

25 September 2020

Credit Rating

**Long-term (National):
(TR) AAA**

**Outlook:
Stable**

**Short-term (National):
(TR) A1+**

**Outlook:
Stable**

**İş Yatırım Menkul Değerler
A.Ş.**

İş Kuleleri, Kule 2, Kat: 13,
No:10/14, Beşiktaş, İstanbul

Tel: 0212 350 20 00
Fax: 0212 350 20 01

<http://www.isyatirim.com.tr>

Rating Summary

İş Yatırım Menkul Değerler A.Ş., ("the Company" or "İş Yatırım") operates as an "Intermediary Institution with Broad Authority" within the scope of the Communiqué On Principles Regarding Investment Services, Activities And Ancillary Services No.III-37.1 and Communiqué on Principles of Establishment and Activities of Investment Firms No.III-39.1 of the Capital Markets Board of Turkey. In this context, the Company provides brokerage, corporate finance, investment advisory, portfolio management and research services to investors.

Founded in 1996, the Company was offered to public in 2007 and is listed on the Borsa İstanbul. The Company's capital and management control belongs to Türkiye İş Bankası A.Ş.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position, İş Yatırım's long term rating was revised as **(TR) AAA** and its short-term rating of **(TR) A1+** has been reconfirmed.

Previous Rating (September 27, 2019):

Long Term (TR) AA+

Short Term (TR) A1+

Outlook

Founded in 1996, İş Yatırım is a subsidiary of Türkiye İş Bankası A.Ş. As of 06/2020, compared to the previous rating period, the Company has managed to increase its market share in Borsa İstanbul Equity Market and Debt Securities Market, where it primarily operates.

As of the periods analysed it has been observed that the Company increased its net sales income ("gross sales - cost of sales"), net operational revenues ("gross profit") as well as its consolidated and stand-alone profitability.

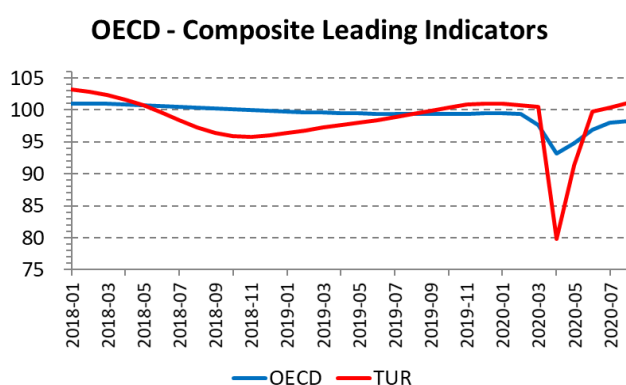
In addition to all these factors, taking into account İş Yatırım's product/service diversity and operative risk distribution in the current environment, its ability to access finance and its strong ownership structure the Company's outlook has been determined as **"Stable"**.

Macro-Economic Outlook and Analysis of the Industry

The most current and previous global growth projections of international organizations such as the International Monetary Fund (IMF), the World Bank and the Organization for Economic Development and Cooperation (OECD) for 2020 and 2021 are given below:

Organization	Source	2020		2021	
		(Current)	(Previous)	(Current)	(Previous)
IMF	June 2020 World Economic Outlook Report (previous: April 2020)	-4.9% ↓	3.0%	5.4% ↓	5.8%
World Bank	June 2020 World Economic Prospects Report (previous: January 2019)	-5.2% ↓	2.5%	4.2% ↑	2.6%
OECD	September 2020 Economic Outlook Report (previous: June 2020 Economic Outlook, Interim Report)	-4.5% ↑	-6.0%	5.0% ↓	5.2%

As of the 1st quarter of 2020, due to the new type corona virus (Covid-19) pandemic, which has caused the most extensive decline in the world economy since the great depression, the estimates differ depending on the assumptions on the existence and expected size of the second wave in the pandemic.



Despite the fact that OECD has relatively increased its downsizing expectation for 2020 from -6.0% to -4.5% in its September global outlook report, it drew attention to the prevailing high level of uncertainty. In the 1st half of the year, where economic contractions around and in some cases exceeding 20% were experienced in developed and some developing countries, by the beginning of summer economic recovery was witnessed with the removal of certain restrictions and emergency measures. However, the effects of the second wave began to be felt by the end of summer, raising fears that restrictions and economic recession will be back. In the September

report, it has been stated that the expectations for the USA and EU, especially China, were revised upwards, while the income of India, Mexico and South Africa would be lower than expected. OECD revised its 2021 forecast to 5.0% with a reduction of 0.2%, considering the weak course of investments and international trade, predicts that most economies will remain below the 2019 level by the end of 2021.

