

**2 October 2018**

**Credit Rating**

**Rating**

**(National): Long Term**

**(TR) AA+**

**Outlook:**

**Stable**

**Rating**

**(National): Short Term**

**(TR) A1+**

**Görünüm:**

**Stable**

**İŞ YATIRIM MENKUL  
DEĞERLER A.Ş.**

Levent Mahallesi, Meltem  
Sokak, İş Kuleleri Kule-2,  
Kat: 13 No:10/14 Beşiktaş,  
İSTANBUL

İş Yatırım (IS Investment) was established in 1996 as the investment banking arm of İşbank Group in accordance with the Capital Markets Legislation. As a consolidated entity, the Company serves both corporate and individual customers in the areas of capital market instruments, corporate finance, investment advisory and asset management. The Company has been authorized as an "Intermediary Institution with a Broad Scope of Authority" and with more than 20 years of operating history, has a prestigious position in the brokerage sector in terms of product diversity, customer experience process, research services, risk management and corporate governance practices.

IS Investment has been the first local investment house to issue covered warrants (IS Warrants) which are listed in Borsa Istanbul Warrant Market. Being the first brokerage house to issue its own debt instruments through the commercial papers offered to the public in 2012, intermediating the first public private sector lease certificate (sukuk) public offering in 2013 and being the first liquidity provider of Borsa İstanbul in 2014, are among IS Investment's pioneering activities.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position, IS Investment received a long term rating of (TR) AA+ and a short term rating of (TR) A1+.

#### **Outlook**

IS Investment's above legally defined capital adequacy and liquidity level limits, high asset quality, long-standing reputation in brokerage sector, customer base and diversification of external sources along with active balance sheet management, contribute positively to its financial strength. In line with its profit-driven growth strategy, improved transaction volume and improvement in profitability levels parallel to capital market activities along with effective management of operating expenses and a balanced diversification of total revenue, the Company's first-half consolidated return on equity stood at 29.8%, while its non-consolidated return on equity increased to 33.4%.

In the brokerage sector in which the Company operates, macro-economic outlook and developments in money and capital market indicators are among the determinants of performance along with risk appetite of investors. The impact of intense competition in the brokerage sector on profitability, and the adverse effects of economic and political tensions in the near geography are the limiting factors on the growth of the sector.

In face of the above, the Company's outlook is considered to be Stable.

## Methodology

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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](http://www.saharating.com).

## Rating Definitions

Our long-term credit ratings reflect our current view of medium to long maturities over one year, while our short-term credit rating reflects our view for a period of up to 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 B, C categories should be considered "speculative" by the market.

(TR) B	(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) C	(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

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