

Corporate Credit & Issue Rating

☐ New ☒ Update

Sector: Intermediary Institutions

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Team Leader

Deniz Ustabaş

+90 212 352 56 73

deniz.ustabas@jcrer.com.tr

Assistant Analyst

Aleyna Kenar

+90 212 352 56 73

aleyna.kenar@jcrer.com.tr

RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International LC ICR Outlooks	Stable	-
	National ISR	A (tr) (Stable)	J1 (tr) (Stable)
	International FC ISR	-	-
Sovereign*	International LC ISR	-	-
	Foreign Currency	BB (Stable)	-
Sovereign*	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Equity / Total Assets (%)

29.45 23.55

Net Profit Margin (%)

-2.83 37.90

ROAE (%)

1.38 58.13

ROAA (%)

0.40 15.13

Leverage Ratio (%)

239.61 324.56

NWC / T. Assets (%)

24.8 20.0

2022 2023

Tera Yatırım Menkul Değerler A.Ş.

JCR Eurasia Rating has evaluated "Tera Yatırım Menkul Değerler A.Ş." in the investment grade category with high credit quality and affirmed the Long-Term National Issuer Credit Rating at 'A (tr)' and the Short-Term National Issuer Credit Rating at 'J1 (tr)' with 'Stable' outlooks. When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Issuer Credit Ratings were assigned as 'BB/Stable' in line with the sovereign ratings and outlooks of the Republic of Türkiye.

Tera Yatırım Menkul Değerler A.Ş. ('Tera Yatırım' or 'the Company') was founded in 1990. After the acquisition of the Company by its current shareholders in 2005, the Company's title has been changed to 'Tera Yatırım Menkul Değerler A.Ş.' The Company offers a wide range of services, such as 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, via its "Broadly Authorized Intermediary Institution" license. Furthermore, the Company has been permitted to act as an intermediary for order transmission since January 2015. The Company is headquartered in İstanbul with six liaison offices in Antalya, Ankara, İzmir, Bodrum/Muğla, Üsküdar/İstanbul, and Kadıköy/İstanbul. As of December 31, 2023, Tera Yatırım employed a staff force of 78 (FYE2022: 45).

In December 2022, 16,500,000 Group B shares with a total nominal value of TRY 16.50mn were offered to the public and the Company's issued capital was increased from TRY 37.50mn to TRY 52.50mn. The size of the public offering was TRY 165.00mn. The shares of the Company have been traded on Borsa İstanbul since December 22, 2022, and 31.43% of the shares are publicly traded as of FY2023. The Company's other shareholders are Oğuz Tezmen with 31.43% share, Emre Tezmen with 28.62% share and Gül Ayşe Çolak with 8.52% share as of FY2023. Furthermore, in October 2024, the Board of Directors decided to increase the capital to TRY 157.50mn, which was all paid-in. Tera Yatırım led and successfully completed 10 IPOs from 2021 to the analyzed period, and as of 1H2024, the Company is the 6th company with the highest number of public offerings among all intermediary institutions.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Improvement in profitability indicators in FY2023 compared to previous period,
- Sufficient capital adequacy base above legal requirements as well as paid-in capital increase on Oct, 2024,
- Funding diversity through effective utilization of bond issuances,
- Level of collaterals of common stocks supporting receivables portfolio,
- A comprehensive arrangement of services offered by a widely authorized intermediary entity,
- Compatibility with the corporate governance practices as a publicly traded company.

Constraints

- Net financing expenses pressurizing bottom line in FY2023,
- Particularly net monetary loss and remarkable increase in financial expenses leads to notable decline in net profit as of 1H2024,
- Intensity of competition in Turkish capital markets,
- Relatively low level of market share in the intermediary sector according to trading volumes,
- Vulnerable nature of risk appetite and capital flows in emerging markets,
- 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 the Long-Term National Issuer Credit Rating has been affirmed at 'A (tr)'. The Company's operating profit generation, capital level, recovering bottom-line profitability in FY2023, declining net profit as of 1H2024 and shareholder structure along with asset quality, competition environment, sectoral position, local and global macroeconomic conditions have been evaluated as important indicators for the 'Stable' outlooks for the Short and Long-Term National Issuer Credit Ratings. The Company's sales growth, profitability indicators, liquidity metrics, market position, and risk appetite will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

1. Rating Rationale

Improvement in Profitability Indicators in FY2023 Compared to Previous Period

Tera Yatırım has shown an improvement in operational performance in terms of profitability indicators. In FY2023, the net sales income of the Company reached TRY 689.19mn compared to TRY 199.93mn in FY2022, with a 244.72% increase. This increase is mainly stemming from the Company's securities and equity trading activities, interest, and commission income. In FY2023, the Company's net share sales amounted to TRY 449.31mn (FY2022: TRY 23.87mn), which contributed to security and equity trading, and net interest income increased by 101.15% annually. Furthermore, net commission income also contributed operational performance and reached TRY 151.59mn including public offering commissions, domestic commissions and international commissions.

