

THE TURKISH FACTORING INDUSTRY

December 2012

TURKrating
Global Experience - Local Insight

THE FACTORING INDUSTRY IN TURKEY

December 2012

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Preface

Year 2012 will be remembered as an important milestone in the history of the Turkish Factoring Industry. On 21 December 2012 the long-awaited Law Number 6361 was promulgated giving Leasing, Factoring and Consumer Finance Companies a legal basis. This law incorporates all three segments of non-bank financial institutions initiating a common association as of June 2013. Hopefully, this will mark the beginning of a new era. We expect to see the elimination of weaker companies while the stronger gain further strength under the renewed image of the industry.

As a hub of international factoring, in terms of its geographical position between the developed and developing markets in export factoring, Turkey is viewed as a bridge between these markets and among the members of FCI. The Turkish Factoring Industry can play an important role in introducing factoring to a number of emerging markets by sharing its experience and transferring its know-how.

This report, aims to update the detailed analytical report on the Turkish Factoring Industry written in 2011. Once again the analysis herein seeks to inform readers, in particular creditors and investors interested in factoring companies, by providing a good insight to the complex world of factoring companies. Developments in 2011 and a good part of 2012 are analyzed in the light of the economic background and changing circumstances. The trends, opportunities and challenges faced by factoring companies are presented in the light of regulatory and economic developments.

The revisions of the Banking Board, the BRSA, compelled us to make considerable revisions on the tables of last year's report. Furthermore, an important addition this year is further detailed analysis of the financial results of all factoring companies and the way they designed their business models. We questioned whether they could be grouped according to ownership, size and services they provided. As we indicated last year, details on the ownership structure of factoring companies and their quantitative data revealed the existence of a number of sub-sectors within the industry. Turkish factoring companies have different organizational structures, and they service different segments of customers and even provide different services. Our study revealed that looking at average values or ratios across the sector and evaluating any particular company in the light of such averages could lead to misleading conclusions.

We are very grateful to the members of the Turkish Factoring Association for contributing valuable data and information to this report and also to all the representatives of the many companies who assisted us in understanding the problems of the sector.

Glnur ok
General Manager of Turkrating

1. EXECUTIVE SUMMARY

The growth trend of the factoring industry continued in 2011 which, overall, was a fairly profitable year. The factoring industry provides financing to the majority of small and medium sized companies and is, therefore, highly sensitive to fluctuations in economic activities. Factoring companies had to adjust to the changing economic conditions of 2011, and for some it has necessitated downsizing their business volumes. The escalation of interest rates in the second half of the year negatively impacted some companies while others used the opportunity to operate under higher profit margins.

At the end of 2011 total assets of the 75 factoring companies in Turkey amounted to TL15.6 billion, representing a relatively small sector compared to the TL1.2 trillion banking sector. Total factoring receivables grew by 14.7% reaching TL14.2 billion, and shareholders' equity increased by 14.2% to TL5.0 billion. In 2011 increase in total borrowings remained limited, liquid assets decreased. Factoring companies obtain 20% of their funding from equity and 73% from bank borrowings. Beginning in 2008, issuing bonds and commercial paper became possible; in 2011 bond issuances gained momentum, and in 2012 eight factoring companies raised funds through bond issuances.

Factoring companies also provide guarantee and collection services in addition to discounting receivables. In that respect, the total financing provided to the real sector by the factoring industry amounts to TL20.0 billion when the total of these services (the TL5.7 billion volume taking place under off-balance sheet items) is added to the TL14.2 billion factoring receivables. The BRSA data shows that in Turkey 67% of factoring receivables are "with recourse" and 33% "non-recourse." In 2010 these ratios were 57% and 33%, respectively. In 2011 with-recourse transactions increased by 30% while non-recourse transactions decreased by 15%.

At the end of 2010 75 factoring companies had 28 branches and 175 rep offices in 16 provinces. In 2011, 59 additional rep offices were opened and total personnel grew by 598 people. As a result of the larger network of rep offices the number of customers increased by 39.3%, the number of transactions by 35.7%.

The factoring industry remained an attractive business sector to investors and new companies joined. Between January 2011 and July 2012 the BRSA gave establishment licenses to eight companies, four of which subsequently received an operating license. Among the new entrants there were very strong groups such as Halk Bank and the Zorlu Group.

A key characteristic in this industry is the existence of sub-groups which are considerably different from one another. Factoring companies form several sub-groups which differ in terms of their organization, their customer base, the services they provide and their business strategies. The strengths and weaknesses of any company can only be evaluated under the competitive conditions of its own group.

The major group among these sub-groups is the group of companies that are subsidiaries of banks or indirectly related to banks through their shareholders. In many respects these companies are inarguably more privileged. Quite clearly, there is no fair competition among the bank subsidiaries and the other medium or small independent factoring companies. Their most obvious advantage is unlimited funding from the parent bank (or the bank owned by the group of companies in the shareholder structure). Although there are exceptions, bank subsidiaries not only receive the funding they require but also

benefit from the wide branch network of the parent bank. In the case of independent factoring companies, the foremost problem is access to funding at competitive terms.

A distinctive feature of factoring companies' borrowings is the negligibly low levels of NPLs. Factoring companies usually collateralize their borrowings with receivables in the form of promissory notes. If any doubtful situation occurs these notes can be replaced with notes issued by higher credit quality issuers.

At the end of 2011, the asset size of the top five factoring companies accounted for 27% of total assets of the sector (44% in 2010). Middle-sized companies have grown and acquired a bigger share. In 2011 the share of the top five declined to 37% from 52% in 2008 while the share of middle-sized ones went up from 24% to 40%. In 2011 only three companies had assets above US\$1.0 billion, but the top eight companies having assets of TL8.7 billion was almost equal to the TL7.0 billion asset size of the rest of the 67 companies. In terms of turnover, there is 25% concentration on the top two companies.

We noted that even factoring companies of similar asset size take different policy actions under changing economic circumstances. With regard to growth or limiting business, there are no common policies amongst the groups. In 2011, these subgroups had different financial indicators as well as different shareholder structures, business strategies and asset sizes. In particular, after August 2011 divergent policies were noticeable as some companies choose to downsize while others preferred to grow.

The striking dissimilarities among groups are summarized in Table 1. The 13 bank-owned factoring companies have only 16.2% share in total profits although their share in total assets is 54.4%. The top 24 independent companies have 70.1% share in profits with only 29.8% share in total assets. The total equity of the top two companies represents 7.9% of the sector's total equity. This ratio is 47.3% in the case of the top 24 independent companies. Total bank borrowings were TL11.5 billion in 2011 of which 24.8% was used by two companies and 29.4% used by the 24 independent companies.

The results of this research are reflected in Tables 1 and 2. In brief, the 13 bank-owned companies having 55% share in assets operate with less capital and much higher borrowing rates, and they work with less risky customers as a result of which they have lower profit margins. These indicators are almost the opposite in the case of the 14 top independent companies; the NPL ratio is double, factoring margins are high, there is lower use of borrowings, higher use of equity, but still they represent 70% of total net income.

Table 1 – Comparison of Independent Factoring Companies and Bank-owned Companies (%)

	Share in Total Assets	Share in Total Factoring Receivables	Share in Net Profit	Share in Shareholders' Equity	Share in Loans
Top 2 Bank-owned Companies	20.2	21.4	16.0	7.9	24.8
Top 13 Bank-owned Companies	54.4	55.2	16.2	36.0	62.4
Top 6 Independent Companies	17.4	17.4	34.3	23.8	13.1
Top 14 Independent Companies	29.8	28.3	70.1	44.6	22.7
Top 24 Independent Companies	36.1	35.7	79.7	47.3	29.4

Table 2 – Profitability Comparison of the Independent Factoring Companies and Bank-owned Companies (%)

	NPL Ratio	ROAA	ROAE	Fact. Int. Margin
Top 2 Bank-owned Companies	1.2	2.4	52.5	1.9
Top 13 Bank-owned Companies	3.6	1.7	21.5	3.7
Top 6 Independent Companies	4.4	7.6	21.6	10.9
Top 14 Independent Companies	6.6	15.7	25.6	8.8
Top 24 Independent Companies	16.4	4.8	23.4	9.0

In 2011 domestic turnover dropped from US\$46.9 billion to US\$36.4 billion. International turnover rose from US\$4.7 billion to US\$7.3 billion. In USD terms, turnover has declined to US\$43.7 billion in 2011 from US\$51.6 billion in 2010.

In 2011 factoring was concentrated on five major sectors: textiles, construction, retail and wholesale trade, main metal industries, and energy. Traditionally, factoring companies have been most active in textiles and the metal industries. The slowdown in economic activity which began in 2011 had its impact on small companies, and asset quality began to deteriorate, pushing up NPL ratios. The NPL ratio of 3.9% in June 2011 rose to 4.7% by June 2012 and continued to rise throughout the rest of 2012.

The balance sheet structure of factoring companies characterized by short maturities enables managements to transform the assets of a company to a much larger or smaller size. The adaptation to business cycles is a policy flexibility unique to factoring companies. As factoring companies work very closely with their customers, the volume and nature of any particular company's checks give them a good understanding of how that company's business is doing. They can easily unwind the volume of receivables.

Year 2012 has been a year of significant slowdown in economic activity as reflected in the GDP growth deceleration to 2.6% in the first nine months (6.5% in 2011). Growth in manufacturing industries decelerated to 1.9% in the first nine months compared to 10.6% in the same period of 2011, and construction activity decelerated from 11.3% to 1.0%. As a result, factoring receivables were cut down in the third quarter of 2012. By the end of September 2012, total factoring receivables showed only 4% increase over year-end 2011, and borrowings were back to year-end levels. However, the NPL ratio moved up to 5.2%. The sharp rise in bounced checks during 2012 as a result of legislative changes could have harmed a number of factoring companies.

There were a few important legislative changes in 2012, namely the promulgation of the new Commercial Code and the Code of Obligations, which impacted operations of the factoring industry. Finally, at the end of November 2012 the factoring industry gained a new legislative framework with the passing of Law 6361 regulating jointly the giving Leasing, Factoring and Consumer Finance Companies.

2. AN OVERVIEW OF THE FACTORING SECTOR IN TURKEY

There were 79 factoring companies serving 67,000 customers with 50 branches and 192 representative offices in the sector at the end of September 2012. Despite the large number of players in the market, the sector has less than 1% share in Turkey's total financial system. In 2011, the financial system in Turkey recorded 17% growth (31.9% in 2010) and reached TL1.9 billion. In terms of asset size, banks have the largest share (69%) with a total of TL1.2 billion assets which account for 90% of GDP. The Central Bank's balance sheet size is TL146.2 billion and has 7.6% share. Among the other non-bank financial institutions, insurance companies with assets totaling TL39.9 billion and mutual funds with assets of TL32.2 billion form the two largest groups. Leasing, factoring and pension funds remain relatively small among these groups.

In 2011 the factoring industry asset size grew to TL15.6 billion and TL14.2 billion financing was provided to customers. Total shareholders' equity increased by 14.2% to TL3.4 billion. Total factoring receivables were 4.2 times equity. Compared to the previous year, there was a reduction in the use of credit as a percentage of total assets (Table 6).

Table 3 - Factoring Companies - Financial Indicators (Million TL)

	2008	2009	2010	2011	6/2012	9/2012
Number of Companies	81	78	76	74		79
Number of Branches	20	26	28	25	32	50
Total Assets	7,763.82	10,407.04	14,466.71	15,644.09	16,826.62	16,333.63
Factoring Receivables	5,591.17	8,350.82	12,370.17	14,223.21	15,372.44	14,817.78
Non- Performing Loans	510.13	522.34	525.00	561.13	738.22	799.39
Shareholders' Equity	2,340.50	2,493.33	2,941.31	3,393.71	3,472.12	3,658.56
Loans	4,943.78	7,499.22	11,095.97	11,463.64	12,278.56	11,434.53
Net Profit /Loss	427.00	330.20	407.47	504.35	318.23	486.03

Source: BRSA

Table 4 - Factoring Companies – Developments in the Structure of Balance Sheet (%)

	2008	2009	2010	2011	6/2012	9/2012
Equity/Total Assets	30.45	24.96	20.33	21.70	20.63	22.40
Loans/Total Assets	63.68	72.06	76.70	73.24	72.97	70.01
Factoring Receivables /Total Assets	72.02	80.24	85.50	90.87	91.35	90.72

Composition of Factoring Receivables

BRSA data shows that 67% of total factoring receivables are "with recourse" and 33% are "non-recourse." In 2010 these ratios were 57% and 43%, respectively. With-recourse factoring increased by 30% while non-recourse factoring decreased by 15%.

Table 5 – Distributiion of Factoring Receivables (1000 TL)

	2008	2009	2010	2011	9/2012
With-Recourse	5,852,370	9,621,717	8,739,120	11,353,024	10,590,564
Non-Recourse	1,512,415	1,674,643	6,660,114	5,690,038	5,420,400
Total	7,364,785	11,296,360	15,399,234	17,043,062	16,010,964

In terms of domestic/international composition, export and import factoring increased by 67% in 2011, raising its share to 17% from 11%.

Table 6 – Distribution of Domestic / International Factoring (1000 TL)

	2008	2009	2010	2011	9/2012
Domestic	6,061,912	10,442,048	13,806,423	14,107,574	13,315,227
International	1,302,873	854,312	1,754,991	2,935,488	2,695,737
Total	7,364,785	11,296,360	15,399,234	17,043,062	16,010,964

Maturity in Factoring

The most common maturity in the industry is 90 to 120 days. Discounting receivables is typically for a period of less than three months. These short maturities provide an important advantage to factoring companies. They have the flexibility to downsize or enlarge their receivables very rapidly in reaction to changing economic circumstances. Other non-bank financial institutions do not have such flexibility.

We noted that in the first half of 2012 factoring companies have pursued very different growth strategies. Some downsized their assets by 50% in six months, others increased their assets by as much. There is no apparent common course of action. It is possible that some managements have deliberately limited their business due to the rise in NPLs. In a market where players take such different strategies, asset size ranking is bound to change frequently.

Turnover

International factoring statistical reports take into consideration turnover instead of asset size or factoring receivables. Therefore, the Factoring Association collects quarterly turnover data from its members. The BRSA also publishes turnover data. As a financial indicator, "turnover" is not used in the financial analysis of a company as it does not reflect financial strength or profitability. It is merely reflecting the volume of transactions. In the Turkish factoring industry, a number of companies still used the turnover measure as an indicator of prestige. However, unless it has a clear contribution to higher profits growing turnover volume cannot be considered an important achievement. In 2011 total turnover showed a small decrease to TL 70.billion from TL75.7 billion in the previous year.

Table 7 – Annual Turnover (1000 TL)

	2010	2011	9/2012
Total Turnover	75,735,561	70,713,528	54,024,726
- International	6,777,000	11,789,000	10,531,451

Source: BRSA

The quarterly statistics of the Factoring Association (Table 8) shows continuously decreasing domestic turnover since the second quarter of 2011. During the first nine months on 2012, total turnover increased by a meager 2% despite the 2.2% decrease in domestic turnover.

Table 8 – Quarterly Turnover (1000 TL) and Percentage Changes

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2011	Q2 2011	Q3 2011	Q4 2011
International	1,132	2,722	4,526	6,868	2,710	5,405	8,534	11,789	139%	99%	89%	-10%
Domestic	15,014	32,841	48,821	68,993	15,322	29,868	44,452	58,991	2%	-9%	-9%	-1%
Total Turnover	16,146	35,563	53,347	75,861	18,031	35,273	52,986	70,780	12%	-1%	-1%	-17%

	Q1 2011	Q2 2011	Q3 2011	Q1 2012	Q2 2012	Q3 2012	Q1 2012	Q2 2012	Q3 2012
International	2,710	5,405	8,534	3,314	7,294	10,531	22.3%	34.9%	23.4%
Domestic	15,322	29,868	44,452	13,457	28,860	43,493	-12.2%	-3.4%	-2.2%
Total Turnover	18,031	35,273	52,986	16,771	36,154	54,025	-6.9%	2.5%	2.0%

Source: Factoring Association

Table 9 and Graph 1 illustrate the development of domestic and international factoring in Turkey since 1990. Following a steep increase in 2010 (the year Turkey's GDP grew by 9.5% and bank credits increased by 30%), 2011 shows a fall of TL7.8 billion.

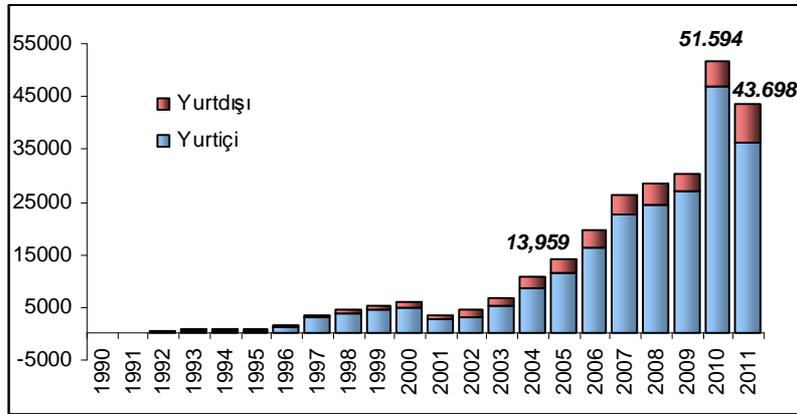
In 2012 factoring turnover increased significantly, exceeding the 2010 volume already as of September.

Table 9 – Annual Domestic and International Factoring Turnover (Million USD)

	Domestic	International	Total
1990	10	90	100
1991	55	128	183
1992	286	168	454
1993	700	270	970
1994	650	220	870
1995	658	300	958
1996	1,319	450	1,769
1997	3,032	550	3,582
1998	4,000	750	4,750
1999	4,518	748	5,266
2000	5,022	921	5,943
2001	2,562	990	3,552
2002	3,216	1,260	4,476
2003	5,250	1,413	6,663
2004	8,640	2,093	10,733
2005	11,607	2,352	13,959
2006	16,216	3,485	19,701
2007	22,470	3,935	26,405
2008	24,447	4,230	28,677
2009	27,110	3,260	30,370
2010	46,919	4,675	51,594
2011	36,350	7,348	43,698
9/2012	43,493	10,531	54,025

Source: Factoring Association

Graph 1 – Annual Turnover (Million USD)



Source: Factoring Association

Distribution of Sectoral Turnover

Statistical data on the sectoral distribution of turnover is available only for years after 2010. Factoring services are spread out to a very large number of sectors in Turkey (Table 10). In 2011 textiles and construction gained more than 10% share. Retail and wholesale trade, energy and main metal industries are also among the top five sectors where factoring is particularly active. The turnover of the three energy sectors declined in 2011 but remain among the major sectors. The share of “Nuclear Fuel, Refined Petroleum and Coke” increased to 13.5% in 2012 after falling to 7% in 2011. In 2012, there is significant increase in the turnover of transportation and trade.

Table 10 - Sectoral Distribution of Annual Turnover (Million TL)

SECTOR	2010		2011		6/2012		9/2012	
	2010	% SHARE	2011	% SHARE	6/2012	% SHARE	9/2012	% SHARE
Textile and Textile Products Industry	5,356	7.07	7,147	10.11	3,670	12.51	5,386	12.31
Construction	5,872	7.75	7,099	10.04	3,249	11.07	5,040	11.52
Wholesale and Retail Trade Motor Vehicle Services	2,874	3.80	6,509	9.20	3,571	12.18	5,335	12.20
Main Metal Industry and Processed Material	3,554	4.69	5,169	7.31	2,403	8.19	3,544	8.10
Nuclear Fuel, Refined Petroleum and Coke	14,966	19.76	4,955	7.01	3,531	12.04	5,901	13.49
Transportation Vehicles Industry	2,537	3.35	4,524	6.40	2,023	6.90	2,918	6.67
Other Social and Personal Services	1,704	2.25	3,214	4.55	1,818	6.20	2,493	5.70
Machinery and Equipment Industry	2,456	3.24	3,129	4.43	1,644	5.61	2,468	5.64
Electric. Gas and Water Resources	2,016	2.66	2,856	4.04	538	1.84	1,124	2.57
Food. Beverage and Tobacco Industry	1,940	2.56	2,586	3.66	1,366	4.66	2,095	4.79
Manufacturing Industry Not Classified in Other Places	1,467	1.94	2,505	3.54	1,411	4.81	2,009	4.59
Transportation, Warehousing and Communication	2,413	3.19	2,300	3.25	1,307	4.46	2,010	4.60
Other Mines Excluding Metal Industry	2,041	2.69	2,256	3.19	989	3.37	1,488	3.40
Extracting of Mines Not Product Energy	9,490	12.53	2,109	2.98	522	1.78	630	1.44
Extracting of Mines Product Energy	4,677	6.18	401	0.57	971	3.31	1,138	2.60
Other	12,373	16.34	13,957	19.74	319	1.09	161	0.37
GROSS TOTAL	75,736	100.00	70,714	100.00	29,333	100.00	43,740	100.00

FC - TL Receivables

Transactions and funding are mainly in local currency. Among the bank-owned top factoring companies, a few companies fund themselves from foreign banks in foreign currency. Those companies that have no export factoring prefer not to take any currency risk. In 2011 only 10% of factoring receivables were in foreign currency.

Table 11 - TL and FC Distribution of Factoring Receivables (1000 TL)

	2008	2009	2010	2011	6/2012	9/2012
TL	5,050	7,838	11,219	12,719	13,871	13,415
FC	541	513	1,151	1,510	1,530	1,430
Total	5,591	8,351	12,370	14,223	15,372	14,818

Risk Concentration by Industry

The Turkish factoring industry has traditionally served predominantly the textiles, construction and main metal industries.

Table 12 - Sectoral Distribution of Factoring Receivables (1000 TL)

	2008	2009	2010	2011	% Chg.	June 2012
Total Agriculture	95,805	195,82	221,199	344,915	55.93	379,961
Total Manufacturing Industry	5,397,604	7,694,552	11,414,858	11,114,506	-2.63	11,770,188
Extracting of Energy Producing Mines	85,296	169,527	1,451,132	85,327	-94.12	404,631
Extracting of None-Energy Producing Mines	23,885	796,184	274,738	227,397	-17.23	709,744
Food, Beverage and Tobacco Ind.	304,366	340,307	508,976	665,278	30.71	728,907
Textile and Textile Products Industry	1,050,976	1,259,521	1,419,056	1,581,795	11.47	1,669,362
Main Metal Industry and Processed Material	699,905	736,775	947,031	1,237,190	30.64	1,129,791
Machinery and Equipment Industry	282,447	608,554	978,392	1,108,525	13.30	1,084,244
Transportation Vehicles Industry	597,754	1,425,553	895,277	1,302,630	45.50	1,037,767
Manufacturing Industry Not Classified in Other Places	205,748	171,951	359,845	1,398,475	288.63	712,608
Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	238,226	171,374	1,762,662	975,584	-44.65	1,802,976
Electric, Gas and Water Resources	26,472	300,514	612,944	462,729	-24.51	454,490
Chemical Products Industry	396,651	265,633	338,499	453,882	34.09	418,575
Other	1,485,878	1,448,659	1,866,306	1,615,694	-13.43	1,617,093
Total Services	1,802,147	3,148,127	3,873,545	5,397,558	39.34	5,552,640
Construction	713,873	988,360	1,366,581	1,350,052	-1.21	1,446,523
Wholesale and Retail Trade, Motor Vehicles Services	477,373	337,592	984,913	1,778,088	80.53	1,885,814
Other Social and Personal Services	167,752	507,566	367,774	644,018	75.11	672,886
Transportation, Warehousing and Communication	190,471	367,204	432,454	521,326	20.55	589,475
Real Estate Brokerage	33,056	89,566	108,695	349,948	221.95	267,398
Other	306,840	688,707	376,142	313,096	-34.23	690,544
OTHER	69,229	228,835	51,812	186,083	259.15	115,311
TOTAL	7,364,785	11,267,334	15,561,414	17,043,062	9.52	17,818,100

Source: BRSA

In 2011, 65% of total factoring receivables were allocated to the manufacturing industries, 32% to services, and the rest to agriculture and other sectors. The share of the services sector has increased with increased exposure to construction and trade. Total receivables recorded 9.5% increase but each sector recorded a different growth rate. In 2012 the composition remained unchanged.

As a result of the entry of a large energy company in the factoring market in 2010, the share of traditional industries decreased. In three energy-related sectors (The Extraction of Energy Generating Minerals, The Extraction of Non-Energy Generating Minerals, Nuclear Fuel and Refined Petroleum and Coke Coal Industries), total factoring volume suddenly rose from TL1.1 billion to TL3.5 billion in 2010. When added together, these three sectors increase the share of energy in total factoring volume to 22.4% (10.1% in 2009 and 4.7% in 2008). Clearly, this energy company contributed to a total re-allocation of industry concentration.

In 2011, the decrease of factoring in these three sectors pulled down the increase in the total volume. As seen in Table 13, if these three energy sectors had not been involved, the total volume of factoring receivables would have been TL11.9 billion in 2010, and the 2011 annual increase would have been 32.3%. The fluctuation in the energy sectors' presence in the market distorts the composition. Excluding energy, the growth trend presents a straight line up to 2012. Excluding energy, the first half of 2012 shows a 6.3% decrease in total receivables. The volume recovered in September.

Table 13 - Total Factoring Receivables

	2008	2009	2010	2011	% Ch.	June 2012	Sep 2012	Sept 12 / Dec, 2011
Incl. Energy Sector	7,364,785	11,267,334	15,399,234	17,043,062	10.67	17,818,100	16,010,964	-6.1%
Excl. Energy Sector	7,017,378	10,130,249	11,911,273	15,754,754	32.27	14,900,749	15,663,557	-0.6%

Among the current 79 factoring companies, those active in the energy market are believed to be few in number. Therefore, a study which excludes the energy sectors would seem to better indicate where the small and medium-sized factoring companies are concentrated. To this end, Table 16 was prepared excluding these energy sectors. Excluding energy, concentration appeared in six industries: textiles, construction, wholesale and retail trade, machinery and equipment and transport vehicles.

The share of transportation vehicles sector rose in 2011 to 8.3% and further to 8.5% in September 2012. Meanwhile, the share of the construction sector remains high, around 10%, although this sector considerably slowed down in 2012. The construction sector has high NPL ratios.

Table 14 – Sector Shares Excluding Three Energy Sectors (%)

	2008	2009	2010	2011	6/2012	9/2012
Textile and Textile Products Industry	14.98	12.54	11.75	10.04	11.20	14.98
Construction	10.17	9.73	11.32	8.57	9.71	10.17
Wholesale and Retail Trade, Motor Vehicles Services	6.80	3.32	8.16	11.29	12.66	6.80
Machinery and Equipment Industry	4.02	5.99	8.10	7.04	7.28	4.02
Main Metal Industry and Processed Material	9.97	7.26	7.84	7.85	7.58	9.97
Transportation Vehicles Industry	8.52	14.03	7.42	8.27	6.96	8.52
Electric, Gas and Water Resources	0.38	2.96	5.08	2.94	3.05	0.38

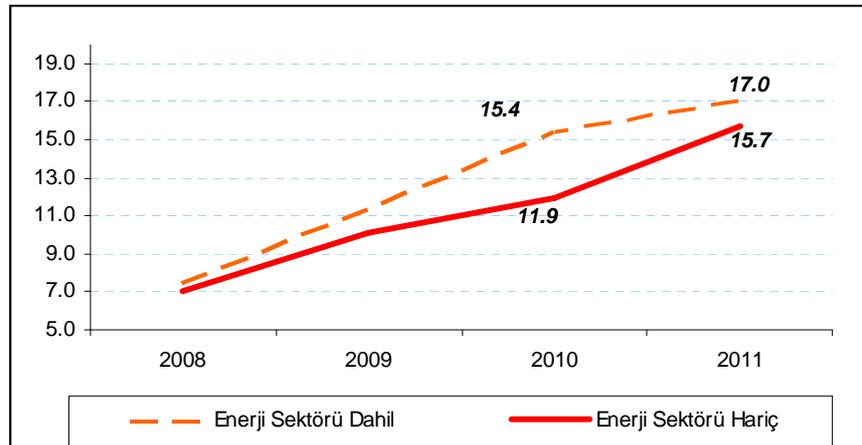
Source: BRSA

Table 15 – Sector Shares Including Energy Sector (%)

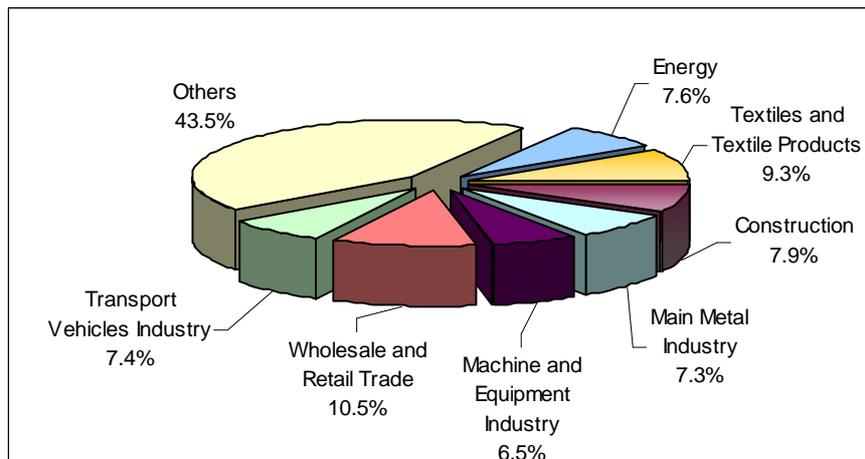
	2008	2009	2010	2011	6/2012	9/2012
Energy	4.71	10.07	22.43	7.55	16.37	15.75
Nuclear Fuel, Refined Petroleum and Coke	3.23	1.52	11.33	5.72	10.12	14.4
Extracting of Mines Product Energy	1.16	1.50	9.33	0.50	2.27	1.05
Extracting of Mines Not Product Energy	0.32	7.05	1.77	1.33	3.98	0.30
Textile and Textile Products Industry	14.27	11.28	9.12	9.28	9.37	9.92
Construction	9.69	8.75	8.78	7.92	8.12	9.77
Main Metal Industry Processed Material	9.50	6.53	6.09	7.26	6.34	6.79
Machinery and Equipment Industry	3.84	5.39	6.29	6.50	6.09	5.76
Wholesale and Retail Trade, Motor Vehicles Services	6.48	2.99	6.33	10.43	10.58	10.55
Transportation Vehicles Industry	8.12	12.62	5.75	7.64	5.82	5.10
Total	56.61	57.63	64.79	56.58	62.69	63.64

Source: BRSA

Graph 2 – The Growth Trend of Factoring Receivables Including and Excluding Energy Sector



Graph 3 – 2011 Distribution by Sector



Source: BRSA

Companies – Entries and Exits in 2011 and 2012:

Establishment License	Date
Ce-Sa Faktoring Hizmetleri A.Ş.	11.03.2011
LBT Faktoring Hiz. A.Ş.	01.07.2011
Credit Alta Fak. A.Ş.	27.10.2011
Halk Faktoring A.Ş.	05.04.2012
İvme Faktoring Hizmetleri A.Ş.	05.04.2012
Berg Faktoring Hizmetleri A.Ş.	10.05.2012
Kıbrıs İktisat Faktoring A.Ş.	26.07.2012
Zorlu Faktoring A.Ş.	05.07.2012
De Lage Landen Faktoring A.Ş.	12.09.2012

Operating License	Date
As Faktoring Hiz. A.Ş.	27.07.2011
Sardes Faktoring A.Ş.	25.08.2011
Tam Faktoring A.Ş. (LBT)	10.05.2012
İvme Faktoring Hizmetleri A.Ş.	26.07.2012
Berg Faktoring A.Ş.	01.11.2012
Kredi Alta Faktoring A.Ş.	01.11.2012
Zorlu Faktoring A.Ş.	08.11.2012
Halk Faktoring A.Ş.	29.11.2012

Annulled Licenses	Date
Hedef Finans Fak. A.Ş.	05.05.2011
EDF Finans Fak. A.Ş.	29.12.2011
Güven Finans Fak. A.Ş.	10.02.2012
Batı Faktoring A.Ş.	29.11.2012
Saray Faktoring A.Ş.	20.12.2012

Merger	Date
Süzer Faktoring A.Ş. license annulled due to Merger with Kent Faktoring A.Ş.	07.04.2011

3. FACTORING SERVICES

Factoring Services in Brief

Turkish factoring companies provide three major services to their customers: discounting, collection, and guaranteeing of domestic and international future receivables through the assignment of receivables to the factoring company. Receivables arising from the sale of goods and services include receivables that will arise from future sale of goods and/or the rendering of services.

