	
	Outlook	Stable	Stable	Stable	Stable	Positive	Stable	
Sponsor Support		3		3	-	3	-	
Stand-Alone		B		B	-	B	-	
Sovereign*	Foreign Currency	BBB-	-	BBB-	-	BBB-	-	
	Local Currency	BBB-	-	BBB-	-	BBB-	-	
	Outlook	FC	Stable		Stable	-	Stable	-
		LC	Stable		Stable		Stable	
Analysts		(*) Assigned by JCR on July 11, 2014		(*) Assigned by JCR on May 23, 2013		(*) Assigned by JCR on May 23, 2013		
		Şevket GÜLEÇ Ersin KILIÇKAP		Gökhan İYİGÜN Orkun İNAN		Gökhan İYİGÜN Orkun İNAN		

**Corporate Credit Rating  
(Update)**

**Non-Banking Financial Institution  
Factoring**

SARDES FACTORING		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC	STABLE
		LC	STABLE
National	Local Rating	BBB+(Trk)	A-3(Trk)
	Outlook	STABLE	STABLE
Sponsor Support		3	-
Stand Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC	STABLE
		LC	STABLE

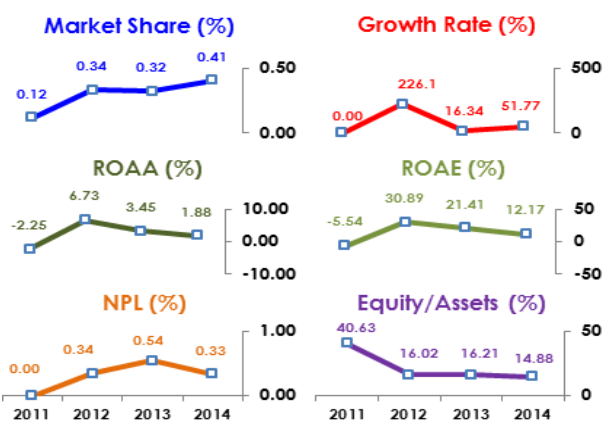
\*Assigned by Japan Credit Rating Agency, JCR on July 11, 2014

**Senior Analyst:** Şevket GÜLEÇ/ +90 212 352 56 73

sevket.gulec@jcrer.com.tr

**Assistant Analyst:** Ersin KILIÇKAP/+90 212 352 56 73

ersin.kilickap@jcrer.com.tr



**Strengths**

- Robust performance with respect to asset and loan growth beating sector averages
- Remarkably low level of non-performing receivables, stood at far below sector averages, despite sturdy growth rates in factoring receivables
- Constant increase in equity base resulting principally from cash equity injection
- The roll of past bond issuance in the diversification of external fund resources planned to be maintained in the on-going financial year
- Skilled and experienced senior management team with successful established track record in the Turkish financial sector,
- Strong emphasis on risk management approach and implementations along with conscious asset and loan growth strategy

SARDES FAKTORİNG A.Ş.				
Financial Data	2014*	2013*	2012*	2011*
Total Assets (000 USD)	46,331	33,228	34,229	9,879
Total Assets(000 TRY)	107,436	70,788	60,846	18,660
Equity(000 TRY)	15,990	11,472	9,746	7,581
Net Profit (000 TRY)	1,393	1,726	2,165	-169
Market Share (%)	0.41	0.32	0.34	0.12
ROAA (%)	1.88	3.45	6.73	-2.25
ROAE (%)	12.17	21.41	30.89	-5.54
Equity/Assets (%)	14.88	16.21	16.02	40.63
NPL (%)	0.33	0.54	0.34	0.00
Growth Rate (%)	51.77	16.34	226.08	n.a

\*End of year

**Company Overview**

Sardes Faktoring A.Ş. (hereinafter referred to as "Sardes Faktoring", or the "Company"), was founded in 2010 to operate in the Turkish Factoring Sector regulated and is supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006. The Company offers cash financing to sellers in return for their receivables, based on invoices or other certifying documents representing the domestic sales of goods and services, by undertaking their collection. The Company provided domestic and recourse or non-recourse factoring facilities through a work force of 14 people as of FYE2014.

