

**Corporate Credit Rating
Update**

Intermediary Institutions

| TERA Yatırım | | Long Term | Short Term | |
|-----------------|------------------|------------|------------|--------|
| International | Foreign Currency | BBB- | A-3 | |
| | Local Currency | BBB- | A-3 | |
| | Outlook | FC | Stable | Stable |
| | | LC | Stable | Stable |
| Issue Rating | n.a. | n.a. | | |
| National | Local Rating | BBB+ (Trk) | A-2 (Trk) | |
| | Outlook | Stable | Stable | |
| | Issue Rating | BBB+ (Trk) | A-2 (Trk) | |
| Sponsor Support | | 3 | - | |
| Stand Alone | | B | - | |
| Sovereign* | Foreign Currency | BBB- | - | |
| | Local Currency | BBB- | - | |
| | Outlook | FC | Stable | - |
| | | LC | Stable | - |

| TERA YATIRIM MENKUL DEĞERLER A.Ş. | | | | | | |
|-------------------------------------|---------|---------|---------|--------|--------|--------|
| Financial Data | 1H2017 | 2016* | 2015* | 2014* | 2013* | 2012* |
| Total Assets (000 USD) | 32,332 | 37,870 | 38,700 | 42,649 | 33,848 | 31,812 |
| Total Assets (000 TRY) | 113,390 | 133,272 | 112,524 | 98,899 | 72,243 | 56,550 |
| Equity (000 TRY) | 31,849 | 32,248 | 32,030 | 25,968 | 14,664 | 11,986 |
| Principal A. Revenues (000 TRY) | 6,170 | 19,328 | 26,087 | 19,400 | 18,720 | 10,605 |
| Net Profit (000 TRY) | -392 | 391 | 5,925 | 5,642 | 2,704 | 201 |
| Net Profit Margin (%) | -6.36 | 2.02 | 22.71 | 29.08 | 14.45 | 1.89 |
| ROAA (%) | -0.28 | 0.41 | 6.84 | 7.84 | 5.78 | 0.63 |
| ROAE (%) | -1.11 | 1.55 | 24.93 | 33.04 | 27.94 | 2.37 |
| Equity / T. Assets (%) | 28.09 | 24.20 | 28.47 | 26.26 | 20.30 | 21.20 |
| Net Working Capital / T. Assets (%) | 17.10 | 15.69 | 15.85 | 24.75 | 18.51 | 19.40 |
| Debt Ratio (%) | 256.03 | 313.27 | 251.30 | 280.85 | 392.64 | 371.79 |
| Asset Growth Rate (%) | -14.92 | 18.44 | 13.78 | 36.90 | 27.75 | 104.11 |

*Assigned by Japan Credit Rating Agency, JCR on November 10, 2017
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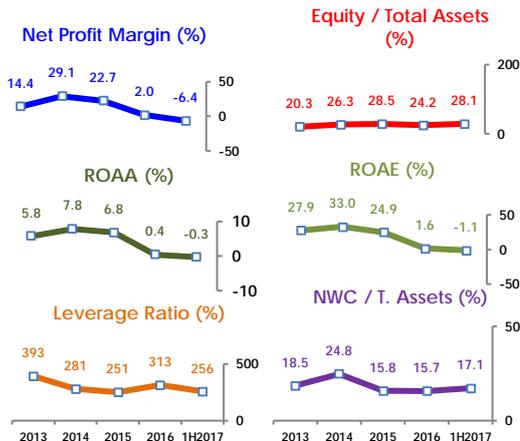
*End of the Year

Overview

Tera Yatırım Menkul Değerler A.Ş. (hereinafter referred to as Tera Yatırım or the Company) was established under the name Stok Menkul Değerler A.Ş. in 1990 in Istanbul to operate in the capital markets. In 2005, the brokerage firm was taken over by its current shareholders and its name was initially changed to Tera Menkul before adopting the name Tera Yatırım. As a broadly authorized intermediary institution, the Company offers services in Execution of Orders, Reception & Transmission of Orders, Dealing on Own Account, Intermediation for Public Offering (Underwriting and Best Effort) and Limited Custody Services. Tera Yatırım operates in the Equity, Debt Securities and Derivatives (Future & Option) Markets on the Borsa İstanbul A.Ş.

Mr. Oğuz TEZMEN is the qualified shareholder of the Company and the TEZMEN Family currently holds an 84.83% stake in the Company. Tera Yatırım employed 22 employees as of June-end 2017 (FYE2016: 64).

Despite the continuity of asset quality, satisfactory equity base, adequate liquidity level and diversifying funding sources through bond issuance, decrease in efficiency in the market and notable deterioration in profitability indicators and feeble future income projections are the main supporting factors underlying the downward revision of both the long and short term national notes as "BBB+(Trk) and A-2 (Trk)" with stable outlooks.



Strengths

- Satisfactory capital adequacy base and liquidity level in compliance with CMB regulations, promising further growth and providing a modest shield against incidental losses
- Diversified funding structure through bond issuance
- Above sector average equity to assets ratio following FYE2013
- Healthy and collateralized trade receivables portfolio supporting the continuity of the high asset quality
- Qualified and visionary management team
- Wide range of services as a broadly authorized intermediary institution

Constraints

- Continuity of diminishing market efficiency through contracting market shares in the principal income components of equity and FX leverage trading volumes
- Notably deteriorations in 2016 and on-going year profitability metrics, underperforming the sector average
- Implementation of restrictive regulation on the Forex Market at the beginning of FY2017, exerting notable pressure on incomes from those transactions for the ongoing year and upcoming periods as in the sector
- Need for further improvements in compliance level with corporate governance principles
- Intensity of competition throughout the sector
- Delay and deficiencies in structural reforms coupled with tenacity of geopolitical risks pressurizing business prospects, despite the revival in the economy in 2017 thanks to counter-cyclical fiscal stimulus packages-like facilities within the credit guarantee fund

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