The declining trend of leading indicators below the threshold value of 100.00 in Turkey along with OECD countries by mid-2018, have turned sharply downward by the end of the 1st quarter of 2020 due to the expectations of potential effects of the Covid-19 outbreak. As the leading indicators began to recover as of May in Turkey and surpassing the threshold value of 100 as of September, for OECD countries and major economies it still remains below the threshold value.

In the beginning of March 2020, with the increasing concerns about the economic effects of the Covid-19 pandemic, following 2 urgent meetings, the Federal Reserve Bank reduced the policy interest rates by 150 bps in total to 0.00-0.25 percent range. Thus, with the intensive sales movement observed in the US stock markets in the last week of February, the most severe decline occurred in a short time since the 2018 global crisis. Following that, the yield curve also reversed and the 10-year yield fell below the 3-month return. In addition, as of April, with a record increase, jobless claims rose even above the 2008 financial crisis level. In the light of these dramatic developments, the FED announced an additional monetary package to support small and medium-sized enterprises and local governments in difficulty, as well as unlimited bond purchases. At the June 2020 meeting, the signals given by the FED that it will keep the interest rates close to zero until the end of 2021 came to the fore. In August, in his speech at the Jackson Hole Symposium, the FED chairman stated that the monetary policy strategy had been changed, and announced that the loose monetary policy would be continued without any interest rate increases, even for an acceptable period of time after an "average" 2% inflation level that the bank would target from now, is exceeded.

As from July 2019, the Central Bank of Turkey (CBT) cut the policy interest rate to 12.00% with a total decrease of 1200 bps, and by May 2020, with a further decrease of 375 bps, reduced the rate to 8.25%. In parallel, the increasing upward trend of the exchange rate volatility has also been notable.

The following table shows the latest official 2020-2021 growth forecasts of the IMF, OECD and the World Bank on Turkey, which recorded a growth of 0.9% in 2019. The forecasts reflect the initial effects of the pandemic, and if the outbreak continues in the last quarter of the year, it should be expected that the estimates given below will be revised substantially downwards. In its September 2020 update, the OECD increased its forecast for 2020 from -4.8% to -2.9%, while regressing its previous growth forecast for 2021 to 3.9%.

Organization	Source	2020		2021	
		(Current)	(Previous)	(Current)	(Previous)
IMF	June 2020 World Economic Outlook Report (previous: April 2020)	-5.0% ↔	5.0%	5.0% ↔	5.0%
World Bank	June 2020 World Economic Prospects Report (previous: April 2020 Regional Economic Update Report)	-3.8% ↓	0.5%	5.0% ↑	4.0%
OECD	September 2020 Economic Outlook Report (previous: June 2020 Economic Outlook, Interim Report)	-2.9% ↑	-4.8%	3.9% ↓	4.3%

The main macro-economic developments in Turkey as of our reporting date can be summarized as follows:

