

THE TURKISH FACTORING INDUSTRY

September 2014

THE FACTORING INDUSTRY IN TURKEY

September 2014

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Preface

This report aims to provide an insight to the Turkish Factoring Industry. Comparative tables of 76 companies are given in detail presenting a thorough analysis of their 2013 performance. The trends, opportunities and challenges faced by factoring companies are analyzed in the light of regulatory and economic developments.

Details on the ownership structure of factoring companies and their quantitative data reveals 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. Each company's reaction to changes in the economic environment significantly differs in terms of growth strategies. As a result of diverging policies there have been noticeable changes in the market shares of companies and in their ranking according to their asset size.

We are grateful to representatives of various factoring companies for their contributions to this report and also to the representatives of the Association of Financial Institutions (FKB) who sponsored the report.

Glnur ok
General Manager of Turkrating

1. EXECUTIVE SUMMARY

By the end of 2013, total assets of the 76 operating factoring companies reached TL21.8 billion and the volume of factoring receivables reached TL20.1 billion with shareholder's equity around TL4.0 billion. Factoring companies provided 18.4% of their funding with their shareholder's equity and 70.9% from bank loans. Bond issues saw an increase in 2013 with the balance increased to TL1.5 billion by the year's end.

Internal and external political developments shaped the economic conditions of 2013. A critical change came in May 2013 with the US Federal Reserve Bank's announcement of tapering and the sentiment that capital flows to emerging markets would be phased down. The operating environment negatively impacted a number of sectors and weakened the financial position of SMEs. Domestic credit growth was suppressed through macro prudential measures implemented by the government. Throughout 2013 the combination of the reduction in bank lending, the liquidity squeeze and the restrictions in the use of checks led to payment delays. Even with 4% GDP growth, higher than the previous year, the volatility in interest rates and the exchange rate intensified the uncertainties regarding the economic outlook and the small and medium sized companies who constitute the core customer base of factoring companies were particularly affected. A report analyzing the performance of Turkey's top 1000 exporters revealed that profit ratios were at 5-year lows in 2013.

Despite this challenging climate the factoring industry maintained its growth dynamics. In 2013 the 76 companies registered 20% growth in assets and 23% growth in gross factoring receivables. However, expressed in USD values, the annual increase in assets was limited to 0.5% because of the significant devaluation of the Turkish Lira. Growth patterns were highly uneven. A number of factoring companies who developed their risk management systems in recent years took a more cautious approach and scaled down their exposures. The data we compiled from audit reports revealed that the assets of 12 out of 76 companies decreased in 2013. New entrants to the market seemingly took advantage of that position and posted robust growth.

The short-term balance sheet structure of factoring companies enables them to adapt to economic cycles by expanding or downsizing the balance sheet in a significantly short period. Factoring companies also have the advantage of being able to follow their customers' businesses through their check volumes. They can easily detect the early signs of deterioration in economic conditions. On the other hand the average 90 days maturity of factoring receivables should also be viewed as an annual funding volume that is four times the TL20.1 billion net factoring receivables. Total financing provided to the real sector is even greater when guarantee and collection services are taken into consideration.

In 2013, the 14 bank affiliate factoring companies which have a 51.8% share in all factoring transactions generated 45.6% of total net income. The top 24 independent companies represented 27.6% of total assets and 36.6% of net income. Two leading companies accounted for 9.5% of total equity compared to the 54.3% share of the 24 independents. Total sector borrowings amounted to TL 15.5 billion. The leading two companies used 22.0% of total bank borrowings while 24 independents used 32.1%.

In 2013 the net income of the sector fell to TL502.3 million from TL610.0 million in the previous year mainly due to lower profit margins. When adjustment is made for the asset sale revenue of a large company having 11% share in the sector, this 17.7% fall in net income goes up to 38.6%. The net factoring operations income fell by 45.3% to TL362.0 million from TL661.6 million. Seventeen companies reported loss at the end of the year (9 in 2012) and the net income of 48 companies and the net factoring operations income of 50 companies were lower than the previous year.

Part of lower profitability stemmed from the increase in personnel and administrative costs partially due to the closure of representative offices and the opening of new branches. The 185 representative offices and 62 branches existing at the end of 2012 had to be restructured to comply with the new regulations. At the end of 2013 all representative offices had been closed down and the number of branches rose to

319. The larger branch network reached out to a wider customer base and achieved 23% increase in net factoring receivables. Total employment also rose from 4,186 to 4,650 in 2013.

The number of factoring companies declined to 76 from 78 in 2013 as the result of five exits and three new entrants. Fortis and TEB Faktoring merged and four companies voluntarily closed down. Kıbrıs İktisat Faktoring, De Lage Landen Faktoring and Ce-Sa received license to operate from the Banking Regulatory and Supervisory Board. There was fresh capital injection of TL250 million raising total equity to TL4.0 billion. Since 2008 the share of equity in total liabilities has gradually declined from 30.6% to 18.4% in 2013 (21% in 2012).

Meanwhile the NPL ratio as the main indicator of asset quality remained unchanged at 4.7% although in nominal terms total NPLs were up by 23.3% (42% in 2012). This result was in part due to the transfer of impaired assets to asset management companies.

BRSA's data indicated that 62% of factoring receivables was "with recourse" and 38% was in "non-recourse" nature, 89% of factoring receivables and 79% of borrowings were in local currency.

Borrowings from banks remained at 71% of total assets in 2013 as the higher volume of bond issuances provided the additional funding need. We noted that 28 companies had tapped the bond market in 2012 and 2013. Total issued bonds and bills amounted to 8.0% of total liabilities in 2013 compared to 5.1% in the previous year.

Total turnover went up from 77.3 billion to TL 93.8 billion TL (21.3%) while overseas turnover also rose from 13.8 billion TL to 16.1 billion TL (16.8%). Since the annual performance of countries is reported with turnover volume on international platforms, turnover statistics were available for each company. The share of international transactions in total turnover fell to 17.2% in 2013 from 18.0% in 2012. Total international turnover slightly decreased to USD 44.2 billion in 2013 from USD 44.3 billion in 2012.

Presently Turkey has 15 members in Factors Chain International; 12 factoring companies and three banks. Among the three banks, Akbank, Burgan and HSBC only Burgan and HSBC are active in factoring. Three companies also have International Factors Group membership.

In recent years Turkish factors have been proactive in building a sector that represents an alternative funding source for SMEs, complementing the banking sector. Their efforts to enhance their image have been effective in getting the support of the regulators. Factoring companies are now part of "non-bank financial institutions" together with leasing and customer finance companies. The number of customers expanded to achieve better awareness of and use of factoring services and there was both geographic expansion and penetration to different segments. The positive energy in this sector attracted the attention of several international equity funds who undertook partial ownerships. The increase in the number of players in the sector created fierce competition pulling down profit margins. But, at the same time this competition and the diversity of the players were instrumental in raising corporate governance standards.

The factoring industry contributes to the diversification and deepening of the financial sector. Also, factoring companies have a valuable contribution to economic development by providing working capital and liquidity to small enterprises. They accelerate production and increase employment opportunities. Moreover, the factoring industry needs to receive proper merit for its role in minimizing the grey economy by not allowing unrecorded transactions.

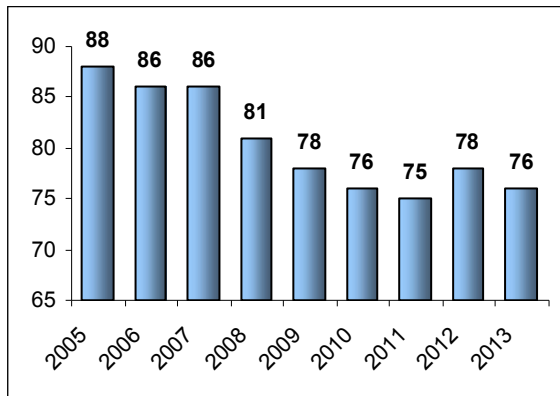
2. AN OVERVIEW OF THE FACTORING SECTOR IN TURKEY

At the end of 2013, 76 factoring companies were operating in the Turkish Factoring Industry. Their total assets reached TL21.8 billion, total gross factoring receivables TL21.1 billion and total equity TL4.0 billion. The larger part of these companies was small in size. Among these companies the market shares of 40 companies were below 1% and that of 14 below 2%. Three companies, namely Yapı Kredi Faktoring, Garanti Faktoring and Deniz Faktoring kept their lead positions with a total of 28.6% share among the three. Year 2013 saw very divergent growth performances as a result of which significant changes occurred in their ranking.

The number of companies came down to 76 by the end of 2013 as the result of five exits and three new entrants.

Among the non-bank financial institutions, the share of factoring declined from 36.8% to 34.1% because compared to the 20% growth in factoring, leasing grew by 40% and financing companies grew by 37%. The higher growth momentum of leasing was largely driven by “sale and lease back” arrangements and the demand for leasing construction machinery on the back of robust growth in the construction sector.

Graph 1. The number of Factoring Companies



Graph 2. Total Assets (1000TL)

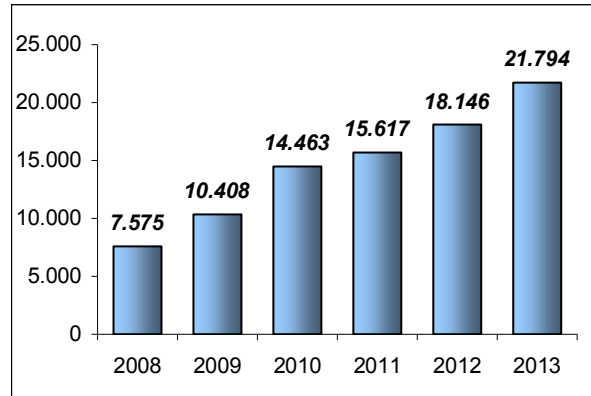
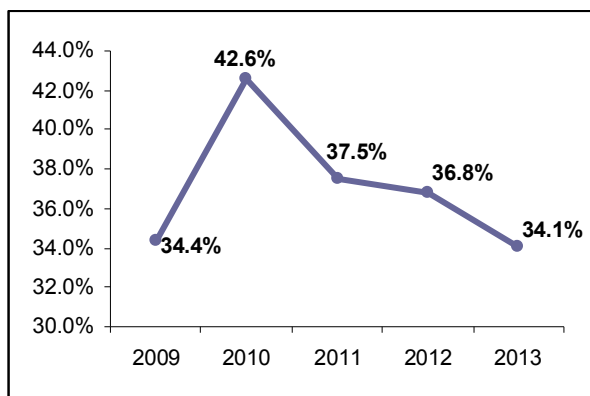


Table 1. The Number of Non-Bank Financial Institutions in Turkey (2008-2013)

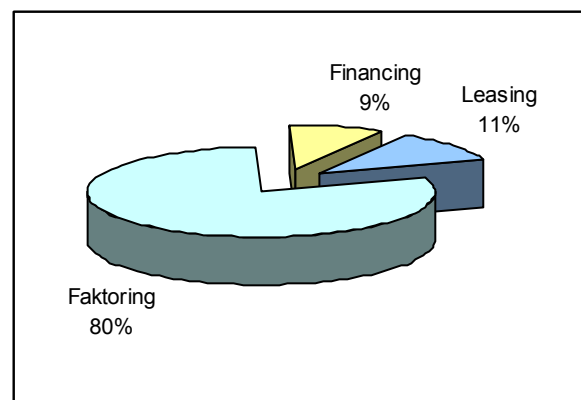
	2008	2009	2010	2011	2012	2013
Leasing Companies	50	47	35	31	32	33
Factoring Companies	81	78	76	75	78	76
Finance Companies	10	10	11	11	13	13

Graph 3. Share in Receivables of Financial Institutions



Source: The Central Bank

Graph 4. Share in Turnover of Financial Institutions



Source: FKB

Table 2. Structural Indicators

	2008	2009	2010	2011	2012	2013*
Number of Companies	81	78	76	75	78	76
Number of Branches	20	26	28	25	62	319
Number of Rep. Offices	128	116	175	218	185	--
Number of Personnel	3,009	2,959	3,557	3,819	4,186	4,650
Number of Customers	50,228	40,997	57,094	66,648	67,054	n.a.
Number of Fac. Agreements	146,558	65,952	89,516	91,029	84,769	n.a.

Source: BRSA * 2013 data FKB

Table 3. Financial Indicators (1,000 TL)

	2008	2009	2010	2011	2012	2013
Factoring Receivables	5,430,020	8,350,820	12,369,836	14,213,285	16,327,829	20,099,203
Non- Performing Loans	522,531	522,342	524,999	565,474	802,643	989,929
Specific Provisions	414,577	437,934	448,459	451,178	661,048	831,778
Banks	1,133,016	1,069,551	1,155,787	451,218	716,347	619,709
Credit Disbursements	4,918,581	7,499,216	10,960,987	11,438,673	12,811,365	15,462,263
Securities Issued	92,848	113,954	211,172	348,237	977,911	1,545,317
Shareholders Equity	2,319,464	2,493,335	2,940,320	3,376,552	3,855,882	4,019,391
Total Assets	7,575,457	10,407,622	14,462,609	15,617,092	18,146,479	21,794,487
Net Income/Loss	437,088	330,082	412,077	492,710	610,081	502,275

Source: BRSA

Table 4. Financial Ratios (%)

	2008	2009	2010	2011	2012	2013
Shareholders Equity/Total Assets	30.62	23.96	20.33	21.62	21.25	18.44
Credits/Total Assets	64.93	72.06	75.79	73.24	70.60	70.95
Issued Securities/Total Assets	1.23	1.09	1.46	2.23	5.39	7.09
Factoring Receivables/Total Assets	71.68	80.24	85.53	91.01	89.98	92.22

Source: BRSA

Table 5. Factoring Industry Main Indicators

	2008	2009	2010	2011	2012	2013
Share in Non-Bank Financial Institutions	26.3	34.4	42.6	37.5	36.8	34.1
Receivables/Equity (x)	2.4	3.4	4.2	4.2	4.2	4.4
Number of Loss Making Companies	13	15	14	10	9	17
FC Assets/Total Assets	15.4	8.2	9.1	11.2	10.8	11.8
FC Liabilities/Total Liabilities	35.1	16.9	17.5	19.3	16.0	14.8

Source: BRSA

Note: The above tables are all BRSA data. They may differ from other data and ratios used in our analyses in other sections. Tables and graphs which do not indicate a source are our calculations based on BRSA data downloaded on 22 April 2014 and individual audit reports

Additionally, the detailed Balance of Payments and Income Statements given at the end of the report are downloaded from BRSA on 22 April 2014 and include extensive revisions. Therefore, they may differ from our previous' years reports.

The sources of all tables are indicated to the extent possible. Calculations are made by Turkrating if no source is indicated.

Tables 2 - Table 5, giving the main structural and financial indicators of the industry, evidence little change in 2013. A major organizational change is the significant increase in the number of branches and the closure of representative offices.

The 2013 number of customers and agreements has not been published by the Banking Board. However, the general view is that the increase was considerable.

The industry maintained the growth trend of the last five years despite the downsizing of a number of companies. This was due to the entry of a few strong investors. Also some of the bank subsidiaries re-oriented their strategies to more aggressive growth compared to previous years.

Business Models and Management Strategies

Compared to 49 banks the existence of 76 factoring companies appears to be large at first sight. Yet, based on the ownership structure of factoring companies and their quantitative data these companies form 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. The success of the company is largely driven by the business strategies they adopt and the skills of the managers implementing these policies.

To elaborate on this observation, we picked up three companies having similar volumes of factoring receivables under Table 6. When these three companies are compared one sees that they operated under very different organizations in terms of branches and size of staff and arrived at highly dissimilar results under their strategies. We also noted that although the funding cost is fundamentally critical their ability to manage risks determines their performance.

Table 6. Comparison of Business Models of Companies Having Similar Size

	Fact. Receivables (1000 TL)	(%) Increase in 2013	Equity (1000 TL)	No. of Staff	No. of Branches	Net Income (1000 TL)	NPL Ratio (%)
Company A	306,038	26.0	58,044	199	13	5,989	7.0
Company B	289,515	24.0	82,039	35	-	7,861	3.0
Company C	281,031	8.9	141,929	432	49	35,292	10.8

The diversity in management models continued in 2013, as companies were focused on different customer segments and specific services. One of the developments in years 2012 and 2013 was the large companies' further penetration to small and medium size enterprises.

We also noted that reactions to changes in the economic environment significantly differed in terms of growth strategies. Year 2013 is a typical case in demonstrating this characteristic of the industry. Total factoring receivables increased by 24.5% in 2013; that of 17 companies decreased, that of 11 companies increased by at least 10%, that of 32 companies increased between 11% and 99%. Excluding the two large newcomers to the sector (Halk Faktoring and Zorlu Faktoring) the factoring receivables of 6 companies grew more than 100%. Such divergent growth strategies are not common in the banking sector. Details on our observations are given under Table 30 in Section 4.

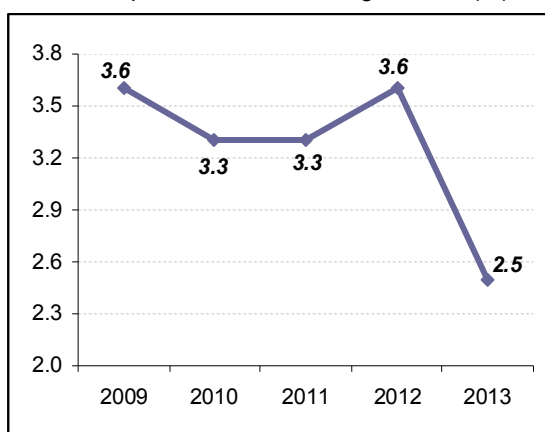
It is nearly impossible to judge whose strategy was better or more appropriate under the circumstances of 2013. It is difficult to evaluate the value of a specific strategy. Yet, at the end of the day we conclude that whoever managed to grow by improving its profit ratios without increasing its non-performing loans was successful.

Decrease in Profitability

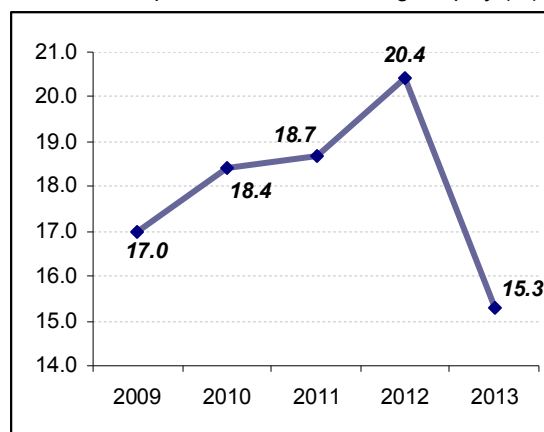
The improvement in profitability ratios of the past 2009-2012 period reversed in 2013 and net profits fell by 17%. Administrative costs were significantly higher due to the closure of all representative offices and the opening of new branches. Meanwhile total personnel increased by 464 (11%). The combination of these developments led to 19.5% rise in personnel expenditures and 22% rise in administrative costs. In 38 out of 76 companies net factoring operational income was lower than the previous year. Some had offset the loss with other earnings.

Net return on average assets fell to 2.5%, net return on average equity fell to 15.3%.

Graph 5. Net Profit/Average Assets (%)



Graph 6. Net Profits/Average Equity (%)



Source: BRSA

Profitability indicators also weakened in 2013 throughout the real sector. The traditional top 500 companies survey of the Istanbul Chamber of Industry, showed that 129 companies had reported loss in 2013 (63 companies in 2012) and only 371 companies reported net profits (437 in 2012). Additionally debt/equity ratio deteriorated from 112.0% to 132.4% and sales profit margins fell from 5.7% to 4.9%.

The Operating Environment in 2013

Both foreign and domestic policy factors had their imprints on the economic environment of 2013. A major driver of uncertainty was triggered in May 2013 when the U.S. Federal Reserve Bank announced a possible reduction in quantitative easing. Although there was no policy change until December 2013 all emerging markets including Turkey were affected by the expectation that capital flows would diminish. As a reaction currencies across emerging markets depreciated, spreads rose and equities fell.

By November 2013 despite the high volatility of market indicators the Governor of the Central Bank of Turkey retained its year-end inflation target of 5% and exchange rate of \$1=1.92 TL and refused to raise interest rates. The Turkish Lira depreciated by more than 20% and Turkish companies having sizeable foreign currency liabilities incurred severe losses. By mid January 2014 the Lira had depreciated by 23% despite the Central Bank's sale of USD 14.4 billion to lower the exchange rate. On January 28 the Monetary Committee convened and raised the overnight rate to 12% from 7.75%.

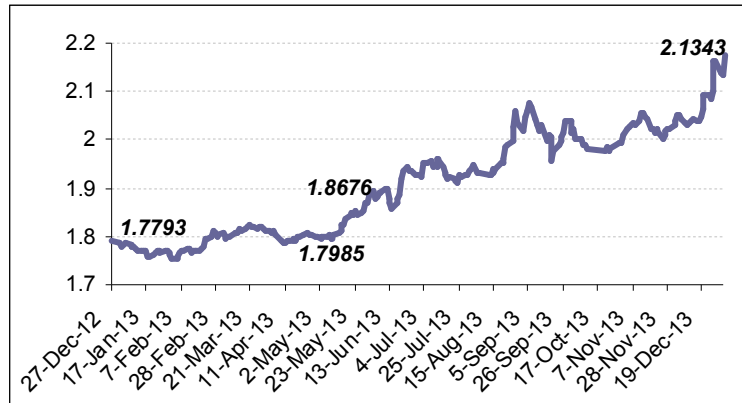
The following three graphs demonstrate the stark difference between the first and second halves of 2013. In the first months of 2013 an unprecedented optimism reigned in Turkey. The current account deficit as a ratio of GDP had declined to 6.2% due to GDP slowdown to 2.2%. A wave of optimism began with Fitch raising Turkey's sovereign rating to investment grade in November 2012. Expectations that S&P and Moody's would also upgrade Turkey continued until May 2013; under this positive mood

interest rates dipped to record lows (4.67%) and the stock exchange continuously rallied. On 20 May 2013 Moody's upgraded Turkey to investment grade fuelling expectations. On 22 May 2013 the Istanbul Stock Exchange (BIST-100 index) was at all times high the index value having risen to 93178.

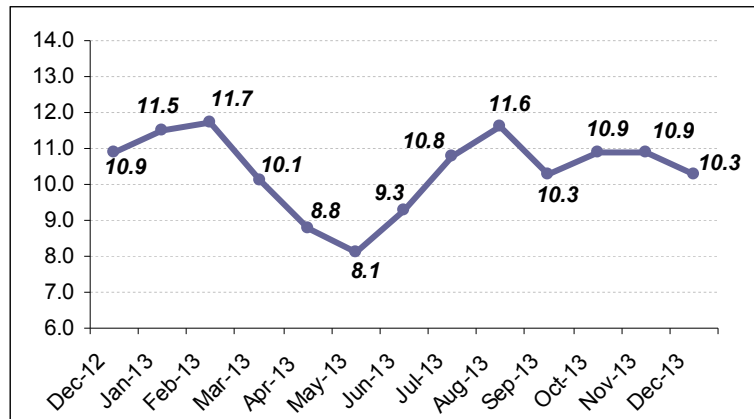
The announcement of the reduction of quantitative easing, referred as tapering, reversed the atmosphere of the global markets. In the case of Turkey the impact intensified due to internal political tensions; in three months the BIST-100 index dropped to 65519.

The challenges caused by Turkey's geopolitical position contributed to the continuation of uncertainties.

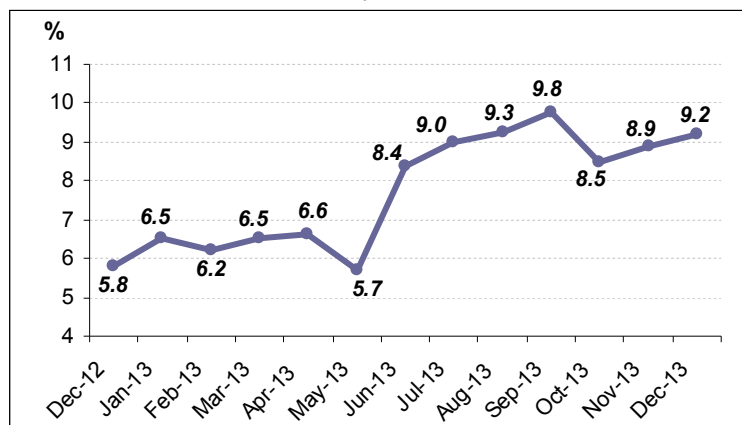
Graph 7. Exchange Rates (US\$=TL)



Graph 8. Interest Rates on Corporate Credits



Graph 9. Secondary Market Interest Rates



Developments in Banking

In 2013 the increase in the net profits of the banking system was limited to 5.0% while the annual increase in credits was 31.8% and 26.4% in total assets. When the adjustment is made for the asset sale revenue of a large bank the increase is even lower. The absence of additional deposits was offset with bond issuances and borrowings from money markets. Impaired assets rose in nominal terms. The NPL ratio went up to 2.9%. The sector's capital adequacy ratio eased to 15.3% from 17.9%.

Table 7. The Financial Indicators of the Banking Sector

	2009	2010	2011	2012	2013
Total Assets (Million TL)	834.014	1.006.667	1.217.695	1.370.642	1.732.419
Annual Growth (%)	13,9	20,7	21,0	12,6	26,4
Loans (Million TL)	392.621	525.851	682.893	794.756	1.047.428
Annual Growth (%)	6,9	33,9	29,9	16,4	31,8
Non-Performing Loans (Million TL)	21.853	19.993	18.973	23.408	29.588
NPL /Total Loans	5,6	3,8	2,8	2,9	26,4
Net Income (Million TL)	20.182	22.116	19.844	23.523	24.733
Change in Net Income (%)	50,4	9,6	-10,3	18,5	5,1
Shareholders' Equity (Million TL)	110.887	134.542	144.646	181.940	193.807
Annual Growth (%)	28,3	21,3	7,5	25,8	6,5

Source: BRSA

In both 2012 and 2013, the increase in non-performing loans of the banking system was at an annual average of 26%.

Graph 10. Annual Change in NPL ratios of Corporate Credits

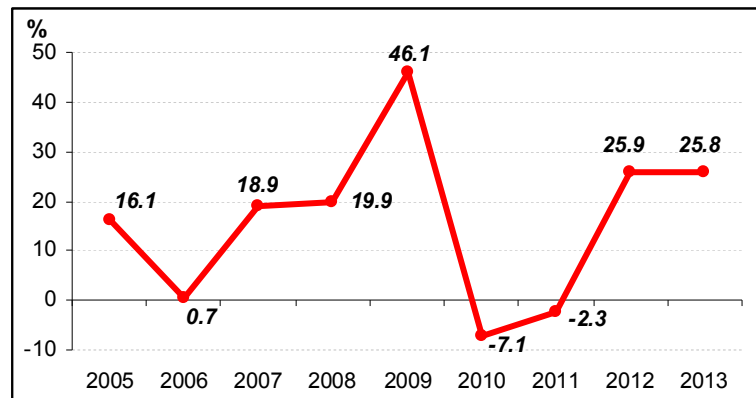
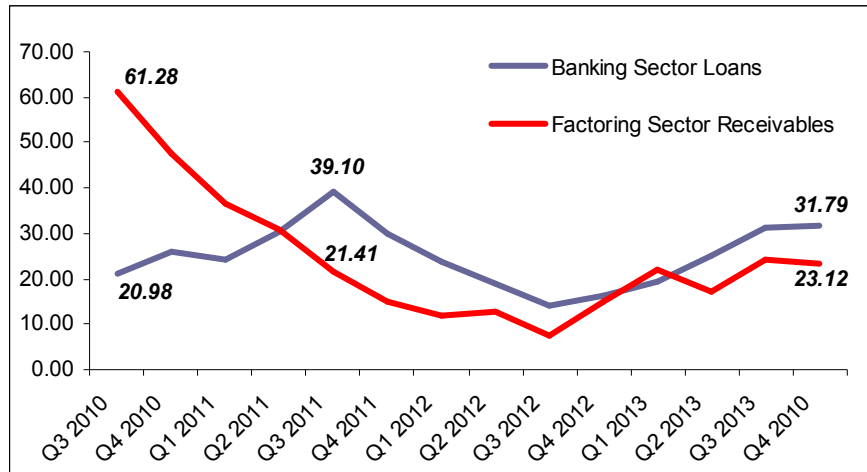


Table 8. Comparison of Profitability Ratios with the Banking and Leasing Sectors

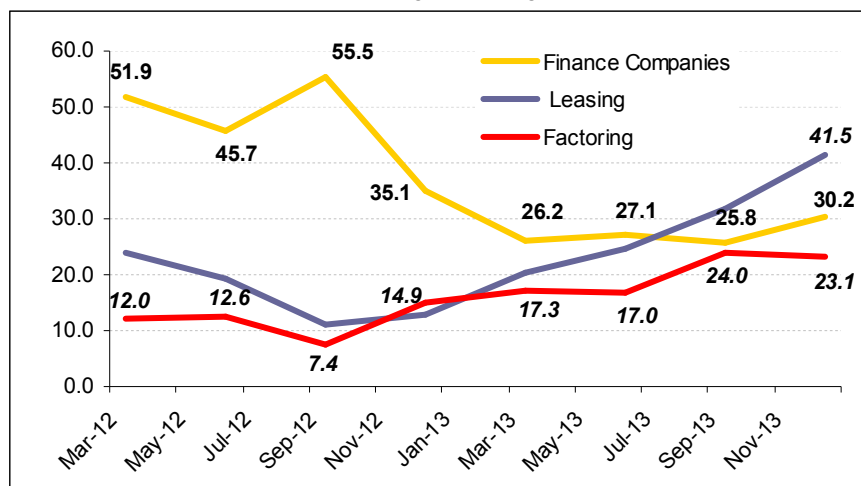
		2009	2010	2011	2012	2013
Factoring	Net Profit/Loss (Million TL)	330	412	493	610	502
	ROAA (%)	3.8	3.2	3.3	3.7	3.3
	ROAE (%)	14.1	15.2	15.8	17.1	18.4
Leasing	Net Profit/Loss (Million TL)	583	466	510	443	450
	ROAA (%)	3.8	3.2	2.9	2.3	1.8
	ROAE (%)	18.3	12.7	12.6	10.0	8.91
Banks	Net Profit/Loss (Million TL)	20,182	22,116	19,844	23,523	24,733
	ROAA (%)	2.4	2.2	1.8	1.8	1.8
	ROAE (%)	22.9	20.1	15.4	15.7	15.4

Source: BDDK (ROAA and ROAE ratios are calculated by BRSA)

Graph 11. Annual Change in Bank Credits and Factoring Receivables (%)



Graph 12. Annual Growth in Leasing, Factoring and Finance Companies (%)



Source: The Central Bank, Stability Report May 2014

Composition of Factoring Receivables

The sector composition of factoring receivables tables given by BRSA show that 62% of factoring receivables is with recourse and 38% is in non-recourse nature. These rates were 57% to 43%, respectively, in 2012. With recourse transactions increased by 3.0 percentage points as non-recourse transactions decreased.

