

Fitch Affirms Garanti Faktoring; Outlook Negative

Fitch Ratings, **London**, 01 July 2019: Fitch Ratings has affirmed the support-driven Long-Term Foreign-Currency Issuer Default Ratings (IDRs) of Garanti Faktoring A.S. (Garanti Faktoring) at 'BB-'. The Outlook on Long-Term IDRs is Negative mirroring those on the parent. A full list of rating actions is at the end of this rating action commentary.

KEY RATING DRIVERS

IDRS, NATIONAL RATINGS AND SUPPORT RATINGS

The ratings are equalised with those of the parent, Turkiye Garanti Bankasi A.S. (Garanti), reflecting Fitch's view that Garanti Faktoring is a core and highly integrated subsidiary. The rating action follows Fitch's affirmation of IDRs of seven large Turkish banks on 20 June 2019 (see 'Fitch Affirms 7 Large Turkish Banks; Outlook Negative' { <https://www.fitchratings.com/site/pr/10079781> }).

The ratings of Garanti Faktoring reflect its role in the group and thereby enhancing Garanti's franchise, strategic objectives and revenue growth prospects and its majority ownership by Garanti. Garanti Faktoring offers core products and services (factoring) in domestic Turkish market.

Garanti Faktoring shares the same branding as its parent, is highly integrated into the Garanti group in terms of risk and IT systems, and its senior management and underwriting practices are mostly drawn from the parent bank. Most sales are reliant on parent bank's branch network. In addition, cost of support would be low given Garanti Faktoring is small relative to its parent. Given these factors, Fitch believes support from the parent bank to Garanti Faktoring, in times of need, to be highly probable.

RATING SENSITIVITIES

IDRS, NATIONAL RATINGS AND SUPPORT RATINGS

The ratings are sensitive to changes in (1) the parent's ratings; and (2) Fitch's view of the ability and willingness of the parent to provide support in case of need. IDRs of the parent bank are on Negative Outlook reflecting operating environment challenges.

The ratings could be notched down from the parent if i) the subsidiary becomes materially larger relative to the parent's ability to provide support or ii) the subsidiary's strategic importance is materially reduced through, for example, a substantial reduction in business referrals, levels of operational and management integration, a reduced level of ownership or a prolonged period of underperformance. However, these considerations do not form part of Fitch's base case given the subsidiary's small size relative to the parent and key roles within the group.

The rating actions are as follows:

Garanti Faktoring A.S.:

Long-Term Foreign-Currency IDR affirmed at 'BB-'; Outlook Negative

Short-Term Foreign-Currency IDR affirmed at 'B'

Long-Term Local-Currency IDR affirmed at 'BB'; Outlook Negative

Short-Term Local-Currency IDR affirmed at 'B';

National Long-Term Rating affirmed at 'AA(tur)'; Outlook Stable

Support Rating affirmed at '3';

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