

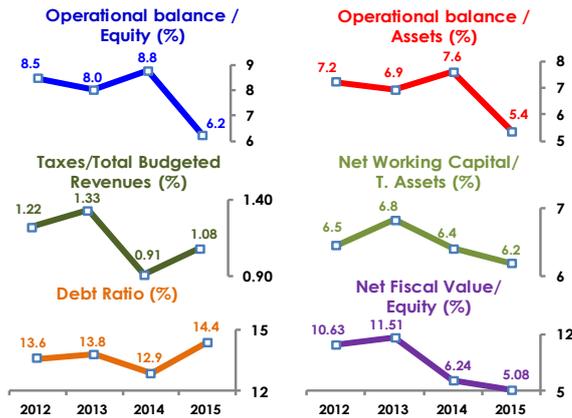
# Regional & Local Government Credit Rating

# International Public Finance [Subnational Administrations-Municipalities]

		Long-Term	Short-Term
International	Foreign currency	BBB-	A-3
	Local currency	BBB-	A-3
	Outlook	Stable	Stable
National	Local Rating	AAA (Trk)	A-1 +(Trk)
	Outlook	Stable	Stable
System Support		1	-
Sovereign	Foreign currency	BBB-	-
	Local currency	BBB-	-
	Outlook	Stable	-

\*Affirmed by Japan Credit Rating Agency, JCR on October 7, 2016

Head of Group: Zeki M. ÇOKTAN  
 +90 212 352 56 73  
 zekic@jcrer.com.tr



### Strengths

- Continuation of high level of fiscal support by the general political system and central government
- Robustness of balance sheet structure supported by stability of asset growth outperforming GDP and uninterrupted internal profitability
- Strong capitalization level
- Impulsive force of Istanbul within the Turkish economy marked by high tax generation capacity and growing tourism potential together with rich historical background and cultural heritage
- Adequate level of working capital coverage indicators
- Business approach of performing services through its subsidiaries providing resource efficiency, specialization, service effectiveness and a degree of discretion on revenues
- High cash generation capacity and financial strength of the water supplier, I.S.K.I., an affiliated administration of the MMI
- A portion of revenue items exempted from confiscation
- Better life indices compared to countrywide figures

### Constraints

- Fiscal flexibility and autonomy impeded due to inability of municipalities to determine their revenues regarding unpredictability of shares received from budget tax revenues
- Rapidly declining share of the municipalities' own revenues
- Weakening in operational results
- Still high indebtedness level of some of its subsidiaries and affiliated administrations
- High level of impaired receivables
- Growing resource requirements through ongoing huge projects
- Continuing migration from Anatolia and neighboring countries to Istanbul exerting pressure on maintenance of achieved service quality
- Relative scarcity of water resources
- Persistent building problems and defects in infrastructure despite earthquake risks
- Continuation of structural problems causing the density of traffic

İBB-İSTANBUL BÜYÜKŞEHİR BELEDİYESİ (MMI-The Metropolitan Municipality of Istanbul)						
Financial Data	(*) 2015	(*) 2014	(*) 2013	(*) 2012	(*) 2011	(*) 2010
Total Assets (USD mn)	22,192	25,535	25,471	27,784	24,366	27,277
Total Assets (TRY mn)	64,526	59,214	54,363	49,388	46,025	41,942
Equity (TRY mn)	55,255	51,602	46,871	42,675	38,935	35,520
Operational Results (TRY mn)	3,314	4,321	3,590	3,448	2,638	2,560
Oper. Balance/Equity (%)	6.20	8.78	8.02	8.45	7.08	7.60
Oper. Balance/Asset (%)	5.36	7.61	6.92	7.23	6.00	6.44
Taxes/T. Budgeted Rev. (%)	1.08	0.91	1.33	1.22	1.63	1.69
Equity/Assets (%)	85.63	87.15	86.22	86.41	84.59	84.69
NWC/T. Assets (%)	6.19	6.40	6.83	6.45	6.17	4.02
Debt Ratio (%)	14.37	12.85	13.78	13.59	15.41	15.31
Net Fiscal Value/Equity (%)	5.08	6.24	11.51	10.63	8.08	5.14
Asset Growth Rate (%)	8.97	8.92	10.07	7.31	9.74	11.76

\*Year End

### Overview

The Metropolitan Municipality of Istanbul (MMI) is the Turkey's largest municipality with its pivotal position in the economy and one of the most prominent municipalities in the world regarding asset size and range of services. The Municipality serves the city limits of Istanbul and operates through 26 subsidiaries and 2 affiliated administrations namely, IETT and ISKI. With a population over 14 million and ranked among 60 largest international economies in terms of national income, larger than that of 130 countries, Istanbul is among the world's major cities with regard to history, culture and geography.

The MMI, consisting of 39 counties, is administered by a council of 310 members and also includes a 10-member Executive Committee, 10-member Council Clerk and a 5-member Ethics Committee. The current distribution of seats in the current council are shared amongst the ruling party AKP (57.74%), CHP (41.29%) and MHP (0.65%). The council chairmanship is carried out by Mr. Kadir TOPBAŞ, a member of the AKP, who was re-elected for a third five-year term.