

Garanti Faktoring Hizmetleri A.S.

Turkey Credit Analysis

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Local Currency	
Long-Term IDR	BBB-
Short-Term IDR	F3
National	
Long-term	AAA(tur)
Support Rating	3
Sovereign Risk	
Foreign Long-Term IDR	BB-
Local Long-Term IDR	BB
Country Ceiling	BB

Outlook

Foreign Long-Term IDR	Stable
Local Long-Term IDR	Stable
National Long-Term	Stable
Sovereign Foreign Long-Term IDR	Stable
Sovereign Local Long-Term IDR	Stable

Financial Data

	30 June 08	31 Dec 07
Garanti Faktoring Hizmetleri A.S.		
Total assets (USDm)	749.9	555.6
Total assets (TRYm)	916.1	645.7
Total equity (TRYm)	38.3	34.5
Operating profit (TRYm)	4.8	7.3
Published net income (TRYm)	3.7	5.7
Operating ROAA (%)	1.22	1.10
Operating ROAE (%)	26.2	22.9
Equity/total assets (%)	4.18	5.35

Analysts

Levent Topcu
+90 212 279 1065
levent.topcu@fitchratings.com

James Longsdon
+44 20 7417 4309
james.longsdon@fitchratings.com

Rating Rationale

- The ratings of Garanti Faktoring Hizmetleri A.S. (Garanti Factoring) are driven by the support of its majority shareholder Turkiye Garanti Bankasi A.S. (Garanti Bank) ('BB'/Outlook Stable) and reflect the company's strong operational integration with its parent.
- Garanti Factoring belongs to a group of financial services businesses operating under the Garanti brand name. The company uses Garanti Bank's branches for sales and marketing and also benefits from centralised operations and services provided at the group level.
- The company's strong expansion has outgrown that of the market and allowed its overall market share to reach 15.5% at end-Q308, remaining Turkey's 2nd-largest factoring company by volume.
- Due to its highly leveraged balance sheet, the company's operating ROAE was good at 26% at end-H108, but operating ROAA was only modest at 1.2%. Its income statement reflects growing transaction volumes with a higher contribution from core operations. Its margins are declining due to the increased cost of funding, but this is likely to reverse as the company passes on the cost to customers.
- Asset quality has historically been good, aided by substantial recoveries. In H108, however, impairment charges increased to 12% of pre-impairment operating earnings due to the lack of recoveries and some one-off charges owing to a change in internal provisioning policies. Fitch Ratings considers that an increase in impaired receivables and provisioning charges is likely in 2009, in line with the sector, due to the challenging operating environment.
- The company's funding base is undiversified as it relies on bank borrowings for funding and related-party funding from Garanti group banks stood at 21% of the total at end-H108.
- Leverage is very high at Garanti Factoring as a result of strong balance-sheet growth. Regulations limit the net factoring placements/equity ratio to a maximum of 30.0x; Garanti Factoring's ratio was a very high 21.4x at end-H108 (2007: 14.0x). Although this is still below the regulatory limit, it is far above the sector average of 3.3x and Fitch considers that this reflects low capitalisation in the challenging operating environment.

Support

- Were it to encounter difficulties, Garanti Factoring's source of support would be its parent. Fitch believes that Garanti Bank would be willing to provide support, but its ability to do so is moderate, given its 'BB' Foreign Currency IDR.

Key Rating Drivers

- Although small, Garanti Factoring is an integral part of Garanti Bank. Therefore Garanti Factoring's ratings would mirror any changes at Garanti Bank's IDRs.

Profile

Garanti Bank controls 81.84% of the shares in Garanti Factoring. Garanti Factoring uses Garanti Bank's branch network to generate business. In H108, 91.4% of its business was generated through this network.

Profile

Garanti Factoring, which is one of Turkey's leading factoring companies, was established in 1990 as Aktif Finans Factoring Hizmetleri A.S., a joint venture among a group of Turkish public and private banks including Garanti Bank. In 1996, Dogus Group became the company's majority shareholder, a role that was assumed by Garanti Bank in 2001. In 2002, the company was renamed Garanti Factoring.