Table 9. Composition of Factoring Receivables (%)

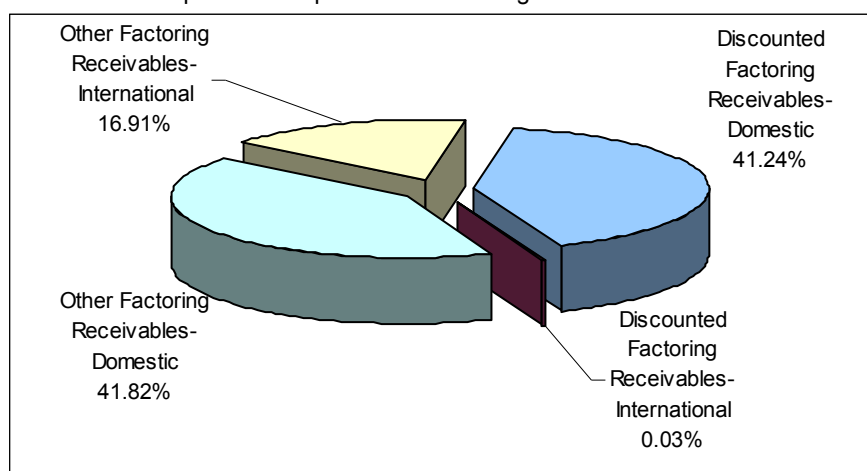
	2008	2009	2010	2011	2012	2013
With Recourse	76.55	85.14	56.75	66.61	56.81	62.04
Non-Recourse	23.45	14.86	43.25	33.39	43.19	37.96
Total	100.00	100.00	100.00	100.00	100.00	100.0

Table 10. Factoring Receivables Composition by Recourse/Non-Recourse (1000 TL)

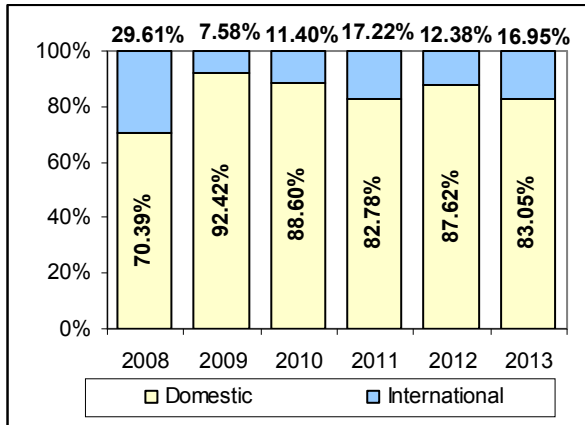
	2009	2010	2011	2012	2013
Discounted Factoring Receivables-Domestic-Recourse	3,750,230	4,674,216	5,654,628	6,478,053	7,970,994
Discounted Factoring Receivables-Domestic-Non-Recourse	97,356	170,373	316,118	559,333	1,028,008
Discounted Factoring Receivables-Domestic – Total	3,847,586	4,844,589	5,970,746	7,037,386	8,999,002
Discounted Factoring Receivables-International-Recourse	0	0	812	1,911	7,091
Discounted Factoring Receivables-International-Non-Recourse	29	24,936	0	34,276	0
Discounted Factoring Receivables-International-Total	29	24,936	812	36,187	7,091
Other Factoring Receivables- Domestic-Recourse	5,564,043	3,459,791	5,049,820	3,997,324	4,291,156
Other Factoring Receivables- Domestic-Non-Recourse	1,001,393	5,339,863	3,087,006	5,812,097	4,835,084
Other Factoring Receivables- Domestic-Total	6,565,436	8,799,654	8,136,826	9,809,421	9,126,240
Other Factoring Receivables-International-Recourse	278,418	605,113	647,762	445,620	1,269,800
Other Factoring Receivables-International-Non-Recourse	575,865	1,124,942	2,286,914	1,899,075	2,421,491
Other Factoring Receivables-International-Total	854,283	1,730,055	2,934,676	2,344,695	3,691,291
Factoring - GROSS TOTAL*	11,267,334	15,399,234	17,043,060	19,227,689	21,823,624

Note: The above Gross Total of Factoring Receivables is higher than the Factoring Receivables given in the Balance Sheet because factoring companies report to BRSA their receivables' amount, including interest and commission revenues.

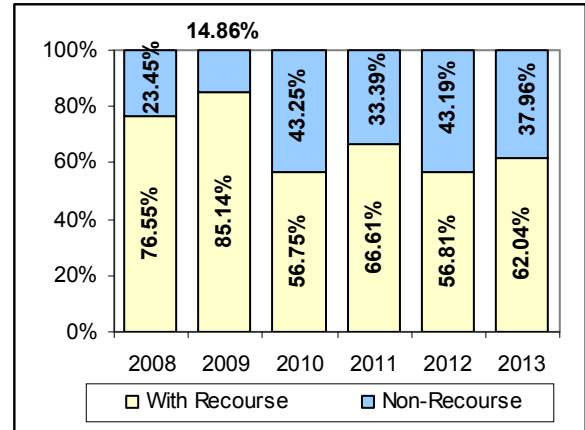
Graph 13. Composition of Factoring Receivables in 2013



Graph 14. Domestic and International Factoring



Graph 15. With Recourse/Non-Recourse Factoring



Foreign Currency Funding and Factoring Receivables

The majority of companies has confined their activities to domestic factoring and does only TL transactions; they avoid currency risk and borrow only in TL. In 2013 only 20.7% of total borrowings were in foreign currency.

Table 11. Domestic and International Factoring (1000 TL)

	2009	2010	2011	2012	2013
Domestic	10.413.022	13.644.243	14.107.572	16.846.807	18.127.172
International	854.312	1.754.991	2.935.488	2.380.882	3.698.382
Total	11.267.334	15.399.234	17.043.060	19.227.689	21.825.554

Table 12. Net Factoring Receivables Currency Composition (Milyon TL)

	2008	2009	2010	2011	2012	2013
Turkish Lira	5.050	7.838	11.219	12.704	14.575	17.921
Foreign Currency	541	513	1.151	1.509	1.752	2.178
Total	5.591	8.351	12.370	14.213	16.327	20.099

Table 13. Factoring Revenues (Million TL)

	2011			2012			2013		
	TL	YP	Total	TL	YP	Total	TL	YP	Total
Interest Income	1,710	75	1,785	2,280	74	2,354	2,100	67	2,167
Fees and Commissions	225	28	253	224	32	256	226	30	256
Total Factoring Incomes	1,932	105	2,037	2,504	106	2,610	2,167	256	2,423

Table 14. Currency Composition of Credits (Million TL)

	Credits				Factoring Receivables			
	TL	FC	Total	Share of FC	TL	FC	Total	Share of FC
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	8.426	2.535	10.961	22.8	11.220	1.151	12.370	9.3
2011	8.466	2.972	11.439	26.0	12.713	1.510	14.233	10.6
2012	9.938	2.873	12.811	22.4	14,575	1,752	16,328	10.7
2013	12.262	3.200	15.462	20.7	17.921	2.178	20.099	10.8

Source: BRSA

Maturity

Most factoring companies work with 90 to 120-day terms. Discounting receivables is typically for a period of less than three months.

While the flexibility to change the volume of factoring receivables is an opportunity for managements, it also means that a company's financial situation may deteriorate (or improve) in a very short period. As audited statements are made public only once a year, investors and creditors are unable to detect worsenings in the financial performance of these companies before the audit reports are available.

Annual Turnover

Total turnover showed a 21.3% increase in 2013 and went up from 77.3 billion to TL 93.8 billion TL while overseas turnover also rose from 13.8 billion TL to 16.1 billion TL (16.8%). Since annual performance is reported with turnover volume on international platforms, the Association of Non-Bank Financial Institutions also compiles the turnover statistics of its members. The volume of annual turnover is additionally announced by BRSA. Measurement of turnover is an indication of a certain size of business volume but it is not used in company analyses since it does not reflect the financial strength and profitability of the company. Although turnover volume is regarded an element of prestige in the sector, turnover increase has no value if it is not profitable.

Graph 16. Domestic and International Turnover

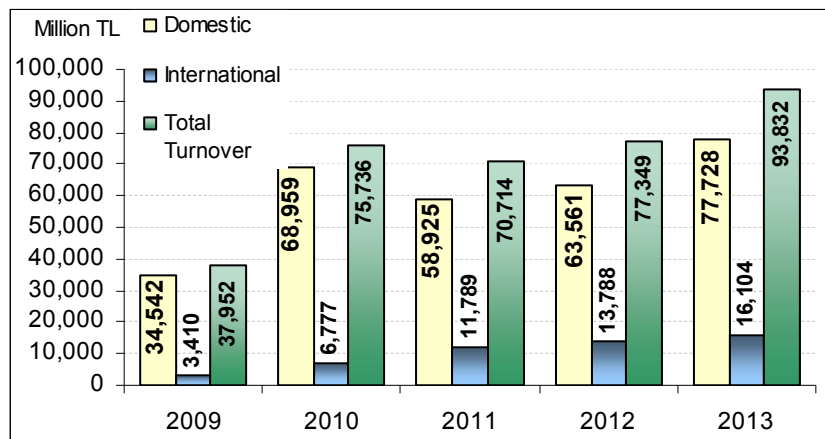


Table 15. Annual Turnover (1000 TL)

	2010	2011	2012	2013
Total Turnover	75,735,561	70,713,528	77,349,313	93,832,334
- International	6,777,000	11,789,000	13,789,000	16,104,000
- Domestic	68,958,561	58,924,528	63,560,313	77,728,334

Source: BRSA and FKB

Table 16. Quarterly Cumulative Turnover (1000 TL)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
International	2,710	5,405	8,534	11,789	3,314	7,294	10,531	13,747	3,503	7,252	11,170	16,104
Domestic	15,322	29,842	44,386	58,924	13,457	28,860	43,493	63,583	18,342	38,017	56,667	77,728
Total Turnover	18,031	35,247	52,920	70,714	16,771	36,154	54,025	77,330	21,845	45,269	67,837	93,832

Source: The Factoring Association

Risk Concentration by Industry

The factoring industry has traditionally served predominantly the textiles, construction and main metal industries. However, trade and energy had the highest shares in the last two years. Distribution of risk is in fact much more diversified as there are numerous sub-sectors within these main sector headings. In 2013, 55.6% of factoring receivables was allocated to manufacturing, 41.1% to services and the rest to agriculture. Driven by the rapid growth of construction and retail trade in Turkey the share of services has advanced to 41% from 24.7% in 2010.

Table 17. Sectoral Composition of Factoring Receivables (1000 TL)

	2010	2011	2012	2013	% Change	% Change
Total Agriculture	221,102	344,915	344,183	412,157	-0,21	19,75
Agriculture, Husbandry and Forestry	204,456	340,781	337,215	388,191	-1,05	15,12
Fishing	16,646	4,134	6,968	23,966	68,55	243,94
Total Manufacturing Industry	11,327,293	11,114,514	12,154,753	12,129,924	9,36	-0,20
Extracting of Energy Producing Mines	1,450,846	85,327	365,976	90,679	328,91	-75,22
Extracting of None-Energy Producing Mines	274,618	227,397	56,152	68,629	-75,31	22,22
Food, Beverage and Tobacco Ind.	477,344	665,285	750,576	697,702	12,82	-7,04
Textile and Textile Products Industry	1,373,048	1,581,795	1,531,028	1,766,898	-3,21	15,41
Deri ve Deri Ürünleri Sanayi	62,106	70,729	87,870	122,840	24,23	39,80
Wood and wood Products	173,471	131,231	224,636	131,874	71,18	-41,29
Paper and Paper Products	482,848	332,751	296,010	347,539	-11,04	17,41
Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	1,762,497	975,584	3,023,382	2,828,230	209,90	-6,45
Chemicals and Chemical Products,	336,735	453,882	388,630	479,939	-14,38	23,50
Ruber and Plastics	249,418	375,640	297,023	313,830	-20,93	5,66
Other Non-Metallic Mines	444,946	450,531	462,559	580,804	2,67	25,56
Main Metal Industry and Processed Material	945,811	1,237,195	1,142,122	1,302,181	-7,68	14,01
Machinery and Equipment Industry	976,940	1,108,525	1,172,202	1,084,812	5,74	-7,46
Electrical and Optical Equipment Industries	449,171	254,808	433,787	529,349	70,24	22,03
Transportation Vehicles Industry	895,277	1,302,630	1,417,242	1,156,265	8,80	-18,41
Manufacturing Ind. Not Classifies	359,279	1,398,475	299,505	370,942	-78,58	23,85
Electric, Gas and Water Resources	612,938	462,729	206,053	257,411	-55,47	24,92
Total Services	3,799,047	5,397,548	6,621,418	9,038,619	22,67	36,51
Construction	1,314,706	1,350,052	1,757,654	2,016,554	30,19	14,73
Wholesale and Retail Trade, Motor Vehicles Services	984,877	1,778,088	2,474,547	3,694,235	39,17	49,29
Hotels and Restaurants (Tourism)	174,679	234,992	186,548	138,777	-20,62	-25,61
Transportation, Warehousing and Communication	428,303	521,326	576,663	922,692	10,61	60,01
Financial Intermediation	299,662	318,067	480,268	681,439	51,00	41,89
a) Financial Institutions	260,024	309,391	463,954	652,928	49,96	40,73
b) Other Financial Institutions	39,638	8,676	16,314	28,511	88,04	74,76
Real Estate Brokerage	108,695	349,948	310,041	548,278	-11,40	76,84
Defense and Public Admin. & Social Sec. Institutions	1,860	1,065	3,260	2,992	206,10	-8,22
Education	21,696	9,184	6,551	9,277	-28,67	41,61
Health and Social Services	102,673	180,907	148,688	176,340	-17,81	18,60
Other Social and Personal Services	349,414	644,018	670,567	843,723	4,12	25,82
Private Persons Employing Workers	11,948	8,848	6,426	3,679	-27,37	-42,75
International Organizations	534	1,053	205	633	-80,53	208,78
OTHER	51,792	186,083	107,335	244,854	-42,32	128,12
TOTAL	15,399,234	17,043,060	19,227,689	21,825,554	12,82	13,51

The four major sectors where the sector has the highest exposure are also Turkey's rapidly growing dynamic sectors. However, excluding the energy sector, these sectors are also known for their high NPL ratios. One of the problems in making analysis in risk distribution is that the headings cover too large areas. For instance, looking at "Transportation, Warehousing and Communication" it is not easy to understand whether the change comes from logistic or auto-lease companies.

There is also the problem of how well the reporting mechanism works and how accurate are the reports to BRSA.

Graph 17. Sector Composition of Factoring Receivables (%)

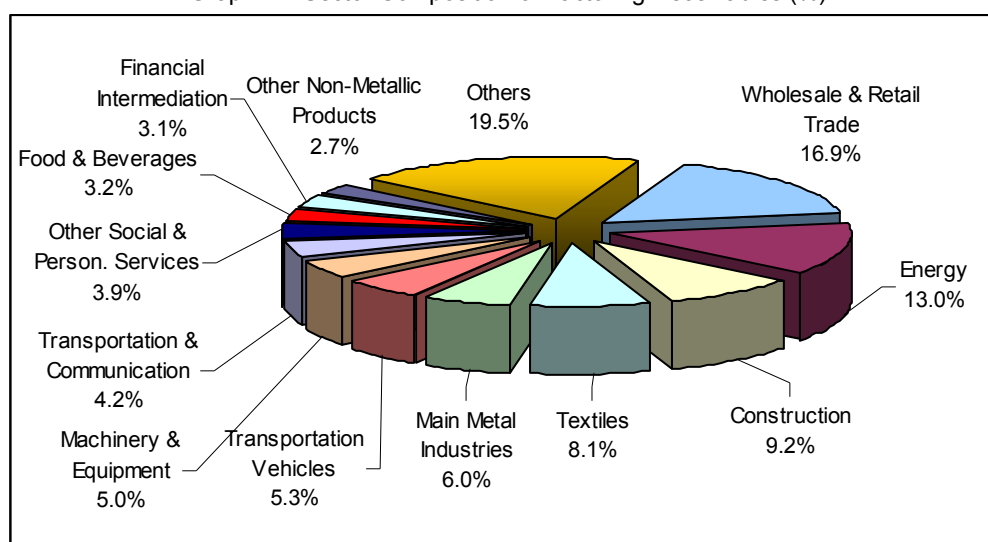


Table 18. 2012 - 2013 Developments in the Share of Sectors

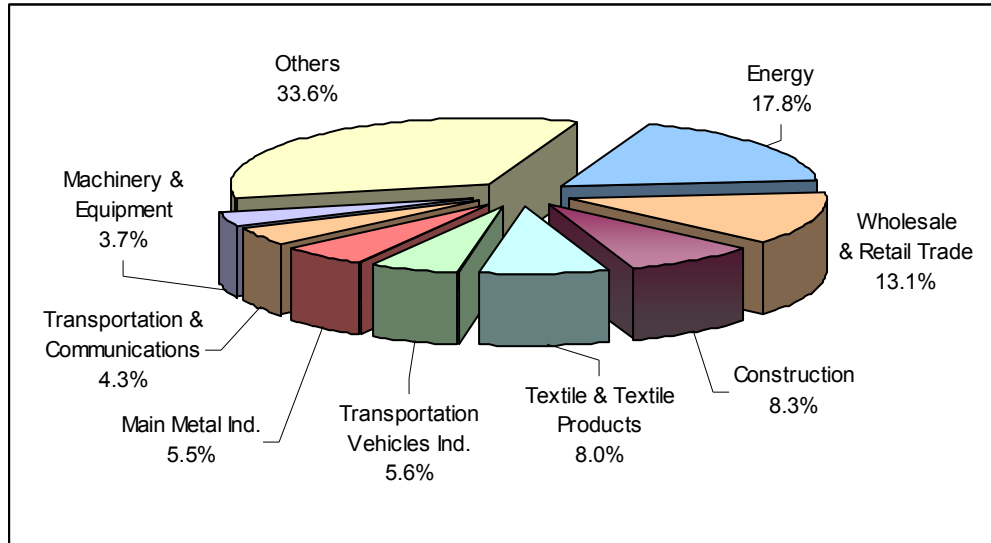
	2012	2013	2012 Share	2013 Share
Wholesale and Retail Trade, Motor Vehicles Services	2,474,547	3,694,235	12.87	16.93
Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	3,023,382	2,828,230	15.72	12.96
Construction	1,757,654	2,016,554	9.14	9.24
Textile and Textile Products Industry	1,531,028	1,766,898	7.96	8.10
Main Metal Industry and Processed Material	1,142,122	1,302,181	5.94	5.97
Transportation Vehicles Industry	1,417,242	1,156,265	7.37	5.30
Machinery and Equipment Industry	1,172,202	1,084,812	6.10	4.97
Transportation, Warehousing and Communication	576,663	922,692	3.00	4.23
Other Social and Personal Services	670,567	843,723	3.49	3.87
Food, Beverage and Tobacco Ind.	750,576	697,702	3.90	3.20
Financial Intermediation	480,268	681,439	2.50	3.12
Other Non-Metallic Products	462,559	580,804	2.41	2.66
Real Estate Brokerage	310,041	548,278	1.61	2.51
Electric, Gas and Water Resources	433,787	529,349	2.26	2.43
Chemical Products Industry	388,630	479,939	2.02	2.20
Agriculture	344,183	412,157	1.79	1.89
Manufacturing Industry Not Classified in Other Places	299,505	370,942	1.56	1.70
Paper and Paper Products	296,010	347,539	1.54	1.59
Rubber and Plastic Products	297,023	313,830	1.54	1.44
Others	1,399,700	1,247,985	7.27	5.71
Total	19,227,689	21,825,554	100.00	100.00

The Sector Composition of Factoring Turnover

The turnover distribution presents a slightly different sector composition. In Graph 18 and Table 19 “Nuclear Fuel, Refined Petroleum and Coke”, which is one of the energy sectors, appears to have the largest share (%17.8). The second largest sector is “wholesale and retail trade” with 13% share. In nominal terms the turnover volume of this sector has increased by 50%.

Total turnover increased by 21.3% in 2013 and reached TL 93.8 billion. Compared to 2012 in almost every sector turnover is higher in 2013.

Graph 18. The Sectoral Composition of Factoring Turnover in 2013



Source: BRSA

Table 19. Sectoral Distribution of Annual Turnover (Million TL)

SECTOR	2011	SHARE	2012	SHARE	2013	SHARE
Nuclear Fuel, Refined Petroleum and Coke	4,955	7.0	9,822	12.7	16,731	17.8
Wholesale and Retail Trade Motor Vehicle Services	6,509	9.2	8,187	10.6	12,322	13.1
Construction	7,099	10.0	6,952	9.0	7,759	8.3
Textile and Textile Products Industry	7,147	10.1	7,144	9.2	7,463	8.0
Transportation Vehicles Industry	4,524	6.4	4,375	5.7	5,286	5.6
Main Metal Industry and Processed Material	5,169	7.3	4,933	6.4	5,188	5.5
Transportation, Warehousing and Communication	2,300	3.3	2,920	3.8	4,034	4.3
Machinery and Equipment	3,129	4.4	3,525	4.6	3,501	3.7
Other Social and Personal Services	3,214	4.5	3,416	4.4	3,236	3.4
Food, Beverage and Tobacco Industry	2,586	3.7	2,925	3.8	2,790	3.0
Financial Intermediation	1,563	2.2	1,645	1.9	2,520	2.7
Other Mines Excluding Metal Industry	2,256	3.2	2,002	2.6	2,406	2.6
Chemicals and Synthetic Fibers	1,736	2.5	1,777	2.3	2,232	2.4
Paper and Paper Products	2,015	2.8	1,744	2.3	2,023	2.2
Ruber and Plastics	1,559	2.2	1,655	2.3	1,934	2.1
Other	14,953	21.1	14,224	20.7	14,408	15.4
GROSS TOTAL	70,714	100.0	77,349	100.0	93,832	100.0

Source: BRSA

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.

Currently, some of the companies are exploring opportunities to diversify their services. One area that could develop is long-term collection arrangements. Already some companies have made arrangements with public institutions, such as utilities, to collect all of their receivables within a framework agreement.

The SME Factor in Turkey

The Ministry of Industry indicates that SMEs constitute 99.77% of all companies, they employ 78% of total employment and represent 65.5% of all domestic sales, 50% of total investments and 60% of total exports. However their share of total credits is limited to 24%. Their financial problems stem from insufficient equity and difficulty in funding.

The majority of factoring companies' customers is small and medium-size companies. According to the statistics of the Social Security Administration, there are 1.5 million companies in Turkey. As clearly visible in Table 20, as of January 2014, in 63% of these companies fewer than three people were employed while 85% employed fewer than ten people. The backdrop of such an SME concentration in Turkey provides strong demand for factoring services.

Table 20. Distribution of SMEs in Turkey

Size of Company	No. of Companies	% Share
1 person	559,145	35.07
2-3 persons	437,580	27.45
4-6 persons	253,177	15.88
7-9 persons	112,576	7.06
10-19 persons	125,439	7.87
20-49 persons	74,771	4.69
50-99 persons	17,637	1.11
100-249 persons	10,073	0.63
250-499 persons	2,673	0.17
500-999 persons	1,370	0.06
1000+ persons	292	0.02
Total	1,594,264	100.00

Source: January 2014, Bulletin of Statistics of the Social Security Administration

There are no statistics on the factoring companies' concentration on SMEs. Although factoring is assumed to be primarily SME financing, large corporations also have a sizeable share in total receivables.

Factoring gives the opportunity to convert the balance sheet of a company into a less leveraged/more liquid structure. Therefore, some of the larger companies are regular users of factoring at the end of each quarter, i.e. audit period.

4. FACTORING COMPANIES IN TURKEY

Companies and Market Shares

Table 21 lists the 76 factoring companies that were operating as of 31st December 2013. This data is collected from each company's 2013 audit report.

Table 21. Factoring Companies in Turkey as of 31.12.2013 (1000 TL)

	Est. Date	Assets	Factoring Receivables	Shareholders Equity	Paid-in Capital	Credits	Net Income
1. Yapı Kredi Fak. A.Ş.	1992	2,196,454	2,141,810	263,545	31,917	1,916,627	149,335
2. Garanti Fak. A.Ş.	1990	2,059,653	1,986,549	120,066	79,500	1,902,033	15,302
3. Deniz Fak. A.Ş.	1998	1,968,172	1,906,636	206,226	137,600	1,705,578	50,572
4. TEB Fak. A.Ş.	1997	1,140,467	1,087,138	61,138	19,000	1,066,679	14,259
5. İş Fak. A.Ş.	1993	971,517	943,649	69,276	40,000	899,375	11,759
6. Kapital Fak. A.Ş.	1992	848,592	835,920	391,192	10,000	449,862	61,767
7. Fiba Fak. A.Ş.	1992	730,141	674,353	150,717	48,500	539,659	-23,171
8. ING Fak. A.Ş.	2010	628,531	539,635	50,267	40,000	575,452	3,848
9. Lider Fak. A.Ş.	1992	611,461	584,147	97,707	30,000	509,957	7,549
10. Creditwest Fak. A.Ş.	1994	590,222	547,032	139,428	80,000	442,629	23,866
11. Girişim Fak. A.Ş.	1997	565,308	321,838	197,363	35,000	306,099	-16,926
12. Finans Fak. A.Ş.	2009	534,958	517,646	28,421	20,000	503,922	1,574
13. Destek Fak. A.Ş.	1996	529,953	514,448	173,581	40,000	344,014	25,593
14. Ulusal Fak. A.Ş.	1999	504,293	486,962	67,631	22,000	433,793	12,019
15. Eko Fak. A.Ş.	1994	403,819	377,695	92,667	55,000	306,018	11,420
16. Şirinoğlu Fak. A.Ş.	1992	379,502	281,031	141,929	60,000	231,812	35,292
17. Halk Fak. A.Ş.	2012	326,861	324,706	40,822	40,000	284,739	1,083
18. MNG Fak. A.Ş.	1999	322,803	306,038	58,844	36,000	261,549	5,989
19. Ekspo Fak. A.Ş.	2000	294,570	289,515	82,039	50,000	209,216	7,861
20. Akdeniz Fak. A.Ş.	1993	260,063	259,530	29,308	25,000	218,551	4,058
21. Kent Fak. A.Ş.	1997	235,157	215,824	35,959	35,000	197,520	-12,424
22. C Fak. A.Ş.	2002	234,921	81,243	167,769	67,800	66,208	5,864
23. Akın Fak. A.Ş.	2000	234,636	232,918	48,885	10,000	184,802	11,882
24. Yaşar Fak. A.Ş.	1993	225,073	211,177	97,704	20,000	119,605	8,371
25. Şeker Fak. A.Ş.	2000	220,145	199,228	24,652	16,000	194,060	1,657
26. Ak Fak. A.Ş.	1993	214,233	208,595	17,904	8,500	194,968	7,493
27. Çağdaş Fak. A.Ş.	1994	201,921	191,277	35,489	20,000	165,110	3,657
28. Yeditepe Fak. A.Ş.	1997	201,598	198,848	45,733	32,000	154,462	10,616
29. Prime Fak. Hizm. A.Ş.	1997	200,718	125,353	46,656	7,500	149,035	33,583
30. Zorlu Fak. A.Ş.	2012	198,940	194,313	19,812	16,750	177,606	3,623
31. Kredi Fin. Fak. Hizm.A.Ş.	1998	182,409	168,900	18,856	15,000	160,983	2,642
32. Strateji Fak. A.Ş.	1997	177,383	171,739	15,912	12,750	160,427	1,535
33. Vakıf Fin. Fac. Hizm.A.Ş.	1998	175,521	132,444	81,303	22,400	93,411	-7,247
34. Pamuk Fak. A.Ş.	1992	157,201	80,729	69,791	50,000	86,603	2,917
35. GSD Fak. A.Ş.	1994	154,368	153,527	29,607	8,100	122,615	4,031
36. Anadolu Fak. A.Ş.	2007	154,003	152,917	61,833	27,210	91,554	6,691
37. Bayramoğlu Fak. A.Ş.	1997	150,232	141,156	91,872	85,000	56,811	-13,090
38. Optima Fak. A.Ş.	1996	147,614	139,264	27,449	16,000	118,387	5,547
39. Para Finans Fak.A.Ş.	1997	147,063	135,101	18,887	16,000	126,408	2,062
40. Başer Fak. A.Ş.	1995	140,161	133,591	35,854	15,000	102,504	6,429

41.	Atılım Fak. A.Ş.	1993	138,885	132,342	28,132	12,000	108,732	1,359
42.	Demir Fak. A.Ş.	1993	124,195	104,877	28,785	11,000	93,874	-636
43.	Tam Fak. A.Ş.	2012	123,613	106,207	65,093	82,320	55,182	-9,395
44.	Doğan Fak. A.Ş.	1999	117,725	115,510	28,412	20,000	85,280	6,088
45.	Huzur Fak. A.Ş.	2008	104,063	93,489	17,696	14,500	85,389	23
46.	Devir Fak. A.Ş.	1991	97,666	89,995	13,890	10,000	83,046	955
47.	Analiz Fak. A.Ş.	2009	96,745	85,847	13,715	9,600	79,530	3,440
48.	VDF Fak. Hizm. A.Ş.	2009	90,143	63,430	15,532	10,000	71,528	5,002
49.	Eren Fak. A.Ş.	2010	90,133	88,173	12,687	8,500	75,178	3,978
50.	Erişim Fak. A.Ş.	2000	86,754	78,899	12,778	12,000	73,068	838
51.	Çözüm Fak. A.Ş.	1997	83,916	72,666	40,584	22,000	42,389	4,525
52.	ABC Fak. A.Ş.	1998	78,024	68,963	12,014	12,000	64,977	982
53.	Sardes Fak. A.Ş.	2011	70,788	69,772	11,472	7,750	58,540	1,726
54.	Değer Fak. A.Ş.	2010	70,028	66,993	7,947	9,200	61,648	396
55.	Tuna Fak. A.Ş.	1997	69,187	64,102	27,017	20,000	40,492	3,288
56.	Arena Fak. A.Ş.	2009	61,586	58,104	17,154	10,000	44,086	1,398
57.	Berg Fak. A.Ş.	2012	58,983	57,971	15,554	15,000	43,207	792
58.	First Factoring A.Ş.	2007	52,902	49,724	10,538	15,450	42,064	841
59.	Trend Fak. A.Ş.	2000	51,023	48,741	14,438	9,250	35,948	1,930
60.	ACL Fak. A.Ş.	1994	48,247	40,099	15,320	11,750	31,424	1,730
61.	Global Fak. Hizm.A.Ş.	2000	43,719	28,416	14,591	10,000	27,414	588
62.	Merkez Fak. A.Ş.	1997	39,395	38,111	9,916	7,500	29,043	212
63.	Kıbrıs İktisat Fak. A.Ş.	2013	39,030	37,807	8,510	9,500	30,311	-701
64.	Ar Fak. A.Ş.	2010	37,830	17,158	-7,403	7,500	44,506	-17,602
65.	Doğa Fak. A.Ş.	1998	40,361	32,581	15,820	15,000	23,930	-847
66.	Makro Fak. A.Ş.	1999	59,070	53,767	13,133	7,500	45,465	532
67.	As Fak. A.Ş.	2011	26,509	23,721	6,636	9,000	19,471	-2,100
68.	Kredi Alta Fak. A.Ş.	2012	26,437	25,836	6,810	7,500	19,321	402
69.	Katar Fak.Hizm. A.Ş.	1993	24,820	17,813	12,581	10,000	11,373	-1,701
70.	Mert Fin. Fak.A.Ş.	2009	22,961	21,689	9,804	7,500	12,422	1,125
71.	Turkish Fak. Hizm.A.Ş.	2007	22,333	19,713	6,991	7,500	14,989	-919
72.	Sümer Fak. A.Ş.	1996	4,445	1,111	4,395	8,300	0	-3,109
73.	Acar Fac. A.Ş.	1993	19,869	9,557	20,228	12,000	0	1,548
74.	Met-ay Fak. A.Ş.	1997	16,759	6,101	7,505	12,000	8,888	-718
75.	Atak Fak. A.Ş.	1998	10,812	7,454	7,733	7,500	2,981	-169
76.	Ce-Sa Faktoring A.Ş.	2013	10,112	9,714	6,949	7,500	3,006	-551
TOTAL			21,779,703	20,100,875	4,007,051	1,868,647	17,399,345	494,138

The apparent trend in the industry is the growth of middle sized companies gaining a bigger share while the share of the small companies decreases.