“Financing” the customer means discounting post-dated receivables against their assignment to the factoring company, thereby providing the customer with cash. “Collection” is purely undertaking the responsibility of the payment of all receivables on the due dates, regardless of a guarantee, and reporting to the customer. Presently, collection of receivables has a relatively small share in these services but is rapidly growing. “Guaranteeing receivables” refers to a payment guarantee of receivables in case a debtor falls into payment difficulty or goes bankrupt.

In many respects factoring constitutes an alternative financing model to banking. It is often referred to as supplier financing or agency financing in Turkey. This is because the suppliers of financially strong and well respected companies can easily generate cash by factoring their receivables from such customers. This system facilitates the cash flow of SMEs by providing them with working capital and liquidity. From the point of SME customers who use factoring services, the foremost advantage of factoring services is the relative simplicity of documentation and the speed of services. The time period between an application to factor a receivable and getting the payment is significantly shorter than the period necessary to obtain a bank loan.

Another advantage for all companies, large and small, is balance sheet enhancement whereby receivables are replaced by cash items subsequent to a guaranteed factoring of receivables. One of the useful functions of factoring is the provision of working capital and liquidity. By employing factoring services, companies may improve their liquidity positions and, thereby, the appearance of their balance sheets.

As factoring companies work closely with their customers, they acquire and accumulate information on their customers. In that respect they gain insight into the financial strength and credit standing of these companies. In the case of export factoring, factoring companies enlarge the export market potential of their customers and are able to provide information on the overseas buyers.

The dominance of small and medium sized companies in Turkey constitutes the main trigger of strong demand for factoring services. The more factoring services they will use, the higher will be the proportion of recorded transactions. Factoring plays a positive role in preventing unrecorded sales.

While factoring is primarily associated with SMEs, the leading companies also have a fair amount of large corporations among their customers. These corporations view this channel as a financing opportunity that is in addition to their bank limits.

The Existence of a Large Number of SMEs in Turkey

The majority of factoring companies' customers are small and medium-size companies. According to statistics from the Social Security Administration, there are 1.5 million companies in Turkey. As clearly visible in Table 18, as of March 2012, 63% of these companies were employed fewer than three people while 85% employed fewer than ten people. The backdrop of such an SME concentration in Turkey provides strong demand for factoring services.

Table 16 – Distribution of SMEs in Turkey

Size of Company	Number of Companies	% Share
1-3 persons	922,701	62.92
4-9	328,778	22.42
10-49	186,868	12.74
50-99	15,705	1.07
100-249	9,168	0.63
250-499	2,370	0.16
500-999	744	0.05
1000+	237	0.02
Total	1,466,571	100.00

Source: March 2012 Bulletin of Statistics of the Social Security Administration

Check (Cheque) Transactions in Turkey

Another important factor that reinforces the demand for factoring services in Turkey is the fact that post-dated checks are permitted, and the use is widespread across the country. Data published by the Interbank Settlement Center reveals that payments with checks have exceeded TL275 billion. We noted that 32.6% of the checks were for amounts of between TL2,000 and TL5,000, and that 15.8% were under TL2,000. These numbers are important in explaining why factoring companies dealing with a large number of customers financing small ticket checks have built their strategies in response to market behavior.

Table 17 - Transaction Volume of the Checks in Turkey

	2006	2007	2008	2009	2010	2011
Transaction Volume (Billion TL)	188.3	220.5	234.3	200.8	228.0	275.4

Source: CBT

Table 18 - Distribution of the Checks Presented to ICH according to Amount Tranches (%)

	≤ 2,000 TL	2,000-5,000 TL	5,000-10,000 TL	10,000 – 50,000 TL	50,000 ≥TL
2007	35.71	31.51	16.63	14.30	1.85
2008	30.33	32.62	18.24	16.42	2.38
2009	27.70	34.07	19.10	16.73	2.40
2010	22.81	34.47	20.70	18.94	3.08
2011	15.83	32.62	22.89	24.24	4.43

Source: CBT and ICH

4. FACTORING COMPANIES

Companies and Market Shares

Table 21 lists the 74 factoring companies that were operating as of 31st December 2011.

Table 19 – Factoring Companies in Turkey as of 31.12.2011 (1000 TL)

	Year of Establ.	Assets	Factoring Receivables	Shareholders' Equity	Paid-in Capital	Loans	Net Profit
Yapı Kredi Fac. A.Ş.	1992	1,881,264	1,794,353	183,263	16,802	1,661,224	46,044
Garanti Fac. Hizm. A.Ş.	1990	1,275,030	1,247,324	84,522	21,000	1,180,105	34,534
Deniz Fac. A.Ş.	1998	1,013,675	979,837	180,532	25,600	824,161	35,418
TEB Fac. A.Ş.	1997	868,679	817,847	38,462	19,000	811,851	10,247
Fiba Fac. Hizm. A.Ş.	1992	752,044	623,670	216,260	14,000	512,639	-24,772
Kapital Fac. Hizm. A.Ş.	1992	714,479	703,473	316,347	10,000	281,459	51,033
Vakıf Finans Fac. Hizm. A.Ş.	1998	624,130	617,804	84,763	22,400	537,052	13,243
Girişim Fac. A.Ş.	1997	564,331	461,007	117,805	40,000	245,363	25,445
Lider Fac. Hizm. A.Ş..	1992	520,237	288,265	229,473	17,500	270,624	-55,796
Creditwest Fac. Hizm. A.Ş.	1994	500,821	466,061	69,035	30,000	379,162	25,652
İş Fac. Finansman Hizm. A.Ş..	1993	432,413	404,653	52,973	16,000	377,751	8,236
Destek Finans Fac. Hizm. A.Ş.	1996	370,425	336,954	112,294	40,000	235,546	21,513
ING Fac. A.Ş.	2010	312,760	285,342	41,597	40,000	267,950	1,022
Yaşar Fac. Hizm.A.Ş..	1993	298,628	280,801	94,243	13,000	196,081	17,221
Finans Fac. Hizm. A.Ş..	2009	279,570	251,719	23,380	20,000	253,475	3,340
Şirinoğlu Fac. Fins.Hizm.T.A.Ş.	1992	268,001	189,639	97,709	50,000	162,935	32,320
Eko Fac. A.Ş.	1994	263,293	242,441	71,688	21,026	187,957	30,590
Fortis Fac. A.Ş.	1992	260,456	241,944	70,843	21,026	187,960	26,624
Ekspo Fac. A.Ş.	2002	248,083	245,172	22,299	14,500	223,241	-9,410
C Fac. A.Ş.	2000	242,850	119,253	161,986	50,000	73,452	67,383
MNG Fac. Hizm. A.Ş.	1999	235,960	88,072	150,116	67,800	85,354	6,110
Pamuk Fac. A.Ş.	1992	226,149	211,885	44,222	36,000	180,438	431
Ulusal Fac. A.Ş.	1999	189,824	174,242	46,693	18,616	57,863	5,301
Şeker Fac. Hizm. A.Ş.	2000	185,659	179,599	19,833	16,000	163,902	2,305
Tekstil Fac. Hizm. A.Ş.	1997	182,191	180,705	33,482	8,100	145,848	3,974
Kent Fac. A.Ş.	1994	181,938	176,664	35,774	26,502	144,650	12,294
Bayramoğlu Finans Fac. Hizm. A.Ş.	1997	159,697	150,349	91,305	60,000	37,444	27,491
Akın Fac. Hizm. A.Ş.	2000	132,843	131,763	33,699	10,000	97,857	6,799
Strateji Fac. Hizm. A.Ş.	1996	130,167	123,855	13,994	11,000	114,444	1,650
Çağdaş Finans Fac. Hizm. A.Ş.	1994	129,277	123,467	45,343	20,000	39,658	22,385
Optima Fac. Hizm. A.Ş.	1997	128,480	112,913	24,988	16,000	73,508	6,318
Anadolu Fac. Hizm. A.Ş.	2007	120,946	119,129	45,843	27,210	74,488	17,065
Akdeniz Fac. Hizm. A.Ş..	1993	120,745	119,111	11,774	10,000	108,306	1,247
Atılım Fac. A.Ş.	1999	118,811	110,214	28,637	12,000	77,699	5,621
Başer Fac. A.Ş.	1993	116,377	110,064	27,278	15,000	84,928	3,423
Para Finans Fac. Hizm.A.Ş.	1995	115,636	104,062	19,943	16,000	71,872	3,059

Doğan Fac. Hizm.A.Ş.	1997	114,140	104,062	17,960	13,000	91,290	1,821
Tek Fac. Hizm. A.Ş.	1998	112,413	100,126	16,705	11,500	94,751	2,635
Huzur Fac. Finansal Hizm.A.Ş.	2008	93,084	88,868	13,672	10,000	78,357	2,313
Demir Fac. A.Ş.	1993	84,803	73,028	23,715	11,000	59,312	-718
VDF Fac. Hizm. A.Ş.	2009	80,939	66,858	8,272	10,000	34,418	-1,728
Yeditepe Fac. Hizm.A.Ş.	1997	80,249	78,211	26,734	20,000	52,940	4,865
Ar Fac. Finansal Hizm. A.Ş.	2010	74,666	71,931	8,448	7,500	65,884	948
Devir Fac. Hizm. A.Ş.	1991	65,920	60,331	11,873	9,000	53,176	1,389
Hepkon Finans Fac. Hizm. A.Ş.	1992	62,193	23,814	60,401	19,400	-	2,171
Tuna Fac. Hizm.A.Ş.	1997	58,219	55,588	21,540	7,500	35,838	1,976
Erişim Finans Fac. Hizm.A.Ş.	2000	55,260	48,054	7,428	7,500	47,253	737
Analiz Fac. A.Ş.	2009	50,281	48,162	10,228	8,000	34,835	1,664
Arena Fac. Hizm.A.Ş.	2009	50,245	47,815	13,412	10,000	36,178	1,835
Çözüm Finans Fac. Hizm. A.Ş.	1997	49,773	38,093	29,552	22,000	19,289	6,870
First Fac. A.Ş.	2007	47,460	43,367	7,308	15,450	39,984	-8,375
Kredi Finans Fac. Hizm. A.Ş.	1998	43,181	40,819	8,778	10,000	20,763	-756
Doğa Fac. Hizm. A.Ş.	1998	42,379	34,916	16,505	13,100	24,789	2,477
Turkish Fac. Hizm. A.Ş.	2007	40,634	39,176	8,230	7,500	32,034	575
Trend Finans Fac. Hizm.A.Ş.	2000	35,323	33,926	10,445	7,500	24,041	1,119
Merkez Fac. Hizm. A.Ş	1994	30,464	28,844	8,701	7,500	21,457	827
ACL Finans Fac. A.Ş.	1997	30,241	24,804	11,848	9,000	17,232	16
Artı Finans Fac. Hizm. A.Ş.	2000	29,272	24,280	8,247	8,000	20,664	-1,555
Makro Fac. A.Ş.	1999	29,242	27,627	8,348	7,500	20,156	-145
Global Fac. Hizm. A.Ş.	2000	28,274	21,840	10,632	10,000	16,864	465
Sümer Fac. Hizm.A.Ş.	1996	27,881	25,289	7,213	8,000	20,024	29
Eren Finans Fac. Hizm. A.Ş.	2010	27,138	24,809	7,718	8,500	18,887	-440
Katar Fac. Finans Hizm. A.Ş.	1993	25,340	19,252	13,100	8,000	11,699	2,191
Değer Fac. A.Ş.	2010	24,070	22,538	7,503	7,500	16,376	120
Saray Fac. A.Ş.	2008	21,836	11,025	21,563	7,500	4	13,413
Met-ay Fac. Finans Hizm. A.Ş.	1997	19,547	10,485	8,414	12,000	10,596	3
Sardes Fac. A.Ş.	2010	18,693	18,250	7,581	7,500	10,820	-169
Acar Fac. A.Ş.	1993	16,735	10,959	16,363	12,000	-	2,131
Mert Finans Fac. Hizm. A.Ş.	2009	14,552	13,977	7,810	7,500	6,533	171
Batı Fac. Hizm. A.Ş.	1997	8,763	3,810	8,458	7,500	45	315
Atak Fac. Hizm. A.Ş.	1998	8,354	5,739	8,239	7,500	0	416
As Fak. Hizm. A.Ş.	2011	8,114	6,727	7,116	7,500	196	-384
Ak Fac. Hizm. A.Ş.	1992	8,093	0	8,061	8,500	0	-688
Prime Fac. Hizm. A.Ş.	1997	5,294	0	5,285	5,000	0	289
TOTAL		15.631.515	14.213.101	3.376.837	1.267.506	11.322.852	495.961
BRSA DATA		16.644.090	14.223.220	3.393.70	1.279.630	11.463.640	520.200

The wide differences between the asset size of bigger companies as compared to smaller ones can be explained by the fact that the largest factoring company's asset size equals that of 38 smaller companies. Table 19 includes the establishment dates of companies to show that the smaller companies are not necessarily newly established ones.

The BRSA categorizes factoring companies into three groups (Table 20). Applying this classification back to 2006 (Table 21), we see a clear trend whereby the top five are gradually losing part of their share to medium sized companies. This trend is likely to continue.

Table 20 - Number of Factoring Companies According to Size (BRSA)

	Large	Medium	Small
2010	6	17	53
2011	4	23	47

Source: BRSA

Table 21 - Concentration of Assets (%)

	2006	2007	2008	2009	2010	2011
Top 5 Companies	42	40	52	46	44	37
Top 10 Companies	60	57	66	65	63	55
Distribution by Size						
Large*	44	35	55	52	50	54
Medium**	36	46	24	32	33	40
Small***	20	19	21	16	17	16
Total	100	100	100	100	100	100

Source: BRSA and the Factoring Association

Note – According to 2011 results

*Large Companies: Total assets more than TL 800 million (TL 700 million in 2010)

** Medium Companies: Total assets between TL 150 million TL and TL 800 million (TL 700 million in 2010)

*** Small Companies: Total assets less than TL 150 million

In order to make detailed comparisons we split factoring companies into five groups according to their asset sizes and then observed whether they shared common characteristics. We noted that although each group had common attributes, there was always at least one company that did not match the group.

Table 22 - Number of Factoring Companies According to Sizes and Market Shares (Turkrating)

Groups	Definition	Number of Company	Share %	Cumulative Share %
A	1 - 2 Market Share 8.0% and +	2	21.46	21.46
B	3 - 13 Market Share 2.0% -8.0%	11	42.23	63.69
C	14 - 27 Market Share 1.0% -2.0%	14	19.28	82.97
D	28 - 38 Market Share 0.7% -1.0%	11	8.94	91.91
E	Market Shares below 1.0%	13	8.09	95.81

Here we need to indicate that there are a few banks that are licensed to give factoring services in addition to those listed in Table 23, but the BRSA does not disclose the names of such banks. However,

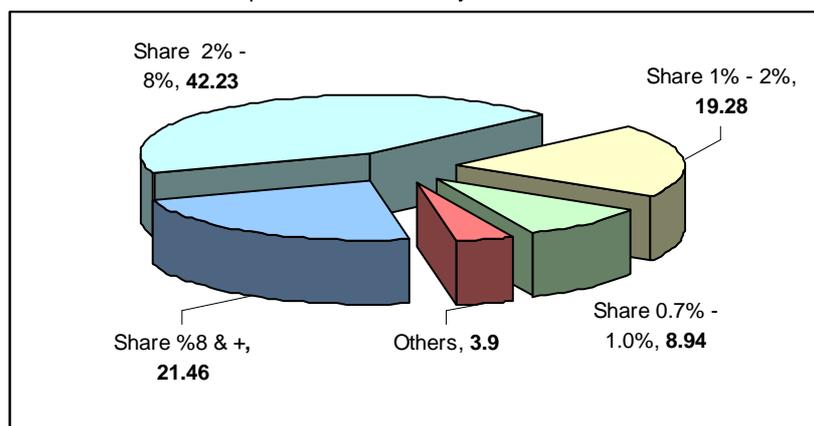
HSBC and Euro Tekfen Bank are members of the Factoring Association and their data is included in the association's statistics.

Table 23 – List of Factoring Companies by Asset Size and Market Shares

		Total	Total	Market shares		
		Assets 2010	Assets 2011	% Chg,	2010 Share (%)	2011 Share (%)
1	Yapı Kredi Fak. A.Ş.	2,023,857	1,881,264	-7.05	13.99	12.03
2	Garanti Fak. Hizm. A.Ş.	1,565,565	1,275,030	-18.56	10.82	8.15
3	Deniz Fac. A.Ş.	924,484	1,013,675	9.65	6.39	6.48
4	TEB Fac. A.Ş.	781,569	868,679	11.15	5.40	5.55
5	Fiba Fac. Hizm. A.Ş.	808,610	752,044	-7.00	5.59	4.81
6	Kapital Fak. Hizm. A.Ş.	532,434	714,479	34.19	3.68	4.57
7	Vakıf Fin. Fac. Hizm. A.Ş.	819,925	624,130	-23.88	5.67	3.99
8	Girişim Fak. A.Ş.	392,782	564,331	43.68	2.72	3.61
9	Lider Fak. Hizm. A.Ş.	627,922	520,237	-17.15	4.34	3.33
10	Creditwest Fak. Hizm. A.Ş.	368,403	500,821	35.94	2.55	3.20
11	İş Fac. Finansman Hizm.A.Ş.	477,505	432,413	-9.44	3.30	2.76
12	Destek Fin. Fac. Hizm. A.Ş.	251,450	370,425	47.32	1.74	2.37
13	ING Fak. A.Ş.	150,216	312,760	108.21	1.04	2.00
14	Yaşar Fac. Hizm. A.Ş.	167,355	298,628	78.44	1.16	1.91
15	Finans Fak. Hizm. A.Ş.	264,652	279,570	5.64	1.83	1.79
16	Şirinoğlu Fac. Fins. Hizm.T.A.Ş.	252,535	268,001	6.12	1.75	1.71
17	Eko Fac. Hizm. A.Ş.	223,966	263,293	17.56	1.55	1.68
18	Fortis Fak. A.Ş.	201,247	260,456	29.42	1.39	1.66
19	Ekspo Fak. A.Ş.	119,103	248,083	108.29	0.82	1.59
20	C Fak. A.Ş.	247,383	242,850	-1.83	1.71	1.55
21	MNG Fac. Hizm. A.Ş.	219,302	235,960	7.60	1.52	1.51
22	Pamuk Fac. A.Ş.	158,375	226,149	42.79	1.09	1.45
23	Ulusal Fak. A.Ş.	125,164	189,824	51.66	0.87	1.21
24	Şeker Fak. Hizm. A.Ş.	167,059	185,659	11.13	1.15	1.19
25	Tekstil Fac. Hizm. A.Ş.	124,677	182,191	46.13	0.86	1.16
26	Kent Fac. A.Ş.	79,397	181,938	129.15	0.55	1.16
27	Bayramoğlu Fin. Fak. Hizm. A.Ş.	127,339	159,697	25.41	0.88	1.02
28	Akın Fak. Hizm. A.Ş.	100,960	132,843	31.58	0.70	0.85
29	Strateji Fac. Hizm. A.Ş.	127,947	130,167	1.74	0.88	0.83
30	Çağdaş Fin. Fac. Hizm. A.Ş.	92,421	129,277	39.88	0.64	0.83
31	Optima Fak. Hizm. A.Ş.	121,507	128,480	5.74	0.84	0.82
32	Anadolu Fak. Hizm. A.Ş.	149881	120,946	-	1.04	0.77
33	Akdeniz Fac. Hizm. A.Ş.	99,963	120,745	20.79	0.69	0.77
34	Atılım Fak. A.Ş.	103,355	118,811	14.95	0.71	0.76
35	Başer Fak. A.Ş.	93,307	116,377	24.72	0.64	0.74
36	Para Fin. Fac. Hizm. A.Ş.	86,946	115,636	33.00	0.60	0.74
37	Doğan Fac. Hizm. A.Ş.	19,585	114,140	482.79	0.14	0.73
38	Tek Fak. Hizm. A.Ş.	105,202	112,413	6.85	0.73	0.72
39	Huzur Fak. Fin. Hizm. A.Ş.	67,137	93,084	38.65	0.46	0.60
40	Demir Fac. A.Ş.	66,690	84,803	27.16	0.46	0.54
41	VDF Fak. Hizm. A.Ş.	12,643	80,939	540.18	0.09	0.52
42	Yeditepe Fak. Hizm. A.Ş.	63,440	80,249	26.50	0.44	0.51
43	Ar Fak. Fin. Hizm. A.Ş.	56,655	74,666	31.79	0.39	0.48
44	Devir Fac. Hizm. A.Ş.	49,522	65,920	33.11	0.34	0.42
45	Hepkon Fin. Fak. Hizm. A.Ş.	70,589	62,193	-11.89	0.49	0.40
46	Tuna Fak. Hizm. A.Ş.	40,326	58,219	44.37	0.28	0.37
47	Erişim Fin. Fak. Hizm. A.Ş.	55,969	55,260	-1.27	0.39	0.35

48	Analiz Fak. A.Ş.	47,448	50,281	5.97	0.33	0.32
49	Arena Fak. Hizm. A.Ş.	49,934	50,245	0.62	0.35	0.32
50	Çözüm Fin. Fak. Hizm. A.Ş.	41,280	49,773	20.57	0.29	0.32
51	First Fac. A.Ş.	46,426	47,460	2.23	0.32	0.30
52	Kredi Fin. Fak. Hizm. A.Ş.	22,279	43,181	93.82	0.15	0.28
53	Doğa Fak. Hizm. A.Ş.	27,819	42,379	52.34	0.19	0.27
54	Turkish Fak. Hizm. A.Ş.	25,942	40,634	56.63	0.18	0.26
55	Trend Fin. Fak. Hizm. A.Ş.	32,102	35,323	10.03	0.22	0.23
56	Merkez Fak. Hizm. A.Ş.	29,756	30,464	2.38	0.21	0.19
57	ACL Fin. Fak. A.Ş.	21,877	30,241	38.23	0.15	0.19
58	Artı Fin. Fak. Hizm. A.Ş.	15,840	29,272	84.80	0.11	0.19
59	Makro Fac. A.Ş.	24,312	29,242	20.28	0.17	0.19
60	Global Fak. Hizm. A.Ş.	24,823	28,274	13.90	0.17	0.18
61	Sümer Fak. Hizm. A.Ş.	24,156	27,881	15.42	0.17	0.18
62	Eren Fin. Fak. Hizm. A.Ş.	6,153	27,138	341.05	0.04	0.17
63	Katar Fak. Fin. Hizm. A.Ş.	20,570	25,340	23.19	0.14	0.16
64	Değer Fak. A.Ş.	14,422	24,070	66.90	0.10	0.15
65	Saray Fak. A.Ş.	18,667	21,836	16.98	0.13	0.14
66	Met-ay Fak. Fin. Hizm. A.Ş.	13,946	19,547	40.16	0.10	0.12
67	Sardes Fak. A.Ş.	0	18,693	-	-	0.12
68	Acar Fac. A.Ş.	16,044	16,735	4.31	0.11	0.11
69	Mert Fin. Fak. Hizm. A.Ş.	9,023	14,552	61.28	0.06	0.09
70	Batı Fak. Hizm. A.Ş.	6,028	8,763	45.37	0.04	0.06
71	Atak Fak. Hizm. A.Ş.	8,773	8,354	-4.78	0.06	0.05
72	As Fak. Hizm. A.Ş.	0	8,114	-	-	0.05
73	Ak Fak. Hizm. Ticaret A.Ş.	5,397	8,093	49.95	0.04	0.05
74	Prime Fak. Hizm. A.Ş.	5,029	5,294	5.27	0.03	0.03
	Sub-total	14,344,368	15,788,934	10.07	100.00	100.00
	Total Sector	14,466,710	15,644,090			

Graph 4 – Distribution by Market Shares



Under the suggested grouping of factoring companies on the basis of their market shares, the result was that the two companies having more than 8% market share had 21.5% share in assets, the second group of 11 companies having more than 2% share had 63.7% share in assets. These results once again underlined the fact that taking sector averages could be misleading. For example, if the two leading companies used only foreign currency borrowings, it would follow that 42% of all credits used in the sector were in foreign currency.

Market Shares Based on Factoring Receivables

Rankings differed slightly when these factoring companies were listed according to their factoring receivables. We note that the third column of Table 24 is quite interesting in terms of revealing the stark differences in the companies' growth strategies. As a result of its growth policy the ranking of any particular factoring company can go up or down several steps in one year. In that respect, a company's ranking and market share should not be over emphasized. The market share factor appeared to be less meaningful in terms of financial strength. A company with a small market share can very well have a much higher credit standing than other companies that rank higher in size.

Table 24 – Market Shares According to Factoring Receivables

	2010	2011		2010	2011
	1000 TL	1000 TL	% Change	Share%	% Share
1. Yapı Kredi Fak. A.Ş.	1,829,737	1,794,353	-1.93	14.79	12.62
2. Garanti Fak. Hizm. A.Ş.	1,425,654	1,247,324	-12.61	11.54	8.77
3. Deniz Fac. A.Ş.	876,479	979,837	11.83	7.08	6.89
4. TEB Fac. A.Ş.	601,074	817,847	36.06	4.86	5.75
5. Kapital Fak. Hizm. A.Ş.	522,206	703,472	34.71	4.22	4.95
6. Fiba Fac. Hizm. A.Ş.	766,313	623,670	-18.62	6.19	4.38
7. Vakıf Fin. Fac. Hizm. A.Ş.	465,373	617,805	32.75	3.76	4.34
8. Lider Fak. Hizm. A.Ş.	357,192	466,061	31.21	2.87	3.28
9. Creditwest Fak. Hizm. A.Ş.	319,136	461,007	44.45	2.58	3.24
10. İş Fac. Finansman Hizm.A.Ş.	331,320	404,653	22.13	2.68	2.85
11. Destek Fin. Fac. Hizm. A.Ş.	236,662	336,954	42.38	1.91	2.37
12. Girişim Fak. A.Ş.	403,573	288,265	-28.57	3.26	2.03
13. ING Fak. A.Ş.	136,178	285,342	109.54	1.10	2.01
14. Yaşar Fac. Hizm. A.Ş.	161,596	280,801	73.77	1.31	1.97
15. Fin. Fak. Hizm. A.Ş.	221,524	251,719	13.63	1.79	1.77
16. Fortis Fak. A.Ş.	117,583	245,172	108.51	0.95	1.72
17. Eko Fac. Hizm. A.Ş.	220,994	242,441	6.70	1.79	1.70
18. Ekspo Fak. A.Ş.	181,055	241,944	33.63	1.46	1.70
19. MNG Fac. Hizm. A.Ş.	146,970	211,885	44.17	1.19	1.49
20. Şirinoğlu Fac. Fins. Hizm.T.A.Ş.	192,370	189,639	-1.42	1.56	1.33
21. Tekstil Fac. Hizm. A.Ş.	124,422	180,705	45.24	1.01	1.27
22. Şeker Fak. Hizm. A.Ş.	163,221	179,599	10.03	1.32	1.26
23. Kent Fac. A.Ş.	78,332	176,664	125.53	0.63	1.24
24. Ulusal Fak. A.Ş.	118,090	174,242	47.66	0.95	1.23
25. Bayramoğlu Fin. Fak. Hizm. A.Ş.	114,487	150,349	31.32	0.93	1.06
26. Akın Fak. Hizm. A.Ş.	100,306	131,763	31.36	0.81	0.93
27. Strateji Fac. Hizm. A.Ş.	119,885	123,855	3.31	0.97	0.87
28. Çağdaş Fin. Fac. Hizm. A.Ş.	86,272	123,467	43.11	0.70	0.87
29. Pamuk Fac. A.Ş.	107,237	119,253	11.21	0.87	0.84
30. Anadolu Fak. Hizm. A.Ş.	148,004	119,129	-19.51	1.20	0.84
31. Akdeniz Fac. Hizm. A.Ş.	98,858	119,111	20.49	0.80	0.84
32. Optima Fak. Hizm. A.Ş.	110,906	112,972	1.86	0.90	0.79
33. Atılım Fak. A.Ş.	98,305	112,216	14.15	0.79	0.79
34. Doğan Fac. Hizm. A.Ş.	16,867	110,214	581.77	0.14	0.81
35. Başer Fac. A.Ş.	88,698	110,064	24.09	0.72	0.77
36. Para Fin. Fac. Hizm. A.Ş.	74,625	104,062	39.45	0.60	0.73
37. Tek Fak. Hizm. A.Ş.	95,899	100,126	4.41	0.78	0.70
38. Huzur Fak. Fin. Hizm. A.Ş.	64,082	88,868	38.68	0.52	0.62
39. C Fak. A.Ş.	71,438	88,072	23.28	0.58	0.62
40. Yeditepe Fak. Hizm. A.Ş.	61,485	78,211	27.20	0.50	0.55

41. Demir Fac. A.Ş.	53,004	73,028	37.78	0.43	0.51
42. Ar Fak. Fin. Hizm. A.Ş.	55,317	71,931	30.03	0.45	0.51
43. VDF Fak. Hizm. A.Ş.	663	66,858	----	0.01	0.47
44. Devir Fac. Hizm. A.Ş.	45,342	60,331	33.06	0.37	0.42
45. Tuna Fak. Hizm. A.Ş.	38,449	55,588	44.58	0.31	0.39
46. Analiz Fak. A.Ş.	46,211	48,162	4.22	0.37	0.34
47. Erişim Fin. Fak. Hizm. A.Ş.	49,430	48,054	-2.78	0.40	0.34
48. Arena Fak. Hizm. A.Ş.	49,057	47,815	-2.53	0.40	0.34
49. First Fac. A.Ş.	41,536	43,367	4.41	0.34	0.30
50. Kredi Fin. Fak. Hizm. A.Ş.	19,191	40,819	112.70	0.16	0.29
51. Turkish Fak. Hizm. A.Ş.	25,528	39,176	53.46	0.21	0.28
52. Çözüm Fin. Fak. Hizm. A.Ş.	35,910	38,093	6.08	0.29	0.27
53. Doğa Fak. Hizm. A.Ş.	21,434	34,916	62.90	0.17	0.25
54. Trend Fin. Fak. Hizm. A.Ş.	28,536	33,926	18.89	0.23	0.24
55. Merkez Fak. Hizm. A.Ş.	28,729	28,844	0.40	0.23	0.20
56. Makro Fak. A.Ş.	23,783	27,627	16.56	0.18	0.18
57. Sümer Fak. Hizm. A.Ş.	21,696	25,289	16.57	0.18	0.18
58. Eren Fin. Fak. Hizm. A.Ş.	203	24,809	--	0.00	0.17
59. ACL Fin. Fak. A.Ş.	16,980	24,804	46.08	0.14	0.17
60. Artı Fin. Fak. Hizm. A.Ş.	10,702	24,280	126.87	0.09	0.17
61. Hepkon Fin. Fak. Hizm. A.Ş.	16,103	23,814	47.89	0.13	0.17
62. Değer Fak. A.Ş.	13,951	22,538	61.55	0.11	0.16
63. Global Fak. Hizm. A.Ş.	21,083	21,840	3.59	0.17	0.15
64. Katar Fak. Fin. Hizm. A.Ş.	15,900	19,252	21.08	0.13	0.14
65. Sardes Fak. A.Ş.	0	18,250	--	0.00	0.13
66. Mert Fin. Fak. Hizm. A.Ş.	8,603	13,977	62.47	0.07	0.10
67. Saray Fak. A.Ş.	17,344	11,025	-36.43	0.14	0.08
68. Acar Fac. A.Ş.	7,684	10,959	42.62	0.06	0.08
69. Met-ay Fak. Fin. Hizm. A.Ş.	7,543	10,485	39.00	0.06	0.07
70. As Fak. Hizm. A.Ş.	0	6,727	--	0.00	0.05
71. Atak Fak. Hizm. A.Ş.	8,559	5,739	-32.95	0.07	0.04
72. Batı Fak. Hizm. A.Ş.	1,721	3,810	121.38	0.01	0.03
73. Ak Fak. Hizm. Ticaret A.Ş.	135	0	-100.00	0.00	0.00
74. Prime Fak. Hizm. A.Ş.	0	0	0	0	0
Total	12,184,057	14,219,207	16.70	98.50	99.97
Total Sector (BRSA)	12,370,170	14,223,220	14.98	100.00	100.00

Not: The data in the above table has been taken from the companies audit reports on the BRSA's web pages. The market shares are calculated taking the BRSA's total factoring receivables of 2010 and 2011. As the total of data taken from audit reports add up to a lower sum, the annual increase of factoring receivables comes out as 16.7%.

