

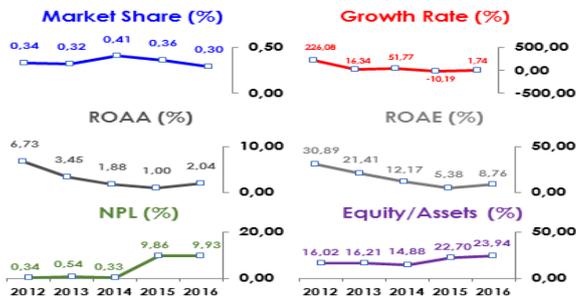
**Corporate Credit Rating  
(Update)**
**Non-Banking Financial Institution  
Factoring**

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

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

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**Strengths**

- Sharp, almost twofold increase in net profit
- Efficient customer diversification in different sectors
- Shareholders' strong assist capability in both operational and financial conditions
- Absence of FX position
- Senior management team's broad experience in the field of financial sector
- Expanded funding opportunities

**Constraints**

- High NPL ratio above the sector average for FYE2016
- Decreasing market share over the last two years
- Below-sector profitability ratios
- High level of customer concentration risk
- Global and regional economic outlook under pressure with insistent uncertainty about policy responses
- Fierce competition throughout the sector

SARDES FAKTORİNG A.Ş.					
Financial Data	2016*	2015*	2014*	2013*	2012*
Total Assets (000 USD)	27,793	33,183	46,331	33,228	34,229
Total Assets (000 TRY)	98,160	96,484	107,436	70,788	60,846
Equity (000 TRY)	23,504	21,903	15,990	11,472	9,746
Net Profit (000 TRY)	1,601	813	1,393	1,726	2,165
Market Share (%)	0.30	0.36	0.41	0.32	0.34
ROAA (%)	2.04	1.00	1.88	3.45	6.73
ROAE (%)	8.76	5.38	12.17	21.41	30.89
Equity/Assets (%)	23.94	22.70	14.88	16.21	16.02
NPL (%)	9.93	9.86	0.33	0.54	0.34
Growth Rate (%)	1.74	-10.19	51.77	16.34	226.08

\*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. The sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006.

The major qualifying shareholders of the company as of December 31, 2016, were Mr. Emin Hakan Eminsoy (73.27%), Mr. Kazım Cenk Tülümen (21.73%) and Mr. Celalettin Çağlar (5.00 %). The Company provides domestic and recourse or non-recourse factoring facilities through a staff force of 13 people as of FYE2016 (As of December 31, 2015: 15). The Company carries out its fully domestic and revocable factoring transactions through its headquarters in Istanbul.

The Company, with a total asset size of TRY 98.16 mn, had a 0.30 % market share in the factoring sector worth a total of TRY 33.08 bn in FYE2016.

## 1. Rating Rationale

The Banking Regulation and Supervision Agency (BRSA) has regulated and overseen the activities of the Turkish Factoring Sector since 2006. The Leasing, Factoring and Financing Companies Law No. 6361, the Factoring Sector's first, came into effect on December 13, 2012. Moreover, a regulation regarding organization and operating principals of financial leasing, factoring and financing companies entered into force on April 24, 2013. According to BRSA statistics, the total asset size of the Turkish Factoring Sector was TRY 33.09bn and involved 62 factoring companies.

This report is based on the independent audit report of Sardes Faktoring, in addition to statistical data on the sector produced by BRSA. Additionally, JCR Eurasia Rating's own analyses, estimations and calculations were incorporated into the report. The clarifications related with the current operations and updates to the corporate structure of Sardes Faktoring are provided by the Company management.

The Company's consolidated 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, information and clarifications provided by the Company and non-financial figures constitute the main basis of Sardes Faktoring's ratings.

JCR Eurasia Rating has affirmed **Sardes Faktoring A.Ş.'s** investment grade National Local Rating Note of '**BBB (Trk)**' in the long term with a '**Positive**' outlook and '**A-3 (Trk)**' in the short term with a "**Stable**" Outlook. In addition, the Company's Long Term Local and Foreign Currency notes have been assigned as the country ceiling of "**BBB-**", considering adequate capital adequacy levels, high asset quality and sturdy growth prospects as well as market position.

Key Rating Considerations are:

### **Broad Experience and Reliable Shareholder Structure**

Mr. Emin Hakan Eminsoy, Kazım Cenk Tülümen and Celalettin Çağlar are the principal shareholders of Sardes Faktoring and have over 20 years of sector experience and a reliable reputation in Turkey in a variety of financial fields. Moreover, the experience and background of the board, executive directors and senior management team contribute to effective risk management practices.

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

The Company has a diversified borrowing structure through bank loans and capital market instruments such as debt issuances. The bond issuances, particularly in a factoring sector with rare alternative funding sources, present the advantages of reducing funding costs, relieving the balance sheet and lengthening the maturity of borrowings, leading to a positive effect on liquidity management. The Company's issued bond amounting to TRY 10mn on January 18, 2017. For the ongoing year, the Company plans to continue to use capital market instruments of bond issuance TRY 10mn.

### **Need for Progress in Corporate Governance Practices**

The Company's compliance with corporate governance principles, such as the lack of disclosure of social responsibility policies and CVs of the board of directors, requires essential improvement compared to international standards.

### **Lack of Branch Network**

Sardes Faktoring has one branch in Istanbul, while bank-affiliated factoring companies operate through a wide network.

### **Low Level of Profitability Ratios**

The Company's 'Return of Average Assets (ROAA) and Return on Average Equity (ROAE)', the main profitability indicators, remain low compared to sector averages despite an increase of 1.04% in ROAA and 3.38% in ROAE as of December 31, 2016.

### **Fierce Competition Throughout the Sector**

Currently, 61 companies (60 in Istanbul and 1 in Ankara) actively operate in a factoring sector dominated by bank related factoring firms. Compared to non-bank factoring companies, bank related factoring companies have easy access to a large clientele of banks in a diversified geographical area, greater funding sources and lower funding costs.

### **High Level of Customer and Sector Concentration Risk**

The factoring receivables portfolio comprises 91.58% of Sardes Faktoring's total assets. The 10 largest customers covered 58.00%, the top 20 customers 81.00% and the top 50 customers 100.00% of the total receivables portfolio as of FYE2016.

### **Global economic outlook and regional constraints and persistent uncertainties in monetary policy in the developed countries**

The factoring industry is sensitive to economic prospects and consumer confidence due to the speed of business. The worsening of inflation and the current account deficit, the unrest in the Middle East, the constitutional referendum in April 2017, possible future increases in credit costs due to rising Federal Reserve interest rates and subsequent reduction entries in the emerging markets of unemployment and regional unrest throughout 2017 could limit economic growth.

## **2. Outlook**

JCR Eurasia Rating has affirmed a **"Positive"** outlook on the long term national and affirmed a **"Stable"** outlook on the short term national ratings, considering the Company's assets structure, profitability and quality, relatively balanced risk position, absence of FX position, diversified fund resources through bond issuance, projected growths in assets and 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.

Moreover, JCR Eurasia Rating has affirmed a **'Stable'** outlook on the international short term and long term rating perspectives of Sardes Faktoring A.Ş with the expectation of minimal change in the existing condition or state of affairs.

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**

The financial strength and expected support of the Company's shareholders lay the foundation of its Sponsor Support assessment. The main controlling corporate shareholders, Mr. Emin Hakan Eminsoy, Kazım Cenk Tülümen and Celalettin Çağlar, are considered to be able to provide support to Sardes Faktoring in case of a liquidity requirement.

The Stand-Alone Note is formed regarding the Company's assets quality, equity structure, market shares,

sustained growth rates, organizational structure, management practices and development of existing risks in the markets and financial environment. Therefore, JCR Eurasia Rating believes that the Company has enough experience and infrastructure to manage the risks individually as long as it maintains its existing customers, sustainability of profitability and effectiveness in the market positions.

Within this context, the Sponsor Support and Stand Alone Notes of the Company have been affirmed at **"3"** and **"B"**, respectively. A Sponsor Support Note of **"3"** denotes adequate external support possibility while a Stand Alone Note of **"B"** signifies a strong level of financial standing.

