JCR-ER JCR Eurasia Rating

"JCR-ER, Group of Japan Credit Rating Agency, Ltd." JCR

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JCR Eurasia Rating has affirmed the credit ratings of

Ak Faktoring A.Ş. and "Cash Flows arising from Bond Issuances" as 'BBB+ (Trk)' on the Long Term National Scale and A-2 (Trk) on the Short Term National Scale.

The Long Term International Foreign and Local Currency Scales have been affirmed as 'BBB- (Trk)' with 'Stable' Outlook in the annual periodic review.

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RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	Stable	Stable
		Stable	Stable
	Issue Rating	n.a	n.a
National	National Rating	BBB+(Trk)	A-2(Trk)
	Outlook	Stable	Stable
	Issue Rating	BBB+(Trk)	A-2(Trk)
Sponsor Support		2	-
Stand Alone		B	-

Sector: Factoring

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Press Release

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JCR Eurasia Rating has affirmed a **Long Term National Credit Rating of "BBB+ (Trk)"** and a **Short Term National Credit Rating** of **"A-2 (Trk)"** for **Ak Faktoring A.Ş.** along with **"Stable"** outlooks on both ratings.

The Factoring Sector is marked by a 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 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 to the quality, standardization, and transparency of financial reporting practices and facilitated fair competition. Considering that the main income of factoring companies is the real sector, the effects of the growth environment supported by the volatility and incentive policies created by the foreign and domestic economic, political, and geopolitical developments in the markets on the factoring sector deserve to be closely monitored.

Ak Faktoring was established in 1992 under the name 'Ak Faktoring Hizmetleri Ticaret Anonim Şirketi'. In 2011,parallel with the change in partnership structure which was purchased by Altınhas Holding with foundations going back to the 1950s, activities were again accelerated. The Company has operated in a sector mainly constituted of bank related institutions since 2012 under the title 'Ak Faktoring A.Ş.' and currently maintains activities through non-branch office structure on a local basis. The Company continues to meet the credit requirement of mainly commercial companies and SME-based companies.

Global and local macroeconomic pressures, high foreign currency movements, and uncertainties continue to influence the financial structure of the real sector and continues to pressure the sector's asset quality. Although the Company attempts to soften the pressure generated by its high customer concentration through effective risk management practices, asset quality is suppressed by increased impaired receivables, the deteriorating debt-service performance of real sector companies, and above sector averages NPL ratio. The inability to make progress in market share which grew below sector averages; high dependency on external financing increasing financial costs and affecting profitability; and pressures internal equity generation capacity are the issues that put stress on the short and long term notes. In addition, the growth in the number of customers to be widespread in the market, improvement in receivable portfolio granularity to reduce the concentration exposure, asset and turnover development, the continued effects of continuing economic and political turbulence, and tensions on real sector's asset quality and NPL level are issues that will be kept under review by **JCR Eurasia Rating** in the following periods. On the other hand, the effect of the strong collateral level and high transaction volume on asset quality; above-sector profitability ratios; relieved liquidity management for the following periods through diversification of its funding structure by probable bond issues against the sectoral disadvantage created by the limited alternative financing resources; maintenance of above sector interest margins strengthening revenue; increasing equity level against the sector's decreasing trend; Altınhas Holding's wide range of activities and Group support in both financial and operational points; the high probability of realization relating to the Company's future growth plan; and generation of internal resources and cash flows to meet interest expenses are the principle factors behind the affirmation of the Company's Long and Short Term Outlook as **'Stable'** and Long Term National Grade as **'BBB+ (Trk)**'. No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been 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 collateralisation. As such, the notations outlined in the corporate credit rating report also reflect the issue rating but do not cover any structured finance instruments.

On the other hand, it is considered that the major controlling legal entity shareholder, **Altınhas Holding A.Ş.**, along with real person shareholder, the Altınbaş Family, have the willingness and experience to ensure long term liquidity and equity within their financial capability when required and to provide efficient operational support to **Ak Faktoring A.Ş.** Therefore, the Company's Sponsor Support grade has been affirmed as **(2)** in **JCR Eurasia Rating**'s notation.

On the other hand, taking into account the Company's increasing equity level, transaction volume, asset growth and quality, efficient risk management and collateral level despite the increasing trend in NPL and concentration risk, receivables portfolio, market popularity and ease of access to funding resources , we, as JCR Eurasia Rating, are of the opinion that Ak Faktoring A.Ş. has reached the level of adequate experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, provided that it improves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the Stand Alone grade of the Company has been affirmed 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 analyst **Mrs. Merve Hayat.**

JCR EURASIA RATING
Administrative Board