Table 22. Number of Factoring Companies According to Size (BRSA)

	Large	Medium	Small
2010	6	17	53
2011	4	23	47
2012	5	21	51
2013	6	31	39

Source: BRSA

Table 23. Concentration of Assets (%)

	2006	2007	2008	2009	2010	2011	2012	2013
Top 5 Companies	42	40	52	46	44	37	39	38
Top 10 Companies	60	57	66	65	63	55	59	54
Distribution by Size								
Large*	44	35	55	52	50	54	38	42
Medium**	36	46	24	32	33	40	43	46
Small***	20	19	21	16	17	16	19	12
Total	100	100	100	100	100	100	100	100

Source: BRSA and FKB

Note – According to 2011 and 2012 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 24. Number of Factoring Companies According to Sizes and Market Shares (Turkrating)

Groups	Definition	Number of Company	Share %	Cumulative Share %
A	1 - 3 Market Share 9.0% and +	3	28,56	28,56
B	4 – 14 Market Share 2.0% -8.0%	11	35,13	63,68
C	15 - 25 Market Share 1.0% -2.0%	11	14,40	78,08
D	26 - 36 Market Share 0.7% -1.0%	11	9,26	87,34
E	37 - 76 Market Shares below 1.0%	40	12,59	99,93

Graph 19. Group Market Shares in 2013

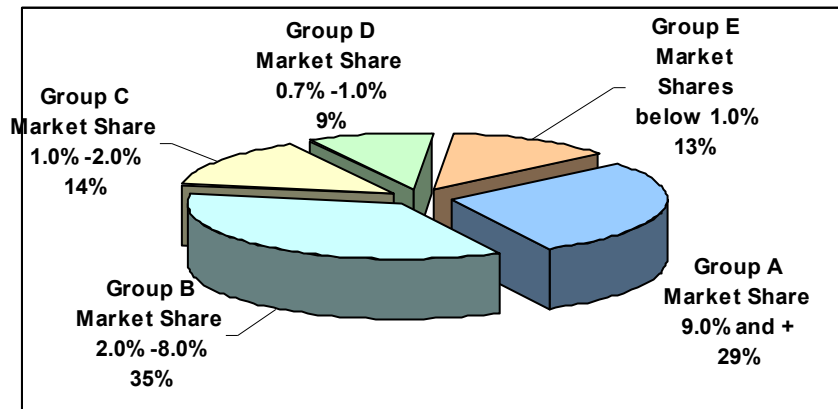


Table 25. List of Factoring Companies by Asset Size (1000 TL)

		T. Assets 2011	T. Assets 2012	% Change	T. Assets 2013	% Change
1	Yapı Kredi Fak. A.Ş.	1,850,957	1,791,190	-3.2	2,196,454	22.6
2	Garanti Fak. A.Ş.	1,275,030	1,955,227	53.3	2,059,653	5.3
3	Deniz Fak. A.Ş.	1,013,675	1,266,523	24.9	1,968,172	55.4
4	TEB Fak. A.Ş.	868,679	786,430	-9.5	1,140,467	45.0
5	İş Fak. A.Ş.	432,413	1,041,260	140.8	971,517	-6.7
6	Kapital Fak. A.Ş.	714,479	757,375	6.0	848,592	12.0
7	Fiba Fak. A.Ş.	752,044	862,523	14.7	730,141	-15.3
8	ING Fak. A.Ş.	312,027	617,011	97.7	628,531	1.9
9	Lider Fak. A.Ş.	500,821	644,859	28.8	611,461	-5.2
10	Creditwest Fak. A.Ş.	487,504	503,061	3.2	590,222	17.3
11	Girişim Fak. A.Ş.	520,237	490,094	-5.8	565,308	15.3
12	Finanas Fak.A.Ş.	279,570	373,823	33.7	534,958	43.1
13	Destek A.Ş.	370,425	477,671	29.0	529,953	10.9
14	Ulusal Fak. A.Ş.	189,824	318,616	67.8	504,293	58.3
15	Eko Fak. A.Ş.	260,456	332,605	27.7	403,819	21.4
16	Şirinoğlu Fak. A.Ş.	268,001	340,681	27.1	379,502	11.4
17	Halk Fak. A.Ş.	0	19,951		326,861	
18	MNG Fak. A.Ş.	226,149	257,983	14.1	322,803	25.1
19	Ekspo Fak. A.Ş.	240,787	237,695	-1.3	294,570	23.9
20	Akdeniz Fak. A.Ş.	120,745	141,905	17.5	260,063	83.3
21	Kent Fak. A.Ş.	181,939	133,306	-26.7	235,157	76.4
22	C Fak. A.Ş.	235,960	221,532	-6.1	234,921	6.0
23	Akın Fak. A.Ş.	132,842	174,951	31.7	234,636	34.1
24	Yaşar Fak. A.Ş.	293,621	237,650	-19.1	225,073	-5.3
25	Şeker Fak. A.Ş.	185,657	188,665	1.6	220,145	16.7
26	Ak Fak. A.Ş.	8,093	81,038	901.3	214,233	164.4
27	Çağdaş Fak. A.Ş.	129,277	189,538	46.6	201,921	6.5
28	Yeditepe Fak. A.Ş.	80,249	136,416	70.0	201,598	47.8
29	Prime Fak. Hizm.A.Ş.	5,294	71,230	1245.4	200,718	181.8
30	Zorlu Fak. A.Ş.	0	44,228	-	198,940	349.8
31	Kredi Fin. Fak. Hizm.A.Ş.	44,030	137,294	211.8	182,409	32.9
32	Strateji Fak. A.Ş.	130,167	136,347	4.7	177,383	30.1
33	Vakıf Fin. Fac. Hizm.A.Ş.	624,130	274,803	-56.0	175,521	-36.1
34	Pamuk Fak. A.Ş.	193,958	145,691	-24.9	157,201	7.9
35	GSD Fak. A.Ş.	181,467	164,027	-9.6	154,368	-5.9
36	Anadolu Fak.	120,807	116,308	-3.7	154,003	32.4
37	Bayramoğlu Fak. A.Ş.	159,366	145,993	-8.4	150,232	2.9
38	Optima Fak. A.Ş.	128,480	131,941	2.7	147,614	11.9
39	Para Fin. Fak. A.Ş.	115,636	131,937	14.1	147,063	11.5
40	Başer Fak. A.Ş.	116,377	115,615	-0.7	140,161	21.2
41	Atılım Fak. A.Ş.	118,810	128,162	7.9	138,885	8.4
42	Demir Fak. A.Ş.	84,804	105,119	24.0	124,195	18.1
43	Tam Fak. A.Ş.	6,860	76,955	1021.8	123,613	60.6
44	Doğan Fak. A.Ş.	114,140	62,064	-45.6	117,725	89.7
45	Huzur Fak. A.Ş.	93,084	95,247	2.3	104,063	9.3
46	Devir Fak. A.Ş.	65,920	88,274	33.9	97,666	10.6
47	Analiz Fak. A.Ş.	50,281	54,563	8.5	96,745	77.3

48	VDF Fak. Hizm. A.Ş.	80,939	97,930	21.0	90,143	-8.0
49	Eren Fak. A.Ş.	27,137	64,933	139.3	90,133	38.8
50	Erişim Fak. A.Ş.	55,253	50,921	-7.8	86,754	70.4
51	Çözüm Fak. A.Ş.	49,773	59,177	18.9	83,916	41.8
52	ABC Fak. A.Ş.	108,816	75,998	-30.2	78,024	2.7
53	Sardes Fak. A.Ş.	18,660	60,846	226.1	70,788	16.3
54	Değer Fak. A.Ş.	24,070	26,151	8.6	70,028	167.8
55	Tuna Fak. A.Ş.	58,219	60,363	3.7	69,187	14.6
56	Arena Fak. A.Ş.	50,245	41,542	-17.3	61,586	48.3
57	Berg Fak. A.Ş.	0	27,543	-	58,983	114.2
58	First Fac. A.Ş.	47,460	44,020	-7.2	52,902	20.2
59	Trend Fak. A.Ş.	35,323	41,188	16.6	51,023	23.9
60	ACL Fak. A.Ş.	30,240	41,059	35.8	48,247	17.5
61	Global Fak. Hizm. A.Ş.	28,274	33,408	18.2	43,719	30.9
62	Merkez Fak. A.Ş.	30,464	35,787	17.5	39,395	10.1
63	Kıbrıs İktisat Fak. A.Ş.	0	7,271	-	39,030	436.8
64	Ar Fak. A.Ş.	74,719	61,539	-17.6	37,830	-38.5
65	Doğa Fak. A.Ş.	42,430	22,800	-46.3	40,361	77.0
66	Makro Fak. A.Ş.	29,262	36,506	24.8	59,070	61.8
67	As Fak. A.Ş.	8,114	14,625	80.2	26,509	81.3
68	Kredi Alta Fak. A.Ş.	0	6,605	-	26,437	300.3
69	Katar Fak. Hizm. A.Ş.	25,340	26,231	3.5	24,820	-5.4
70	Mert Fin. Fak. A.Ş.	14,552	22,818	56.8	22,961	0.6
71	Turkish Fak. Hizm. A.Ş.	40,462	27,876	-31.1	22,333	-19.9
72	Sümer Fak. A.Ş.	27,881	20,489	-26.5	4,445	-78.3
73	Acar Fac. A.Ş.	16,735	18,521	10.7	19,869	7.3
74	Met-ay Fak. A.Ş.	19,547	20,046	2.6	16,759	-16.4
75	Atak Fak. A.Ş.	8,354	8,718	4.4	10,812	24.0
76	Ce-Sa Faktoring A.Ş.	0	0		10,112	
TOTAL		15,237,339	17,860,287		21,779,703	
BRSA DATA		15,617,090	18,146,479		21,794,487	

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 21, but the BRSA does not disclose the names of such banks. However, Akbank, HSBC and Burgan Bank are members of the Factoring Association and their data is included in the association's statistics. In addition to Burgan Bank and HSBC we noted that Citibank A.S. in Turkey also reported factoring details. The total of these three banks was TL345 million.

Table 26. Factoring Receivables of Banks (1000 TL)

	2012	2013
Burgan Bank	139,782	183,869
Citibank A.Ş.	222,289	105,752
HSBC	92,463	55,099
Total	454,534	344,720

Industry Concentration

The two following tables are effective summaries of the results on the analysis of sub-groups. To put it simply, the 14 bank affiliate factoring companies which have a 53.6% share in all factoring transactions operate with less shareholders' equity, more loan usage but they make less profit compared to others since they work with comparatively less risky customers.

When you look at the largest 14 independent companies, it is almost the opposite; NPL rate is twice as much; factoring interest margin is high with higher shareholders' equity and less loan usage. But their total profit represent 36.6% of the sector's total profit.

Table 27. 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	19.53	20.54	32.78	9.54	21.96
Top 14 Bank-owned Companies	51.77	53.63	45.55	29.73	56.98
Top 6 Independent Companies	16.75	16.37	22.67	26.54	14.30
Top 14 Independent Companies	27.60	26.54	36.60	42.90	23.93
Top 24 Independent Companies	36.36	34.96	48.81	54.34	32.13

Table 28. Profitability Comparison of the Independent Factoring Companies and Bank-owned Companies (%)

	NPL Ratio	ROAA	ROAE*	Fact. Int. Margin
Top 2 Bank-owned Companies	2.8	4.1	67.8	2.4
Top 14 Bank-owned Companies	6.4	1.0	17.3	4.2
Top 6 Independent Companies	3.0	3.0	14.4	6.7
Top 14 Independent Companies	5.8	2.8	13.3	8.2
Top 24 Independent Companies	6.7	3.3	28.9	9.8

*The impact of Yapı Kredi Faktoring

Companies that are either bank affiliates or indirectly enjoy bank support by being part of a conglomerate that owns a bank are privileged in many respects. Independent companies' access to financing is usually not easy. Bank affiliates get the support of the branch network and have much easier access to funding. In some cases they share the customers, the central risk management system and the marketing efforts may be through the branch network. There is clearly no fair competition among the two groups. Despite the unfair competition a few independent companies have been able to climb up the list and joined the top largest companies.

Market Shares in Asset Size

Table 29 giving the market shares of factoring companies provides clear evidence that sector averages cannot be taken as reliable indicators. The three largest companies with over 9% share represent 28.6% of total assets the top 14 with over 2% share represent 63.7% of total assets.

Table 29. Market Shares According to Asset Size (%)

		2011 Share	2012 Share	2013 Share
1	Yapı Kredi Fak. A.Ş.	11.85	9.87	10.08
2	Garanti Fak. A.Ş.	8.16	10.77	9.45
3	Deniz Fak. A.Ş.	6.49	6.98	9.03
4	TEB Fak. A.Ş.	5.56	4.33	5.23
5	İş Fak. A.Ş.	2.77	5.74	4.46
6	Kapital Fak. A.Ş.	4.57	4.17	3.89
7	Fiba Fak. A.Ş.	4.82	4.75	3.35
8	ING Fak. A.Ş.	2.00	3.40	2.88
9	Lider Fak. A.Ş.	3.21	3.55	2.81
10	Creditwest Fak. A.Ş.	3.12	2.77	2.71
11	Girişim Fak. A.Ş.	3.33	2.70	2.59
12	Finans Fak. A.Ş.	1.79	2.06	2.45
13	Destek Fak. A.Ş.	2.37	2.63	2.43
14	Ulusal Fak. A.Ş.	1.22	1.76	2.31
15	Eko Fak. A.Ş.	1.67	1.83	1.85
16	Şirinoğlu Fak. A.Ş.	1.72	1.88	1.74
17	Halk Fak. A.Ş.	0.00	0.11	1.50
18	MNG Fak. A.Ş.	1.45	1.42	1.48
19	Ekspo Fak. A.Ş.	1.54	1.31	1.35
20	Akdeniz Fak. A.Ş.	0.77	0.78	1.19
21	Kent Fak. A.Ş.	1.16	0.73	1.08
22	C Faktoring A.Ş.	1.51	1.22	1.08
23	Akın Fak. A.Ş.	0.85	0.96	1.08
24	Yaşar Fak. A.Ş.	1.88	1.31	1.03
25	Şeker Fak. A.Ş.	1.19	1.04	1.01
26	Ak Fak. A.Ş.	0.05	0.45	0.98
27	Çağdaş Fak. A.Ş.	0.83	1.04	0.93
28	Yeditepe Fak. A.Ş.	0.51	0.75	0.92
29	Prime Fak. Hizm. A.Ş.	0.03	0.39	0.92
30	Zorlu Fak. A.Ş.	0.00	0.24	0.91
31	Kredi Fin. Fak. Hizm. A.Ş.	0.28	0.76	0.84
32	Strateji Fak. A.Ş.	0.83	0.75	0.81
33	Vakıf Fin. Fac. Hizm.A.Ş.	4.00	1.51	0.81
34	Pamuk Fak. A.Ş.	1.24	0.80	0.72
35	GSD Fak. A.Ş.	1.16	0.90	0.71
36	Anadolu Fak. A.Ş.	0.77	0.64	0.71
37	Bayramoğlu Fak. A.Ş.	1.02	0.80	0.69
38	Optima Fak. A.Ş.	0.82	0.73	0.68
39	Para Fin. Fak. A.Ş.	0.74	0.73	0.67
40	Başer Fak. A.Ş.	0.75	0.64	0.64
41	Atılım Fak. A.Ş.	0.76	0.71	0.64
42	Demir Fak. A.Ş.	0.54	0.58	0.57
43	Tam Fak. A.Ş.	0.04	0.42	0.57
44	Doğan Fak. A.Ş.	0.73	0.34	0.54
45	Huzur Fak. A.Ş.	0.60	0.52	0.48
46	Devir Fak. A.Ş.	0.42	0.49	0.45
47	Analiz Fak. A.Ş.	0.32	0.30	0.44
48	VDF Fak. Hizm.A.Ş.	0.52	0.54	0.41
49	Eren Fak. A.Ş.	0.17	0.36	0.41

50	Eriřim Fak. A.ř.	0.35	0.28	0.40
51	özüm Fak. A.ř.	0.32	0.33	0.39
52	ABC Fak. A.ř.	0.70	0.42	0.36
53	Sardes Fak. A.ř.	0.12	0.34	0.32
54	Deęer Fak. A.ř.	0.15	0.14	0.32
55	Tuna Fak. A.ř.	0.37	0.33	0.32
56	Arena Fak. A.ř.	0.32	0.23	0.28
57	Berg Fak. A.ř.	0.00	0.15	0.27
58	First Fac. A.ř.	0.30	0.24	0.24
59	Trend Fak. A.ř.	0.23	0.23	0.23
60	ACL Fak. A.ř.	0.19	0.23	0.22
61	Global Fak. Hizm.A.ř.	0.18	0.18	0.20
62	Merkez Fak. A.ř.	0.20	0.20	0.18
63	Kıbrıs İktisat Fak. A.ř.	0.00	0.04	0.18
64	Ar Fak. A.ř.	0.48	0.34	0.17
65	Doęa Fak. A.ř.	0.27	0.13	0.19
66	Makro Fak. A.ř.	0.19	0.20	0.27
67	As Fak. A.ř.	0.05	0.08	0.12
68	Kredi Alta Fak. A.ř.	0.00	0.04	0.12
69	Katar Fak.Hizm. A.ř.	0.16	0.14	0.11
70	Mert Fin. Fak.A.ř.	0.09	0.13	0.11
71	Turkish Fak. Hizm.A.ř.	0.26	0.15	0.10
72	Sümer Fak. A.ř.	0.18	0.11	0.02
73	Acar Fak. A.ř.	0.11	0.10	0.09
74	Met-Ay Fak. A.ř.	0.13	0.11	0.08
75	Atak Fak. A.ř.	0.05	0.05	0.05
76	Ce-Sa Faktoring A.ř.	0.00	0.00	0.05
		97.57	98.42	99.93

Market Shares in Factoring Receivables

Rankings differed slightly when these factoring companies were listed according to their factoring receivables. We note that the fourth column of Table 30 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 30. Factoring Receivables and Market Shares (1000 TL)

	2011	2012	2013	% Change	% Share	% Share	% Share
Yapı Kredi Fak. A.Ş.	1,756,497	1,639,747	2,141,810	30.6	12.4	10.0	10.7
Garanti Fak. A.Ş.	1,247,324	1,827,710	1,986,549	8.7	8.8	11.2	9.9
Deniz Fak. A.Ş.	979,837	1,215,728	1,906,636	56.8	6.9	7.4	9.5
TEB Fak. A.Ş.	817,847	750,237	1,087,138	44.9	5.8	4.6	5.4
İş Fak. A.Ş.	404,653	1,014,944	943,649	-7.0	2.8	6.2	4.7
Kapital Fak. A.Ş.	703,473	728,502	835,920	14.7	4.9	4.5	4.2
Fiba Fak. A.Ş.	623,670	725,078	674,353	-7.0	4.4	4.4	3.4
Lider Fak. A.Ş.	466,061	621,502	584,147	-6.0	3.3	3.8	2.9
Creditwest Fak. A.Ş.	460,922	469,355	547,032	16.5	3.2	2.9	2.7
ING Fak. A.Ş.	285,342	597,959	539,635	-9.8	2.0	3.7	2.7
Finans Fak. A.Ş.	251,719	362,489	517,646	42.8	1.8	2.2	2.6
Destek Fak. A.Ş.	336,954	462,292	514,448	11.3	2.4	2.8	2.6
Ulusal Fak. A.Ş.	174,242	305,239	486,962	59.5	1.2	1.9	2.4
Eko Fak. A.Ş.	241,944	298,738	377,695	26.4	1.7	1.8	1.9
Halk Fak. A.Ş.	0	463	324,706		0.0	0.0	1.6
Girişim Fak. A.Ş.	288,265	289,292	321,838	11.3	2.0	1.8	1.6
MNG Fak. A.Ş.	211,885	242,960	306,038	26.0	1.5	1.5	1.5
Ekspo Fak. A.Ş.	236,425	233,544	289,515	24.0	1.7	1.4	1.4
Şirinoğlu Fak. A.Ş.	189,639	258,055	281,031	8.9	1.3	1.6	1.4
Akdeniz Fak. A.Ş.	119,111	139,061	259,530	86.6	0.8	0.9	1.3
Akın Fak. A.Ş.	131,763	172,765	232,918	34.8	0.9	1.1	1.2
Kent Fak. A.Ş.	176,664	127,029	215,824	69.9	1.2	0.8	1.1
Yaşar Fak. A.Ş.	280,860	219,719	211,177	-3.9	2.0	1.3	1.1
Ak Fak. A.Ş.	0	80,500	208,595	159.1	0.0	0.5	1.0
Şeker Fak. A.Ş.	179,599	181,569	199,228	9.7	1.3	1.1	1.0
Yeditepe Fak. A.Ş.	78,211	133,532	198,848	48.9	0.6	0.8	1.0
Zorlu Fak. A.Ş.	0	42,678	194,313	355.3	0.0	0.3	1.0
Çağdaş Fak. A.Ş.	123,467	180,078	191,277	6.2	0.9	1.1	1.0
Strateji Fak. A.Ş.	123,855	131,150	171,739	30.9	0.9	0.8	0.9
Kredi Fin. Fak. Hizm. A.Ş.	41,469	130,581	168,900	29.3	0.3	0.8	0.8
GSD Fak.A.Ş.	180,705	162,681	153,527	-5.6	1.3	1.0	0.8
Anadolu Fak. A.Ş.	118,977	115,464	152,917	32.4	0.8	0.7	0.8
Bayramoğlu Fak. A.Ş.	148,851	129,732	141,156	8.8	1.0	0.8	0.7
Optima Fak. A.Ş.	112,913	122,791	139,264	13.4	0.8	0.8	0.7
Para Finans Fak. A.Ş.	104,062	120,381	135,101	12.2	0.7	0.7	0.7
Başer Fak. A.Ş.	110,064	107,129	133,591	24.7	0.8	0.7	0.7
Vakıf Fin. Fac. Hizm.A.Ş.	617,804	185,797	132,444	-28.7	4.3	1.1	0.7
Atılım Fak. A.Ş.	112,216	116,527	132,342	13.6	0.8	0.7	0.7
Prime Fak. Hizm. A.Ş.	0	66,030	125,353	89.8	0.0	0.4	0.6
Doğan Fak. A.Ş.	110,214	59,968	115,510	92.6	0.8	0.4	0.6
Tam Fak. A.Ş.	0	34,198	106,207	210.6	0.0	0.2	0.5
Demir Fak. A.Ş.	73,028	93,456	104,877	12.2	0.5	0.6	0.5

Huzur Fak. A.Ş.	88,868	89,234	93,489	4.8	0.6	0.5	0.5
Devir Fak. A.Ş.	60,331	79,146	89,995	13.7	0.4	0.5	0.4
Eren Fak. A.Ş.	24,809	62,562	88,173	40.9	0.2	0.4	0.4
Analiz Fak. A.Ş.	48,162	49,272	85,847	74.2	0.3	0.3	0.4
C Faktoring A.Ş.	88,072	63,196	81,243	28.6	0.6	0.4	0.4
Pamuk Fak. A.Ş.	119,253	74,582	80,729	8.2	0.8	0.5	0.4
Erişim Fak. A.Ş.	48,054	44,353	78,899	77.9	0.3	0.3	0.4
Çözüm Fak. A.Ş.	38,093	48,567	72,666	49.6	0.3	0.3	0.4
Sardes Fak. A.Ş.	18,250	59,901	69,772	16.5	0.1	0.4	0.3
ABC Fak. A.Ş.	99,998	66,868	68,963	3.1	0.7	0.4	0.3
Değer Fak. A.Ş.	22,538	21,022	66,993	218.7	0.2	0.1	0.3
Tuna Fak. A.Ş.	55,588	57,402	64,102	11.7	0.4	0.4	0.3
VDF Fak.Hizm. A.Ş.	66,858	41,996	63,430	51.0	0.5	0.3	0.3
Arena Fak. A.Ş.	47,815	37,262	58,104	55.9	0.3	0.2	0.3
Berg Fak. A.Ş.	0	11,449	57,971	406.3	0.0	0.1	0.3
Makro Fak. A.Ş.	27,627	34,978	53,767	53.7	0.2	0.2	0.3
First Fac. A.Ş.	43,367	41,470	49,724	19.9	0.3	0.3	0.2
Trend Fak. A.Ş.	33,926	39,261	48,741	24.1	0.2	0.2	0.2
ACL Fak. A.Ş.	24,804	34,963	40,099	14.7	0.2	0.2	0.2
Merkez Fak. A.Ş.	28,844	34,657	38,111	10.0	0.2	0.2	0.2
Kıbrıs İktisat Fak. A.Ş.	0	0	37,807		0.0	0.0	0.2
Doğa Fak. A.Ş.	34,537	13,815	32,581	135.8	0.2	0.1	0.2
Global Fak. Hizm.A.Ş.	21,840	23,216	28,416	22.4	0.2	0.1	0.1
Kredi Alta Fak. A.Ş.	0	5,362	25,836	381.8	0.0	0.0	0.1
As Fak. A.Ş.	6,727	12,332	23,721	92.4	0.0	0.1	0.1
Mert Fin. Fak.A.Ş.	13,977	21,541	21,689	0.7	0.1	0.1	0.1
Turkish Fak. Hizm.A.Ş.	39,176	23,543	19,713	-16.3	0.3	0.1	0.1
Katar Fak. Hizm.A.Ş.	19,252	18,676	17,813	-4.6	0.1	0.1	0.1
Ar Faktoring .A.Ş.	71,995	57,773	17,158	-70.3	0.5	0.4	0.1
Ce-Sa Faktoring A.Ş.	0	0	9,714		0.0	0.0	0.0
Acar Fak. A.Ş.	10,959	7,367	9,557	29.7	0.1	0.0	0.0
Atak Fak. A.Ş.	5,739	30	7,454		0.0	0.0	0.0
Met-ay Fak. A.Ş.	10,485	9,534	6,101	-36.0	0.1	0.1	0.0
Sümer Fak. A.Ş.	25,289	17,179	1,111	-93.5	0.2	0.1	0.0
Total	13,865,766	16,099,158	20,100,875		97.6	98.6	100.0

Shareholder Structure

In 2013 there were 14 factoring companies that were bank subsidiaries and their total assets amounted to TL11.3 billion. Among these 14 companies, Vakıf Faktoring and Halk Faktoring are the participations of state-owned banks. Another state-owned bank, Turk Eximbank has 9.8% stake in Garanti Faktoring. These companies have more than 50% share both in terms of assets and factoring receivables. The second group having 48% share is the group of independent companies.

In 2013 two companies (Atak Faktoring and Prime Faktoring) changed ownership. 3 new companies (Kıbrıs İktisat Faktoring, De Lange Faktoring and Ce-Sa Faktoring) started to operate.

Table 31. Total Assets of the Bank Participation Factoring Companies (1000 TL)

	2010	2011	2012	2013
1. Yapi Kredi Fak. A.Ş.	2,023,857	1,850,957	1,791,190	2,196,454
2. Garanti Fak. A.Ş.	1,565,565	1,275,030	1,955,227	2,059,653
3. Deniz Fak. A.Ş.	924,484	1,013,675	1,266,523	1,968,172
4. TEB Fak. A.Ş.	781,569	868,679	786,430	1,140,467
5. İş Fak. A.Ş.	477,505	432,413	1,041,260	971,517
6. Fiba Fak. A.Ş.	808,610	752,044	862,523	730,141
7. ING Fak. A.Ş.	150,682	312,027	617,011	628,531
8. Finans Fak. A.Ş.	264,652	279,570	373,823	534,958
9. Halk Fak. A.Ş.	0	0	19,951	326,861
10. Şeker Fak. A.Ş.	167,059	185,657	188,665	220,145
11. Vakıf Fin. Fac. Hiz. A.Ş.	819,925	624,130	274,803	175,521
12. GSD Fak. A.Ş.	124,677	181,467	164,027	154,368
13. Anadolu Fak. A.Ş.	149,881	120,807	116,308	154,003
14. Turkish Fak.Hizm. A.Ş.	25,942	40,462	27,876	22,333
Total	8,284,408	7,936,918	9,485,617	11,283,124

Table 32. Asset Sizes of the Top Independent Factoring Companies (1000 TL)

	2010	2011	2012	2013
1. Kapital Fak. A.Ş.	532,434	714,479	757,375	848,592
2. Lider Fak. A.Ş.	368,403	500,821	644,859	611,461
3. Creditwest Fak. A.Ş.	337,531	487,504	503,061	590,222
4. Girişim Fak. A.Ş.	627,922	520,237	490,094	565,308
5. Destek Fak. A.Ş.	251,450	370,425	477,671	529,953
6. Ulusal Fak. A.Ş.	125,164	189,824	318,616	504,293
7. Eko Fak. A.Ş.	201,247	260,456	332,605	403,819
8. Şirinoğlu Fak.A.Ş.	252,535	268,001	340,681	379,502
9. MNG Fak. A.Ş.	158,375	226,149	257,983	322,803
10. Ekspo Fak. A.Ş.	223,966	240,787	237,695	294,570
11. Akdeniz Fak. A.Ş.	99,963	120,745	141,905	260,063
12. Kent Fak. A.Ş.	79,397	181,939	133,306	235,157
13. C Fak. A.Ş.	219,302	235,960	221,532	234,921
14. Akın Fak. A.Ş.	100,960	132,842	174,951	234,636
15. Yaşar Fak.A.Ş.	167,355	293,621	237,650	225,073
Total	3,746,005	4,743,790	5,269,984	6,240,372

The top 15 companies among the independent factoring companies have been given under Table 32. Among these companies there are some which are legally not bank subsidiary but belong to a group of companies which, among others, also own a bank. One example is EGS Faktoring whose majority shareholder is GSD Holding that owns an investment bank and a deposit-taking bank. Creditwest Faktoring's main shareholder, Altınbas Holding, has banks in North Cyprus and Ukraine, Suzer Faktoring's main shareholder owns Bank Brod in Serbia. These should be taken into

consideration when making comparisons. However, it is not possible to get detailed information on the ownership structures of some of the companies therefore it was not possible to make detailed analyses on the owners.

