

Regional & Local Gov't Credit Rating

New Update

Sector: Subnational
 Administrations-Municipalities
 Publishing Date: Nov.14, 2018

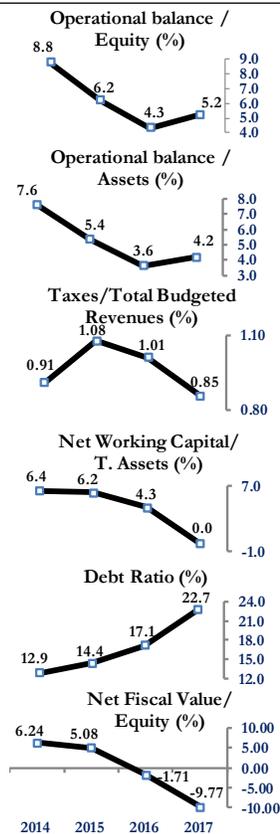
Head of Group

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RATINGS

	LT	ST
International	Foreign Currency	BBB- A-3
	Local Currency	BBB- A-3
	Outlook	FC Negative Negative LC Negative Negative
	Issue Rating	- -
National	Local Rating	AAA A-1+ (Trk) (Trk)
	Outlook	Stable Stable
	Issue Rating	- -
System Support	1	-
Sovereign*	Foreign Currency	BBB- -
	Local Currency	BBB- -
	Outlook	FC Negative - LC Negative -

*Assigned by JCR on August 14, 2018



İBB-İSTANBUL BÜYÜKŞEHİR BELEDİYESİ (MMI-The Metropolitan Municipality of Istanbul)

Financial Data	2017*	2016*	2015*	2014*	2013*	2012*
Total Assets (USD mn)	22,723	21,621	22,192	25,535	25,518	27,784
Total Assets (TRY mn)	86,584	76,361	64,526	59,214	54,363	49,388
Equity (TRY mn)	66,946	63,274	55,255	51,602	46,871	42,675
Operational Results (TRY mn)	3,414	2,563	3,314	4,321	3,590	3,448
Oper. Balance/Equity (%)	5.24	4.32	6.20	8.78	8.02	8.45
Oper. Balance/Asset (%)	4.19	3.64	5.36	7.61	6.92	7.23
Taxes/T. Budgeted Rev. (%)	0.85	1.01	1.08	0.91	1.33	1.22
Equity / Total Assets (%)	77.32	82.86	85.63	87.15	86.22	86.41
NWC / T. Assets (%)	-0.03	4.35	6.19	6.40	6.83	6.45
Debt Ratio (%)	22.68	17.14	14.37	12.85	13.78	13.59
Net Fiscal Value/Equity (%)	-9.77	-1.70	5.08	6.24	11.51	10.63
Asset Growth Rate (%)	13.39	18.34	8.97	8.92	10.07	7.31

*Year end

Overview

Turkey's largest municipality with its pivotal position in the economy, the Metropolitan Municipality of Istanbul (MMI) is 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 28 subsidiaries and 2 affiliated administrations namely, İETT and İSKİ.

With a population over 15 million and ranking among the largest international economies in terms of national income, Istanbul is among the world's major cities with regard to history, culture and geography and holds a prominent place in the Turkish economy with its estimated share of over 30% in the GDP.

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 (58.06%), CHP (40.97%) and MHP (0.65%).

Strengths

- Sustenance of high level of fiscal support by the general political system and central government
- Maintained asset growth rates and internal profitability supporting robustness of balance sheet structure
- Still adequate capitalization level despite periodical deterioration
- Real estate portfolio offering hidden reserve and providing maneuvering capability in case of adverse circumstances
- 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
- Debt structure preserving its resilience to rapid depreciation of Turkish Lira
- Resource efficiency, specialization, service effectiveness and a degree of discretion on revenues attained through a business approach of performing services through its subsidiaries
- High cash generation capacity and financial strength of some of its subsidiaries
- A portion of revenue items exempted from confiscation

Constraints

- Impediments imposed on fiscal flexibility and autonomy due to inability of municipalities to determine their revenues
- Municipalities' own revenue generation capabilities still remaining below the adequate levels
- Upward trend in shares transferred to municipalities from the central government resources
- Notable weakening in net working capital indicators
- Coverage ratio of budgeted revenues required to be notably improved
- High leverages of some of its subsidiaries and affiliated administrations
- High level of impaired receivables
- Persisting resource requirements through ongoing huge projects
- Maintenance of service quality pressurized by continuing migration from Anatolia and neighboring countries to Istanbul
- Relative scarcity of water resources
- Persistent building problems and defects in infrastructure despite earthquake risks