Table 1: Shareholding Structure

(%)	End-Q308
Garanti Bank	55.41
Public shares (26.43% of which are owned by Garanti Bank)	34.81
Turk Eximbank	9.78

Source: Garanti Factoring

- 81.84% controlled by Garanti Bank
- High level of operational integration with the parent

Garanti Bank controls 81.84% of the shares in Garanti Factoring, 55.41% through its direct share in paid-in capital and 26.43% through its holdings of publicly floated shares. Garanti, Turkey's third-largest privately owned commercial bank (with a 12.1% share in total sector unconsolidated end-Q308 assets) provides a full range of financial services through 703 domestic branches. It has an international presence in seven countries. Garanti is 30.15% owned by the Dogus Group and 20.85% by GE Consumer Finance (GECF).

Garanti Factoring uses Garanti Bank's branch network to generate business and serve clients across a wide area. The company has full-time sales and marketing representatives established in Garanti Bank branches. In H108, 91.4% of its business was generated through this network. The company benefits from other group resources such as centralised IT and operations, human resources and training. It also has an internally developed IT infrastructure, facilitating a 24-hour client response. The company has also expanded its direct sales team in order to strengthen SME-focused marketing activities.

Factoring services were first offered in Turkey in 1988 to support export activities. Factoring companies provide receivables collection, guarantee and cash management services. Factoring penetration measured as factoring volume as a percentage of GDP stood at around 4.7% in Turkey at end-2007, which was lower than in Western European markets. Total factoring has seen strong growth between 2002-2007, with a CAGR of 49% (in USD terms) in parallel with strong growth in the national economy. At-end Q308, Garanti Factoring's market share was 14.5% (end-2007: 13.3%), making it the 2nd-largest player in Turkey. In 2007, the domestic factoring business accounted for 86% of total factoring activity in Turkey. At end-Q308, 88% of Garanti Factoring's business volume corresponded to domestic factoring, which is carried out on a "with recourse" basis. In receivable management services under "with recourse" financing, non-payment risk is assumed by the customer.

Since January 2006, factoring companies in Turkey have been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA). The involvement of the BRSA has improved discipline and transparency in the sector. Regulations issued so far regarding factoring cover minimum capital requirements, leveraging, provisioning, collateral, branch openings, and eligibility requirements for senior management. Factoring companies make quarterly financial reports to the BRSA and are also subject to on-site audit by the regulatory authority. The BRSA requires all active factoring companies to hold an operating licence, which will only be issued subject to certain criteria set by the BRSA. Garanti Factoring was one of the first to receive this licence, in November 2007.

Strategy

Garanti Factoring's target customer base is SMEs. The growth strategy launched and pursued since 2005 led to a strong increase in factoring receivables and market share over this period. The company's business is mainly geared towards domestic factoring and it will work to maintain a diversified portfolio by gaining new clients through the use of the Garanti Bank network and its own marketing efforts. In an increasingly challenging operating environment, management is making greater efforts to maintain sound asset quality.

Presentation of Accounts

Fitch's analysis is based on Garanti Factoring's audited accounts, which are prepared in accordance with IFRS.

Performance

Turkey's sovereign rating strengths include its high per capita income relative to peers, an open and diverse economy, declining public debt ratios, and its good debt service record and debt management capacity. In addition, the banking system and business climate compare favourably with those of rated peers. However, like many other emerging markets, Turkey faces a challenging short-term macroeconomic and financial outlook, and a volatile operating environment. The country's relatively large current account deficit and external financing mark it out as fairly exposed to the global credit crunch, as these will be more difficult to finance – although lower commodity prices will help. Real GDP growth is likely to slow markedly in 2009. Turkey's double-digit inflation and the relaxation of the central bank's inflation target in 2008 could make it harder to secure macroeconomic stability. In addition, although political tensions have eased, the risk of political instability remains relatively high.

Garanti Factoring's balance sheet was 90% composed of factoring receivables at end-H108, the balance mostly being bank placements, equity investments and cash. Since 2007, supported by its greater marketing and sales capability, the company has increased its focus on its core business. It continued to exceed sector growth in H108, when assets increased by 42% (sector: 16%), driven by 69% growth in factoring receivables (sector: 20%). the company's operating ROAE was good at 26% at end-H108 mainly helped by the highly leveraged balance sheet, but operating ROAA was only modest at 1.2%.

Revenues

Interest income on factoring grew strongly by an annualised 35% in H108, supported by higher transaction volumes. The company's interest revenues are mainly driven by factoring receivables (87% of total interest income) and the balance is composed of interest income from bank deposits (13% of the total). The bank usually pledges its excess funding to banks to generate a spread over the funding cost.