## **4. Company Profile**

### **a. History**

Sardes Faktoring was established by Hakan Eminsoy and Cenk Tülümen, senior finance professionals with specialized knowledge of the Turkish financial sector, on December 10, 2010 in order 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 the Company 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 Company's organizational structure consists of the units of operations, financial & administration affairs, information technology, credits, marketing and internal control & auditing. All units are positioned under the common goals and strategies in order to increase the Company's efficiency. In addition, all departments are staffed by educated and experienced employees. The labor force of the company was 13 as of December 31, 2016.

### c. Shareholders, Subsidiaries & Affiliates

Sardes Faktoring's shareholder structure changed as of FYE2016 and is shown in the following table. As of December 31, 2016, the Company's paid capital was TRY 20.1 mn. The qualified shareholder, Mr. Emin Hakan EMINSOYm held a 73.27% interest in the Company.

Shareholder Structure	FYE2016	FYE2015	March 2015	FYE2014	FYE2013
Emin Hakan Eminsoy	14.726.089	15.379.331	14.614.369	10.712.102	5.929.913
Kazım Cenk Tülümen	4.368.675	4.720.420	4.485.628	3.287.895	1.820.084
Celalettin Çağlar	1.004.987	-	-	-	-
Gülberk Eminsoy	1	1	1	1	0
Serhat Kutlu	-	-	0	0	0
Berna Bayındır	1	1	1	1	0
Çağlar Şendil	-	-	1	1	1
Selami Özcan	1	1			
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Paid Capital (TRY/000)</b>	<b>20.100</b>	<b>20.100</b>	<b>19.100</b>	<b>14.000</b>	<b>7.750</b>

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

### c. Corporate Governance

Sardes Faktoring is not a publicly listed; therefore, it does not have an obligation to comply with the Corporate Governance Practices of the Capital Markets Board. However, as an established presence in the factoring sector, Sardes Faktoring has adopted the necessary practices.

The Company website provides useful information about the periodic financial statements, detailed disclosures contributing to transparency such as the articles of association, bond issuance documents, rating reports, audit reports, annual reports, history, vision, mission, strategy, Company profile, General Meeting minutes, shareholder structure and organizational structure. In addition, the Company has also written human resource policies and ethical principles which are established on the Company's website. On the other hand, the Company's website lacks disclosure of the social responsibility policies and CVs of the Board of Directors.

The Factoring Sector has operated under the supervision and audit of the Banking Regulation and Supervision Agency (BRSA) in Turkey since January 2006. BRSA involvement brought greater discipline and transparency

to the sector. For its bond offering in the Turkish bond market, the Company has implemented the necessary transparency procedures. In addition, all records and reports of the Company are aligned with international standards and an international audit service is procured. Moreover, Sardes Faktoring has efficient committees of internal control, credit, asset-liability (ALCO), audit and risk management which report directly to the board on a daily, weekly and monthly basis. Different departments, such as marketing, operations, finance, information technology, legal consultancy department etc., have sufficient integration to warrant the daily productivity of the Company.

The Board of the Company consists of four members, none of whom are independent. We, as JCR Eurasia Rating, consider that the board members of the Company have broad sector experience and adequate managerial skill.

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

### e. The Company & Its Group Strategies

Sardes Faktoring highlights protective asset and credit quality while increasing its customer number. In addition, the Company's main strategy is based upon liability management, which aims to redress the balance in liability and create assets. The Company aims to be at the forefront of innovation and improvement in implementing factoring facilities by ensuring maximum customer satisfaction in the financial sector.

### 5. Sector Analysis

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

Providing guarantees, financing and collection services faster than banks in return for the assignment of spot and deferred receivables arising from the sale of products and services domestically and overseas, the sector continued its institutionalization, branching and extension of customer base activities in 2016. However, a significant number of companies operating in the sector do not possess the necessary capabilities to provide 'collection' services and export factoring. The certification of part of the assignment claims via 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 economic conjecture in comparison to banks, while regulatory pressures from the Banking Regulation and Supervision Agency (BRSA) continues to create difficulties in management policies across the sector.

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

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

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

profitability levels along with narrow opportunities for access to loans and customers.

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

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

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

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

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

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

The Factoring Sector has a relatively low free floating rate and enjoys a small share across the wider Turkish financial services sector. 61 of the companies are located in Istanbul while only 1 is based in the capital, Ankara.

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

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

Factoring receivables constitute the largest item among the sector's assets with a share of 94.64%, whilst loans enjoyed the largest share among its resources with a 71.03% share. The sector primarily utilizes short-term bank loans in order to meet its funding requirements and its inability to diversify its resource base remains an inherent feature of the sector. However, bond issues began to slowly gather momentum since 2008 and accelerated in 2012, but had slowdown in 2016. As a result, bond issuances comprised 10.27% of the sector's

total resources in 2016. The share of equity among total resources of the sector stood at 15.37% and displayed a downward trend within total liabilities. In line with the new regulations, factoring companies are obliged to have a standard ratio which dictates that the share of equity to total assets shall not fall below 3%.

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

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

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

Bank affiliated factoring companies carry a competitive advantage in comparison to non-bank affiliated firms with regards to competition, access to funding, scale of service provision and alternative distribution channels, resulting to a competitive distortion. The return on loans and assets across the sector underwent significant changes throughout 2016 and as the increases in asset

returns could not cope with the increases in interest rate sensitive resources, break-even interest rate settled at 12.12%. The most important outcome was the rapid incline of the net interest rate margin from 0.20% to 1.68%.

RETURNS - COST RATIOS ANALYSIS FOR FACTORING INDUSTRY			
ASSET RETURN	2016	2015	2014
Loans Interest Yield	13.86%	11.70%	10.43%
Return the Commission	1.11%	1.05%	0.96%
FX Return or cost	0.61%	0.19%	-0.03%
Return/Cost of other operations	1.69%	1.42%	1.76%
<b>Loans Total Return</b>	<b>17.27%</b>	<b>14.36%</b>	<b>13.12%</b>
<b>Cost of Non-Earning Asset</b>	<b>-0.59%</b>	<b>-0.49%</b>	<b>-0.45%</b>
<b>Asset Return</b>	<b>16.68%</b>	<b>13.87%</b>	<b>12.68%</b>

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

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

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

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

## 6. Financial Analysis

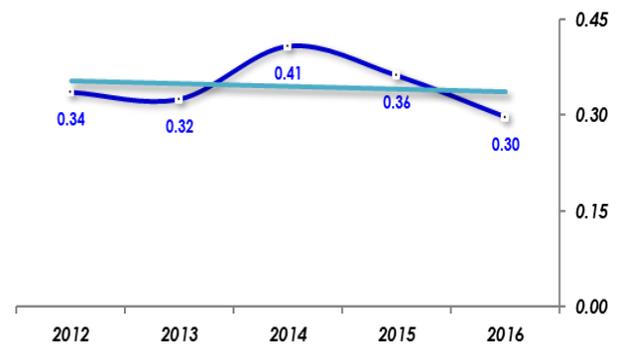
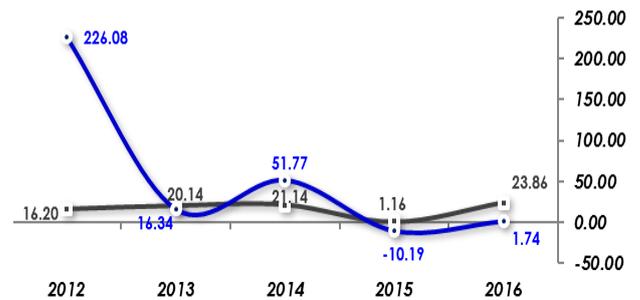
### a. Financial Indicators & Performance

#### 1. Indices Relating to Size

Following a restructuring period, Sardes Faktoring recorded an asset growth of approximately 2%, accounting for the notable uncertainties in the political sphere and economy. As of FYE2016, Sardes Faktoring's total asset size increased to TRY 98,16mn from TRY 96.48mn. However, the Company's asset growth rate still underperformed the sector average compared to previous year. In addition, the Company's market share has decreased since FYE2014.