Table 33 shows the major differences in balance sheet structures between the 14 bank affiliates and the rest of the 62 independent factoring companies. The independent companies share in total assets accounts for 48% but their share in total shareholders' equity is 70%.

Table 33. Sector Shares of the Bank Participation and Independent Factoring Companies (%)

	Bank Participations			Independents		
	2011	2012	2013	2011	2012	2013
Total Assets	50.82	52.27	51.77	49.18	47.73	48.23
Total Factoring Receivables	51.91	52.81	52.81	48.09	47.19	47.19
NPLs	29.74	30.27	36.15	70.26	69.73	63.85
Shareholders' Equity	29.11	29.15	29.73	70.89	70.85	70.27
Net Profit	29.90	33.97	45.55	70.10	66.03	54.45

Independent factoring companies are the risk takers partly because they work with smaller companies. They have 63.8% share in total NPLs. As a result of their risk-taking culture their share in total earnings is also 54.5%.

Table 34 further underlines the differences in their financial ratios. The NPL ratio of bank participations is significantly lower (less than 3%) than the independent companies whose ratio has remained around 7% for the last three years. As one would expect, the bank participations are leveraged more than the others. While the factoring receivables/equity ratio is 5.2 times as a sector average, it is only 2.9 times among the independents and 8.1 times among bank participations. Consequently bank subsidiaries have higher ROAs while the independents have higher ROEs.

Table 34. Comparison of Financial Ratios of Bank Subsidiaries and Independents

	Average of Total			Bank Subsidiaries			Independents		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
NPL Ratio (%)	3.83	4.69	4.69	1.37	2.18	2.67	5.59	6.92	6.35
Borrowing Ratio * (x)	4.4	4.4	5.2	8.9	8.0	8.1	3.0	3.0	3.5
Shareholders' Equity / Total Assets (%)	21.62	21.25	18.44	3.18	1.78	2.31	31.17	31.54	26.87
ROAA (%)	6.31	3.61	2.52	32.46	16.29	19.38	8.99	4.93	2.85
ROAE (%)	29.18	16.87	12.76	1.37	2.18	2.67	28.86	15.72	9.84

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.

Foreign Ownership

Until 2013 no foreign factoring company came to Turkey. Foreign ownership remained indirect, i.e. through having shares in the parent bank of the factoring company. On 30 April 2014 De Lange Faktoring A.S. became the first wholly foreign owned to enter the sector. Lange Faktoring A.S. is owned by De Lange Landen Financial Services Inc. which is a participation of Rabobank, a Dutch bank that has obtained license from BRSA to establish a bank in Turkey.

Fiba Faktoring, Vakıf Faktoring, İis Faktoring and Anadolu Faktoring are the only four banks where there is no foreign ownership in the shareholder structure. All others have some form of foreign ownership. In 2012 a bank from Northern Cyprus applied to set up a company in Turkey. This was followed by Tam Faktoring who is indirectly owned by EBRD.

There are five factoring companies having a total of 27.1% market share where foreign ownership is high. Of these five companies Deniz Faktoring, Finans Faktoring and ING Faktoring are bank participations and their total market share is 14.8%. There are also investments of equity funds in a few companies (total market share of 8.6%).

Table 35. Foreign Ownership in Factoring Companies

Company	Foreign Ownership in Shareholder Structure
Deniz Faktoring A.Ş.	Parent bank Denizbank is wholly owned by Russian Sberbank
Garanti Faktoring A.Ş.	Spanish bank BBVA has 25% stake in parent bank Garanti Bank
Finans Faktoring A.Ş.	%77,2 National Bank Of Greece, %7,9 NBGI Holdings %5 % IFC, %9,7 NBG Finance
ING Faktoring A.Ş.	Wholly owned by ING Bank NV
Şeker Faktoring A.Ş.	Samruk Kayzina Kazak State Fund has 21.9% share in parent bank Şekerbank and 11.8% of the shares belong to BTA Securities
Teb Faktoring A.Ş.	40.8% of parent bank is owned by BNP
Turkish Faktoring Hizm.A.Ş.	National Bank Of Kuwait has 34.3% stake
Yapi Kredi Faktoring A.Ş.	81.8% Koc Financial Services in which Italian Unicredito has 50% stake
De Lange Landen	Wholly owned by De Lange Landen Financial Services (Rabobank)

- 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 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.
- In 2011, PineBridge Eurasia Financial Investments S.a.r.l. acquired 47% stake in Ulusal Faktoring.
- Tam Faktoring is owned by Vector Yatırım Holding in which EBRD has 9.5% stake.
- First Faktoring A.S. is wholly owned by a German company called First Holding GmbH known to be established by Turkish people residing in Germany.
- VDF Faktoring A.S. is wholly owned by VDF Servis ve Ticaret A.S., a company in which the German VW Financial Services A.G. has 51% stake.

Listed Companies

Lider Faktoring had its initial public offering in June 2014 and joined the two listed companies, Creditwest Faktoring and Garanti Faktoring. The free float ratio of Garanti is 26.4%, that of Creditwest Faktoring and Lider Faktoring are 15%.

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 30 and a maximum of 9,500)
- b) The balance sheet size of the customers
- c) The minimum and maximum size of transactions
- d) The location of the headquarters
- e) The number of branches
- f) The existence of export and import factoring services
- g) Currency mix of funding
- h) Whether the company is family owned (i.e. 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 15 branches and 124 personnel, is similar in structure to Deniz Factoring with 14 branches and 117 personnel. On the other hand, there is ING Factoring with four branches, 51 personnel and only 174 customers. With a smaller organization ING has TL540 billion factoring receivables. Similarly, Finans Factoring, with TL518 billion in factoring receivables, operates with only three branches and 994 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 in the same market share group showed stark different strategies. One operated with 49 branches 413 staff and serviced 9,500 customers while the other serviced 900 customers with a staff of 70. It was interesting to note the existence of a number of companies operating with less than 50 even less than 10 customers in 2013. In brief, each company has its own story and has adopted a different approach in light of its own position and evaluations of market outlook.

Results so far, 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. As long as they can manage to place these funds in high yield transactions they can remain profitable. But that means they work with higher risk customers.

In order to maximize their profits, in 2012 and 2013 some of the large bank-owned companies acquired a hybrid customer structure whereby part of the portfolio would be allocated to higher risk SMEs.

Some companies retain strong financials owing to good risk management. 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.

Management and Managers

BRSA's bylaws dated April 24, 2013 published in the Official Gazette No. 28627, repeats to a large extent the previous one dated October 10, 2006 which introduced a set of minimum eligibility requirements to shareholders and managers. The BRSA regulations introduced on 24 April 2013 in large part repeated these rules. It was made mandatory that members of executive boards of companies, as well as their officers who hold signature powers of the first degree, have at least a bachelor's degree earned at a university and have at least seven years of professional work experience in finance or management. Deputy General Managers were required to have graduate education with a bachelor's degree and have at least seven years' professional experience in finance or management. Other managers performing duties of an executive nature in positions equivalent to those of deputy generals, in respect of powers and duties, even if they are employed under other titles, were also subjected to the provisions applicable for deputy general managers. The same piece of legislation requires the building and operating of a sufficient and efficient system appropriate to the scope of its activities to monitor the risks to which the company is exposed and provide control.

There is no doubt that financial indicators can only reflect part of a company's value and credit quality. The real strength of the company lies with the shareholders and the managers of the company together with the customer network these two groups have built over the years. The inherent strength of the company lies with the level of expertise and experience of the managers, their insight of the market and the customers and determines the quality of the services they provide. Moreover, the close cooperation of the shareholders with the managers appears to be a key factor in the success of the factoring company. We noted that two companies that entered the sector in 2012 evidenced the value of the "strong ownership structure + experienced professionals" formula.

Branches and Employment

At the end of 2012 78 companies had 62 branches and 185 representative offices. Following the legislative change all representative offices were closed, some converted into branches and new branches were opened. By year-end 2013 the number of branches was 319. The headquarters of the majority of the companies are located in Istanbul, few outside Istanbul (e.g. Ankara, Adana, Izmir and Antalya). Branches are concentrated in Istanbul and the Marmara region. There are 31 companies with no branches at all, seven companies have between 10 to 20 branches and there is one company with 49 branches.

BRSA did not publish structural data on factoring companies such as the number of personnel. According to the Association of Financial Institutions (FKB) the employment number was 4650 at the end of 2013. That shows that 464 more people have joined employment. Personnel expenditures rose by 19.5% in 2013. Personnel expenditures per employee increased by 7.6%. That tells us that in a country where inflation was 7.4% in 2013 in real terms the increase has been quite small. On the other hand, reserves for employee benefits risen by 78.5% with the increase in the employment longevity of the staff.

Table 36. Number of Employees and Personnel Expenditures

	2008	2009	2010	2011	2012	2013*
Number of Employees	3,009	2,959	3,557	3,819	4,186	4,650
Personnel Expenditures (1000 TL)	192,280	182,670	233,970	279,500	337,020	402,710

Source: BRSA * 2013 data from FKB

The following Table 37 has been prepared to show differences in the business strategies and organizational structures adopted by different factoring companies.

Table 37. Number of Employees in the Factoring Sector (December 2013)*

Company	Factoring receivables (1000 TL)	Number Employed
1. Yapı Kredi Fak. A.Ş.	2,141,810	91
2. Garanti Fak. A.Ş.	1,986,549	195
3. Deniz Fak. A.Ş.	1,906,636	117
4. TEB Fak. A.Ş.	1,087,138	124
5. İş Faktoring .A.Ş.	943,649	56
6. Kapital Fak. A.Ş.	835,920	68
7. Fiba Fak. A.Ş.	674,353	131
8. Lider Fak. A.Ş.	584,147	176
9. Creditwest Fak. A.Ş.	547,032	68
10. ING Fak. A.Ş.	539,635	51
11. Finans Fak. A.Ş.	517,646	66
12. Destek Fak. A.Ş.	514,448	36
13. Ulusal Fak. A.Ş.	486,962	132
14. Eko Fak. A.Ş.	377,695	114
15. Halk Fak. A.Ş.	324,706	32
16. Girişim Fak. A.Ş.	321,838	41
17. MNG Fak. A.Ş.	306,038	199
18. Ekspo Fak. A.Ş.	289,515	35
19. Şirinoğlu Fak. A.Ş.	281,031	432
20. Akdeniz Fak. A.Ş.	259,530	21
21. Akın Fak. A.Ş.	232,918	25
22. Kent Fak. A.Ş.	215,824	113
23. Yaşar Fak. A.Ş.	211,177	247
24. Ak Fak. A.Ş.	208,595	39
25. Şeker Fak. A.Ş.	199,228	54
26. Yeditepe Fak. A.Ş.	198,848	51
27. Zorlu Fak. A.Ş.	194,313	24
28. Çağdaş Fak. A.Ş.	191,277	87
29. Strateji Fak. A.Ş.	171,739	54
30. Kredi Fin. Fak. Hizm.A.Ş.	168,900	42
31. GSD Fak. A.Ş.	153,527	44
32. Anadolu Fak. A.Ş.	152,917	48
33. Bayramoğlu Fak. A.Ş.	141,156	40
34. Optima Fak. A.Ş.	139,264	86
35. Para Fin. Fak. A.Ş.	135,101	96
36. Başer Fak. A.Ş.	133,591	55
37. Vakıf Fin. Fac. Hizm.A.Ş.	132,444	29
38. Atılım Fak. A.Ş.	132,342	64
39. Prime Fak. Hizm.A.Ş.	125,353	17
40. Doğan Fak. A.Ş.	115,510	43
41. Tam Fak. A.Ş.	106,207	190
42. Demir Fak. A.Ş.	104,877	34
43. Huzur Fak. A.Ş.	93,489	66
44. Devir Fak. A.Ş.	89,995	44
45. Eren Fak. A.Ş.	88,173	39
46. Analiz Fak. A.Ş.	85,847	37
47. C Faktoring A.Ş.	81,243	39
48. Pamuk Fak. A.Ş.	80,729	18
49. Erişim Fak. A.Ş.	78,899	59
50. Çözüm Fak. A.Ş.	72,666	40
51. Sardes Fak. A.Ş.	69,772	12

52. ABC Fak. A.Ş.	68,963	37
53. Değer Fak. A.Ş.	66,993	28
54. Tuna Fak. A.Ş.	64,102	49
55. VDF Fak. Hizm. A.Ş.	63,430	8
56. Arena Fak. A.Ş.	58,104	49
57. Berg Fak. A.Ş.	57,971	20
58. Makro Fak. A.Ş.	53,767	16
59. First Fac. A.Ş.	49,724	16
60. Trend Fak. A.Ş.	48,741	31
61. ACL Fak. A.Ş.	40,099	22
62. Merkez Fak. A.Ş.	38,111	22
63. Kıbrıs İktisat Fak. A.Ş.	37,807	21
64. Doğa Fak. A.Ş.	32,581	33
65. Global Fak. Hizm.A.Ş.	28,416	27
66. Kredi Alta Fak. A.Ş.	25,836	16
67. As Fak. A.Ş.	23,721	48
68. Mert Fin. Fak. A.Ş.	21,689	29
69. Turkish Fak. Hizm. A.Ş.	19,713	25
70. Katar Fak.Hizm. A.Ş.	17,813	63
71. Ar Faktoring A.Ş.	17,158	1
72. Ce-Sa Faktoring A.Ş.	9,714	19
73. Acar Fak. A.Ş.	9,557	20
74. Atak Fak. A.Ş.	7,454	12
75. Met-Ay Fak. A.Ş.	6,101	18
76. Sümer Fak. A.Ş.	1,111	6
TOTAL		4.657

* The data in this table has been derived from the companies' audit reports. Total employment may differ from BRSA data.

Productivity and Efficiency

Throughout recent years factoring receivables per employee has increased and is expected to continue to increase. Table 38 reflects the productivity and efficiency ratios of the sector. One should remember that these ratios are very different for each group. There is a substantial rise in the cost/income ratio of the sector. The cost/income ratio has rise to 64.7% in 2013 from 45.4% in 2012. We previously indicated that this was broadly the result of opening new branches and the increase in personnel. We also estimate that fierce competition has led to personnel transfers at higher remunerations. On the other hand, a number of companies have put in serious efforts to improve their corporate governance standards and developed better risk management systems which also contributed to the increase in costs. The higher cost/income ratio is obviously also due to the low increase in earnings.

Table 38. Efficiency Ratios

	2009	2010	2011	2012	2013
Cost / Income Ratio					
(Operating expenses / Operating Income (%))	47,0	58,8	52,0	45,4	64,7
Operating Expenses / Average Assets (%)	3,4	3,1	3,0	3,3	3,3
Commission Income / Total factoring Turnover (%)	-	0,7	0,8	1,1	0,7
Operating Income / Nr. of Employee (1,000 TL)	143	139	159	181	132
Operating Expenses / Nr. of Employee (1,000 TL)	105	109	119	131	142
Total Assets / Nr. of Employee(1,000 TL)	3.517	4.066	4.089	4.335	4.687
Gross Factoring Receivables / Nr. of Employee (1,000 TL)	2.999	3.625	3.870	4.092	4.535
Gross Fact. Receivables / Nr. of Branch & Rep Offices (1,000 TL)	62.487	63.521	60.818	69.354	66.110

Newcomers to the Sector and Exits

In 2013 Fortis Faktoring merged with TEB Faktoring, and the licenses of İvme Faktoring A.Ş., Arti Finans Faktoring A.Ş. and Hepkon Faktoring A.Ş. have been canceled. Thus four companies exited. In the previous year there were three license cancellations, all requested by the owners. All license cancellations in years 2007-2013 are given under Annex 2.

The Annual Reports of BRSA show that there were quite a number of applications to establish factoring companies in recent years and that the demand has finally stopped in 2013

Table 39. License Applications Processed by BRSA

	2008	2009	2010	2011	2012	2013
Leasing Companies	2	2	0	0	0	0
Factoring Companies	12	14	13	5	1	0
Financing Companies	3	2	0	0	0	0

Source: BRSA Annual Reports

Kıbrıs İktisat Faktoring, De Lage Landen Faktoring and Ce-Sa Faktoring received license to operate in 2013.

Table 40. Companies Receiving Establishment or Operations License (2011-2013)

<u>License to Establish a Factoring Company</u>	<u>License to Operate a Factoring Company</u>
2011 1) Ce-Sa Fak.Hiz. A.Ş. (11.03.2011) 2) LBT Faktoring Hiz. A.Ş. (13.07.2011) 3) Credit Alta Fak. A.Ş. (27.10.2011)	2011 1) As Faktoring Hiz. A.Ş. (27.07.2011). 2) Sardes Faktoring A.Ş. (25.08.2011)
2012 1) Halk Faktoring A.Ş. (05.04.2012) 2) İvme Faktoring Hizmetleri A.Ş. (05.04.2012) 3) Berg Faktoring Hizmetleri A.Ş.. (10.05.2012) 4) Zorlu Faktoring A.Ş. (5.07.2012) 5) Kıbrıs İktisat Faktoring A.Ş. (26.07.2012) 6) De Lage Landen Faktoring A.Ş. (12.09.2012)	2012 1) Tam Faktoring A.Ş. (LBT)(10.05.2012) 2) İvme Faktoring Hizmetleri A.Ş. (26.07.2012) 3) Berg Faktoring A.Ş. (01.11.2012) 4) Kredi Alta Faktoring A.Ş. (01.11.2012) 5) Zorlu Faktoring A.Ş. (08.11.2012) 6) Halk Faktoring A.Ş. (29.11.2012)
2013 1) Ce-Sa Faktoring A.Ş. (31.01.2013) 2) Istanbul Faktoring A.Ş. (28.11.2013)	2013 1) Kıbrıs İktisat Faktoring A.Ş.) (28.02.2013) 2) De Lage Landen Faktoring A.Ş. (28.06.2013) 3) Ce-Sa Faktoring A.Ş. (04.07.2013)

5. FINANCIAL ANALYSIS OF FACTORING COMPANIES

Balance Sheet Structure and Growth Rates

We simplified the sector's balance sheet by reducing the assets to "cash + factoring receivables" and the liabilities to "equity + borrowings". Over the years as the factoring companies borrowing power increased the share of equity in total liabilities decreased. Funding through bond issuances increased by 58% to TL1.5 billion. As a result, bank borrowings increased by only 20.7% while factoring receivables increased by 23.1%. The increase in equity was limited to 4.2% in 2013. Growth in factoring services was in part funded with additional bond issuances and in part through the reduction in liquid assets.

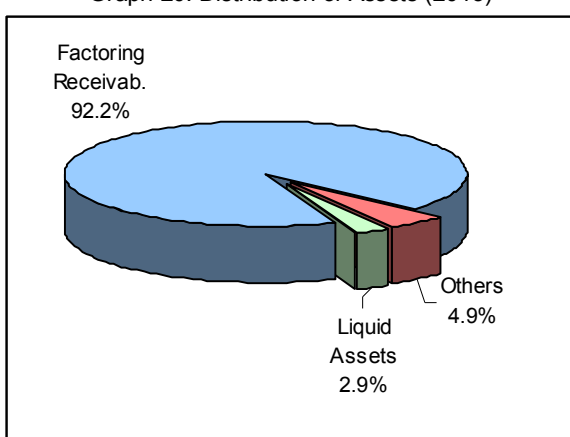
Table 41. Sector – Total Balance Sheet (Million TL)

	2009	2010	2011	2012	2013
Total Assets	10.407,62	14.462,61	15.617,09	18.146,48	21.794,49
Factoring Receivables (Loans)	8.350,82	12.369,84	14.213,29	16.327,83	20.099,20
Non-Performing Loans	522,34	525,00	565,47	802,64	989,93
Provisions	437,93	448,46	451,18	661,05	831,78
Total Liabilities	10.407,62	14.462,61	15.617,09	18.146,48	21.794,49
Borrowings	7.499,22	10.960,99	11.438,67	12.811,37	15.462,26
Issued Securities	113,95	211,17	348,24	977,91	1.545,32
Shareholders' Equity	2.493,34	2.940,32	3.376,55	3.855,88	4.019,39
Funding* / Total Assets (%)	73,1	77,2	75,5	76,0	78,0
Shareholders' Equity / Total Assets (%)	24,0	20,3	21,6	21,2	18,4

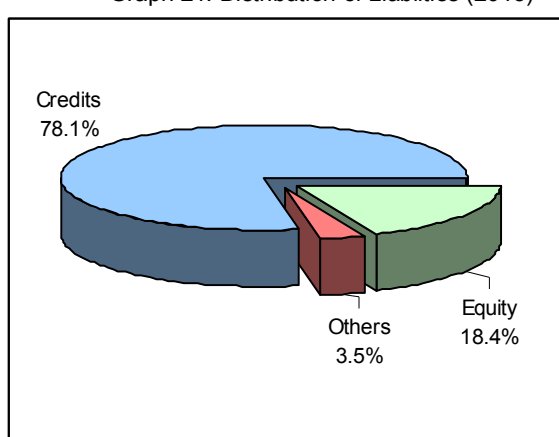
Source: BRSA

* Funding: bank loans + securities issued + factoring liabilities

Graph 20. Distribution of Assets (2013)



Graph 21. Distribution of Liabilities (2013)



As indicated earlier, factoring companies' balance sheets are dominated (92.2% in 2013) by factoring receivables. Bank deposits and other liquid assets constitute the rest. 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.

In the last three years equity as a percentage of total assets declined to 18.4% from 30%, a trend which appears likely to continue. This ratio is 18.8% among leasing companies and 7.6% in finance companies.

Graph 22. Shareholders Equity

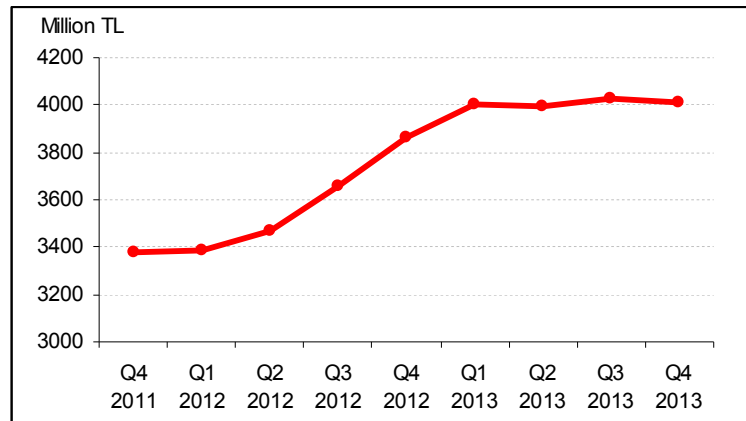


Table 42. Composition of Assets and Liabilities

	1000 TL				% Growth		
	2010	2011	2012	2013	2011	2012	2013
Banks and Cash Assets	1.166	461	722	624	-60,5	56,7	-13,5
Factoring Receivables (Gross)	12.370	14.213	16.328	20.099	14,9	14,9	23,1
Other	926	943	1.097	1.071	1,8	16,3	-2,3
Total Assets	14.463	15.617	18.146	21.794	8,0	16,2	20,1
Borrowings	7.501	10,961	11,439	12,811	46,1	4,4	12,0
Shareholders' Equity	2,493	2,940	3,377	3,867	17,9	14,9	14,5
Other	413	561	806	1,497	35,8	43,7	85,7
Total Liabilities	10,407	14,462	15,622	18,175	39,0	8,0	16,3

Table 43. Annual Growth Rates (%)

	2009	2010	2011	2012	2013
Factoring Operating Income	-23.9	13.8	33.6	28,3	-7,3
Net Factoring Interest Income	-12.3	-2.6	21.6	50,2	-4,9
Factoring Operating Margin	21.6	-3.4	35.1	28,8	1,6
Operating Expenses	-5.8	25.7	17.0	20,7	20,6
Operating Income	-15.7	17.0	22.2	25,3	-19,1
Income Before Tax	-15.5	17.1	22.1	25,3	-19,1
Specific Provisions for Non-Performing Loans	-28.8	24.3	-33.3	157,2	0,2
Net Income	-22.7	24.8	19.6	23,8	-17,7

Source: BRSA

Table 44. Factoring Sector - Summary Balance Sheet (1000 TL)

	2009	2010	2011	2012	2013	% Ch.
Cash	4,611	10,571	9,464	5,597	4,487	-19.8
Banks	1,069,551	1,155,787	451,218	716,347	619,709	-13.5
Securities ¹⁾	252,198	295,770	283,072	357,315	121,954	-65.9
Derivative Assets	8,108	3,808	5,579	12,263	25,254	105.9
Gross Factoring Receivables	8,873,162	12,894,835	14,778,759	17,130,472	21,089,132	23.1
Special Reserves (-)	437,934	448,459	451,178	661,048	831,778	25.8
Non-Performing Factoring Receivables	522,342	524,999	565,474	802,643	989,929	23.3
Net Factoring Receivables	8,350,820	12,369,836	14,213,285	16,327,829	20,099,203	23.1
Financial Assets held for Sale	410,879	294,437	248,840	247,292	247,929	0.3
Tangible Assets	116,060	122,837	139,587	142,697	184,199	29.1
Intangible Assets	6,862	7,321	8,429	9,596	11,077	15.4
Deferred Tax	35,873	57,372	71,509	82,390	167,860	103.7
Other Assets (2)	68,252	68,330	71,813	103,558	154,664	49.4
Total Assets	10,407,622	14,462,609	15,617,092	18,146,479	21,794,487	20.1
Derivative Financial Liabilities (3)	2,872	9,522	52,674	8,022	158,245	1872.6
Loans and Borrowings (4)	7,499,216	10,960,987	11,438,673	12,811,365	15,462,263	20.7
Factoring Payables	113,960	212,473	221,803	274,491	381,634	39.0
Marketable securities Issued	113,954	211,172	348,237	977,911	1,545,317	58.0
Other Liabilities	53,781	36,134	66,744	94,236	120,972	28.4
Income Tax payable (5)	47,722	39,668	56,017	49,664	37,496	-24.5
Reserves	78,533	51,055	55,456	72,306	65,316	-9.7
Subordinated loans	4,249	1,278	933	2,602	3,853	48.1
Total Liabilities	7,914,287	11,522,289	12,240,537	14,290,597	17,775,096	24.4
Paid-in Capital	1,026,351	1,090,496	1,279,630	1,618,547	1,868,647	15.5
Share Premium Account	285,055	257,771	282,311	347,879	213,836	-38.5
Profit Reserves (6)	750,970	1,072,288	1,287,747	1,161,967	1,344,757	15.7
Net Period Profit / Loss	430,959	519,765	526,867	727,489	592,151	-18.6
Total Equity	2,493,335	2,940,320	3,376,555	3,855,882	4,019,391	4.2
Total Liabilities and Equity	10,407,622	14,462,609	15,617,092	18,146,479	21,794,487	20.1

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

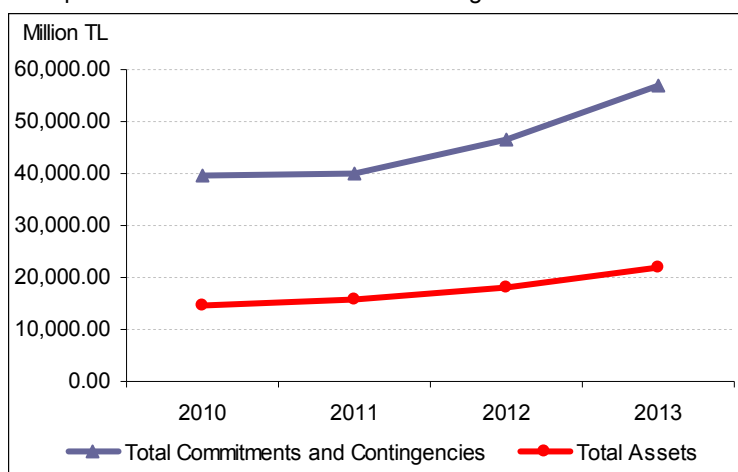
The largest items of commitments and contingencies are “Collaterals Taken” (TL 23.9 billion) and “Items held in Custody” (TL13.9 billion) consisting of checks and notes taken for collection. In 2012 off-balance sheet items showed 17.7% increase largely as the result of “Recourse Factoring Operations” increased by 32.5%, and “Non-recourse Factoring Operations” decreased by 5.2%.

Table 45. Commitments and Contingencies (Million TL)

	2009	2010	2011	2012
Recourse Factoring Operations	588.09	2,449.59	1,355.82	1,796.64
Non-Recourse Factoring Operations	2,501.66	3,878.74	4,348.40	4,120.30
Collaterals Taken	10,548.09	18,899.15	18,19.36	23,907.48
Collaterals Given	465.79	504.67	465.89	581.29
Commitments	360.13	464.41	464.30	222.91
A) Irrevocable Commitments	196.70	271.82	276.00	145.16
B) Revocable Commitments	163.43	192.60	188.30	77.75
a) Lease Commitments	0.00	0.00	0.00	0.00
b) Other Irrevocable Commitments	163.43	192.60	188.30	77.75
Derivative Financial Instruments	1,334.62	2,153.97	2,274.23	2,302.54
A) Derivative Financial Instruments Held for Hedging	639.93	15.95	198.97	33.40
a) Fair Value Hedges	331.37	15.18	198.97	33.40
b) Cash flow Hedges	308.56	0.77	0.00	0.00
c) Foreign Investment Hedges	0.00	0.00	0.00	0.00
B) Trading Transactions	694.68	2,138.02	2,075.26	2,269.14
a) Forward Foreign Currency Buy- Sell Transactions	1.00	470.76	467.82	23.30
b) Currency and Interest rate Swaps	365.97	1,495.57	1,061.79	2,086.30
c) Currency, Interest Rate and Security Options	277.30	2.05	2.46	26.61
d) Currency, Interest Rate Futures	0.00	0.00	0.00	7.65
e) Other	50.42	169.65	543.19	125.28
Items held in Custody	11,503.53	11,328.43	12,211.72	13,958.11
Total Off balance Sheet Commitments	27,301.91	39,678.95	39,839.71	46,889.26

Source: BRSA

Graph 23. Total Commitments and Contingencies and Total Assets



Profitability

As indicated in the previous sections of the report, profitability weakened with 17.7% drop in net income to TL502 million from TL610 million. ROA came down to 2.5% from 3.6% and ROAE came down to 15.3% from 20.4%. The fall in income is in reality much bigger when the income from the asset sales of two companies are deducted as one off events. In 2013 out of the 76 companies 17 have reported loss and 48 reported lower net income. These numbers are an indication that the factoring industry had a difficult year. In 2012, six companies had reported loss but four of them were newly established companies.

Turkrating's credit analysis values operational net income more than net income. Taking operational income as a key metric, 38 companies' operational income came out lower than the previous year. That also implied that a number of companies had compensated the reduction in operational with other earnings. In the case of two companies there was a wide disparity between their net income and operational income due to their asset sales.