Despite the importance of the volume of discounted receivables, companies providing collection services and guarantees should not be ignored as these are also fundamental factoring operations. Tables 25 and 26 give the list of the leading companies giving these services. The data on these services can be obtained on their off-balance sheets under "irrevocable factoring operations" and "revocable factoring operations".

As a result of the different business strategies of factoring companies, they can have competitive strengths in different areas. For example, a company having a small market share in overall ranking is able to take place among the top ten companies in export factoring.

In fact, a company having built its business model prioritizing collection services ranks third with 10% market share in collection, although it has less than 1% market share in total factoring receivables.

In Table 25 we note that the leading 14 companies providing collection guarantee services have 98% share in the system. In collection services which do not involve any risk there are 11 leading companies having 77% market share.

Table 25 – Leading Companies Providing Guarantee Services

	Recourse Factoring Operations	Recourse Factoring Operations
	1000 TL	% Share
Yapı Kredi Faktoring	523,158	40.14
Garanti Faktoring	196,765	15.10
TEB Faktoring	138,854	10.65
ING Faktoring	91,043	6.99
Deniz Faktoring	47,039	3.61
Strateji Faktoring	46,893	3.60
Iş Faktoring Finansman	43,840	3.36
Yaşar Faktoring	43,840	3.36
Fiba Faktoring	35,583	2.73
Vakıf Finans Faktoring	35,001	2.69
Fortis Faktoring	32,080	2.46
Creditwest Faktoring	16,610	1.27
Ekspo Faktoring	14,969	1.15
Girişim Faktoring	13,480	1.03
Total	1,279,155	98.14
Sector Total	1,303,381	100.00

Source: The Factoring Association

Table 26 – Leading Companies Providing Collection Services

	Non-Recourse Factoring Operations	Non-Recourse Factoring Operations
	1000 TL	% Share
Garanti Faktoring	975,235	23.59
Yapı Kredi Faktoring	528,623	12.78
Doğan Faktoring	390,580	9.45
Fiba Faktoring	286,576	6.93
Creditwest Faktoring	277,972	6.72
Vakıf Finans Faktoring	197,687	4.78
Finans Faktoring	141,433	3.42
Optima Faktoring	118,577	2.87
Girişim Faktoring	99,952	2.42
Ekspo Faktoring A,Ş,	88,050	2.13
MNG Faktoring	85,194	2.06
Total	3,189,879	77.15
Total Sector	4,134,870	100.00

Source: The Factoring Association

Ownership Structure

In 2011 there were 14 factoring companies that were bank subsidiaries and their total assets amounted to TL8.6 billion. Due to Yapi Kredi Factoring's downsizing by 7% that year, the total asset size of this group decreased by TL351 million. Among these 14 factoring companies only one is the subsidiary of a state-owned bank. However, considering that Halk Factoring A.S. obtained an establishment license on 5 April 2012 (ie., before the end of the year) there could be two state-owned bank subsidiaries. It is also worth noting that another state-owned bank, Turk Eximbank, has 9.8% share in Garanti Factoring. Out of these 14 companies only the parent banks of Fiba Factoring, Is Factoring and Anadolu Factoring do not have foreign partners. In 2012 for the first time a foreign factoring company from Northern Cyprus received establishment license from the BRSA. Additionally, Tam Factoring in which EBRD has indirect ownership also received license to operate in this sector.

Table 27 - Total Assets of the Bank Participation Factoring Companies (1000 TL)

	2009	2010	2011
1. Yapi Kredi	1,537,409	2,023,857	1,881,264
2. Garanti	1,138,515	1,565,565	1,275,030
3. Deniz	602,487	924,484	1,013,675
4. Teb	437,565	781,569	868,679
5. Fiba	849,649	808,610	752,044
6. Vakıf	572,781	819,925	624,130
7. Girişim	673,646	627,922	520,237
8. İş	276,099	477,505	432,413
9. ING	--	150,216	312,760
10. Finans	116,214	264,652	279,570
11. Fortis	43,272	119,103	248,083
12. Şeker	115,936	167,059	185,659
13. Anadolu	144,906	149,881	120,946
14. Turkish Bank	32,475	25,942	40,634
Total	6,540,954	8,906,290	8,555,124

The 14 factoring companies that are bank subsidiaries have more than 50% share in the sector both in terms of asset size and factoring receivables. The independent factoring companies constituting the second largest group, have barely 45% market share. Current developments point to a trend where the share of bank subsidiaries is diminishing leaving a larger market share to the independents. Table 30 lists the top 14 independent companies. Among these companies there are some which are legally not bank subsidiaries but belong to a group of companies which, among others, also own a bank. In that category we can list Tekstil Factoring, Creditwest Factoring, C Factoring and Suzer Factoring. The majority shareholder of Tekstil Factoring, GSD Holding, owns one deposit-taking bank and another investment bank. Similarly, the majority shareholder of Creditwest is Altinbas Holding, who has two banks – one in North Cyprus, the other in Ukraine. Suzer Holding recently acquired Bank Brod in Croatia. Yet another bank relation is in the case of C Factoring where the factoring company itself has stake in Bank Pozitif. These factors need to be taken into consideration while comparing the comparative advantages of these companies.

In the case of four companies, Lider Faktoring, Eko Faktoring, C Faktoring and Ulusal Faktoring, foreign investors have acquired minority shares. Private equity funds have been keeping a close watch over a

number of Turkish factoring companies in recent years. There were a few unsuccessful bids during 2012, but their interest continues. Past acquisitions are listed below:

- In 2007 Bancroft Group invested in Eko Faktoring. Currently, the Coöperative BVS Financial Services U.A. which has 28% stake in the company, is a private equity company established in 1989 and operating in Central and Eastern Europe. No other disclosure is made other than it is part of Bancroft Group.
- In 2008 Credit Suisse Investments (Netherlands) B,V, acquired 10% share in Lider Faktoring.
- In 2011, C Faktoring acquired 9.73% of HCBG Holding B.V. in which Demirhalk Bank has 70% stake. C Faktoring is also the only factoring company to have a bank participation. It has 30.17% stake in BankPozitif Credit and Development Bank.
- Finally, also in 2011, PineBridge Eurasia Financial Investments S.a.r.l. acquired a 47% stake Ulusal Faktoring.

Needless to say, a strong parent company provides easier access to financing and perhaps presents a stronger bidding power to obtain lower funding cost. Both rating agencies and banks' credit committees consider the financial strength of the parent company as one of the key credit standing criteria.

Table 28 - Assets Sizes of the Top Independent Factoring Companies (1000 TL)

	2009	2010	2011
1. Kapital Fak. Hizm.A.Ş	394,007	532,434	714,479
2. Creditwest Fak. Hizm.A.Ş.	180,099	392,782	564,331
3. Lider Fak. Hizm.A.Ş.	306,987	368,403	500,821
4. Destek Fin. Fac. Hizm.A.Ş	176,658	251,450	370,425
5. Yaşar Fac. Hiz.A.Ş.	141,335	167,355	298,628
6. Şirinoğlu Fac. Hiz.T.A.Ş.	165,731	252,535	268,001
7. Ekspo Fak. A.Ş.	152,606	223,966	263,293
8. Eko Fac. Hizm.A.Ş.	118,525	201,247	260,456
9. Pamuk Fac. A.Ş	194,566	247,383	242,850
10. C Fak. A.Ş.	220,051	219,302	235,960
11. MNG Fac. Hizm. A.Ş.	70,489	158,375	226,149
12. Ulusal Fak. A.Ş.	85,631	125,164	189,824
13. Kent Fac. A.Ş	37,164	79,397	181,938
14. Bayramoğlu Fin. Fak. A.Ş.	129,880	127,339	159,697
Total	2,373,729	3,140,396	4,135,217

Table 31 shows the major differences in balance sheet structures between the 14 bank affiliates and the rest of the 60 independent factoring companies. The independent companies share in total assets accounts for 45% but their share in total shareholders' equity is 79%.

Table 29 - Sector Shares of the Bank Participation and Independent Factoring Companies (%)

	Bank Participations			Independents		
	2009	2010	2011	2009	2010	2011
Total Assets	64.30	61.56	54.69	35.70	38.44	45.31
Total Factoring Receivables	60.85	59.58	54.64	39.15	40.42	45.36
NPLs	29.12	32.38	32.86	70.88	67.62	67.14
Shareholders' Equity	22.23	19.23	21.34	77.77	80.77	78.66
Net Profit	40.44	33.58	32.53	59.56	66.42	67.47

Independent factoring companies are the risk takers. They have 67% share in total NPLs. As a result of their risk-taking culture their share in total earnings is also 67.5%. Table 32 further underlines the differences in their financial ratios. The NPL ratio of bank participations is lower (2.3%) than the independent companies (5.6%). The NPL ratio has been improving over the last three years in the case of the independent companies. That of bank participations has remained between 2% and 3%.

As one would expect, the bank participations are leveraged more than the others. While the factoring receivables/equity ratio is 4.4 times as a sector average, it is only 2.5 times among the independents and 11.2 times among bank participations. Consequently bank subsidiaries have higher ROAs while the independents have higher ROAs.

Table 30 - Comparison of Financial Ratios of Bank Subsidiaries and Independents

	Average of Total			Bank Subsidiaries			Independents		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
NPL Ratio (%)	5.89	4.07	3.80	2.82	2.21	2.28	10.66	6.81	5.62
Borrowing Ratio * (x)	3.6	4.4	4.4	9.7	13.6	11.2	1.8	2.2	2.5
Shareholders' Equity / Total Assets (%)	23.96	20.33	21.69	8.28	6.35	8.47	52.19	42.72	37.66
ROAA (%)	6.30	3.28	3.35	3.99	1.75	1.88	10.59	5.84	5.38
ROAE (%)	26.49	15.00	15.92	48.18	24.44	25.44	20.29	12.54	13.49

Borrowing Ratio = Factoring Receivables / Shareholders' Equity (x)

The above data once more evidences that sector averages can be highly misleading. Each factoring company has to be evaluated within the framework of its own group and with companies having similar qualifications. We will elaborate on that perspective in the following sections.

The Business Models and Operational Strategies of Factoring Companies

As indicated earlier the Turkish Factoring industry covers a number of sub-sectors having different business models. Factors differentiating their business models can be listed as:

- a) The number of customers (between a minimum of 100 and a maximum of 8,700)
- b) The balance sheet size of the customers
- c) The minimum and maximum size of transactions
- d) The location of the headquarters (There are companies based in Ankara and Antalya)
- e) The number of branches and representative offices
- f) The existence of export and import factoring services
- g) Foreign currency funding
- h) Whether the company is family owned (ie., whether the owner actively takes part in management)
- i) Length of time in the sector

It is possible to enlarge this list of factors by adding the level of corporate governance, risk management practices and marketing policies. The combination of these factors usually directs the company to a particular range of customers and at the same time determines the terms and conditions and sources of funding.

Business strategies also differ among companies that are bank participations. TEB Factoring, for instance, with its nine branches and 105 personnel, is similar in structure to Deniz Factoring with 11 representation offices and 104 personnel. On the other hand, there is ING Factoring with no branches, 46 personnel and only 142 customers. With a smaller organization ING has TL313 billion factoring receivables. Similarly, Finans Factoring, with TL280 billion in factoring receivables, operates with only three representation offices and 657 customers. Most bank affiliations benefit from a branch network of the parent bank, sharing customers and accessing central risk management systems.

The business model is a more important factor among the independent companies. Two companies having equal market shares may have marked differences in organizations. For example, there is one company with 10,000 customers, 39 branches and 338 personnel while another has only 900 customers and 80 personnel. Therefore, the market share factor is relatively less meaningful as an indicator of strength. In terms of growth strategies, 2011 and 2012 policies showed considerable divergence among these companies. In the first half of 2012 some companies grew by 50% while others contracted by 50%. In brief, each company has its own story and has adopted a different approach in light of its own conditions and evaluations of market outlook.

2011 results have evidenced that even with 1% market share, a factoring company can be more profitable and have a higher credit standing than the others given its stable customer base. Business models range from operating with “fewer customers and higher volume transactions” to “a large number of micro companies and small ticket transactions.” Those companies working with micro companies are dealing with higher risk customers from which higher returns can be earned. They usually fund themselves at relatively higher rates but manage to be more profitable than their competitors due to higher earnings. There are companies that have borrowed at high rates (16+%) and have managed to place these funds in high yield (28+%) transactions. At the same time there were also factoring companies which funded themselves in foreign currency at 5% and managed to post excellent results. Among that segment of companies we noted that some reached good results with low profit margins while others had very limited profit returns because of their foreign exchange losses.

Risk management is obviously one of the key issues in factoring. In 2011 there were quite a large number of companies that had not managed their risks well and ended up with marked increase in their NPLs. There is no ideal business model in factoring; each company has to adopt what is best for itself. The critical factor is that the business model should be carefully designed, well planned, and managed according to management’s targets.

Branches and Representative Offices

Factoring companies have gained presence in various cities of Turkey through branches and representation offices. As of September 2012 factoring companies had 50 branches and a total of 192 representative offices in 16 provinces (See Annex 2). All representative offices will need to be converted into branches or closed under the new factoring regulations. In 2011, six companies had 25 branches. Most companies are based in Istanbul; few have headquarters outside Istanbul (e.g. Ankara, Adana, Izmir, Antalya). Some companies are concentrated in Istanbul. There are altogether 30 branches in Istanbul. A number of head offices are located in the Maslak-Levent-Sisli districts, others are spread around areas where manufacturing SMEs are concentrated.

Employment

The factoring industry in Turkey employed 4,082 people in 2012 (3,819 in 2011). Table 31 shows total employment in years 2008 to 2012. Following the recruitment of 250 additional people in 2011, employment increased by an additional 263 people in 2012.

Table 31 – Number of Employee and Personnel Expenditures

	2008	2009	2010	2011	9/2012
Number of Employees	3,009	2,959	3,557	3,819	4,082
Personnel Expenditures (1000 TL)	192,280	182,670	233,700	279,070	243,760

Source: BRSA and Factoring Association

Table 32 illustrates the number of employees of each company that provides a good idea of the different business models of these companies. Additionally, the data below includes factoring receivables volume to give a comparative picture. Some companies have been operating with numerous branches and a large number of staff while others have obtained the same volume of business with fewer people.

Table 32 – Number of Employees in the Factoring Sector (December 2011)

Company*	Factoring Receivables (1000 TL)	Nr.of Employee
1. Yapı Kredi Fak. A.Ş.	1,794,353	67
2. Garanti Fak. Hizm.A.Ş.	1,247,324	179
3. Deniz Fac. A.Ş.	979,837	101
4. TEB Fac. A.Ş.	817,847	97
6. Kapital Fak. Hizm.A.Ş.	703,473	97
5. Fiba Fac. Hizm.A.Ş.	623,670	129
7. Vakıf Fin. Fac. Hizm.A.Ş.	617,804	34
10. Lider Fak. Hizm.A.Ş.	466,061	179
8. Creditwest Fak. Hizm.A.Ş.	460,922	74
11. İş Fac. Fin.man Hizm.A.Ş.	404,653	36
12. Destek Fin. Fac. Hizm.A.Ş.	336,954	36
9. Girişim Fak. A.Ş.	288,265	40
13. ING Fak. A.Ş.	285,342	40
14. Yaşar Fac. Hizm.A.Ş.	280,860	36
15. Fin. Fak. Hizm.A.Ş.	251,719	50
19. Fortis Fak. A.Ş.	245,172	20
18. Eko Fac. Hizm.A.Ş.	241,944	80
17. Ekspo Fak. A.Ş.	236,425	35
22. MNG Fac. Hizm.A.Ş.	211,885	90
16. Şirinoğlu Fac. Fins.Hizm.T.A.Ş.	189,639	328
25. Tekstil Fac. Hizm.A.Ş.	180,705	37
24. Şeker Fak. Hizm.A.Ş.	179,599	48
26. Kent Fac. A.Ş.	176,664	42
23. Ulusal Fak. A.Ş.	174,242	41
27. Bayramoğlu Fin. Fak. Hizm.A.Ş.	150,349	42
28. Akın Fak. Hizm.A.Ş.	131,763	24

29.	Strateji Fac. Hizm.A.Ş.	123,855	60
30.	Çağdaş Fin. Fac. Hizm.A.Ş.	123,467	75
20.	Pamuk Fac. A.Ş.	119,253	21
32.	Anadolu Fak. Hizm. A.Ş.	119,129	34
33.	Akdeniz Fac. Hizm.A.Ş.	119,111	19
31.	Optima Fak. Hizm.A.Ş.	112,913	77
34.	Atılım Fak. A.Ş.	112,216	65
37.	Doğan Fac. Hizm.A.Ş.	110,214	40
35.	Başer Fak. A.Ş.	110,064	81
36.	Para Fin. Fac. Hizm.A.Ş.	104,062	90
38.	Tek Fak. Hizm.A.Ş.	99,998	69
39.	Huzur Fak. Fin.al Hizm.A.Ş.	88,868	63
21.	C Fak. A.Ş.	88,072	39
42.	Yeditepe Fak. Hizm.A.Ş.	78,211	33
40.	Demir Fac. A.Ş.	73,028	34
43.	Ar Fak. Fin.al Hizm.A.Ş.	71,995	24
41.	VDF Fak. Hizm.A.Ş.	66,858	8
44.	Devir Fac. Hizm.A.Ş.	60,331	31
46.	Tuna Fak. Hizm.A.Ş.	55,588	40
48.	Analiz Fak. A.Ş.	48,162	37
47.	Erişim Fin. Fak. Hizm.A.Ş.	48,054	58
49.	Arena Fak. Hizm.A.Ş.	47,815	35
51.	First Fac. A.Ş.	43,367	23
52.	Kredi Fin. Fak. Hizm.A.Ş.	40,819	20
54.	Turkish Fak. Hizm.A.Ş.	39,176	29
50.	Çözüm Fin. Fak. Hizm.A.Ş.	38,093	32
53.	Doğa Fak. Hizm.A.Ş.	34,916	42
55.	Trend Fin. Fak. Hizm.A.Ş.	33,926	21
56.	Merkez Fak. Hizm.A.Ş.	28,844	26
59.	Makro Fac. A.Ş.	27,627	18
61.	Sümer Fak. Hizm.A.Ş.	25,289	21
62.	Eren Fin. Fak. Hizm.A.Ş.	24,809	35
57.	ACL Fin. Fak. A.Ş.	24,804	30
58.	Artı Fin. Fak. Hizm.A.Ş.	24,280	32
45.	Hepkon Fak. Hizm. A.Ş.	23,814	51
64.	Değer Fak. A.Ş.	22,538	17
60.	Global Fak. Hizm.A.Ş.	21,840	35
63.	Katar Fak. Fin. Hizm.A.Ş.	19,252	51
67.	Sardes Fak. A.Ş.	18,250	10
69.	Mert Fin. Fak. Hizm.A.Ş.	13,977	42
65.	Saray Fak. A.Ş.	11,025	10
68.	Acar Fac. A.Ş.	10,959	22
66.	Met-ay Fak. Fin. Hizm.A.Ş.	10,485	31
72.	As Fak. Hizm.A.Ş.	6,727	31
71.	Atak Fak. Hizm.A.Ş.	5,739	5
70.	Batı Fak. Hizm.A.Ş.	3,810	8

73. Ak Fak. Hizm.Ticaret A.Ş.	0	7
74. Prime Fak. Hizm.A.Ş.	0	12
TOTAL	11,177,530	3,824

* Sorted according to size,

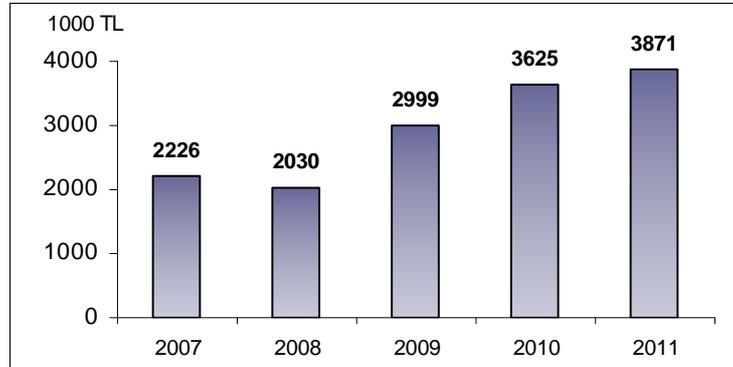
Productivity and Efficiency

Throughout recent years factoring receivables per employee has increased and is expected to continue to increase. Table 33 reflects the productivity and efficiency ratios of the sector. One should remember that these ratios are very different for each group.

Table 33 – Efficiency Ratios

	2008	2009	2010	2011
Cost / Income Ratio				
(Operating expenses / Operating Income (%))	65.3	73.0	79.5	74.3
Operating Expenses / Average Assets (%)	4.5	3.4	3.1	3.0
Commission Income / Total factoring Turnover (%)	0.5	0.3	0.2	0.4
Operating Income / Nr. of Employee (1,000 TL)	167	143	138	161
Operating Expenses / Nr. of Employee (1,000 TL)	109	105	110	119
Total Assets / Nr. of Employee(1,000 TL)	2,580	3,517	4,067	4,096
Gross Factoring Receivables / Nr. of Employee (1,000 TL)	2,030	32,999	3,625	3,871
Gross Fact. Receivables / Nr. of Branch & Rep Offices (1,000 TL)	41,229	62,487	63,523	60,841

Graph 5 – Total Factoring Receivables / Nr. of Employee (1000 TL)



The Turkish Factoring Association

The Turkish Factoring Association is a professional association established in 1995. Currently, among the 71 members of the Association, 16 are also members of Factors Chain International and four are members of International Factors Group (IFG). The Turkish Factoring Association, of which 71 companies out of the 79 factoring companies licensed by the BRSA are members, represents the industry.

The functions of the Association are primarily:

- The development of the factoring industry in Turkey.
- Participation in the preparations and modifications of the industry's regulatory framework
- Standardization of factoring services
- Development and introduction of new ideas and opinions that will contribute to the improvement of the sector, and the conveying to the public and related authorities these suggestions.
- Conducting training for factoring employees.
- Promoting solidarity among its members.

The Association selects the five members of the Executive Board and the Chairman of the Association every two years. In addition to the Executive Board, there is a Supervisory Committee and a Disciplinary Committee. The Association also organizes committees responsible for regulations, legal matters, financial matters and MASAK.

The Turkish Factoring Association's activities have been particularly concentrated on trainings, legislative improvements and the enhancement of the industry's public image. Courses have been designed to train new recruits to the industry and to upgrade the skills of existing staff.

These activities are conducted by the General Secretary of the Association, Ms. Filiz Ünal, and the Association's small staff under the guidance of the Chairman of the Association Mr. Zafer Ataman. The Board convenes very regularly to discuss matters related to the industry and to resolve current problems.

Conferences – The Association organized a series of national and international conferences in 2011 and 2012. A National Factoring Symposium was held in March 2011 with the participation of Minister Ali Babacan. This was followed with another conference in October 2011 on "The Development of Factoring and Its Contribution to Economic Development." A workshop was organized with the EBRD in December 2011 on e-factoring, and on 14 September 2012 an international conference was organized jointly with Factors Chain International and the EBRD in Istanbul.

Trainings – There are regular professional trainings for factoring companies' staff members. Since October 2010 the Association has been conducting proficiency courses designed for all factoring company employees, and Certificates of Fundamental Factoring are issued to trainees upon completion. The training is given by university lecturers and experienced members of the industry.

The Turkish Factoring Association is due to cease operations before the end of June 2013 because of the establishment of a new association that will encompass not only factoring companies but also leasing and financing companies.

5. FINANCIAL ANALYSIS OF FACTORING COMPANIES

Balance Sheet Structure and Growth Rates

Factoring companies have short and simple balance sheets. Factoring receivables constituted the larger part of their assets. They rarely carry securities on their balance sheets. One or two have financial or non-financial participations. Although under the uniform accounting system they must prepare long and detailed financial statements, their balance sheets can be summarized under six main items as illustrated in Table 34.

Table 34 – Sector - Total Balance Sheet (Milion TL)

	2008	2009	2010	2011	9/2012
Total Assets	7,763.82	10,407.04	14,466.71	15,644.09	16,333.63
Factoring Receivables (Loans)	5,591.17	8,350.82	12,370.17	14,223.21	14,817.78
Non-Performing Loans	510.13	522.34	525.00	561.13	799.39
Provisions	400.41	437.93	448.46	444.01	660.71
Total Liabilities	7,763.82	10,407.04	14,466.71	15,644.09	16,333.63
Borrowings	4,943.78	7,499.22	11,095.97	11,463.64	11,434.55
Shareholders' Equity	2,340.50	2,493.33	2,941.31	3,393.71	3,658.56
Funding / Total Assets (%)	63.68	72.06	76.70	73.24	70.00
Shareholders' Equity / Total Assets (%)	30.15	24.96	20.33	21.70	22.40

Source: BRSA

In 2011 the growth of factoring receivables was funded with equity. The increase in borrowings from banks was limited to an annual increase of 3.3%. As a result, the share of borrowings in total assets fell from 76.7% to 73.2%. Bank deposits and cash assets reduced by 60%.

Table 35 - Composition of Assets and Liabilities

	2008	2009	2010	2011	9/2012	2009	2010	2011
	Million TL					% Growth		
Banks and Cash Assets	1,144	1,074	1,080	461	416	-6.1	8.6	-60.5
Factoring Receivables (Gross)	6,102	8,873	12,895	14,784	15,617	49.8	45.3	14.7
Other	518	998	492	399	300	92.3	-4.4	-58.2
Total Assets	7,764	10,407	14,467	15,644	16,333	34.5	39.0	8.1
Borrowings	4,944	7,499	11,096	11,464	11,435	53.6	48.0	3.3
Shareholders' Equity	2,340	2,493	2,941	3,394	3,659	6.5	18.0	15.4
Other	480	360	450	786	1,239	-25.0	25.0	74.7
Total Liabilities	7,764	10,407	14,466	15,644	16,333	34.5	39.0	8.1

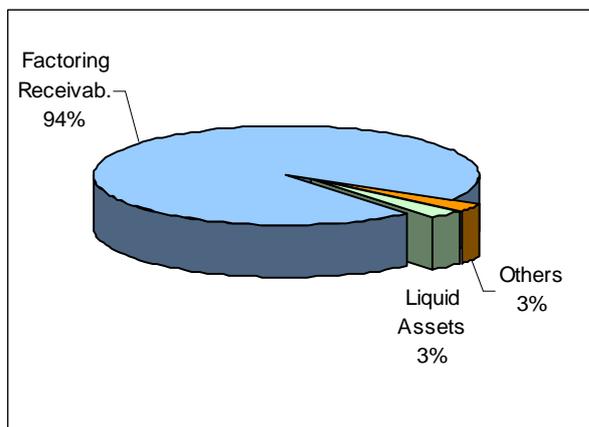
Asset growth of 39% in 2010 decelerated to 8.1% in 2011 and to 7.1% in the first nine months of 2012. This deceleration was mainly a result of the government's policies to cool down the economy. The deceleration of economic activity began in the summer of 2011 and continued through the end of the

year. In 2012 once again we witnessed factoring companies' ability to transform their balance sheets in a short period; numerous companies downsized by 50% in three months.

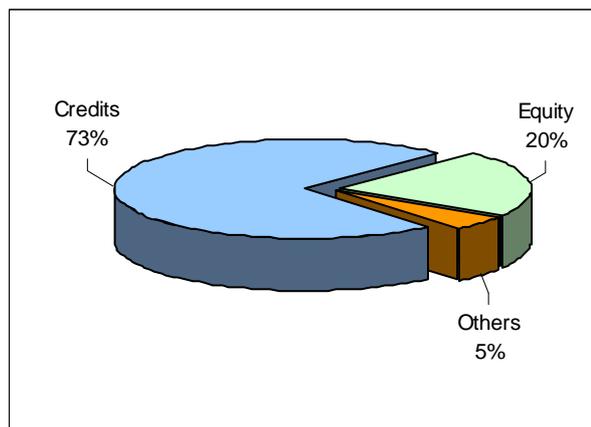
As indicated earlier, factoring companies' balance sheets are dominated by factoring receivables. In 2011 factoring receivables represented 94% of total assets. The remainder was bank deposits and other liquid assets. For most companies, the share of factoring receivables is above 90%. There are, of course, exceptions, such as companies having participations in financial or non-financial companies. Rarely do they hold securities.

The liabilities composition is also simple. Equities represented 20% of the total in 2011 while credits represented 73%. The remainder were provisions (5%) and various small items. In the last three years the share of equity declined to 20% from 30%. As companies gain better access to funds, this trend should continue.

Graph 6 – Distribution of Assets (2011)



Graph 7 – Distribution of Liabilities (2011)



Despite the decline in asset size growth from 39% to 8% in 2011, factoring operating income increased by 33% and net factoring interest income rose by 20.9%, leading to a 24.8% increase in pre-tax profits.

Table 36 – Annual Growth Rates (%)

	2009	2010	2011
Factoring Operating Income	-23.9	13.9	33.3
Net Factoring Interest Income	-12.3	-2.4	20.9
Factoring Operating Margin	21.6	-3.3	36.6
Operating Expenses	-5.8	26.2	16.8
Operating Income	-15.7	15.9	24.9
Income Before Tax	-15.5	16.0	24.8
Specific Provisions for Non-Performing Loans	-28.8	24.5	-36.0
Net Profit	-22.7	23.4	23.8

Source: BRSA

Table 37 – Factoring Sector- Summary Balance Sheet (1000 TL)

	2008	2009	2010	2011
Cash	10,960	4,610	10,570	9,460
Banks	1,132,580	1,069,550	1,155,790	451,070
Securities ¹⁾	103,110	260,290	299,590	283,310
Derivative Assets	27,270	20	0	10
Gross Factoring Receivables	6,101,900	8,873,160	12,895,170	14,784,340
Special Reserves (-)	400,410	437,930	448,460	444,010
Non-Performing Factoring Receivables	510,130	522,340	525,000	561,130
Net Factoring Receivables	5,591,770	8,350,820	12,370,170	14,223,210
Financial Assets held for Sale	531,570	410,770	295,390	258,110
Tangible Assets	107,330	116,080	122,860	136,870
Intangible Assets	7,880	6,860	7,320	10,930
Deferred Tax	16,010	35,890	56,920	62,380
Other Assets (2)	125,620	67,740	71,560	91,620
Total Assets	7,763,820	10,407,040	14,466,710	15,644,090
Derivative Financial Liabilities (3)	8,150	2,870	9,530	48,620
Loans and Borrowings (4)	4,945,990	7,501,910	11,098,770	11,465,800
Factoring Payables	154,610	111,270	74,970	196,120
Marketable securities Issued	92,850	113,950	211,170	346,490
Other Liabilities	124,780	53,770	36,090	69,700
Income Tax payable (5)	40,550	52,360	40,940	42,890
Reserves	56,390	77,570	53,940	80,760
Subordinated loans	0	0	0	0
Total Liabilities	5,423,320	7,913,700	11,525,410	12,250,380
Paid-in Capital	1,030,030	1,026,350	1,090,500	1,279,630
Share Premium Account	99,140	285,060	262,540	300,670
Profit Reserves (6)	784,330	851,730	1,180,430	1,309,060
Net Period Profit / Loss	427,000	330,200	407,830	504,350
Total Equity	2,340,500	2,493,330	2,941,300	3,393,710
Total Liabilities and Equity	7,763,820	10,407,040	14,466,710	15,644,090

Source: BRSA

- (1) Trading Financial Assets + Financial Assets Where fair value Change is reflected to Income Statement + receivables from Reverse Repurchase Agreements + Financial Assets Held for Sale(Net)
- (2) Other Assets = Other Assets + Assets Held for Sale Purpose and Held from Terminated Operations (Net)
- (3) Trading Derivative Financial Liabilities (DFL) + DFL held for Hedging
- (4) Loans Borrowed + Factoring payables + Lease Payables
- (5) Income Tax Payable + Deferred Tax
- (6) Profit Reserves + Prior Year Income or Loss

Off-balance Sheet Accounts

Total off-balance sheet volume did not change in 2011, but there were some changes in its composition. "Recourse Factoring Operations" decreased by 44.6%, and "Non-recourse Factoring Operations" rose by 12.1%. The largest items of commitments and contingencies are "Collaterals Taken" (TL18.7 billion) and "Items held in Custody" (TL12.2 billion) consisting of checks and notes taken for collection.