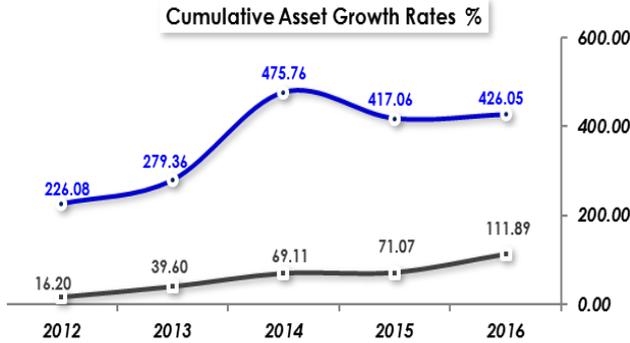


Annual Asset Growth Rates %



The Company's cumulative asset growth rates shows a fluctuating trend over the previous 3 years and increased from 417.06% to 426.05% as of the end of 2016. Moreover, its assets base cumulative growth performance was considerably higher than the sector average of 111.89%.

■ TURKISH FACTORING SECTOR ● SARDES FAKTORİNG A.Ş.

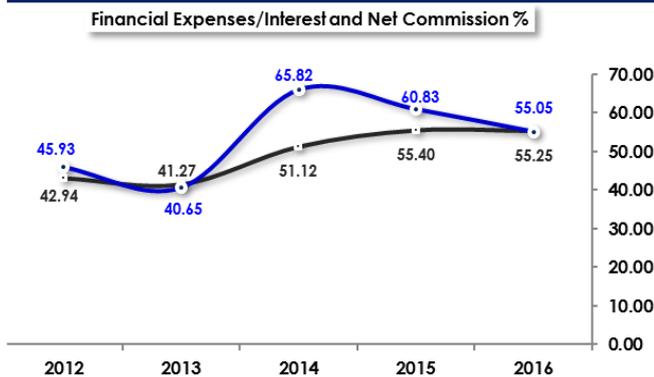


**2. Indices Relating to Profitability**

As of FY2016, the Company's net profit increased from TRY 813k to TRY 1.60mn with a sharp increase of 96.92% compared to the previous year's net profit (FY2015: TRY 813k).

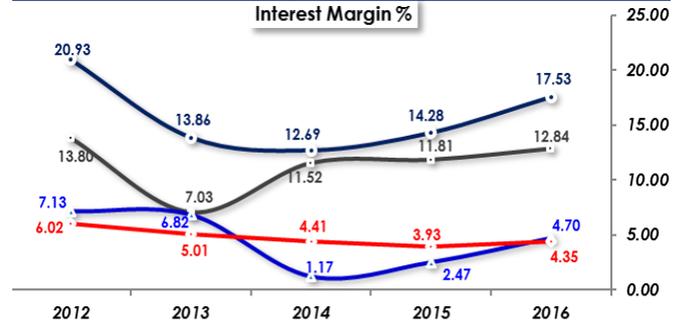
The ratio of financial expenses to interest and net commission shows a parallel trend for both the Company and the sector. The ratio fell by 5.78% to 60.83% for the Company and by 0.2% to 55.40% for the sector during FY2016. Since 2014, the sector average remained under the Company figures. Moreover, during FY2016, financial expenses, including interest payments to bank loans and bond issuances, nearly, increased by only 0.73% to TRY 9.52mn.

■ TURKISH FACTORING SECTOR ● SARDES FAKTORİNG A.Ş.



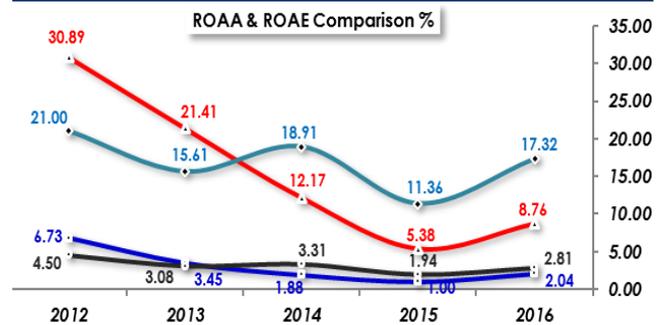
Sardes Faktoring's interest margin increased to 4.70% as of FYE2016 from 2.47% as of FYE2015 and stands above the sector average of 4.35%.

■ Interest Rate for Costly Liabilities (avg.) %  
● Interest Rate for Earning Assets (avg.) %  
▲ Margin %  
◆ Sector Margin %



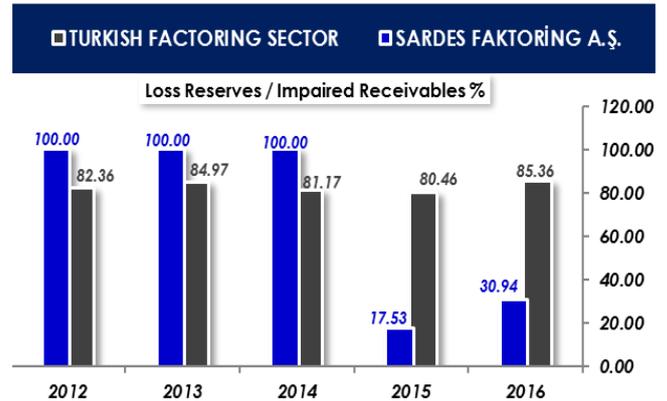
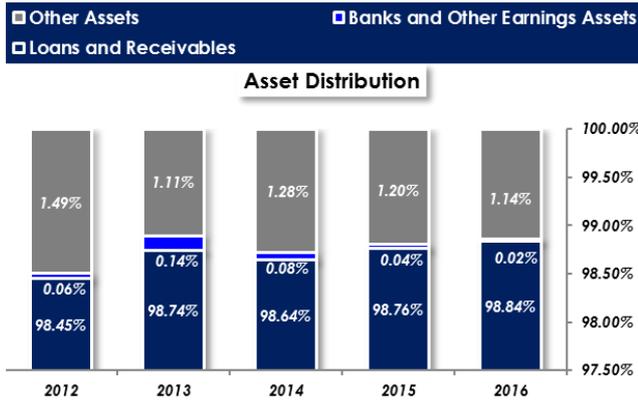
The fundamental profitability indicators of the financial sector, the ratios of return on assets and equity, both recorded an increase FY2016, despite remaining below the sector averages. The return on average asset (ROAA) reached 2.04% as of FY2016. The return on average equity (ROAE) ratio also showed an increase, reached to 8.76% as of FY2016 from 5.38% FY2015. Those indicators designate that the Company should concentrate on profitability and asset base growth while preserving asset quality.

■ ROAA SARDES FAKTORİNG A.Ş. ● ROAA TURKISH FACTORING SECTOR  
▲ ROAE SARDES FAKTORİNG A.Ş. ◆ ROAE TURKISH FACTORING SECTOR



**b. Asset Quality**

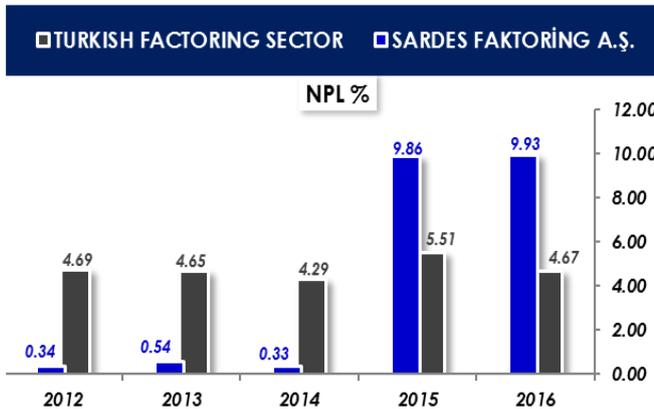
Sardes Faktoring had a total asset size of TRY 98.16mn with a weighted dispersion of earning assets with a share of 98.86% above the sector average of 96.33%. Among earning assets, factoring receivables accounted for 91.58% of total assets, contributing to asset quality.



Sardes Faktoring's overdue loans followed a slight increase to TRY 9.93mn from TRY 9.55mn as of FYE2016. Over the reviewed period, NPL ratios remained remarkably above the sector averages, which shows a weakening in asset quality.