We have had to modify our calculation of net factoring operational income because a large number of companies used derivatives more extensively. Managers stated that the use of derivatives was aimed at reducing funding costs. Therefore, we included "net profit/loss from derivatives" in the calculation of net factoring operational income (Table 47).

Higher Costs – Lower Profit Margins

Factoring interest margins declined to 6.0% from 7.6% in 2013. Net factoring operational expenditures consisting of financing costs, net exchange rate profit/loss, net derivatives profit/loss and specific reserves remained unchanged. But the 20.6% increase in personnel and administrative expenditures led to 45.3% fall in factoring operational income. The 40% increase in other income and the 490% increase in non-factoring operations income have largely offset this fall and limited the decrease in net income to 17.7%.

Table 46. Factoring Companies' Main Income Items (Million TL)

	2010	211	2012	2013	% Change
Factoring Interest & Commission Income	1.524.474	2.037.114	2.609.883	2.423.130	-7,2
Interest Income	1.338.254	1.784.588	2.353.616	2.167.158	-7,9
Commission Income	186.220	252.526	256.267	255.972	-0,1
Income Other than Factoring Operations	2.872.959	1.562.550	876.057	1.380.392	57,6
Factoring Interest & Commission Expenses	680.239	987.953	1.147.770	1.022.896	-10,9
Other Expenses	2.652.475	1.430.700	721.074	1.195.040	65,7
Operating Expenses	388.903	455.128	549.461	662.389	20,6

Out of 76 companies the ROA of 43 companies were below the 2.5% sector average. Only six companies had ROA higher than 6%. The same ratio in terms of factoring operational profits as a share of average assets showed 1.8% sector average, 40 companies below that average and 11 companies having a higher average than 6%. Given the challenging operating environment of year 2013 eight companies have evidenced that it was possible to be profitable despite the challenges.

Table 47. Income Statement (1000 TL)

	2009	2010	2011	2012	2013	% Ch.
Factoring Interest Income	1,190,116	1,338,254	1,784,588	2,353,616	2,167,158	-7.9
Factoring Commission Income	145,592	186,220	252,526	256,267	255,972	-0.1
Factoring Operations Income	1,335,708	1,524,474	2,037,114	2,609,883	2,423,130	-7.2
Financial Expenses	-509,180	-680,239	-987,953	-1,147,770	-1,022,896	-10.9
<i>Interest Expense on Loans & Borrowings -</i>	<i>-496,637</i>	<i>-662,090</i>	<i>-962,556</i>	<i>-1,119,075</i>	<i>-993,364</i>	<i>-11.2</i>
<i>Other Financial Expenses</i>	<i>-12,543</i>	<i>-18,149</i>	<i>-25,397</i>	<i>-28,695</i>	<i>-29,532</i>	<i>2.9</i>
Foreign Exchange Profit / Loss (net)	2,500	-2,841	-35,626	-2,656	78,631	3060.5
<i>FX Profits</i>	<i>1,566,852</i>	<i>2,630,645</i>	<i>1,293,552</i>	<i>622,277</i>	<i>1,030,679</i>	<i>65.6</i>
<i>FX Loss</i>	<i>-1,564,352</i>	<i>-2,633,486</i>	<i>-1,329,178</i>	<i>-624,933</i>	<i>-952,048</i>	<i>52.3</i>
Derivatives (net)	-26,645	51	-17,995	59,912	-145,569	-343.0
Specific Provision for non-performing Factoring Receivables -	-144,706	-179,849	-119,892	-308,332	-308,856	0.2
Total Factoring Operating Expenses	-678,031	-862,878	-1,161,466	-1,398,846	-1,398,690	0.0
Factoring Operating Margin	657,677	661,596	875,648	1,211,037	1,024,440	-15.4
Personnel Expenses (-)	-182,673	-233,973	-279,497	-337,019	-402,881	19.5
Operating Expenses -	-126,710	-154,930	-175,631	-212,442	-259,508	22.2
<i>General Operating Expenses -</i>	<i>-112,674</i>	<i>-141,468</i>	<i>-153,032</i>	<i>-190,324</i>	<i>-220,233</i>	<i>15.7</i>
<i>Other Operating Expenses-</i>	<i>-11,145</i>	<i>-10,242</i>	<i>-19,237</i>	<i>-17,989</i>	<i>-31,903</i>	<i>77.3</i>
<i>Retirement Pay Provision Expenses -</i>	<i>-2,891</i>	<i>-3,220</i>	<i>-3,362</i>	<i>-4,129</i>	<i>-7,372</i>	<i>78.5</i>
Total Operating Expenses	-309,383	-388,903	-455,128	-549,461	-662,389	20.6
OPERATING PROFIT	348,294	272,693	420,520	661,576	362,051	-45.3
Non-Factoring Operations Income	64,100	77,934	34,025	25,600	151,213	490.7
Other Operational Profit/Loss-	11,424	145,340	151,446	72,127	101,078	40.1
NET INCOME FROM OPERATIONS	423,818	495,967	605,991	759,303	614,342	-19.1
Subsidiaries, Affiliates and JV Profits/Losses	0	0	0	0	0	-
Other Income	0	330	0	0	264	-
Other Expenses -	0	-25	-70	0	0	-
Net Other Income / Expenses	0	305	-70	0	264	-
Income Before Tax	423,818	496,272	605,921	759,303	614,606	-19.1
Taxes	-93,736	-84,196	-113,211	-149,222	-112,331	-24.7
Net Period Profit	330,082	412,076	492,710	610,081	502,275	-17.7

Source: Turkrating's reclassification of BRSA data

Table 48. Profitability Ratios (Summary)

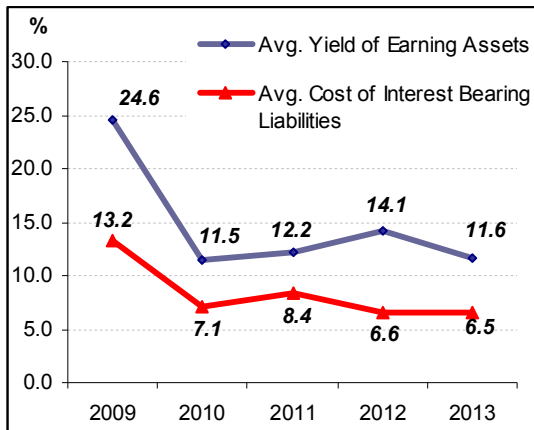
	2008	2009	2010	2011	2012	2013
Shareholders' Equity (Million TL)	2,340.50	2,493.34	2,940.32	3,376.56	3,855.88	4,019.39
Net Profit / Loss (Million TL)	427.00	330.08	412.08	492.71	610.08	502.28
ROAA (%)	11.0	3.6	3.3	3.3	3.6	2.5
ROE (%)	18.2	13.2	14.0	14.6	15.8	12.5
ROAE (%)	46.8	17.0	18.4	18.7	20.4	15.3

Table 49. Profitability Ratios (%)

	2009	2010	2011	2012	2013
Average Yield on Earning Assets	14.3	11.5	12.2	14.1	11.6
Cost of Interest Bearing Liabilities	7.7	6.9	8.2	8.6	6.3
Interest from Factoring Receivables / Interest Income	94.9	94.5	98.1	98.9	93.5
Net Factoring Interest Margin	9.3	6.0	5.8	7.6	6.0
Net Interest Margin	7.9	5.4	5.3	7.1	5.7
Factoring Operations Margin/Avg. Net Factoring Receivables	9.8	6.4	6.6	7.9	5.6
Factoring Operations Margin / Avg. Assets	7.5	5.3	5.8	7.2	5.1
Recurring Earning Power (Operating Profit / Avg, Assets)	4.7	4.0	4.0	4.5	3.1
Return on Average Assets ROAA	3.6	3.3	3.3	3.6	2.5
Return on Equity (period end) ROE	13.2	14.0	14.6	15.8	12.5
Net factoring interest income coverage of loan loss provision	4.8	3.8	6.9	4.0	3.8
Total Operating Expenses /Operating Income	47.0	58.8	52.0	45.4	64.7
Loan loss provisions / Operating, income	41.5	66.0	28.5	46.6	85.3
Factoring Operations margin coverage of loan loss provision	1.5	1.5	1.9	1.8	1.2
Factoring operations income coverage of loan loss provision	5.7	4.7	8.7	4.7	4.5
Net Loan Loss Provision/Operating profit	103.3	90.4	74.5	87.1	135.4

- 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

Graph 24. Funding Cost and Return on Assets



Graph 25. Net Factoring Margin

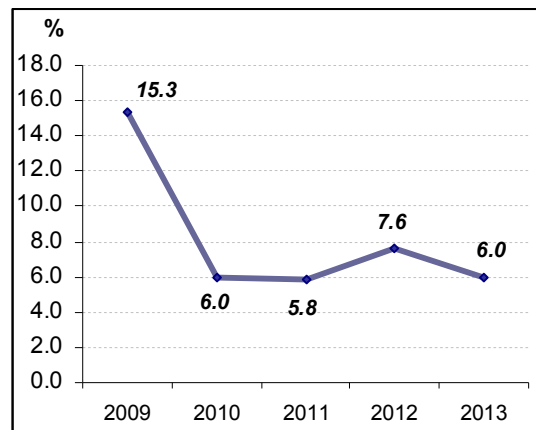


Table 50. Profitability Ratios of Factoring Companies - 2012-2013

	Total Assets 2013	Shareholders' Equity 2012	Shareholders' Equity 2013	Net Profit 2012	Net Profit 2013	ROAE 2013	ROAA 2013
Yapı Kredi Fak. A.Ş.	2,196,454	219,654	263,545	53,342	149,335	119.39	7.49
Kapital Fak. A.Ş.	848,592	375,302	391,192	75,930	61,767	19.61	7.69
Deniz Fak. A.Ş.	1,968,172	206,571	206,226	58,043	50,572	33.25	3.13
Şirinoğlu Fak. A.Ş.	379,502	116,169	141,929	24,869	35,292	35.66	9.80
Prime Fak. Hizm. A.Ş.	200,718	13,072	46,656	5,287	33,583	322.01	24.70
Destek Fak. A.Ş.	529,953	147,989	173,581	40,280	25,593	20.02	5.08
Creditwest Fak. A.Ş.	590,222	129,199	139,428	29,105	23,866	22.13	4.37
Garanti Fak. A.Ş.	2,059,653	105,011	120,066	20,460	15,302	16.17	0.76
TEB Fak. A.Ş.	1,140,467	46,846	61,138	15,925	14,259	29.99	1.48
Ulusal Fak. A.Ş.	504,293	57,913	67,631	11,220	12,019	23.50	2.92
Akın Fak. A.Ş.	234,636	64,799	48,885	8,486	11,882	25.46	5.80
İş Faktoring A.Ş.	971,517	59,723	69,276	4,574	11,759	21.08	1.17
Eko Fak. A.Ş.	403,819	85,565	92,667	16,376	11,420	18.02	3.10
Yeditepe Fak. A.Ş.	201,598	35,127	45,733	8,393	10,616	34.33	6.28
Yaşar Fak. A.Ş.	225,073	95,195	97,704	13,086	8,371	9.77	3.62
Ekspo Fak. A.Ş.	294,570	76,178	82,039	11,509	7,861	13.20	2.95
Lider Fak. A.Ş.	611,461	83,882	97,707	12,321	7,549	9.34	1.20
Ak Fak. A.Ş.	214,233	10,411	17,904	2,350	7,493	81.13	5.08
Anadolu Fak. A.Ş.	154,003	55,150	61,833	9,240	6,691	13.24	4.95
Başer Fak. A.Ş.	140,161	32,261	35,854	8,008	6,429	23.95	5.03
Doğan Fak. A.Ş.	117,725	22,324	28,412	4,364	6,088	30.23	6.77
MNG Faktoring A.Ş.	322,803	52,790	58,844	8,568	5,989	12.34	2.06
C Fak. A.Ş.	234,921	162,846	167,769	8,970	5,864	3.71	2.57
Optima Fak. A.Ş.	147,614	27,232	27,449	7,794	5,547	26.84	3.97
VDF Fak. Hizm. A.Ş.	90,143	10,522	15,532	2,250	5,002	53.21	5.32
Çözüm Fak. A.Ş.	83,916	36,063	40,584	6,509	4,525	13.79	6.32
Akdeniz Fak. A.Ş.	260,063	12,005	29,308	231	4,058	21.92	2.02
GSD Fak. A.Ş.	154,368	30,575	29,607	8,076	4,031	16.77	2.53
Eren Fak. A.Ş.	90,133	8,709	12,687	991	3,978	48.43	5.13
ING Fak. A.Ş.	628,531	46,419	50,267	4,822	3,848	8.74	0.62
Çağdaş Fak. A.Ş.	201,921	38,597	35,489	2,079	3,657	15.02	1.87
Zorlu Fak. A.Ş.	198,940	9,439	19,812	-561	3,623	27.67	2.98
Analiz Fak. A.Ş.	96,745	10,280	13,715	49	3,440	33.55	4.55
Tuna Fak. A.Ş.	69,187	25,828	27,017	4,688	3,288	14.66	5.08
Pamuk Fak. A.Ş.	157,201	86,219	69,791	22,324	2,917	4.46	1.93
Kredi Fin. Fak. Hizm. A.Ş.	182,409	16,166	18,856	1,961	2,642	15.46	1.65
Para Finans Fak. A.Ş.	147,063	19,268	18,887	3,750	2,062	12.75	1.48
Trend Fak. A.Ş.	51,023	12,478	14,438	2,033	1,930	16.82	4.19
ACL Fak. A.Ş.	48,247	13,557	15,320	1,709	1,730	13.60	3.87
Sardes Fak. A.Ş.	70,788	9,746	11,472	2,165	1,726	19.92	2.62
Şeker Fak. A.Ş.	220,145	22,853	24,652	3,020	1,657	7.74	0.81
Finans Fak. A.Ş.	534,958	26,923	28,421	3,543	1,574	6.27	0.35
Acar Fac. A.Ş.	19,869	18,750	20,228	2,387	1,548	12.13	8.06
Strateji Fak. A.Ş.	177,383	14,409	15,912	1,414	1,535	11.22	0.98

Arena Fak. A.Ş.	61,586	15,758	17,154	2,347	1,398	9.58	2.71
Atılım Fak. A.Ş.	138,885	29,127	28,132	5,193	1,359	5.36	1.02
Mert Fin. Fak. A.Ş.	22,961	8,679	9,804	869	1,125	13.65	4.91
Halk Fak. A.Ş.	326,861	19,739	40,822	-261	1,083	3.63	0.62
ABC Fak. A.Ş.	78,024	10,532	12,014	-1,630	982	8.47	1.28
Devir Fak. A.Ş.	97,666	12,945	13,890	1,097	955	7.71	1.03
First Fac. A.Ş.	52,902	9,697	10,538	2,389	841	9.89	1.74
Erişim Fak. A.Ş.	86,754	7,695	12,778	19	838	8.54	1.22
Berg Fak. A.Ş.	58,983	14,766	15,554	-234	792	5.32	1.83
Global Fak. Hizm. A.Ş.	43,719	14,004	14,591	3,405	588	4.78	1.52
Makro Fak. A.Ş.	59,070	8,750	13,133	402	532	5.08	1.11
Kredi Alta Fak. A.Ş.	26,437	6,412	6,810	-1,088	402	5.78	2.43
Değer Fak. A.Ş.	70,028	6,351	7,947	-1,652	396	5.09	0.82
Merkez Fak. A.Ş.	39,395	9,712	9,916	1,011	212	2.30	0.56
Huzur Fak. A.Ş.	104,063	15,476	17,696	1,804	23	0.15	0.02
Atak Fak. A.Ş.	10,812	8,645	7,733	406	-169	-2.10	-1.74
Ce-Sa Faktoring A.Ş.	10,112	0	6,949	0	-551	-14.69	-10.90
Demir Fak. A.Ş.	124,195	25,400	28,785	1,668	-636	-2.39	-0.55
Kıbrıs İktisat Fak. A.Ş.	39,030	7,211	8,510	-289	-701	-8.39	-3.03
Met-Ay Fak. A.Ş.	16,759	8,223	7,505	-192	-718	-8.63	-3.90
Doğa Fak. A.Ş.	40,361	16,715	15,820	1,244	-847	-5.27	-2.68
Turkish Fak. Hizm. A.Ş.	22,333	7,964	6,991	48	-919	-11.61	-3.66
Katar Fak. Hizm. A.Ş.	24,820	14,282	12,581	1,182	-1,701	-12.42	-6.66
As Fak. A.Ş.	26,509	7,737	6,636	121	-2,100	-25.68	-10.21
Sümer Fak. A.Ş.	4,445	7,517	4,395	4	-3,109	-41.41	-24.94
Vakıf Fin. Fac. Hizm. A.Ş.	175,521	88,498	81,303	10,281	-7,247	-8.69	-3.22
Tam Fak. A.Ş.	123,613	74,485	65,093	-7,107	-9,395	-12.04	-9.37
Kent Fak. A.Ş.	235,157	37,380	35,959	3,782	-12,424	-30.31	-6.74
Bayramoğlu Fak. A.Ş.	150,232	105,000	91,872	13,691	-13,090	-13.34	-8.84
Girişim Fak. A.Ş.	565,308	229,124	197,363	16,385	-16,926	-7.93	-3.21
Ar Fak. A.Ş.	37,830	10,198	-7,403	1,750	-17,602	-182.37	-35.43
Fiba Fak. A.Ş.	730,141	187,902	150,717	16,106	-23,171	-13.41	-2.91
TOTAL	21,779,705	3,775,939	4,007,051	604,691	494,138		

Table 51. Profitability Ratios Based on Net Operations Profits*

	Net Operations Income 2012	Net Operations Income 2013	ROAE 2012	ROAA 2012	ROAE 2013	ROAA 2013
1 Kapital Fak. A.Ş.	89,218	76,263	20.62	12.12	15.90	9.50
2 Deniz Fak. A.Ş.	62,630	66,713	28.33	5.49	29.02	4.12
3 Prime Fak. Hizm. A.Ş.	6,452	41,516	62.74	16.86	244.71	30.53
4 Şirinoğlu Fak. A.Ş.	28,697	37,183	23.14	9.43	24.42	10.33
5 Destek Fak. A.Ş.	50,396	31,715	33.14	11.88	15.71	6.30
6 Garanti Fak. A.Ş.	18,561	30,757	16.94	1.15	20.92	1.53
7 Creditwest Fak. A.Ş.	31,766	29,065	22.47	6.41	17.55	5.32
8 TEB Fak. A.Ş.	17,247	14,617	38.30	2.08	18.35	1.52
9 Akın Fak. A.Ş.	9,947	14,191	14.26	6.46	21.78	6.93
10 Ulusal Fak. A.Ş.	13,553	13,478	19.72	5.33	17.07	3.28
11 Yeditepe Fak. A.Ş.	10,282	13,183	27.08	9.49	27.19	7.80
12 İş Faktoring A.Ş.	4,748	11,530	6.17	0.64	13.68	1.15
13 Eko Fak. A.Ş.	19,814	9,528	29.31	6.68	9.16	2.59
14 Ak Fak. A.Ş.	2,549	9,161	20.50	5.72	63.43	6.21
15 Ekspo Fak. A.Ş.	13,942	8,123	16.72	5.83	9.07	3.05
16 Yaşar Fak. A.Ş.	16,708	7,968	13.85	6.29	6.11	3.44
17 MNG Fak. A.Ş.	11,159	7,849	17.34	4.61	10.47	2.70
18 Yapı Kredi Fak. A.Ş.	48,352	7,730	20.58	2.66	4.63	0.39
19 Fiba Fak. A.Ş.	25,573	7,541	8.75	3.17	2.90	0.95
20 Anadolu Fak. A.Ş.	10,954	7,477	16.55	9.24	9.57	5.53
21 Başer Fak. A.Ş.	9,145	6,711	25.31	7.88	16.15	5.25
22 Doğan Fak. A.Ş.	4,285	6,699	16.46	4.86	21.40	7.45
23 Optima Fak. A.Ş.	6,124	5,887	20.97	4.70	18.62	4.21
24 Eren Fak. A.Ş.	1,458	5,306	12.36	3.17	42.22	6.84
25 VDF Fak. Hizm. A.Ş.	1,179	4,828	9.76	1.32	32.92	5.13
26 GSD Fak. A.Ş.	10,219	4,695	27.43	5.92	12.75	2.95
27 Çözüm Fak. A.Ş.	7,048	4,604	17.24	12.94	9.06	6.43
28 Çağdaş Fak. A.Ş.	1,846	4,460	5.18	1.16	12.18	2.28
29 Zorlu Fak. A.Ş.	-959	4,446	-9.59	-4.34	20.98	3.66
30 Tuna Fak. A.Ş.	5,642	4,005	18.25	9.52	11.68	6.18
31 Akdeniz Fak. A.Ş.	721	3,844	4.23	0.55	12.35	1.91
32 Analiz Fak. A.Ş.	-1,355	3,398	-9.34	-2.58	22.08	4.49
33 Kredi Fin. Fak. Hizm. A.Ş.	2,328	3,350	10.11	2.57	13.06	2.10
34 ING Fak. A.Ş.	3,169	3,167	5.20	0.68	4.71	0.51
35 Para Fin. Fak. A.Ş.	4,626	2,943	19.22	3.74	11.97	2.11
36 Makro Fak. A.Ş.	2,315	2,584	18.38	7.04	15.40	5.41
37 Sardes Fak. A.Ş.	2,744	2,557	23.95	6.90	18.89	3.89
38 Trend Fin. Fak. A.Ş.	2,489	2,402	16.47	6.51	13.55	5.21
39 Lider Fak. A.Ş.	9,675	1,968	9.55	1.69	1.56	0.31
40 Şeker Fak. A.Ş.	3,117	1,661	10.90	1.67	5.05	0.81
41 ACL Fak. A.Ş.	1,323	1,605	7.45	3.71	8.22	3.59
42 Atılım Fak. A.Ş.	6,190	1,499	17.47	5.01	3.87	1.12
43 Mert Fin. Fak. A.Ş.	845	1,169	7.27	4.52	9.29	5.11
44 Strateji Fak. A.Ş.	1,527	1,157	7.97	1.15	5.54	0.74
45 Finans Fak. A.Ş.	3,121	1,155	9.09	0.96	3.00	0.25
46 Halk Fak. A.Ş.	-1,227	1,155	-6.13	-12.30	2.32	0.67
47 Berg Fak. A.Ş.	-747	1,000	-4.98	-5.42	4.49	2.31
48 Arena Fak. A.Ş.	2,836	858	14.77	6.18	3.82	1.66
49 Erişim Fak. A.Ş.	111	814	1.01	0.21	5.16	1.18
50 Kredi Alta Fak. A.Ş.	-1,656	618	-22.08	-50.14	6.08	3.74
51 Demir Fak. A.Ş.	2,595	226	7.22	2.73	0.55	0.20

52	Merkez Fak. A.Ş	982	90	7.77	2.96	0.64	0.24
53	First Fac. A.Ş.	2,972	0	19.68	6.50	0.00	0.00
54	Devir Fak. A.Ş	1,030	-96	6.03	1.34	-0.51	-0.10
55	Değer Fak. A.Ş.	-1,493	-145	-12.77	-5.95	-1.26	-0.30
56	C Fak. A.Ş.	1,483	-542	0.64	0.65	-0.23	-0.24
57	Atak Fak. A.Ş.	-83	-665	-0.69	-0.98	-5.53	-6.81
58	Global Fak. Hizm.A.Ş.	900	-741	6.39	2.92	-3.84	-1.92
59	Kıbrıs İktisat Fak. A.Ş.	-507	-805	-6.76	-13.95	-6.21	-3.48
60	Huzur Fak. A.Ş.	2,015	-805	10.41	2.14	-3.28	-0.81
61	Ce-Sa Faktoring A.Ş.	0	-1,033	-	-	-13.77	-20.43
62	Met-Ay Fak. A.Ş.	-553	-1,038	-4.39	-2.80	-8.35	-5.64
63	Pamuk Fak. A.Ş	-1,185	-1,286	-1.30	-0.70	-1.30	-0.85
64	Turkish Fak. Hizm. A.Ş.	-122	-1,362	-1.04	-0.36	-11.48	-5.43
65	Doğa Fak. A.Ş.	800	-1,699	3.56	2.45	-6.96	-5.38
66	ABC Fak. A.Ş.	-3,707	-2,425	-19.08	-4.01	-14.17	-3.15
67	Katar Fak. Hizm. A.Ş.	1,260	-2,459	6.70	4.89	-11.80	-9.63
68	Acar Fak. A.Ş	1,531	-2,804	7.98	8.69	-14.67	-14.61
69	As Fak. A.Ş.	48	-2,975	0.42	0.42	-23.71	-14.46
70	Sümer Fak. A.Ş.	-424	-3,495	-3.82	-1.75	-31.04	-28.03
71	Vakıf Fin. Fac. Hizm. A.Ş	11,240	-8,317	9.86	2.50	-6.52	-3.69
72	Tam Fak. A.Ş.	-8,656	-12,463	-10.14	-20.66	-10.81	-12.43
73	Bayramoğlu Fak. A.Ş.	16,335	-12,960	12.25	10.70	-8.60	-8.75
74	Kent Fak. A.Ş	4,297	-13,590	9.19	2.73	-20.85	-7.38
75	Ar Fak. A.Ş.	1,898	-19,406	14.77	2.79	-131.56	-39.06
76	Girişim Fak. A.Ş.	12,698	-51,295	3.82	2.51	-16.00	-9.72
TOTAL		626,041	394,043				

**The Net Operations Income is calculated by Turkrating. They differ from data in Audit Reports.

Table 49 gives the sector's profitability ratios. Table 52 illustrates the average sector profitability ratio of each group. There are striking differences between the ratios of different groups. In 2013 the most profitable group appears to be Group E (the small companies). Group A (the leading two companies) had a higher ratio in 2013 due to the participation of Deniz Factoring. But when TL128 million asset sale of Yapı Kredi is deducted, Group A's ratios significantly fall.

Table 52. Profitability Ratios of Factoring Companies in 2013 According to Groups

	Sector	Group A	Group B	Group C	Group D	Group E
Average Yield on Earning Assets (%)	11.6	6.0	9.2	15.9	15.9	16.6
Cost of Interest Bearing Liabilities (%)	6.3	4.0	6.4	9.0	8.7	9.7
Net Factoring Interest Margin (%)	6.0	2.9	4.8	9.7	9.7	10.3
Factoring Oper. Margin / Avg,Net Fac. Receivables (%)	5.7	3.2	4.5	9.8	9.6	9.5
Factoring Operations Margin / Average Assets (%)	5.1	3.1	4.1	8.5	8.4	8.3
Return on Average Assets ROAA (%)	2.5	3.8	1.7	3.0	4.0	0.3
Return on Equity (period end) ROE (%)	12.5	36.5	8.6	9.9	15.7	0.9
Average Equity Profitability (Period end) (%)	15.3	57.9	9.8	12.1	20.3	0.9
Operating Expenses / Operating Income (%)	64.7	39.5	53.6	66.6	46.0	103.7
Loan Loss Provision /Operating Income (%)	135.4	118.6	110.5	211.0	86.5	1332.5

Asset Quality

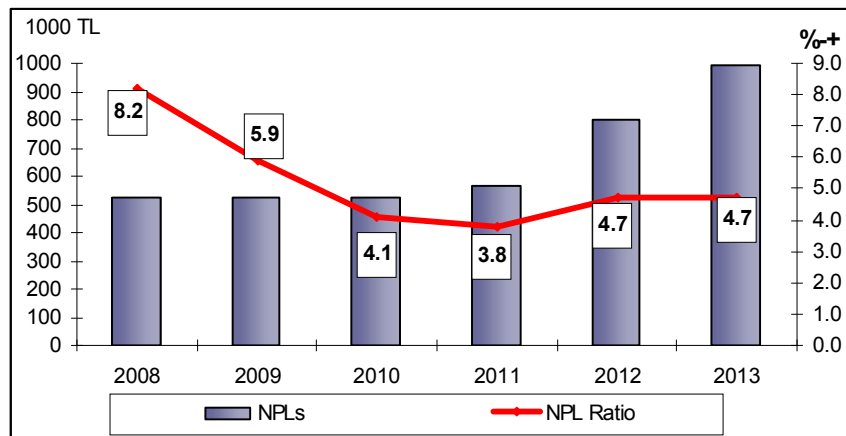
Non-performing loans increased by 23%, specific reserves by 26% in 2013. Due to rapid growth in the volume of factoring receivables the NPL ratio remained unchanged at 4.7%. However, looking at the position of groups Group A has the lowest (1.0 NPL ratio compared to Group C (7.7%). Table 54 illustrated the NPL ratios of all companies in years 2012 and 2013 listed according to their asset size. For the first time we have encountered NPL ratios as high as 30%. A number of companies have transferred their impaired assets to asset management companies but we were not able to obtain a reliable source on the volume of the transferred assets.