Table 2: Main Performance Indicators

(%)	H108	2007	2006
Net interest margin	2.11	2.53	3.78
Loan yield	8.81	9.34	10.15
Cost of funds	7.01	6.29	10.11
Costs/average assets	1.70	1.30	1.16
Costs/income	55.09	54.00	49.82
Operating ROAA	1.22	1.10	1.16
Operating ROAE	26.22	22.90	22.47
Total credit impairment/pre-impairment operating profit	11.98	1.04	1.35

Source: Company data compiled by Fitch, H108 ratios annualised

Due to lower yields from increased competition, factoring margins continued to shrink in 2007 and H108. Funding costs also started to show signs of an increase in

- Good operating profitability despite shrinking margins
- Increasing contribution of net fee income
- Impairment charges on the rise in H108

H108 due to scarce funding, which is expected to continue into 2009, further suppressing the margins. In response, the company is increasing its transactions. In doing so, it is emphasising smaller transactions with higher margins. The higher number of transactions also helps improve net fee and commission income, which recorded a noticeable growth rate of 71% in H108, on top of 112% growth in 2007. Net fees and commissions increased to 79% of operating expenses in H108 (2007: 72%).

Non-Interest Expenses

Operating expenses have been increasing, in line with the expansion of the company. In 2007, headcount increased significantly – especially in the marketing and sales areas, enabling fast growth. This has also been reflected in the cost income ratio, which increased to 54% in 2007 from 50% in 2006. Management believes that the company has reached a scale that should enable it to handle higher volumes. In line with this view, staff and administrative expense growth was slower in H108, resulting in a flat cost/income ratio of 55%. Future improvements in cost/income efficiency will largely depend on revenue performance as the future cost base is expected to follow a more stable trend.

Impairment Costs

Garanti Factoring's impairment charges have historically been low, helped by substantial recoveries from loans previously provided for. Loan impairment charges equalled a low 1.0% of pre-impairment earnings in 2007 (2006: 1.4%). However, in H108, there were no recoveries of impaired receivables. In addition, the company slightly revised its provisioning practices in H108, and set aside a collective provisioning charge for the existing portfolio. As a result, impairment charges increased to 12% of pre-impairment operating earnings from a low 1.0% at end-2007.

Prospects

Despite volatile market conditions and the challenging operating environment, there is still significant potential for future growth in factoring, given the relatively limited penetration of this product in Turkey. In this environment, Garanti Factoring aims to continue to command leading market shares, but this may be a challenge while it maintains strong asset quality. Garanti Factoring's customer base is focused on small businesses, which makes the company vulnerable to cyclical changes in Turkey's economy. It uses short-term bank borrowings in funding its factoring receivables and costs are expected to increase due to the scarcity of available funds. Fitch does not expect the margins to shrink further, as the company is able to pass on higher costs to its clients; however business volume growth is expected to lose its momentum.

Risk Management

Credit Risk

As a subsidiary of Garanti Bank, Garanti Factoring uses the risk management model developed for all of the group's financial institutions. The company also uses an in-house software programme to monitor credit risk, including control of the approval phases and ongoing monitoring of exposure.

Factoring receivables are mostly short term, where 69% of total receivables have a maturity of less than three months. The company primarily lends in local currency, but the share of FX-based lending has increased to 46% at end-H108 from 31% in 2007. In contrast to banks, factoring companies are allowed to finance FX-based transactions, although the borrower might not have FX income streams. This indicates an indirect FX risk for the company through its customers. In terms of sector exposure, the portfolio is well-diversified, with trade services making up 25% of the portfolio at end-H108 (2007: 19%), automotives 18% (2007: 21%) and iron and steel 12% (2007: 11%), respectively. No other sector has more than 10% of the portfolio. The five largest factoring clients accounted for 23% of the company's net

- “With-recourse” domestic factoring receivables accounted for 76% of total factoring receivables at end-H108
- Sound asset quality, with 100% reserve coverage
- Some increase in problem loans is likely in 2009, inline with the sector

placements and the top-20 for 53% (equivalent to 495% and 1,141% of equity, respectively, in H108), which indicates high client concentration in the portfolio. However, the ultimate risk in domestic factoring rests with the seller, rather than the factoring company. Garanti Factoring's related-party factoring receivables was low, accounting for 2.7% of its net placements at end-H108.