The breakdown of net sales income is provided in the table below;

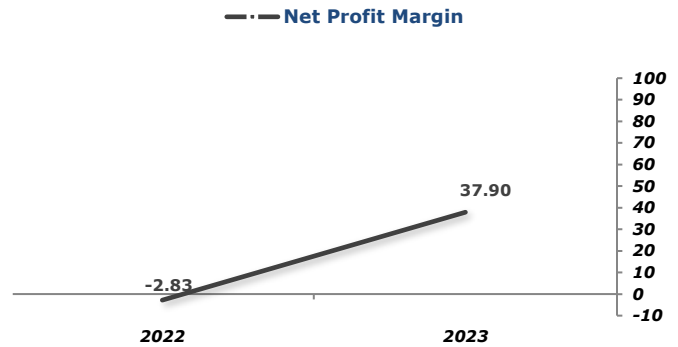
(TRY 000)	2022	2023
Securities & Equity Trading (net)*	23,185	421,121
Commission Income (net)	136,208	186,531
Interest Income (net)	40,535	81,536
Total Net Sales Income	199,928	689,188

Tera Yatırım led and successfully completed 10 IPOs from 2021 to the analyzed period, and as of 1H2024, the Company is the 6th company with the highest number of public offerings among all intermediary institutions. The total size of public offerings intermediated by Tera Yatırım exceeded USD 290mn in total.

Public offering commissions are as follows in FY2022 and FY2023;

(TRY 000)	2022	2023
Public Offering Commissions	32,946	49,136

Furthermore, in FY2023, the Company generated an operating profit of TRY 409.03mn (FY2022: TRY 61.66mn) and a net profit of TRY 261.22mn (FY2022: TRY -5.65mn). The net profit margin for the Company in FY2023 is as follows:



Sufficient Capital Adequacy Base Above Legal Requirements as Well as Paid-In Capital Increase on Oct, 2024

As of FY2022 and FY2023, the capital and paid-in capital of Tera Yatırım were TRY 52.50mn. In October 2024, the Board of Directors decided to increase the capital to TRY 157.50mn, which was all paid-in. This capital is divided into 157,500,000 shares with a nominal value of TRY 1 each, of which 11,250,000 are registered Group A shares and 146,250,000 are registered Group B shares.

As of FY2023, the minimum capital requirement for broadly authorized brokerage firms, as defined by the CMB, was TRY 80.00mn. Tera Yatırım's capital adequacy base and capital adequacy surplus were TRY 289,293mn and TRY 90,995mn, respectively, indicating a sufficient equity base pursuant to CMB regulations at FY2023. (FY2022: TRY 243.12mn and TRY 131.32mn).

According to regulations, a company's ratio of total liabilities to its capital adequacy base, which specifies a company's strength or borrowing capacity, should not exceed 15 times that of the capital adequacy base. The Company's ratio was 6.90x as of FY2023 and 7.57x as of 1H2024, completely in accordance with CMB regulations (FY2022: 3.25x). Consequently, the current level of capitalization has a high capacity to absorb potential losses derived from the firm's main activities.

(TRY'000)	FY 2022	FY 2023	1H2024
Total Liabilities	789,941	1,995,521	2,362,026
Capital Adequacy Base (CAB)	243,121	289,293	312,172
Tot. Liabilities / CAB (x)	3.25	6.90	7.57

In addition, the Company ranked 30th among all intermediary institutions in terms of paid-in capital as

of 2022 and 38th as of 2023. Furthermore, the Company ranked 20th in FY2022 and 26th in FY2023 among non-bank-affiliated companies. Equity indicators, pursuant to the CMB regulations, promise room for borrowing and growth while providing a strong buffer against potential losses derived from the Company's main activities.

