

PRESS RELEASE

İstanbul – June 30, 2016

JCR Eurasia Rating

has evaluated the credit rating and outlook of the financial structure of **'MNG Faktoring A.Ş.'** as **'A- (Trk)/Stable'** on the Long Term National Local Scale and **'BBB-/Stable'** on the Long Term International Foreign and Local Currency Scale.

JCR Eurasia Rating has evaluated the solo financial structure of **'MNG Faktoring A.Ş.'** in an investment grade category on the national and international scales and determined the ratings as **'A- (Trk)'** on the Long Term National Scale and **A-1 (Trk)** on the Short Term National Scale as with **'Stable'** outlooks. Additionally, JCR Eurasia Rating has evaluated the Long Term International Foreign and Local Currency Ratings as **'BBB-'** with **'Stable'** outlooks. Other notes and details of the ratings are provided in the table below. As there are no additional legal and/or financial collateral guarantees that will be provided separately for the repayment of the bond that is planned to be issued by **MNG Faktoring A.Ş.**, the note assigned for the TRY dominated bond issuance has been assigned as the same as the Company's Long and Short Term National Local Ratings.

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	:	B

The factoring sector provides liquidity and funding solutions for real sector companies and has become an important stakeholder in the economy as a result of its strong legal structure, short cycle of commercial receivables in the market, and increasing demand of companies for liquidity. The sector is subject to an increasing number of legal regulations which are expected to contribute to continued growth in the upcoming years. Factoring companies have begun to participate in daily liquidity movements in the Takasbank Money Market and work predominately with companies operating in the real economy. The dependency on real sector companies has led to an exposure to volatility in the political and macroeconomic environment.

MNG Faktoring A.Ş., established in 1999, became operational in 2002 and currently operates with its general management in Elmadağ/İstanbul and 13 branches located in Bayrampaşa, Gebze, İkitelli, İmes, Pendik, Adana, Ankara, Antalya, Bursa, Çorlu, İzmir, Konya and Samsun. 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 latest regulation, effective as of December 2015, has forced factoring companies to increase their paid-in capital at minimum of TRY 20 million. The Company had TRY 36 million paid-in capital at the time of implementation and therefore no extra action was necessary. However, the Company plans to increase its paid-in capital to TRY 70 million within 2016 using the retained earnings and reserves.

The robust increases observed in the Company assets composing predominantly of factoring receivables, the below sector average NPL ratio, high profitability as reflected by robust ROAA and ROAE 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 indicating lower customer dependency, and the existence of qualified and experienced management personnel 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, the sensitivity of financing expenses to changes in short-term interest rates, the above sector average operating expenses to total income ratio arising from the extensive branch network and the investments made to risk monitoring systems and human resources, and the increased credit risk due to working predominantly with SME's are other factors taken into consideration during the evaluation of the Company ratings. While the Company's branch expansion strategy will increase operating expenses over the following years, the Company's achievable growth and high profitability with no dividend payment strategies serves as a basis of the assumption that **MNG Faktoring A.Ş.'s** cash flow stream will be realized in accordance with the principal and interest payments and hence provide the necessary liquidity to the Company. Therefore, considering all these factors, the Company's Long Term National Rating is determined as **'A- (Trk)'** with a **'Stable'** outlook for the long and short term ratings.

In the case of deteriorating macroeconomic indicators and a slowdown in economic activity in the real sector, the volume of receivables, which represents a big portion of the domestic commercial environment, are expected to decline. This situation is expected to have a negative impact on **MNG Faktoring A.Ş.'s** sales volume and profitability. In this context, **JCR Eurasia Rating** 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 new branches 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 Eurasia Rating** in the following periods.

The major controlling real person shareholder, **Mehmet Nazif Günel**, 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 Eurasia Rating** methodology. **MNG Faktoring's** capacity to meet its obligations through its internally generated resources without resorting to its shareholders has been affirmed as (B) within the Stand Alone Grade, indicating an adequate 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**.

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