**c. Funding & Adequacy of Capital**

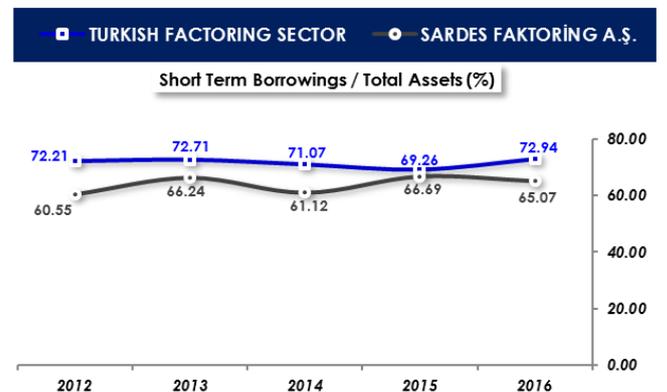
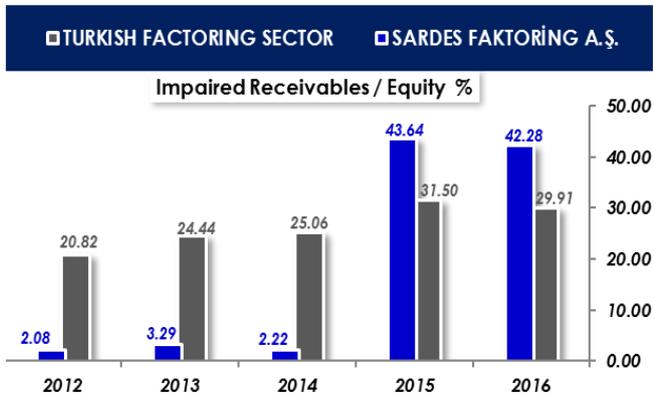
Bank loans, bonds and equity are the primary funding source of the operations of Sardes Faktoring. 83.62% of the bank loans have a maturity date of less than three months. In addition, bonds issued to diversify funding sources amounted to TRY 10.29mn as of FYE2016. The Company formed a strong and diversified funding structure through alternative channels.



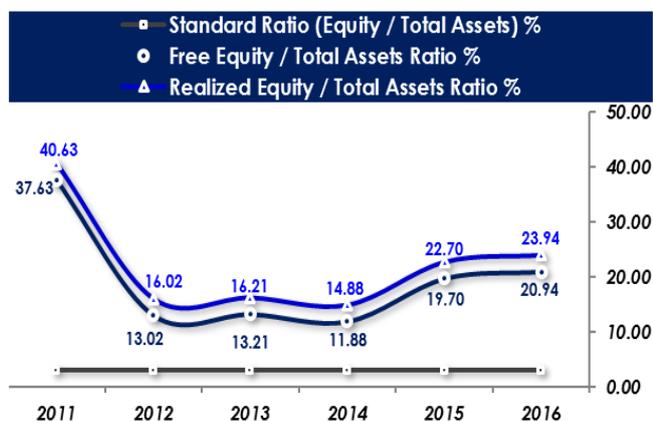
Although the ratio of impaired receivables to equity decreased both for the Company and the sector, it remained far above the sector average of 29.91% as of the reporting period and was caused by overdue loans.



In contrast to the sector preference for short term borrowings in funding assets (72.94%), Sardes Faktoring has a more long term funding structure with a share of 65.07% as of FYE2016.



The sector's 3.00% required standard ratio is easily surpassed by market participants, including Sardes Faktoring which had a standard ratio of 23.94% as of FYE2016. This figure remained above the sector average of 15.37% as in 2015.



## 7. Risk Profile & Management

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

The risk management framework of Sardes Faktoring covers credit, liquidity, market and operational risks. The Board meets regularly and evaluates internal management reports. The Board of Directors defines and monitors the implementation of policies generated to reduce, reduce, control and monitor the overall risk exposure. In addition, Company operations are audited by Independent Auditing firms on a yearly basis.

Furthermore, the Company has established Credit, Asset & Liabilities and Risk Committees. The board of directors and senior managers are also part of the Committees and overseeing the activities of executive management and overall compliance and risk factors.

Overall, risk management practices aim to identify, monitor and manage risks through various financial and operational activities and precautions to preserve capital, maintain profitability and reducing their potential negative effects on the Company's financial performance.

### b. Credit Risk

The active customer number in the Company's portfolio as of December 2016 dropped to 56 from 62. As of FYE2016, the concentration of the top 50 customers was 100.00%. Additionally, the 10 largest customers

comprised 58.00% and top 20 customers 81.00% of the total receivables portfolio as of FYE2016, still a high concentration compared to the previous year's figure. Moreover, the 10 largest drawees created 57.00%, the top 20 71.00% and the top 50 89.00% of the total receivables portfolio. The Company's concentration risk derived from the receivables portfolio is detailed s below.

As of December 31, 2016	
Customer List	Share in Total Receivables (%)
First 10 - Customer	58
First 20 - Customer	81
First 50 - Customer	100

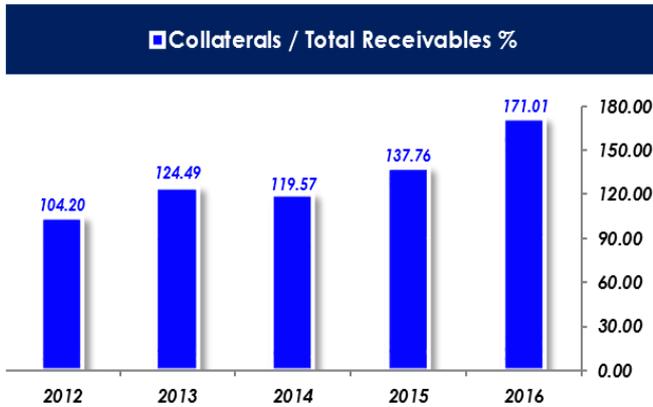
Factoring receivables are a fundamental factor of credit risk. Sardes Faktoring's total credit risk exposure was TRY 89.89mn at the end of FY2016, an increase from TRY 87.14mn as of FY2015.

The diversification of the receivable portfolio according to sector is given below. The construction industry accounted for the largest share with a rate of 18.37%, followed by manufacture industry with a share of 13.98% as of FYE2016.

Gross Factoring Receivables Concentration Table	2016	%	2015	%
Construction	18,838	18.37	16,912	16.82
Wholesale and Retail Motor Vehicles	6,061	5.91	7,381	7.34
Manufacture Industry	14,336	13.98	9,254	9.20
Transport Activities	6,549	6.39	9,995	9.94
Textiles and Textile Products Industry	8,252	8.04	15,753	15.67
Vehicles Industry	243	0.24	1,407	1.40
Other-Tourism	1,757	1.71	-	-
Metals and Other Mining Industry	12,023	11.73	9,801	9.75
Medicine Pharmaceutical Industry	10,479	10.22	8,323	8.28
Food, Beverages and Tobacco Industry	3,485	3.40	9,318	9.27
Wholesale Trading and Brokerage Operations	6,958	6.79	2,786	2.77
Machinery and Equipment Industry	1,655	1.61	650	0.65
Agriculture and Forestry	2,745	2.68	2,321	2.31
Computer and Related Activities	1,300	1.27	2,462	2.45
Mining Activities	2,398	2.34	3,995	3.97
Culture, Entertainment and Sport Activities	5,454	5.32	-	-
Health and Social Services	-	-	201	0.20
<b>Total</b>	<b>102,533</b>	<b>100</b>	<b>100,559</b>	<b>100</b>

While the Company's collaterals to total receivables ratio increased from 137.76% to 171.01% as of FYE2016, coverage has been ensured over the years. Factoring receivables amounting to TRY 89.89mn have

been collateralized in the amount of TRY 70.88mn tangible collateral in the form of cheques, mortgage, vehicle pledges, securities and notes.

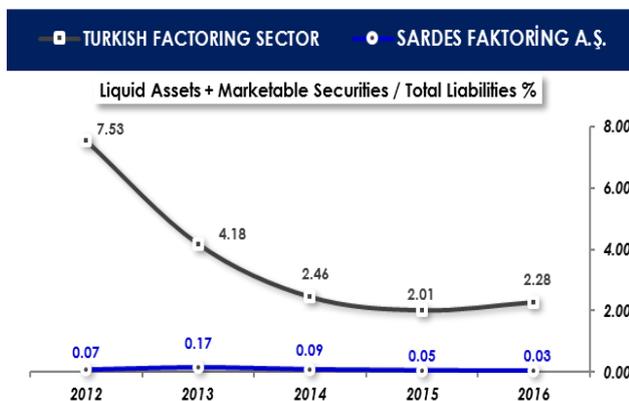


#### c. Liquidity

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

As of February 28, 2017, credit lines worth TRY 146.17mn were given to Sardes Faktoring by a variety of banks and TRY 75.74mn of the total line was used, with a free line amounting to TRY 70.42mn, enabling adequate and available credit lines and providing comfort in liquidity management.