Table 38 – Commitments and Contingencies (Million TL)

	2008	2009	2010	2011
Recourse Factoring Operations	815.27	588.09	2,449.59	1,355.82
Non-Recourse Factoring Operations	3,870.03	2,501.66	3,878.74	4,348.40
Collaterals Taken	15,561.39	10,548.09	18,899.15	18,719.36
Collaterals Given	758.72	465.79	504.67	465.89
Commitments	252.85	360.13	464.41	464.30
A) Irrevocable Commitments	53.69	196.70	271.82	276.00
B) Revocable Commitments	199.16	163.43	192.60	188.30
a) Lease Commitments	0.00	0.00	0.00	0.00
b) Other Irrevocable Commitments	199.16	163.43	192.60	188.30
Derivative Financial Instruments	1,370.67	1,334.62	2,153.97	2,274.23
A) Derivative Financial Instruments Held for Hedging	1,010.35	639.93	15.95	198.97
a) Fair Value Hedges	600.31	331.37	15.18	198.97
b) Cash flow Hedges	410.04	308.56	0.77	0.00
c) Foreign Investment Hedges	0.00	0.00	0.00	0.00
B) Trading Transactions	360.32	694.68	2,138.02	2,075.26
a) Forward Foreign Currency Buy- Sell Transactions	79.11	1.00	470.76	467.82
b) Currency and Interest rate Swaps	234.20	365.97	1,495.57	1,061.79
c) Currency, Interest Rate and Security Options	47.01	277.30	2.05	2.46
d) Currency, Interest Rate Futures	0.00	0.00	0.00	0.00
e) Other	0.00	50.42	169.65	543.19
Items held in Custody	7,906.75	11,503.53	11,328.43	12,211.72
Total Off balance Sheet Commitments	30,535.67	27,301.91	39,678.95	39,839.71

Source: BRSA

Profitability

In brief, earnings increased while expenditures decreased (Table 39). Among all factoring companies, only eight reported a loss (nine in 2010). The sector average in increase in return on average assets was 3.4% but 15 companies had ROA lower than 2%, and nine companies had ROA above 6%. It is almost impossible to make a general statement on how profitable the factoring industry is, but these nine companies have proven that it is possible to be very profitable in this sector.

Factoring interest and commission income increased by 33%. We believe that commission rates did not increase. The increase in commission income came from the higher volume of collections as well as from guarantee services. We also noted that the share of foreign currency interest and commission income rose from 3.6% to 5.2%.

Table 39 – Income Statement (1000 TL)

	2008	2009	2010	2011
Factoring Interest Income	1,583,970	1,190,900	1,339,860	1,781,590
Factoring Commission Income	172,010	145,590	185,870	254,630
Factoring Commission Expense -	-16,710	-12,550	-18,170	-26,150
Factoring Operations Income	1739,270	1323,940	1507,560	2,010,070
Financial Expenses	-789,400	-496,640	-662,060	-962,080
<i>Interest Expense on Loans & Borrowings -</i>	-772,340	-467,010	-629,090	-895,370
<i>Other Financial Expenses</i>	-17,060	-29,630	-32,970	-66,710
Foreign Exchange Gain / Loss (net)	-183,270	2,500	-2,840	-27,580
<i>FX Gains</i>	1,502,430	1,566,850	2,630,650	1,310,970
<i>FX Loss</i>	-1,685,700	-1564,350	-2,633,490	-1,338,550
Trading Income (net)	-29,950	-27,050	-0,320	-26,240
Specific Provision for non-performing Factoring Receivables -	-203,160	-144,710	-180,230	-115,340
Total Factoring Operating Expenses	-1205,780	-665,900	-845,450	-1,131,240
Factoring Operating Margin	533,490	658,040	662,110	878,830
Interest Income other than Factoring Operations	50,990	64,100	77,940	34,050
Personnel Expenses -	-192,270	-182,670	-233,700	-279,070
Operating Expenses -	-136,270	-126,800	-156,920	-177,090
<i>General Operating Expenses -</i>	-112,720	-112,780	-141,270	-150,470
<i>Other Operating Expenses-</i>	-19,860	-11,100	-12,410	-23,110
<i>Retirement Pay Provision Expenses -</i>	-3,690	-2,920	-3,240	-3,510
Other operational Income / Expenses -	245,630	7,360	132,400	93,340
Total Operating Expenses	-328,540	-309,470	-390,620	-456,160
OPERATING PROFIT	502,960	423,920	491,460	613,590
Subsidiaries, Affiliates and Joint Venture Gain/Loss	3,660	10,640	9,860	64,180
Other Income	0,380	0,000	0,330	0,000
Other Expenses -	-2,310	-6,760	-0,380	-0,700
Net Other Income / Expenses	1,730	3,880	9,810	63,480
Income Before Tax	503,290	423,920	491,770	613,520
Taxes	-76,290	-93,720	-84,300	-109,170
Net Period Profit	427,000	330,200	407,470	504,350

Source: BRSA

Table 40 - Factoring Companies' Main Income Items (Million TL)

	2008	2009	2010	2011	% Change
Factoring Interest & Commission Income	1,755,980	1,336,490	1,525,730	2,036,220	33.4
Interest Income	1,583,970	1,190,900	1,339,860	1,781,590	33.0
Commission Income	172,010	145,590	185,870	254,630	37.1
Income Other than Factoring Operations	1,910.8	1,706.9	2,869.4	1,571.3	-42.2
Factoring Interest & Commission Expenses	-789,050	-479,560	-647,260	-921,520	42.5
Other Expenses	1,838.4	1,656.1	2,652.6	1,434.2	-45.9
Operating Expenses	345.4	314.7	390.1	217.1	-44.6

Table 41 - Factoring Income (Million TL)

	2009			2010			2011		
	TL	FC	Total	TL	FC	Total	TL	FC	Total
Interest Income	1,160	31	1,191	1,306	34	1,340	1,707	75	1,782
Commission and Fee Income	129	17	146	165	21	189	224	30	255
Total Factoring Income	1,289	47	1,337	1,471	55	1,526	1,931	105	2,036

Source: BRSA

Net income increased by 24% in 2011 to reach TL504 billion. Return on average assets rose from 3.3% to 3.4%, and return on average equity rose from 18.2% to 19.1%. At first sight this seems to indicate that profitability increased without any proper increase in factoring receivables. Yet, as explained in earlier sections, averages do not adequately explain the developments in the sector.

Table 42 – Profitability Ratios

	2008	2009	2010	2011
Shareholders' Equity (Million TL)	2,340.50	2,493.33	2,941.30	3,393.71
Net Profit / Loss (Million TL)	427.00	330.20	407.83	504.35
ROAA (%)	11.0	3.6	3.3	3.4
ROE (%)	18.2	13.2	13.9	14.9
ROAE (%)	46.8	17.0	18.2	19.1

Table 43 – Profitability Ratios of Factoring Companies - 2010/2011

	Total Assets 2011	Shareholders' Equity 2010	Shareholders' Equity 2011	Net Profit 2010	Net Profit 2011	ROAE 2011	ROAA 2011
Yapı Kredi Faktoring A.Ş.	1,881,264	167,752	183,263	24,851	46,044	26.23	2.36
Garanti Faktoring Hizmetleri A.Ş.	1,275,029	50,017	84,522	4,139	34,534	51.34	2.43
Deniz Faktoring A.Ş.	1,013,675	161,416	180,532	31,071	35,418	20.72	3.62
TEB Faktoring A.Ş.	868,679	25,423	38,462	8,356	10,247	32.08	1.24
Fiba Faktoring Hizmetleri A.Ş.	751,090	196,951	216,253	34,007	19,023	9.21	2.38
Kapital Faktoring Hizmetleri A.Ş.	714,447	277,189	316,315	29,333	52,212	17.59	8.38
Vakıf Finans Faktoring Hizmetleri A.Ş.	624,130	74,613	84,762	12,665	13,243	16.62	1.83
Girişim Faktoring A.Ş.	519,244	233,684	229,474	4,754	-10,045	-4.34	-1.76
Lider Faktoring Hizmetleri A.Ş.	506,407	56,922	74,601	3,912	11,916	18.12	2.71
Creditwest Faktoring Hizmetleri A.Ş.	488,107	88,599	107,990	24,409	25,478	25.92	6.14
İş Faktoring Finansman Hizmetleri A.Ş.	432,312	49,882	52,972	5,361	8,235	16.01	1.81
Destek Finans Faktoring Hizmetleri A.Ş.	352,158	88,294	107,863	14,694	19,323	19.70	6.42
ING Faktoring A.Ş.	312,760	8,672	41,597	-1,903	2,925	11.64	1.26
Yaşar Faktoring Hizm.A.Ş.	298,628	73,779	94,243	12,994	17,221	20.50	7.37
Finans Faktoring Hizmetleri A.Ş.	280,369	11,952	24,334	3,252	2,414	13.31	0.88
Şirinoğlu Faktoring Fins.Hizm.T.A.Ş.	268,001	71,756	97,710	23,224	32,536	38.40	12.40
Eko Faktoring Hizmetleri A.Ş.	263,293	63,166	71,688	5,984	10,014	14.85	4.29
Fortis Faktoring A.Ş.	248,083	20,513	22,299	491	1,854	8.66	1.01
C Faktoring A.Ş.	242,639	131,999	156,794	-2,738	791	0.55	0.35
Ekspo Faktoring A.Ş.	240,787	73,774	66,669	12,580	10,559	15.04	4.55
MNG Faktoring Hizmetleri A.Ş.	226,150	40,206	44,224	3,491	4,018	9.52	2.08
Pamuk Faktoring A.Ş.	194,439	53,953	119,832	-1,253	65,873	75.81	35.35

Ulusal Faktoring A.Ş.	190,508	19,754	47,082	4,702	3,788	11.34	2.39
Şeker Faktoring Hizmetleri A.Ş.	185,659	17,515	19,833	749	2,305	12.34	1.31
Kent Faktoring A.Ş.	185,011	11,950	38,846	3,482	10,724	42.22	8.09
Tekstil Faktoring Hizmetleri A.Ş.	182,191	29,508	33,482	4,429	3,974	12.62	2.58
Bayramoğlu Finans Faktoring Hiz. A.Ş.	159,697	83,818	91,305	12,080	7,209	8.23	5.02
Akın Faktoring Hizmetleri A.Ş.	134,011	27,526	33,574	6,129	6,673	21.84	5.65
Optima Faktoring Hizmetleri A.Ş.	132,079	22,672	24,983	3,143	5,450	22.87	4.26
Çağdaş Finans Factoring Hizmetleri A.Ş.	131,804	48,694	47,422	-772	7,774	16.18	6.93
Strateji Faktoring Hizmetleri A.Ş.	130,167	13,145	13,967	1,251	1,623	11.97	1.26
Akdeniz Faktoring Hizmetleri A.Ş.	120,745	10,527	11,774	689	1,247	11.18	1.13
Doğan Faktoring Hizm.A.Ş.	119,054	16,145	17,920	946	1,781	10.46	2.57
Atılım Faktoring A.Ş.	118,800	23,017	28,636	6,814	5,619	21.76	5.06
Başer Faktoring A.Ş.	117,127	23,713	27,278	2,805	3,511	13.77	3.32
Para Finans Factoring Hizm.A.Ş.	115,633	21,066	19,386	5,347	2,281	11.28	2.22
Tek Faktoring Hizmetleri A.Ş.	112,413	15,810	16,705	2,769	2,126	13.08	1.95
Huzur Faktoring Finansal Hizm.A.Ş.	93,110	9,929	13,669	1,977	2,280	19.32	2.84
Demir Faktoring A.Ş.	84,804	25,346	23,715	64	-822	-3.35	-1.08
Yeditepe Faktoring Hizm.A.Ş.	79,728	22,302	26,373	6,112	4,504	18.51	6.24
Ar Faktoring Finansal Hizmetleri A.Ş.	74,666	3,936	8,448	-1,064	1,605	25.92	2.45
Devir Faktoring Hizmetleri A.Ş.	65,864	9,738	11,818	698	1,185	10.99	2.05
Tuna Faktoring Hizm.A.Ş.	58,226	20,552	21,541	3,531	1,976	9.39	4.01
Erişim Finans Faktoring Hizm.A.Ş.	55,384	5,817	7,519	711	770	11.55	1.38
Arena Faktoring Hizm.A.Ş.	50,781	11,254	13,419	1,615	1,842	14.93	3.66
Analiz Faktoring A.Ş.	50,281	8,161	10,228	1,941	1,664	18.10	3.41
Çözüm Finans Faktoring Hizmetleri A.Ş.	49,781	26,590	29,492	3,897	3,016	10.76	6.62
First Faktoring A.Ş.	46,111	7,223	5,959	1,812	-9,624	-146.02	-20.80
Kredi Finans Faktoring Hizmetleri A.Ş.	43,181	6,534	8,778	724	-756	-9.87	-2.31
Doğa Faktoring Hizmetleri A.Ş.	42,379	16,448	16,505	2,126	2,477	15.03	7.06
Trend Finans Faktoring Hizm.A.Ş.	35,556	11,126	10,446	1,690	1,119	10.37	3.31
ACL Finans Faktoring A.Ş.	30,238	11,561	11,848	1,181	466	3.98	1.79
Merkez Faktoring Hizmetleri A.Ş.	30,231	6,853	8,350	1,360	579	7.62	1.93
Makro Faktoring A.Ş.	29,242	5,022	8,466	-39	-31	-0.46	-0.12
Sümer Faktoring Hizm.A.Ş.	27,877	7,070	7,208	789	24	0.34	0.09
Eren Finans Faktoring Hizmetleri A.Ş.	27,138	4,578	7,718	-422	-440	-7.16	-2.64
Değer Faktoring A.Ş.	24,070	4,900	7,503	-100	120	1.94	0.62
Met-ay Faktoring Finans Hizmetleri A.Ş.	19,547	6,139	8,414	-1,795	3	0.04	0.02
Acar Faktoring A.Ş.	16,806	15,996	16,496	2,930	1,012	6.23	6.16

Table 44 illustrates the average sector profitability ratios of years 2008 to 2011, and Table 45 illustrates the profitability ratios of each group. There are striking differences between the ratios of different groups. Group A (the leading two companies) operates with a net factoring margin of 1.9%, Group C (13 middle-sized companies) work with 8% NIM, and the smaller companies under group D with 9% NIM. One can see that Group A and B can fund themselves at lower rates and apply lower discount rates to their customers.

Table 44 – Profitability Ratios (%)

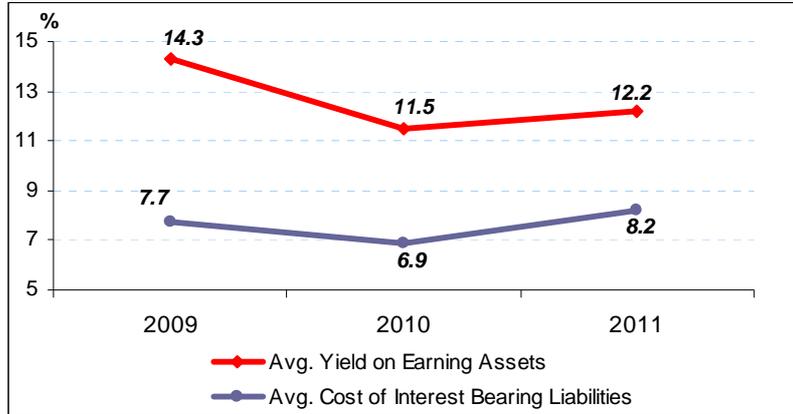
	2008	2009	2010	2011
Average Yield on Earning Assets	44.6	14.3	11.5	12.2
Cost of Interest Bearing Liabilities	30.3	7.7	6.9	8.2
Interest from Factoring Receivables / Interest Income	96.9	94.9	94.5	98.1
Net Factoring Interest Margin	26.0	9.3	6.2	5.9
Net Interest Margin	21.7	7.9	5.5	5.5
Factoring Operations Margin/Avg. Net Factoring Receivables	20.2	9.8	6.4	6.8
Factoring Operations Margin / Avg. Assets	14.5	7.5	5.3	6.0
Recurring Earning Power (Operating Profit / Avg. Assets)	13.0	4.7	4.0	4.1
Return on Average Assets ROAA	11.0	3.6	3.3	3.4
Return on Equity (period end) ROE	18.2	13.2	13.9	14.9
Net factoring interest income coverage of loan loss provision	3.91	4.80	3.76	7.11
Total Operating Expenses /Operating Income	65.3	73.0	79.5	74.3
Loan loss provisions / Operating, income	40.4	34.1%	36.7	18.8
Factoring Operations margin coverage of loan loss provision	1.41	1.56	1.48	2.04
Factoring operations income coverage of loan loss provision	4.68	5.72	4.69	9.09
Net Loan Loss Provision/Operating profit	79.6	103.3	91.3	72.4

- Average Yield on Earning Assets: (Factoring Interest Income + Other Interest Income) / Avg. Earning Assets
- Cost of Interest Bearing liabilities : Financial Expenses / Interest Bearing Liabilities
- Net Factoring Interest Margin: (Factoring Interest Income + Other Interest Income) / Avg. Gross Factoring Receivables
- Avg. Asset Profitability: Net Profit / Avg. Assets
- Return on Equity (Period end) : Net Profit / Equity
- Return on Average Equity (Period end) : Net Profit / Avg. Equity

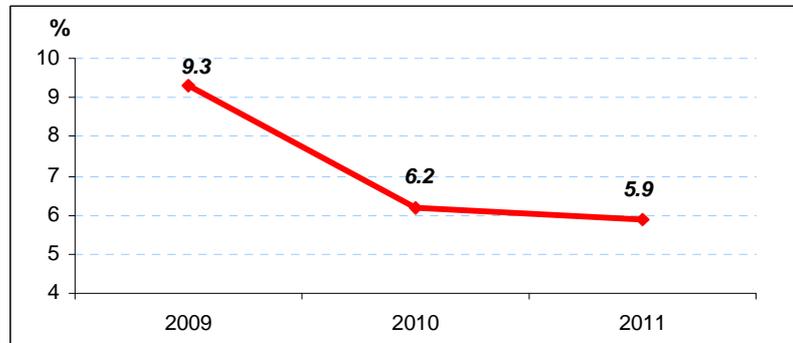
Table 45 – Profitability Ratios of Factoring Companies in 2011 According to Groups

	Sector	Group A	Group B	Group C	Group D	Group E
Average Yield on Earning Assets (%)	12.2	6.9	11.04	15.89	18.20	21.49
Cost of Interest Bearing Liabilities (%)	8.2	5.0	8.14	11.16	12.64	69.41
Net Factoring Interest Margin (%)	5.9	1.9	4.90	8.07	8.95	17.55
Factoring Operations Margin / Avg,Net Factoring Receivables (%)	6.8	3.0	5.82	11.25	10.83	16.54
Factoring Operations Margin / Average Assets (%)	6.0	2.8	5.18	8.90	10.14	13.67
Return on Average Assets ROAA (%)	3.4	2.4	3.30	4.31	3.42	4.46
Return on Equity (period end) ROE (%)	14.9	33.0	15.14	12.55	14.44	9.67
Average Equity Profitability (Period end) (%)	19.1	52.5	21.59	20.23	20.64	15.88
Operating Expenses / Operating Income (%)	74.3	44.22	51.71	93.97	179.32	79.96
Loan Loss Provision /Operating Income (%)	18.8	10.23	15.34	31.40	33.47	81.62

Graph 8 – Funding Cost and Return of Assets



Graph 9 - Net Factoring Interest Margin



Asset Quality

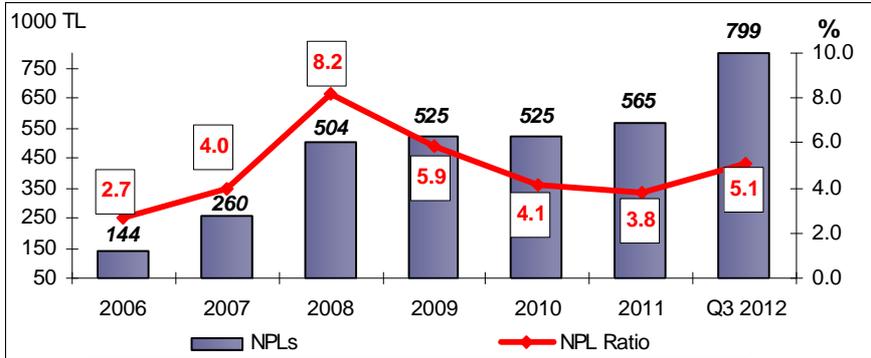
The increase in total non-performing loans was low, but explained by a more rapid increase in factoring receivables. The NPL ratio fell to 3.8% from 4.1%. In 2012, the NPL ratio once again rose to 4.7% in June and to 5.1% in September.

Table 46 – Asset Quality

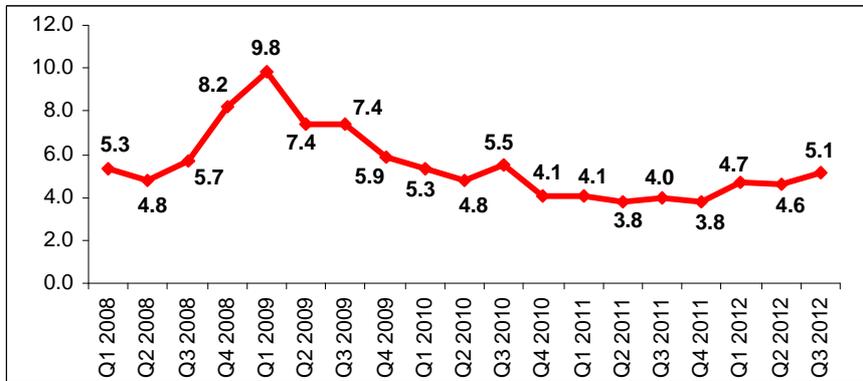
	2008	2009	2010	2011
Factoring Receivables (Million TL)	6,101,900	8,873,160	12,895,170	14,784,340
Non-Performing Loans (Million TL)	510,130	522,340	525,000	561,130
NPLs / Factoring Receivables (%)	8.4	5.9	4.1	3.8
NPLs / (Equity+ Allowances NPLs) (%)	18.6	17.8	15.5	14.6
Specific Reserves (Million TL)	400,410	437,930	448,460	444,010
Reserve Ratio (%)	78.5	83.8	85.4	79.1

Source: BRSA

Graph 10 – Annual NPL's and NPL Ratios



Graph 11 – NPLs / Factoring Receivables (3 Months)



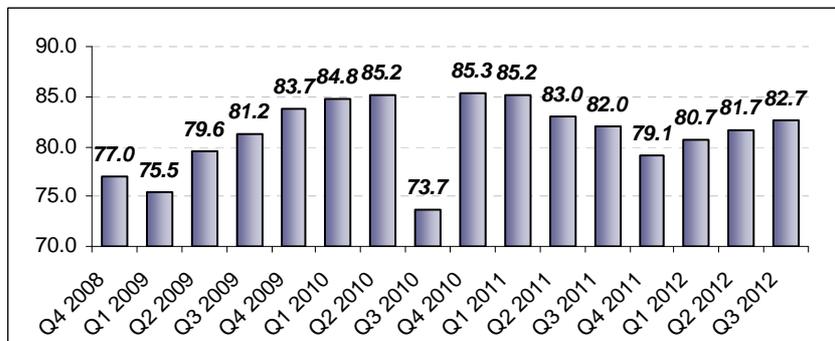
The comparison of groups in terms of NPLs also shows contrasting ratios: Group A maintains 1.2% NPL ratios while Group C's ratio has risen to 7.7%.

Table 47 – NPLs Ratios of Factoring Companies According to Groups (%)

	Sector		Group A		Group B		Group C		Group D		Group E	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
NPLs / Factoring Receivables	3.8	4.1	1.2	1.0	3.1	3.4	7.7	7.6	5.8	5.5	7.0	6.3

Factoring companies' specific provisions are above 80% and comply with BRSA rules.

Graph 12 - Specific Provisions / NPLs



Source: BRSA

Funding

A. Equity

As a result of a 15% increase in net income, shareholders' equity rose in 2011 by 15.4% to reach TL3.4 billion. The 17.3% increase in paid-in capital came partly from existing companies and partly from new entrants.

Table 48 – Composition of Equity (Million TL)

	2008	2009	2010	2011
Equity	2,340.50	2,493.33	2,941.30	3,393.71
A) Paid-in Capital	1,030.03	1,026.35	1,090.50	1,279.63
B) Capital Reserves	99.14	285.06	262.54	300.67
a) Share Premium	0.00	0.00	16.41	29.61
b) Share cancellation Profits	0.00	0.00	0.00	0.00
c) Valuation Changes of Marketable Securities	-1.06	48.94	78.62	56.71
d) Revaluation Changes of Property and Equipment	0.79	10.33	7.84	20.81
e) Free Share from Investment and Associates, Subsidiaries and JVs	50.40	35.14	35.58	36.03
f) Hedging Funds (Active part)	0.00	0.00	0.00	0.00
g) Value increase in Property and Equipment Held for sale Purpose and Held from Terminated Operations	0.00	0.00	0.00	0.00
h) Other Capital Reserves	49.01	190.65	124.08	157.51
C) Profit Reserves	694.25	750.85	1068.07	1293.21
a) Legal Reserves	91.87	103.49	118.07	133.98
b) Status Reserves	10.06	10.48	38.36	1.01
c) Extraordinary Reserves	397.95	263.96	533.95	716.31
d) Other profit Reserves ^{***}	194.38	372.92	377.69	441.92
D) Profit or Loss (97+98)	517.08	431.07	520.20	520.20
a) Prior Year Income or Loss	90.08	100.88	112.36	15.85
b) Net Period Profit or Loss	427.00	330.20	407.83	504.35
Equity / Total Assets (%)	30.5	24.0	20.3	21.7

B. Loans

Needless to say, the financing of operations is a fundamental issue in this business. As indicated above, in the last four years more than 70% of total liabilities were bank borrowings. Funding predominantly came from domestic banks and was denominated in domestic currency. Foreign currency borrowings rose to 54.8% in 2008, but several companies incurred foreign exchange losses that year. In 2009 and 2010 the share of foreign currency borrowings dropped to 23%. In 2011 it rose to 26%.

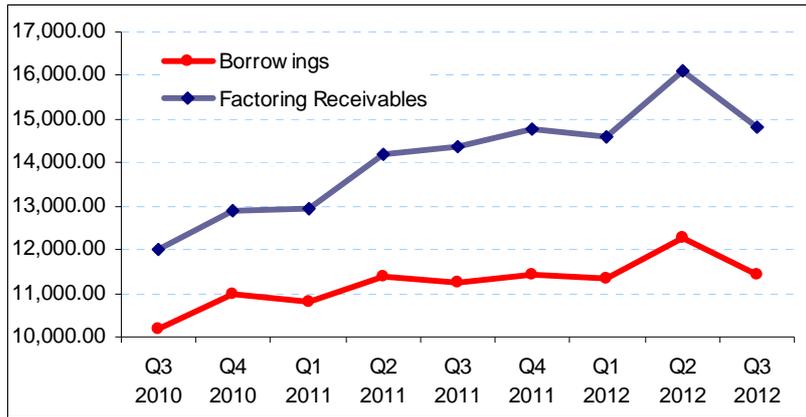
Table 49 - Factoring Sector Funding (Million TL)

	2008	2009	2010	2011
Total Liabilities	7,796.46	10,407.04	14,466.71	15,644.09
Loans	4,943.14	7,499.22	11,095.97	11,463.64
FC Loans / Total Loans	54.78	23.47	22.85	25.94
Loans / Assets (%)	63.4	72.1	76.7	73.3
Avg. Securities Issued / Av.Total Funding (%)	0.9	1.6	1.7	2.4
Equity	2,373.59	2,493.33	2,941.30	3,393.71

Table 50 – Loans (Million TL)

	2008	2009	2010	2011
Loans	4,943.14	7,499.22	11,095.97	11,463.64
Factoring Payables	152.52	111.27	74.97	196.12
Lease Payables	2.21	2.69	2.80	2.16
A) Financial Lease Payables	2.60	3.27	3.23	2.43
B) Operational Lease Payables	0.00	0.00	0.00	0.00
C) Other	0.00	0.00	0.00	0.00
D) Deferred Financial Lease Expenses (-)	0.40	0.58	0.43	0.27
Securities Issued (Net)	92.85	113.95	211.17	346.49
A) Bills	0.00	0.00	0.00	0.00
B) Asset-backed Securities	0.00	0.00	0.00	0.00
C) Bonds	92.85	113.95	211.17	236.49
Miscellaneous Payables	125.09	43.84	31.47	55.78
Other Foreign Liabilities	4.82	9.94	4.59	13.83

Graph 13 – Factoring Receivables and Loans (Million TL)



Credit Disbursements from Local Banks

According to the data of the Central Bank of Turkey, a total of TL24.5 billion out of a total of TL724.7 billion in credits was extended to the Group “Leasing, Factoring, Financing Companies and Others” at the end of 2011 (Table 51). The sector composition of this table illustrates that credits extended to this group represented 3.4% of the total but the sector’s NPL ratio is 6 per mille.

We observed that in 2012 this group’s NPL ratio further dropped to 4 per mille while the banking sector ratio rose to 3.4%.

