PRESS RELEASE
Istanbul – June 22, 2017

JCR Eurasia Rating

has revised the credit ratings and outlooks of the financial structure of **"MNG Faktoring A.Ş."** and cash flows of its "**planned bond issuances"** within the scope of its periodic review and upgraded its Long Term National Rating from **'A- (Trk)/Stable'** to **'A (Trk)/Stable'** and affirmed the Long Term International Foreign and Local Currency Ratings and outlook as **'BBB-/Stable'.**

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Long Term International Foreign Currency	:	**BBB-**/ (Stable Outlook)
Long Term International Local Currency	:	**BBB-** / (Stable Outlook)
Long Term National Rating	:	**A (Trk)** / (Stable Outlook)
Long Term National Issue Rating	:	**A (Trk)**
Short Term International Foreign Currency	:	**A-3** / (Stable Outlook)
Short Term International Local Currency	:	**A-3** / (Stable Outlook)
Short Term National Local Rating	:	**A-1 (Trk)** / (Stable Outlook)
Short Term National Local Issue Rating	:	**A-1 (Trk)**
Sponsor Support	:	**2**
Stand Alone	:	**AB**

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

MNG Faktoring A.Ş., established in 1999, became operational in 2002 and currently operates with its headquarters in Elmadağ/İstanbul and 19 branches located in Istanbul (5) and 14 branches across Turkey. The Company stands out with its high profitability and robust asset growth in the bank-dominated Factoring Sector with strong price competition. MNG Faktoring effectively manages its human resources and proactively maintains its risk management activities using effective risk management systems and framework and exerts maximum effort in order to align with regulations. The Company's paid-in capital, which was raised from TRY 36mn to TRY 70mn within 2016 with retained earnings and reserves, was comfortably above the minimum paid-in capital requirement of TRY 20mn determined for factoring companies in line with the latest regulation. As of FYE2016, the Company's credit risk per customer was well below the sector average due to the fast expanding customer base. The share of the largest 50 customers' risk within total receivables portfolio was lower than the previous year-end, indicating that the credit risk was effectively managed by the Company.

The robust increases observed in the Company assets composed predominantly of factoring receivables, the below sector average NPL ratio, high profitability as reflected by robust ROAA, ROAE and other profitability ratios, internal resource generation capacity sustained by profitability and no dividend distribution policy, high net interest margin resulting from the SME-weighted customer profile, significant investments made to risk management systems and framework, below sector average factoring receivable per customer figure indicating lower customer dependency, the existence of qualified and experienced management personnel and Board are all regarded as positive factors influencing MNG Faktoring's long and short term ratings. On the other hand, the Company's non-diversified short-term bank loan oriented asset funding structure and associated sensitivity of financing expenses to changes in short-term interest rates, increased credit risk due to working predominantly with SME's, slight increase in financial leverage ratio due to rapid asset growth, intensive competition prevalent in the sector and significant advantages of bank-owned factoring companies in terms of accessing to financing sources and decreasing the operational costs by using the existing branch networks are other factors taken into consideration during the evaluation of the Company ratings. The Company's ability to realize future growth strategies despite risks of increasing operating costs due to new branch openings, continuing to operate with robust profitability and no dividend distribution policy increasing the internal resource generation and debt payment capacity serves as basis for upgrading the Company's Long Term National Rating from '**A- (Trk)**' to '**A (Trk)**'.

In the event of deteriorating macroeconomic indicators and a slowdown in economic activity in the reel sector, the volume of receivables, which represents a big portion of the domestic commercial environment and collection rates of cheques are expected to decline. This kind of a situation is expected to have negative impact on MNG Faktoring A.Ş.'s sales volume and profitability. In this context, **JCR-ER** will track the market conditions, market interest rates, and strategies of other finance companies together with **MNG Faktoring**'s profitability, sales volume, asset quality, NPL level, and debt structure. In addition, the effective or ineffective management of four new branches that are planned to be opened in 2017 and positive and/or negative effects that these branches will have on the Company profitability and general operations are other factors that will be closely monitored by JCR-ER in the following periods. By considering the Company's high growth and profitability expectations for future periods and the Company's current strong financial position together with the aforementioned factors, the outlook for the Company's long and short term national ratings have been determined as '**Stable**'.

The major controlling real person shareholder, **Mehmet Nazif Günal,** and the **MNG Group** companies prevalent in the Company's shareholding structure are considered to have both the willingness and the capacity to provide liquidity and financial support within their financial capability if required. In this regard, the Company's Sponsor Support Grade has been affirmed as (**2**), denoting an adequate level within the **JCR-ER** methodology. **MNG Faktoring**'s capacity to meet its obligations through its internally generated resources without resorting to its shareholders has been determined as (**AB**) within the Stand Alone Grade, indicating a high level.

For detailed information regarding the rating results you may visit our internet site http://www.jcrer.com.tr or contact our analyst **Mr. Ozan SIVACI**.

JCR EURASIA RATING
Administrative Board