The Company's liquid assets level stayed continuously below sector averages following 2011 in accordance with the management strategy of ensuring minimum idle balance and avoiding additional market risk.



Moreover, the company has carried out its efforts to diversify credit lines through a bond issuance.

#### d. Market Risk

As all financial instruments held for trading are exposed to interest rate risk within the context of market risk, the changes in market prices affecting operating income will decrease the value of a financial asset.

Assets and liabilities denominated in foreign currencies create foreign exchange risk. The Company carries a certain amount of foreign exchange position arising from the transactions it has carried out in accordance with its activities. The Company constantly follows the foreign currency position on the balance sheet in order not to take foreign currency risk. As of December 31, 2016, the Company had a foreign currency surplus amounting to TRY 52k.

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

In the scope of operational risks, Sardes Faktoring quantified no losses resulting from transactions, human and system errors as of 2016 and reported no penalties brought against the Company by regulatory and supervisory authorities over the last year.

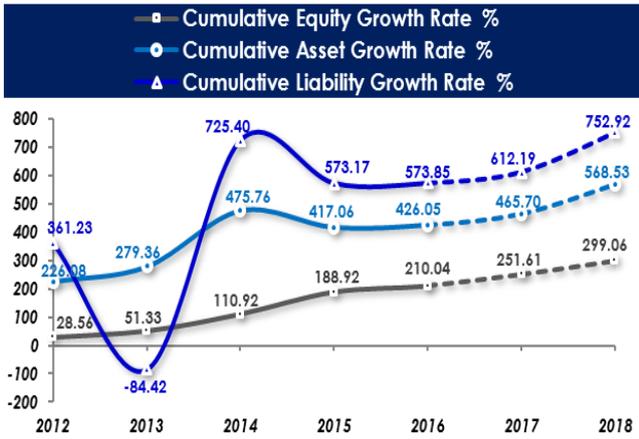
Operational risks are managed with the implementation of automated processes, specialized software and internal control mechanisms. The findings of the internal control unit are reported to the Board of Directors.

In addition to periodic reporting and transaction based controls, the Company aims to minimize the operational processes so as to eliminate redundancies.

### 8. Budget & Debt Issue

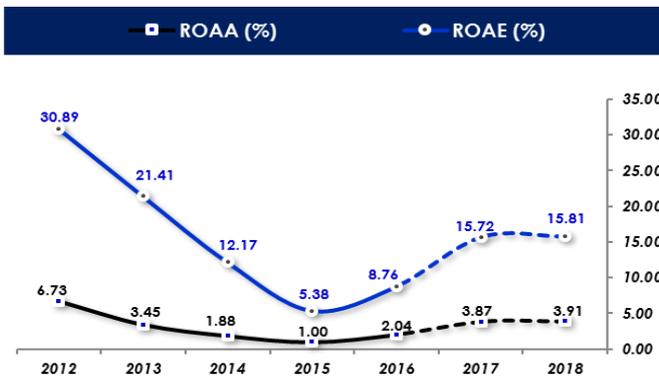
Sardes Faktoring's strategic focus has been set as profitability for the upcoming years. The Company has projected 2017 year-end financial statements figures of TRY 3.15mn net profit and TRY 105.55mn total asset size. Sardes Faktoring's projection for 2016 was TRY 1.58mn net profit as stated in JCR Eurasia Rating's previous rating report. The Company has exceeded the target by realizing a TRY 1.60mn net profit in 2016.

Based on budgeted statements supplied by the Company, growth rates for the last five years' growth series are expected to result in cumulative asset growth rates of 465.70% and 568.53% for 2017 and 2018, respectively.



Sardes Faktoring's short term borrowings from banks and bond issuances will remain as the main sources of funding as in the previous years. On January 18, 2017, a bond with a nominal value of TRY 10mn with a maturity of 175 days (maturity date of 12.07.2017) was issued as a discount. The Company also plan to make new bond issues during the 2017.

During FY2017 and FY2018, the main profitability indicators of ROAA and ROAE are projected to be 3.87% and 3.91% and 15.72% and 15.81%, respectively.



SARDES FAKTORİNG A.Ş. BALANCE SHEET - ASSET  TRY (000)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	As % of	As % of	As % of	2016	2015	2014
	2016	2016	2016	2015	2015	2014	2014	2013	2016	2015	2014	2016	2015	2014
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate	Rate	Rate
<b>A-TOTAL EARNING ASSETS (I+II+III)</b>	<b>27,476.92</b>	<b>97,043.00</b>	<b>96,186.00</b>	<b>95,329.00</b>	<b>100,696.00</b>	<b>106,063.00</b>	<b>88,031.50</b>	<b>70,000.00</b>	<b>98.86</b>	<b>98.80</b>	<b>98.72</b>	<b>1.80</b>	<b>-10.12</b>	<b>51.52</b>
<b>I- LOANS AND RECEIVABLES (net)</b>	<b>27,470.13</b>	<b>97,019.00</b>	<b>96,155.00</b>	<b>95,291.00</b>	<b>100,635.50</b>	<b>105,980.00</b>	<b>87,939.00</b>	<b>69,898.00</b>	<b>98.84</b>	<b>98.76</b>	<b>98.64</b>	<b>1.81</b>	<b>-10.09</b>	<b>51.62</b>
a) Factoring Receivables	25,453.88	89,898.00	88,520.50	87,143.00	96,447.00	105,751.00	87,761.50	69,772.00	91.58	90.32	98.43	3.16	-17.60	51.57
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	2,813.58	9,937.00	9,748.00	9,559.00	4,957.00	355.00	366.50	378.00	10.12	9.91	0.33	3.95	2,592.68	-6.08
e) Others	73.33	259.00	262.00	265.00	247.00	229.00	177.50	126.00	0.26	0.27	0.21	-2.26	15.72	81.75
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 (-)	-870.66	-3,075.00	-2,375.50	-1,676.00	-1,015.50	-355.00	-366.50	-378.00	-3.13	-1.74	-0.33	83.47	372.11	-6.08
<b>II-BANKS AND OTHER EARNING ASSETS</b>	<b>6.80</b>	<b>24.00</b>	<b>31.00</b>	<b>38.00</b>	<b>60.50</b>	<b>83.00</b>	<b>92.50</b>	<b>102.00</b>	<b>0.02</b>	<b>0.04</b>	<b>0.08</b>	<b>-36.84</b>	<b>-54.22</b>	<b>-18.63</b>
a) Banks	6.80	24.00	31.00	38.00	60.50	83.00	92.50	102.00	0.02	0.04	0.08	-36.84	-54.22	-18.63
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>316.27</b>	<b>1,117.00</b>	<b>1,136.00</b>	<b>1,155.00</b>	<b>1,264.00</b>	<b>1,373.00</b>	<b>1,080.50</b>	<b>788.00</b>	<b>1.14</b>	<b>1.20</b>	<b>1.28</b>	<b>-3.29</b>	<b>-15.88</b>	<b>74.24</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)	25.20	89.00	44.50	0.00	0.00	0.00	0.00	0.00	0.09	n.a	n.a	n.a	n.a	n.a
d) Other	291.07	1,028.00	1,091.50	1,155.00	1,264.00	1,373.00	1,080.50	788.00	1.05	1.20	1.28	-11.00	-15.88	74.24
- Intangible Assets	18.12	64.00	79.00	94.00	125.00	156.00	114.50	73.00	0.07	0.10	0.15	-31.91	-39.74	113.70
- Property and Equipment	93.44	330.00	244.00	158.00	206.50	255.00	219.00	183.00	0.34	0.16	0.24	108.86	-38.04	39.34
- Deferred Tax	164.51	581.00	617.00	653.00	694.00	735.00	573.00	411.00	0.59	0.68	0.68	-11.03	-11.16	78.83
- Other	15.01	53.00	151.50	250.00	238.50	227.00	174.00	121.00	0.05	0.26	0.21	-78.80	10.13	87.60
<b>TOTAL ASSETS</b>	<b>27,793.19</b>	<b>98,160.00</b>	<b>97,322.00</b>	<b>96,484.00</b>	<b>101,960.00</b>	<b>107,436.00</b>	<b>89,112.00</b>	<b>70,788.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>1.74</b>	<b>-10.19</b>	<b>51.77</b>