Table 51 – Turkish Banking Sector Credit Distribution (Central Bank of Turkey)

Cash Loans (Million TL)						
	2007	2008	2009	2010	2011	June 2012
FINANCIAL INTERMEDIATION	15,520	18,987	21,207	28,990	34,636	37,090
- Leasing, Factoring, Finance Comp. and Others	10,595	12,866	13,413	18,516	24,461	27,266
- Brokerage Houses, REIT, VCT, Insurance and Pension Funds Org., And Others	4,925	6,120	7,794	10,474	10,175	9,823
TOTAL	287,971	387,610	411,752	542,168	724,667	776,611
Share in Cash Loans (%)						
FINANCIAL INTERMEDIATION	5.39	4.90	5.15	5.35	4.78	4.78
- Leasing, Factoring, Finance Comp. and Others	3.68	3.32	3.26	3.42	3.38	3.51
- Brokerage Houses, REIT, VCT, Insurance and Pension Funds Org., And Others	1.71	1.58	1.89	1.93	1.40	1.26
Non-Performing Loans (Million TL)						
	2007	2008	2009	2010	2011	June 2012
FINANCIAL INTERMEDIATION	73	38	50	40	36	30
- Leasing, Factoring, Finance Comp. and Others	62	20	17	15	15	10
- Brokerage Houses, REIT, VCT, Insurance and Pension Funds Org., And Others	11	18	33	25	21	20
TOTAL	9,069	12,840	21,310	19,123	18,197	19,729
NPL / Cash Loans (%)						
FINANCIAL INTERMEDIATION	0.47	0.20	0.24	0.14	0.11	0.08
- Leasing, Factoring, Finance Comp. and Others	0.59	0.15	0.13	0.08	0.06	0.04
- Brokerage Houses, REIT, VCT, Insurance and Pension Funds Org. and Others	0.22	0.30	0.42	0.24	0.21	0.21
Sector NPL Ratio	3.15	3.31	5.18	3.53	2.51	3.43

Source: CBT

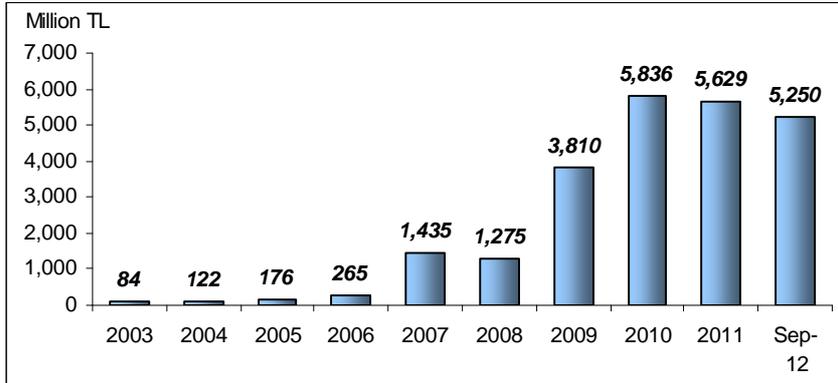
The data of the Central Bank of Turkey also reveals the volume of credits used by the factoring industry. Table 52 illustrates that factoring companies' use of credits from deposit taking banks and investment banks was TL5.8 billion. Since this amount represents roughly half of their total borrowings, we may deduce that a sizeable volume of loans was obtained from overseas banks and these loans were partially denominated in Turkish liras.

Table 52 – Loans Obtained from Deposit Banks and Dev. and Inv. Banks By Factoring Companies (1000 TL)

	2006	2007	2008	2009	2010	2011	3/012	6/012	9/012
Deposit Taking Banks	265,073	1,435,377	1,275,235	3,810,354	5,835,773	5,628,969	5,503,789	5,650,214	5,250,165
Development & Investment Banks	67,448	104,972	5,700	60,041	117,079	141,060	118,042	170,450	124,833
Total	332,521	1,540,349	1,280,935	3,870,395	5,952,852	5,770,029	5,621,831	5,820,664	5,374,998

Source: CBT

Graph 14 – Loans Obtained from Deposit Taking Banks by Factoring Companies

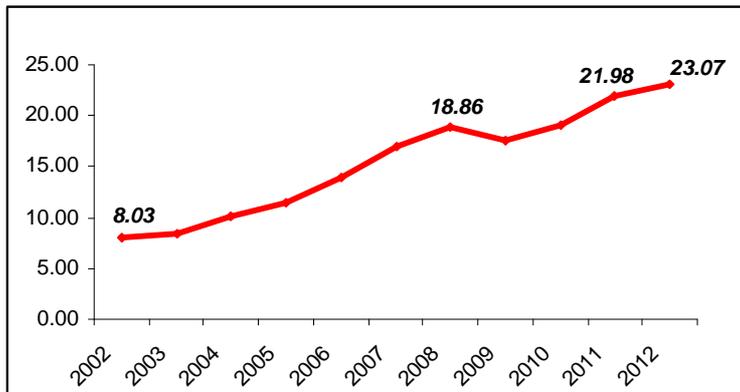


Source: CBT – Money and Banking Statistics

B. Bond Issues

The private sector bond market revived in 2010 after the BRSA allowed banks to issue bonds and bills. In 2011, total issuances totaled TL18.5 billion (US\$111 billion), representing 22% of total bond issuances in Turkey. Although the private sector bond issuances of 2011 were dominated (97%) by banks, factoring and leasing companies also were able to tap this market.

Graph 15 – Private Sector Bond Issues / Total Bond Stock (%)



Source: The Capital Markets Board

The first bond issue realized by a factoring company was a TL30 million private placement in 2007. The same issuing company engaged in a second issue in 2008. In 2009 and 2010, there were a few other issues but bond issues remained nearly negligible in total funding.

Table 53 - 2008 - 2011 Total Bond Issues of the Factoring Sector (Million TL)

	2008	2009	2010	2011
Securities Issued (Net)	92.85	113.95	211.17	346.49
A) Bills	0.00	0.00	0.00	0.00
B) Asset-backed Securities	0.00	0.00	0.00	0.00
C) Bonds	92.85	113.95	211.17	236.49

Source: BRSA

During 2011 and 2012 market conditions improved, and nine factoring companies used the opportunity to tap the bond market. Below, the terms and conditions of these bond issues are given. The bond issuances have used seven different systems, from private placements to public offerings, with different coupon payment terms. Therefore, it was not possible to make spread comparisons. In most cases the bonds provided either lower cost funding or longer maturities than bank borrowings.

2010

ISSUER	Offered/Not offered to the Public	Issuing Date	MATURITY	Issuing Amount Nom.	Coupon Period (days)	Final Issuing Interest Rate % (simple annual)
Company 1	4	October 21, 2010	2 Years	20,000	182	10.24
Company 2	4	November 30, 2010	2 Years	50,000	182	9.78

2011

ISSUER	Offered/Not offered to the Public	Issuing Date	MATURITY	Issuing Amount Nom.	Coupon Period (day)	Final Issuing Interest Rate % (simple annual)
Company 3	4	March 3, 2011	2 Years	50,000	182	10.73
Company 2	4	May 31, 2011	2 Years	50,000	182	12.14
Company 3	4	June 27, 2011	2 Years	50,000	182	11.07

2012

ISSUER	Offered/Not offered to the Public	Issuing Date	MATURITY	Issuing Amount Nom.	Coupon Period (day)	Final Issuing Interest Rate % (simple annual)
Company 4	1	April 17, 2012	1 Year	20,000	28-33	13.07
Company 4	1	May 8, 2012	1.5 Years	20,000	28-33	12.89
Company 2	1	June 12, 2012	3 Years	50,000	27-35	11.77
Company 4	2	May 8, 2012	2 Years	30,000	87-94	13.25
Company 3	3	June 26, 2012	2 years	75,000	91	11.43
Company 4	3	June 29, 2012	3 Years	20,000	88-94	12.71
Company 5	3	July 25, 2012	1 Year	13,500	90-92	11.61
Company 6	3	July 26, 2012	2 Years	50,000	86-96	11.35
Company 7	5	July 31, 2012	2 Years	50,000	182-184	11.47
BONO						
Company 8	6	June 19, 2012	6 Months	20,000		10.86
Company 9	7	May 14, 2012	5 Months	15,000		11.15

- | | |
|---|--------------------------------------------|
| 1 | Public offering – FRN – annual coupon |
| 2 | Public offering – FRN – quarterly coupon |
| 3 | Private placement – FRN – quarterly coupon |
| 4 | Public offering - FRN – bi-annual coupon |
| 5 | Private placement - FRN – bi-annual coupon |
| 6 | Public offering – discounted bills |
| 7 | Private placement – discounted bills |

Leverage Ratios

The leading factoring companies have high leverage ratios. Their borrowings equate to 12.4 times their equity, and their total borrowings have 90% share in total assets. Still, these companies have relatively low NPLs.

Table 54 – Financial Ratios - Sector

	2008	2009	2010	2011
Gross Factoring Receivables / Assets (%)	78.6	85.3	89.1	94.5
Gross Factoring Receivables / Equity (X)	2.6	3.6	4.4	4.4
Securities / Assets (%)	1.3	2.4	2.0	1.8
Loans and Borrowings / Assets (%)	63.7	72.1	76.7	73.3
Equity / Loans and Borrowings (%)	47.3	33.2	26.5	29.6
Equity / Total Funding (%)	45.0	32.3	25.8	28.3
Equity / Assets (%)	30.1	24.0	20.3	21.7
Commitments / Equity (%)	10.8	14.4	15.8	13.7
Derivative Financial Instruments / Equity (%)	58.6	53.5	73.2	67.0

Table 55 – Financial Ratios – Factoring Company Groups

	Group A		Group B		Group C		Group D		Group E	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Asset Quality and Risk Management										
Gross Fact. Receivables /Assets (%)	91.7	97.8	86.2	91.3	84.2	85.4	99.0	100.4	89.2	89.8
Gross factoring Receivables / Equity	19.9	12.4	7.3	6.4	4.6	4.1	4.9	5.6	3.2	3.6
Securities/ Assets (%)	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and Borrowings / Assets (%)	93.6	90.4	74.1	70.6	56.4	57.8	58.2	69.6	47.3	53.1
Equity / Loans and Borrowings %)	6.2	9.1	35.4	38.7	76.1	71.3	-	36.5	-	-
Equity / Total Funding (%)	6.2	9.1	32.8	33.9	82.7	60.7	102.5	29.1	-	-
Equity / Assets (%)	5.7	8.2	21.1	22.1	29.7	29.4	28.6	21.2	44.1	42.0
Commitments / Equity (%)	4.0	9.0	9.0	9.4	0.0	16.6	25.3	23.6	217.2	35.3
Derivative Fin. Instruments / Equity (%)	190.7	943.0	66.4	47.3	31.4	-	0.4	0.5	2.7	4.1

FOREIGN CURRENCY RISK

The majority of factoring companies carry no foreign currency (FC) risk since they do not have foreign currency operations and do not use foreign currency credits. In 2011, total foreign currency borrowings as a percentage of total borrowings was 25.9% due to a few companies' high exposures. The borrowings of one company that recently joined the industry were 77% FC while those of the largest factoring company represented 66%. Only seven out of the 74 companies have used FC-denominated credits.

Table 56 – Loans TL/FC Distribution (Million TL)

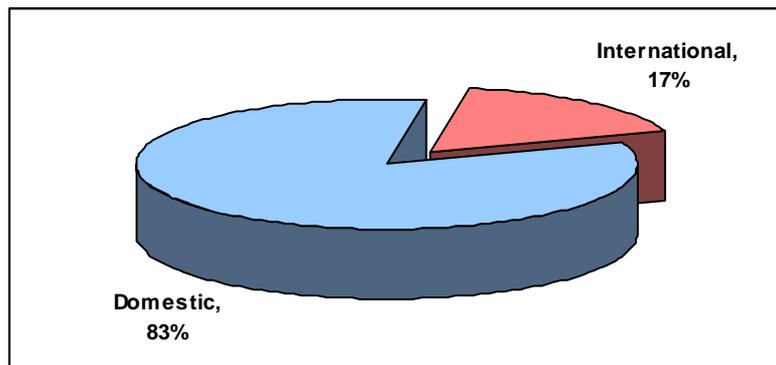
	Use of Loans				Factoring Receivables			
	TL	FC	Total	FC Ratio	TL	FC	Total	FC Ratio
2008	2,236	2,708	4,944	54.0%	5,051	541	5,592	9.6%
2009	5,739	1,760	7,593	23.2%	7,838	513	8,351	6.1%
2010	8,561	2,535	11,096	22.8%	11,220	1,151	12,370	9.3%
2011	8,490	2,974	11,464	25.9%	12,713	1,510	14,233	10.6%

Source: BRSA

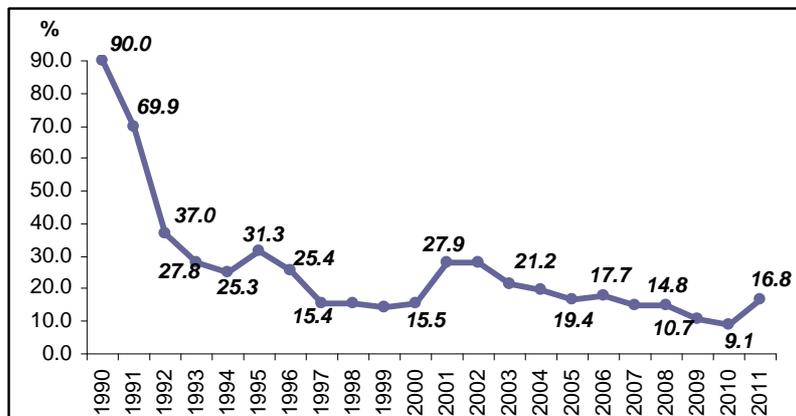
6. INTERNATIONAL FACTORING

Currently only 20 factoring companies provide international factoring services. Among those companies, 16 are members of Factors Chain International, and four are members of Factors Group (IFG). The share of international transactions in total turnover increased to 17% in 2011 from 9.1% in 2010, and by September 2012 this ratio had risen to 19.5%. As reflected in Table 58, the penetration rate of factoring remains low relative to other countries. One of the reasons of this low penetration rate is the inadequacy of insurance companies in addressing the needs of factoring companies.

Graph 16 - Distribution of Turnover (2011)



Graph 17 – Share of International Turnover in Total Turnover (%)



In USD terms, international turnover declined from US\$51.6 billion to US\$40.0 billion in 2011 due to the appreciation of the Lira. In TL terms, the decrease was from TL75.9 billion to TL70.9 billion. In the first nine months of 2012 international turnover increased by 23% to TL10.5 billion.

Table 57 – GDP and Factoring Penetration Rate

	2007	2008	2009	2010	2011
GDP Growth (%)	4.7	0.7	-4.8	9.2	8.5
GDP (Million USD)	658,786	742,094	616,703	731,608	772,298
Total Turnover (Million USD)	26,405	28,677	30,370	51,594	39,997
Penetration Rate (%)	4.0	3.9	4.9	7.1	5.2

Graph 18 – Domestic and International Factoring

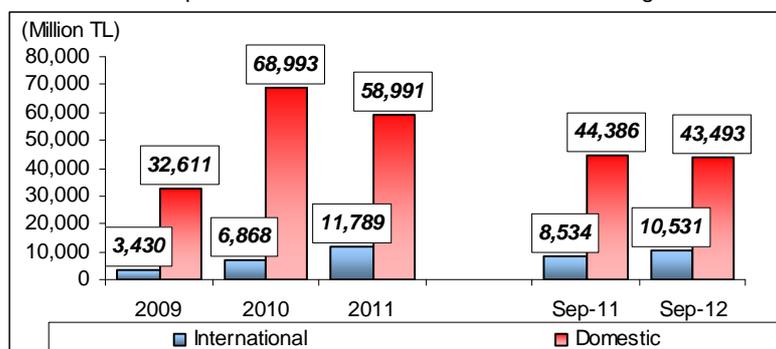


Table 58 - Factoring Sector- Turnover Volume (Million TL)

	12/2009	12/2010	03/2011	06/2011	09/2011	12/2011	03/2011	06/2011	09/2011
International	3,430	6,868	2,710	5,405	8,534	11,789	3,314	7,294	10,531
Domestic	32,611	68,993	15,322	29,842	44,452	58,991	13,457	28,860	43,493
Total	36,041	75,861	18,031	35,247	52,986	70,780	16,771	36,154	54,025

International Comparisons

Total world turnover volume marked a 19% increase in both 2010 and 2011. China's contribution to such high growth is substantial given the 73% annual increase in factoring turnover China. Following China the highest increase rates are seen in Turkey, Italy and Germany. Annex 4 lists the 69 members of Factors Chain International together with their domestic and international turnovers. Turkey ranks twelfth with its US\$40 billion turnover. In Europe, the UK, Italy and France report high turnovers while turnovers are low in the Middle East. China has increased its turnover by ten times over the last four years, but other countries (excluding Taiwan and Japan) have low turnover volumes. Germany's turnover increase was 19% in 2011, outpacing all other European countries.

Table 59 – Top Countries in Turnover Volume in the World (Million USD)

	2008	2009	2010	2011	2011/2010 (%)	2011 GDP	2011 Penetration Rate (%)
1. China	77,550	96,239	205,351	354,620	72.7	7,318,000	4.8
2. U.K.	265,080	279,727	300,609	347,351	15.5	2,432,000	14.3
3. Italy	180,762	177,678	190,994	226,983	18.8	2,195,000	10.3
4. France	190,350	183,300	203,626	226,203	11.1	2,773,000	8.2
5. Germany	149,460	137,566	172,114	204,765	19.0	3,571,000	5.7
6. Spain	141,000	149,037	150,022	158,237	5.5	1,491,000	10.6
7. Japan	150,165	119,691	130,877	144,140	10.1	5,867,000	2.5
8. U.S.A.	141,000	126,555	126,227	136,049	7.8	15,090,000	0.9
9. Taiwan	68,738	48,334	89,023	103,397	16.1	480,459	21.5
The World	1,868,397	1,835,489	2,190,002	2,610,844	19.2	68,474,104	3.8
Turkey	25,451	29,000	51,803	39,997	-22.8	773,100	5.2

* GSYH <http://data.worldbank.org/country>

Table 61 illustrates the composition of factoring turnover. A noticeable trend is that the share of non-recourse factoring is increasing faster than with-recourse and gaining a larger share (36.6). In 2011, non-recourse factoring grew by 14%. Additionally, export invoice factoring, though still relatively small, grew by 67%.

Table 60 - Composition of Turnover among FCI Members (Million USD)

	2006	2007	2008	2009	2010	2011	2011/2010 % Chg.
FCI Members							
Invoice Discounting	255,855	321,074	291,750	283,130	271,755	361,647	33.08
Recourse Factoring	184,771	246,277	236,683	227,423	312,097	346,630	11.06
Non-Recourse Factoring	327,120	346,874	343,212	346,695	376,285	429,210	14.07
Collections	16,637	20,344	36,575	34,043	31,083	33,712	8.46
Total Domestic Factoring	784,382	934,569	908,221	891,290	991,220	1,171,198	18.16
Export Factoring	78,279	99,899	124,424	108,185	167,459	211,162	26.10
Import Factoring	19,727	25,428	31,532	25,205	31,336	40,092	27.94
Export Invoice Discounting	31,916	47,348	45,727	57,705	39,619	66,170	67.01
Total International Factoring	129,921	172,675	201,683	191,095	238,414	317,425	33.14
Total FCI	914,304	1,107,244	1,109,904	1,082,386	1,229,634	1,488,623	21.06
World Domestic Factoring	1,360,389	1,683,571	1,620,010	1,598,883	1,863,278	2,268,640	21.76
World International Factoring	136,870	213,154	248,397	236,606	326,724	342,204	4.74
TOTAL	1,497,260	1,896,725	1,868,407	1,835,489	2,190,002	2,610,844	19.22

Source: http://www.factors-chain.com/?p=ich&uli=AMGATE_7101-2_1_TICH_L1403780046

Total world factoring volume reached US\$2.6 billion in 2011. The larger part (86.4%) is domestic factoring, while the remainder is international. Annex 4 provides a very detailed table.

Table 61 - Distribution of Turnover in Factoring Sector

	2003	2004	2005	2006	2007	2008	2009	2010	2011
World (Billion USD)*	950.5	1,161.3	1,199.6	1,497.3	1,896.8	1,869.7	1,835.5	2,190.0	2,611.4
Domestic	890.8	1,069.1	1,097.5	1,360.4	1,683.6	1,621.4	1,598.9	1,863.3	2,256.0
International	59.7	92.2	102.1	136.9	213.2	248.3	236.6	326.7	355.4
Turkey (Million USD)	6,663	10,733	13,959	19,701	26,405	28,677	30,370	51,594	39,997
Domestic	5,250	8,640	11,607	16,216	22,470	24,447	27,110	46,919	33,158
International	1,413	2,093	2,352	3,485	3,935	4,230	3,260	4,675	6,839

Source: Factoring Association

Among the 74 factoring companies in Turkey only 20 provide export and/or import factoring services. Combined, Yapı Kredi Factoring and TEB Factoring represent 70% share in this market. Both companies retain experienced personnel with which to provide these services. Moreover, they benefit from the advantage of having parent banks with foreign partners (Unicredito and Paribas) and subsidiaries around the world. In that respect, it is nearly impossible for small, independent banks to compete with them.

2011 International Transactions (Million)

	Export (USD)	Import (USD)	Total (USD)	Share (%)
Demir Factoring A.Ş.	23,974		23,974	0.33
Deniz Faktoring A.Ş.	219,133		219,133	2.98
Ekspo Faktoring A.Ş.	42,182	10,906	53,088	0.72
Eurobank Tekfen A.Ş.	31,482	4,059	35,541	0.48
Fiba Faktoring Hizmetleri A.Ş.	482,844	24,722	507,566	6.91
Finans Faktoring Hizmetleri A.Ş.	14,996		14,996	0.20
Fortis Faktoring A.Ş.	263,956	29	263,985	3.59
Garanti Faktoring Hizmetleri A.Ş.	252,019	202,426	454,445	6.19
Girişim Faktoring A.Ş.	28,655		28,655	0.39
HSBC Bank A.Ş.	197,930		197,930	2.69
ING Faktoring A.Ş.	661,566		661,566	9.01
İş Faktoring Finansman Hizm. A.Ş.	230,189	1,073	231,263	3.15
Kapital Faktoring Hizmetleri A.Ş.	1,799		1,799	0.02
Pamuk Faktoring A.Ş.	343,705		343,705	4.68
Strateji Faktoring Hizmetleri A.Ş.	257,314		257,314	3.50
Şeker Faktoring Hizmetleri A.Ş.	184		184	0.00
TEB Faktoring A.Ş.	2,055,648	1,920	2,057,568	28.01
Tekstil Faktoring Hizmetleri A.Ş.	7,743		7,743	0.11
Vakıf Finans Faktoring Hizm.A.Ş.	78,772	10,331	89,103	1.21
Yapı Kredi Faktoring A.Ş.	1,875,703	20,213	1,895,916	25.81
TOTAL	7,069,794	275,679	7,345,472	100.00

2010 International Transactions (Million)

	Export (USD)	Import (USD)	Total (USD)	Share (%)
Demir Factoring A.Ş.	31,406		31,406	0.67
Deniz Faktoring A.Ş.	162,237		162,237	3.47
Destek Finans Faktoring Hizmetleri A.Ş.	544		544	0.01
Ekspo Faktoring A.Ş.	87,126		87,126	1.86
Eurobank Tekfen A.Ş.	49,673	10,375	60,048	1.28
Fiba Faktoring Hizmetleri A.Ş.	353,178	25,682	378,860	8.10
Finans Faktoring Hizmetleri A.Ş.	14,673		14,673	0.31
Fortis Faktoring A.Ş.	192,918	152	193,070	4.13
Garanti Faktoring Hizmetleri A.Ş. *	189,955	202,255	392,210	8.39
Girişim Faktoring A.Ş.	69,230		69,230	1.48
HSBC Bank A.Ş.	175,303		175,303	3.75
ING Faktoring A.Ş.	199,628		199,628	4.27
İş Faktoring Finansman Hizmetleri A.Ş.	15,945	10,179	26,124	0.56
Kapital Faktoring Hizmetleri A.Ş.	2,524		2,524	0.05
Pamuk Faktoring A.Ş.	155,537		155,537	3.33
Şeker Faktoring Hizmetleri A.Ş.	885		885	0.02
Strateji Faktoring Hizmetleri A.Ş.	224,829		224,829	4.81
TEB Faktoring A.Ş.	1,080,913	2,008	1,082,921	23.17
Tekstil Faktoring Hizmetleri A.Ş.	2,706		2,706	0.06
Vakıf Finans Faktoring H	61,477	5,735	67,212	1.44
Yapı Kredi Faktoring A.Ş.	1,331,955	15,484	1,347,439	28.83
TOTAL	4,402,641	271,870	4,674,511	100.00

7. REGULATORY AND LEGISLATIVE FRAMEWORK

In October 2006, the regulation and supervision of factoring companies was transferred from the Turkish Treasury to the BRSA. Between 2007 and 2011, the BRSA brought discipline to the factoring sector through the introduction of a series of legislative changes which applied to Factoring, Leasing, and Financing Companies. In 2012 the government again issued a single law covering these three segments of non-bank financial institutions. Enacted on 21 November 2012, Law 6361, “**The Leasing, Factoring and Financing Companies Law,**” gave factoring companies a stronger legal base.

Previous regulations (those dated 10 October 2006, No. 26315) and related modifications remain effective until replaced with new ones. The general principles of Law 6361 are summarized below.

An Important Organizational Change: The Establishment of the Financial Leasing, Factoring and Financing Companies Association

Within six months from the date of entry into force of this Law, professional organization, The Financial Leasing, Factoring and Financing Companies Association, will be established. It will be a legal entity and have public institution status. Every factoring, leasing and financing company will have to become a member of this association within one month of having received a license to operate.

License Requirements

Companies are required to have issued all ownership shares as registered and payable in cash and to maintain paid up capital of not less than TL20.0 million. Companies which have been previously established shall increase their minimum capital within three years (deadline 13 December 2015). The commercial title of companies must contain the description “Factoring Company.” Articles of association shall comply with applicable laws and regulations, and partnership structures are to be transparent and open, not hindering effective audits by the Board in case their founders are legal entities.

There is a two-stage establishment permission procedure. At the first stage, permission is granted for the establishment of a company. Once procedures related to establishment (including registration with the Trade Registers Office; designating persons with signing powers; establishment of appropriate service units and internal controls; establishment of accounting, data processing and reporting systems; development of adequate staff positions for such units, including defining staff duties identifying staff powers and responsibilities) are completed, a company may apply to obtain an operating license. Establishment permissions of companies failing to apply for operating licenses within one hundred eighty days from receiving establishment permission are rendered null and void.

Qualifications of Founders

Company founders are expected to meet the following conditions:

- a. They have not been declared bankrupt, have not declared any forced restructuring and postponement of debts, have not made any applications for restructuring through reconciliation which have not yet been upheld or do not face any rulings for postponement of bankruptcy;
- b. They have not directly or indirectly held a share of ten percent or more in, or the control of, banks, the operational permissions of which have been discontinued or which have

been transferred to the Savings Deposit Insurance Fund or the banks transferred to the Fund before entry into force of Banking Law Nr. 5411, excluding discretionary bankruptcy;

- c. They have not directly or indirectly held a share of ten percent or more in, or the control of, any factoring, financial leasing, financing and insurance companies or in any other organizations operating in the money and capital markets, the operating licenses of which have been abrogated, excluding voluntary liquidation and brokers forced into liquidation of their businesses;
- d. They have not received a sentence of any heavy imprisonment or imprisonment of more than five years pursuant to the abolished Turkish Criminal Code Nr. 765 dated 1 March 1926 and other laws, a sentence of imprisonment of more than three years pursuant to Turkish Criminal Code Nr. 5327 dated 26 September 2004 and other laws or they have not been convicted of opposition to the imprisonment requiring provisions of the abolished Law on Banking Nr. 3182 dated 25 April 1985, abolished Law on Banking Nr. 4389 dated 18 June 1989, Banking Law Nr. 5411, Capital Market Law Nr. 2499 dated 28 July 1981, Law on Money Lending Nr. 2279 dated 8 June 1933 and Financial Leasing Law Nr. 3226 or of infamous crimes such as simple or complicated embezzlement, extortion, bribery, theft, swindling, forgery, misuse of beliefs and offenses of fraudulent bankruptcy and smuggling offences other than smuggling of labor and consumers' goods, rigging of public tenders and purchases and sales, money laundering and tax evasion or participation in such offenses pursuant to the abolished Turkish Penal Code Nr. 765, Turkish Penal Code Nr. 237 or other laws;
- e. They must enjoy such financial capability and standing which can meet the sums of capital subscribed by them.
- f. If the founder is a legal person, it must have a clear ownership structure.
- g. Founders must have the honesty and competence the job requires.

Opening of local branches by companies operating in Turkey

Opening local and overseas branches is subject to the permission of the Board. Procedures and principles regarding the qualifications for authorizations of branches are determined by the Board. A paid-up capital amount of TL1.0 million is required for each branch or representation office. The applications made to the Board should be accompanied by a feasibility report detailing the justification for opening such a branch. Establishing a network can only be by way of opening branches. The new Law has terminated the option to open representation offices, and companies therefore are given a period of six months to close representation offices or convert them into branches. Failure to start operation within 90 days of receiving permission from the BRSA renders branch opening permission null and void.

This law does not cover the terms and conditions for companies established abroad. How they can open branches in Turkey will be covered by new legislation.

Restrictions Related to Factoring Companies

Factoring Companies:

- a) May not operate outside their core business.

b) May not, in order to provide additional financing to customers under contracts with customers and as a part of related transactions therein, extend cash loans exceeding one percent of its total paid-up capital. The Board is authorized to reduce this rate to zero or increase to five percent of paid-up capital and may otherwise differentiate on a company-specific basis.

c) May not issue guarantees, sureties, and/or letters of credit to persons holding ten percent or more of its own share capital or controlling ten percent or more of its own share capital, or to entities which hold ten percent or more of share capital or control ten percent or more of share capital, with the exception of guarantees and sureties not exceeding twenty percent of the total paid-up capital. The Board is authorized to reduce this rate to five percent, or increase up to twenty-five percent and may otherwise differentiate on a company-specific basis.

d) May not, in accordance with Law Number 2499, accept deposits and may not under any name collect money in return for an interest. This excludes the issuance of securities, obtaining funds from international markets, money markets and from organized markets, and funding from partners or partnerships.

e) Factoring companies take over or assume the collection of receivables arising from the sale of goods or services that cannot be documented by an invoice even if those receivables are based on bills of exchange which are within the framework of principles and procedures determined by the Board. The total amount of the partial assignments to more than one factoring company based on the same invoice cannot exceed the invoice amount.

Limitations to transactions and provisions

1. The total sum of receivables of factoring companies, which stem from the extension of funds, may not exceed thirty times their own-funds.
2. Companies must set aside provisions subject to the procedures and principles to be laid down by the Board for the purpose of covering their losses already arisen or expected to arise out of their receivables from transactions, which cannot be precisely determined.
3. A factoring company's minimum own funds cannot be lower than the minimum paid-up capital amount. Companies for which minimum own funds fall below this amount shall increase their own funds to this amount within one year.

External Audit Requirements

Since 24 February 2011 factoring companies are required to present their annual balance sheets and income statements to the General Assembly. External audits may be made only by independent audit companies authorized by the BRSA in compliance with the "Regulation on the Authorization and Activities of Institutions to Realize Independent Audits in Banks," published in the Official Gazette dated 11 November 2006 Nr. 26333. Companies are required to send to the BRSA independent audit contracts until the end of October of the related year and to send the Annual Audit Report no later than 15 April.

Provisioning Requirements

In order to cover losses and within the framework of the principles and procedures set by the Board, factoring companies are obliged to make provisions for losses arising from or expected to arise from the receivables arising from transactions.

Central Invoice Register

Factoring companies and banks consolidate information – including invoice information – about receivables they takeover, and this information is stored at the Risk Center or in a manner deemed appropriate by the Association. The principles and procedures for sharing information is to be determined by the Association.

Unrealized expectations of the sector under this Law:

One of the key problems of the factoring sector is that factoring companies may not deduct their provisions for impaired receivables and/or potential future impaired receivables from operating profits. The Ministry of Finance does not allow companies to book provisions as expenditures, though banks may. All factoring companies had expected that this unfair treatment would be resolved with the new law, but the law has made no reference.

List of Related Legislation

The Leasing, Factoring and Financing Companies Law No.6361 enacted on November 21st, 2012

Regulation on Principles for the Establishment and Operations of Financial Leasing, Factoring and Financing Companies - Published in Official Gazette dated October 10, 2006 Nr. 26315 prepared on the basis of the Article 93 (1a) of Banking Law Nr. 5411 dated October of 19, 2005, Articles 10, 12 and 32 of Financial Leasing Law Nr. 3226 dated June 10, 1985 and Articles 12 and 13 of Decree-Law Nr. 90 on Transactions of Lending Loans dated September 30, 1983.