Asset Quality

Garanti Factoring's legal department reviews documentation and prepares contracts. According to current Turkish legislation, all domestic factoring is "with recourse", allowing the receivable to revert to the client (the seller) when a buyer does not pay. These made up 76% of Garanti Factoring's business at end-H108 (2007: 81%). In with-recourse factoring, the company has the right to start legal proceedings against the buyer and seller in the event of non-payment. If unpaid cheques and notes are not replaced and/or if additional collateral is not provided, Garanti Factoring takes immediate legal action and sets aside 100% reserve coverage. Non-performing loans equalled a very low 0.21% of gross receivables at end-H108 (2007: 0.22%) and were fully reserved. Fitch considers that Garanti Factoring's asset quality is good, but a certain level of deterioration is likely in 2009, in line with the sector, due to the challenging operating environment.

Market Risk

Garanti Factoring uses the same system as Garanti Bank to monitor market risk. At end-H108, the company had a securities portfolio worth TRY26.9m (2007: TRY30.6m) equalling only 2.9% assets, comprising foreign and domestic private corporate bonds held as available for sale and measured at amortised cost, as they do not have an active secondary market. The company's securities are all based in FX and interest rates are variable, repricing every month on average, which partly mitigates the interest rate risk.

Garanti Factoring's had an on-balance-sheet long-FX position equivalent to 20% of its equity at end-H108. However, including the off-balance-sheet hedges, the net position was almost square. At end-H108, 76% of factoring receivables were fixed-rate.

Funding and Capital

Liquidity

Garanti Factoring has historically worked with high loan/asset ratios and its net factoring receivables represent 90% of its assets. Its lending is usually short term, with less than three months' maturity. However, the average maturity of bank borrowings is even shorter, exposing the company to a negative liability mismatch, especially of up to one month. Assets maturing in one-month period were able cover only 57% of liabilities maturing in the same period at end-H108. In managing liquidity, the company relies on its short-term cash inflows and its debt roll-over capabilities. Garanti Factoring has borrowing limits from the banks, and 65% of these were available at end-2008. Fitch believes that Garanti Bank would have a high propensity to provide liquidity support for Garanti Factoring, should this be needed.

Funding

Garanti Factoring's funding takes the form of unsecured short-term bank borrowings from domestic and foreign banks. In H108, the company continued to fund new business through borrowings. Related-party funding increased to 21% of the total at end-H108 (2007: 5%), all via arm's-length transactions. In terms of currencies, 54% of the borrowed funds were denominated in TRY, and the rest in FX.

Capital

Although equity has been consistently supported by retained earnings and recorded 11% growth in H108 (2007: 20%), it is continuing to decline as a percentage of assets

- Short-term liquidity mismatch
- Related-party funding increasing
- Rapidly declining capitalisation

due to strong balance-sheet expansion. Factoring companies do not have to maintain a minimum capital ratio. However, regulations limit the net factoring placements/equity ratio to a maximum of 30.0x where Garanti Factoring's ratio was a very high 21.4x at end-H108 (2007: 14.0x). Although this ratio is still below the regulatory limit, it is far above the sector average of 3.3x and Fitch considers that this reflects low capitalisation in the challenging operating environment.

Balance Sheet Analysis

GARANTI FAKTORING HIZMETLERI A.S.