Table 53. Asset Quality

	2009	2010	2011	2012	2013
Factoring Receivables (Million TL)	8,873.16	12,894.84	14,778.76	17,130.47	21,089.13
Non-Performing Loans (Million TL)	522.34	525.00	565.47	802.64	989.93
NPLs / Factoring Receivables (%)	5.9	4.1	3.8	4.7	4.7
NPLs / (Equity+ Allowances NPLs) (%)	17.8	15.5	14.8	17.8	20.4
Specific Reserves (Million TL)	437.93	448.46	451.18	661.05	831.78
Reserve Ratio (%)	83.8	85.4	79.8	82.4	84.0

Source: BRSA

Graph 26. Annual NPLs and NPL Ratios



Graph 27. Quarterly NPL Ratios

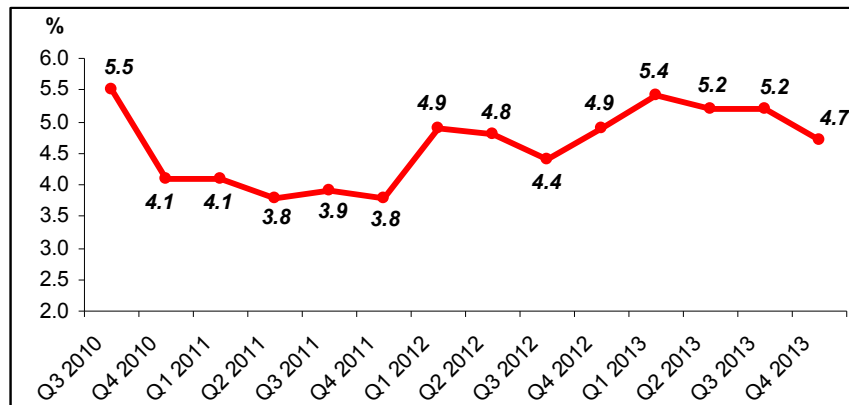


Table 54. Asset Quality of Factoring Companies

	NPLs (1000 TL) 2012	NPLs (1000 TL) 2013	NPL Ratio 2012	NPL Ratio 2013
Yapı Kredi Fak. A.Ş.	62,048	80,419	3.65	3.62
Garanti Fak. A.Ş.	26,583	38,870	1.43	1.92
Deniz Fak. A.Ş.	23,478	33,330	1.89	1.72
TEB Fak. A.Ş.	10,502	24,417	1.38	2.20
İş Faktoring A.Ş.	10,902	16,945	1.06	1.76
Kapital Fak. A.Ş.	16,609	22,764	2.23	2.65
Fiba Fak. A.Ş.	33,155	32,038	4.37	4.54
ING Fak. A.Ş.	3,259	7,501	0.54	1.37
Lider Fak. A.Ş.	19,747	21,103	3.08	3.49
Creditwest Fak. A.Ş.	21,618	16,995	4.40	3.01
Girişim Fak. A.Ş.	13,971	13,381	4.61	3.99
Finans Fak. A.Ş.	7,698	10,504	2.08	1.99
Destek Fak. A.Ş.	12,564	12,001	2.65	2.28
Ulusal Fak. A.Ş.	8,877	12,032	2.83	2.41
Eko Faktoring A.Ş.	42,282	29,418	12.40	7.23
Şirinoğlu Fak. A.Ş.	30,489	34,156	10.57	10.84
Halk Fak. A.Ş.	0	784	0.00	0.24
MNG Fak. A.Ş.	17,525	23,222	6.73	7.05
Ekspo Fak. A.Ş.	6,694	9,168	2.79	3.07
Akdeniz Fak. A.Ş.	6,453	5,871	4.43	2.21
Kent Fak. A.Ş.	11,866	39,203	8.54	15.37
C Fak. A.Ş.	11,919	12,067	15.87	12.93
Akın Fak. A.Ş.	9,100	12,929	5.00	5.26
Yaşar Fak. A.Ş.	35,958	43,820	14.06	17.18
Şeker Fak. A.Ş.	29,870	36,699	14.13	15.56
Ak Fak. A.Ş.	0	950	0.00	0.45
Çağdaş Fak. A.Ş.	15,451	14,635	7.90	7.11
Yeditepe Fak. A.Ş.	3,862	5,283	2.81	2.59
Prime Fak. Hizm.A.Ş.	0	0	0.00	0.00
Zorlu Fak. A.Ş.	0	3,313	0.00	1.68
Kredi Fin. Fak. Hizm.A.Ş.	6,136	12,775	4.49	7.03
Strateji Fak. A.Ş.	4,383	1,451	3.23	0.84
Vakıf Fin. Fac. Hizm.A.Ş.	19,171	58,849	9.35	30.76
Pamuk Fak. A.Ş.	8,982	12,571	10.75	13.47
GSD Fak. A.Ş.	3,936	3,364	2.36	2.14
Anadolu Fak. A.Ş.	9,722	10,578	7.77	6.47
Bayramoğlu Fak. A.Ş.	35,097	54,534	21.29	27.87
Optima Fak. A.Ş.	15,480	3,356	11.20	2.35
Para Fin. Fak. A.Ş.	7,288	8,115	5.71	5.67
Başer Fak. A.Ş.	18,380	22,022	14.64	14.15
Atılım Fak. A.Ş.	14,733	9,815	11.22	6.90
Demir Fac. A.Ş.	1,951	3,173	2.04	2.94
Tam Fak. A.Ş.	2,402	6,268	6.56	5.57
Doğan Fak. A.Ş.	241	228	0.40	0.20
Huzur Fak. A.Ş.	6,286	9,475	6.58	9.20
Devir Fak. A.Ş.	5,231	4,422	6.20	4.68
Analiz Fak. A.Ş.	6,914	4,391	12.31	4.87
VDF Fak. Hizm. A.Ş.	0	0	0.00	0.00
Eren Fak. A.Ş.	2,471	2,788	3.80	3.07
Erişim Fak. A.Ş.	10,001	11,087	18.40	12.32
Çözüm Fak. A.Ş.	7,194	8,336	12.90	10.29
ABC Fak. A.Ş.	16,498	7,710	19.79	10.06

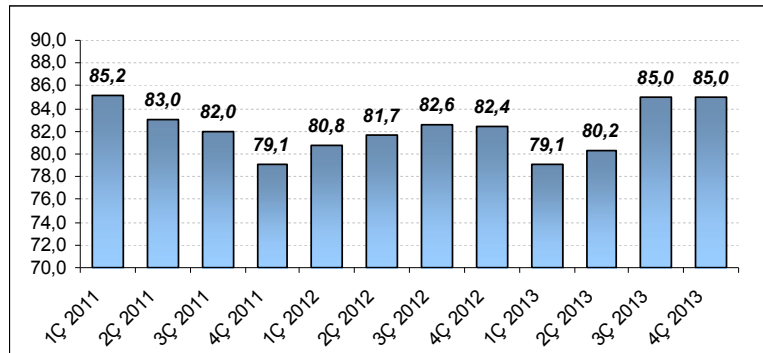
Sardes Fak. A.Ş.	203	378	0.34	0.54
Değer Fak. A.Ş.	6,738	3,552	24.27	5.04
Tuna Fak. A.Ş.	2,331	2,645	3.90	3.96
Arena Fak. A.Ş.	6,395	6,211	14.65	9.66
Berg Fak. A.Ş.	0	458	0.00	0.78
First Fac. A.Ş.	8,332	8,397	16.73	14.45
Trend Fak. A.Ş.	4,866	7,412	11.03	13.20
ACL Fak. A.Ş.	3,383	3,651	8.82	8.35
Global Fak. Hizm.A.Ş.	3,094	10,282	11.76	26.57
Merkez Fak. A.Ş.	3,349	4,250	8.81	10.03
Kıbrıs İktisat Fak. A.Ş.	0	548	-	1.43
Ar Fak. A.Ş.	1,856	24,145	3.11	58.46
Doğa Fak..A.Ş.	7,478	8,169	35.12	20.05
Makro Fac. A.Ş.	2,855	4,407	7.55	7.58
As Fak. A.Ş.	2,145	3,891	14.81	14.09
Kredi Alta Fak. A.Ş.	0	94	0.00	0.36
Katar Fak. Hizm. A.Ş.	10,818	12,486	36.68	41.21
Mert Fin. Fak. A.Ş.	2,681	3,297	11.07	13.20
Turkish Fak. Hizm. A.Ş.	2,615	3,514	10.00	15.13
Sümer Fak. A.Ş.	2,379	3,289	12.16	74.75
Acar Fac. A.Ş.	1,524	1,298	17.14	11.96
Met-Ay Fak. A.Ş.	10,406	11,596	52.19	65.53
Atak Fak. A.Ş.	75	328	71.39	4.22
Ce-Sa Faktoring A.Ş.	0	0	-	0.00
Total	783,067	993,422		
BDDK	565,460	802,190	3.80	4.70

*Began operating in December 2012.

Reserves

In compliance with the BRSA's regulatory provisioning requirements, specific provisions covered 85% of impaired factoring receivables in 2013 (79.1% in 2011 and 82.4% in 2012).

Graph 28. Special Reserves/NPLs (%)



Source: BRSA

Funding

Deprived from the ability to collect deposits all non-bank financial institutions have to operate with strong equity. In addition to equity, the core funding source is bank borrowings. After Turkish banks were allowed to issue bills and bonds in 2010, factoring companies also gained access to the bond market.

A. Equity

Total equity amounted to TL4.0 billion at the end of 2013. Despite 17.7% fall in net income equity increased by 4.2% as a result of 15.5% increase in paid-in capital.

At the end of 2013 there were 45 companies with equity of less than TL20 million. A minimum of TL400 million fresh capital is expected to be injected before the end of 2015.

Table 55. The Composition of Shareholders Equity (Million TL)

	2009	2010	2011	2012	2013
Equity	2,493.33	2,940.32	3,376.55	3,855.88	4,019.39
A) Paid-in Capital	1,026.35	1,090.50	1,279.63	1,618.55	1,868.65
B) Capital Reserves	285.06	257.77	282.31	347.88	181.30
a) Share Premium	0.00	16.41	29.61	46.02	29.61
b) Share cancellation Profits	0.00	0.00	0.00	0.00	0.00
c) Valuation Changes of Marketable Securities	48.94	78.62	56.71	114.78	151.69
d) Revaluation Changes of Property and Equipment	10.33	5.88	17.19	44.35	0.00
e) Free Share from Investment and Associates, Subsidiaries and JVs	35.14	35.58	36.03	36.03	0.00
f) Hedging Funds (Active part)	0.00	0.00	0.00	106.70	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	29.48
h) Other Capital Reserves	190.65	121.28	142.77	0.00	3.06
C) Profit Reserves	750.85	1,072.29	1,287.75	1,161.97	1,344.76
a) Legal Reserves	103.49	122.47	143.39	4.26	221.58
b) Status Reserves	10.48	38.36	2.35	4.26	5.08
c) Extraordinary Reserves	263.96	535.37	697.08	687.91	801.18
d) Other profit Reserves""	372.92	376.10	444.92	286.68	316.92
D) Profit or Loss (97+98)	431.07	519.77	526.87	727.49	592.15
a) Prior Year Income or Loss	100.88	107.69	34.16	117.41	89.88
b) Net Period Profit or Loss	330.20	412.08	492.71	610.08	502.28
Equity / Total Assets (%)	24.0	20.3	21.7	21.3	18.4

B. Loans

Bank loans represent the main source of funding of factoring companies. These loans are provided by both domestic and international banks. In the last four years bank borrowings have increased and represented 70% of their assets. The larger part of these borrowings is short-term and in TL.

Most large companies have no difficulty in accessing the credits they require. They even have large unused limits. The borrowings of smaller companies are at higher rates and in general obtained against the guarantee of the shareholders.

Table 56. Factoring Sector Funding (Million TL)

	2008	2009	2010	2011	2012	2013
Total Liabilities	7.575,46	10.407,62	14.462,61	15.617,09	18.146,48	21.794,49
Loans	4.918,58	7.499,22	10.960,99	11.438,67	12.811,36	15.462,26
FC Loans / Total Loans	54,78	23,47	23,13	25,99	22,42	20,70
Loans / Assets (%)	63,4	72,1	75,8	73,2	70,6	70,9
Avg. Securities Issued / Av.Total Funding (%)	0,9	1,6	1,7	2,4	5,2	8,0
Equity	2.319,46	2.493,33	2.940,32	3.376,55	3.855,88	4.019,39

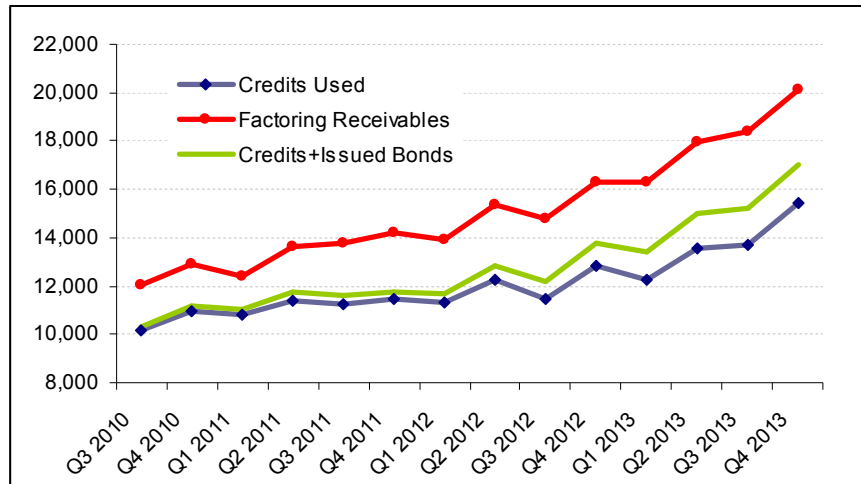
Source: BRSA

Table 57. Loans (Million TL)

	2008	2009	2010	2011	2012	2013
Loans	4.918,58	7.499,22	10.960,99	11.438,67	12.811,37	15.462,26
Factoring Payables	24,85	111,27	209,67	219,64	271,92	339,30
Lease Payables	2,14	2,69	2,80	2,16	2,58	42,33
A) Financial Lease Payables	2,54	3,27	3,23	2,43	2,95	51,39
B) Operational Lease Payables	0,00	0,00	0,00	0,00	0,00	0,00
C) Other	0,00	0,00	0,00	0,00	0,00	0,00
D) Deferred Financial Lease Expenses	0,40	0,58	0,43	0,27	0,37	9,06
(-)	0,40	0,58	0,43	0,27	0,37	9,06
Securities Issued (Net)	92,85	113,95	211,17	348,24	977,91	1.545,32
A) Bills	0,00	0,00	0,00	0,00	159,07	470,15
B) Asset-backed Securities	0,00	0,00	0,00	0,00	0,00	11,88
C) Bonds	92,85	113,95	211,17	348,24	818,84	1.063,28
Miscellaneous Payables	120,02	43,84	32,04	52,25	76,73	107,71
Other Foreign Liabilities	14,88	9,94	4,06	13,91	17,50	11,33

Source: BRSA

Graph 29. Factoring Receivables and Loans (Million TL)



Source: BRSA

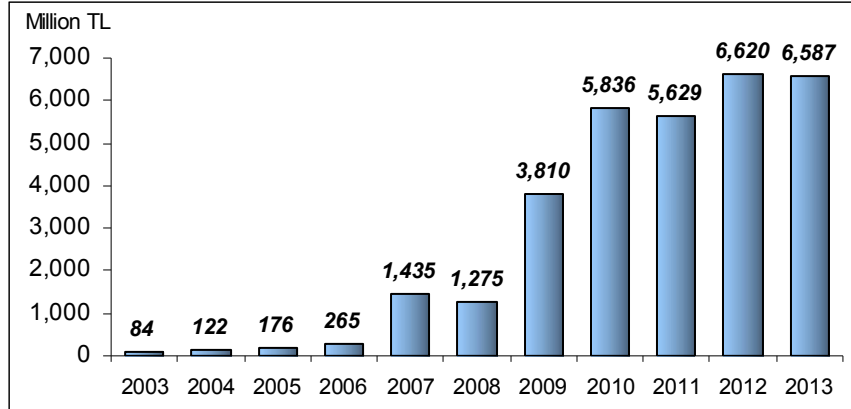
C. Credit Disbursements from Local Banks

The data of the Central Bank of Turkey gives us the volume of credits used by the factoring industry. In Table 58 factoring companies' use of credits from deposit taking banks and investment banks is TL7.0 billion.

Table 58. Loans Obtained from Deposit Taking and Investment Banks by Factoring Companies (1000 TL)

	2007	2008	2009	2010	2011	2012	2013
Deposit Taking Banks	1.435.377	1.275.235	3.810.354	5.835.773	5.628.969	6.619.899	6.586.768
Development and Inv. Banks	104.972	5.700	60.041	117.079	141.060	137.464	382.586
Total	1.540.349	1.280.935	3.870.395	5.952.852	5.770.029	6.757.363	6.969.354

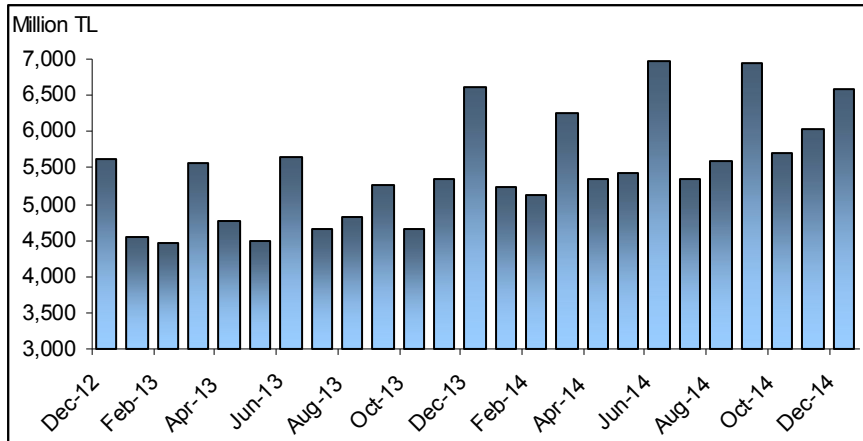
Graph 30. Loans Obtained from Deposit Taking Banks by Factoring Companies



Source: The Central Bank

Graph 31 is illustrative of the extent Turkish companies are using factoring for the purpose of window-dressing their balance sheets to appear more liquid. At the end of every quarter factoring companies have used significantly higher volumes of bank credits.

Graph 31. Quarterly Borrowings from Deposit Taking Banks



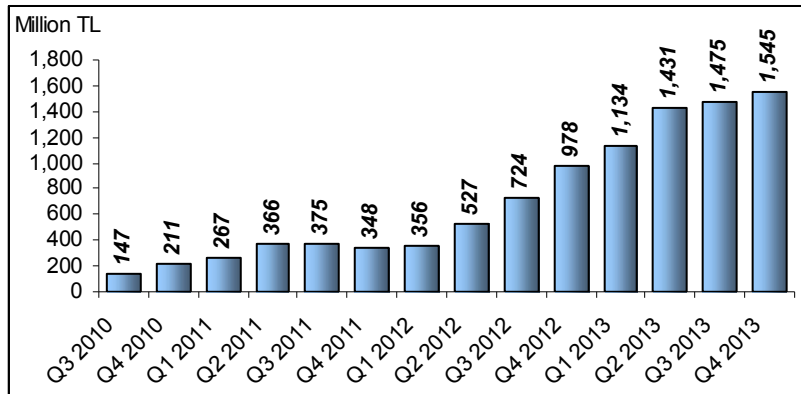
D. Borrowings from Overseas Banks

Since total borrowings of the sector is TL12.3 billion it is clear that the difference is the volume of borrowings from overseas banks. Additionally, the fact that the increase of borrowings from local banks is limited to an annual increase of 3% compared to 20% increase in total bank borrowings shows a clear reorientation to foreign banks. When a company is owned by a foreign bank or is the participation of a joint venture with a foreign bank usually borrowing from overseas institutions is more common. The information on bank borrowings are given as TL and Foreign Currency, but not based on domestic/foreign bank origin.

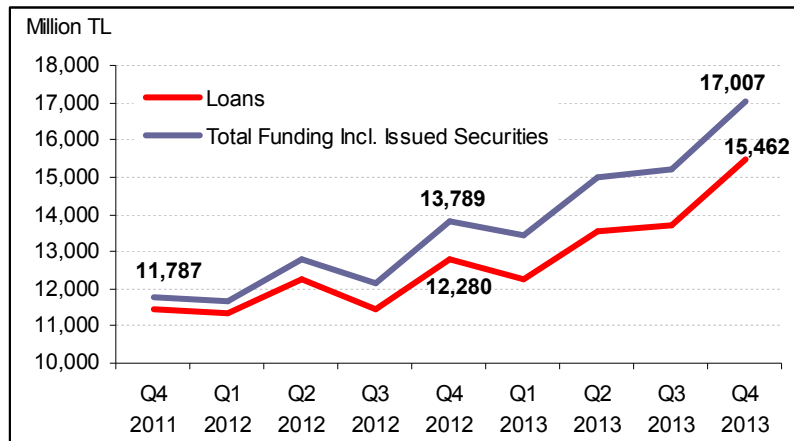
E. Bond Issuances

Since 2010 factoring companies were able to diversify their funding by tapping the bond market. In 2013 there were a number of bond issuances with differing maturities. The outstanding stock value was TL1.5 billion representing 58% increase over 2012. Graph 34 shows that the volume of factoring grows entirely parallel to bank borrowings plus bond issuances.

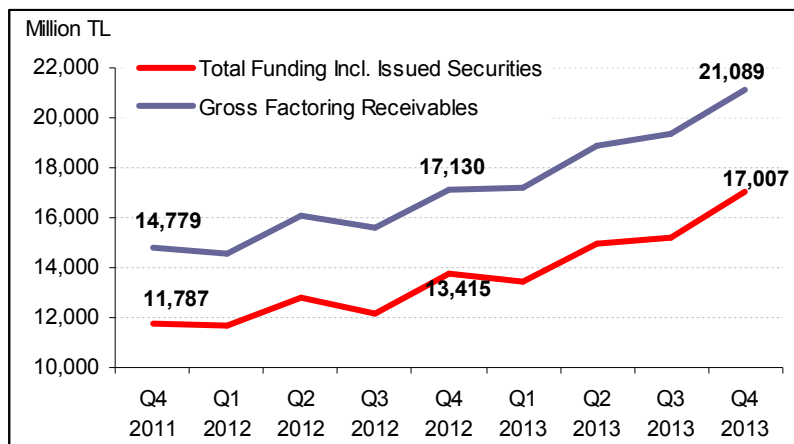
Graph 32. Outstanding Amount of Issued Securities



Graph 33. Funding



Graph 34. Funding of Factoring Receivables



The private sector bond market further developed in Turkey in 2013 and became a good source of funding to factoring, leasing and financing companies. Private sector bonds' share advanced to 24.6% of total issues, the rest being government bonds.

In 2013 85.7% of total private sector bonds were issued by banks, 7.9% by non-bank financial institutions and 6.4% by the real sector. Of the total TL55.5 billion bond issues 31.9% was placed outside Turkey and 68.1% to local investors. The total outstanding amount of bond issues was TL5.3 billion at the end of 2013.

Table 59. Private Sector Bond Issues

	2009	2010	2011	2012	2013
Number of Issuances	2	15	58	235	330
Banks	0	3	45	126	215
Non-Bank Fin. Inst.	2	6	13	98	71
Non-Financial	0	6	0	11	44
Value (Million TL)	200	1,931	18,555	42,331	55,547
Banks	0	1,220	17,943	37,820	47,621
Non-Bank Fin. Inst.	200	370	611	3,637	4,387
Non-Financial	0	341	0	874	3,540

Source: TSPAKB 2013 Annual Report

Graph 35. Private Sector Bond Issuances in Turkey and Outstanding Volume

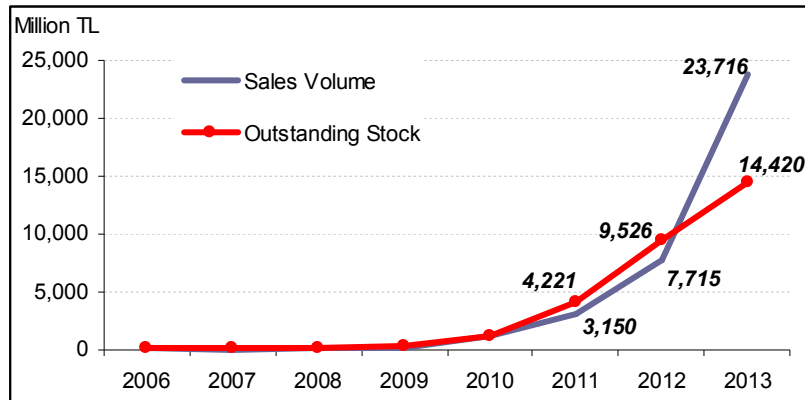


Table 60. Private Sector Bond Issuances in Turkey and Outstanding Volume

	Issues	Stock	Outstanding Volume
2006	220,00	0,00	120,00
2007	20,00	0,00	140,00
2008	220,00	120,00	240,00
2009	140,40	20,00	360,40
2010	1.191,00	270,00	1.281,40
2011	3.150,04	210,00	4.221,44
2012	7.714,61	2.410,04	9.526,01
2013	23.715,63	5.293,95	14.419,80

Source: CMB Monthly Bulletin

Table 61. 2008 - 2013 Total Bond Issues of the Factoring Sector (Million TL)

	2008	2009	2010	2011	2012	2013
Securities Issued (Net)	92,85	113,95	211,17	348,24	977,91	1.545,32
A) Bills	0,00	0,00	0,00	0,00	159,07	470,15
B) Asset Backed Securities	0,00	0,00	0,00	0,00	0,00	11,88
C) Bonds	92,85	113,95	211,17	348,24	818,84	1.063,28

Source: BRSA

In 2013, 28 factoring companies tapped the bonds and bills market compared to 12 in 2012. As many of the bonds had short maturities, the balance sheets of only 22 companies showed it.

F. Leverage Rates

There is no minimum capital requirement for non-bank financial institutions in Turkey. The present legislation stipulates that equity cannot fall below 3% of total assets. At present none of the companies are no where near that ratio. Table 66 shows that large companies have factoring receivables of 10.5 times their equity and their borrowings account for 82% of total assets. In the other groups equity as a share of total assets is as high as 26.5% and bank borrowings 60% to 69% of total assets.

Table 62. Financial Ratios (Sector)

	2009	2010	2011	2012	2013
Gross Factoring Receivables / Assets (%)	85.3	89.2	94.6	94.4	96.8
Gross Factoring Receivables / Equity (X)	3.6	4.4	4.4	4.4	5.2
Securities / Assets (%)	1.1	1.5	2.2	5.4	7.1
Loans and Borrowings / Assets (%)	72.1	75.8	73.2	70.6	70.9
Equity / Loans and Borrowings (%)	33.2	26.8	29.5	30.1	26.0
Equity / Total Funding (%)	32.2	25.8	28.1	27.4	23.1
Equity / Assets (%)	24.0	20.3	21.6	21.2	18.4

Source: Turkrating

Table 63. Financial Ratios – Factoring Company Groups

	Group A		Group B		Group C		Group D		Group E	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Asset Quality and Risk Management										
Gross Fact. Receivables /Assets (%)	95.7	99.4	94.4	94.6	93.5	96.5	92.1	94.3	95.1	99.7
Gross factoring Receivables / Equity	9.0	10.5	4.7	5.1	2.9	3.7	3.5	4.3	2.9	3.8
Securities/ Assets (%)	0.0	6.5	11.0	8.1	7.1	7.1	1.8	9.9	1.3	3.5
Loans and Borrowings / Assets (%)	88.3	82.1	66.3	69.4	59.9	64.9	62.5	62.0	56.5	60.2
Equity / Loans and Borrowings %)	12.0	11.5	30.5	26.9	54.4	40.3	42.5	35.4	57.3	44.0
Equity / Total Funding (%)	12.0	10.7	25.7	23.5	48.4	36.1	37.7	28.4	49.3	36.9
Equity / Assets (%)	10.6	9.5	20.2	18.6	32.6	26.2	26.6	21.9	32.4	26.5

6. INTERNATIONAL FACTORING

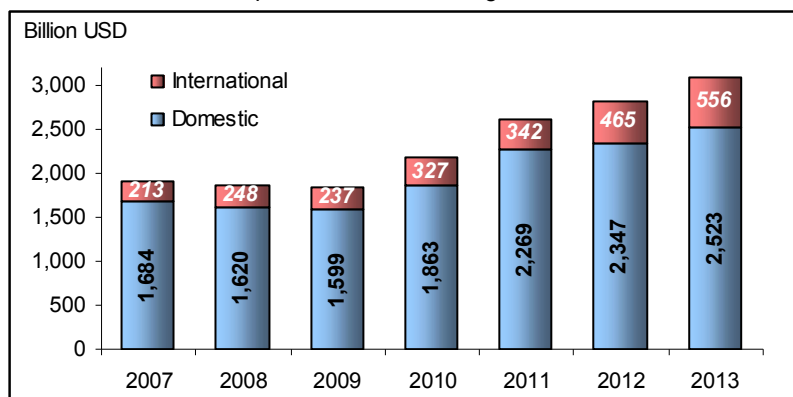
International Factoring Transactions

Total world turnover volume marked a 9.5% increase in 2013 reaching US\$3.1 trillion. Annex 4 lists the 270 members of Factors Chain International (FCI) in 76 countries together with their domestic and international turnovers. Established in 1968 FCI plays a key role in the development of open account factoring transactions around the world. Currently, 13 Turkish factoring companies and two banks (Akbank and HSBC) are members of FCI. Following China who has 25 members, Taiwan (21) and Turkey have the largest memberships.

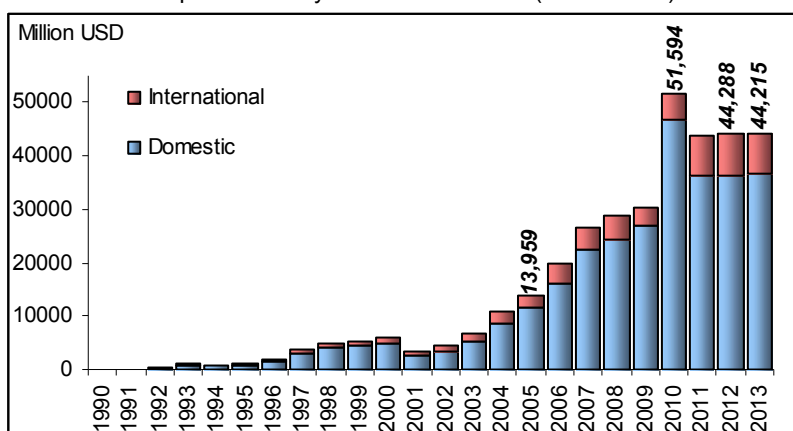
Turkey has traditionally taken active part in the activities of this international organization. The General Manager of TEB Factoring has served as the Chairman of FCI in years 2011 through 2013 and has been elected as Vice-chairman in 2014. Five others are on various committees of FCI. Additionally three companies have International Factors Group (IFG) membership. One Turkish member has recorded the highest factoring turnover after the Bank of China and received FCI's "Best Export Factor" award for the 4th consecutive year.

Turkey has maintained a USD 44.0 billion turnover volume in the last three years. Looking forward this volume is expected to increase due to the strong potential in export factoring and the current growth trend in domestic factoring.

Graph 36. World Factoring Turnover



Graph 37. Turkey's Annual Turnover (Million USD)



Source: FKB

Table 64. Composition of Turnover Among FCI Members (Million USD)

	2008	2009	2010	2011	2012	2013	2013 % Change
FCI Members							
Invoice Discounting	291,750	283,130	271,755	361,647	398,897	456,181	14
Recourse Factoring	236,683	227,423	312,097	346,630	403,552	468,777	16
Non-Recourse Factoring	343,212	346,695	376,285	429,210	464,291	475,980	3
Collections	36,575	34,043	31,083	33,712	36,635	43,337	18
Total Domestic Factoring	908,221	891,290	991,220	1,171,198	1,303,375	1,444,275	11
Export Factoring	124,424	108,185	167,459	211,162	253,907	302,658	19
Import Factoring	31,532	25,205	31,336	40,092	48,398	69,674	44
Export Invoice Discounting	45,727	57,705	39,619	66,170	112,288	120,694	7
Total International Factoring	201,683	191,095	238,414	317,425	414,592	493,025	19
Total FCI	1,109,904	1,082,386	1,229,634	1,488,623	1,717,968	1,937,301	13
World Domestic Factoring	1,620,010	1,598,883	1,863,278	2,268,640	2,346,646	2,522,564	7
World International Factoring	248,397	236,606	326,724	342,204	464,700	555,941	20
TOTAL	1,868,407	1,835,489	2,190,002	2,610,844	2,811,346	3,078,505	10

Source: FKB

Among 76 countries, Turkey ranked 15th with its USD 44.2 billion turnover in 2013.

USA stands out with 25% increase in 2013. In Europe, Austria France and Germany have reported high turnovers. China has performed remarkably well with fourfold growth in the last four years.

