

Corporate Credit & Issue Rating

New Update

Sector: Intermediary Institutions
 Publishing Date: 02/11/2021

Chief Analyst

Bora Pakyürek
 +90 212 352 56 73
bora.pakyurek@jcrer.com.tr

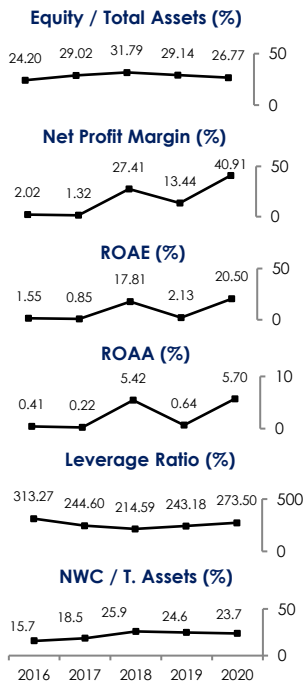
Asst. Analyst

Demet Kızınel
 +90 212 352 56 73
demet.kizinel@jcrer.com.tr

RATINGS

		Long Term	Short Term	
National	Local Rating	A- (Trk)	A-1 (Trk)	
	Outlook	Positive	Stable	
	Issue Rating	A-	A-1	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support	2	-		
Stand-Alone	B	-		
Sovereign*	Foreign	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021



Tera Yatırım Menkul Değerler A.Ş. and Its Subsidiary

JCR Eurasia Rating has evaluated Tera Yatırım Menkul Değerler A.Ş. (Tera Yatırım) and the Current and Planned Debt Instruments in a high-level investment grade category in the periodic annual review and affirmed the ratings on the Long and Short-Term National Scales as **"A- (Trk)"** and **"A-1 (Trk)"** respectively and assigned the Long-Term National Outlook of the Company as **"Positive"**. On the other hand, the Long Term International Foreign and Local Currency Ratings have been affirmed as **"BB/Stable"**.

Established in 1990 under the name of Stok Menkul Değerler, Tera Yatırım adopted its current trade name in 2005 following the change in its shareholder structure and continued its operations as a **"Broadly Authorised Intermediary Institution"** from January, 2015 onwards.

The Company actively provides services in the fields of execution of orders, reception & transmission of orders, dealing on own account, intermediation for public offering (underwriting and best effort), limited custody services and derivatives trading. Tera Yatırım conducts its operations via its headquarters in Istanbul and two liaison offices in Antalya and Akasya/İstanbul, having adopted a branchless business model focused on efficiency.

Strengths

- Notable improvement in net profit and core profitability indicators in FY2020
- Satisfactory capital adequacy base and liquidity level, in line with CMB regulations, promising further growth and providing a buffer against incidental losses
- High asset quality, healthy receivables portfolio backed by collaterals along with lack of FX risk
- Efficient business model in comparison to sectoral peers with no branches and well controlled OPEX
- Continued ability to raise funds from the capital markets and diversify the financing structure

Constraints

- Competitive pressures inherent in the sector dominated by bank-affiliated companies
- Relatively low level of market share in the intermediary sector
- Vulnerability of risk appetite towards emerging markets
- Underdeveloped domestic capital markets in comparison to the size of GDP despite increasing investor base
- Uncertainty due to the nature of the investment processes and intricate and structured products increasing the risk levels and operational risks

Considering the aforementioned points, the Company's Long-Term National Rating has been affirmed as **'A- (Trk)'**. The Company's adequate liquidity levels, notable improvement in net profit and core profitability indicators and expected income streams from corporate finance activities have been evaluated as important indicators for **'Positive'** outlook of the Long-Term National Rating. In addition to local and global financial conditions and risk appetite, profitability and internal equity generation capacity, liquidity profile, market position and cost management practices are the major issues which will be monitored by JCR Eurasia Rating in the upcoming period.

Considering the Company's long operating track record and the support for the equity level through retention of generated internal resources, it was reached that the qualified shareholders have the willingness to supply long term liquidity and equity to Tera Yatırım should the need arise. Within this scope, the **Sponsor Support Grade** of the Company has been determined as **(2)** on JCR Eurasia Rating's notation scale, indicating an adequate level.

In addition, irrespective of the support provided at the shareholder level, taking into account the business model focused on operating efficiency, growth strategies, rising turn-over and established customer base, successful completion of bill issuances, risk management practices along with the presence of a skilled management team, the Company is thought to have reached the necessary experience and infrastructure to manage the incurred risks on its balance sheet. Within this regard, the **Stand-Alone Grade** of Tera Yatırım has been affirmed as **(B)** on JCR Eurasia Rating's notation scale, indicating an adequate level.

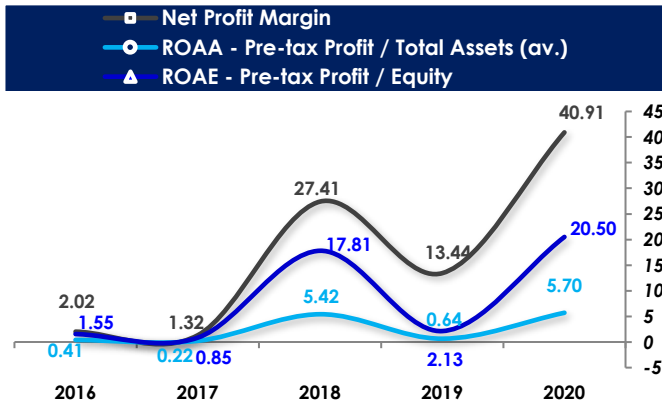
1. Rating Rationale

Notable Improvement in Net Profit and Core Profitability Indicators in FY2020

In FY2020, the Company generated a net profit of TRY 8.55mn (FY2019: TRY 2.12mn) denoting an increase of 300.30% compared to the previous year thanks to the rising commission and forex revenues. The Company's profitability is considered to be closely related with the expansion of its activities and maintaining its profit margin.

The increase in profitability in FY2020 mainly derived from commission revenues of equity brokerage and public offering & issue activities and forex revenues. Accordingly, the Company's return on average assets and equity ratios were 5.70% and 20.50% respectively at FYE2020, denoting an increase compared to the previous year (FYE2019: 0.64% and 2.13% respectively).