	30 Jun 2008				31 Dec 2007		31 Dec 2006		31 Dec 2005	
	6 Months - Interim USDm Original	6 Months - Interim TRYth Original	As % of Assets Original	Average TRYth Original	Year End TRYth Original	As % of Assets Original	Year End TRYth Original	As % of Assets Original	Year End TRYth Original	As % of Assets Original
A. LOANS										
1. Loans and Advances < 3 months	463.7	566,487.2	61.84	453,172.4	339,857.5	52.64	369,207.6	54.84	229,984.7	64.44
2. Loans and Advances 3 - 12 months	210.6	257,257.2	28.08	202,951.9	148,646.5	23.02	145,019.6	21.54	38,671.9	10.84
3. Loans and Advances > 1 year	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	445.1	0.12
4. Loan Impairment (to deduct from above)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Loan Impairment (memo)	1.4	1,721.1	0.19	1,396.7	1,072.2	0.17	995.9	0.15	914.6	0.26
6. Less: Loans from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL A	674.3	823,744.4	89.92	656,124.2	488,504.0	75.66	514,227.2	76.38	269,101.7	75.40
B. OTHER EARNING ASSETS										
1. Loans and Advances to Banks	41.3	50,415.6	5.50	75,755.8	101,095.9	15.66	121,227.5	18.01	80,065.7	22.43
2. Government Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Trading Assets	22.0	26,872.9	2.93	28,753.0	30,633.0	4.74	n.a.	-	n.a.	-
4. Derivatives	0.1	108.0	0.01	288.3	468.6	0.07	8.2	0.00	n.a.	-
5. Other Securities and Investments	0.0	0.0	0.00	0.0	0.0	0.00	0.0	0.00	0.0	0.00
6. Equity Investments	3.6	4,353.0	0.48	4,353.0	4,353.0	0.67	4,353.0	0.65	4,353.0	1.22
7. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL B	66.9	81,749.5	8.92	109,150.0	136,550.5	21.15	125,588.7	18.65	84,418.7	23.65
C. TOTAL EARNING ASSETS (A+B)	741.3	905,493.9	98.85	765,274.2	625,054.5	96.81	639,815.9	95.03	353,520.4	99.06
D. TANGIBLE FIXED ASSETS	0.7	833.2	0.09	784.3	735.4	0.11	831.8	0.12	952.6	0.27
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	6.8	8,363.8	0.91	13,675.9	18,987.9	2.94	31,230.3	4.64	1,413.0	0.40
2. Other	1.1	1,367.0	0.15	1,122.5	877.9	0.14	1,368.2	0.20	1,000.3	0.28
F. TOTAL ASSETS	749.9	916,057.9	100.00	780,856.8	645,655.7	100.00	673,246.2	100.00	356,886.3	100.00
G. DEPOSITS & MONEY MARKET FUNDING										
1. Due to Customers < 1 year	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Due to Customers > 1 year	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Due to Customers, no breakdown	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Deposits from Banks	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Other Deposits and Short-term Borrowings	715.4	873,953.7	95.40	740,186.4	606,419.0	93.92	488,643.5	72.58	266,710.5	74.73
TOTAL G	715.4	873,953.7	95.40	740,186.4	606,419.0	93.92	488,643.5	72.58	266,710.5	74.73
H. OTHER LIABILITIES										
1. Derivatives	0.5	588.9	0.06	960.9	1,332.9	0.21	3,471.0	0.52	n.a.	-
2. Trading Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL H	0.5	588.9	0.06	960.9	1,332.9	0.21	3,471.0	0.52	n.a.	-
I. OTHER FUNDING										
1. Long-term Borrowing	n.a.	n.a.	-	n.a.	n.a.	-	20,926.7	3.11	12,668.3	3.55
2. Subordinated Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL I	n.a.	n.a.	-	n.a.	n.a.	-	20,926.7	3.11	12,668.3	3.55
J. NON-INTEREST BEARING	2.7	3,258.0	0.36	3,315.8	3,373.6	0.52	131,394.9	19.52	53,290.4	14.93
K. HYBRID CAPITAL										
1. Hybrid capital accounted for as equity	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Hybrid Capital accounted for as debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
L. TOTAL LIABILITIES	718.6	877,800.6	95.82	744,463.1	611,125.5	94.65	644,436.1	95.72	332,669.2	93.21
M. EQUITY										
1. Common Equity	31.3	38,257.3	4.18	36,393.8	34,530.2	5.35	28,810.1	4.28	24,217.1	6.79
2. Minority Interest	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Revaluation Reserves	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL M	31.3	38,257.3	4.18	36,393.8	34,530.2	5.35	28,810.1	4.28	24,217.1	6.79
MEMO: CORE CAPITAL	31.3	38,257.3	4.18	36,393.8	34,530.2	5.35	28,810.1	4.28	24,217.1	6.79
MEMO: ELIGIBLE CAPITAL	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
N. TOTAL LIABILITIES & EQUITY	749.9	916,057.9	100.00	780,856.8	645,655.7	100.00	673,246.2	100.00	356,886.3	100.00

Exchange Rate

USD1 = TRY 1.2216

USD1 = TRY 1.1621

USD1 = TRY 1.4090

USD1 = TRY 1.3451

Income Statement Analysis

GARANTI FAKTORING HIZMETLERI A.S.