Amendments:

- Official Gazette dated 23/03/2008 No. 26825
- Official Gazette dated 26.03.2009 No. 27270
- Official Gazette dated 14.01.2011 No. 27815
- Official Gazette dated 24.02.2011 No. 27856

MASAK (The Financial Crimes Investigation Board of the Ministry of Finance)

Regulations published in the Official Gazette dated January 9, 2008 No. 26751 on “The Prevention of Financing of Terrorism and the Prevention of Laundering Proceeds of Crime”

Circulars:

Circular announced by the BRSA Implementation II Department on 8 July 2010

Circular announced by the BRSA Implementation II Department on 4 January 2011

By-Laws:

Communiqué on Uniform Chart of Accounts to be Implemented by Financial Leasing, Factoring and Financing Companies and its explanation as well as the Form and Scope of Financial Statements to be Announced to the Public - Published in the Official Gazette dated May 17, 2007Nr. 26525

Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables - Published in Official Gazette dated July 20, 2007 Nr. 26588

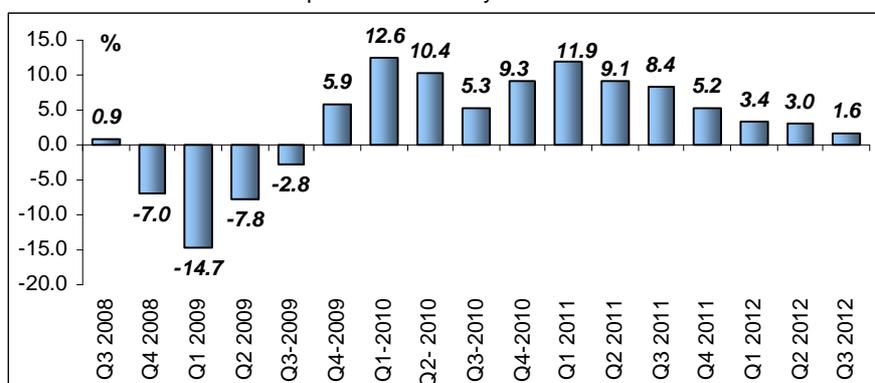
8. THE ECONOMIC ENVIRONMENT OF 2012

GDP growth of 9.2% in 2010 helped to lower unemployment and raise household incomes. The cost was a high ratio (10%) of balance of payments deficit to GDP. In the fourth quarter of 2010, the government announced that banks' annual credit growth had to be limited to 25% in order to narrow down this deficit. During 2011, the monetary and macro prudential policies implemented by the Central Bank and the BRSA aimed to slowdown the economy so that imports would decrease and narrow down the current account deficit. The impact was felt towards the end of 2011 and throughout all of 2012. Coupled with these policies, there were concerns over the global economic outlook largely stemming from the problems of European banks. Instability and unpredictability pushed up interest rates. Most corporations were negatively impacted by this environment; earnings eroded, and liabilities went up.

Contraction in Economic Activity

The robust 9.2% GDP growth in 2010 was followed by 8.5% growth in 2011. Such strong economic activity was made possible with considerable use of external funds which led to the rapid widening of the balance of payments deficit. Already in 2010, international financial circles had begun to voice concerns over the volume of the deficit as a percentage of GDP. This prompted the government to take action to address this concern. Measures taken during 2011 were not effective enough to prevent a deficit of 10% of GDP but impacted the momentum of GDP growth. By the first half of 2012, GDP growth cooled down to 3%, and the current account deficit showed a marked decrease.

Graph 19 – Quarterly GDP Growth



The GDP growth of 2011 was largely triggered by domestic consumption. Private consumption increased by 7.7%, and private fixed capital investment expenditures increased by 22.8%. This picture completely reversed in 2012 with sharp decreases in both consumption and investments.

Table 62 – Growth Rate of Expenditures (%)

	2009	2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	2011	Q1 2012	Q2 2012	Q3 2012	Q1-Q3 2012
Consumption Expenditure	-2.3	6.7	12.1	8.3	7.8	3.4	7.8	-0.1	-1.0	-0.5	-0.5
Government Consumption Expenditure	7.8	2.0	7.0	9.0	10.3	-4.3	4.5	5.5	4.4	4.4	4.7
Fixed Capital Formation	-19.0	30.5	35.7	29.0	15.0	1.3	18.5	1.4	-7.2	-7.6	-4.6
- Public	-0.6	17.7	-0.9	-0.2	0.3	-9.5	-3.3	2.5	-4.0	11.2	3.5
- Private	-22.5	33.6	41.9	35.1	18.2	3.9	23.1	1.3	-7.7	-11.1	-5.9

Exports	-5.0	3.4	8.7	0.5	10.2	6.6	6.4	12.3	20.9	11.9	15.0
Imports	-14.3	20.7	28.0	18.9	6.8	-5.1	10.9	-6.1	-3.7	-2.4	-4.0
GDP	-4.8	9.2	11.9	9.1	8.4	5.2	8.5	3.4	3.0	1.6	2.6

Source: Turkstat

Inflation

In 2011 the inflation rate (as expressed in consumer prices) rose to 10.45% significantly deviating from the official target. In 2012 inflation remained high until April, then decelerated to 6.2% at the end of December.

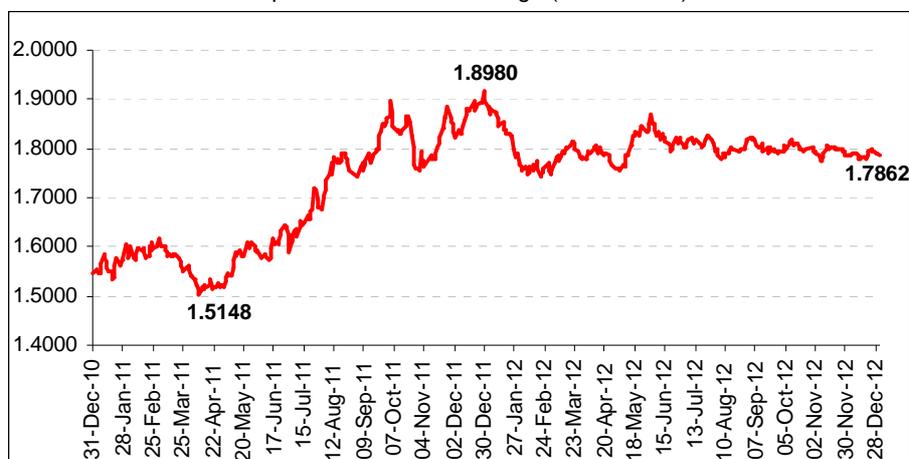
Table 63 – Annual Consumer Price Index

	2005	2006	2007	2008	2009	2010	2011	3/1012	9/1012	12/1012
Consumer Price Index	7.72	9.65	8.39	10.06	6.53	6.40	10.45	10.43	9.19	6.12

Exchange Rates

The Turkish Lira devalued in the second half of 2011. A large number of companies that were carrying FX risks incurred currency losses which impacted their net income. In 2012, the Turkish Lira appreciated by nominally 5.4% (10.7% in real terms).

Graph 20 – Rate of Exchange (1 USD = TL)



Source: CBT

Corporate Sector Announced Weaker Financial Indicators

The 2011 financial results of the leading companies in Turkey announced mid-2012 showed that most companies had increased production at the cost of lower profits. Sales of Fortune 500 companies had increased by 22.2% but net income was 2.8% lower than the previous year. Although operating profits were up by 21.4%, net incomes were weak due to exchange rate losses. The results of the top ISO 500¹ also evidenced that, despite a 27% increase in sales and 17% increase in exports, profits from sales

¹ Istanbul Chamber of Industry Top 500

had declined from 7.6% to 5.6%. Profits of private sector companies had declined from 5.9% to 4.8%. One out of four companies had reported a loss. The companies who reported loss were hurt by impact of the devaluation of the Lira (16.8% in terms of a basket of USD and Euro) and the increased cost of credits. Private companies had incurred a 102% increase in financing expenditures and their liabilities had increased by 20%. The share of equity in total assets of all ISO 500 companies has thus declined from 45.8% to 40.6%.

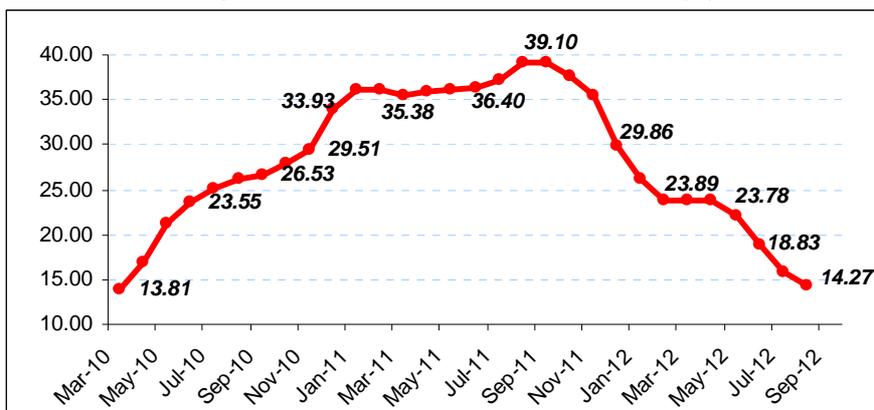
The Government's Policy to Limit Credit Growth

The government decided to take measures to curb spending by limiting credits. As of September 2010 many policies were implemented in order to discourage borrowings. These measures were effective only a year later (Graph 21) as credit growth maintained its momentum for an extended period, slowing only after reaching an annual pace of 39% in September 2011. By mid-2012 credit growth had slowed to 18.8%. In the meantime, banks had been much more selective in credit allocations and raised corporate lending rates from 8.3% to 14.9%.

Table 64 – Annual Loan Growth (%)

	2008	2009	2010	2011	Q1 2012	Q2 2012	Q3 2012
Loan Growth Rate	28.6	6.8	33.9	29.9	23.9	18.8	14.3

Graph 21 – Annual Growth Rate of Total Loans (%)

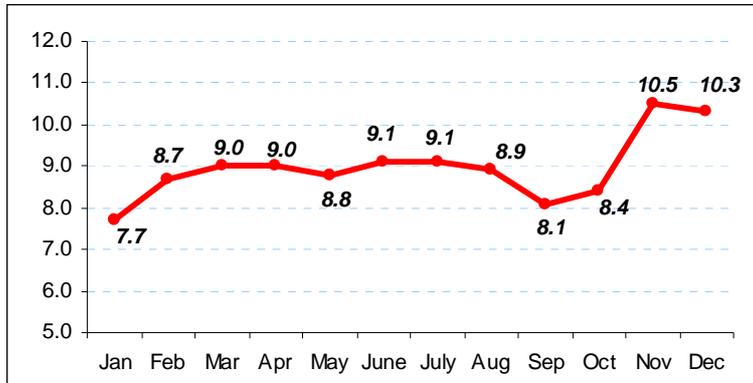


Graph 22 – Interest Rates of Corporate Loans (%)



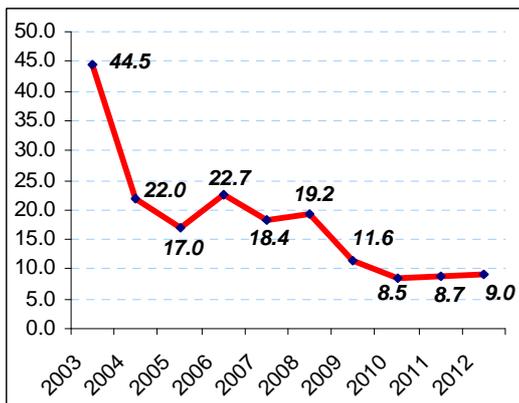
Source: Ministry of Development

Graph 23 – 2011 Average Cost of Fixed Interest Borrowing (%)



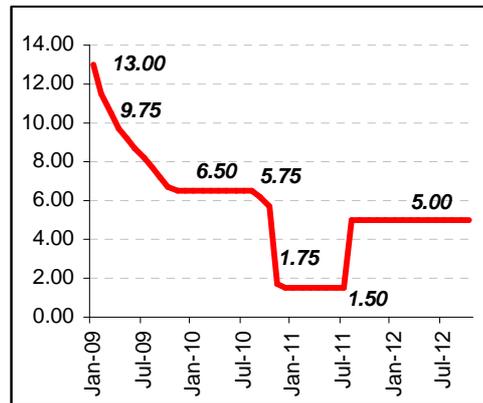
Source: Turkish Treasury, Public Debt Management Report

Graph 24 – Cost of Treasury Borrowings

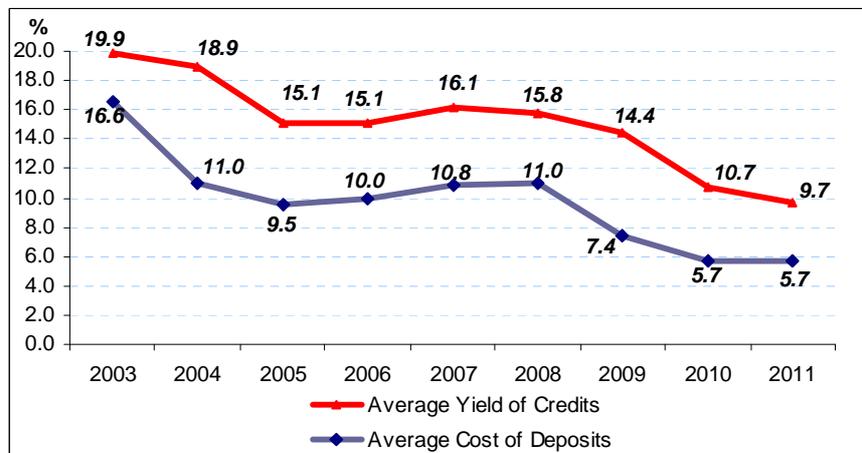


Source: Turkish Treasury

Graph 25 – CBT O/N Interest Rates



Graph 26 – Banks' cost of borrowing and average deposit yields



Source: BRSA, Financial Markets Report

We have noted that since 2006 the margin between the average yield of earning assets (including government securities) and interest bearing liabilities has been narrowing. Those are annual averages. There was considerable volatility in bank lending rates and that could have re-directed some corporations to factoring services.

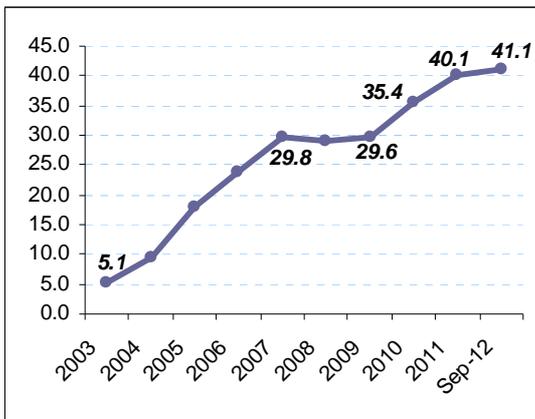
Increase in Household Liabilities

Concerns over the very rapid increase in household borrowings could have been an additional motive to the balance of payments deficit in the government’s objective to slow credit growth. By international comparisons, in particular with the U.S., household liabilities as a percentage of GDP is fairly low (16%) in Turkey but has escalated very rapidly in the last five years (Table 65). Many factoring companies’ customers, especially those which fall under micro companies, are known to use credit cards or general purpose retail loans as a source of financing. The cost of these credits has also been kept high through the imposition of higher reserve requirements to limit bank lending.

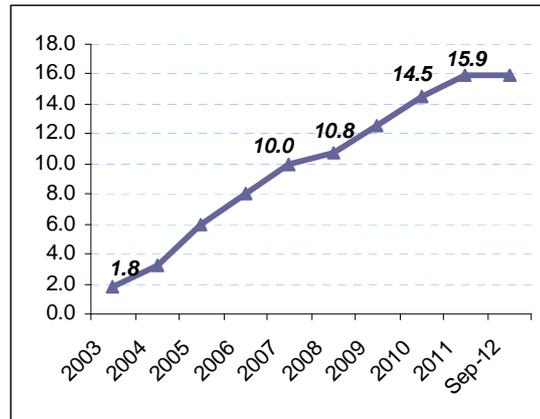
Table 65 – Household Borrowing Rates

	Liabilities /Assets (%)	Liabilities /GDP (%)
2003	5.1	1.8
2004	9.5	3.2
2005	18.0	6.0
2006	23.7	8.0
2007	29.8	10.0
2008	29.0	10.8
2009	29.6	12.5
2010	35.4	14.5
2011	40.1	15.9
9/2012	41.1	15.9

Graph 27 - Household Liabilities/Assets (%)



Graph 28 - Households Liabilities/GDP (%)



Developments in the Banking Sector

In 2011, total assets of the banking sector increased by 21%, and net income dropped by 10%. Banks were unable to reflect in their lending rates any higher funding costs arising from higher reserve requirements. The interest margin between yields from credits and the interest paid to deposits narrowed. Deposit rates were unattractive and, in real terms, deposit growth remained low. Banks could easily offset deposit funds with the bonds they issued and from borrowings from money markets.

Also in 2011, credits grew by 29.9% (39.9% in 2010), and non-performing loans declined – both in nominal terms and as a ratio to total loans – to 2.8%. Increase in shareholders' equity grew by 7.5%. Capital adequacy ratios remained high (16.5%). Table 66 illustrates a comparison of the banking sector with the factoring and leasing sectors and noted that the ROA and ROE of the factoring sector remained higher.

Table 66 – Comparison of Profitability Ratios with the Banking and Leasing Sectors

		2008	2009	2010	2011
Factoring	Net Profit/Loss (Million TL)	427,0	330,2	407,5	504,4
	ROAA (%)	5.7	3.6	3.3	3.4
	ROAE (%)	30.3	13.6	15.0	15.9
Leasing	Net Profit/Loss (Million TL)	590	583	466	522
	ROAA (%)	2.8	2.8	2.9	2.8
	ROAE (%)	15.7	13.6	12.0	12.4
Banks	Net Profit/Loss (Million TL)	13,422	20,182	21,119	19,844
	ROAA (%)	1.8	2.4	2.5	1.7
	ROAE (%)	15.5	18.2	20.1	15.5

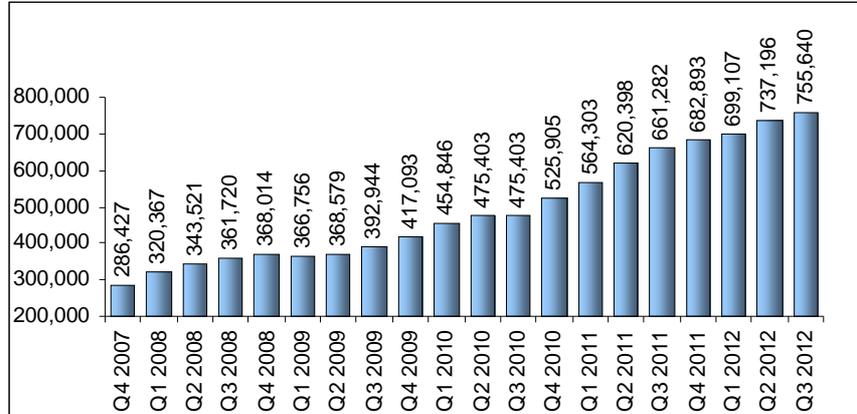
Table 67 – Financial Indicators of Banks

	2008	2009	2010	2011
Total Assets (Million TL)	732,536	834,014	1,006,671	1,217,620
Annual Growth (%)	25.9	13.9	20.8	21.0
Loans (Million TL)	367,445	392,621	525,851	682,919
Annual Growth (%)	28.6	6.9	33.9	29.9
Non-Performing Loans (Million TL)	10,345	21,853	19,993	18,960
NPL /Total Loans	3.7	5.2	3.8	2.8
Net Profit (Million)	13,422	20,076	21,119	19,844
Annual Growth (%)	-10.0	50.4	8.7	-10.3
Shareholders' Equity (Million TL)	86,402	110,887	134,545	144,595
Annual Growth (%)	13.9	28.3	21.1	7.47

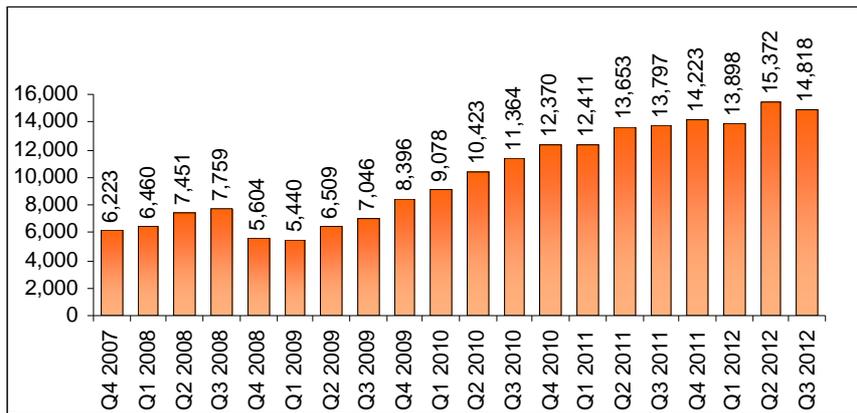
Source: BRSA

The comparison of the growth of factoring with banking sector credits shows that bank credits lost momentum in October 2011. The fall in the pace of factoring receivables' growth began earlier in the third quarter of 2010.

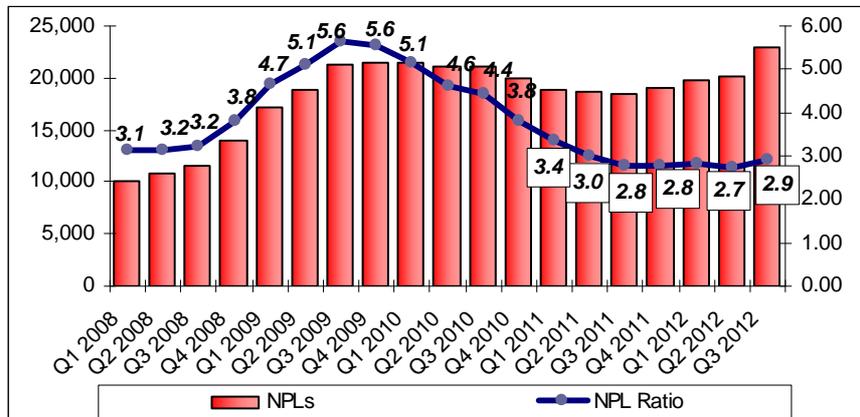
Graph 29 - 2007-2011 Banking Sector Loan Volume (Million TL)



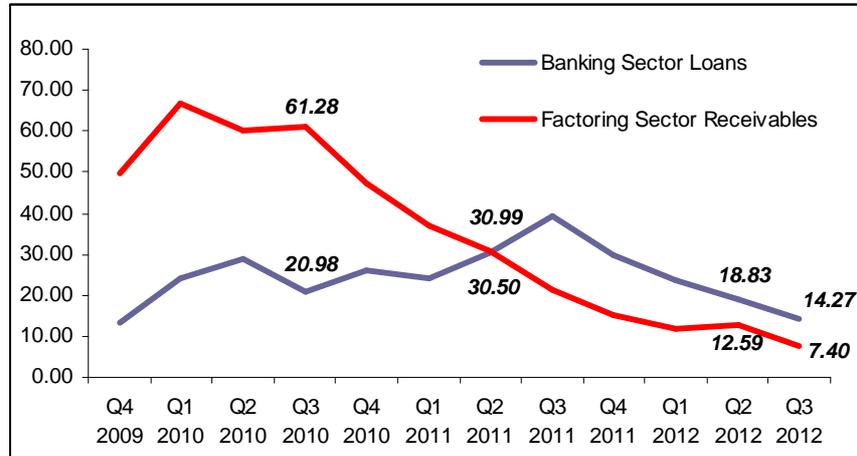
Graph 30 - 2007-2011 Factoring Sector Loan Volume (Million TL)



Graph 31 - Banking Sector NPLs (Million TL) and NPL Ratios (%)



Graph 32 – Annual Growth of Bank Loans and Factoring Receivables (%)



9. DEVELOPMENTS IN 2012

In 2012, the factoring industry further matured, and there was more divergence among the various groups. The year also reflected a change in the environment, with economic growth decelerating to 3% from 9%. This contraction impacted non-performing loans, and the NPL ratio rose once again. Despite these changes, the factoring industry continued to grow (7% as of September).

Slower Growth in Q1 2012 – Pick-up in Q2 and Q3

It has become somewhat customary for factoring companies to contract in January. After year-end 2011 there was a lower volume of factoring receivables in Q1 which picked up in Q2 and Q3. Annual growth in factoring receivables was limited to 7.4%, and total asset growth was 7.2%.

Table 68 - Quarterly Basic Indicators (Million TL)

	Q1 / 2011	Q2 / 2011	Q3 / 2011	Q4 / 2011	Q1 / 2012	Q2 / 2012	Q3 2012
Factoring Receivables	12,411	13,653	13,797	14,229	13,898	15,372	14,817
Total Loans	10,798	11,368	11,244	11,464	11,321	12,278	11,435
FC Loans	2,811	2,873	3,093	2,974	2,739	2,765	2,863
TL Loans	7,987	8,495	8,151	8,490	8,582	9,513	8,572
Shareholders' Equity	3,032	3,058	3,235	3,400	3,388	3,472	3,659
Total Assets	14,352	15,119	15,253	15,652	15,516	16,827	16,334

Source: BRSA

The annual increase in bank borrowings decreased to 1.8% as of September, after the 8% increase as of June 2012. Table 69 suggests that companies used their liquid assets rather than using loans.

Table 69 – Balance Sheet Structure – Percentage Shares

	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Banks and Cash	10.1	8.4	7.6	8.1	6.1	3.5	3.0	2.9	3.7	2.4	2.5
Factoring Receivables	82.1	84.5	84.8	85.5	86.5	90.3	90.5	90.9	89.6	91.2	90.7
NPLs	0.7	0.6	1.3	0.5	0.5	0.6	0.7	0.8	0.8	0.8	0.8
Other Assets	7.2	6.5	6.3	5.9	6.9	5.7	5.9	5.4	5.9	5.4	5.9
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Loans	74.6	75.8	76.4	77.2	75.8	76.2	74.8	74.5	74.5	74.7	71.6
Shareholders' Equity	23.0	21.5	21.0	20.3	21.1	20.2	21.2	21.7	21.8	20.6	22.4
Other Liabilities	1.5	1.2	0.4	0.4	2.4	2.0	1.6	0.5	2.7	2.8	3.1
Profit	0.9	1.6	2.2	2.8	0.7	1.5	2.4	3.2	0.9	1.9	3.0

Source: The Factoring Association

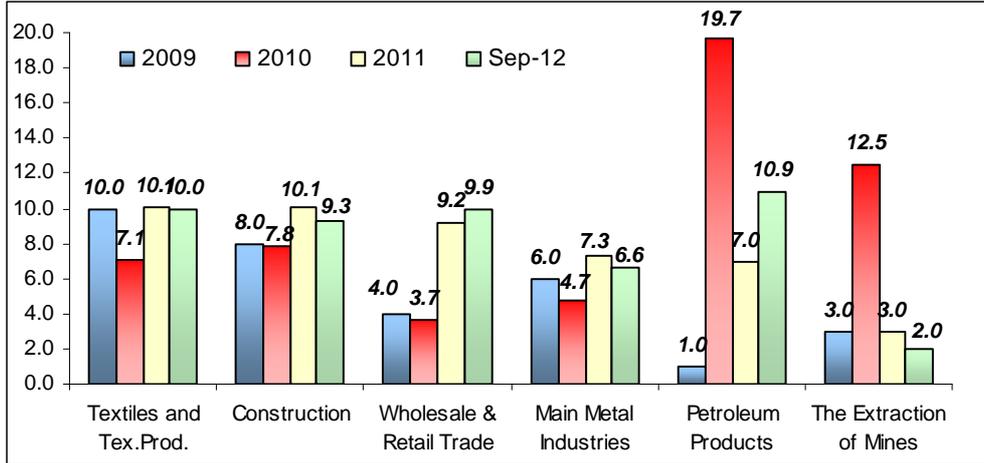
Table 70 - Quarterly Turnover (1000 TL)

	Q1 2011	Q2 2011	Q3 2011	Q1 2012	Q2 2012	Q3 2012
International	2,710	5,405	8,534	3,314	7,294	10,531
Domestic	15,322	29,868	44,386	13,457	28,860	43,493
Total Turnover	18,031	35,273	52,920	16,771	36,154	54,025

Source: The Factoring Association

Textiles, construction and trade maintained market shares of approximately 10%. The share of petroleum products once again rose to more than 10%. Interestingly, although growth in construction activities and retail and wholesale sales fell to very low levels in 2012, the use of factoring services in these sectors was not negatively impacted.

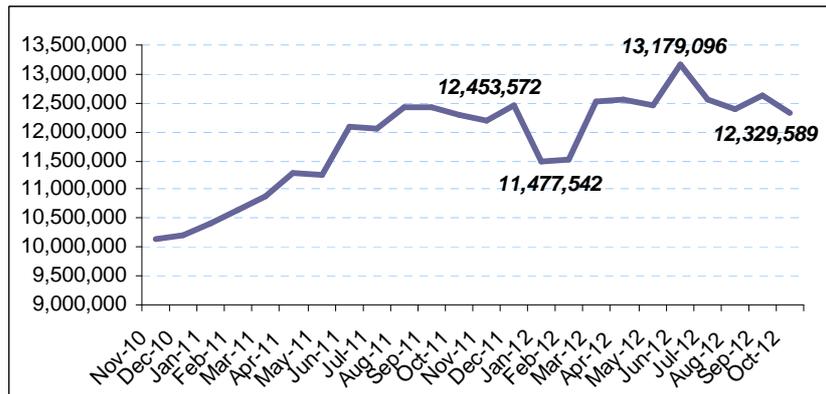
Graph 33 – Sector Shares in Factoring Receivables (%) (Sept. 2012 included)



Data of the Central Bank of Turkey

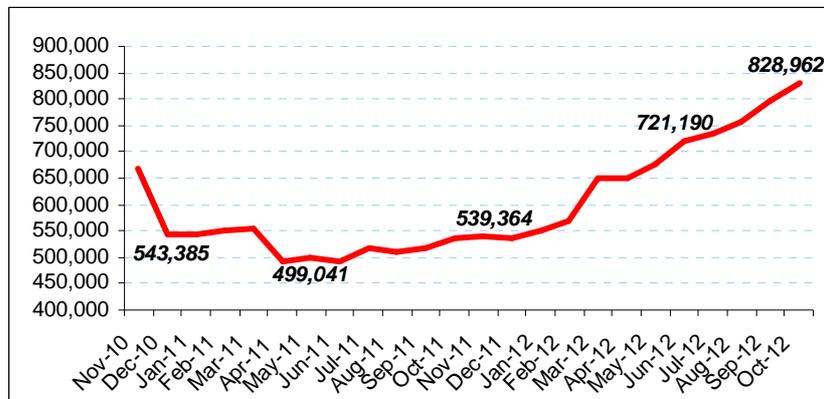
The Central Bank releases monthly statistics on the credits of the factoring sector. This is a source giving indication of the direction of credits earlier than the quarterly BRSA data. Monthly figures showed a 5.8% increase in factoring receivables in the first six months. As of October the volume declined back to the October 2011 level. Meanwhile, NPLs rose by 34.7% in the first six months and by 54.9% by the end of October 2012.