Although, as of 1H2021, Tera Yatırım attained a net profit of TRY 3.29mn, which is lower than the previous year's net profit figure of TRY 6.34mn at 1H2020, the Company's budgeted net profit for FY2021 is TRY 12.37mn (FY2020: TRY 8.55mn).

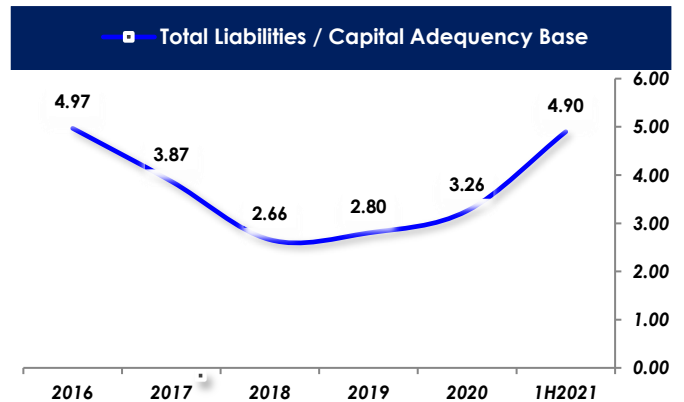


Satisfactory Capital Adequacy Above Legal Requirements

The current level of the Company's equity was well beyond the legal requirement for broadly authorized brokerage firms, promising further growth and borrowing while providing a solid buffer against potential losses. As of FYE2020, Tera Yatırım's Capital Adequacy Base and Surplus Capital Adequacy Base were TRY 49.9mn and TRY 22.1mn, respectively, specifying an adequate equity base pursuant to CMB regulations. Equity indicators, pursuant to CMB regulations, promise room for borrowing and growth while providing a strong buffer against

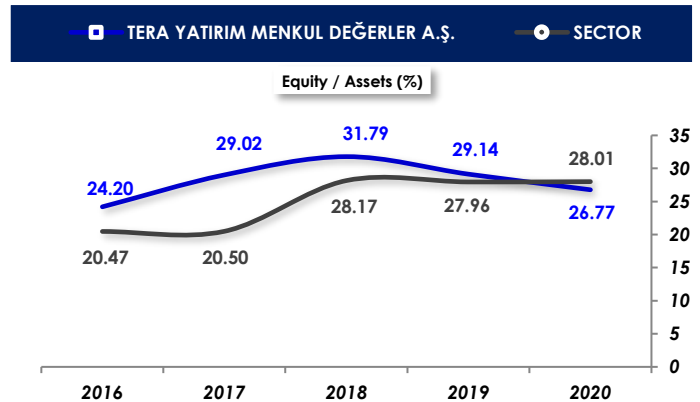
potential losses derived from the firm's main activities. In addition, Tera Yatırım was ranked 25th amongst all intermediary institutions regarding paid-up capitals as of June 30, 2021.

Tera Yatırım's total liabilities to capital adequacy base ratio was 3.3 as of FYE2020, well below the stipulated ratio of 15x, and fully complies with the CMB regulations, signifying large room for further borrowing. As of 30 June, 2020, this ratio increased to 3.76x. Consequently, the current level of capitalization has the high capacity to absorb potential losses derived from the firm's main activities.



In addition, while, the Company's equity level attained a value of 29.14% at FYE2019, higher than the sector average of 27.96%, it decreased slightly in FYE2020. However, it is still in line with the sector average with 26.77% margin (FYE2020 sector average: 28.01%).

The reduction in the equity to assets ratio (26.77%) in the FYE2020 largely stemmed from the notable expansion in asset size throughout the FYE2020 due to the increasing customer activities.



High Asset Quality, Healthy Receivables Portfolio Backed by Collaterals Along with Lack of FX Risk

Credit risk exposure arises principally from trade receivables, which were generally collateralized with treasury bills, bonds, funds, and publicly traded shares. This profile significantly decreases the credit risk while contributing to assets quality. Since the Company works with a large number of customers, the collection risk is dispersed and there is no significant credit risk. However, in FY2020, the Company has initiated enforcement proceedings for one of its customers. The Company has doubtful trade receivables amounted to TRY 2.34mn. The level of non-performing receivables was negligible in relation to the Company's asset size and had a full provisioning policy for its overdue receivables contributing to its risk management implementations.

Therefore, both high performing receivables and the balance sheet composition contributed to the Company's asset quality. It must be noted that the Company had no FX denominated assets or liabilities and as such remains resilient to fluctuations in exchange rates in the current context of market volatility.

Efficient Business Model in Comparison to Sectoral Peers with No Branches and Well Controlled OPEX

Thanks to well controlled OPEX of the Company, the operating expenses to gross profit ratio remained below the sector average until 2020. At FY2019 and FY2018, the ratio was 53% and 44% respectively, below the sector average ratios 60% and 64%. Although the ratio exceeded the sector average of 43% in FY2020 with 55% margin, it was realized in line with the FY2019 ratio and the ratio was preserved.

Continued Ability to Raise Funds from the Capital Markets and Diversify the Financing Structure

Tera Yatirim increasingly benefits from opportunities to reduce funding costs through utilizing capital market instruments. The Company achieves its funding needs mainly through financial liabilities, trade payables, and bond issuances. Through its access to capital markets, Tera Yatirim has provided alternative funding resources to support its growth. As of report date, the Company's bonds payables amounted to TRY 52.1mn. Recently, as of 27 July 2021, the Company issued a discounted bond of TRY 12.1mn with a maturity of 21 January 2022, classified under short term financial liabilities. As of the report date, the Company's approved issue limit is TRY 125mn. For the ongoing year, the Company plans to regularly undertake

TRY based bond issuances. The presence of available bank lines from different financial institutions and bond issuances is a factor that has diversified resource composition, reducing risk levels.

Competitive Pressures Inherent in the Sector Dominated by Bank-Affiliated Companies

Financial brokerage sector exhibited a highly concentrated structure with the share of the top 10 players with respect to the different metrics of assets, turnover, net profitability and equity. The larger players are mainly drawn from bank-affiliated companies which enjoy the economies of scale given their size, country-wide branch network and capability to use their parent's marketing channels along with diversified service offering and comprehensive risk management systems. Independent operators comprise the majority of the smaller players (those with equity less than TRY 40mn) and have lower profitability in comparison to bank affiliated players.