The qualified shareholders of the company as of December 31, 2014, were Mr. Emin Hakan Eminsoy (76.52%) and Mr. Kazım Cenk Tülümen (23.48%). In accordance with the BRSA regulations regarding the minimum capital requirement, Sardes Faktoring strengthened its equity base through principally cash equity injection and paid in capital increased to TRY 19.1mn as of March 2015.

The Company, with a total asset size of TRY 107.43 mn, had a 0.41 % market share in the factoring sector worth a total of TRY 26.41 bn in FYE2014.

**Constraints**

- Highly volatile profitability levels with recently below sector average profitability indicators
- Remarkable decline in net interest revenues and net profit, despite sturdy factoring receivables growth
- Exceptional increase in financial expenses exerting severe pressure on profitability
- A high credit risk concentration among the top 10 factoring receivables customers increasing vulnerability
- Despite meeting legal requirements regarding standard ratio, descending and below sector average equity level,
- Fierce competition throughout the sector
- Need for improvement in the level of compliance with Corporate Governance Practices
- Persistent political and economic stresses along with regional tensions hosting uncertainties and exerting downward pressure on business prospects

**Publication Date: March 26, 2015**

**"Global Knowledge supported by Local Experience"**

**PRESS RELEASES**  
**Istanbul – March 26, 2015**

**JCR Eurasia Rating**  
**has revised the credit ratings of “Sardes Faktoring A.Ş.” and ‘Cash Flows on Prospective Bond Issue’ and upgraded its rating to “BBB+ (Trk)” on the Long Term National Local Scale with a “Stable” outlook.**

JCR Eurasia Rating has revised the credit ratings of “Sardes Faktoring A.Ş.” and ‘Cash Flows on Prospective Bond Issue’ and upgraded its Long Term National rating to “BBB+ (Trk)/Stable”. Other grades and details of the ratings are given in the table below:

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

Founded in 2010 and commencing operations in 2011, **Sardes Faktoring A.Ş.** displayed a growth rate seven times higher than the Sector average in last 3 years, owing to the base effect and the fact that it is a newly found company. The Company, not compromising on asset quality, has a very low non-performing receivables ratio that is virtually non-existent. The Company, complying with the current legal requirements and regulations concerning capitalization levels, realized significant cash equity increase in 2014 and 2015 in order to comply with the regulation that is enacted in 2012 and will be effective as of December 13, 2015 setting the minimum paid-in capital requirement as TRY 20 million.

Meeting its short-term liquidity needs principally with bank loans, **Sardes Faktoring** diversified its funding sources with the bond issues realized in the last 2 years and plans to actively utilize this source with the bond issues planned for 2015. The regression of net interest income stemming from the limited increase in interest revenues due from factoring receivables, despite of the significant upsurge in financing costs pressurized the profitability of the Company which largely financed its asset growth with external resources. The net interest margin declined below the sector averages in terms of asset and equity return. The fragility and the pressure on the asset and receivable portfolio arising from limited customer base and high risk concentration is managed by the diversification of the cheque and bill issuers.

The fortification of the capitalization level with cash equity injection, effective risk management, remarkably low NPL ratio and satisfactory asset quality, growth rate that is significantly higher than sector average, the positive expectations related with the profitability ratios of the Company supported by management unit’s experience in the financial markets and their professional background, the high feasibility of the budget targets for 2015 and the debt service capacity of the internally generated revenues and cash flows were the foundations of the rating upgrade by **JCR-ER**.

The adequacy of the controlling shareholders **Emin Hakan Eminsoy** and **Cenk Tülümen’s** financial strength and operational support capacity derived from their qualified ownership of the Company is determined as **(3)** within “Sponsor Support” scale, considering Sardes Faktoring A.Ş.’s scale and the contribution of planned investments and the sector progress in terms of growth. The Stand Alone grade, indicating the Company’s ability to meet its commitments and obligations has been determined as **(B)** accounting for the internal revenue generation capacity, the addition of previous years’ profits to the equity and cash capital injection along with the current capitalization level.

For more information regarding the rating results, you may visit our internet site <http://www.jcrer.com.tr> or contact our analysts **Mr. Şevket GÜLEÇ** and **Mr. Ersin KILIÇKAP**.

**JCR EURASIA RATING**

**Yönetim Kurulu**