

Regional & Local
 Gov't Credit Rating

New Update

Sector: Subnational
 Administrations-Municipalities
 Publishing Date: Dec.17, 2019

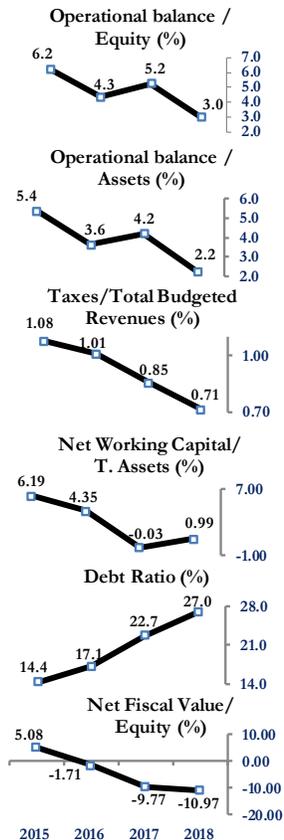
Head of Group

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RATINGS

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

*Affirmed by JCR on December 6, 2019



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

Financial Data	2018*	2017*	2016*	2015*	2014*	2013*
Total Assets (USD mn)	18,836	22,723	21,621	22,192	25,535	25,518
Total Assets (TRY mn)	99,097	86,584	76,361	64,526	59,214	54,363
Equity (TRY mn)	72,336	66,946	63,274	55,255	51,602	46,871
Operational Results (TRY mn)	2,071	3,414	2,563	3,314	4,321	3,590
Oper. Balance/Equity (%)	2.97	5.24	4.32	6.20	8.78	8.02
Oper. Balance/Asset (%)	2.23	4.19	3.64	5.36	7.61	6.92
Taxes/T. Budgeted Rev. (%)	0.71	0.85	1.01	1.08	0.91	1.33
Equity / Total Assets (%)	73.00	77.32	82.86	85.63	87.15	86.22
NWC / T. Assets (%)	0.99	-0.03	4.35	6.19	6.40	6.83
Debt Ratio (%)	27.00	22.68	17.14	14.37	12.85	13.78
Net Fiscal Value/Equity (%)	-10.97	-9.77	-1.70	5.08	6.24	11.51
Asset Growth Rate (%)	14.45	13.39	18.34	8.97	8.92	10.07

*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 312 members and also includes a 11-member Executive Committee, 10-member Council Clerk and a 5-member Ethics Committee. Following the election on June 23, 2019, the current distribution of seats in the council are shared amongst AKP (56.41%), CHP (38.46%), İYİ (3.85%) and MHP (1.28%) while CHP candidate was elected as the mayor.

Strengths

- High level of fiscal support by the general political system and central government as secured by law
- Robustness of balance sheet structure supported by asset growth rates and internal profitability
- Adequacy of current capitalization level despite deteriorating trend line
- Undervalued real estate portfolio offering hidden reserve and providing manoeuvring 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 through low level of exposure
- 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

- Municipalities' own revenue generation capabilities still remaining below the adequate levels
- Impediments imposed on fiscal flexibility and autonomy due to lack of discretionary power of municipalities to determine their own revenues
- Net working capital indicators exhibiting notable declining path and requiring further improvement
- Coverage ratio of budgeted revenues required to be significantly improved
- Persisting resource requirements through ongoing huge projects
- High leverages of some of its subsidiaries and affiliated administrations
- High level of impaired receivables
- Maintenance of service quality pressurized by migration from neighbouring countries
- Relative scarcity of water resources
- Persistent building problems and defects in infrastructure despite earthquake risks