Relatively Low Level of Market Share in The Intermediary Sector

The market share of the Company by equity trading volume is below 1% over the years, and the details are as follows.

Equity Trading Volume - 2019 (mn TRY)			
Sector	Tera	Share (%)	Rank
4,229,049	24,937	0.59	33

Equity Trading Volume - 2020 (mn TRY)			
Sector	Tera	Share (%)	Rank
13,109,491	55,586	0.42	32

Equity Trading Volume - 2021-06 (mn TRY)			
Sector	Tera	Share (%)	Rank
7,811,181	32,146	0.41	30

Source: TCMA

Vulnerability of Risk Appetite Towards Emerging Markets

While most of the industries were badly affected in terms of both revenues and profitability during FY2020 due to Covid-19 pandemic, brokerage houses enjoyed increasing investor interest and risk appetite and outperformed when compared to many other sectors. Major central banks' expansionary monetary policies to combat with pandemic's

effects contributed investors' tendency to emerging markets but it should be noted that risk appetite towards EMs is always sensitive and susceptible to both local and foreign based economic conditions and geopolitical tensions. So, a decrease in the risk appetite of both local and foreign investors and deterioration in expectations may pressure trading volume of equities, bond issues, and public offerings and thus profitability of brokerage houses.

Uncertainty Due to the Nature of the Investment Processes and Intricate and Structured Products Increasing the Risk Levels and Operational Risks

There is inherent uncertainty in the sector and mixed products increase the level of risk. Operational risk is the risk of direct or indirect loss arising from a wide variety of external causes associated with the Company's processes, personnel, technology, and infrastructure. In the event that necessary precautions are not taken in time, these risks cause a loss and may dampen the brand value of the institutions.

Based on the above-stated factors, JCR Eurasia Rating has affirmed Tera Yatirim's Long and Short-Term National Local Ratings as **"A- (Trk)"** and **"A-1 (Trk)"** respectively, which denote investment grades. The Company's Long Term International Foreign and Currency ratings have been affirmed as **'BB'**, in line with the matching of the national and global ratings.

2. Projections & Debt Instruments

Concerning the income statement, the Company predicts a pretax profit of TRY 12.37mn in FY2021, which is slightly higher than the previous year's pretax profit of 11.27mn. The underlying assumptions are in accordance with positive market expectations and the Company's previous track record, provided that the domestic and global economic outlook indicators are maintained within the estimated boundaries.

As of 27 July 2021, the Company paid a bond with a value of TRY 33mn, classified under short term financial liabilities. Recently, as of 27 July 2021, the Company issued a discounted bond of TRY 12.1mn with a maturity of 21 January 2022, classified under short term financial liabilities. As of the report date, the Company's standing balance for issued bonds is TRY 52.1mn and approved issue limit is TRY 125mn.

To diversify funding resources and reduce borrowing from financial institutions, the Company may continue to issue TRY denominated bond issuances within a one-year

horizon. Cash flows generated via activities are deemed sufficient to cover the principal and coupon requirements of the bills.

Issue Date	Amount (000 TRY)	Maturity	Status
07.01.2020	35,000	03.07.2020	Paid
03.07.2020	6,985	28.12.2020	Paid
04.08.2020	40,000	29.01.2021	Paid
29.01.2021	33,000	27.07.2021	Paid
28.12.2020	10,000	01.02.2022	Active
29.01.2021	10,000	29.04.2022	Active
07.05.2021	20,000	02.11.2021	Active
27.07.2021	12,100	21.01.2022	Active

Given the budget estimations and the previous track record of the Company, all interests payments are expected to be realized without financial tension through generated internal sources. Considering the Company's previous growth performance, recorded levels of profitability, and sound capital adequacy base, we, as JCR Eurasia Rating, consider that the Company is highly likely to fulfill its obligations in a timely manner depending on the maintenance of its customer portfolio, income streams and realization of its projection.

No separate rating report has been compiled for the issued bills as the resources obtained from the bill issue are carried in the Company's balance sheet and were subject to analysis in the corporate credit rating report.

As there are no additional legal and/or financial collateral guarantees provided separately for the repayment of the planned bonds issued by the Company, the rating assigned for the TRY dominated bond issuance has been assigned as the same as the Company's Long and Short Term National Local Ratings.

3. Rating Outlook

JCR Eurasia Rating has assigned the Long Term National Outlook of the Company as **'Positive'** considering the Company's adequate liquidity levels, notable improvement in net profit and core profitability indicators and expected income streams from corporate finance activities.

Additionally, as JCR Eurasia Rating, we have assigned **'Stable'** outlooks on the international Long and Short Term Local Currency Rating perspectives of the Company which are the sovereign ratings' outlooks of the Republic of Turkey.

Factors that Could Lead to an Upgrade

- » Further increases in the Company’s profitability and maintenance of retention principle leading to a much more amplified equity structure
- » Supportive local and global financial climate and increasing investor risk appetite
- » Significant improvement in liquidity indicators
- » Sizeable cash equity injections
- » Upgrades in sovereign rating and economic growth prospects of the Republic Turkey

Factors that Could Lead to a Downgrade

- » Notable deterioration in one or several of listed items of the Company such as asset quality, capital adequacy, liquidity and profitability indicators
- » Long standing adverse financial and economic conditions both locally and worldwide
- » Challenges while accessing external financing sources
- » Severe retreatment in investor risk appetite
- » Downgrades in sovereign ratings and economic growth prospects of the Republic of Turkey

4. Sponsor Support and Stand-Alone Assessment

Sponsor Support grades and their risk estimations reflect the financial and non-financial state and expected support of the controlling main shareholders. It is considered that the qualified shareholders have the willingness to supply liquidity and equity when financial needs arise in the short or long-term perspective and have the sufficient experience to provide operational support to the Company when required stemming from the recent completed rise in paid-in capital, retention of past profits along with their experience in the financial sector and Company’s established track record in the financial intermediation sector. Within the consideration of these assessments, the Sponsor Support grade of Tera Yatırım has been assigned as **(2)**, denoting an adequate level of external support.