Funding Diversity Through Effective Utilization of Bond Issuances

Tera Yatırım's financial liabilities were mainly composed of marketable securities issued and bank borrowings as shown in the following table:

TRY '000	2022	2023	1H2024
Marketable Securities Issued	131,818	670,750	829,000
Bank Borrowings	284,589	245,794	461,550
Securities Issuance Differences	(11,958)	(3,682)	
Payables Arising from Lending Transactions	5	14	141
Right of Use Obligations	5,155	4,220	9,014
Others	-	28	2,798
Total	409,610	917,123	1,302,503

Total financial liabilities of the Company increased from TRY 409.61mn to TRY 917.12mn as of FY2023. In addition, as of 1H2024, 63.65% of total financial liabilities originated from issued bonds and notes (FY2023: 73.14%). As of the report date, the size of the Company's outstanding issuances is TRY 1.19bn in total.

For the ongoing year, the Company plans to undertake TRY-based bond issuances regularly. The presence of available bank lines from different financial institutions and bond issuances is a factor that has diversified resource composition, reducing risk levels.

Following table gives the outstanding issuances of the Company.

Issue Date	Maturity	Principal Amount ('000' TRY)
3.07.2024	2.07.2025	330,000
16.08.2024	12.02.2025	410,000
11.09.2024	10.09.2025	450,000
Total		1,190,000

Level of Collaterals of Common Stocks Supporting Receivables Portfolio

As of FY2023, the Company's main assets were distributed as 50.94% liquid assets (including marketable securities) and 35.68% trade receivables. As of FY2023, the Company's total trade receivables amounted to TRY 914.87mn (FY2022: TRY 1.03bn), with receivables from credit customers accounting for TRY 323.60mn (FY2022: TRY 179.76mn). Trade receivables, generally collateralized with publicly traded shares, are the primary source of credit risk exposure. This characteristic substantially mitigates credit risk while enhancing asset quality. Consequently, the combination of well-performing receivables and the composition of the balance sheet positively influenced the Company's asset quality.

Credit risk refers to the potential loss arising from a borrower's failure to meet their financial obligations. Trade receivables represent amounts owed to a company by its customers for goods or services provided on credit. By collateralizing trade receivables with publicly traded shares, the Company reduces its credit risk exposure. In case of default by the customer, the Company can liquidate the collateral (publicly traded shares) to recover the outstanding debt, thus mitigating potential losses. This collateralization practice contributes to the overall quality of the Company's assets, as it enhances the likelihood of recovering the amounts owed. Additionally, it reflects positively on the Company's balance sheet composition, indicating a prudent approach to managing credit risk and maintaining asset quality. Overall, this strategy helps to safeguard the Company's financial stability and supports its ability to sustain operations effectively.

A Comprehensive Arrangement of Services Offered by a Widely Authorized Intermediary Entity

Tera Yatırım offers a wide range of services, such as 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, via its "Broadly Authorized Intermediary Institution" license. Furthermore, the Company has been permitted to act as an intermediary for order transmission since January 2015.

The Company is headquartered in İstanbul with six liaison offices in Antalya, Ankara, İzmir, Bodrum/Muğla, Üsküdar/İstanbul, and Kadıköy/İstanbul. In addition, Tera Yatırım has targets to expand its branch networks by keeping risk management a priority.

Compatibility with the Corporate Governance Practices as a Publicly Traded Company

Tera Yatırım is registered to the Capital Markets Board (CMB), and its shares have been publicly traded on the Borsa İstanbul A.Ş. (BIST) since 2022. Due to its listed status, the Company has established a functional investor relations settlement which is proven by its website. Easy access to information such as; the history, the Board structure, mission and vision of the Company, annual reports, fields of activity, IPO documents, bond and bill issuances, organization chart, articles of association etc. are provided to investors and stakeholders in the stated website.

Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee has been founded to assist the Board with their supervisory and control duties.

Pressure of High Financing Expenses on Bottom-Line in FY2023

A summary of the income statement of Tera Yatırım is provided in the following table.

(TRY '000)	2022	2023
Gross Profit	199,928	689,189
Operating Profit	61,658	409,027
Operating Profit Before Financial Activities	59,107	449,931
- Financing Income	165,476	257,449
- Financing Expenses (-)	(91,647)	(351,936)
Monetary Loss/Gain	(128,543)	(21,715)
Profit Before Tax	4,393	333,729
Net Profit/Loss	(5,654)	261,224

The Company recorded a gross profit of TRY 689.19mn and an operating profit before financial activities of TRY 449.93mn in FY2023. However, financing expenses, which were almost exclusively derived from interest expenses, suppressed the bottom line, and the Company recorded a net profit of TRY 261.22mn in FY2023. Hence, the bottom line's effect on equity buildup was limited.

