

FITCH AFFIRMS 3 TURKISH INDEPENDENT FACTORING COMPANIES

Fitch Ratings-London-01 June 2011: Fitch Ratings has affirmed Lider Faktoring Hizmetleri A.S.'s (Lider), Ekspo Faktoring A.S.'s (Ekspo) and Optima Faktoring Hizmetleri A.S.'s (Optima) National Long-term ratings. A full list of rating actions is at the end of this comment.

The affirmations reflect the small sizes of all three companies within the Turkish financial system and weakened profitability as a result of narrowing of margins in a declining interest rate environment. It also reflects the companies' good asset quality, comfortable liquidity and sound capitalisation.

All three factoring companies have positive liquidity gaps (i.e., assets exceeding liabilities) for all time buckets, and therefore would have a comfortable liquidity position at all times as long as receivables are repaid at their respective maturities. They would also benefit from a rise in interest rates. They fund a considerable amount of their business with equity, which provides some comfort regarding liquidity in times of systemic stress. On the other hand, the companies would face a squeeze on their margins in the event of declining interest rates, as occurred in 2009 and 2010.

Lider focuses on small-ticket SME business and has a competitive advantages over its independent peers in terms of the availability of stable long-term funding, factoring receivables that are well diversified by seller, buyer, industrial sector and geographical area as well as good corporate governance standards. In order to diversify funding sources and stabilise the cost of funding, Lider issued the first TRY50m tranche of TRY150m of floating-rate notes with a two-year maturity in June 2010. Lider was the largest independent factoring company in Turkey in 2010 and the eighth-largest factoring company overall (including bank-owned companies) based on factoring turnover. Credit Suisse Investments (Netherlands) B.V. of Credit Suisse Group AG (Credit Suisse Group; 'AA-/Stable) is a minority shareholder with a 9.9% share.

Ekspo focuses on medium-sized companies that supply local blue-chip companies. In addition to domestic factoring services, the company also offers foreign-trade-finance-related services. Ekspo is much more efficient than its peers, and benefits from a low cost base driven by large-ticket transactions that are mainly created through its head office. It also has strong (albeit reduced) profitability and more robust capitalisation compared with its rated peers. Ekspo diversified its funding sources in 2010 through a debut issuance of TRY-denominated bonds. It also has access to Export Import Bank of the United States (US Exim Bank) guaranteed international trade finance transactions. Short-term bank funding remains the company's main source of funding. Ekspo was Turkey's third-largest independent factoring company and the 11th-largest overall in 2010.

Optima focuses on small companies in relatively higher-risk, higher-return segments of domestic factoring business. This is reflected in its relatively weaker (albeit improved) asset quality compared with its rated peers and also in its wider margins (although declined). Funding is less diversified compared with its rated peers, it is short-term and mainly obtained from local banks. It ranked as the 13th-largest independent factoring company in Turkey in 2010, with a growing but still small market share of less than 1%.

Factoring companies in Turkey offer receivables collection and cash management services to companies in return for commercial receivables, which are mostly in the form of post-dated company cheques or invoices. About 89% of total factoring transaction turnover in 2010 was made up of domestic factoring transactions (Lider: 100%, Ekspo: 88%, Optima: 100%) and 57% was with-recourse financing (Lider: 100%, Ekspo: 98%, Optima: 100%). Bank-owned factoring companies dominate the Turkish factoring sector. In 2010, their share of total factoring turnover stood at 78%. The rest of the sector comprises independent factoring companies.

The rating actions are as follows:

Lider:

National Long-term Rating affirmed at 'BBB+(tur)' with Stable Outlook

Senior unsecured floating rate notes (FRN) affirmed at 'BBB+(tur)'

Senior unsecured FRN expected rating withdrawn at 'BBB+(tur)(exp)', as the company decided not to issue any additional FRNs in the near term under the same program.

Ekspo:

National Long-term Rating affirmed at 'BBB+(tur)' with Stable Outlook

Optima:

National Long-term Rating affirmed at 'BBB-(tur)' with Stable Outlook

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Additional information is available at www.fitchratings.com.

Applicable criteria, 'Global Financial Institutions Rating Criteria' dated 16 August 2010, 'Short-term Ratings for Corporate Finance' dated 2 November 2010, 'National Ratings Criteria', dated 19 January 2011, 'Finance and Leasing Companies Criteria', dated 30 December 2009 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Finance and Leasing Companies Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=587245

Global Financial Institutions Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=547685

Short-Term Ratings Criteria for Corporate Finance — Amended

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=568726

National Ratings Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=595885

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