On the other hand, considering the capability of the operating profit to cover financing expenses, branchless business model limiting opex, broad activity fields, financial resource composition backed by bills, available bank lines, established track record along with senior management’s skill and experience, the Stand Alone grade which takes into account the Company’s ability to manage the incurred risks on its balance sheet regardless of shareholder support has been affirmed as **(B)** in JCR Eurasia Rating’s notation scale,

subject to no significant deterioration in market circumstances.

5. Company Profile & Industry

Company Profile

Established under the name of Stok Menkul Değerler A.Ş. in 1990, the Company changed its partnership structure and subsequently its name to Tera Menkul Değerler A.Ş. in 2005. The Company is engaged in capital market activities in accordance with the provisions of the Capital Markets Law and related legislation. The Company is under the authority of the Capital Markets Board (CMB). The Company has been authorized as a “Broadly Authorized Brokerage Firm” by the CMB, allowing the Company to provide services in the fields of execution of orders, reception & transmission of orders, dealing on own account, intermediation for public offering (underwriting and best effort) and limited custody services.

The Company was organized along functional lines and comprised of the departments of transaction intermediation, marketing & corporate finance, portfolio intermediation, limited custody services, fiscal and administrative affairs, information technology and human resources, the heads of whom report to the general manager. The departments of internal control and internal audit are free of executive control and report directly to the Board.

Headquartered in Istanbul with two liaison offices in Antalya and Akasya/İstanbul, the Company employed 35 personnel as of 1H2021. There was no significant change in the shareholder structure of the Company, with 2.75% of Company shares belonging to Myra Arac Kiralama A.S. were acquired Mr. Emre TEZMEN whilst the paid-in capital was increased to TRY 37,5mn as of FYE2019. Overall, the share of the TEZMEN Family stood at 87.58%.

Shareholders (%)	2020	2019	2018
Oğuz Tezmen	45,84	45,84	45,84
Emre Tezmen	41,74	41,74	38,99
Gül Ayşe Çolak	12,42	12,42	12,42
Myra Eğitim	-	-	2,75
Total	100	100	100
Capital (000 TRY)	37,500	37,500	25,000

The Company has one subsidiary as of FYE 2020;

Subsidiary	YE2020	YE2019
	Share (%)	Share (%)
Tera Portföy Yönetimi A.Ş.	100.00	00.00

The Company purchased 100% of the shares of Tera Portföy Yönetimi A.Ş. (formerly: Şeker Portföy Yönetimi A.Ş.) on 19.06.2020.

Industry

Brokerage & Advisory Services

Intermediary institutions operating in the Turkish Capital Markets are subject to regulations of the CMB (Capital Markets Board of Turkey), a supervisory and regulatory body. In order to provide financial services in Turkey, all brokerage firms are required to be authorized and licensed in accordance with the Capital Markets Law and registered as members of the Borsa Istanbul (BIST).

Banks and brokerage firms operating in Turkey are referred to as “Intermediary Institutions” under capital markets legislation. In line with their authorizations, brokerage firms are licensed to trade stocks, warrants, bonds & bills, derivatives and other leveraged instruments while banks are permitted to trade bonds & bills (except for share based instruments) and derivatives only. In addition, brokerage firms carry out corporate finance services associated with investment banking, portfolio management and credit transactions. Banks and brokerage firms serving in the capital markets are organized under the Turkish Capital Markets Association (TCMA).

The Capital Markets Board defines 3 categories of intermediary institutions depending on the scope of their operations: introducing brokers, execution brokers and market makers whilst the minimum capital requirements of these institutions are TRY 2mn, TRY 10mn and TRY 25mn, respectively. For 01.01.2021-31.01.2021 period, those figures have been revised as TRY 2.337mn, 11.687mn and 29.216mn respectively (FY2020: TRY 2.295mn, 11.477mn and 28.693mn respectively).

According to TCMA (Turkish Capital Markets Association) data, 218 companies operates in Turkish capital markets as

of 31.07.2021. (45 of them were banks, 71 of them were brokerage firms, 53 of them were asset management firms, 49 of them were investment trusts).

Aggregate Financial Data of Brokerage Firms	2021/03	2020	2019	2018	2017
Total Assets (bn USD)	5.42	5.60	4.60	4.20	6.10
Total Assets (bn TRY)	45.13	41.35	27.20	21.90	23.10
Equity (bn TRY)	12.94	11.58	7.60	6.20	4.70
Net Profit (mn TRY)	1,929.43	4,423.79	1,728.00	1,343.00	799.10
ROAA (%)	6.60	12.91	7.00	7.50	4.40
ROAE (%)	22.84	46.12	25.10	31.10	21.60
Equity/Assets (%)	28.68	28.01	28.00	28.20	20.50
Asset Growth Rate (%)	67.62	52.05	24.30	-5.11	8.87

Source: TCMA (Turkish Capital Markets Association)

Brokerage firms serve their clients in the issuance of capital market instruments, public offerings and trading instruments in secondary markets and selling/buying option contracts separately or as a whole based upon economic and financial indicators, capital markets instruments, commodities, foreign currencies and precious metals. Additionally, brokerage firms can provide repo/reverse repo agreements of capital market instruments, investment consultancy and portfolio management services, provided that the necessary license from the CMB has been obtained.

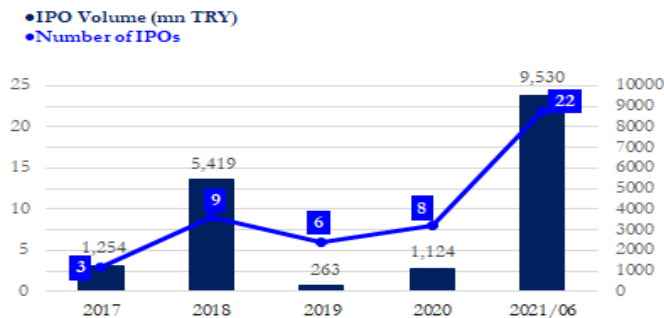
Banks are allowed to provide intermediary services for the trading of previously issued capital market instruments in the over-the-counter (OTC) market and trading of capital market instruments excluding equities in the stock market. In other words, banks may intermediate the trading of government securities of treasury bills and bonds but not private sector securities of shares in the stock market. On the other hand, they may also intermediate in repo and reverse repo agreements.

