JCR-ER JCR Eurasia Rating
"JCR-ER, Group of Japan Credit Rating Agency, Ltd." JCR

" **JCR Eurasia Rating,** upgraded the Long Term National Ratings of the **consolidated structure** of **Gedik Yatırım Menkul Değerler A.Ş.** from **'AA- (Trk)'** to **'AA (Trk)'** and affirmed the Long Term International Foreign Currency Ratings as **'BBB-'** and assigned a **'Stable'** outlook for all ratings in the annual rating review. "

RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	Stable	Stable
		Stable	Stable
	Issue Rating	n.a	n.a
National	National Rating	AA(Trk)	A-1+(Trk)
	Outlook	Stable	Stable
	Issue Rating	AA(Trk)	A-1+(Trk)
Sponsor Support		2	-
Stand Alone		AB	-

Sector: Intermediary Institutions
Report Date: 04/04/2018

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Press Release

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In the annual rating review, **JCR Eurasia Rating** has evaluated **"Gedik Yatırım Menkul Değerler A.Ş."** in a high-level investment grade category and upgraded the Long Term National Ratings from **'AA- (Trk)'** to **'AA (Trk)'** and assigned its outlook as **'Stable'**. In addition, it affirmed the Long Term International Foreign and Local Currency Ratings at the country ceiling level of **'BBB-'**, along with a **'Stable'** outlook.

Gedik Yatırım Menkul Değerler A.Ş., one of the oldest and pioneering companies of the sector, is ranked among the leading non-banking intermediary institutions taking into consideration indicators such as its wide branch network, high transaction volumes in the equities and leveraged transactions market, equity level and asset size. As a 'Broadly Authorized Intermediary Institution', Gedik Yatırım provides services with its robust, modern and pioneering technological infrastructure in a wide spectrum of fields including intermediation of common stock trading, public offerings, portfolio management, investment consultancy, intermediation of derivative instrument sales, leveraged trading and investment banking. When the equity transaction volume of its affiliate, Marbaş A.Ş. is included, Gedik Yatırım was ranked first among all intermediary institutions throughout FY2017 with respect to equity stock transactional volume as in the previous year.

The restrictive measures that were put into place regarding leveraged transactions in the beginning of FY2017 placed significant pressure on the commission income derived by the Company and the wider sector and led to a contraction of sectoral employment. It is anticipated that if the current regulations are to persist, the pressure on leveraged transaction volumes and commission income will be maintained throughout FY2018. Despite the reduction in the generated intermediary service revenues throughout FY2017 in comparison to the previous year to some extent, a significant level of profit was obtained in contrast to the losses encountered in the previous year largely stemming from the improvement in opex, increase in interest income and notable reduction in FX losses. Subsequently, the profitability ratios underwent an upward acceleration. The liquidity level and capital adequacy base of the Company stands at a level that remains above the minimum legal levels enforced by the regulations whilst its current capitalization level provides it with the capability to grow further with no need for additional capital. The Company's asset quality stands at a high level, whilst the ratio of the impaired receivables portfolio in comparison to the asset and equity size is relatively low in addition to the same level of impaired receivables portfolio in comparison to the previous year and full provisioning. The Company has diversified its resources via bond issues undertaken with different maturities since FY2012 and plans to utilize this field effectively in the upcoming period. Despite the contraction in its market share in the equity stock trading volume to a certain extent throughout 2017 in accordance with its profit-centered growth strategy, the improvement in profitability levels, the support provided for the equity level through profit retention, applications in the risk management field and improvement in the total income to total expenses ratio are the principle factors underlying the upgrade of the Company's Long Term National Ratings. The current and planned resources through the debt issue are placed within the Company's balance sheet and as such resources have been analyzed within the current credit rating report and no separate issue rating report has been issued. As the bonds to be issued have no differentiation in comparison to the Company's other liabilities from a legal and collateralization perspective, the corporate credit ratings also reflect the Company's issue ratings. However, the issue rating noted do not cover the structured finance instruments. The issue rating notes are assigned to the current and upcoming debt instruments and include assessments until their maturities.

On the other hand, the Company's Long Term International Foreign and Local Currency ratings are assigned at the country ceiling level of **"BBB-"** taking into consideration the return on equity and assets, capitalization level, capability to access funding resources, wide branch network, asset size and composition and the possible effects of political and economic risks stemming from global and local factors. The Company's internal equity generation level, profitability indicators, capital adequacy base and liquidity ratios, asset quality, market share and sectoral developments are the principle issues that will be monitored by JCR-ER in the upcoming period as the principle factors that will be determining changes in the notations and outlook.

In line with the BoD decision dated 8 December 2017, Gedik Yatırım Holding made the decision to increase its share in the Company from 25% to 52% through the acquisition of 27% of shares belonging to Mr. Hakkı GEDİK. Following the completion of the transactions, Mr. Erhan TOPAÇ will be directly and indirectly controlling 69.83% of the Company's shares. Upon the conclusion of the share transfer, the grade of Gedik Yatırım Menkul Değerler in the 'Sponsor Support' category has been maintained as **(2)** taking into consideration the sufficiency of the financial strength and willingness of Mr. Erhan TOPAÇ, who will be exercising control in the shareholder structure along with his ability to provide operational support. On the other hand, the grade in the 'Stand Alone' category has been affirmed as **(AB)** taking into consideration the ability of the Company to manage the incurred risks based on its own capabilities, internal equity generation capacity, asset quality, capitalization level, business volume and pioneering position in the sector due to its robust position in the market, corporate structure and robust technological infrastructure. The **(AB)** grade within the Stand-Alone category denotes a **"High"** level in JCR Eurasia Rating's notation scale and signifies the Company's capacity to meet its obligations comfortably regardless of external support, while the Sponsor Support grade of **(2)** indicates a **"Sufficient"** level of external support.

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

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