Table 65. Top Countries in Turnover Volume in the World (Million USD)

	2009	2010	2011	2012	2013	2013 (%) Ch.
1. China	96,239	205,351	354,620	453,246	521,892	15.15
2. U.K.	279,727	300,609	347,351	383,947	425,234	10.75
3. France	183,300	203,626	226,203	245,892	276,674	12.52
4. Italy	177,678	190,994	226,983	239,806	245,678	2.45
5. Germany	137,566	172,114	204,765	207,558	236,414	13.90
6. Spain	149,037	150,022	158,237	163,541	160,857	-1.64
7. USA	126,555	126,227	136,049	102,240	115,577	24.87
8. Japan	119,691	130,877	144,140	128,171	106,627	15.05
9. Taiwan	48,334	89,023	103,397	92,295	100,755	5.78
10. Austria	56,356	59,679	74,491	65,406	86,002	15.15
11. Netherlands	42,900	46,505	59,602	65,925	71,770	10.75
12. Belgium	34,207	42,788	49,501	55,841	65,813	12.52
13. Russia	12,269	16,161	27,435	46,380	57,913	2.45
14. Hong Kong	11,553	19,133	22,530	38,690	44,511	13.90
15. Turkey	29,000	51,803	39,997	41,799	44,215	-1.64
The World	1,835,489	2,190,002	2,610,844	2,811,346	3,078,505	9.50

As shown in Table 69 60% of the world's factoring turnover comes from Europe. Due to the growth in China Asian countries share has advanced to 27%.

Table 66. 2007 – 2012 Factoring Turnover (Million USD)

	2007	2008	2009	2010	2011	2012	2013	Ch.
Total Europe	1,361,105	1,252,824	1,253,608	1,388,584	1,578,921	1,712,369	1,869,055	9.15
Total Americas	218,661	217,422	203,228	246,284	268,433	247,672	264,384	6.75
Total Africa	15,629	18,701	21,331	22,337	30,386	31,548	31,914	1.16
Total Asia	254,396	332,082	300,114	472,322	657,837	753,560	827,150	9.77
Total Australia	49,319	46,877	57,357	60,476	75,269	66,197	86,002	29.92
WORLD TOTAL	1,899,111	1,867,906	1,835,639	2,190,002	2,610,844	2,811,345	3,078,505	9.50

Table 67. Country Ranking in Export Factoring Turnover (Top 20)

	2007	2008	2009	2010	2011	2012	2013
1 Taiwan	China	China	China	China	China	China	China
2 France	Turkey	Taiwan	Taiwan	Taiwan	Turkey	Turkey	Turkey
3 Turkey	Hong Kong	Turkey	Spain	Taiwan	Hong Kong	Taiwan	Taiwan
4 China	Taiwan	Hong Kong	Turkey	Hong Kong	Taiwan	Hong Kong	Hong Kong
5 Hong Kong	France	Spain	France	Spain	Spain	Spain	Spain
6 Norway	Japan	Japan	Hong Kong	France	Greece	Greece	Greece
7 Spain	Spain	Italy	U.K.	Greece	Italy	Singapore	Singapore
8 Japan	Greece	Greece	Greece	Portugal	Japan	Italy	Italy
9 Greece	Norway	Singapore	Portugal	Italy	Portugal	Japan	Japan
10 Italy	Italy	Germany	Japan	Japan	Romania	Romania	Romania
11 Poland	Singapore	Portugal	Italy	Czech Rep.	France	Portugal	Portugal
12 Portugal	India	France	Romania	Romania	Czech Rep.	France	France
13 Singapore	Portugal	Poland	Poland	Peru	Peru	Peru	Peru
14 Germany	Germany	Romania	Norway	Singapore	Singapore	Korea	Korea
15 U.S.A.	U.S.A.	U.S.A.	Germany	Poland	Chile	U.S.A.	U.S.A.
16 Romania	Romania	Norway	Czech Rep.	Norway	Bulgaria	Bulgaria	Bulgaria
17 Chile	Poland	Chile	Chile	Chile	Norway	Russia	Russia
18 Netherlands	Switzerland	Czech Rep.	U.S.A.	Bulgaria	Morocco	Norway	Norway
19 Czech Rep.	Netherlands	Morocco	Singapore	Netherlands	UAE	Morocco	Morocco
20 India	Morocco	Netherlands	Bulgaria	Morocco	India	India	India

Table 68. Country Ranking in Import Factoring Turnover (Top 20)

	2007	2008	2009	2010	2011	2012	2013
1 U.S.A.	U.S.A.	U.S.A.	U.S.A.	U.S.A.	U.S.A.	U.S.A.	U.S.A.
2 U.K.	Italy	Germany	Germany	Germany	Germany	France	France
3 Italy	Germany	France	France	France	France	Germany	Germany
4 Spain	U.K.	Spain	Spain	Italy	China	China	China
5 Germany	France	U.K.	Italy	Spain	Italy	Taiwan	Taiwan
6 France	Spain	Italy	U.K.	China	Taiwan	Italy	Italy
7 Denmark	Denmark	China	China	Ukraine	Hong Kong	U.K.	U.K.
8 Taiwan	Taiwan	Netherlands	Taiwan	Taiwan	Spain	Spain	Spain
9 Hong Kong	China	Taiwan	Netherlands	Hong Kong	U.K.	Hong Kong	Hong Kong
10 Japan	Netherlands	Denmark	Portugal	Japan	Netherlands	Russia	Russia
11 Netherlands	Japan	Hong Kong	Japan	Netherlands	Poland	Singapore	Singapore
12 Belgium	Belgium	Japan	Canada	Portugal	Russia	Poland	Poland
13 Czech Rep.	Hong Kong	Portugal	Hong Kong	Poland	Japan	Netherlands	Netherlands
14 China	Greece	Poland	Poland	Romania	Portugal	Japan	Japan
15 Portugal	Turkey	Canada	Romania	Russia	Canada	Canada	Canada
16 Austria	Portugal	Belgium	Greece	Czech Rep.	Romania	Norway	Norway
17 Greece	Romania	Greece	Belgium	Canada	Czech Rep.	Czech Rep.	Czech Rep.
18 Poland	Canada	Romania	Denmark	Greece	Norway	Romania	Romania
19 Morocco	Austria	Austria	Czech Rep.	Belgium	Denmark	Austria	Austria
20 Romania	Switzerland	Czech Rep.	Austria	Norway	Belgium	Australia	Australia

International Factoring Services

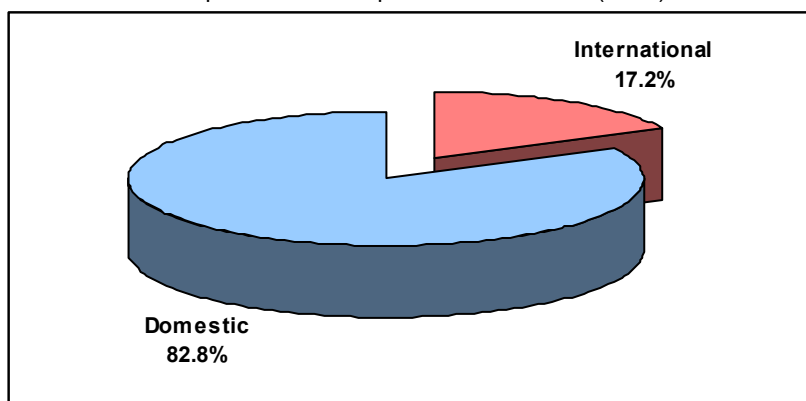
Export and import factoring services require a certain degree of expertise and hence only a number of companies are providing these services. Presently Turkish 17 factoring companies (19 in 2012) provide international service. Among these companies 16 are FCI members. The share of international transactions in total turnover fell to 17.2% in 2013 from 18% in 2012. Total international turnover slightly decreased to USD 44.2 billion in 2013 from USD 44.3 billion in 2012.

Table 69. The Composition of Turnover (1990-2013) (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	10,773
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
2012	36,330	7,957	44,288
2013	36,627	7,588	44,215

Source: FKB

Graph 38. The Composition of Turnover (2013)



Graph 39. Share of International Turnover in Total Turnover (%)

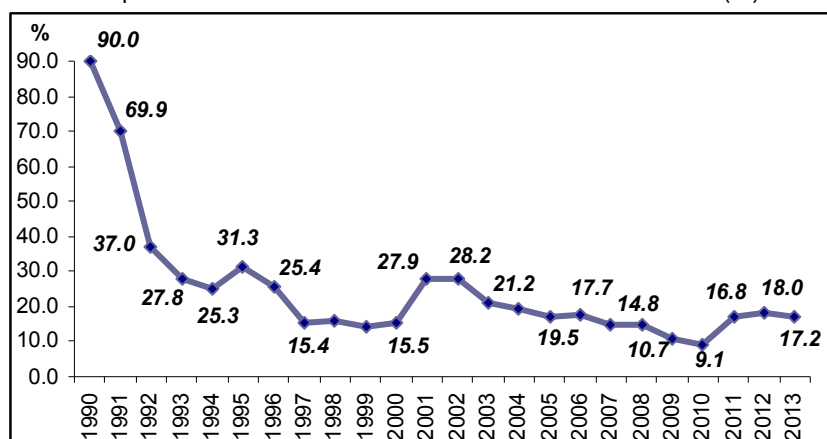


Table 70. GDP and Factoring Penetration Rates

	2008	2009	2010	2011	2012	2013
GDP Growth	0.7	-4.8	9.2	8.8	2.2	4.0
GDP (Million USD)	742,094	616,703	731,608	772,930	786,283	820,012
Total Turnover (Million USD)	24,451	29,000	51,800	39,997	41,799	44,216
Penetration Rate (%)	3.4	4.7	7.1	5.2	5.5	5.4

Table 71. Distribution of Turnover in the Factoring Sector

	2008	2009	2010	2011	2012	2013
World (Billion USD)	1,869,677	1,835,489	2,186,408	2,610,844	2,811,346	3,078,505
Domestic	1,621,350	1,598,882	1,860,385	2,268,640	2,346,646	2,522,564
International	248,327	236,607	326,023	342,204	464,700	555,941
Turkey (Million USD)	25,451	29,000	51,803	39,997	41,799	44,216
Domestic	24,447	27,110	46,919	36,350	36,330	36,627
International	4,230	3,260	4,675	7,349	7,957	7,588

Source: FCI and FKB

In 2013 the total volume of export factoring was USD 8.0 billion and import factoring only USD 500 million. The top five companies in Table 75 undertook 82.5% of total transactions. TEB Faktoring has gained more than 30% share as a result of its recent merger with Fortis Faktoring.

Table 72. International Transactions by Company in 2013 (Million)

	Export USD	Import USD	Total USD	Share (%)
1 TEB Faktoring A.Ş	2,563,366	27,985	2,591,351	30.79
2 Yapı Kredi Faktoring A.Ş	2,043,472	4,956	2,048,428	24.34
3 İş Faktoring A.Ş	652,535	39,824	692,359	8.23
4 Deniz Faktoring A.Ş	649,274	0	649,274	7.71
5 Garanti Faktoring A.Ş.	604,580	414,731	1,019,311	12.11
6 ING Faktoring A.Ş.	474,624	0	474,624	5.64
7 Pamuk Faktoring A.Ş	341,271	0	341,271	4.05
8 Strateji Faktoring A.Ş.	241,911	0	241,911	2.87
9 Fiba Faktoring A.Ş	170,480	4,080	174,560	2.07
10 Lider Faktoring A.Ş.	62,344		62,344	0.74
11 Finans Faktoring A.Ş.	33,540		33,540	0.4
12 Vakıf Finans Faktoring Hizm.A.Ş.	33,447	589	589	0.01
13 Ekspo Faktoring A.Ş.	25,954	29,657	55,611	0.66
14 Demir Faktoring A.Ş	17,155		17,155	0.2
15 Girişim Faktoring A.Ş.	9,462		9,462	0.11
16 GSD Faktoring A.Ş	5,138		5,138	0.06
17 Kıbrıs İktisat Faktoring A.Ş.	312		312	0
TOTAL	7,928,866	521,822	8,417,242	100.00

Table 73. International Transactions by Company in 2012 (Million)

	Export USD	Import USD	Total USD	Share (%)
1 TEB Faktoring A.Ş	2,022,729	982	2,023,711	25.97
2 Yapı Kredi Faktoring A.Ş	1,993,563	7,415	2,000,978	25.68
3 Fortis Faktoring A.Ş.	618,371		618,371	7.93
4 ING Faktoring A.Ş.	563,643		563,643	7.23
5 Garanti Faktoring A.Ş.	273,413	276,833	550,246	7.06
6 İş Faktoring A.Ş	483,380	11,038	494,418	6.34
7 Pamuk Faktoring A.Ş	309,000		309,000	3.96
8 Fiba Faktoring A.Ş	267,390	10,227	277,617	3.56
9 Deniz Faktoring A.Ş	246,000		246,000	3.16
10 Strateji Faktoring A.Ş.	226,164		226,164	2.9
11 HSBC Bank A.Ş.	153,283		153,283	1.97
12 Vakıf Finans Faktoring Hizmetleri A.Ş	100,566	5,619	106,185	1.36
13 Ekspo Faktoring A.Ş.	22,757	62,265	85,022	1.09
14 Burgan Bank A.Ş.	53,970	15,584	69,554	0.89
15 Demir Faktoring A.Ş	27,264		27,264	0.35
16 Finans Faktoring A.Ş.	25,830		25,830	0.33
17 GSD Faktoring A.Ş	9,600		9,600	0.12
18 Girişim Faktoring A.Ş.	5,543		5,543	0.07
19 Kapital Faktoring A.Ş	951		951	0.01
TOTAL	7,403,417	389,963	7,793,380	100.00

Payment Systems in Exports and Imports

For long years 60% of Turkish exports have used the “cash against goods” payment system. Similar to the rest of the world the use of Letters of Credits has gradually waned in Turkey to 8% of total payments. We note that total exports delivered under the “cash against goods” payment system amounted to USD 93.8 billion in 2013. Of this total 60% (USD 55.8 billion) were exports to European countries who are mostly members of FCI. In 2013 Turkey’s total export factoring was limited to USD 8.0 billion.

Payment terms in imports are only 30% cash against goods. The rest of the imports use advance payments (47%) and cash against documents (17%).

Table 74. Turkish Exports According to Types of Payment (Million USD)

	2007	2008	2009	2010	2011	2012	2013	Pay
Cash against goods	63,299	75,415	60,758	67,473	81,351	87,325	93,804	61.80
Advanced payment	6,014	8,725	8,100	8,819	9,683	21,876	15,138	9.97
Cash against documents	20,239	22,975	19,176	20,994	24,638	24,410	25,882	17.05
By acceptance credit	1	0	0	0	0	0	0	0.00
Advanced letter of credit	104	9	47	0	0	0	0	0.00
L/C payable at a spec. future date	2,426	2,503	1,991	2,370	2,362	2,518	2,420	1.59
Without waiver	1,370	1,305	760	930	1,206	985	1,349	0.89
Payment type uncertain	29	6	2	0	0	0	0	0.00
Private barter	1,565	2,007	1,354	958	839	718	620	0.41
Letter of credit	11,850	18,708	9,625	12,029	14,525	14,329	12,281	8.09
Counter purchase	3	3	0	0	0	1	2	0.00
L/C with acceptance credit	78	101	91	62	72	50	38	0.03
Documents with acceptance credit	208	204	188	194	197	146	132	0.09
Goods with acceptance credit	62	63	31	38	23	71	117	0.08
Private account	25	3	19	15	10	34	13	0.01
Total	107,272	132,027	102,143	113,883	134,907	152,462	151,796	100.00

Table 75. Turkish Imports According to Types of Payment (Million USD)

	2007	2008	2009	2010	2011	2012	2013	Pay
Cash against goods	33,788	38,948	29,648	34,719	42,855	70,734	77,766	30.90
Advanced payment	82,217	95,972	68,655	95,438	111,372	108,000	117,629	46.74
Cash against documents	16,591	19,253	11,756	14,964	17,358	14,985	15,523	6.17
By acceptance credit	1	0	0	0	0	0	0	0.00
Advanced letter of credit	11,143	15,655	6,432	0	0	0	0	0.00
L/C payable at a spec. future date	8,267	10,370	7,859	9,347	10,993	12,405	12,206	4.85
Without waiver	2,907	3,726	3,491	5,244	6,510	5,645	5,200	2.07
Payment type uncertain	168	53	2	0	0	0	0	0.00
Private barter	1,376	1,390	1,037	1,360	1,289	1,029	850	0.34
Letter of credit	11,932	14,762	11,009	23,247	49,000	22,541	21,270	8.45
Counter purchase	6	6	1	1	2	2	6	0.00
L/C with acceptance credit	123	289	139	107	117	173	171	0.07
Documents with acceptance credit	1,261	1,066	694	788	837	578	555	0.22
Goods with acceptance credit	284	472	206	328	509	453	474	0.19
Private account	0	0	0	1	0	0	1	0.00
Total	170,063	201,964	140,928	185,544	240,842	236,545	251,651	100.00

Source: Turkstat

7. REGULATORY AND LEGISLATIVE FRAMEWORK

History

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 to 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.

The general principles of Law 6361 are summarized below.

The Establishment of the Financial Leasing, Factoring and Financing Companies Association

The Association of Turkish Financial Leasing, Factoring and Financing Companies was established on 25 July 2013 pursuant to the provisions of the Law 6361 dated 12 December, 2012 and began operating at the end of October 2013. The Association unites the three groups of non-bank financial companies under one roof but each group remains fairly autonomous in its activities.

The statutes of the new association were published in the Official Gazette on 25 July, 2013. This association is a legal entity having the status of a public institution. Subscription of every factoring, leasing and financing company to this association, within one month of having received a license to operate, is compulsory.

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 no later than 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 the 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 folds of 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 and whose amount are not certain.

Central Invoice Register

Factoring companies and banks consolidate information – including invoice information – about receivables they take over, 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.

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, 2007 Nr. 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

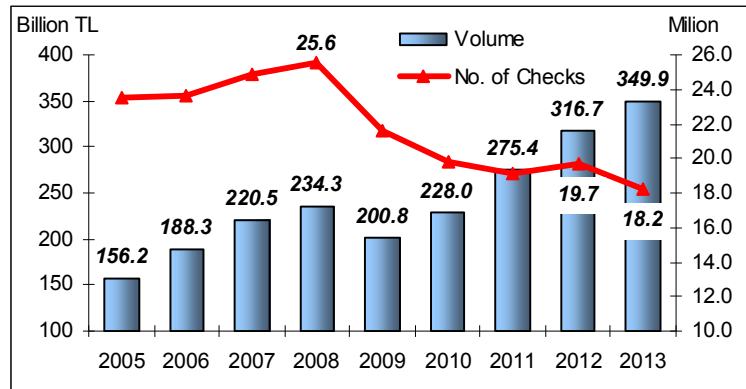
Communiqué on Uniform Chart of Accounts to be Implemented by Financial Leasing, Factoring and Financing Companies - Published in Official Gazette dated December 24, 2013 Nr. 28861

8. PAYMENTS WITH CHECKS IN TURKEY

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. That 42% of the checks are of TL5,000 (US\$2,500) also explains why factoring companies financing small ticket checks have built their strategies in response to market behavior. Data published by the Interbank Settlement Center reveals that payment with checks have increased by 15% in 2012 reaching TL317 billion. We noted that 30.4% of the checks were for amounts of between TL2,000 and TL5,000, and that 11.6% were under TL2,000. The Central Bank of Turkey commented that the reason while checks in small denominations were rapidly decreasing was due to increased credit card usage, internet banking and EFT.¹

Graph 40. Check Volume in Turkey



Source: The Central Bank

Table 76. Distribution of 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
2012	11.62	30.42	24.26	28.31	5.39
2013	8.42	27.57	25.08	32.31	6.61

Source: The Central Bank

Developments in Bounced Checks

In 2012 the total volume of bounced checks increased by 89.6% in value and 55% in number. In 2013 the volume of bounced checks declined by 12.9% in value and 23.4% in number. The decline continues.

¹ Financial Stability Report, May 2014, TCMB

Table 77. The Volume of the Bounced-Checks (Million TL)

	2011	2012	2013
Jan	563	1.213	1.406
Feb	511	1.040	1.218
Mar	534	920	918
Apr	376	1.289	1.558
May	728	1.179	1.185
June	598	865	762
July	464	1.764	1.477
August	718	1.470	729
Sep	1,147	1.135	1.436
Oct	931	2.086	1.126
Nov	1,005	1.623	758
Dec	976	1.634	1.547
Total	8,551	16.217	14.119

Source: CBT

The data of the Central Bank of Turkey showed a marked fall in the ratio of bounced checks. However, following the fall in the ratio to 2.9% in 2011, the ratio of bounced checks rebounded to 4.6% in 2012. In year 2013 the picture improved both in nominal terms (13% lower) and as a ratio (down to 3.7%).

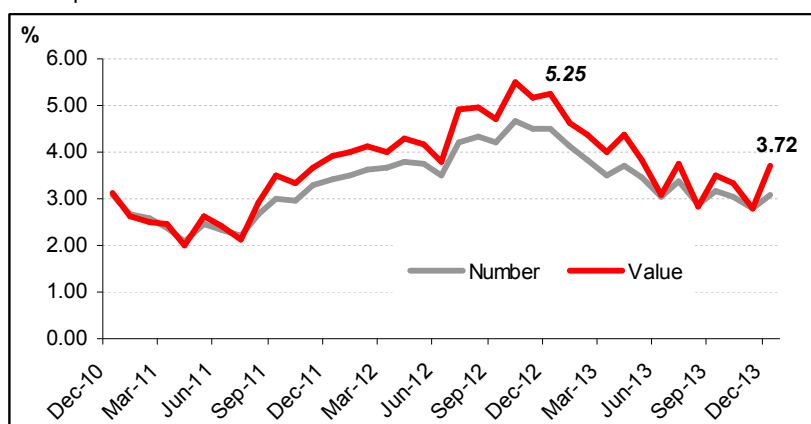
Table 78. Annual ratios of the Bounced- Checks

	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
2012	4,05	4,63
2013	3,36	3,70

Source: The Central Bank and The Risk Center

While the total volume of bounced checks shows a modest improvement, there was a marked improvement in the share of bounced checks in total check volume. The ratio was down to 2.9% in August 2013 from 4.34% in August 2012 and 4.05% at the end of 2012.

Graph 41. The Ratios of Bounced Checks in terms of Amount and Volume



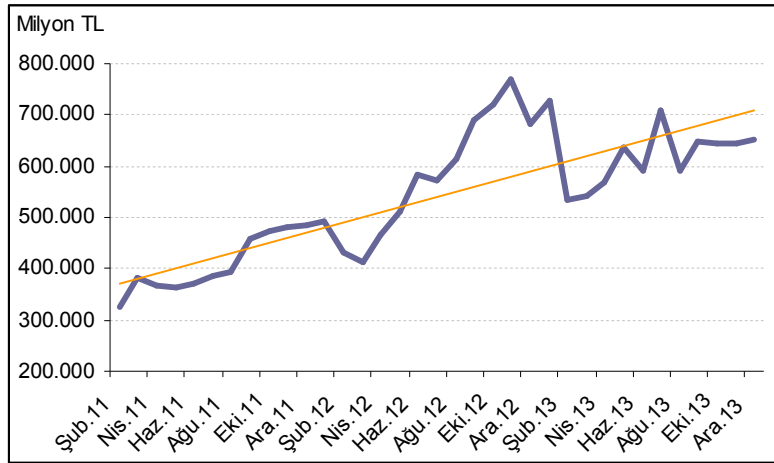
The Impact of Legislative Change

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 TL 3,000. The increase in bounced checks in 2012 was attributed to the termination of the prison sentence penalty. There is no data supporting such a theory. Since 2008 the number of checks under TL5000 has been diminishing. The Central Bank’s view is that this is due to the combination of a number of factors, such as the wider use of credit cards, internet banking and EFT systems,

Protested Bills

Diğer taraftan protestolu senetlerin hacminde de artış olmuştur. 2012 yılında protestolu senetlerin tutarı değer olarak %41,7 artmış, adet olarak da %17 artış göstermiştir. 2013 yılında ise protestolu senetlerin tutarı değer olarak %7,8, adet olarak da %1,6 artış göstermiştir.

Graph 42. Protested Bills



Source: The Central Bank and the Risk Center

Table 79. Protested Bills

	Number of Protested Bills					Amount of Protested Bills (TL)				
	2011	2012	% Ch.	2013	% Ch.	2011	2012	% Ch.	2013	% Ch.
Jan.	74,624	77,755	4.20	98,363	26.50	419,899	494,157	17.68	728,982	47.52
Feb.	60,631	80,151	32.19	82,790	3.29	326,323	430,034	31.78	534,138	24.21
March	73,406	79,788	8.69	84,028	5.31	380,391	413,978	8.83	542,976	31.16
April	72,188	77,079	6.78	85,092	10.40	367,992	467,025	26.91	568,113	21.65
May	72,891	86,768	19.04	91,658	5.64	362,070	510,559	41.01	636,177	24.60
June	74,449	85,958	15.46	90,793	5.62	369,340	583,335	57.94	592,888	1.64
July	75,379	88,406	17.28	99,086	12.08	384,395	571,355	48.64	710,060	24.28
August	83,452	98,596	18.15	92,876	-5.80	395,009	615,803	55.90	590,945	-4.04
Sept.	84,769	96,231	13.52	89,348	-7.15	458,173	690,596	50.73	649,019	-6.02
October	77,899	91,375	17.30	98,062	7.32	474,560	721,839	52.11	646,001	-10.51
Nov.	86,159	116,807	35.57	92,434	-20.87	479,119	769,224	60.55	643,337	-16.37
Dec.	83,131	95,816	15.26	87,376	-8.81	485,004	681,300	40.47	651,591	-4.36
Total	918,978	1,074,730	16.95	1,091,906	1.60	4,902,275	6,949,204	41.75	7,494,227	7.84

TABLES

ANNEX 1 - BRSA FACTORING DATA

The following tables were downloaded from the BRSA's website pages on 22 April 2014.
Revisions after this date have not been taken into consideration.

BALANCE SHEET (Million TL)

ASSETS (Million TL)

	2010	2011	2012	2013
CASH	10.57	9.46	5.60	4.49
FINANCIAL ASSETS AT FAIR VALUE CHANGE IS REFLECTED TO INCOME STATEMENT (Net)	13.22	13.46	15.71	28.35
A) Financial Assets Held for Trading	9.40	7.67	3.10	3.09
B) Financial Assets Where Fair value Change is Reflected to Income statement	0.01	0.22	0.35	0.01
C) Derivative Financial Assets held for Trading	3.81	5.58	12.26	25.25
BANKS	1,155.79	451.22	716.35	619.71
RECEIVABLES FROM REVERSE REEPURCHASE AGREEMENTS	0.06	0.00	0.00	0.00
FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	286.31	275.19	353.87	118.86
FACTORING RECEIVABLES (10+14)	12,369.84	14,213.29	16,327.83	20,099.20
A) Discount Factoring Receivables (11+12-13)	5,507.20	6,818.29	7,879.35	10,135.51
a) Domestic	5,629.00	7,061.65	8,041.72	10,475.83
b) Foreign	26.11	4.53	109.30	12.76
c) Unearned Income (-)	147.91	247.88	271.67	353.09
B) Other Factoring receivables (15+16)	6,862.63	7,394.99	8,448.48	9,963.70
a) Domestic	5,885.01	6,032.14	7,024.61	8,081.12
b) Foreign	977.62	1,362.85	1,423.88	1,882.58
OTHER RECEIVABLES	0.00	0.00	0.00	42.39
NON-PERFORMING RECEIVABLES	76.54	114.30	141.60	158.15
A) Non-Performing Factoring Receivables	525.00	565.47	802.64	989.93
D) Specific Provisions (-)	448.46	451.18	661.05	831.78
DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING	0.00	0.00	0.00	0.00
A) Fair Value Hedges	0.00	0.00	0.00	0.00
B) Cash Flow Hedges	0.00	0.00	0.00	0.00
C) Net Foreign Investment Hedging	0.00	0.00	0.00	0.00
INVESTMENTS HELD TO MATURITY (Net)	0.01	0.00	0.00	0.00
SUBSIDIARIES (Net)	93.16	99.36	99.36	99.35
AFFILIATES (Net)	201.27	149.48	147.94	148.58
JOINT VENTURES (Net)	0.00	0.00	0.00	0.00
TANGIBALE ASSETS (Net)	122.84	139.59	142.70	184.20
INTANGIBALE ASSETS	7.32	8.43	9.60	11.08
A) Goodwill	0.00	0.00	0.00	0.00
B) Other	7.32	8.43	9.60	11.08
DEFERRED TAX ASSETS	57.37	71.51	82.39	167.86
ASSETS HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)	11.67	15.03	15.69	25.32
A) Held for Sale	11.67	15.03	15.69	25.32
B) Terminated Operations	0.00	0.00	0.00	0.00
OTHER ASSETS	56.66	56.78	87.87	86.96
TOTAL ASSETS	14,462.61	15,617.09	18,146.48	21,794.49

LIABILITIES (Million TL)

	2010	2011	2012	2013
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	9.51	52.67	8.02	158.25
LOANS AND BORROWINGS	10,960.99	11,438.67	12,811.37	15,462.26
FACTORING PAYABLES		219.64	271.92	339.30
LEASE PAYABLES	2.80	2.16	2.58	42.33
A) Finance Lease Payables	3.23	2.43	2.95	51.39
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 (-)	0.43	0.27	0.37	9.06
MARKETABLE SECURITIES ISSUED (Net)	211.17	348.24	977.91	1,545.32
A) Bills	0.00	0.00	159.07	470.15
B) Asset Back Securities	0.00	0.00	0.00	11.88
C) Bonds	211.17	348.24	818.84	1,063.28
MISCELLANEOUS PAYABLES	32.04	52.25	76.73	107.71
OTHER EXTERNAL RECURSES	4.06	13.91	17.50	11.33
DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING	0.02	0.00	0.00	0.00
A) Fair Value Hedges	0.00	0.00	0.00	0.00
B) Cash Flow Hedges	0.02	0.00	0.00	0.00
C) Net foreign Investment Hedging	0.00	0.00	0.00	0.00
TAXES PAYABLES AND OTHER LIABILITIES	39.67	56.02	49.66	37.50
PROVISIONS	51.06	55.46	72.31	65.32
A) Provisions for Restructuring	0.19	0.14	0.13	0.12
B) Reserve for Employee Benefits	16.55	20.21	27.92	29.54
C) Other Reserves	34.32	35.11	44.26	35.66
DEFERRED TAX LIABILITIES	1.28	0.93	2.60	3.85
Payables Re. to Assets Held for Sale Pur. & terminated operations (Net)	0.03	0.09	0.01	1.94
A) Held for Sale	0.03	0.09	0.01	1.94
B) Terminated Operations	0.00	0.00	0.00	0.00
SUBORDINATED LOANS	0.00	0.50	0.00	0.00
SHAREHOLDERS' EQUITY (81+82+91+96)	2,940.32	3,376.55	3,855.88	4,019.39
A) Paid-in Capital	9.51	52.67	8.02	158.25
B) Capital Reserves	285.06	257.77	282.31	345.21
a) Share Premium	0.00	16.41	29.61	46.02
b) Share Cancellation Profits	0.00	0.00	0.00	0.00
c) Valuation Changes of Marketable Securities	48.94	78.62	56.71	112.74
d) Revaluation Changes of Property and Equipment	10.33	5.88	17.19	43.72
e) Free Share from Investment and Ass, Subsidiaries and JVs	35.14	35.58	36.03	36.03
f) Hedging Funds (Active part)	0.00	0.00	0.00	0.00
g) Value increase in Property and Equip. Held for Sale Pur. & from Terminated Operations	0.00	0.00	0.00	0.00
h) Other Capital Reserves	190.65	121.28	142.77	106.70
C) Profit Reserves	750.85	1,072.29	1,287.75	1,185.81
a) Legal Reserves	103.49	122.47	143.39	178.64
b) Status Reserves	10.48	38.36	2.35	4.30
c) Extraordinary Reserves	263.96	535.37	697.08	713.03
d) Other Profit Reserves	372.92	376.10	444.92	289.84
D) Profit or Loss (97+98)	431.07	519.77	526.87	717.20
a) Prior Year Income or Loss	100.88	107.69	34.16	93.65

b) Current Year Income or Loss	330.20	412.08	492.71	623.55
TOTAL LIABILITIES	10,407.04	14,462.61	15,621.87	18,174.81