Non-deposit banks may additionally undertake intermediary services on the issuance of capital market instruments and public offerings, investment consultancy and portfolio management. The emergence of intermediary institutions in Turkey is broadly based on the establishment of the BIST (formerly Istanbul Stock Exchange), the organized secondary market of stocks and securities.

When equity and derivatives trading volumes of BIST considered, it is obvious that there is still a large room for additional improvement in Turkish capital markets. As of FYE2020, BIST took 20th place in the global ranking of stock exchanges with USD 904bn equity trading volume.

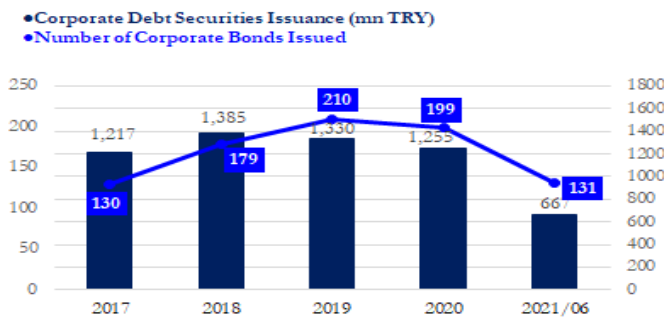
Futures trading volume of BIST was USD 386bn at FYE2020 which resulted to be in the 24th place in the global ranking of futures markets.

Following chart demonstrates development of IPO (initial public offering) activities in Turkish capital markets over years. According to TCMA data, there was a significant rise in the first half of FY2021 in the total volume of IPOs from TRY 1,124mn at FYE2020 to TRY 9,530mn as of 30.06.2021.



Source: TCMA

The emerging developments about corporate debt securities issuances in the Turkish market is provided in the following graph. 199 corporate debt securities were issued during FY2020, and in the first half of FY2021 total number of corporate debt issuances realized at 131.



Source: TCMA

6. Financial Policy & Risk

Risk Management Organization & its Function – General Information

Tera Yatırım is exposed predominantly to credit, liquidity, market, and operational risks derived from its operating activities and use of financial instruments. Defining, monitoring, mitigating and managing the risks are vital integral parts of the Company's everyday operations.

Therefore, risk management constitutes an integral part of the decision-making process of Tera Yatırım. Strict risk management is also a challenge for the sector as a whole

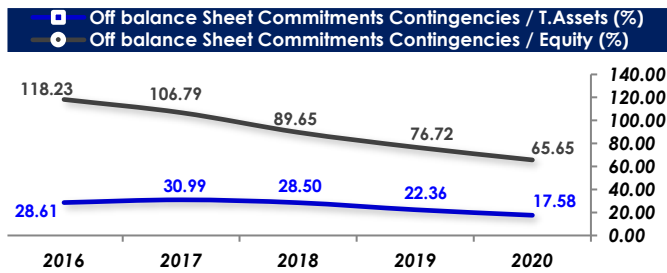
The Company Board has the overall responsibility for conducting risk management activities. As required by CMB regulations, intermediary institutions are under an obligation to establish internal control, internal audit and risk management divisions. The units of internal control and audit report directly to the relevant Board members whilst the unit for risk management reports to the general manager. The working principles and lines of responsibility belonging to the mentioned units have been outlined in written form and is approved by the Board and senior management. It must be noted that there are no sub-committees present under the Board in the fields of risk, audit and corporate governance, however the committees of credit, asset & liability management and disciplinary matters are present with the participation of senior executives.

Credit Risk

As a matter of fact, credit risk of a company is emanated from the possibility of delinquency of receivables or delay in collection. Tera Yatırım's credit risk results principally from short term trade receivables. Total credit risk exposure of the Company was TRY 118.2mn in FYE2020, an increase from TRY 80.5mn in FYE2019. Credit risk arising from trade receivables, which were mainly derived from loans to given to its customers, accounted for 53.4% of assets (FY2018: 46.3%). This exposure realized as TRY 117.1mn as of 1H2021.

Although the Company does not have a comprehensive risk grading system or risk implementations, the management executes its credit risk by assessing the credit worthiness of each customer considering their ability to repay, collateral and economic conditions, and various other factors. The Company's trade receivables were almost collateralized with treasury bills, bonds, funds and publicly traded shares, which dims the credit risk.

The off-balance sheet commitments and contingencies principally consisted of letters of guarantee obtained from numerous banks and given to the Capital Markets Board and Borsa Istanbul Money Markets related with the limit increase procedure. As of the FYE2020, the total monetary value of off-balance sheet items amounted to TRY 38.9mn, equating to 17.6% of total assets and 65.6% of equity. (1H2021: TRY 42.3mn). The current level of commitment & contingences is considered manageable.



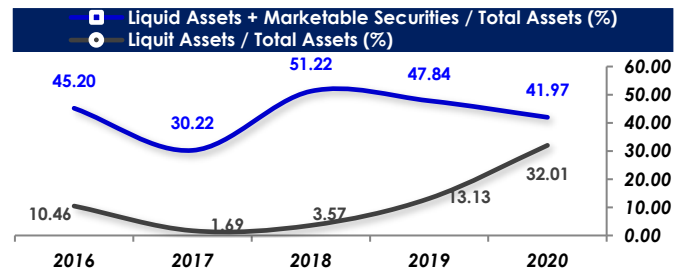
Subsequently, the high equity base, securities portfolio derived from treasury bills and bonds, and high performing receivables provide a buffer against probable losses from credit risk. Thus, the generated credit risk level and any potential losses had a limited effect on the Company's equity and assets base.

Liquidity Risk

Liquidity risk comprises the risk of a company becoming unable to fund its payment requirements. It arises in the general funding of the Company's activities and in the management of positions. Tera Yatirim executes its liquidity risk by matching contractual maturities and amounts of liabilities and assets through monitoring cash flows as well as maintaining the adequate liquid assets.

As of FYE2020, the Company has not faced any liquidity gap or violation. Its high equity base and high available credit lines provide conformity to liquidity management. The current CMB regulations embrace the provision that the liquidity requirement ratio for the current assets of brokerage houses should be at least equal to current liabilities. The regulations state that the necessary calculations are carried out taking into consideration the current value of the current assets. However, it must be noted that balance sheet items deducted for the calculation of the capital adequacy base and items that carry position or 100% counterparty risks shall not be treated as current assets. In this scope, as of FYE2020, the current asset size of the Company was approximately 1.3 times that of its current liabilities and was above the legal requirement.

