

Corporate Credit Rating

☑ New ☐ Update

Sector: REIT
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Profile)	International LC ICR Outlooks	Negative	-
	National ISR	-	-
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Negative)	-
	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

ZİRAAT GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

JCR Eurasia Rating, has evaluated the consolidated structure of "Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş." in the highest investment level category and assigned the Long-Term National Issuer Credit Rating as 'AAA (tr)' and the Short-Term National Issuer Credit Rating as 'J1+(tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Negative' in line with international ratings and outlooks of Republic of Türkiye.

Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. (hereinafter referred to as "Ziraat GYO" or "the Company") was established on November 1, 2016 as a 100% subsidiary of T.C. Ziraat Bankası A.Ş. in order to offer its shares to the public and operate according to registered capital principles within the framework of the provisions of the Turkish Commercial Code (TCC) and the Capital Markets Law and in accordance with the Capital Markets Board's Communiqué on Principles Regarding Real Estate Investment Trusts. The main operating field of Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. is to operate a portfolio consisting of real estate, real estate projects, rights based on real estate, capital market instruments and other assets and rights to be determined by the Capital Market Board ("CMB"). Investment property portfolio of the Company consists of lands and rental properties which are mostly used as bank branches, bank headquarters, hotels and etc. Ziraat GYO has 100% 3 consolidated subsidiaries under the name of "Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş.", "Ziraat GYO d.o.o Sarajevo" and "TOO Ziraat GYO Kazakhstan". Ziraat GYO and its consolidated subsidiary are hereinafter referred to as "the Group". The Group employed a total workforce of 37 as of 1H2023 (FYE2022: 37).

As of 1H2023, the paid-in capital of Ziraat GYO is TRY 4,693.62mn. Ziraat GYO's shares have been listed on the Borsa Istanbul (BIST) with the ticker symbol of 'ZRGYO' since May 2021 with a current free-float rate of 18.94% whilst T.C. Ziraat Bankası A.Ş. (hereinafter referred to as "Ziraat Bank") is the qualified shareholder with a rate of 81.06%. Ziraat Bank has started operation in 1863 and one of the oldest national banks, leads the sector with its asset size, loans, deposits, equity and number of branches / employees. All of the Bank's shares belong to Türkiye Wealth Fund as of June 30, 2023. The Bank provides services through a network of 1,765 branches, 29,831 employees, over 7,300 ATMs, online and mobile systems as of 1H2023.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Sector specific stable income from assets and growing through revaluation,
- Strengthened equity structure supported by net profits, mainly stemming from valuation of investment properties in FYE2022,
- Strong Loan-To-Value (LTV) ratio of the key assets, evaluated as a sector-specific leverage metric,
- Valuable real estate portfolio placing the Company as one of the prominent among REIT companies,
- Reputable shareholder structure with high brand recognition,
- Enhanced practice of corporate governance principles.

Constraints

- Increasing financial debt level in FYE2022 and expected to continue in 2023 financials, despite its long-term weighted maturity profile,
- Free operating cash outflow stemming from CapEx leading external funding requirement,
- Fluctuations in construction costs may put pressure on profitability margins,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening.

Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been assigned as 'AAA (tr)'. The Group's regular revenue generation capacity via long terms lease, equity level, brand recognition in the sector and shareholder structure have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Group's financial structure, market conditions, profitability indicators, leverage metrics, liquidity ratios, the attainability of the Group's budgeted projections and the possible impacts of the Russia-Ukraine War on the global and Türkiye's economy and its effects on the Group's activities will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

