JCR Eurasia Rating
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PRESS RELEASE
Istanbul – 22 December 2016

JCR-Eurasia Rating
has evaluated **Tera Menkul Değerler A.Ş.** and its **"Cash Flows arising from Planned Roll-over Bond Issues"** and affirmed its Long Term National Rating as **"A-(Trk)"** and **"A-1 (Trk)"** on the Short Term National Scale along with a "**Stable**" outlook in the periodic annual review.

JCR-Eurasia Rating has evaluated Tera Menkul Değerler A.Ş. in an investment grade category and affirmed its Long Term National Rating as **"A- (Trk)"**, Short Term National Rating as **"A-1 (Trk)",** along with **"Stable"** outlooks. On the other hand, JCR Eurasia Rating has affirmed the Long Term International Foreign and Local Currency ratings as **"BBB-"** along with **"Stable"** outlooks. Other notes and details of the ratings are provided in the table presented below.

Long Term International Foreign Currency	:	**BBB-** /(Stable Outlook)
Long Term International Local Currency	:	**BBB-** /(Stable Outlook)
Long Term National Local Rating	:	**A- (Trk)** /(Stable Outlook)
Short Term International Foreign Currency	:	**A-3** /(Stable Outlook)
Short Term International Local Currency	:	**A-3** /(Stable Outlook)
Short Term National Local Rating	:	**A-1(Trk)**/(Stable Outlook)
Sponsor Support	:	**3**
Stand Alone	:	**B**

With an operational history dating back to 1990, the Company which changed its trade name of **Stok Menkul Değerler A.Ş.** initially to **Tera Menkul Değerler A.Ş.** in 2005 along with the changes in its shareholder structure and subsequently to **Tera Yatırım Menkul Değerler A.Ş.** in 2016, provides services such as Execution of Orders, Reception & Transmission of Orders, Dealing on Own Account, Intermediation for Public Offering (Underwriting and Best Effort) and Limited Custody Services as a **"Broadly Authorized Intermediary Institution"** The Company which sustains its operations in order to turn into a financial holding enlarged its scope of activity through the acquisition of shares belonging to **Arena Faktoring A.Ş.** by its shareholders in 2015 and took important steps with regards to its plans of becoming a conglomerate by the acquisition of Ticaret Menkul Kıymetler A.Ş.'s shares and sustains its policy of expansion via acquisitions. TRA Bilişim was established by the Group's qualified shareholders in order to single-handedly meet all of the Group's technology demands.

Tera which has outperformed the sector with respect to asset size growth has also obtained an above sector average performance in the field of return on assets and equity in the completed financial year. Despite the generation of losses in the 1H2016 and performance below the sector average, the Company plans to close FY2016 with a net profit of 1.3mn TRY. The deterioration in profitability ratios primarily stem from the contraction in the fields of equity and leveraged transaction markets in which the Company generates a substantial portion of its revenues. The internal equity that has been projected for FY2017 will principally stem from improvements in costs rather than an increase in operating volume. The improvement in costs will be realized from the reduction in operating expenses and the decrease in rental costs resulting from re-location of the Company's headquarters to owned property from rental premises. The maintenance of the corporate policy relating to the retention of all internal resources that are/will be generated in such way will help to maintain the contribution to the strengthening of equity. The capital adequacy and liquidity ratios of the Company stand at levels compliant with the legal regulations and are able to withstand losses that could arise from contingent risks. The Company which sustains its high asset quality maintained its successful track record regarding the diversification of funding resources throughout FY2016 via the realization of discounted bond issuance with a 6 month maturity. The deterioration in the debt servicing capacity of issuer companies brought about by the high volatility of exchange rates, devaluation of the Turkish Lira and effective slow-down of economic activity indirectly increases risk levels to a certain extent for the Company which invested a large part of its balance sheet items in private sector bonds. The geo-political risks stemming from unrest in nearby geography with contagion potential, unsuccessful coup attempt and rise in terrorist activity accompanied by the FED's maintenance of interest rate rises can lead to reduction in capital inflows into emerging markets whilst reduction in risk appetite could direct investors towards investments with higher levels of security in comparison to capital markets as such pressurising transaction volumes and cash flows across capital markets.

Taking into consideration the maintenance of the growth trend, the strengthening of equity through the non-distribution of generated internal resources, the diversification of funding resources through bond issuance, preservation of asset quality, market acceptance, market share along with profitability and growth projections regarding the upcoming period, the Company's Long Term National Rating has been affirmed as **"A- (Trk)"** and Short Term Rating has been affirmed as **"A-1 (Trk)"**. In addition, no separate issue rating report has been prepared as the resources derived from the bond issue will be carried in the Company's balance sheet and was subject to analysis in the credit rating report. The bond issue that will take place carries no difference in comparison to the Company's other liabilities with regards to a legal and collateralisation perspective and as such the corporate ratings also reflect the issue rating. On the other hand, the international foreign and local currency ratings have been restricted at the "BBB-(Stable)" level, representing the country ceiling level.

The Sponsor Support ratings and the financial strength of the Company's qualified shareholders have been assigned as **(3)**, whilst the Stand Alone grade which assesses the Company's ability to manage the incurred risks on its balance sheet regardless of shareholder support has been determined as **(B).** The **(B)** grade in the Stand Alone category represents a **"Satisfactory"** level on JCR Eurasia Rating's notations system indicating the Company's ability to meet its liabilities without external support whilst the grade of **(3)** in the Sponsor Support category denotes a **"Satisfactory"** level of external support.

For more information regarding the rating results you may visit our internet site **http://www.jcrer.com.tr** or contact our analyst **Mr. Sevket GÜLEÇ.**

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