Indicator	Current Value	Previous Value	Summary
Growth (TUIK)	<u>2020-Q2</u> -9.9%	<u>2020-Q1</u> 4.4% (Rev.)	Compared to the same quarter of the previous year, 2020-Q2 GDP initial estimate decreased by 9.9% as measured by chained volume index. Component wise; in the 2 nd quarter of 2020, the increase compared to the previous year was 4.0% for agriculture, 11.0% for information and communication activities, 27.8% for financial and insurance services and 1.7% in real estate. The decrease was 16.5% in industry, 2.7% in the construction sector, 25.0% in services, 16.5% in professional, administrative and support service activities, 2.4% in public administration, education, human health and social service activities and 18.0% for other service activities.
Unemployment (TÜİK)	<u>2020/06</u> 13.4%	<u>2020/05</u> 12.9%	The number of unemployed in Turkey aged 15 and above was 4,101,000 in June 2020, a decrease of 152,000 compared to the same period of 2019. The unemployment rate increased by 0.4 points to 13.4%. The non-farm unemployment rate was 15.9%, up 0.6 percentage points. The unemployment rate among the young population in the 15-24 age group was 26.1% with an increase of 1.3 points.
Inflation - CPI - PPI (TUIK)	<u>2020/08</u> 11.77% 11.53%	<u>2020/07</u> 11.76% 8.33%	The rise in CPI (2003=100) in August of 2020 was 0.86% compared to the previous month, 7.29% compared to December of the previous year and 11.77% compared to the same month of the previous year. The twelve-month average was an increase of 11.27%. D-PPI (2003=100) increased by 2.35% in August 2020 compared to the previous month, by 10.52% compared to December of the previous year and 11.53% compared to the same month of the previous year. The twelve-month average was an increase of 6.71%.
Budget Balance (TL Billion) (Ministry of Treasury and Finance)	<u>2020/08</u> 28.2	<u>2020/07</u> -29.7	In August 2020, central government budget expenditures were recorded as TL 80.3 billion, budget revenues as TL 108.6 billion and budget surplus as TL 28.2 billion. Moreover, primary budget expenditures were TL 68.4 billion and primary surplus was TL 40.1 billion. Hence, the budget balance for the January-August 2020 period was realized as TL (-) 110.9 billion (2020 budget target: TL 138.9 billion deficit).
Current Account (USD Million) (CBT)	<u>2020/07</u> -1,817	<u>2020/06</u> -2,934	The current account, which had a surplus of USD 1,990 million in July of the previous year, had a deficit of USD 1,817 million this July, bringing the twelve-month current account deficit to USD 14,941 million.
Industrial Production (TUIK)	<u>2020/07</u> 4.4%	<u>2020/06</u> 0.1%	Looking at sub-sectors of the industry (reference year 2015=100), while the decrease in mining and quarrying sector index was 4.9%, manufacturing industry sector index increased by 5.1%, and that of electricity, gas, steam and air conditioning production sector by 1.4% in 06/2020 compared to the same month of the previous year. Index value increased by 8.4% compared to the previous month.
Turkish PMI (İSO-IHS Markit)	<u>2020/08</u> 54.3	<u>2020/07</u> 56.9	The PMI, which was 56.9 in July, receded to 54.3 in August. The figures above 50.0 point to an overall improvement in the sector.

Indicator	Current Value	Previous Value	Summary
Economic Confidence Index (TUIK, CBT)	<u>2020/08</u> 85.9	<u>2020/07</u> 82.2	The economic confidence index which was 82.2 in July, increased by 4.4% in August to 85.9. The increase in the economic confidence index resulted from the rise in real sector (manufacturing industry), service and retail trade sector confidence indices. Compared to the previous month, in August, the real sector confidence index increased by 5.8% to 105.2, the service sector confidence index increased by 5.7% to 70.5, the retail trade sector confidence index increased by 0.2% to 94.9. That of construction sector decreased by 2.3% to 85.0 and the consumer confidence index decreased by 2.2% in August to 59.6.
Banking Sector NPL Ratio (BRSA)	<u>2020/07</u> 4.25%	<u>2020/06</u> 4.41%	Total assets of the Turkish Banking Sector amounted to TL 5,618,836 million in July 2020 (June 2020: TL 5,355,653 million). Total loans outstanding within this period were TL 3,377,534 million (June 2020: TL 3,257,797 million). Deposits were TL 3,209,480 million (June 2020: TL 3,059,927 million).
Banking Capital Adequacy Ratio (BRSA)	<u>2020/07</u> 19.21%	<u>2020/06</u> 19.52%	Total shareholders' equity of the Turkish Banking Sector was TL 564,827 million in July 2020 (June 2020: TL 557,745 million).
Housing Sales (TUIK)	<u>2020/08</u> 170,408	<u>2020/07</u> 229,357	Residential sales in Turkey increased by 54.2% in August 2020 compared to the same month of the previous year with 170,408 units. Mortgage sales increased by 122.6% to 76,019 units compared to the same month of the previous year.
Car and Light Commercial Vehicle Sales (ODD)	<u>2020/08</u> 61,533	<u>2020/07</u> 87,401	The automobile and light commercial vehicle sales in August 2020 increased by 134.4% compared to August 2019 to 61,533 units. The increase in the January-August period of 2020 was 68.4% compared to the same period of the previous year with 403,002 units.
Euro Zone PMI (IHS Markit)	<u>2020/08</u> 51.7	<u>2020/07</u> 51.8	According to IHS Markit data, the manufacturing sector PMI index in the Euro Zone resulted by 51.7 in August 2020 (expectation: 51.7). PMI indicator values below 50, signals a contraction in the industry, while 50 and above indicates growth