SARDES FAKTORİNG A.Ş. BALANCE SHEET-LIABILITIES+EQUITY TRY (000)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	As % of	As % of	As % of	2016	2015	2014
	2016	2016	2016	2015	2015	2014	2014	2013	2016	2015	2014	2016	2015	2014
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate	Rate	Rate
<b>C- COST BEARING RESOURCES (I+II)</b>	<b>20,999.21</b>	<b>74,165.00</b>	<b>74,210.50</b>	<b>74,256.00</b>	<b>80,050.00</b>	<b>85,844.00</b>	<b>72,192.00</b>	<b>58,540.00</b>	<b>75.56</b>	<b>76.96</b>	<b>79.90</b>	<b>-0.12</b>	<b>-13.50</b>	<b>46.64</b>
<b>I-PAYABLES</b>	<b>0.00</b>	<b>0.00</b>	<b>20.00</b>	<b>40.00</b>	<b>26.50</b>	<b>13.00</b>	<b>6.50</b>	<b>0.00</b>	<b>n.a</b>	<b>0.04</b>	<b>0.01</b>	<b>-100.00</b>	<b>207.69</b>	<b>n.a</b>
a) Factoring Payables	0.00	0.00	20.00	40.00	26.50	13.00	6.50	0.00	n.a	0.04	0.01	-100.00	207.69	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>20,999.21</b>	<b>74,165.00</b>	<b>74,190.50</b>	<b>74,216.00</b>	<b>80,023.50</b>	<b>85,831.00</b>	<b>72,185.50</b>	<b>58,540.00</b>	<b>75.56</b>	<b>76.92</b>	<b>79.89</b>	<b>-0.07</b>	<b>-13.53</b>	<b>46.62</b>
a) Fund Borrowed-Short Term	18,085.11	63,873.00	64,090.50	64,308.00	64,980.00	65,652.00	56,271.50	46,891.00	65.07	66.65	61.11	-0.68	-2.05	40.01
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)	2,914.09	10,292.00	10,100.00	9,908.00	15,043.50	20,179.00	15,914.00	11,649.00	10.48	10.27	18.78	3.88	-50.90	73.23
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>139.02</b>	<b>491.00</b>	<b>408.00</b>	<b>325.00</b>	<b>2,963.50</b>	<b>5,602.00</b>	<b>3,189.00</b>	<b>776.00</b>	<b>0.50</b>	<b>0.34</b>	<b>5.21</b>	<b>51.08</b>	<b>-94.20</b>	<b>621.91</b>
a) Provisions	26.90	95.00	83.50	72.00	55.50	39.00	214.50	390.00	0.10	0.07	0.04	31.94	84.62	-90.00
b) Current & Deferred Tax Liabilities	51.53	182.00	196.50	211.00	254.50	298.00	319.00	340.00	0.19	0.22	0.28	-13.74	-29.19	-12.35
c) Trading Liabilities (Derivatives)	26.33	93.00	46.50	0.00	20.00	40.00	20.00	0.00	0.09	n.a	0.04	n.a	-100.00	n.a
d) Other Liabilities	34.26	121.00	81.50	42.00	2,633.50	5,225.00	2,635.50	46.00	0.12	0.04	4.86	188.10	-99.20	11,258.70
<b>E- TOTAL LIABILITIES</b>	<b>21,138.23</b>	<b>74,656.00</b>	<b>74,618.50</b>	<b>74,581.00</b>	<b>83,013.50</b>	<b>91,446.00</b>	<b>75,381.00</b>	<b>59,316.00</b>	<b>76.06</b>	<b>77.30</b>	<b>85.12</b>	<b>0.10</b>	<b>-18.44</b>	<b>54.17</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>6,654.96</b>	<b>23,504.00</b>	<b>22,703.50</b>	<b>21,903.00</b>	<b>18,946.50</b>	<b>15,990.00</b>	<b>13,731.00</b>	<b>11,472.00</b>	<b>23.94</b>	<b>22.70</b>	<b>14.88</b>	<b>7.31</b>	<b>36.98</b>	<b>39.38</b>
a) Prior Year's Equity	6,201.65	21,903.00	18,946.50	15,990.00	13,731.00	11,472.00	10,609.00	9,746.00	22.31	16.57	10.68	36.98	39.38	17.71
b) Equity (Internal & external resources added during the year)	0.00	0.00	2,550.00	5,100.00	4,112.50	3,125.00	1,562.50	0.00	n.a	5.29	2.91	-100.00	63.20	n.a
c) Minority Interest	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) Profit & Loss	453.31	1,601.00	1,207.00	813.00	1,103.00	1,393.00	1,559.50	1,726.00	1.63	0.84	1.30	96.92	-41.64	-19.29
<b>TOTAL LIABILITY+EQUITY</b>	<b>27,793.19</b>	<b>98,160.00</b>	<b>97,322.00</b>	<b>96,484.00</b>	<b>101,960.00</b>	<b>107,436.00</b>	<b>89,112.00</b>	<b>70,788.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>1.74</b>	<b>-10.19</b>	<b>51.77</b>
USD 1 = TRY		<b>3.5318</b>		<b>2.9076</b>		<b>2.3189</b>		<b>2.1304</b>						

**Factoring**

SARDES FAKTORİNG A.Ş. INCOME STATEMENT TRY (000)	2016	2015	2014
<b>Net Interest Income</b>	<b>7,340.00</b>	<b>4,928.00</b>	<b>2,857.00</b>
A) Interest income	16,865.00	14,384.00	11,170.00
a) Factoring Interest Income	16,865.00	14,384.00	11,170.00
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	9,525.00	9,456.00	8,313.00
<b>Net Fee and Commission Income</b>	<b>436.00</b>	<b>1,161.00</b>	<b>1,459.00</b>
a) Fee and Commission Income	584.00	1,295.00	1,747.00
b) Fee and Commission Expense	148.00	134.00	288.00
<b>Total Operating Income</b>	<b>446.00</b>	<b>180.00</b>	<b>498.00</b>
Interest Income from Other Operating Field	0.00	0.00	0.00
Foreign Exchange Gain or Loss (net) (+/-)	15.00	54.00	99.00
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	431.00	126.00	399.00
Taxes other than Income Tax	0.00	0.00	0.00
Dividend	0.00	0.00	0.00
<b>Provisions</b>	<b>1,507.00</b>	<b>1,424.00</b>	<b>0.00</b>
Provision for Impairment of Loan and Trade Receivables	1,507.00	1,424.00	0.00
Other Provision	0.00	0.00	0.00
<b>Total Operating Expense</b>	<b>4,727.00</b>	<b>3,825.00</b>	<b>3,143.00</b>
Salaries and Employee Benefits	2,461.00	2,316.00	2,018.00
Depreciation and Amortization	82.00	195.00	138.00
Other Expenses	2,184.00	1,314.00	987.00
<b>Profit from Operating Activities before Income Tax</b>	<b>1,988.00</b>	<b>1,020.00</b>	<b>1,671.00</b>
Income Tax – Current	387.00	207.00	278.00
Income Tax – Deferred	0.00	0.00	0.00
<b>Net Profit for the Period</b>	<b>1,601.00</b>	<b>813.00</b>	<b>1,393.00</b>
<b>Total Income</b>	<b>8,222.00</b>	<b>6,269.00</b>	<b>4,814.00</b>
<b>Total Expense</b>	<b>4,727.00</b>	<b>3,825.00</b>	<b>3,143.00</b>
<b>Provision</b>	<b>1,507.00</b>	<b>1,424.00</b>	<b>0.00</b>
<b>Pretax Profit</b>	<b>1,988.00</b>	<b>1,020.00</b>	<b>1,671.00</b>