As of FYE2020, the liquid assets plus marketable securities to total assets ratio decreased to 41.97% from 47.84% in FYE2019. The current level of liquid assets stands at adequate levels, easing the liquidity management.



Market Risk

Market risk refers to fluctuations in the value of interest rates, securities and other financial contracts that could negatively impact the Company. The Company undertakes valuation of its securities portfolio using up-to-date prices and monitors market and share position risk on a daily basis. On the other hand, the Company determines appropriate strategies and limits for portfolio management. These policies are subject to change based on market circumstances with the minimization of risk at times of high uncertainty. Considering FYE2020 figures, interest rate, foreign currency and stock price risk exposure had a limited effect on the Company's assets and generated profit level.

Operational, Legal, Regulatory & Other Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of external causes associated with the Company's processes, personnel, technology, and infrastructure. Operational risk management activities are carried out by the related unit managers and internal audit department provides the necessary coordination and supports. It should be noted that in-house practices and the functionality of those units have been left out of JCR Eurasia Rating's assessment.

To minimize operational risk and its potential impact, Tera Yatirim continues its efforts to implement human resources and quality polices as well as risk management applications. In addition, there is a detailed internal directive relating to emergency action plans and business flow procedures and the responsibility for back-up systems are outlined in written form and disclosed on the website. On the other hand, the Company was notified with an order of payment by the regulatory and supervisory authority, the CMB, amounting to total TRY 1,59mn in 27 July 2020 and TRY 479k in 16 December 2020, respectively. Fines applied by CMB, due to violation in regulation, required the increase compliance level of the Company.

Tera Yatırım Menkul Değerler A.Ş. BALANCE SHEET - ASSET TRY	(Year end) 2020 USD (Converted)	(Year end) 2020 TRY (Original)	(Year end) 2020 TRY (Average)	(Year end) 2019 TRY (Original)	(Year end) 2019 TRY (Average)	(Year end) 2018 TRY (Original)	(Year end) 2018 TRY (Average)	(Year end) 2017 TRY (Original)	As % of 2020 Assets (Original)	As % of 2019 Assets (Original)	As % of 2018 Assets (Original)
I. CURRENT ASSETS	29,044,356	213,200,097	188,566,009	163,931,921	136,891,081	109,850,240	104,762,511	99,674,782	96.33	94.21	93.73
A. Liquid Assets	9,650,548	70,839,850	46,845,007	22,850,164	13,518,127	4,186,090	3,036,132	1,886,173	32.01	13.13	3.57
B. Marketable Securities	3,002,061	22,036,630	41,214,246	60,391,862	58,118,267	55,844,671	43,875,443	31,906,215	9.96	34.71	47.65
1.Bonds, Notes & Bills	2,191,079	16,083,614	38,237,738	60,391,862	58,118,267	55,844,671	43,875,443	31,906,215	7.27	34.71	47.65
2.Common Stocks	0	0	0	0	0	0	0	0	n.a	n.a	n.a
3.Other	810,982	5,953,016	2,976,508	0	0	0	0	0	2.69	n.a	n.a
4.Provision for Decrease in Value of Financial Assets (-)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
C. Trade Receivables & Leasing	14,322,450	105,133,943	88,669,770	72,205,597	55,119,940	38,034,282	48,097,804	58,161,326	47.50	41.50	32.45
1.Customers & Notes Receivables	14,322,450	105,133,943	88,669,770	72,205,597	55,119,940	38,034,282	47,581,313	57,128,343	47.50	41.50	32.45
2.Other Receivables	0	0	0	0	0	0	560,000	1,120,000	n.a	n.a	n.a
3.Doubtful Trade Receivables	304,993	2,238,801	1,119,401	0	0	0	0	0	1.01	n.a	n.a
4.Provision for Doubtful Trade Receivables (-)	-304,993	-2,238,801	-1,119,401	0	0	0	0	0	-1.01	n.a	n.a
5.Rediscout on Notes Receivables (-)	0	0	0	0	0	0	-43,509	-87,017	n.a	n.a	n.a
D. Due From Related Parties (Net)	34,186	250,944	1,062,707	1,874,470	3,762,477	5,650,484	4,437,014	3,223,544	0.11	1.08	4.82
E. Other Receivables	1,741,790	12,785,613	9,488,587	6,191,560	5,362,174	4,532,788	4,420,237	4,307,686	5.78	3.56	3.87
1.Other Receivables	1,741,790	12,785,613	9,488,587	6,191,560	5,362,174	4,532,788	4,420,237	4,307,686	5.78	3.56	3.87
2.Other Doubtful Receivables	0	0	0	0	0	0	0	0	n.a	n.a	n.a
3.Rediscouts on Other Notes Receivable (-)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
4.Provision for Other Doubtful Receivables (-)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
F. Live Assets (net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
G. Inventories (Net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
H. Contract Progress Income (net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
I. Deferred tax Assets	0	0	0	0	0	0	0	0	n.a	n.a	n.a
J. Other Current Assets	293,320	2,153,117	1,285,693	418,268	1,010,097	1,601,925	895,882	189,838	0.97	0.24	1.37
1.Other Current Assets	293,320	2,153,117	1,285,693	418,268	1,010,097	1,601,925	895,882	189,838	0.97	0.24	1.37
2.Provision for Other Current Assets (-)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
II. NON-CURRENT ASSETS	1,105,393	8,114,139	9,093,486	10,072,832	8,712,901	7,352,969	9,755,077	12,157,184	3.67	5.79	6.27
A. Trade Receivables & Leasing	0	0	0	0	0	0	0	0	n.a	n.a	n.a
B. Due From Related Parties (Net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
C. Other Receivables	30,376	222,975	222,975	222,975	219,358	215,741	2,341,681	4,467,620	0.10	0.13	0.18
1.Other Receivables	30,376	222,975	222,975	222,975	219,358	215,741	2,341,681	4,467,620	0.10	0.13	0.18
2.Other Doubtful Receivables	0	0	0	0	0	0	0	0	n.a	n.a	n.a
3.Rediscouts on Other Notes Receivable (-)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
4.Provision for Other Doubtful Receivables (-)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
D. Financial Fixed Assets (net)	5,245	38,498	38,498	38,498	38,499	38,499	38,499	38,499	0.02	0.02	0.03
1. Long Term Securities (net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
2. Affiliates (NET)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
3. Subsidiaries (NET)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
4.Other Financial Fixed Assets (NET)	5,245	38,498	38,498	38,498	38,499	38,499	38,499	38,499	0.02	0.02	0.03
E. Tangible Assets	841,251	6,175,203	6,213,402	6,251,601	6,545,334	6,839,067	7,108,010	7,376,953	2.79	3.59	5.84
F. Other Fixed Assets	228,522	1,677,463	2,618,611	3,559,758	1,909,710	259,662	266,887	274,112	0.76	2.05	0.22
TOTAL ASSETS	30,149,749	221,314,236	197,659,495	174,004,753	145,603,981	117,203,209	114,517,588	111,831,966	100.00	100.00	100.00