In 2019, the US-China trade wars, the Brexit debacle, the interest rate policy of the FED, increasing geopolitical risks, especially in the Eastern Mediterranean and the Strait of Hormuz, and the signs of a slowdown in the global economy were the issues closely followed by the financial markets

In addition to the mentioned global effects in 2019, Turkish assets followed a volatile course under the influence of the uncertainty created by the local election process, exchange rate volatility, S-400 air defence systems purchased from Russia and the monetary policy moves of the CBT. The BIST 100 index, which closed 2018 at 91,270, reached 114,425 at the end of 2019. As of Q2 of 2019, the equity market transaction volume, which decreased by 14% compared to the same period of the previous year, recovered in the 2nd half of the year and increased by approximately 7% in 2019 compared to 2018 and reached TL 4.2 trillion.

In 2019, an increase was observed in both the futures and options market ("VIOP") and warrant transaction volumes in derivatives markets. VIOP transaction volume increased by approximately 14% compared to 2018, resulting in TL 2.87 trillion. When the corporate finance activities are analysed, 6 public offerings amounting to TL 264 million were realized in 2019. The size of debt instrument issues, on the other hand, increased by 15.1% in 2019 compared to the previous year and reached TL 206.1 billion for a total of 1,330 issues. In 2019, banks realized 56.3% of the primary market issues in the market, non-bank financial institutions realized 38.5% and the real sector 5.2%.

The Covid-19 pandemic is still in the agenda in 2020. In the 2nd quarter, countries announced record contraction rates worldwide. International financial institutions compared the evident economic crisis with the Great Depression of the 1930s. According to TUIK data, the Turkish economy grew by 0.9% in 2019 and has recorded a growth of 4.4% (rev.) in Q1, where the impact of the pandemic was not felt yet. In the 2nd quarter when the effects of the pandemic intensified, the decline was recorded as 9.9%. Corporate finance activities throughout the sector were adversely affected by the impact of the uncertain environment, while the increasing volatility in the markets increased the trading activities within this period. A prospective second wave in the pandemic, news on a new vaccine, monetary policies of Central Banks, especially the FED, geopolitical risks and US-China relations stand out as the determining factors for the direction of the markets.

Company Overview

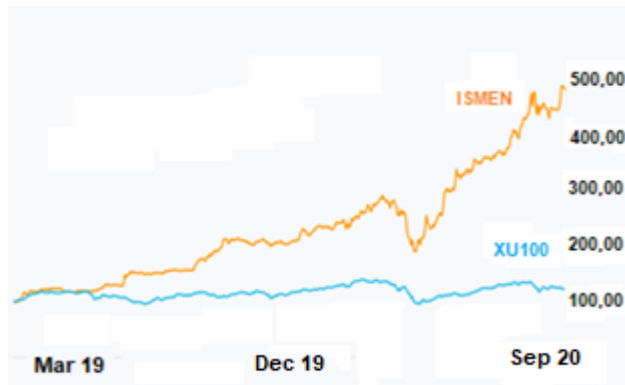
Founded in 1996, İş Yatırım offers brokerage services for capital market instruments, investment advisory, portfolio management, corporate finance and research services through its 21 branches in Turkey, along with the headquarters in Istanbul. The Company's management and capital control belongs to Türkiye İş Bankası A.Ş. The current capital structure of the Company, which has 360 employees (12/2019: 345) as of June 30, 2020, is given below:

Shareholder	Ownership Interest (TL)	Ownership Interest (%)
Türkiye İş Bankası A.Ş. and Affiliates	251,269,000	70.78
Free-Float	103,731,000	29.22
Total	355,000,000	100.00

According to the publicly disclosed information, İş Yatırım ranked 3rd in Borsa Istanbul Equity Market transaction volume in 2019 with a trading volume of TL 346.8 billion, corresponding to a market share of 8.1%. As of Q2 of 2020, the Company is in 2nd place with a trading volume of TL 450.4 billion and a market share of 9.6% (Q2 of 2019: 7.7%). Closing 2019 in the 2nd place in VIOP with a transaction volume of TL 310.6 billion and a share of 10.8%, the Company ranked again 2nd as of 2020 Q2 with a transaction volume of TL 217.2 billion and a market share of 9.2% (Q2 of 2019: 11.5%).