**Factoring**

<b>SARDES FAKTORING A.Ş.</b> <b>FINANCIAL RATIO %</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROA - Pretax Profit / Total Assets (avg.)	2.04	1.00	1.88
2. ROE - Pretax Profit / Equity (avg.)	8.76	5.38	12.17
3. Total Income / Equity (avg.)	36.21	33.09	35.06
4. Total income / Total Assets (avg.)	8.45	6.15	5.40
5. Provisions / Total Income	18.33	22.71	0.00
6. Total Expense / Total Resources (avg.)	6.33	4.61	4.17
7. Net Profit for the Period / Total Assets (avg.)	1.65	0.80	1.56
8. Total Income / Total Expenses	173.94	163.90	153.17
9. Non Cost Bearing Liabilities + Equity - Non Earning Assets / Assets	23.31	21.84	18.82
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	-0.64	-0.86	3.94
11. Total Operating Expenses / Total Income	57.49	61.01	65.29
12. Interest Margin	7.63	4.89	3.25
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	11.83	10.27	11.20
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	50.71	55.29	72.71
15. Interest Coverage – EBIT / Interest Expenses	120.87	110.79	120.10
16. Net Profit Margin	19.47	12.97	28.94
17. Gross Profit Margin	24.18	16.27	34.71
18. Market Share	0.30	0.36	0.41
19. Growth Rate	1.74	-10.19	51.77
<b>II. CAPITAL ADEQUACY (year end)</b>			
1. Equity Generation / Prior Year's Equity	0.00	31.89	27.24
2. Internal Equity Generation / Previous Year's Equity	7.31	5.08	12.14
3. Equity / Total Assets (Standard Ratio)	23.94	22.70	14.88
4. Equity / Total Liabilities	31.48	29.37	17.49
5. Free Equity / Total Receivables Ratio	23.82	22.72	14.70
6. Tangible Assets / Total Assets	0.34	0.16	0.24
7. Intangible Assets / Total Assets	0.07	0.10	0.15
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	0.02	0.04	0.08
2. Liquid Assets + Marketable Securities / Total Liabilities	0.03	0.05	0.09
3. Short Term Borrowings / Total Assets	65.07	66.69	61.12
4. Net Interest and Commission / Total Assets	7.92	6.31	4.02
5. Liquid Assets + Marketable Securities / Equity	0.10	0.17	0.52
<b>IV. ASSET QUALITY</b>			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	3.07	1.73	0.33
2. Total Provisions / Profit Before Provision and Tax	43.12	58.27	0.00
3. Impaired Receivables / Gross Receivables	9.93	9.86	0.33
4. Impaired Receivables / Equity	42.28	43.64	2.22
5. Loss Reserves for Receivables / Impaired Receivables	30.94	17.53	100.00
6. Collaterals / Total Receivables	171.01	137.76	119.57
7. Total FX Position / Total Assets	0.05	0.26	0.10
8. Total FX Position / Equity	0.22	1.13	0.66
9. Assets / Total Guarantees and Commitments + Assets	100.00	100.00	100.00

**Factoring**

The Rating Results Issued by JCR-ER										
		March 28, 2016		March 27, 2015		May 22, 2014		May 24, 2013		
		Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	
International	Foreign Currency		BBB-	A-3	BBB-	A-3	BBB-	A-3	BB+	B
	Local Currency		BBB-	A-3	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Outlook	FC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
		LC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
National	Local Rating		BBB(Trk)	A-3(Trk)	BBB+(Trk)	A-3(Trk)	BBB(Trk)	A-3(Trk)	BBB-(Trk)	A-3(Trk)
	Outlook		Positive	Stable	Stable	Stable	Stable	Stable	Positive	Stable
Sponsor Support			3	-	3	-	3	-	3	-
Stand-Alone			B	-	B	-	B	-	B	-
Sovereign*	Foreign Currency		BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Local Currency		BBB-	-	BBB-	-	BBB-	-	BBB-	-
	Outlook	FC	Stable		Stable		Stable	-	Stable	-
		LC	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Analysts			(*) Assigned by JCR on August 28, 2015		(*) Assigned by JCR on July 11, 2014		(*) Assigned by JCR on May 23, 2013		(*) Assigned by JCR on May 23, 2013	
			Zeki Metin ÇOKTAN Ersin KILIÇKAP		Şevket GÜLEÇ Ersin KILIÇKAP		Gökhan İYİGÜN Orkun İNAN		Gökhan İYİGÜN Orkun İNAN	

## PRESS RELEASE

### Istanbul – March 28, 2017

#### JCR Eurasia Rating

has affirmed the Long Term National credit ratings of “**Sardes Faktoring A.Ş**” and the “**Cash Flow from Bond Issue**” as ‘**BBB (Trk)**’ and the outlook as ‘**Positive**’ within the scope of periodic review. In addition, the Long Term International Foreign Currency and Local Currency Scale grade has been affirmed as ‘**BBB-/Stable**’.

JCR Eurasia Rating has affirmed the Long Term National credit ratings of “**Sardes Faktoring A.Ş**” and the “**Cash Flow from Bond Issue**” as ‘**BBB (Trk)**’ and the outlook as ‘**Positive**’ within the scope of periodic review. In addition, the Long Term International Foreign Currency and Local Currency Scale grade has been affirmed as ‘**BBB-/Stable**’. Details 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	: BBB (Trk) / (Positive outlook)
Long Term National Issue Rating	: BBB (Trk)
Short Term International Foreign Currency	: A-3 / (Stable outlook)
Short Term International Local Currency	: A-3 / (Stable outlook)
Short Term National Local Rating	: A-3 (Trk) / (Stable outlook)
Short Term National Issue Rating	: A-3 (Trk)
Sponsor Support	: 3
Stand Alone	: B

The Factoring Sector is marked by a high level of vulnerability to fluctuations in macroeconomic circumstances and instability. Management policies in the sector are strongly influenced by the changes in economic outlook and regulatory procedures from the Banking Regulation and Supervision Agency (BRSA). On the other hand, in line with the undertaken reforms, the sector’s legal infrastructure has been improved with regards to effective surveillance and control. As such, the mandatory installation of information, risk measurement and internal control systems have made a positive contribution to the improvement of the sector’s institutional set-up, and the quality, standardization and transparency of financial reporting practices and facilitated fair competition. Considering the fact that factoring companies generate revenues mainly from real sector firms, the probable adversities on the factoring sector of the market volatility and low-growth environment deriving from domestic/overseas economic, political and geopolitical developments serve as an issue that should be monitored closely.

“**Sardes Faktoring A.Ş.**”, which began activities in 2011, has a low market share in the domestic market and continues to meet the credit requirements of the companies and increase market awareness with its expert management staff in a factoring sector dominated by the banking and banking organizations. **Sardes Faktoring**, with a current equity level above the legal minimum, continues to manage its liquidity need by creating diversified funds through successful bond issuances and supports its profitability.

Operational support provided by an experienced management structure, realized successful bond issuances, satisfactory asset quality, expectation of improvement especially in profitability in the coming periods, feasibility of the budget targets for 2017 and the debt service capacity of the internally generated revenues and cash flows are the foundations of the rating affirmed by JCR Eurasia Rating. In addition, despite a high NPL ratio, the Company’s ability to collect past-due receivables in 2017 is expected to increase based on the quality of the collateral structure of the overdue receivables protects asset quality with effective resource management, and they are the important factors of the long term national outlook affirmed as “**Positive**”. A separate rating report has not been compiled as the resources obtained from the bond issue will be carried on the Company’s balance sheet and was subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company’s other liabilities with respect to its legal standing and collateralization and as such the notations outlined in the corporate credit rating report also reflect the issue rating.

The actualization performance budget targets, sectoral developments and changes in interest rates affecting the Company’s internal resource generation capacity, the trend of operational costs and asset quality and their impact on the ratings and outlook of are among the priority areas to be monitored by JCR Eurasia Rating.

It is considered that the major controlling shareholders, **Emin Hakan Eminsoy**, **Kazım Cenk Tülümen** and **Celalettin Çağlar**, have the willingness and experience to ensure long term liquidity and equity within their financial capability when required and to provide efficient operational support to **Sardes Faktoring A.Ş.** Therefore, the Company’s Sponsor Support grade has been affirmed as **(3)** in JCR Eurasia Rating’s notation.