Tera Yatırım Menkul Değerler A.Ş. BALANCE SHEET- LIABILITIES+EQUITY TRY	(Year end) 2020 USD (Converted)	(Year end) 2020 TRY (Original)	(Year end) 2020 TRY (Average)	(Year end) 2019 TRY (Original)	(Year end) 2019 TRY (Average)	(Year end) 2018 TRY (Original)	(Year end) 2018 TRY (Average)	(Year end) 2017 TRY (Original)	As % of 2020 Assets (Original)	As % of 2019 Assets (Original)	As % of 2018 Assets (Original)
I. SHORT TERM LIABILITIES	21,904,278	160,788,354	140,987,627	121,186,899	100,349,831	79,512,763	79,243,139	78,973,514	72.65	69.65	67.84
A. Financial Liabilities	9,846,859	72,280,870	72,763,146	73,245,422	72,913,932	72,582,441	69,334,578	66,086,715	32.66	42.09	61.93
B. Trade Payables	8,399,809	61,658,801	51,205,486	40,752,171	22,419,883	4,087,595	8,278,675	12,469,754	27.86	23.42	3.49
C. Due to Related Parties	3,235,998	23,753,841	15,107,880	6,461,918	3,694,583	927,248	481,268	35,287	10.73	3.71	0.79
D. Other Financial Liabilities	0	0	0	0	0	0	0	0	n.a	n.a	n.a
E. Advances Received	0	0	0	0	0	0	0	0	n.a	n.a	n.a
F. Contract Progress Ongoing Construction Contracts (net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
G. Deferred Tax Liabilities	222,695	1,634,689	817,345	0	685,825	1,371,649	730,259	88,868	0.74	n.a	1.17
H. Provisions for Liabilities	29,685	217,906	109,072	238	28,114	55,989	27,995	0	0.10	0.00	0.05
I Other Liabilities	169,232	1,242,247	984,699	727,150	607,496	487,841	390,366	292,890	0.56	0.42	0.42
II. LONG TERM LIABILITIES	173,214	1,271,479	1,692,624	2,113,769	1,274,385	435,000	420,385	405,769	0.57	1.21	0.37
A. Financial Liabilities	121,010	888,277	1,275,543	1,662,809	831,405	0	0	0	0.40	0.96	n.a
B. Trade Payables	0	0	0	0	0	0	0	0	n.a	n.a	n.a
C. Due to Related Parties	0	0	0	0	0	0	0	0	n.a	n.a	n.a
D. Other Financial Liabilities	0	0	0	0	0	0	0	0	n.a	n.a	n.a
E. Advances Received	0	0	0	0	0	0	0	0	n.a	n.a	n.a
F. Contract Progress Ongoing Cons. Cont. (net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
G. Deferred Tax Liabilities	0	0	0	0	0	0	0	0	n.a	n.a	n.a
H. Provisions for Liabilities	52,204	383,202	417,081	450,960	442,980	435,000	420,385	405,769	0.17	0.26	0.37
I Other Liabilities (net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a
TOTAL LIABILITIES	22,077,492	162,059,833	142,680,251	123,300,668	101,624,216	79,947,763	79,663,523	79,379,283	73.23	70.86	68.21
F- EQUITY	8,072,257	59,254,403	54,979,244	50,704,085	43,979,766	37,255,446	34,854,065	32,452,683	26.77	29.14	31.79
a) Prior year's equity	6,907,443	50,704,085	43,979,766	37,255,446	34,854,065	32,452,683	32,350,556	32,248,429	22.91	21.41	27.69
b) Equity (Added from internal & external resources at this year)	217	1,596	5,664,294	11,326,991	5,652,215	-22,562	3,218	28,998	0.00	6.51	-0.02
c) Minority Interest	0	0	0	0	0	0	0	0	n.a	n.a	n.a
h) Profit & Loss	1,164,597	8,548,722	5,335,185	2,121,648	3,473,487	4,825,325	2,500,291	175,256	3.86	1.22	4.12
TOTAL LIABILITY	30,149,749	221,314,236	197,659,495	174,004,753	145,603,981	117,203,209	114,517,588	111,831,966	100.00	100.00	100.00
USD Rates 1=TRY		7.3405		5.9402		5.2609		3.7719			