Regarding the Debt Securities Market Outright Purchases and Sales Market activities, İş Yatırım ranked 7th among brokerage houses with a transaction volume of TL 5.1 billion and a market share of 3.4% in 2019, and as of June 2020 ranked 5th with a transaction volume of TL 5.3 billion and a market share of 4.1% (June 2019: 3.4%).

Furthermore, consolidated asset size managed by İş Portföy A.Ş. which is included in the consolidation of financial statements that form the basis of the rating study has reached TL 61.6 billion TL with an annual increase of 48.7% as of Q2 of 2020. The size of the investment fund managed reached TL 30 billion with an annual increase of 119%, while its market share in this area was 19.3%. The size of the pension funds managed increased to TL 25.9 billion with an annual increase of 32.6% giving İş Portföy A.Ş. a market share of 17.5%.



The Company was offered to public in 2007 and its shares are traded in the Stars Market of Borsa Istanbul under the "ISMEN" code. The Company is a constituent of BIST 100 (XU100), BIST 100-30 (XYUZO), BIST All Shares (XUTUM), BIST Dividend (XTMTU), BIST Dividend 25 (XTM25), BIST Financials (XUMAL), BIST Brokerage Houses (XARKU) and BIST Stars (XYLDZ) indices.

The chart on the left shows the comparative performance of the BIST 100 index, and İş Yatırım shares, since the beginning of 2019.

Source: isyatirim.com.tr

The information regarding the subsidiaries of the Company included in the consolidation is given below:

Title	Share Capital	Share Value (%)	Total Nominal Shares
Maxis Investments Ltd.	GBP 6,500,000	100.0	GBP 6,500,000
Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.	TL 5,000,000	100.0	TL 5,000,000
Efes Varlık Yönetim A.Ş.	TL 70,000,000	85.1	TL 59,600,000
İş Portföy Yönetimi A.Ş.	TL 65,000,000	70.0	TL 45,500,000
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	TL 74,652,480	29.0	TL 21,654,296
İş Yatırım Ortaklığı A.Ş.	TL 160,599,284	28.9	TL 46,454,101

Maxis Investments Ltd.: The brokerage house, wholly owned by İş Yatırım, was established in London to operate in international capital markets. The company obtained its operating license in 2006 and started its operations in 2007.

Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.: The company is involved in establishment and management of venture capital investment funds. Founded in 2017, the company obtained its operating permit in May 2018.

Efes Varlık Yönetimi A.Ş.: Founded in 2011, Efes Varlık Yönetim A.Ş. operates in the area of purchase, collection and financial restructuring of non-performing loans of financial institutions.

İş Portföy Yönetimi A.Ş.: Established in 2000, the company's field of activity is to manage portfolios composed of capital market instruments through a portfolio management agreement with customers and to act as a proxy, and to engage in capital market activities within the scope of the provisions of the Capital Markets Law and the relevant legislation. The company also manages the portfolios of domestic and foreign mutual funds, investment trusts, domestic and foreign natural and legal persons, investment companies and similar enterprises within the scope of the portfolio management activities in accordance with the provisions of the legislation.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.: Founded in 2000, the company's field of activity is to make long-term investments to companies established or to be established mainly in Turkey, and to venture companies with potential for development and in need of funding.

İş Yatırım Ortaklığı A.Ş.: Founded in 1995, the company's scope of business is to operate a mixed portfolio of capital markets instruments along with gold and other precious metals, which are traded in national and international exchanges or in off-exchange organized markets within the framework of the principles and rules set by the relevant legislation.

İş Yatırım Menkul Değerler A.Ş. Board of Directors		
Members	Title	External Duties
Senar AKKUŞ	Chairman	Assistant General Manager of T. İş Bankası A.Ş., Chair of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., Board Member of Türkiye Şişe ve Cam Fabrikaları A.Ş., Board Member of Softtech Ventures Teknoloji A.Ş.
Işıl DADAYLI	Vice-chairman	T. İş Bankası A.Ş. Capital Markets Department Manager
Hilmi Selçuk ÇEPNİ	Board Member	Manager T. İş Bankası A.Ş. Kozyatağı Corporate Branch
Volkan KUBLAY	Board Member	Turkey İş Bankası A.Ş. Division Manager of Subsidiaries Department, Board Member of Efes Varlık Yönetim A.Ş., Board Member of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., Board Member of İş Yatırım Ortaklığı A.Ş., Board Member of Yatırım Finansman Menkul Değerler A.Ş., Board Member of Arap Türk Bankası A.Ş.
Tuba TEPRET	Board Member	Private Banking Marketing and Sales Department Manager of T. İş Bankası A.Ş.
Ertuğrul BOZGEDİK	Board Member	-
Hasan Emre AYDIN	Independent Board Member	Vice Chairman of Elsan Elektrik ve Ticaret A.Ş., Vice Chairman of Faturalab Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.
Ali Hakan KARA	Independent Board Member	Bilkent University Department of Economics Faculty Member
İzzet Selim YENEL	Independent Board Member	Chair of the Global Relations Forum Executive Committee