On the other hand, taking into account the Company’s internal equity generation capacity, capitalization level and liquidity profile, we, as JCR Eurasia Rating, are of the opinion that **Sardes Faktoring A.Ş.** has reached the level of adequate experience and facilities to manage the its obligations regardless of any assistance from the shareholders, provided market efficiency and existing macroeconomic level in the market. Within this context, the Stand Alone grade of the Company has been affirmed as **(B)** in the JCR Eurasia Rating notation system.

For more information, related with the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our senior analyst **Mr. Zeki Metin ÇOKTAN** and asst. analyst **Mr. Ersin KILIÇKAP**.

JCR EURASIA RATING  
Administrative Board

## BASIN AÇIKLAMASI

### İstanbul – 28 Mart 2017

**JCR Eurasia Rating,**  
**“Sardes Faktoring A.Ş.” nin ve “tahvil ihraçlarının nakit akımları” nın gözden geçirilmesi**  
**sürecinde Uzun Vadeli Ulusal Notu ’nu ‘BBB (Trk)’ , görünümü ise ‘Pozitif’ olarak teyit etti.Uzun**  
**Vadeli Uluslararası Yabancı ve Yerel Para Notlarını ise ‘BBB-/Stabil’ olarak teyit etti.**

“Sardes Faktoring A.Ş.” nin ve “tahvil ihraçlarının nakit akımları” nın gözden geçirilmesi sürecinde Uzun Vadeli Ulusal Notu ’nu ‘BBB (Trk)’ , görünümü ise ‘Pozitif’ olarak teyit etti. Uzun Vadeli Uluslararası Yabancı ve Yerel Para Notu’nu ‘BBB-/Stabil’ olarak teyit etti. Diğer notlarla birlikte detaylar aşağıda gösterilmiştir:

Uzun Vadeli Uluslararası Yabancı Para Notu	: BBB- / (Stabil Görünüm)
Uzun Vadeli Uluslararası Yerel Para Notu	: BBB- / (Stabil Görünüm)
Uzun Vadeli Ulusal Notu	: BBB(Trk) / (Pozitif Görünüm)
Uzun Vadeli İhraç Notu	: BBB(Trk)
Kısa Vadeli Uluslararası Yabancı Para Notu	: A-3 / (Stabil Görünüm)
Kısa Vadeli Uluslararası Yerel Para Notu	: A-3 / (Stabil Görünüm)
Kısa Vadeli Ulusal Notu	: A-3 (Trk) / (Stabil Görünüm)
Kısa Vadeli İhraç Notu	: A-3 (Trk)
Desteklenme Notu	: 3
Ortaklardan Bağımsızlık Notu	: B

Makroekonomik koşullardaki dalgalanmalardan ve istikrarsızlıktan etkilenme seviyesi yüksek olan faktoring sektöründe ekonomik konjonktürdeki değişiklikler ve BDDK’nın regülasyon çalışmaları yönetim politikaları üzerinde belirleyici olmaktadır. Diğer taraftan, yapılan reformlar doğrultusunda, etkin gözetim ve denetim açısından sektörün yasal altyapısı iyileştirilerek, bilgi sistemlerinin, risk ölçüm sistemlerinin ve iç kontrol süreçlerinin tesis edilmesinin zorunlu tutulması özellikle, sektörün kurumsal yapısının gelişimine, finansal raporlamaların kalitesinin, standardizasyonunun ve şeffaflığının artırılması na ve rekabet eşitliğinin sağlanmasına yönelik pozitif yönde ivme kazandırmıştır. Faktoring şirketlerinin esas gelirlerini reel sektörün oluşturduğu dikkate alındığında, yurt dışı ve yurt içi ekonomik-politik ve jeopolitik gelişmelerin piyasalarda yarattığı volatilitenin ve düşük büyüme ortamının faktoring sektörü üzerinde olası negatif etkisi yakından izlenmesi gereken husus olarak ortaya çıkmaktadır.

Faaliyetlerine 2011 yılında başlamış olan “Sardes Faktoring A.Ş.”, Türkiye’de ki faktoring sektörünün Banka ve Bankalara ait kuruluşlar tarafından domine edilmiş yapısı içerisinde faaliyetlerini yerel bazda yürüten ve mevcut durumda pazar payı düşük olan “Sardes Faktoring A.Ş.”, uzman yönetim kadrosu ile firmaların kredi gereksinimlerini karşılamaya ve piyasa bilinirliklerini artırmaya devam etmektedir. Mevcut öz kaynak seviyesi yasal alt limitlerin üzerinde olan “Sardes Faktoring” gerçekleştirmiş olduğu başarılı tahvil ihraçları ile fon çeşitliliği yaratarak likidite ihtiyacını rahatlatmaya devam etmekte ve karlılığını desteklemektedir.

TeCrübeli yönetim yapısı ile sağlanan operasyonel destekler , gerçekleştirmiş olduğu başarılı tahvil ihraçları, tatmin edici varlık kalitesi , önümüzdeki dönemlerde özellikle karlılık alanındaki iyileşme beklentisi şirketin 2017 yılı bütçe hedeflerinin gerçekleşme kabiliyetinin yüksekliği ile yaratılacak içsel kaynak ve nakit akımlarının borç faiz ödemelerini karşılama gücü, firma notunun JCR-ER tarafından teyit edilmesine dayanak olmuştur. Bununla birlikte, her ne kadar NPL oranı yüksek olsada şirketin etkin kaynak yönetimiyle varlık kalitesini koruması , tahsili gecikmiş alacakların teminat yapısındaki kaliteye dayalı olarak şirketin tahsilat kabiliyetinin 2017 yılı içerisinde artış gösterebilme beklentisi uzun vadeli ulusal not görünümünün ise ‘Pozitif’ olarak teyit edilmesinde önemli unsurlardır. İhraç yoluyla elde edilmesi planlanan kaynaklar şirket bilançosunda taşınacağı için ayrı bir ihraç rating raporu düzenlemeyip kredi derecelendirme raporu içerisinde analiz edilmiştir. İhraç edilecek tahvilin şirketin diğer yükümlülüklerine göre hukuksal ve teminat açısından bir farklılaştırılması olmadığı için şirketin kurumsal yapısının notları ihraç rating’ini de temsil etmektedir.

Bütçe hedeflerinin gerçekleştirilme performansı, sektörel gelişmelerin ve faiz oranlarındaki değişikliklerinin şirketin iç kaynak üretimi gücü ve varlık kalitesi üzerinde yaratacağı etkiler ve operasyonel maliyetlerin seyrinin not ve görünüm üzerindeki etkileri JCR-ER’in izleyeceği öncelikli alanlar arasında yer almaktadır.

Ortaklık yapısında kontrolü elinde tutan **Emin Hakan Eminsoy** , **Kazım Cenk Tülümen** ve **Celalettin Çağlar**’ın ihtiyaç halinde **Sardes Faktoring A.Ş.**’ye, finansal güçlerinin yeterliliğine bağlı olarak, uzun vadeli likidite veya öz kaynak temin edebilecek arzuya ve ayrıca etkili operasyonel destek sunma deneyimine sahip olduğu kanaatine ulaşılmıştır. Bu kapsamda, Şirketin Desteklenme Notu JCR-ER notasyonu içerisinde (3) olarak teyit edilmiştir.

Şirketin ortaklarından herhangi bir destek sağlanıp sağlanamayacağına bakılmaksızın, içsel kaynak yaratma potansiyeli, sermayeleşme düzeyi ve likidite profili dikkate alındığında, piyasadaki etkinliğini koruması ve makroekonomik seviyenin bu haliyle devam etmesi kaydıyla üstlendiği yükümlülükleri yönetebilecek yeterli deneyim ve altyapıya ulaştığı düşünülmektedir. Bu kapsamda, **JCR Eurasia Rating** notasyonu içerisinde, **Sardes Faktoring A.Ş.**’nin Ortaklardan Bağımsızlık notu (B) olarak teyit edilmiştir.

Derecelendirme neticeleriyle ilgili daha fazla bilgi Kuruluşumuzun <http://www.jcrer.com.tr> adresinden sağlanabilir veya Kuruluşumuz kıdemli analisti **Sn. Zeki Metin ÇOKTAN** ve analist yardımcısı **Sn. Ersin KILIÇKAP** ile iletişim kurulabilir.

**JCR EURASIA RATING**  
**Yönetim Kurulu**