

Corporate Credit & Issue Rating
**Non-Banking Financial Institutions
Factoring**

MNG FACTORING		Long Term	Short Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Issue Rating	N/A	N/A		
National	Local Rating	A (Trk)	A-1 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A (Trk)	A-1 (Trk)	
Sponsor Support		2	-	
Stand Alone		AB	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

MNG FAKTORİNG A.Ş.						
Financial Data	2017Q1	2016*	2015*	2014*	2013*	2012*
T. Assets (000 USD)	164,640	184,915	166,881	162,042	151,522	145,130
T. Assets (000 TRY)	599,060	653,083	485,222	375,760	322,803	257,983
Equity (000 TRY)	106,907	98,963	77,523	66,923	58,844	52,790
Net Profit (000 TRY)	7,944	21,514	10,643	8,116	5,989	8,568
Market Share (%) (by asset size)	1.84	1.97	1.82	1.42	1.48	1.42
ROAA (%)	n.a.	4.63	3.52	2.47	2.89	4.77
ROAE (%)	n.a.	29.85	20.99	13.72	15.01	23.79
Equity/Assets (%)	17.85	15.15	15.98	17.81	18.23	20.46
NPL (%)	4.02	2.65	4.21	7.52	7.05	6.73
Asset Growth Rate (%)	20.67**	34.59	29.13	16.41	25.13	14.08

* End of year, 2017Q1: March-end 2017, ** Compared with the same period of last year

Company Overview

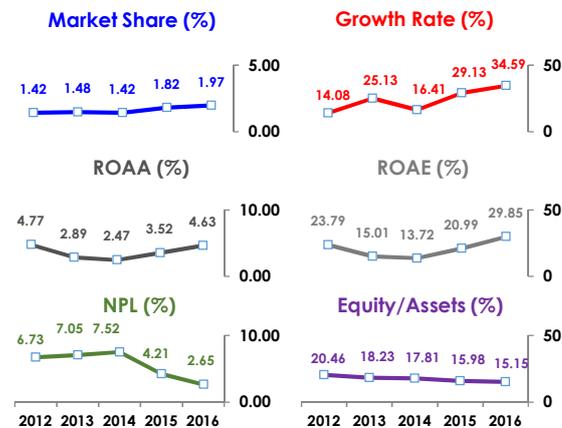
MNG Faktoring A.Ş. (referred to as 'the Company' or 'MNG Faktoring') was founded in May 1999 and began operations in May 2002 as a factoring services supplier for domestic commercial transactions by undertaking its customers' collections. The Factoring sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2006 and MNG Faktoring is subject to its regulations. The Company mainly focuses on funding micro, small and medium sized enterprises (SMEs) with its nineteen branches in İstanbul (5), Gebze, Çorlu, İzmir, Adana, Ankara, Konya, Antalya, Bursa, Samsun, Çorum, Trabzon, Denizli, Kayseri, and Eskişehir. The Company was ranked 6th among non-bank affiliated factoring companies in terms of factoring receivables as of FYE2016. The Company, which is headquartered in Elmadağ/Şişli, had a staff force of 225 employees as of FYE2016, a significant increase compared with the FYE2015 figure of 177.

As of FYE2016, the Company's utmost real person shareholder was **Mr. Mehmet Nazif Günal** with a share of 24.83%. 74.11% of the remaining shares belonged to companies under his holding company **MNG Holding A.Ş (MNG Group)**. The holding company included companies operating in construction and contracting, tourism, cargo transportation, aerial transportation, energy and factoring/finance. MNG Faktoring did not have any subsidiaries as of reporting date.

*Affirmed by Japan Credit Rating Agency, JCR on October 7, 2016

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Strengths

- Robust loan book and asset growth, surpassing the sector amidst a volatile business environment
- Well diversified receivable portfolio supported through growing branch network diversifying the credit risk, enhancing the asset quality
- Ability to generate and preserve interest margins outperforming the sector, increasing the profitability and supporting the equity base
- Lower NPL ratio compared to the sector, following the transfer of the overdue receivable portfolio to asset management companies
- Subsidiary of the MNG Group, a prominent conglomerate in Turkey
- Experienced management team and well-organized risk management infrastructure
- Increasing bottom line profits and no dividend distribution policy, contributing to the sustained organic growth
- Decreasing share of operating expenses within total income reflecting the increased efficiency supporting the profitability

Constraints

- Non-diversified funding structure dependent upon short-term bank loans and fluctuations in short-term interest rates
- Competitive sector dominated by bank-owned companies with the comparative advantages of wide branch network and low borrowing costs
- Persisting macroeconomic and political uncertainties arising from domestic and global tensions and conflicts disrupting the asset quality and increasing the inherent risk factors of the sector and the real economy
- Increasing leverage fueled by rapid growth despite legally compliant capitalization level
- Room for improvement in terms of corporate governance principles
- Increasing borrowing costs due to short-term bank loans oriented funding structure that is easily affected by the fluctuations in market interest rates

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