Key Financial Indicators

Consolidated Balance Sheet (TL "000")	2018/12	2019/12	Δ 2019 YE		2019/6	2020/6	Δ 2020 Q2	
Current Assets	6,194,908	6,269,632	1.2%	▲	5,516,510	6,495,833	17.8%	▲
Cash and Cash Equivalents	3,260,526	1,560,253	(52.1%)	▼	2,104,072	270,680	(87.1%)	▼
Financial Investments	758,592	1,341,726	76.9%	▲	787,156	1,451,936	84.5%	▲
Trade Receivables	1,682,374	3,139,055	86.6%	▲	2,274,008	4,428,505	94.7%	▲
Other Receivables	172,637	105,450	(38.9%)	▼	139,980	181,032	29.3%	▲
Derivative Instruments	156,279	26,629	(83.0%)	▼	93,459	56,728	(39.3%)	▼
Assets Classified for Sale	12,042	11,321	(6.0%)	▼	11,399	10,418	(8.6%)	▼
Inventories	64,898	65,629	1.1%	▲	71,204	64,494	(9.4%)	▼
Other Current Assets	87,561	19,568	(77.7%)	▼	35,232	32,039	(9.1%)	▼
Non-current Assets	175,775	447,474	154.6%	▲	200,943	211,676	5.3%	▲
Tangible Assets	35,169	36,530	3.9%	▲	32,256	33,381	3.5%	▲
Intangible Assets	55,092	58,246	5.7%	▲	53,431	55,932	4.7%	▲
Financial Investments	57,208	269,159	370.5%	▲	47,554	65,885	38.5%	▲
Investments in Equity Accounted Investees	14,637	9,768	(33.3%)	▼	10,115	5,211	(48.5%)	▼
Right of Use Assets	-	47,940		—	40,696	39,595	(2.7%)	▼
Other Non-current Assets	13,669	25,831	89.0%	▲	16,891	11,672	(30.9%)	▼
Total Assets	6,370,683	6,717,106	5.4%	▲	5,717,453	6,707,509	17.3%	▲
Short-Term Liabilities	5,132,643	5,233,251	2.0%	▲	4,368,822	5,033,930	15.2%	▲
Short-Term Borrowings	3,342,129	1,964,909	(41.2%)	▼	2,114,634	742,069	(64.9%)	▼
ST Portion of LT Borrowings	23,770	24,158	1.6%	▲	21,411	12,678	(40.8%)	▼
Other Financial Liabilities	1,611	14,865	822.7%	▲	18,409	-	(100.0%)	▼
Trade Payables	1,586,588	3,034,398	91.3%	▲	2,073,258	3,974,429	91.7%	▲
Derivative Instruments	112,129	67,435	(39.9%)	▼	45,155	164,448	264.2%	▲
Other Short-Term Liabilities	66,416	127,485	91.9%	▲	95,954	140,306	46.2%	▲
Long-Term Liabilities	152,947	90,720	(40.7%)	▼	156,713	92,325	(41.1%)	▼
Long-Term Borrowings	127,869	66,630	(47.9%)	▼	128,978	52,449	(59.3%)	▼
Other Long-Term Liabilities	25,078	24,090	(3.9%)	▼	27,735	39,875	43.8%	▲
Equity	805,285	1,106,993	37.5%	▲	921,108	1,319,165	43.2%	▲
Paid-in Capital	355,000	355,000	0.0%	—	355,000	355,000	0.0%	—
Share Premium	1,324	1,317	(0.5%)	▼	1,317	1,304	(1.0%)	▼
Other	35,614	69,095	94.0%	▲	65,420	123,348	88.5%	▲
Restricted Reserves	83,855	104,849	25.0%	▲	104,849	140,066	33.6%	▲
Prior Year's Profit	107,791	193,857	79.8%	▲	191,333	353,889	85.0%	▲
Profit for the Year (Equity holders of the Company)	221,701	382,874	72.7%	▲	203,188	345,558	70.1%	▲
Non-Controlling Interests	279,807	286,142	2.3%	▲	270,810	262,090	(3.2%)	▼
Total Equity	1,085,092	1,393,135	28.4%	▲	1,191,918	1,581,254	32.7%	▲
Total Liabilities	6,370,683	6,717,106	5.4%	▲	5,717,453	6,707,509	17.3%	▲