Tera Yatırım Menkul Değerler A.Ş. INCOME STATEMENT TRY	2020	2019	2018
I. Principal Activity Revenues	20,895,536	15,790,528	17,607,457
A. Sales Revenues (Net)	-2,628,651	2,689,273	1,159,182
1.Equity & Share Income	8,453	-157,262	-3,773
2.Incomes From Bond & Bills	-2,637,104	2,846,535	1,162,955
3.Mutual Funds Income	0	0	0
4.Other Sales Income	0	0	0
B. Commission Income (net)	13,341,844	3,262,398	10,481,350
5.Trading&Brokerage Incomes	9,218,950	3,842,578	3,950,075
6.Corporate Finance Revenues	0	0	0
7.Assets Management Revenues	0	0	0
8.Forex Transactions Income	2,574,654	-1,379,045	3,609,317
9.Income From Other Activities	1,912,919	921,711	3,190,809
10.Deductions From Service Income (-)	-364,679	-122,846	-268,851
C. Interest & Derivative Income from Operating Activities (Net) (+/-)	10,182,343	9,838,857	5,966,925
D. Other Revenues	0	0	0
GROS PROFIT & LOSS FROM PRINCIPAL ACTIVITIES	20,895,536	15,790,528	17,607,457
Activities Expenses (-)	-11,484,153	-8,406,172	-7,676,196
Provision Expenses (-)	0	0	0
NET PROFIT & LOSS FROM PRINCIPAL ACTIVITIES	9,411,383	7,384,356	9,931,261
Income & Profit From Other Activities	546,597	592,146	421,041
Expenses & Losses From Other Activities (-)	-2,243,419	-2,099,860	-208,392
Financing Income	19,573,358	16,365,782	10,336,605
Financing Expenses (-)	-16,016,063	-21,306,182	-14,274,631
OPERATING PROFIT & LOSS	11,271,856	936,242	6,205,884
Net Monetary Position Profit & Loss (+/-)	0	0	0
PRETAX PROFIT & LOSS	11,271,856	936,242	6,205,884
Taxes (-/+)	-2,723,134	1,185,406	-1,380,559
NET PROFIT FOR THE PERIOD	8,548,722	2,121,648	4,825,325
Total Income	41,015,491	32,748,456	28,365,103
Total Expense	-29,743,635	-31,812,214	-22,159,219
INCOMES OR EXPENSES FOR THE PERIOD	11,271,856	936,242	6,205,884

Tera Yatırım Menkul Değerler A.Ş. FINANCIAL RATIOS %	FY 2020	FY 2019	FY 2018
I. PROFITABILITY			
ROAE - Pre-tax Profit / Equity (av.)	20.50	2.13	17.81
ROAA - Pre-tax Profit / Total Assets (av.)	5.70	0.64	5.42
Net Profit Margin = Net Profit / Net Sales Income	40.91	13.44	27.41
II. LIQUIDITY			
(Liquid Assets + Marketable Securities) / T. Assets	41.97	47.84	51.22
(Liquid Assets + Marketable Securities) / T. Liabilities	57.31	67.51	75.09
Liquid Assets / Equity	156.74	164.17	161.13
Current Ratio	132.60	135.27	138.15
III. CAPITAL and FUNDUNG			
Equity / Total Assets	26.77	29.14	31.79
Equity / Total Liabilities	36.56	41.12	46.60
Net Working Capital/T. Assets	23.68	24.57	25.88
Internal equity generation/prior year's equity	16.86	5.69	14.87
IV. EFFICIENCY			
Net Sales Growth	32.33	-10.32	32.34
Equity Growth	16.86	36.10	14.80
Asset Growth	27.19	48.46	4.80
V. ASSET QUALITY			
Non-Performing Receivables / Total Receivables	1.86	0.00	0.00
Non-Performing Asset / Total Assets	2.81	3.61	5.87
Financial Fixed Assets / Non-Current Assets	0.47	0.38	0.52
VI. SENSITIVITY OF FOREIGN CURRENCY			
Total Foreign Currencies Position/Asset	0.00	0.00	0.00
Total Foreign Currencies Position/Equity	0.00	0.00	0.00
VII. INDEBTEDNESS			
Leverage Ratio	273.50	243.18	214.59
Short Term Liabilities/Total Asset	72.65	69.65	67.84
Long Term Liabilities/Total Asset	0.57	1.21	0.37
Short Term Liabilities/ Total Liabilities	99.22	98.29	99.46
Short Term Financial Liabilities/Short Term Liabilities	44.95	60.44	91.28
Tangible Assets/Total Assets	2.79	3.59	5.84
Financial Liabilities/Total Liabilities	45.15	60.75	90.79
Off Balance Liabilities/ (Assets +Off Balance Liabilities)	14.95	18.27	22.18
Off Balance Liabilities/ (Equity +Off Balance Liabilities)	39.63	43.41	47.27

Rating Info

Rated Company:	Tera Yatırım Menkul Değerler A.Ş. Eski Büyükdere cad. No:9 İz Plaza Giz Kat:11 34398 Maslak İstanbul TEL: +90 212 365 1000
Rating Report Preparation Period:	01.10.2021-01.11.2021
Rating Publishing Date:	02.11.2021
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	30.06.2021 – 31.12.2016 / Consolidated
Previous Rating Results:	October 26, 2020 / Long Term National Scale / 'A-' Other rating results for the Company are available at www.jcrrer.com.tr

Disclaimer

The ratings assigned by JCR Eurasia Rating are a reflection of the Company's independent audit reports prepared in conformity with Turkish Financial Reporting Standards (TFRS) and International Financial Reporting Standards (IFRS), on and off-balance sheet figures, general market conditions in its fields of activity, unaudited financial statements, information and clarifications provided by the Company, and non-financial figures. Certain financial figures of the Company for previous years have been adjusted in line with the JCR Eurasia Rating's criteria.

The Company's balance sheet composition, asset quality, risk management practices, business profile, liquidity management, history in the sector, profitability figures, revenues, debt structure, growth rates, off-balance sheet commitments, and the financial and non-financial positions of the main shareholders were taken into consideration while determining the risk assessment of the long-term international local currency and foreign currency ratings as well as national ratings.

Considering the fact that there are no additional legal or financial collateral guarantees provided separately for the repayment of the bonds issued, the note assigned for the TRY dominated bond issuance is assigned as the same as the Company's Long and Short Term National Local Ratings, unless otherwise stated.

Previous rating results and other relevant information can be accessed on www.jcrer.com.tr

Reproduction is prohibited except by permission. All rights reserved. All information has been obtained from sources JCR Eurasia Rating believes to be reliable. However, JCR Eurasia Rating does not guarantee the truth, accuracy, and adequacy of this information. JCR Eurasia Rating ratings are objective and independent opinions as to the creditworthiness of a security and issuer and not to be considered a recommendation to buy, hold or sell any security or to issue a loan.

This rating report has been composed within the methodologies registered with and certified by the SPK (CMB-Capital Markets Board of Turkey), BDDK (BRSA-Banking Regulation and Supervision Agency) and internationally accepted rating principles and guidelines but is not covered by NRSRO regulations.

JCR Eurasia Rating

Maslak Mahallesi Taşyoncası Sokak No:1/F F2 Blok Kat:2 34485 Sarıyer/İstanbul/Türkiye

Telephone: +90(212)352 56 73

Fax: +90 (212) 352 56 75

www.jcrer.com.tr

Copyright © 2007