Graph 34 - Factoring Sector – Total Cash Loans (Factoring Receivables) (1000 TL)



Source: CBT

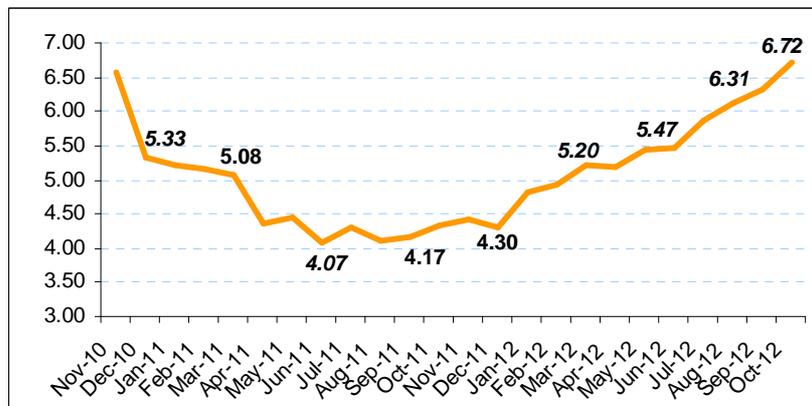
Graph 35 – Total Factoring NPLs (1000 TL)



Source: CBT

The Central Bank data uses a narrower definition of factoring receivables. Therefore, the volume of factoring is lower than the BRSA's. As a result, NPL ratios come out higher than BRSA. In September the NPL ratio according to BRSA data was 5.2%; according Central Bank data it was 6.3%. All analyses of this sector are based on BRSA data. The Central Bank data is used additionally to obtain an early warning.

Graph 36 – NPLs / Total Factoring Receivables (%)



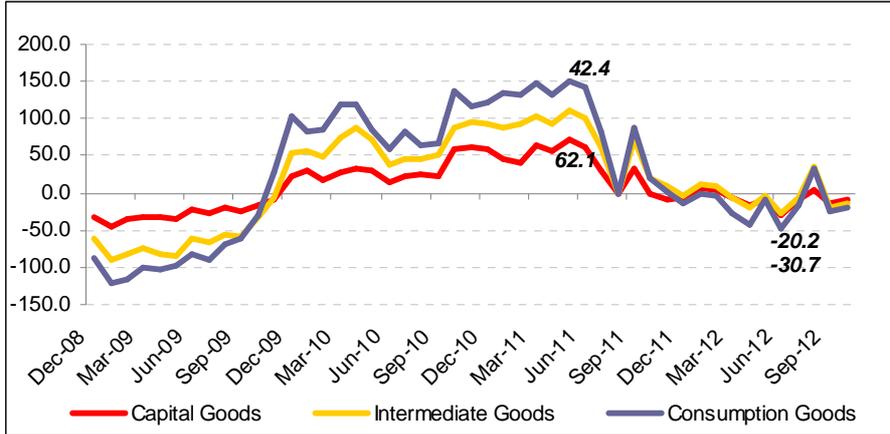
Developments in the Economy

In the first half of 2012 industrial production growth was relatively low (3%) and growth in exports and imports showed a marked slowdown. In the third quarter GDP growth fell to 1.6%, private consumption continued to contract for the third quarter, and investments showed a sharp fall compared to the previous year. In the third quarter private sector investments decreased by 11.1% and were partially offset by an 11% increase in public investments.

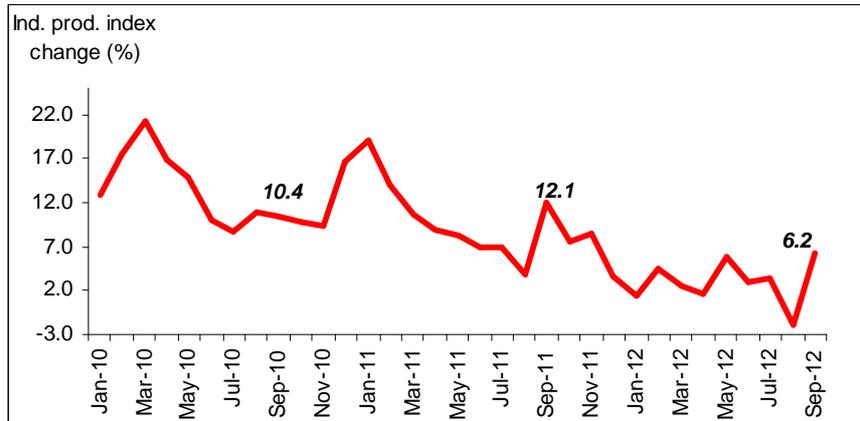
Inflation (CPI) finally came down to 6.1% at year-end after climbing to more than 11% in April. This was largely due to low consumer demand and lower food prices. Until December the fall in inflation was not reflected in bank lending rates.

The contraction in investments could be clearly seen in the decrease in the importation of capital goods. The volatility in foreign exchange rates and existing uncertainties have postponed a number of investment plans. Total imports decreased by 1.6% in the January-November period. In the same period capital goods imports decreased by 9% (Graph 37).

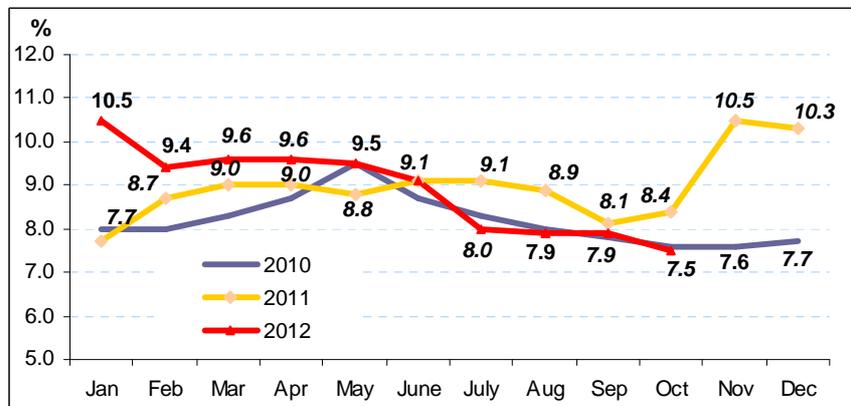
Graph 37 – Annual Increase of Imports of Capital Goods and Intermediate Goods



Graph 38 - Change of Industrial Production over to the Same Period of the Previous Year (%)



Graph 39 - Turkish Treasury Borrowing Rates (%)



A New Code of Obligations and a New Commercial Code

On 1 July 2012 the new Code of Obligations and the new Commercial Code came into effect. For a number of years Turkey waited for a new Commercial Code that would better address today's needs. There was a lot of debate on the provisions of the new code. In response to some of the objections, some modifications were made in June. In particular one new rule, the requirement to have the spouse's approval when underwriting an obligation, caused delays in some transactions both in the factoring and banking sectors.

The Implementation of Basel II

In line with previous announcements, the BRSA began the implementation of Basel II as of 1 July 2012. It is not clear whether this had any impact on factoring companies with respect to credits.

The Increase in Bounced Checks

As of March 2012, in all business circles where payments were made with checks, there was an apparent increase in the number of bounced checks. The Central Bank's statistics confirmed the case. On 31 January 2012, the Check Legislation was modified so as to terminate the penalty of "imprisonment up to one year" and with administrative fines of between TL300 and TL3,000. Public opinion was that the increase in bounced checks was due to the termination of the prison sentence penalty, but the contraction of economic activities in some sectors may have been a contributing factor. By the end of November the number of bounced checks had increased by 92.5%, and bounced checks as a percentage of total checks had risen to more than 5%.

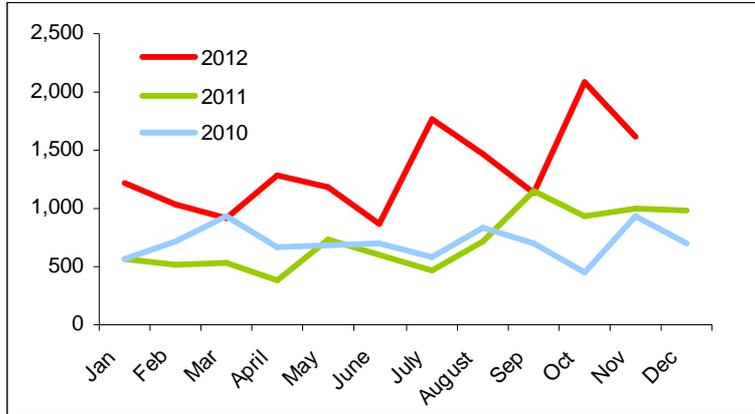
On 9 April 2012, the Central Credit Registration Bureau initiated a new system permitting anyone (not only banks) to obtain information on the check payment record of any individual or corporation. Before accepting a check, one would have access to the "check report" and see the risks. This was obviously a good mechanism to prevent bad checks, but seemingly was not effective enough to address the problem. Graphs 40 and 41 illustrate the increase in bounced checks in 2012.

Table 71 – The Volume of the Bounced-Checks (Million TL)

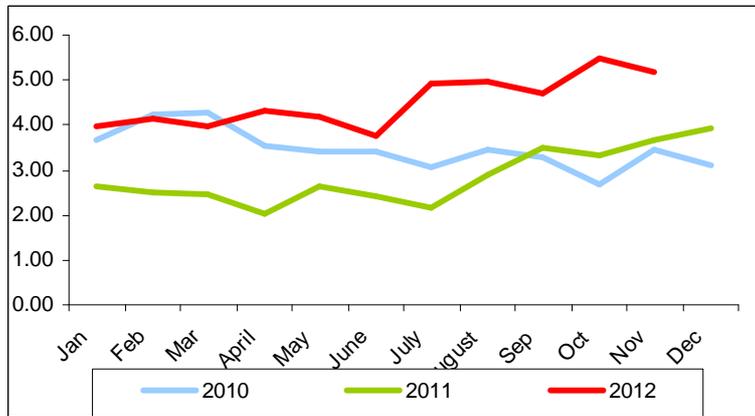
	2011	2012
January	563	1,213
February	511	1,040
March	534	920
April	376	1,289
May	728	1,179
June	598	865
July	464	1,764
August	718	1,470
September	1,147	1,135
October	931	2,086
November	1,005	1,623
Total	7,575	14,585

Source: CBT

Graph 40 – The Amount of Bounced Checks (Million TL)



Graph 41 – The Ratio of the Bounced-Checks to the Total Volume of the Checks (%)



Source:CBT

Table 72 – Annual ratios of the Bounced- Checks

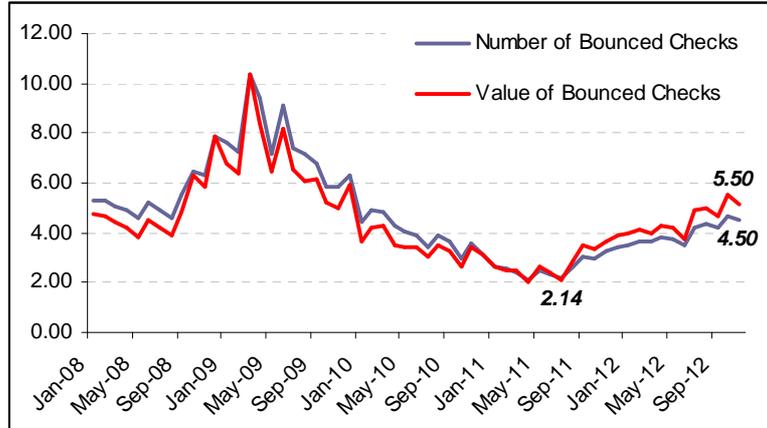
	Volume Ratio of Bounced-Checks (%)	Quantity Ratio of Bounced-Checks (%)
2008	5.60	5.02
2009	7.66	6.83
2010	3.94	3.46
2011	2.71	2.91
Nov 2012	4.50	5.16

Source: CBT

According to Central Bank data, between 2009 and 2011 the number of bounced checks as a percentage of total checks declined from 7.7% to 2.7%. In terms of value, the percentage declined from 6.8% to 2.9%. This trend reversed in 2012 when, in terms of value, the percentage reached 5.2%.

Not all factoring companies would have been impacted by the deterioration in check payments, but certainly quite a number of companies must have encountered problems. Recent data shows a 41% annual increase in the volume of non-performing loans.

Graph 42 - The Ratios of Bounced Checks in terms of Amount and Volume



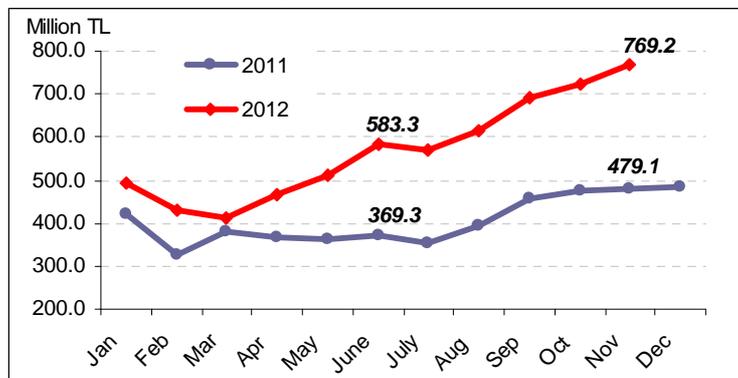
A similar deterioration in payment quality occurred in the case of protested bills. Data provided by the Central Bank shows a 42.9% increase in protested bills between January and November 2012.

Table 73 – Protested Bills

	Number of Protested Bills			Amount of Protested Bills (TL)		
	2011	2012	% Chg.	2011	2012	% Chg.
January	74,624	77,755	4.20	419,898,682	494,156,665	17.68
February	60,631	80,151	32.19	326,323,085	430,033,631	31.78
March	73,406	79,788	8.69	380,390,860	413,978,245	8.83
April	72,188	77,079	6.78	367,992,387	467,024,680	26.91
May	72,891	86,768	19.04	362,070,199	510,558,770	41.01
June	74,449	85,958	15.46	369,340,097	583,334,855	57.94
July	75,379	88,406	17.28	353,548,986	571,355,143	61.61
August	83,452	98,596	18.15	395,008,628	615,803,365	55.90
September	84,769	96,231	13.52	458,172,975	690,596,261	50.73
October	77,899	91,375	17.30	474,560,347	721,838,569	57.55
November	86,159	116,807	35.57	479,118,803	769,224,416	60.54
Total	835,847	978,914	17.11	4,386,425,049	6,267,904,600	42.89

Source: CBT

Graph 43 – Protested Bills



10. GENERAL ASSESMENT AND OUTLOOK

This report covers the performance of the factoring industry in 2011 and presents a detailed analysis of the 74 factoring companies that were active in 2011. We have also covered year 2012 to the extent that data on economic developments impacting the industry was available.

Factoring meets the financing requirements of SMEs and benefits from the wide use of check payments that is particular to Turkish companies. Moreover the factoring industry provides SMEs with the opportunity to outsource the collection of their receivables. The combination of the existence of very small companies responsible for 90% of Turkey's production and the use of future dated checks provides the basis of demand for factoring services. Even with this strong demand, the factoring industry is a very competitive market. Competition increases by the year, reducing commissions to very thin margins. The outlook is nonetheless positive because there are two major areas with high growth potential. The first one is geographical expansion within Turkey. Factoring services are largely concentrated in and around Istanbul, leaving large untapped areas. The second growth potential is in export factoring. Thirdly, new products and services may be introduced. Demand for collection and guarantee services may increase. However, a sudden economic revival is not expected in 2013. GDP growth will remain low at around 3% to 4% and business opportunities for factoring companies can only develop in line with increasing economic activities.

Briefly, the factoring industry in Turkey – with an annual growth pace of 8.0% in 2011 and 7.1% at the end of September 2012 – has lost its previous momentum. These recent growth rates are well below the growth rates of 34.5% and 39% in 2009 and 2010, respectively. Despite this trend, the industry has remained attractive to local and international investors as evidenced by the newcomers to the sector. Despite the slowdown in factoring volume, net income was up by 23.8% in 2011 (23.4% in 2009) and 33.5% at the end of September 2012. The net profit increase of the banking sector was lower (17%) in September 2012.

The period 2007 through 2010, which was an adjustment period for all factoring companies to new BRSA regulations, coincided with very severe economic turbulence both in Turkey and globally. During these years, economic activity and investments exhibited tremendous volatility, and a number of factoring companies weakened financially. That adjustment period concluded in 2011, and the differences between the strengths and weakness of the companies were more discernible. It was possible to better differentiate the characteristics of the companies and sub-groups in the industry. The analysis showed that, although different from one another, each group had its own merits within given strategies. As a result of the rapid asset growth of the newly established factoring companies, it is fair to expect major changes in market shares in the next two years.

The factoring industry reached a turnover volume of TL71 billion at the end of 2011. Representatives of the industry are targeting turnover of US\$100.0 billion by 2015. This appears feasible in terms of raising the current 6% penetration rate to 10% as in the UK, Spain and Taiwan. There is no doubt that the new law will be instrumental in significantly upgrading the image and status of the factoring sector. Finally, legally certified as “non-bank financial institutions,” factoring companies have another period of adjustment ahead of them in which they will need to establish the Association of Leasing, Factoring and Financing Companies and set up the Central Registration Unit. They will need to convert their

representative offices into branches or close them. There will be additional injection of capital to quite a number of companies. Looking forward, 2013 will be a busy year for all.

Sources:

- BRSA Reports and Statistics
- Interviews with the members and representatives of the Factoring Association
- Interviews with various sector representatives
- Dünya Gazetesi
- Hürriyet Daily dated December 13, 2012

ANNEX 1 - BRSA FACTORING DATA

The following tables were downloaded from the BRSA's website pages on 3 March 2012. Revisions after this date have not been taken into consideration.

BALANCE SHEET (Million TL)

ASSETS (Million TL)

		2008	2009	2010	2011
1	CASH	10.6	4.61	10.57	9.46
2	FINANCIAL ASSETS AT FAIR VALUE CHANGE IS REFLECTED TO INCOME STATEMENT (Net)	39.89	73.42	13.22	9.41
3	A) Financial Assets Held for Trading	38.05	65.10	9.08	7.67
4	B) Financial Assets Where Fair value Change is Reflected to Income statement	0.76	0.23	0.33	0.22
5	C) Derivative Financial Assets held for Trading	1.07	8.09	3.81	1.53
6	BANKS	1,132.58	1,069.55	1,155.79	451.07
7	RECEIVABLES FROM REVERSE REEPURCHASE AGREEMENTS	7.42	0.00	0.06	0.00
8	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	55.80	186.87	286.31	273.90
9	FACTORING RECEIVABLES (10+14)	5,591.77	8,350.82	12,370.17	14,223.21
10	A) Discount Factoring Receivables (11+12-13)	2,845.77	3,846.15	5,507.53	6,822.09
11	a) Domestic	2,969.22	3,976.44	5,630.24	7,064.89
12	b) Foreign	0.00	0.00	26.11	4.53
13	c) Unearned Income (-)	123.44	130.29	148.83	247.34
14	B) Other Factoring receivables (15+16)	2,746.00	4,504.68	6,862.63	7,401.13
15	a) Domestic	2,294.09	4,081.98	5,885.01	6,037.64
16	b) Foreign	451.91	422.69	977.62	1,363.49
29	NON-PERFORMING RECEIVABLES	109.72	84.41	76.54	117.12
30	A) Non-Performing Factoring Receivables	510.13	522.34	525.00	561.13
33	D) Specific Provisions (-)	400.41	437.93	448.46	444.01
34	DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING	27.27	0.02	0.00	0.01
35	A) Fair Value Hedges	21.47	0.02	0.00	0.01
36	B) Cash Flow Hedges	5.80	0.00	0.00	0.00
37	C) Net Foreign Investment Hedging	0.00	0.00	0.00	0.00
38	INVESTMENTS HELD TO MATURITY (Net)	0.08	0.11	0.01	0.00
39	SUBSIDIARIES (Net)	97.95	81.49	93.16	99.36
40	AFFILIATES (Net)	433.62	329.28	202.23	158.75
41	JOINT VENTURES (Net)	0.00	0.00	0.00	0.00
42	TANGIBALE ASSETS (Net)	107.33	116.08	122.86	136.87
43	INTANGIBALE ASSETS (Net) (44+45)	7.88	6.86	7.32	10.93
44	A) Goodwill	0.80	0.00	0.00	0.00
45	B) Other	7.08	6.86	7.32	10.93
46	DEFERRED TAX ASSETS	16.01	35.89	56.92	62.38
47	ASSETS HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)	12.13	11.26	12.05	14.61
48	A) Held for Sale	12.13	11.26	12.05	14.61
49	B) Terminated Operations	0.00	0.00	0.00	0.00
50	OTHER ASSETS	113.43	56.38	59.52	77.01
51	TOTAL ASSETS	7,763.82	10,407.04	14,466.71	15,644.09

LIABILITIES (Million TL)

		2008	2009	2010	2011
52	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	2.08	2.87	9.51	48.62
53	LOANS AND BORROWINGS	4,943.78	7,499.22	11,095.97	11,463.64
54	FACTORING PAYABLES	154.61	111.27	74.97	196.12
55	LEASE PAYABLES (56+57+58-59)	2.21	2.69	2.80	2.16
56	A) Finance Lease Payables	2.60	3.27	3.23	2.43
57	B) Operational Lease Payables	0.00	0.00	0.00	0.00
58	C) Other	0.00	0.00	0.00	0.00
59	D) Deferred Financial Lease Expenses (-)	0.40	0.58	0.43	0.27
60	MARKETABLE SECURITIES ISSUED (Net) (61+62+63)	92.85	113.95	211.17	346.49
61	A) Bills	0.00	0.00	0.00	0.00
62	B) Asset Back Securities	0.00	0.00	0.00	0.00
63	C) Bonds	92.85	113.95	211.17	346.49
64	MISCELLANEOUS PAYABLES	120.00	43.84	31.47	55.78
65	OTHER EXTERNAL REOURCES	4.78	9.94	4.59	13.83
66	DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING (67+68+69)	6.07	0.00	0.02	0.00
67	A) Fair Value Hedges	1.93	0.00	0.00	0.00
68	B) Cash Flow Hedges	4.15	0.00	0.02	0.00
69	C) Net foreign Investment Hedging	0.00	0.00	0.00	0.00
70	TAXES PAYABLES AND OTHER LIABILITIES	33.40	48.11	39.66	41.92
71	PROVISIONS (72+73+74)	56.39	77.57	53.94	80.76
72	A) Provisions for Restructuring	0.00	0.03	0.19	0.14
73	B) Reserve for Employee Benefits	5.56	12.14	17.11	20.62
74	C) Other Reserves	50.83	65.40	36.64	60.00
75	DEFERRED TAX LIABILITIES	7.15	4.25	1.28	0.97
76	PAYAV-BLES RELATED TO ASSETS HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net) (77+78)	0.00	0.00	0.03	0.09
77	A) Held for Sale	0.00	0.00	0.03	0.09
78	B) Terminated Operations	0.00	0.00	0.00	0.00
79	SUBORDINATED LOANS	0.00	0.00	0.00	0.00
80	SHAREHOLDERS' EQUITY (81+82+91+96)	2,340.50	2,493.33	2,941.30	3,393.71
81	A) Paid-in Capital	1,030.03	1,026.35	1,090.50	1,279.63
82	B) Capital Reserves (83+84+85+86+87+88+89+90)	99.14	285.06	262.54	300.67
83	a) Share Premium	0.00	0.00	16.41	29.61
84	b) Share Cancellation Profits	0.00	0.00	0.00	0.00
85	c) Valuation Changes of Marketable Securities	-1.06	48.94	78.62	56.71
86	d) Revaluation Changes of Property and Equipment	0.79	10.33	7.84	20.81
87	e) Free Share from Investment and Associates, Subsidiaries and Joint Ventures	50.40	35.14	35.58	36.03
88	f) Hedging Funds (Active part)	0.00	0.00	0.00	0.00
89	g) Value increase in Property and Equipment Held for sale Purpose and Held from Terminated Operations	0.00	0.00	0.00	0.00
90	h) Other Capital Reserves	49.01	190.65	124.08	157.51
91	C) Profit Reserves (92+93+94+95)	694.25	750.85	1,068.07	1,293.21
92	a) Legal Reserves	91.87	103.49	118.07	133.98
93	b) Status Reserves	10.06	10.48	38.36	1.01
94	c) Extraordinary Reserves	397.95	263.96	533.95	716.31
95	d) Other Profit Reserves	194.38	372.92	377.69	441.92

96	D Profit or Loss (97+98)	517.08	431.07	520.20	520.20
97	a) Prior Year Income or Loss	90.08	100.88	112.36	15.85
98	b) Current Year Income or Loss	427.00	330.20	407.83	504.35
99	TOTAL LIABILITIES (52+53+54+55+60+64+65+66+70+71+75+76+79+80)	7,763.82	10,407.04	14,466.71	15,644.09

STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (Million TL)

	2008	2009	2010	2011	
100	RECURSE FACTORING OPERATIONS	815.27	588.09	2,449.59	1,355.82
101	NON-RECURSE FACTORING OPERATIONS	3,870.03	2,501.66	3,878.74	4,348.40
102	GUARANTEES TAKEN	15,561.39	10,548.09	18,899.15	18,719.36
103	GUARANTEES GIVEN	758.72	465.79	504.67	465.89
104	COMMITMENTS (105+106)	252.85	360.13	464.41	464.30
105	A) Irrevocable Commitments	53.69	196.70	271.82	276.00
106	B) Revocable Commitments (107+110)	199.16	163.43	192.60	188.30
107	a) Lease Commitments (108+109)	199.16	163.43	192.60	188.30
110	b) Other Revocable Commitments	53.69	196.70	271.82	276.00
111	DERIVATIVE FINANCIAL INSTRUMENTS (112+116)	1,370.67	1,334.62	2,153.97	2,274.23
112	A) Derivative Financial Assets Held for Hedging (113+114+115)	1,010.35	639.93	15.95	198.97
113	a) Fair Value hedges	600.31	331.37	15.18	198.97
114	b) Cash Flow Hedges	410.04	308.56	0.77	0.00
115	c) Foreign Investment Hedges	0.00	0.00	0.00	0.00
116	B) Trading Transactions (117+118+119+120+121)	360.32	694.68	2,138.02	2,075.26
117	a) Forward Foreign Currency Buy- Sell Transactions	79.11	1.00	470.76	467.82
118	b) Currency and Interest rate Swaps	234.20	365.97	1,495.57	1,061.79
119	c) Currency, Interest Rate and Security Options	47.01	277.30	2.05	2.46
120	d) Currency, Interest Rate Futures	0.00	0.00	0.00	0.00
121	e) Other	0.00	50.42	169.65	543.19
122	ITEMS HELD IN CUSTODY	7,906.75	11,503.53	11,328.43	12,211.72
123	TOTAL OFF BALANCE SHEET (100+101+102+103+104+111+122)	30,535.67	27,301.91	39,678.95	39,839.71

INCOME STATEMENT (Million TL)

	2008	2009	2010	2011
1 OPERATING INCOME (2+9+12)	1,755.98	1,336.49	1,525.73	2,036.22
2 FACTORING INCOME (3+6)	1,755.98	1,336.49	1,525.73	2,036.22
3 A) Factoring Interest Income (4+5)	1,583.97	1,190.90	1,339.86	1,781.59
4 a) Discount	1,085.78	719.13	776.93	1,043.09
5 b) Other	498.19	471.77	562.93	738.51
6 B) Factoring Commission Income (7+8)	172.01	145.59	185.87	254.63
7 a) Discount	116.54	90.19	114.68	152.97
8 b) Other	55.47	55.40	71.19	101.66
16 OPERATING EXPENSE (-) (17+...+21)	328.55	309.48	390.61	456.15
17 A) Personnel Expenses	192.27	182.67	233.70	279.07
18 B) Retirement Pay Provision Expenses	3.69	2.92	3.24	3.51
19 C) Research and Development Expenses	0.01	0.00	0.00	0.00
20 D) General Administration Expenses	112.72	112.78	141.27	150.47
21 E) Other	19.85	11.10	12.41	23.11
22 OTHER OPERATING INCOME (23+24+25+30+31+34+35)	1,910.80	1,706.89	2,869.35	1,571.28
23 A) Interest income from Deposits	48.05	63.39	77.01	32.66
24 B) Interest income from Reverse Repurchase Agreements	1.00	0.11	0.04	0.01
25 C) Interest income from Marketable Securities Portfolio (26+...+29)	1.94	0.60	0.89	1.38
26 a) Financial Assets held for trading	1.75	0.60	0.19	0.27
27 b) Financial assets where value change is reflected to Income Statement	0.01	0.00	0.43	0.46
28 c) Financial Assets Available for Sale	0.00	0.00	0.00	0.66
29 d) Investments Held to Maturity	0.17	0.00	0.27	0.00
30 D) Dividend Income	3.66	10.64	9.86	64.18
31 E) Capital Market Operations Profit (32+33)	34.56	19.69	6.19	52.30
32 a) Derivative Financial Operations	33.95	19.54	6.01	52.21
33 b) Other	0.61	0.15	0.18	0.09
34 F) Foreign Exchange Gains	1,502.43	1,566.85	2,630.65	1,310.97
35 G) Other	319.16	45.60	144.72	109.79
36 FINANCIAL EXPENSES (-) (37+...+42)	806.11	509.19	680.22	988.23
37 A) Interest on Loans Borrowed	772.34	467.01	629.09	895.37
38 B) Interest on Factoring Payables	6.78	7.69	19.68	31.50
39 C) Financial Lease Expenses	0.03	0.09	0.10	0.12
40 D) Interest on Marketable Securities Issued	7.78	16.62	12.72	35.06
41 E) Other Interest Expenses	2.47	5.23	0.47	0.03
42 F) Other Fees and Commissions	16.71	12.55	18.17	26.15
SPECIFIC PROVISION FOR NON-PERFORMING FACTORING RECEIVABLES (-)	203.16	144.71	180.23	115.34
44 OTHER OPERATING EXPENSES (-) (45+49+55+56+57)	1,826.00	1,656.09	2,652.57	1,434.18
45 A) Expense from Decrease in Value of marketable Securities (46+47+48)	1.49	0.40	0.27	0.00
46 a) Financial Assets at Fair value Through Profit and loss	1.49	0.00	0.15	0.00
47 b) Financial Assets Available for Sale	0.00	0.40	0.11	0.00
48 c) Financial assets Held to maturity	0.00	0.00	0.00	0.00
49 B) Expenses from decrease in Value of Fixed Assets (50+...+54)	2.26	6.76	0.35	0.63
50 a) Expense from Decrease in Value of Tangible Assets	0.68	0.78	0.35	0.41
51 b) Expense from Decrease in Value of Assets Held for sale and Terminated Operations	1.43	0.68	0.00	0.18
52 c) Expense from Decrease in Value of Goodwill	0.00	0.00	0.00	0.00
53 d) Expense from Decrease in Value of Other Intangible Assets	0.03	0.00	0.00	0.04
54 e) Expense from Decrease in Value of Subsidiaries, Affiliates and Joint Ventures (Business partners)	0.13	5.30	0.00	0.00

55	C) Losses from derivative Financial Operations	63.02	46.34	6.14	78.54
56	D) Foreign Exchange Loss	1,685.70	1,564.35	2,633.49	1,338.55
57	E) Other	73.53	38.24	12.32	16.45
58	NET OPERATING PROFIT/LOSS (1+22)-(16+36+43+44)	502.96	423.92	491.46	613.59
59	AMOUNT EXCESS RECORDED AS GAIN AFTER MERGER	0.00	0.00	0.00	0.00
60	NET MONETARY POSITION GAIN OR LOSS	0.00	0.00	0.00	0.00
61	PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (58+59+60)	502.96	423.92	491.46	613.59
62	TAX PROVISIONS FOR CONTINUING OPERATIONS (±) (63+64+65)	74.76	93.72	84.28	109.20
63	A) Current Tax Provision	73.41	110.89	100.64	117.12
64	B) Loss Effect of Deferred Tax (+)	6.71	4.77	5.64	7.79
65	C) Gain Effect of Deferred Tax (-)	-5.36	-21.94	-22.00	-15.70
66	NET PROFIT/LOSS FOR CONTINUING OPERATIONS (61±62)	428.19	330.20	407.18	504.39
67	INCOME ON TERMINATED OPERATIONS (68+69+70)	0.38	0.00	0.33	0.00
68	A) Income on Assets Held for Sale	0.00	0.00	0.33	0.00
69	B) Income on Sale of Subsidiaries, Affiliates and Joint ventures (Business partners)	0.38	0.00	0.00	0.00
70	C) Other Income on Terminated Operations	0.00	0.00	0.00	0.00
71	TERMINATED OPERATIONS EXPENSES (-) (72+73+74)	0.05	0.00	0.03	0.07
72	A) Assets Held to Maturity Expenses	0.00	0.00	0.03	0.07
73	B) Loss on Sale of Subsidiaries, Affiliates and Joint ventures (Business partners)	0.05	0.00	0.00	0.00
74	C) Terminated Operations Expenses	0.00	0.00	0.00	0.00
75	PERIOD PROFIT/LOSS ON TERMINATED OPERATIONS BEFORE TAX (67-71)	0.33	0.00	0.31	-0.07
76	TAX PROVISION FOR TERMINATED OPERATIONS (±) (77+78+79)	1.40	0.00	0.02	-0.03
77	A) Current Tax Provision	1.40	0.00	0.00	0.00
78	B) Loss Effect of Deferred Tax (+)	0.00	0.00	0.02	0.00
79	C) Gain Effect of Deferred Tax (-)	0.00	0.00	0.00	0.03
80	NET PERIOD PROFIT/LOSS ON TERMINATED OPERATIONS (75±76)	-1.20	0.00	0.29	-0.04
81	NET PERIOD PROFIT/LOSS (66+80)	427,000	330,200	407,470	504,350
82	Earnings/Loss Per Share	0.230	0.640	0.740	1.850