(Source: Rasyonet)

Consolidated Income Statement (TL "000")	2018/12	2019/12	Δ 2019 YE		2019/6	2020/6	Δ 2020 Q2	
Revenue	45,139,712	246,543,051	446.2%	▲	101,900,331	60,946,303	(40.2%)	▼
CGS	44,412,494	245,505,222	452.8%	▲	101,399,229	60,221,596	(40.6%)	▼
Gross Profit	727,218	1,037,829	42.7%	▲	501,102	724,707	44.6%	▲
Operating Expenses	372,459	422,443	13.4%	▲	217,072	236,189	8.8%	▲
Net Real Operating Profit	354,759	615,386	73.5%	▲	284,030	488,518	72.0%	▲
Other Operating Income/Loss	4,947	(14,869)	(400.6%)	▼	3,733	(3,788)	(201.5%)	▼
Real Operating Profit	359,706	600,517	66.9%	▲	287,763	484,730	68.4%	▲
Investments Valued by Equity Method	(4,698)	(4,869)	(3.6%)	▼	(4,523)	(4,558)	(0.8%)	▼
Pre-financing Operating Profit	355,008	595,648	67.8%	▲	283,240	480,173	69.5%	▲
Financing Income	75,932	51,110	(32.7%)	▼	50,810	43,195	(15.0%)	▼
Financing Expense	132,483	115,360	(12.9%)	▼	54,146	49,513	(8.6%)	▼
Pre-tax Profit	298,457	531,397	78.0%	▲	279,904	473,854	69.3%	▲
Tax	64,172	110,422	72.1%	▲	56,507	104,733	85.3%	▲
Net Profit	234,285	420,975	79.7%	▲	223,396	369,121	65.2%	▲
Depreciation	17,476	17,706	1.3%	▲	8,894	9,869	11.0%	▲

(Source: Rasyonet)

Main Financial Ratios	2018	2019	June 19	June 20
Return on Shareholders' Equity (Profit for the Period / Equity)	0.28	0.35	0.22	0.26
Net Profit / Total Assets	0.04	0.06	0.04	0.06
Real Operating Profit / Total Assets	0.06	0.09	0.05	0.07
Loss / Income (Gen.Adm.Exp + Mktng.Exp.+ R&D Exp.) / Gross Profit	0.51	0.41	0.43	0.33
Cash + Financial Investments (ST) / Total Liability	0.76	0.55	0.64	0.34
Cash + Financial Investments (ST) / Short Term Liabilities	0.78	0.55	0.66	0.34
Current Ratio (Current Assets / Short Term Liabilities)	1.21	1.20	1.26	1.29
Short Term Trade Receivables / Total Assets	0.26	0.47	0.40	0.66
Financial Leverage (Total Equity / Total Debt)	0.21	0.26	0.26	0.31
Short Term Liabilities / Total Liabilities	0.81	0.78	0.76	0.75
Total Financial Debt / Total Assets	0.55	0.31	0.40	0.12

Increasing its net sales income ("gross sales revenue - cost of sales") by 50.32% in 2018 compared to 2017, İş Yatırım's net sales income increased by 62.7% in 2019 to TL 368.3 million. According to the Q2 results of 2020, the upward trend continues and the net sales income for the June 2020 period increased by 101.2% compared to the same period of 2019, to TL 285.4 million.

The "revenue" item shown in the Company's consolidated income statement consists of gross sales revenue, net interest and derivative income from operating activities, net service (commission) income and net other operating income. According to the independent audit report data, the consolidated net operational revenues ("gross profit") of the Company, which increased its revenue by 446.2% in 2019, especially due to the increase in the sales volume of public debt instruments, increased by 42.7% and reached TL 1,037 million. As of the periods analysed, the continuation of the improvement in the Company's net sales income and net operational revenues, as well as the ratio of net operational revenues to meet operating expenses, has been considered a positive factor.

