JCR-ER JCR Eurasia Rating

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PRESS RELEASE

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JCR Eurasia Rating,
has upgraded the Long Term National and Short Term National credit ratings of **Kent Faktoring A.Ş**. and the **Planned Bond Issuance** to **"A- (Trk)"** and **"A-1 (Trk)"**, respectively and revised the outlooks as **"Stable".** Long Term International Local and Foreign Currency ratings and outlooks are affirmed as **"BBB-/Stable".**

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

The 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 the 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 the 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.

Kent Factoring, a member of the Süzer Group which operates in various fields such as finance, tourism, energy and real estate development, has been serving since 1997. Having revised its branch network and overall corporate organization structure in the upon a profit-oriented integration process, Kent Faktoring serves only in the headquarters office as of 2016 year-end.

Kent Factoring has improved its periodic profitability compared to the previous periods due to the better control of operational costs, the development of asset quality, the extensive of impaired loan collection initiatives and improvement of credit portfolio. Net interest margin increased by further surpassing the sector average and the return on equity and return on assets benefited from the collection of overdue receivables. In order to control the risk weight of the credit portfolio, Kent Faktoring has opted primarily to underwrite loans with institutional and large-scale customers. Due to the high competition and the high-loan balance the model carried on a single customer, the concentration ratios have increased. Within the framework of the current lending approach, although the credit worthiness, which constitutes a significant portion of the portfolio, is expected to be low following receivables from higher corporate segment customers, an increase in the concentration level may put pressure on asset quality.

Improvement in net interest margin and superior spread over the Sector average, increasing operational efficiency, experienced management team, financial and operational support provided by the **Süzer Group**, recovering asset quality, productivity improvement due to the limitation of costs compared to past periods and better performance compared to projections with respect to profitability and asset size figures constitute the foundation of the Long Term National credit rating which is upgraded to **"A- (Trk)"**. A separate rating report has not been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and was subject to analysis in the corporate credit rating report. The planned bond issue carries no difference in comparison to the Company's other liabilities with respect to its legal standing and collateralization, as such the notations outlined in the corporate credit rating report also reflect the issue rating.

The actualization performance budget targets, sectoral developments and changes in interest rates affecting the company's internal resource generation capacity, the trend of operational costs and asset quality and their impact on the ratings and outlook of are among the priority areas to be monitored by JCR-ER.

Accounting for the financial support provided in the previous periods and the ongoing contributions of the Group management, primary shareholder **Ali Baran Süzer** and the **Süzer Family** are considered to have the capacity and the willingness to provide funds and effective operational support to the Company. In this regard, the Company's Sponsor Support Grade has been affirmed as **(2)** in JCR Eurasia Rating's notation, denoting an adequate level of external support.

Regardless of any assistance from the shareholders, considering the internal resource generation capacity, profitable interest margin, capitalization level and the liquidity profile, the Company is deemed to have sufficient experience and infrastructure to manage its commitments, provided that the market efficiency and the macroeconomic outlook is maintained. Within this context, the Stand Alone grade of the Company has been determined as **(B)** in the JCR Eurasia Rating notation system.

For more information regarding the rating results, you may visit our internet site http://www.jcrer.com.tr or contact our analysts **Mr. Özgür Fuad ENGİN.**

JCR EURASIA RATING
Administrative Board