Sector Turnover Distribution (1,000 TL)

		2010	2011	% Chg.
1	Agriculture, Hunting, Forest Products	818,426	1,283,092	56.78
2	Fishing	61,741	30,667	-50.33
3	Total Agriculture (1+2)	880,167	1,313,759	49.26
4	Extracting of Mines Product Energy	4,676,700	400,688	-91.43
5	Extracting of Mines Not Product Energy	9,490,135	2,108,620	-77.78
6	Food, Beverage and Tobacco Industry	1,940,433	2,585,853	33.26
7	Textile and Textile Products Industry	5,355,675	7,147,104	33.45
8	Leather and Leather Products Industry	251,949	342,578	35.97
9	Wood and Wood Products Industry	679,797	654,665	-3.70
10	Paper Raw Materials and Paper Products Industry	2,292,278	2,014,985	-12.10
11	Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	14,965,781	4,954,684	-66.89
12	Chemical Products Industry	1,481,286	1,736,112	17.20
13	Rubber and Plastic Products Industry	991,102	1,559,349	57.33
14	Other Mines Excluding Metal Industry	2,040,604	2,255,903	10.55
15	Main Metal Industry	3,553,549	5,168,642	45.45
16	Machine and Equipment Industry	2,455,777	3,129,340	27.43
17	Electrical and Optical Devices Industry	1,437,644	1,202,256	-16.37
18	Transportation Vehicles Industry	2,536,760	4,523,949	78.34
19	Manufacturing Industry Not Classified In Another Places	1,467,060	2,504,951	70.75
20	Electric, Gas and Water Resources	2,016,178	2,855,801	41.64
21	Total Manufacturing (4+...+20)	57,632,708	45,145,480	-21.67
22	Construction	5,872,077	7,098,540	20.89
23	Wholesale and Retail Trade, Motor Vehicles Services	2,874,365	6,508,514	126.43
24	Hotels and Restaurants (Tourism)	998,588	795,276	-20.36
25	Transportation, Warehousing and Communication	2,413,481	2,300,472	-4.68
26	Financial Intermediation	1,368,765	1,563,459	14.22
27	a) Financial Institutions	1,184,862	1,440,062	21.54
28	b) Other Financial Intermediation	183,903	123,397	-32.90
29	Real Estate Brokerage	475,961	1,313,718	176.01
30	Defense and Public Administration And Social Security Institutions	6,788	10,280	51.44
31	Education	70,100	64,258	-8.33
32	Health and Social Services	505,522	713,344	41.11
33	Other Social and Personal Services	1,704,451	3,214,463	88.59
34	Private Person Employing Worker	50,627	42,475	-16.10
35	International Organizations and Institutions	311	1,823	486.17
36	Total Services (22+...+35) - (27+28)	16,341,036	23,626,622	44.58
37	OTHER	881,650	627,667	-28.81
38	GENERAL TOTAL (3+21+36+37)	75,735,561	70,713,528	-6.63

Sector Turnover Distribution Shares (%)

		2010	2011
1	Agriculture, Hunting, Forest Products	1.08	1.81
2	Fishing	0.08	0.04
3	Total Agriculture (1+2)	1.16	1.86
4	Extracting of Mines Product Energy	6.18	0.57
5	Extracting of Mines Not Product Energy	12.53	2.98
6	Food, Beverage and Tobacco Ind.	2.56	3.66
7	Textile and Textile Products Industry	7.07	10.11
8	Leather and Leather Products Industry	0.33	0.48
9	Wood and Wood Products Industry	0.90	0.93
10	Paper Raw Materials and Paper Products Industry	3.03	2.85
11	Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	19.76	7.01
12	Chemical Products Industry	1.96	2.46
13	Rubber and Plastic Products Industry	1.31	2.21
14	Other Mines Excluding Metal Industry	2.69	3.19
15	Main Metal Industry	4.69	7.31
16	Machine and Equipment Industry	3.24	4.43
17	Electrical and Optical Devices Industry	1.90	1.70
18	Transportation Vehicles Industry	3.35	6.40
19	Manufacturing Industry Not Classified In Another Places	1.94	3.54
20	Electric, Gas and Water Resources	2.66	4.04
21	Total Manufacturing (4+...+20)	76.10	63.84
22	Construction	7.75	10.04
23	Wholesale and Retail Trade, Motor Vehicles Services	3.80	9.20
24	Hotels and Restaurants (Tourism)	1.32	1.12
25	Transportation, Warehousing and Communication	3.19	3.25
26	Financial Intermediation	1.81	2.21
27	a) Financial Institutions	1.56	2.04
28	b) Other Financial Intermediation	0.24	0.17
29	Real Estate Brokerage	0.63	1.86
30	Defense and Public Administration And Social Security Institutions	0.01	0.01
31	Education	0.09	0.09
32	Health and Social Services	0.67	1.01
33	Other Social and Personal Services	2.25	4.55
34	Private Person Employing Worker	0.07	0.06
35	International Organizations and Institutions	0.00	0.00
36	Total Services (22+...+35) - (27+28)	21.58	33.41
37	OTHER	1.16	0.89
38	GENERAL TOTAL (3+21+36+37)	100.00	100.00

Factoring Receivables Distribution by Sector (1000 TL)

		2008	2009	2010	2010/ 2009 %	2011	2011/ 2010 %
1	Agriculture, Hunting, Forest Products	83,395	186,608	204,455	9.56	340,781	66.68
2	Fishing	12,410	9,212	16,744	80.70	4,134	-75.17
3	Total Agriculture (1+2)	95,805	195,820	221,199	12.91	344,915	56.00
4	Extracting of Mines Product Energy	85,296	169,527	1,451,132	755.82	85,327	-94.12
5	Extracting of Mines Not Product Energy	23,885	796,184	274,738	-65.51	227,397	-17.20
6	Food, Beverage and Tobacco Ind.	304,366	340,307	508,976	40.27	665,285	39.37
7	Textile and Textile Products Industry	1,050,976	1,259,521	1,419,056	9.01	1,581,795	15.20
8	Leather and Leather Products Industry	85,440	37,013	62,201	67.80	70,729	13.88
9	Wood and Wood Products Industry	177,720	159,625	176,400	8.67	131,231	-24.35
10	Paper Raw Materials and Paper Products Industry	226,397	371,484	483,374	29.98	332,751	-31.09
11	Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	238,226	171,374	1,762,662	928.45	975,584	-44.65
12	Chemical Products Industry	396,651	265,633	338,499	26.77	453,882	34.79
13	Rubber and Plastic Products Industry	174,761	193,160	250,009	29.13	375,640	50.61
14	Other Mines Excluding Metal Industry	430,763	506,055	444,989	-12.08	450,531	1.26
15	Main Metal Industry	699,905	736,775	947,031	28.37	1,237,195	30.81
16	Machine and Equipment Industry	282,447	608,554	978,392	60.53	1,108,525	13.47
17	Electrical and Optical Devices Industry	390,797	181,322	449,333	147.72	254,808	-43.27
18	Transportation Vehicles Industry	597,754	1,425,553	895,277	-37.20	1,302,630	45.50
19	Manufacturing Industry Not Classified In Another Places	205,748	171,951	359,845	108.94	1,398,475	289.24
20	Electric, Gas and Water Resources	26,472	300,514	612,944	103.96	462,729	-24.51
21	Total Manufacturing (4+...+20)	5,397,604	7,694,552	11,414,858	47.21	11,114,514	-1.88
22	Construction	713,873	988,360	1,366,581	33.02	1,350,052	2.69
23	Wholesale and Retail Trade, Motor Vehicles Services	477,373	337,592	984,913	191.74	1,778,088	80.54
24	Hotels and Restaurants (Tourism)	68,422	555,801	174,679	-68.57	234,992	34.53
25	Transportation, Warehousing and Communication	190,471	367,204	432,454	16.64	521,326	21.72
26	Financial Intermediation	92,958	183,835	299,662	63.01	318,067	6.14
27	a) Financial Institutions	89,683	152,068	260,024	70.99	309,391	18.99
28	b) Other Financial Intermediation	3,275	31,767	39,638	24.78	8,676	-78.11
29	Real Estate Brokerage	33,056	89,566	108,695	21.36	349,948	221.95
30	Defense and Public Administration And Social Security Institutions	333	3,316	1,860	-43.91	1,065	-42.74
31	Education	5,470	7,135	21,696	204.08	9,184	-57.67
32	Health and Social Services	48,718	101,598	102,673	1.06	180,907	76.20
33	Other Social and Personal Services	167,752	507,566	367,774	-31.16	644,018	84.31
34	Private Person Employing Worker	1,423	6,154	12,024	94.15	8,848	-25.95
35	International Organizations and Institutions	2,298	0	534	-	1,053	97.19
36	Total Services (22+...+35) - (27+28)	1,802,147	3,148,127	3,873,545	20.68	5,397,548	42.08
37	OTHER	69,229	228,835	51,812	-77.37	186,083	259.29
38	GENERAL TOTAL (3+21+36+37)	7,364,785	11,267,334	15,561,414	36.67	17,043,060	10.67

Factoring Receivables Distribution by Sector (% Share)

		2008	2009	2010	2011
1	Agriculture, Hunting, Forest Products				
2	Fishing				
3	Total Agriculture (1+2)	0.01	0.02	0.01	2.02
4	Extracting of Mines Product Energy	1.16	1.50	9.33	0.50
5	Extracting of Mines Not Product Energy	0.32	7.05	1.77	1.33
6	Food, Beverage and Tobacco Ind.	4.13	3.10	3.27	3.90
7	Textile and Textile Products Industry	14.27	11.28	9.12	9.28
8	Leather and Leather Products Industry	1.16	0.33	0.40	0.42
9	Wood and Wood Products Industry	2.41	1.42	1.13	0.77
10	Paper Raw Materials and Paper Products Industry	3.07	3.29	3.11	1.95
11	Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	3.23	1.52	11.33	5.72
12	Chemical Products Industry	5.39	2.36	2.18	2.66
13	Rubber and Plastic Products Industry	2.37	1.71	1.61	2.20
14	Other Mines Excluding Metal Industry	5.85	4.48	2.86	2.64
15	Main Metal Industry	9.50	6.53	6.09	7.26
16	Machine and Equipment Industry	3.84	5.39	6.29	6.50
17	Electrical and Optical Devices Industry	5.31	1.61	2.89	1.50
18	Transportation Vehicles Industry	8.12	12.62	5.75	7.64
19	Manufacturing Industry Not Classified In Another Places	2.79	1.52	2.31	8.21
20	Electric, Gas and Water Resources	0.36	2.66	3.94	2.72
21	Total Manufacturing (4+...+20)	0.73	0.68	0.73	65.21
22	Construction	9.69	8.75	8.78	7.92
23	Wholesale and Retail Trade, Motor Vehicles Services	6.48	2.99	6.33	10.43
24	Hotels and Restaurants (Tourism)	0.93	4.92	1.12	1.38
25	Transportation, Warehousing and Communication	2.59	3.26	2.78	3.06
26	Financial Intermediation	1.26	1.63	1.93	1.87
27	a) Financial Institutions	1.22	1.35	1.67	1.82
28	b) Other Financial Intermediation	0.04	0.28	0.25	0.05
29	Real Estate Brokerage	0.45	0.79	0.70	2.05
30	Defense and Public Administration And Social Security Institutions	0.00	0.03	0.01	0.01
31	Education	0.07	0.06	0.14	0.05
32	Health and Social Services	0.66	0.90	0.66	1.06
33	Other Social and Personal Services	2.28	4.49	2.36	3.78
34	Private Person Employing Worker	0.02	0.05	0.08	0.05
35	International Organizations and Institutions	0.03	0.00	0.00	0.01
36	Total Services (22+...+35) - (27+28)	24.47	27.88	24.89	31.67
37	OTHER	0.94	2.03	0.33	1.09
38	GENERAL TOTAL (3+21+36+37)	100.00	100.00	100.00	100.00

Ratios (%)

	2009	2009	2010	2011	June-2011	June-2012
Non-Performing Loans (Gross) / Total Receivables	8.88	5.98	4.15	3.90	3.85	4.68
FC Cash Receivables / Total Cash Receivables	8.99	5.87	9.04	10.33	9.70	9.46
Receivables from Financial Institutions / Total Receivables	19.33	12.24	9.13	3.11	3.68	2.54
Receivables from Non-Financial Institutions / Total Receivables	80.67	87.76	90.87	96.89	96.32	97.46
Income Before Tax (Loss) / Average Assets	6.27	4.89	3.89	4.04	1.77	2.33
Period Net Profit (Loss) / Average Assets	5.25	3.81	3.23	3.29	1.53	1.97
Period Net Profit (Loss) / Total Average, Equity	18.84	14.06	15.19	15.77	7.49	9.28
Income Before Tax (Loss) / Total Average Equity	22.49	18.06	18.29	19.40	8.66	10.97
Net Operating Income (Expenses) / Expenses	21.05	20.06	13.26	26.38	26.28	38.29
Non-Operating Expenses / Income	89.74	86.63	89.41	83.25	84.67	67.67
Capital Markets Transactions Profit (Loss) / Income	-0.64	-0.23	0.00	-0.47	-0.27	2.99
Personnel Expenses + Provision for Severance Pay / Total Non-Operating Expenses	4.79	5.20	4.17	8.54	9.18	13.13
Shareholders' Equity / Total Assets	30.62	23.96	20.33	21.61	20.23	20.63
FC Liabilities / Total Liabilities +Net Derivative Liabilities	52.03	22.33	22.16	24.63	23.98	20.94
NPLs (Net) / Total Equity	4.65	3.39	2.60	3.38	2.98	3.88
Derivative Financial Assets / Total Equity	1.05	0.33	0.13	0.17	0.27	0.09
Derivative Financial Liabilities / Total Equity	0.18	0.12	0.32	1.56	0.47	0.39

Source: BRSA

ANNEX 2 – BRANCHES AND REPRESENTATIVE OFFICES**(Companies Licensed by the BRSA as of 30 July, 2012)**

Branches and Representation Offices

	Nr. of Branches	Nr. of Rep. Offices
1. Acar Factoring A.Ş.		1
2. ACL Finans Faktoring A.Ş.		1
3. Ak Faktoring Hizmetleri A.Ş.		
4. Akdeniz Faktoring Hizmetleri A.Ş.		
5. Akın Faktoring Hizmetleri A.Ş.		
6. Anadolu Faktoring Hizmetleri A.Ş.		
7. Analiz Faktoring A.Ş.	1	1
8. Ar Faktoring Finansal Hizmetler A.Ş.		2
9. Arena Faktoring Hizmetleri A.Ş.		3
10. Artı Finans Faktoring A.Ş.		4
11. As Faktoring Hizmetleri A.Ş.		
12. Atak Faktoring Hizmetleri A.Ş.		
13. Atılım Faktoring A.Ş.		1
14. Başer Faktoring A.Ş.		7
15. Batı Faktoring A.Ş.		
16. Bayramoğlu Finans Faktoring Hizmetleri A.Ş.		1
17. C Faktoring A.Ş.		
18. Creditwest Faktoring Hizmetleri A.Ş.		
19. Çağdaş Faktoring A.Ş.		1
20. Çözüm Finans Faktoring Hizmetleri A.Ş.		2
21. Değer Faktoring A.Ş.		
22. Demir Faktoring A.Ş.		1
23. Deniz Faktoring A.Ş.		11
24. Destek Faktoring A.Ş.		
25. Devir Faktoring Hizmetleri A.Ş.		
26. Doğa Faktoring Hizmetleri A.Ş.		5
27. Doğan Faktoring A.Ş.		
28. Eko Faktoring Hizmetleri A.Ş.	1	7
29. Ekspo Faktoring A.Ş.		
30. Eren Faktoring A.Ş.		
31. Erişim Finans Faktoring Hizm.A.Ş.		5
32. Fiba Faktoring Hizmetleri A.Ş.	1	7
33. Finans Faktoring Hizmetleri A.Ş.		3
34. First Faktoring A.Ş.		
35. Fortis Faktoring A.Ş.		
36. Garanti Faktoring Hizmetleri A.Ş.		11
37. Girişim Faktoring A.Ş.		
38. Global Faktoring		1
39. Hepkon Faktoring A.Ş.		
40. Huzur Faktoring A.Ş.	2	2
41. ING Faktoring A.Ş.		
42. İş Faktoring Finansman Hizmetleri A.Ş.		
43. Ivme Faktoring Hizmetleri A.Ş.		

44. Kapital Faktoring Hizmetleri A.Ş		6
45. Katar Faktoring A.Ş.		3
46. Kent Faktoring A.Ş		2
47. Kredi Finans Faktoring Hizmetleri A.Ş.		
48. Lider Faktoring Hizmetleri A.Ş.		23
49. Makro Faktoring A.Ş.		
50. Merkez Faktoring Hizmetleri A.Ş.		
51. Mert Finans Faktoring Hizmetleri A.Ş.		
52. Met-ay Faktoring Finans Hizmetleri A.Ş.		6
53. MNG Faktoring Hizmetleri A.Ş.	1	7
54. Optima Faktoring Hizmetleri A.Ş	8	
55. Pamuk Faktoring A.Ş.		
56. Para Finans Faktoring Hizm.A.Ş.	6	
57. Prime Faktoring A.Ş.		
58. Saray Faktoring A.Ş.		
59. Sardes Faktoring A.Ş.		
60. Strateji Faktoring Hizmetleri A.Ş.		10
61. Sümer Faktoring A.Ş.		
62. Şeker Faktoring Hizmetleri A.Ş.		8
63. Şirinoğlu Faktoring Fins.Hizm.T.A.Ş.		39
64. Tam Faktoring A.Ş.		
65. TEB Faktoring A.Ş	9	
66. Tek Faktoring Hizmetleri A.Ş.		6
67. Tekstil Faktoring Hizmetleri A.Ş.		5
68. Trend Faktoring A.Ş.		1
69. Tuna Faktoring A.Ş.		
70. Turkish Faktoring A.Ş.		
71. Ulusal Faktoring A.Ş.	2	2
72. Vakıf Faktoring A.Ş.		
73. VDF Faktoring Hizmetleri A.Ş.		
74. Yapı Kredi Faktoring A.Ş.		5
75. Yaşar Faktoring Hizm.A.Ş.		
76. Yeditepe Faktoring Hizmetleri A.Ş.		
TOTAL	30	200

Source: The Factoring Association

ANNEX 3 – FACTORING COMPANIES THAT HAVE TERMINATED OPERATIONS

Factoring Companies Whose Licenses Have Been Cancelled by the BRSA

	Cancellation Date
1. KIZILKAPLAN FAKTORİNG FİNANS HİZMETLERİ A.Ş.	20.07.2006
2. KOÇ FAKTORİNG HİZMETLERİ A.Ş.	14.12.2006
3. K FAKTORİNG A.Ş.	25.01.2007
4. ÖZ FİNANS FAKTORİNG HİZMETLERİ A.Ş.	22.11.2007
5. EURO FAKTORİNG ALACAK ALIMİ A.Ş.	28.02.2008
6. TASFIYE HALİNDE ADK FAKTORİNG FİNANS HİZMETLERİ A.Ş.	28.02.2008
7. AVRASYA FAKTORİNG HİZMETLERİ A.Ş.	17.04.2008
8. BAYINDIR FAKTORİNG HİZMETLERİ A.Ş.	17.04.2008
9. PERA FAKTORİNG HİZMETLERİ A.Ş.	17.04.2008
10. KÖROĞLU FİNANS FAKTORİNG HİZMETLERİ A.Ş.	15.05.2008
11. GOLD FAKTORİNG HİZMETLERİ A.Ş.	26.06.2008
12. SAFİR FİNANS VE FAKTORİNG A.Ş.	08.10.2008
13. ÜNİVERSAL FİNANS FAKTORİNG A.Ş.	01.10.2009
14. KURTULUŞ FAKTORİNG HİZMETLERİ A.Ş.	02.04.2009
15. ORTAK FAKTORİNG A.Ş.	02.07.2009
16. ŞARK FİNANS FAKTORİNG A.Ş.	22.07.2009
17. BEST FAKTORİNG A.Ş.	05.08.2009
18. SERAY FAKTORİNG A.Ş.	07.01.2010
19. AKÇE FİNANS FAKTORİNG HİZMETLERİ A.Ş.	15.04.2010
20. ANA FAKTORİNG HİZMETLERİ A.Ş.	15.04.2010
21. FON FAKTORİNG HİZMETLERİ A.Ş.	15.09.2010
22. GİSAD FAKTORİNG A.Ş.	06.10.2010
23. ULUS FAKTORİNG A.Ş.	21.10.2010
24. D FAKTORİNG A.Ş.	21.10.2010
25. ERA FİNANS FAKTORİNG HİZMETLERİ A.Ş.	21.10.2010
26. İLKE FAKTORİNG HİZMETLERİ A.Ş.	11.11.2010
27. SÜZER FAKTORİNG HİZMETLERİ A.Ş.	07.04.2011
28. HEDEF FAKTORİNG HİZMETLERİ A.Ş.	05.05.2011
29. EDF FAKTORİNG HİZMETLERİ A.Ş.	29.12.2011
30. GÜVEN FAKTORİNG A.Ş.	10.02.2011

ANNEX 4 – FACTORING DATA BY COUNTRY

Factors Chain International
Factoring Turnover by Country in 2011 (Million USD)

Nr. of Companies	Country	Domestic	International	Total
EUROPE				
100	Germany	119,120	38,140	157,260
4	Austria	7,009	1,977	8,986
6	Belgium	28,704	9,500	38,204
1	Bosnia & Herzegovina	30	15	45
7	Bulgaria	800	210	1,010
8	Czech Rep.	3,865	1,25	5,115
6	Denmark	5,51	3,65	9,16
4	Estonia	972	192	1,164
5	Finland	11,050	1,950	13,000
12	France	141,410	33,170	174,580
20	Croatia	2,153	116	2,269
4	Netherlands	30	16	46
42	United Kingdom	249,664	18,416	268,08
8	Ireland	17,047	1,283	18,330
24	Spain	109,083	13,042	122,125
40	Sweden	28,259	1	29,259
8	Switzerland	3,352	98	3,450
45	Italy	142,686	32,496	175,182
3	Cyprus	3,700	58	3,758
9	Latvia	200	171	371
8	Lithuania	795	1,339	2,134
1	Luxemburg	177	3	180
22	Hungary	2,455	362	2,817
2	Malta	150	50	200
7	Norway	14,334	2,061	16,395
18	Poland	14,200	3,700	17,900
15	Portugal	24,812	3,067	27,879
13	Romania	1,922	660	2,582
33	Russia	20,944	230	21,174
13	Serbia	726	200	926
7	Slovakia	810	361	1,171
4	Slovenia	410	140	550
74	Turkey	25,591	5,278	30,869
25	Ukraine	933	22	955
12	Greece	12,685	2,046	14,731
610	Total Europe	1,025,558	192,253	1,217,811
AMERICAS				
300	United States	90,000	15,000	105,000
5	Argentina	455	20	475
1	Bolivia	32	3	35
1,112	Brazil	45,580	43	45,623

1	Honduras	0	30	30
51	Canada	4,981	303	5,284
30	Colombia	4,790	200	4,990
11	Mexico	21,058	16	21,074
17	Panama	700	0	700
9	Peru	2,267	194	2,461
148	Chile	20,000	1,500	21,500
1,685	Total Americas	189,863	17,309	207,172
AFRICA				
4	Morocco	1,226	180	1,406
5	South Africa	21,238	140	21,378
4	Egypt	100	100	200
1	Mauritius	127	0	127
4	Tunisia	297	43	340
18	Total Africa	22,988	463	23,451
ASIA				
4	U,A,E,	1,000	750	1,750
30	China	229,952	44,918	274,870
1	Indonesia	0	3	3
4	Armenia	10	4	14
12	India	2,650	150	2,800
12	Hong Kong	15,044	2,344	17,388
6	Israel	1,3	350	1,65
4	Japan	110,195	1,05	111,245
1	Qatar	45	30	75
10	Korea	0	8,087	8,087
1	Lebanon	310	17	327
30	Malaysia	840	210	1,05
8	Singapore	4,37	2,3	6,67
13	Thailand	3,07	10	3,08
20	Taiwan	76	3,8	79,8
1	Jordan	0	12	12
7	Vietnam	42	25	67
164	Total Asia	444,828	64,06	508,888
AUSTRALASIA				
19	Australia	57,3	191	57,491
7	New Zealand	600	0	600
26	Total Australasia	57,9	191	58,091
2,503	TOTAL WORLD	1,741,137	274,276	2,015,413

2001-2010 Factoring Turnover by Country 2001 - 2010 (Million USD)

	2005	2006	2007	2008	2009	2010	2011	% Chg.
EUROPE								
Germany	65,030	95,040	129,940	149,460	137,566	172,114	203,762	18.4
Austria	5,042	6,248	7,620	8,954	9,481	11,038	11,643	5.5
Belgium	16,520	22,044	28,032	31,725	34,207	42,788	49,501	15.7
Bosnia & Herzegovina	0	0	0	0	50	60	58	-3.3
Bulgaria	0	46	438	635	486	731	1,309	79.1
Czech Republic	3,404	5,313	6,979	7,050	5,377	5,860	6,628	13.1
Denmark	9,175	10,144	12,372	7,755	10,153	10,630	11,869	11.7
Estonia	2,832	3,828	1,898	2,012	1,430	1,630	1,508	-7.5
Finland	12,355	14,652	18,469	17,837	15,375	16,476	16,844	2.2
France	105,044	132,012	177,624	190,350	183,300	203,626	226,203	11.1
Croatia	207	449	1,606	2,961	3,504	3,711	2,940	-20.8
Holland	27,494	33,660	46,457	42,300	42,900	46,505	59,602	28.2
United Kingdom	279,902	328,375	418,284	265,080	279,727	300,609	347,351	15.5
Ireland	27,352	39,195	33,462	33,840	27,691	26,836	23,750	-11.5
Spain	65,508	68,139	122,201	141,000	149,037	150,022	158,237	5.5
Sweden	23,364	28,644	31,682	22,560	26,827	24,926	37,911	52.1
Switzerland	2,242	2,640	3,669	3,652	7,150	5,315	4,470	-15.9
Italy	131,187	158,974	179,288	180,762	177,678	190,994	226,983	18.8
Cyprus	2,862	3,361	4,358	4,590	4,791	4,584	4,869	6.2
Latvia	24	364	1,694	2,143	1,287	436	481	10.3
Lithuania	1,935	2,503	3,927	4,724	2,510	2,046	2,765	35.1
Luxemburg	330	404	715	846	499	427	233	-45.4
Hungary	2,148	3,802	4,526	4,512	3,604	4,437	3,650	-17.7
Malta	0	1	37	73	150	181	259	43.1
Norway	11,346	15,134	24,820	21,150	21,593	20,030	21,243	6.1
Poland	4,366	5,841	11,534	10,998	17,160	21,539	23,193	7.7
Portugal	20,019	22,290	24,656	25,380	25,327	27,578	36,123	31.0
Romania	649	990	1,898	2,327	2,002	2,392	3,345	39.8
Russia	2,997	11,293	19,126	22,772	12,269	16,161	27,435	69.8
Serbia	0	198	330	522	586	664	1,200	80.7
Slovakia	979	1,731	2,015	2,256	1,616	1,303	1,517	16.4
Slovenia	271	449	664	917	930	864	713	-17.5
Turkey	13,959	19,701	28,653	25,451	29,000	51,803	39,997	-22.8
Ukraine	393	818	1,299	1,853	758	717	1,237	72.5
Greece	5,322	6,904	10,833	14,382	17,589	19,552	19,087	-2.4
Total Europe	844,258	1,045,187	1,361,106	1,252,829	1,253,610	1,388,585	1,577,916	13.6
AMERICAS								
United States	111,109	126,720	141,620	141,000	126,555	126,227	136,049	7.8
Argentina	325	439	529	501	479	465	615	32.3
Bolivia	0	0	0	0	26	24	45	87.5
Brazil	23,659	26,471	30,748	31,098	42,385	65,173	59,114	-9.3
Honduras	0	0	139	7	150	213	39	-81.7

Canada	4,508	4,470	6,234	4,230	4,648	4,947	6,846	38.4
Colombia	0	132	2,964	2,961	3,420	3,699	6,466	74.8
Mexico	8,378	10,758	13,432	13,466	3,032	19,317	27,306	41.4
Panama	283	801	705	649	715	797	907	13.8
Peru	112	743	946	1,234	1,084	3,603	3,189	-11.5
Chile	11,210	14,916	21,345	22,278	20,735	21,820	27,858	27.7
Total Americas	159,584	185,450	218,662	217,424	203,229	246,285	268,434	9.0
AFRICA								
Morocco	507	581	964	1,199	1,301	1,423	1,822	28.0
South Africa	6,584	10,296	14,279	17,075	19,305	20,090	27,700	37.9
Egypt	1	4	29	71	157	266	259	-2.6
Tunisia	267	356	358	357	395	392	441	12.5
Total Africa	7,359	11,237	15,630	18,702	21,158	22,171	30,222	36.3
ASIA								
U,A,E,	519	1,069	496	2,623	2,731	2,657	2,267	-14.7
China	6,879	18,876	48,145	77,550	96,239	205,351	356,149	73.4
Indonesia	0	0	0	0	0	0	4	
Armenia	0	0	0	10	10	18	18	0.0
India	2,348	4,699	7,380	7,332	3,790	3,654	3,628	-0.7
Hong Kong	9,086	12,817	11,242	11,985	11,553	19,133	22,530	17.8
Israel	384	495	1,168	1,974	2,002	2,192	2,138	-2.5
Japan	91,120	98,380	113,473	150,165	119,691	130,877	144,140	10.1
Qatar	0	0	0	0	33	31	97	212.9
Korea	1,003	1,122	1,394	1,269	4,200	6,748	10,478	55.3
Lebanon	72	125	257	564	601	598	423	-29.3
Malaysia	628	634	683	776	1,001	1,406	1,360	-3.3
Mauritius	0	0	0	0	173	166	165	-0.6
Singapore	3,398	3,901	4,774	5,640	6,721	7,706	8,642	12.1
Thailand	1,935	2,541	3,270	3,337	3,013	2,784	3,991	43.4
Taiwan	42,480	52,800	62,050	68,738	48,334	89,023	103,397	16.1
Jordan	0	0	0	0	61	57	16	-71.9
Vietnam	2	21	63	120	135	86	87	1.2
Total Asia	159,854	197,480	254,395	332,083	300,288	472,487	659,530	39.6
AUSTURALASIA								
Australia	27,293	36,396	48,297	45,890	56,356	59,679	74,491	24.8
New Zealand	295	370	1,022	987	1,001	797	777	-2.5
Total Australasia	27,588	36,766	49,319	46,877	57,357	60,476	75,268	24.5
TOTAL WORLD	1,198,643	1,476,120	1,899,112	1,867,915	1,835,642	2,190,004	2,611,370	19.2

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