

**Rating Action: Moody's affirms Ekspo Faktoring's ratings at B2; Outlook stable**

---

Global Credit Research - 28 Apr 2016

London, 28 April 2016 -- Moody's Investors Service has today affirmed the local and foreign currency corporate family and issuer ratings of Ekspo Faktoring A.S. (Ekspo) at B2. The outlook on the ratings was changed to stable from negative. Ekspo's national scale long-term issuer rating (NSR) was also affirmed at Ba1.tr.

**RATINGS RATIONALE**

The primary drivers for the stable outlook are Ekspo's improving profitability, the reduced funding and liquidity risks and the improved asset quality. The affirmation of Ekspo's ratings also reflects the strong and consistently rising capitalisation.

**--- GRADUALLY IMPROVING PROFITABILITY**

Ekspo's profitability has increased and compares favourably with the average for the factoring sector. Net profitability at year-end 2015 was about 6% higher than the previous year, with a further improvement in the first quarter of 2016. Net profitability was equal to TRY10.4 million at year-end 2015, or 3.6% of annual net income-to-average assets, compared with 3.4% at year-end 2014 and 3% at year-end 2013. The company's pre-provision income over average assets also increased, reaching 5.4% at year-end 2015 from 4.8% at year-end 2014 and 4.5% at year-end 2013. Despite the competitive factoring sector in Turkey, Ekspo's profitability has been gradually improving, supported by its innovative and diversified product offerings and disciplined cost management.

Ekspo adjusted its cost base, resulting in a lower cost-to-income ratio of 39.8% at year-end 2015 compared with 41.6% the previous year, indicating that the bank's operating expenses were growing less than its revenue generation in 2015.

**--- REDUCED FUNDING AND LIQUIDITY RISKS**

Moody's notes Ekspo's risks associated with the high dependence on short-term wholesale funding. However, these risks have been partly mitigated by the company's ability to (1) eliminate maturity gaps between liabilities and assets (on a monthly basis) and (2) increase its level of cash holdings at 2% of total assets at year-end 2015, compared to 0.1% the previous year. As a non-bank financial institution, Ekspo does not have access to the Central Bank of Turkey's liquidity, in case of need.

Additionally, while the amount of credit lines provided to Ekspo is fairly ample and also includes international export-import agencies, Moody's notes that the three largest counterparties accounted for a high 74% of total bank lines in use at year-end 2015, thus resulting in a relatively high concentration risk.

**--- STRONG AND CONSISTENTLY RISING CAPITALISATION**

Moody's notes that Ekspo's capital position continues to rise and provides good loss-absorption capacity in case of need. Moody's also observes that Ekspo's equity-to-total assets ratio reached 33.8% at year-end 2015, which compares favourably with the system average of 17.2% (system average includes bank-affiliated factoring companies, which implies access to a bank parent as a source of capital strength).

**--- IMPROVED ASSET QUALITY, BUT RELATIVELY HIGH BORROWER CREDIT CONCENTRATION REMAINS A RISK**

Ekspo's asset quality has shown an improving trend, largely driven by non-performing loans (NPLs) sales. The NPLs-to-gross loans ratio was at 1.5% at year-end 2015, compared with the 2.1% reported at year-end 2014 and 3% at year-end 2013. Ekspo's NPL ratio compares well with the average for the factoring sector in Turkey of 5.7% at year-end 2015.

At the same time, Moody's notes that Ekspo maintains a relatively large single-name credit concentration when measuring the top 20 exposures to its equity, although this risk is somewhat mitigated by the short maturity (average of about three months) of Ekspo's loan portfolio.

## --- RATING OUTLOOK

As a reflection of the aforementioned improvements in profitability, liquidity and asset quality, and the expectation that the issuer will continue to maintain strong capitalisation, we have changed the outlook to stable from negative. The current B2 ratings, with a stable outlook, also considers that Ekspo will continue to face challenges in gradually expanding its franchise in Turkey's volatile operating environment.

## WHAT COULD MOVE THE RATINGS DOWN / UP

Downward pressure could develop on Ekspo's ratings if (1) asset quality and profitability deteriorate; (2) credit risk in Turkey generates losses that put solvency at risk and jeopardises the company's current business model; (3) financial leverage increases significantly without simultaneously raising matched funding; and (4) the company's franchise weakens substantially.

Upwards rating pressure could, however, develop following (1) improvement in the diversification of the funding profile; (2) significant strengthening of the franchise and relative market share; and (3) decreasing borrower credit concentration.

## National Scale Rating (NSR)

The Ba1.tr National Scale Rating (NSR) is derived directly from the local currency issuer rating. Therefore, the direction of the change in the long-term ratings will influence any future adjustment in these ratings.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Finance Companies published in October 2015. Please see the Ratings Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".za" for South Africa. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in June 2014 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

## LIST OF AFFECTED RATINGS

### Affirmations:

....LT Corporate Family Rating (Foreign Currency and Local Currency), Affirmed at B2

....LT Issuer Rating (Foreign Currency and Local Currency), Affirmed at B2

....NSR LT Issuer Rating (Local Currency), Affirmed at Ba1.tr

### Outlook Actions:

....Outlook, Changed to Stable from Negative

## REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the

rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for additional regulatory disclosures for each credit rating.

Simone Zampa  
VP - Senior Credit Officer  
Financial Institutions Group  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Sean Marion  
Managing Director  
Financial Institutions Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

**Moody's**  
INVESTORS SERVICE

© 2016 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S

PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE. MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate

Governance — Director and Shareholder Affiliation Policy.”

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY’S affiliate, Moody’s Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody’s Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to “wholesale clients” within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY’S that you are, or are accessing the document as a representative of, a “wholesale client” and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to “retail clients” within the meaning of section 761G of the Corporations Act 2001. MOODY’S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY’S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody’s Japan K.K. (“MJKK”) is a wholly-owned credit rating agency subsidiary of Moody’s Group Japan G.K., which is wholly-owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody’s SF Japan K.K. (“MSFJ”) is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization (“NRSRO”). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.