	30 Jun 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	Income	As % of	Income	As % of	Income	As % of	Income	As % of
	Expenses	Total AV	Expenses	Total AV	Expenses	Total AV	Expenses	Total AV
	TRYth Original	Earning Assts Original	TRYth Original	Earning Assts Original	TRYth Original	Earning Assts Original	TRYth Original	Earning Assts Original
1. Interest Income	34,019.2	8.89	50,482.6	7.98	58,635.7	11.81	19,242.6	8.25
2. Interest Expense	25,933.5	6.78	34,466.0	5.45	39,878.3	8.03	10,129.2	4.34
3. NET INTEREST REVENUE	8,085.7	2.11	16,016.6	2.53	18,757.4	3.78	9,113.4	3.91
4. Net Fees & Commissions	5,267.5	1.38	6,175.7	0.98	2,916.7	0.59	2,259.1	0.97
5. Net Insurance Revenue	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Operating Income	-1,285.7	-0.34	-6,261.1	-0.99	-9,636.9	-1.94	-3,822.9	-1.64
7. Personnel Expenses	3,747.0	0.98	5,085.6	0.80	3,216.1	0.65	1,971.6	0.84
8. Other Operating Expenses	2,901.0	0.76	3,518.0	0.56	2,781.0	0.56	1,582.5	0.68
9. PRE-IMPAIRMENT OPERATING PROFIT	5,419.5	1.42	7,327.6	1.16	6,040.1	1.22	3,995.5	1.71
10. Loan Impairment Charge	649.0	0.17	76.3	0.01	81.3	0.02	-354.5	-0.15
11. Other Credit Impairment and Provisions	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. OPERATING PROFIT	4,770.5	1.25	7,251.3	1.15	5,958.8	1.20	4,350.0	1.86
13. Other Income and Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. PUBLISHED PRE-TAX PROFIT	4,770.5	1.25	7,251.3	1.15	5,958.8	1.20	4,350.0	1.86
15. Taxes	1,043.4	0.27	1,531.3	0.24	1,365.7	0.27	1,639.3	0.70
16. Profit/(Loss) from Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
17. Change in Value of AFS investments	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
18. Currency Translation Differences	n.a.	-	n.a.	-	n.a.	-	n.a.	-
19. Other Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. FITCH COMPREHENSIVE INCOME	3,727.1	0.97	5,720.0	0.90	4,593.1	0.92	n.a.	-
21. Total Gains/(Losses) not in Published Net Income	0.0	0.00	0.0	0.00	0.0	0.00	n.a.	-
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	3,727.1	0.97	5,720.0	0.90	4,593.1	0.92	2,710.7	1.16

Ratio Analysis

GARANTI FAKTORING HIZMETLERI A.S.

		30 Jun 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
		6 Months - Interim	Year End	Year End	Year End
		TRYth	TRYth	TRYth	TRYth
		Original	Original	Original	Original
I. PERFORMANCE					
1. Net Interest Margin	%	2.11	2.53	3.78	3.91
2. Loan Yield	%	8.81	9.34	10.15	9.14
3. Cost of Funds	%	7.01	6.29	10.11	5.87
4. Costs/Average Assets	%	1.70	1.30	1.16	1.51
5. Costs/Income	%	55.09	54.00	49.82	47.08
6. Pre-Impairment Operating ROAA	%	1.39	1.11	1.17	1.69
7. Operating ROAA	%	1.22	1.10	1.16	1.84
8. Pre-impairment Operating ROAE	%	29.78	23.14	22.78	17.48
9. Operating ROAE	%	26.22	22.90	22.47	19.03
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%	20.48	18.06	17.32	n.a.
2. Core Capital/Total Assets	%	4.18	5.35	4.28	6.79
3. Eligible Capital/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.	n.a.
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.	n.a.
5. Tier 1 Regulatory Capital Ratio	%	n.a.	n.a.	n.a.	n.a.
6. Total Regulatory Capital Ratio	%	n.a.	n.a.	n.a.	n.a.
7. Free Capital/Equity	%	95.17	96.13	95.15	78.09
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	3.57	7.42	6.39	0.53
2. Loans/Deposits	%	n.a.	n.a.	n.a.	n.a.
IV. ASSET QUALITY					
1. Loan Impairment Charge/Gross Loans (av.)	%	0.20	0.02	0.02	-0.19
2. Total Credit Impairment/Pre-impairment Operating Profit	%	11.98	1.04	1.35	-8.87
3. Loan Impairment/Gross Impaired Loans	%	100.00	100.00	100.00	100.00
4. Individual Loan Impairment/Gross Impaired Loans	%	n.a.	n.a.	n.a.	n.a.
5. Impaired Loans Gross / Loans Gross	%	0.21	0.22	0.19	0.34
6. Impaired Loans Net/Eligible Capital	%	n.a.	n.a.	n.a.	n.a.
7. Net Charge-offs/Gross Loans (av.)	%	n.a.	n.a.	n.a.	n.a.

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