In addition, it is observed that İş Yatırım increased both stand-alone and consolidated profit figures as of the periods analysed. The Company, which increased its unconsolidated profit by 67.6% in 2019 compared to the previous year, managed to increase its stand-alone profit as of 06/2020 by 61.5% compared to the same period of 2019. The table below shows the resource allocation of the consolidated profit of the Company by periods according to the publicly disclosed information.

Period	Stand-alone Profit ("TL million")	Profit from Subsidiaries ("TL million")	Elimination Adjustments ("TL million")	Equity Holders' Consolidated Profit ("TL million")
2018 YE	226.4	17.2	-21.9	221.7
2019 YE	379.4	28.1	-24.6	382.9
Q2 2019	215.4	12.4	-24.6	203.2
Q2 2020	347.8	32.5	-34.8	345.5

It is observed that the leverage of the Company decreased and the equity level increased compared to the end of 2018, which was the basis for the previous rating study. In addition, it is seen that the financial liabilities of the Company, which funds its activities mostly through financing bills and the Takasbank (settlement and custody bank) Money Market in 2018, decreased within its total debts as of 06/2020. Trade payables that increased in parallel with this change are mainly due to the accounting practice where customer accounts are carried on the Company balance sheet.

It has been observed that the balance of non-performing trade receivables in Q2 of 2020, which are fully provisioned, resulted close to the level of end-2019. Also, according to the independent audit report data, the net foreign currency asset position, which was TL (-) 97.3 million at the end of 2019, was TL (-) 19.2 million as of Q2 of 2020. As of this date, the negative sensitivity of the Company's income statement against possible upward exchange rate fluctuations has relatively decreased and the position carried is considered to be at a manageable level considering the balance sheet size.

Corporate Governance

The Company has provided substantial compliance with the CMB's Corporate Governance Principles and has implemented all of the necessary policies and measures. Management and internal control mechanisms have been created effectively and are in operation. All of the corporate governance risks are identified and managed actively. The rights of shareholders and stakeholders are respected in a fair manner and public disclosure and transparency is at superior levels. Structure and operation of the board of directors is in the category of best practice.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections contributing to the final grade with specific weights. The quantitative analysis components consist of the Company's performance compared to industry peers, analysis of the financial risks, and the assessment of cash flow projections. Comparative performance analysis determines the relative position of the Company as compared with industry peers' financial performances and industry averages. The financial risk analysis of our methodology covers the evaluation of the Company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis evaluates the Company's performance with respect to its capability to fulfill its obligations under the future projections of a base and a stress scenario.

The qualitative analysis covers operational issues such as industry and company risks as well as administrative risks in the context of corporate governance practices. The industry analysis evaluates factors like the nature and rate of growth of the industry, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. The company analysis evaluates market share and efficiency, trends and volatilities in key performance indicators, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships if any.

Corporate governance plays an important role in our methodology. The importance of corporate governance and transparency is once again revealed in the current global financial crisis we witness. Our methodology consist of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

Our long term credit ratings reflects our present opinion regarding the mid to long term period of one year and above; Our short term credit ratings reflects our opinion regarding a period of one year. Our long term credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered “investment worthy” by the market.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

This Credit Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) in collaboration with İş Yatırım Menkul Değerler A.Ş. and is based on information disclosed to the public by İş Yatırım Menkul Değerler A.Ş.

This report, edited by SAHA A.Ş. analysts based on their best intentions, knowledge base and experience, is the product of an in-depth study of the available information which is believed to be correct as of this date. It is a final opinion about the overall credibility of the institutions and/or debt instruments they have issued. The contents of this report and the final credit rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment decisions or other purposes.

SAHA A.Ş. has embraced and published the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies on its web site (www.saharating.com) and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

©2020, Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. All rights reserved. This publication or parts thereof may not be republished, broadcast, or redistributed without the prior written consent of Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. and İş Yatırım Menkul Değerler A.Ş.

Contacts:

S.Suhan Seçkin
suhan@saharating.com

S.Mehmet İnhan
minhan@saharating.com

Oğuzhan Güner
oguner@saharating.com

Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş

Valikonağı Cad., Hacı Mansur Sok., Konak Apt. 3/1, Nişantaşı, İstanbul

Tel: (0212) 291 97 91, Fax: (0212) 291 97 92 • info@saharating.com • www.saharating.com