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

	2010	2011	2012	2013
RECOURSE FACTORING OPERATIONS	3,906.50	4,423.17	4,115.81	1,933.04
NON-RECOURSE FACTORING OPERATIONS	18,898.91	18,162.08	23,416.34	3,494.00
GUARANTEES TAKEN	505.15	456.79	590.14	27,841.83
GUARANTEES GIVEN	464.41	1,103.24	221.35	736.93
COMMITMENTS	271.82	276.00	143.60	268.73
A) Irrevocable Commitments	192.60	827.24	77.75	137.23
B) Revocable Commitments	0.00	0.00	0.00	131.50
a) Lease Commitments	0.00	0.00	0.00	0.00
b) Other Revocable Commitments	2,153.97	2,185.74	2,352.26	131.50
DERIVATIVE FINANCIAL INSTRUMENTS	15.95	40.07	33.40	6,106.25
A) Derivative Financial Assets Held for Hedging	15.95	40.07	33.40	32.51
a) Fair Value hedges	15.18	40.07	33.40	32.51
b) Cash Flow Hedges	0.77	0.00	0.00	0.00
c) Foreign Investment Hedges	0.00	0.00	0.00	0.00
B) Trading Transactions	2,138.02	2,145.68	2,318.86	6,073.74
a) Forward Foreign Currency Buy- Sell Transactions	470.76	467.82	32.15	75.64
b) Currency and Interest rate Swaps	1,495.57	1,156.67	2,086.30	4,678.24
c) Currency, Interest Rate and Security Options	2.05	2.44	75.13	99.06
d) Currency, Interest Rate Futures	0.00	0.00	0.00	0.00
e) Other	169.65	518.75	125.28	1,220.80
ITEMS HELD IN CUSTODY	11,328.43	12,234.09	13,973.24	16,395.96
TOTAL OFF BALANCE SHEET	39,706.94	39,921.52	46,465.76	56,776.74

INCOME STATEMENT (Million TL)

	2010	2011	2012	2013
OPERATING INCOME	1,524.47	2,037.11	2,609.88	2,423.13
FACTORING INCOME	1,524.47	2,037.11	2,609.88	2,423.13
A) Factoring Interest Income	1,338.25	1,784.59	2,353.62	2,167.16
a) Discount	775.32	1,045.39	1,421.34	1,386.98
b) Other	562.93	739.20	932.28	780.18
B) Factoring Commission Income	186.22	252.53	256.27	255.97
a) Discount	114.68	150.79	155.13	167.12
b) Other	71.54	101.73	101.13	88.85
OPERATING EXPENSE (-)	388.90	455.13	549.46	662.39
A) Personnel Expenses	233.97	279.50	337.02	402.88
B) Retirement Pay Provision Expenses	3.22	3.36	4.13	7.37
C) Research and Development Expenses	0.00	0.00	0.00	0.00
D) General Administration Expenses	141.47	153.03	190.32	220.23
E) Other				31.90
OTHER OPERATING INCOME	2,872.96	1,562.55	876.06	1,380.39
A) Interest income from Deposits	77.01	32.64	25.05	19.12
B) Interest income from Reverse Repurchase Agreements	0.04	0.01	0.01	0.01
C) Interest income from Marketable Securities Portfolio (26+...+29)	0.89	1.38	0.55	132.08
a) Financial Assets held for trading	0.19	0.27	0.07	3.93
b) Financial assets where value change is reflected to Income Statement	0.43	0.46	0.07	0.00
c) Financial Assets Available for Sale	0.00	0.66	0.41	127.95
d) Investments Held to Maturity	0.27	0.00	0.00	0.21
D) Dividend Income	8.90	61.87	57.69	12.25
E) Capital Market Operations Profit (32+33)	6.19	69.72	109.34	73.65
a) Derivative Financial Operations	6.01	69.63	109.33	73.51
b) Other	0.18	0.09	0.01	0.15
F) Foreign Exchange Gains	2,630.65	1,293.55	622.28	1,030.68
G) Other	149.29	103.38	61.15	112.60
FINANCIAL EXPENSES (-)	680.24	987.95	1,147.77	1,022.90
A) Interest on Loans Borrowed	629.13	895.67	1,019.69	842.16
B) Interest on Factoring Payables	19.68	31.50	33.86	25.52
C) Financial Lease Expenses	0.10	0.12	0.10	2.35
D) Interest on Marketable Securities Issued	12.72	35.06	65.03	122.98
E) Other Interest Expenses	0.47	0.21	0.41	0.35
F) Other Fees and Commissions	18.15	25.40	28.70	29.53
SPECIFIC PROVISION FOR NON-PERFORMING FACTORING RECEIVABLES (-)	179.85	119.89	308.33	308.86
OTHER OPERATING EXPENSES (-)	2,652.48	1,430.70	721.07	1,195.04
A) Expense from Decrease in Value of marketable Securities (46+47+48)	0.27	0.00	0.00	0.00
a) Financial Assets at Fair value Through Profit and loss	0.15	0.00	0.00	0.00
b) Financial Assets Available for Sale	0.11	0.00	0.00	0.00
c) Financial assets Held to maturity	0.00	0.00	0.00	0.00
B) Expenses from decrease in Value of Fixed Assets (50+...+54)	0.35	0.19	0.11	0.14
a) Expense from Decrease in Value of Tangible Assets	0.35	0.01	0.07	0.03
b) Expense from Decrease in Value of Assets Held for sale and Terminated Operations	0.00	0.18	0.01	0.08
c) Expense from Decrease in Value of Goodwill	0.00	0.00	0.02	0.00
d) Expense from Decrease in Value of Other Intangible Assets	0.00	0.00	0.00	0.03
e) Expense from Decrease in Value of Subsidiaries, Affiliates and Joint	0.00	0.00	0.00	0.00

Ventures (Business partners)				
C) Losses from derivative Financial Operations	6.14	87.72	49.43	219.22
D) Foreign Exchange Loss	2,633.49	1,329.18	624.93	952.05
E) Other	12.23	13.62	46.61	23.63
NET OPERATING PROFIT/LOSS	495.97	605.99	759.30	614.34
AMOUNT EXCESS RECORDED AS GAIN AFTER MERGER	0.00	0.00	0.00	0.26
NET MONETARY POSITION GAIN OR LOSS	0.00	0.00	0.00	0.00
PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX	495.97	605.99	759.30	614.61
TAX PROVISIONS FOR CONTINUING OPERATIONS (±)	84.18	113.24	149.22	112.33
A) Current Tax Provision	100.75	127.87	151.06	161.88
B) Loss Effect of Deferred Tax (+)	5.54	8.35	21.79	5.88
C) Gain Effect of Deferred Tax (-)	-22.11	-22.98	-23.62	51.77
NET PROFIT/LOSS FOR CONTINUING OPERATIONS	411.79	492.75	610.08	502.28
INCOME ON TERMINATED OPERATIONS	0.33	0.00	0.00	0.00
A) Income on Assets Held for Sale	0.33	0.00	0.00	0.00
B) Income on Sale of Subsidiaries, Affiliates and Joint ventures (Business partners)	0.00	0.00	0.00	0.00
C) Other Income on Terminated Operations	0.00	0.00	0.00	0.00
TERMINATED OPERATIONS EXPENSES (-)	0.03	0.07	0.00	0.00
A) Assets Held to Maturity Expenses	0.03	0.07	0.00	0.00
B) Loss on Sale of Subsidiaries, Affiliates and Joint ventures (Business partners)	0.00	0.00	0.00	0.00
C) Terminated Operations Expenses	0.00	0.00	0.00	0.00
PERIOD PROFIT/LOSS ON TERMINATED OPERATIONS BEFORE TAX	0.31	-0.07	0.00	0.00
TAX PROVISION FOR TERMINATED OPERATIONS (±)	0.02	-0.03	0.00	0.00
A) Current Tax Provision	0.00	0.00	0.00	0.00
B) Loss Effect of Deferred Tax (+)	0.02	0.00	0.00	0.00
C) Gain Effect of Deferred Tax (-)	0.00	0.03	0.00	0.00
NET PERIOD PROFIT/LOSS ON TERMINATED OPERATIONS	0.29	-0.04	0.00	0.00
NET PERIOD PROFIT/LOSS	412.08	492.71	610.08	502.28

Sector Turnover Distribution (1,000 TL)

		2012	2013	% Change.
1	Agriculture, Hunting, Forest Products	1,527,037	1,703,689	11.6
2	Fishing	26,257	79,266	201.9
3	Total Agriculture (1+2)	1,553,294	1,782,955	14.8
4	Extracting of Mines Product Energy	1,055,294	1,797,346	70.3
5	Extracting of Mines Not Product Energy	1,191,002	481,243	-59.6
6	Food, Beverage and Tobacco Industry	2,925,093	2,789,624	-4.6
7	Textile and Textile Products Industry	7,144,137	7,462,608	4.5
8	Leather and Leather Products Industry	352,848	476,342	35.0
9	Wood and Wood Products Industry	718,267	722,593	0.6
10	Paper Raw Materials and Paper Products Industry	1,744,077	2,022,617	16.0
11	Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	9,821,776	16,731,216	70.3
12	Chemical Products Industry	1,777,004	2,232,346	25.6
13	Rubber and Plastic Products Industry	1,654,564	1,933,651	16.9
14	Other Mines Excluding Metal Industry	2,002,305	2,406,467	20.2
15	Main Metal Industry	4,932,501	5,188,263	5.2
16	Machine and Equipment Industry	3,524,757	3,501,142	-0.7
17	Electrical and Optical Devices Industry	1,246,597	1,715,842	37.6
18	Transportation Vehicles Industry	4,374,520	5,286,290	20.8
19	Manufacturing Industry Not Classified In Another Places	2,305,004	1,788,772	-22.4
20	Electric, Gas and Water Resources	2,693,895	1,609,320	-40.3
21	Total Manufacturing (4+...+20)	49,463,641	58,145,682	17.6
22	Construction	6,952,229	7,759,074	11.6
23	Wholesale and Retail Trade, Motor Vehicles Services	8,187,051	12,321,515	50.5
24	Hotels and Restaurants (Tourism)	729,594	544,400	-25.4
25	Transportation, Warehousing and Communication	2,920,265	4,033,594	38.1
26	Financial Intermediation	1,648,518	2,519,663	52.8
27	a) Financial Institutions	1,570,816	2,428,258	54.6
28	b) Other Financial Intermediation	77,702	91,405	17.6
29	Real Estate Brokerage	1,213,626	1,623,246	33.8
30	Defense and Public Administration And Social Security Institutions	9,420	12,264	30.2
31	Education	27,747	33,047	19.1
32	Health and Social Services	671,094	552,905	-17.6
33	Other Social and Personal Services	3,416,116	3,236,130	-5.3
34	Private Person Employing Worker	27,411	25,924	-5.4
35	International Organizations and Institutions	471	2,379	405.1
36	Total Services (22+...+35) - (27+28)	25,803,542	32,664,141	26.6
37	OTHER	528,836	1,239,556	134.4
38	GENERAL TOTAL (3+21+36+37)	77,349,313	93,832,334	21.3

Sector Turnover Distribution Shares (%)

		2010	2011	2012
1	Agriculture, Hunting, Forest Products	1.08	1.81	1.97
2	Fishing	0.08	0.04	0.03
3	Total Agriculture (1+2)	1.16	1.86	2.01
4	Extracting of Mines Product Energy	6.18	0.57	1.36
5	Extracting of Mines Not Product Energy	12.53	2.98	1.54
6	Food, Beverage and Tobacco Ind.	2.56	3.66	3.78
7	Textile and Textile Products Industry	7.07	10.11	9.24
8	Leather and Leather Products Industry	0.33	0.48	0.46
9	Wood and Wood Products Industry	0.90	0.93	0.93
10	Paper Raw Materials and Paper Products Industry	3.03	2.85	2.25
11	Nuclear Fuel and Refined Petroleum and Coke Coal Ind.	19.76	7.01	12.70
12	Chemical Products Industry	1.96	2.46	2.30
13	Rubber and Plastic Products Industry	1.31	2.21	2.14
14	Other Mines Excluding Metal Industry	2.69	3.19	2.59
15	Main Metal Industry	4.69	7.31	6.38
16	Machine and Equipment Industry	3.24	4.43	4.56
17	Electrical and Optical Devices Industry	1.90	1.70	1.61
18	Transportation Vehicles Industry	3.35	6.40	5.66
19	Manufacturing Industry Not Classified In Another Places	1.94	3.54	2.98
20	Electric, Gas and Water Resources	2.66	4.04	3.48
21	Total Manufacturing (4+...+20)	76.10	63.84	63.95
22	Construction	7.75	10.04	8.99
23	Wholesale and Retail Trade, Motor Vehicles Services	3.80	9.20	10.58
24	Hotels and Restaurants (Tourism)	1.32	1.12	0.94
25	Transportation, Warehousing and Communication	3.19	3.25	3.78
26	Financial Intermediation	1.81	2.21	2.13
27	a) Financial Institutions	1.56	2.04	2.03
28	b) Other Financial Intermediation	0.24	0.17	0.10
29	Real Estate Brokerage	0.63	1.86	1.57
30	Defense and Public Administration And Social Security Institutions	0.01	0.01	0.01
31	Education	0.09	0.09	0.04
32	Health and Social Services	0.67	1.01	0.87
33	Other Social and Personal Services	2.25	4.55	4.42
34	Private Person Employing Worker	0.07	0.06	0.04
35	International Organizations and Institutions	0.00	0.00	0.00
36	Total Services (22+...+35) - (27+28)	21.58	33.41	33.36
37	OTHER	1.16	0.89	0.68
38	GENERAL TOTAL (3+21+36+37)	100.00	100.00	100.00

Ratios (%)

	2009	2010	2011	2012	2013
Non-Performing Loans (Gross) / Total Receivables	5.98	4.15	3.90	4.78	4.80
FC Cash Receivables / Total Cash Receivables	9.04	10.33	10.30	10.45	9.04
Receivables from Financial Institutions / Total Receivables	9.13	3.11	4.26	0.79	9.13
Receivables from Non-Financial Institutions / Total Receivables	90.87	96.89	95.74	99.21	90.87
Income Before Tax (Loss) / Average Assets	3.89	4.04	4.55	3.99	3.89
Period Net Profit (Loss) / Average Assets	3.23	3.29	3.66	3.31	3.23
Period Net Profit (Loss) / Total Average, Equity	15.19	15.77	17.09	18.42	15.19
Income Before Tax (Loss) / Total Average Equity	18.29	19.40	21.27	22.21	18.29
Net Operating Income (Expenses) / Expenses	13.26	26.38	47.78	50.44	13.26
Non-Operating Expenses / Income	89.41	83.24	64.37	66.59	89.41
Capital Markets Transactions Profit (Loss) / Income	0.00	-0.47	1.89	-5.13	0.00
Personnel Expenses + Provision for Severance Pay / Total Non-Operating Expenses	4.17	8.54	17.32	22.11	4.17
Shareholders' Equity / Total Assets	20.33	21.62	21.25	18.44	20.33
FC Liabilities / Total Liabilities +Net Derivative Liabilities	22.16	24.64	20.33	18.17	22.16
NPLs (Net) / Total Equity	2.60	3.38	3.67	3.93	2.60
Derivative Financial Assets / Total Equity	0.13	0.17	0.32	0.63	0.13
Derivative Financial Liabilities / Total Equity	0.32	1.56	0.21	3.94	0.32

Source: BRSA

ANNEX 2 – BRANCHES AND REPRESENTATIVE OFFICES

(Companies Licensed by the BRSA as of 30 December, 2013)

Number of Branches

	Nr. of Branches
1. ABC Faktoring A.Ş.	3
2. Acar Faktoring A.Ş.	-
3. ACL Faktoring A.Ş.	-
4. Ak Faktoring A.Ş.	-
5. Akdeniz Faktoring A.Ş.	1
6. Akın Faktoring Hizmetleri A.Ş.	-
7. Anadolu Faktoring A.Ş.	2
8. Analiz Faktoring A.Ş.	2
9. Ar Faktoring Finansal Hizmetler A.Ş.	-
10. Arena 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.	4
15. Bayramoğlu Faktoring A.Ş.	1
16. Berg Faktoring A.Ş.	1
17. C Faktoring A.Ş.	-
18. Çağdaş Faktoring A.Ş.	3
19. Ce-Sa Faktoring A.Ş.	-
20. Çözüm Faktoring A.Ş.	2
21. Creditwest Faktoring A.Ş.	1
22. Değer Faktoring A.Ş.	1
23. Demir Faktoring A.Ş.	-
24. Deniz Faktoring A.Ş.	14
25. Destek Faktoring A.Ş.	-
26. Devir Faktoring A.Ş.	1
27. Doğa Faktoring A.Ş.	5
28. Doğan Faktoring A.Ş.	-
29. Eko Faktoring A.Ş.	15
30. Ekspo Faktoring A.Ş.	-
31. Eren Faktoring A.Ş.	-
32. Erişim Faktoring A.Ş.	5
33. Fiba Faktoring A.Ş.	9
34. Finans Faktoring Hizmetleri A.Ş.	3
35. First Faktoring A.Ş.	-
36. Garanti Faktoring A.Ş.	21
37. Girişim Faktoring A.Ş.	-
38. Global Faktoring A.Ş.	-
39. Halk Faktoring A.Ş.	-
40. Huzur Faktoring A.Ş.	5
41. ING Faktoring A.Ş.	4
42. İş Faktoring A.Ş.	-

43. Kapital Faktoring Hizmetleri A.Ş	4
44. Katar Faktoring A.Ş.	2
45. Kent Faktoring A.Ş.	8
46. Kıbrıs İktisat Faktoring A.Ş.	-
47. Kredi Alta Faktoring A.Ş.	-
48. Kredi Finans Faktoring Hizmetleri A.Ş.	2
49. Lider Faktoring A.Ş.	25
50. Makro Faktoring A.Ş.	-
51. Merkez Faktoring A.Ş.	-
52. Mert Finans Faktoring Hizmetleri A.Ş.	-
53. Met-ay Faktoring A.Ş.	1
54. MNG Faktoring A.Ş.	13
55. Optima Faktoring Hizmetleri A.Ş	8
56. Pamuk Faktoring A.Ş.	-
57. Para Finans Factoring Hizm.A.Ş.	6
58. Prime Faktoring Hizmetleri A.Ş.	-
59. Sardes Faktoring A.Ş.	1
60. Şeker Faktoring Hizmetleri A.Ş.	7
61. Şirinođlu Faktoring A.Ş.	49
62. Strateji Faktoring A.Ş.	6
63. Sümer Faktoring A.Ş.	-
64. Tam Faktoring A.Ş.	19
65. TEB Faktoring A.Ş	15
66. Tekstil Factoring Hizmetleri A.Ş.	5
67. Trend Faktoring A.Ş.	2
68. Tuna Faktoring A.Ş.	4
69. Turkish Faktoring A.Ş.	1
70. Ulusal Faktoring A.Ş.	9
71. Vakıf Finans Factoring Hizmetleri A.Ş.	-
72. VDF Faktoring A.Ş.	-
73. Yapı Kredi Faktoring A.Ş.	10
74. Yaşar Faktoring A.Ş.	14
75. Yeditepe Faktoring Hizmetleri A.Ş.	-
76. Zorlu Faktoring A.Ş.	-
TOTAL	319

Source: Individual Audit Reports

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. TASFİYE 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 FACTORİNG A.Ş.	08.10.2008
13. ÜNİVERSAL FİNANS FAKTORİNG A.Ş.	01.10.2009
14. KURTULUŞ FACTORİNG 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 FACTORİNG 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 FACTORİNG 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
31. BATI FAKTORİNG A.Ş.	29.11.2012
32. SARAY FAKTORİNG A.Ş.	20.12.2012
33. İVME FAKTORİNG A.Ş.	21.03.2013
1. FORTİS FAKTORİNG A.Ş.	20.06.2013
2. ARTI FİNANS FAKTORİNG HİZMETLERİ A.Ş.	04.07.2013
3. HEPKON FAKTORİNG A.Ş.	01.11.2013

ANNEX 4 – FACTORING DATA BY COUNTRY

Factors Chain International
Factoring Turnover by Country in 2013 (Million USD)

	Nr. of Companies	Domestic	International	Total
EUROPE				
Austria	4	14,013	5,461	19,475
Belarus	5	414	207	621
Belgium	5	49,360	16,453	65,813
Bulgaria	7	1,767	442	2,208
Croatia	19	4,251	91	4,342
Cyprus	3	3,865	32	3,896
Czech Rep.	6	5,071	2,247	7,318
Denmark	6	7,397	4,931	12,328
Estonia	8	2,301	320	2,621
Finland	5	20,703	3,725	24,428
France	14	223,377	53,296	276,674
Germany	210	180,296	56,119	236,414
Greece	8	14,096	2,596	16,692
Hungary	19	3,234	439	3,673
Ireland	6	27,327	1,942	29,269
Italy	40	188,780	56,899	245,678
Latvia	7	493	324	817
Lithuania	8	1,446	2,367	3,813
Luxembourg	1	389	173	562
Malta	2	148	98	246
Netherlands	5	46,651	25,120	71,770
Norway	7	19,846	2,646	22,492
Poland	33	36,907	6,691	43,598
Portugal	14	27,143	3,640	30,783
Romania	15	2,880	864	3,744
Russia	40	56,688	1,226	57,913
Serbia	20	886	51	937
Slovakia	5	883	591	1,474
Slovenia	4	507	357	864
Spain	18	140,499	20,358	160,857
Sweden	31	40,892	1,265	42,157
Switzerland	6	3,865	414	4,279
Turkey	79	36,627	7,588	44,215
Ukraine	32	1,829	21	1,849
United Kingdom	40	397,013	28,221	425,234
Total Europe	732	1,561,841	307,214	1,869,055
AMERICAS				
Argentina	5	1,146	35	1,181
Bolivia	1	25	18	43
Brazil	1,127	43,476	72	43,548
Canada	57	7,311	529	7,840
Chile	150	32,711	2,484	35,195
Colombia	27	9,245	522	9,766

Costa Rica	19	159	0	159
Mexico	18	38,469	261	38,730
Panama	18	997	3	999
Peru	9	10,960	306	11,267
United States	110	99,014	16,562	115,577
Uruguay	3	76	4	80
Total Americas	1,544	243,587	20,796	264,384
AFRICA				
Egypt	6	276	345	621
Mauritius	1	200	0	200
Morocco	2	2,760	1,042	3,802
South Africa	6	26,610	166	26,776
Tunisia	4	473	41	515
Total Africa	19	30,320	1,594	31,914
ASIA				
Armenia	6	69	17	86
China	27	407,781	114,111	521,892
Hong Kong	15	10,697	33,815	44,511
India	12	6,901	331	7,232
Indonesia	1	1,115	15	1,130
Israel	8	1,394	69	1,463
Japan	4	105,482	1,146	106,627
Jordan	0	0	0	0
Korea	19	10,135	6,901	17,036
Lebanon	1	421	65	486
Malaysia	5	1,967	493	2,460
Qatar	1	76	46	121
Singapore	9	9,013	4,748	13,761
Taiwan	21	38,646	62,109	100,755
Thailand	15	4,571	50	4,621
United Arab Emirates	5	2,760	2,070	4,831
Vietnam	8	28	110	138
Total Asia	157	601,055	226,095	827,150
AUSTRALASIA				
Australia	18	85,761	242	86,002
Total Australasia	18	85,761	242	86,002
TOTAL WORLD	2,470	2,522,564	555,941	3,078,505

Source: International Factoring Association Data obtained through the Turkish Factoring Association

Factoring Turnover by Country in 2007 - 2013 (Million USD)

	2007	2008	2009	2010	2011	2012	2013	Annual % Change
EUROPE								
Austria	7,620	8,954	9,481	11,038	11,643	14,463	19,475	35%
Belarus							621	
Belgium	28,032	31,725	34,207	42,788	49,501	55,841	65,813	18%
Bulgaria	438	635	486	731	1,309	1,978	2,208	12%
Croatia	1,606	2,961	3,504	3,711	2,940	2,992	4,342	45%
Cyprus	4,358	4,590	4,791	4,584	4,869	4,417	3,896	-12%
Czech Rep.	6,979	7,050	5,377	5,860	6,628	6,851	7,318	7%
Denmark	12,372	7,755	10,153	10,630	11,869	11,603	12,328	6%
Estonia	1,898	2,012	1,430	1,630	1,508	2,475	2,621	6%
Finland	18,469	17,837	15,375	16,476	16,844	22,415	24,428	9%
France	177,624	190,350	183,300	203,626	226,203	245,892	276,674	13%
Germany	129,940	149,460	137,566	172,114	204,765	207,558	236,414	14%
Greece	10,833	14,382	17,589	19,552	19,087	16,825	16,692	-1%
Hungary	4,526	4,512	3,604	4,437	3,650	3,528	3,673	4%
Ireland	33,462	33,840	27,691	26,836	23,750	26,312	29,269	11%
Italy	179,288	180,762	177,678	190,994	226,983	239,806	245,678	2%
Latvia	1,694	2,143	1,287	436	481	714	817	14%
Lithuania	3,927	4,724	2,510	2,046	2,765	3,280	3,813	16%
Luxembourg	715	846	499	427	233	394	562	42%
Malta	37	73	150	181	259	316	246	-22%
Netherlands	46,457	42,300	42,900	46,505	59,602	65,925	71,770	9%
Norway	24,820	21,150	21,593	20,030	21,243	23,885	22,492	-6%
Poland	11,534	10,998	17,160	21,539	23,193	32,316	43,598	35%
Portugal	24,656	25,380	25,327	27,578	36,123	30,257	30,783	2%
Romania	1,898	2,327	2,002	2,392	3,345	3,850	3,744	-3%
Russia	19,126	22,772	12,269	16,161	27,435	46,380	57,913	25%
Serbia	330	522	586	664	1,200	1,253	937	-25%
Slovakia	2,015	2,256	1,616	1,303	1,517	1,350	1,474	9%
Slovenia	664	917	930	864	713	857	864	1%
Spain	122,201	141,000	149,037	150,022	158,237	163,541	160,857	-2%
Sweden	31,682	22,560	26,827	24,926	37,911	43,707	42,157	-4%
Switzerland	3,669	3,652	7,150	5,315	4,470	3,956	4,279	8%
Turkey	28,653	25,451	29,000	51,803	39,997	41,799	44,215	6%
Ukraine	1,299	1,853	758	717	1,237	1,626	1,849	14%
United Kingdom	418,284	265,080	279,727	300,609	347,351	383,947	425,234	11%
Total Europe	1,361,105	1,252,824	1,253,608	1,388,584	1,578,921	1,712,369	1,869,055	9%
AMERICAS								
Argentina	529	501	479	465	615	810	1,181	46%
Bolivia			26	24	45	46	43	-7%
Brazil	30,748	31,098	42,385	65,173	59,114	57,522	43,548	-24%
Canada	6,234	4,230	4,648	4,947	6,846	9,361	7,840	-16%
Chile	21,345	22,278	20,735	21,820	27,858	31,644	35,195	11%
Colombia	2,964	2,961	3,420	3,699	6,466	6,015	9,766	62%
Costa Rica						237	159	-33%
Mexico	13,432	13,466	3,032	19,317	27,306	34,452	38,730	12%
Panama	705	649	715	797	907	1,123	999	-11%
Peru	946	1,234	1,084	3,603	3,189	3,046	11,267	270%
United States	141,620	141,000	126,555	126,227	136,049	102,240	115,577	13%
Uruguay						80	80	0%
Total Americas	218,661	217,422	203,228	246,284	268,433	247,672	264,384	7%

AFRICA								
Egypt	29	71	157	266	259	290	621	114%
Mauritius			173	166	165	169	200	18%
Morocco	964	1,199	1,301	1,423	1,822	2,431	3,802	56%
South Africa	14,279	17,075	19,305	20,090	27,700	28,187	26,776	-5%
Tunisia	358	357	395	392	441	471	515	9%
Total Africa	15,629	18,701	21,331	22,337	30,386	31,548	31,914	1%
ASIA								
Armenia		10	10	18	18	0	86	
China	48,145	77,550	96,239	205,351	354,620	453,246	521,892	15%
Hong Kong	11,242	11,985	11,553	19,133	22,530	38,690	44,511	15%
India	7,380	7,332	3,790	3,654	3,628	4,813	7,232	50%
Indonesia					4	4	1,130	
Israel	1,168	1,974	2,002	2,192	2,138	1,875	1,463	-22%
Japan	113,473	150,165	119,691	130,877	144,140	128,171	106,627	-17%
Korea	1,394	1,269	4,200	6,748	10,478	10,548	17,036	62%
Lebanon	257	564	601	598	423	397	486	22%
Malaysia	683	776	1,001	1,406	1,360	2,350	2,460	5%
Qatar			33	31	97	99	121	23%
Singapore	4,774	5,640	6,721	7,706	8,642	11,431	13,761	20%
Taiwan	62,050	68,738	48,334	89,023	103,397	92,295	100,755	9%
Thailand	3,270	3,337	3,013	2,784	3,991	5,721	4,621	-19%
United Arab Emirates	496	2,623	2,731	2,657	2,267	3,824	4,831	26%
Vietnam	63	120	135	86	87	80	138	72%
Total Asia	254,396	332,082	300,114	472,322	657,837	753,560	827,150	10%
AUSTRALASIA								
Australia	48,297	45,890	56,356	59,679	74,491	65,406	86,002	31%
Total Australasia	49,319	46,877	57,357	60,476	75,269	66,197	86,002	30%
TOTAL WORLD	1,899,111	1,867,906	1,835,639	2,190,002	2,610,844	2,811,345	3,078,505	10%

Source: International Factoring Association Data obtained through FKB

Sources:

- BRSA Reports and Statistics
- Interviews with the members and representatives of the Factoring Association
- Interviews with various sector representatives

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