Particularly Net Monetary Loss and Remarkable Increase in Financial Expenses Leads to Notable Decline in Net Profit as of 1H2024

In 1H2024, the Company generated a gross profit of TRY 408.29mn denoting an increase compared to the same period of the previous year (1H2023: TRY 330.49mn). In addition, the Company generated a net profit of TRY 38.85mn denoting a decrease from TRY 208.70mn in 1H2023. Mainly, net monetary loss and financing expenses suppressed net profitability in 1H2024. In the first 6 months of 2024, net monetary loss was realized as TRY -156.99mn (1H2023: TRY 107.78mn), and financing expenses amounted to TRY -382.96mn, an increase compared to TRY -158.20mn in 1H2023.

A summary of the income statement for 1H2024 and 1H2023 is provided in the following table.

(TRY '000)	1H2023	1H2024
Gross Profit	330,493	408,286
Operating Profit	293,875	386,800
Operating Profit Before Financial Activities	196,248	396,518
- Financing Income	75,224	228,493
- Financing Expenses (-)	(158,197)	(382,958)
- Monetary Loss/Gain	107,782	(156,995)
Profit Before Tax	221,056	85,057
Net Profit/Loss	208,705	38,853

Intensity of Competition in Turkish Capital Markets

According to the Turkish Capital Markets Association, 63 intermediary institutions are engaged in brokerage activities as of FY2023, which indicates intense competition. In addition, the market 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 economies of scale given their size, country-wide branch network and capability to use their parent institutions' marketing channels along with diversified service offering and comprehensive risk management systems. To exemplify the concentration intensity, as of FY2023, the top 10 intermediary institutions:

Constituted 65.40% of the total asset size,
Comprised 69.39% of the total equity size,
Realized 86.30% of the sales revenues,
Realized 68.53% of the gross profit,
Realized 66.93% of the total equity trading volume.

Relatively Low Level of Market Share in The Intermediary Sector According to Trading Volumes

The Company's market shares, measured by equity or leveraged FX trading volume, have consistently remained below 1% over the years. In addition, the share was 0.29% as of 1H2024 and Tera Yatırım was ranked 35th amongst 62 intermediary institutions regarding equity trading volume.

Equity Trading Volume			
(TRY bn)	2022	2023	2024/06
Sector	31,230.67	58,259.68	37,459.32
Tera Yatırım	115.90	210.56	108.88
Share (%)	0.37	0.36	0.29
Rank (#)	30	33	35

When bank-affiliated institutions excluded, Tera Yatırım took the 21st place in IAS 29 compliant FY2023 financials and in 1H2024.

Vulnerable Nature of Risk Appetite and Capital Flows in Emerging Markets

Several headwinds face companies based in Türkiye, stemming from both global and domestic conditions: rapid monetary tightening, restrictive financial conditions, selective access to finance, policy rate hike expectations, and FX regulations in the latter.

The tightening actions of major central banks, particularly the Fed, which involved increasing interest rates and quantitative tightening to combat inflation, have escalated concerns about a global recession. In addition to ongoing geopolitical risks, concerns that the global economy will head towards a recession in the upcoming period are still on the agenda.

The intermediary sector is susceptible to local and global market conditions affecting investors' risk appetite. Therefore, investors' 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, as well as a deterioration in expectations, may pressure the trading volume of equities, bond issues, and public offerings, and thus the 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

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. The most important risk group undertaken by the intermediary institutions in their activities is the operational risk group. Risks arising from people and the system, which can be exemplified as late or incorrect transmission of customer orders to the system, and failure to transmit them at all due to system errors, fall into this group.

The Company was notified with an order of payment by the regulatory and supervisory authority, the CMB, amounting to TRY 3.88mn in total on October 3, 2024. Fines applied by CMB, due to violation in regulation, required the increase compliance level of the Company. According to data provided by the Company management, the contents regarding these fines were examined and actions were taken regarding system corrections by the Company.

With respect to the factors mentioned above, JCR Eurasia Rating has affirmed the Long-Term National Issuer Credit Rating of Tera Yatırım at '**A (tr)**' and the Short-Term National Issuer Credit Rating at '**J1 (tr)**' in JCR Eurasia Rating's notation system.

In addition, the Long Term International Foreign and Local Currency Issuer Credit Ratings were assigned as '**BB**' as parallel to international ratings of Türkiye.

2. Rating Outlook

JCR Eurasia Rating has assigned a '**Stable**' outlook on the National Long- and Short-Term Issuer Credit Rating perspectives of Tera Yatırım, taking into consideration of the Company's operating profit generation, capital level, recovering bottom-line profitability in FY2023, declining net profit as of 1H2024 and shareholder

structure along with asset quality, competition environment, sectoral position, local and global macroeconomic conditions.

Additionally, the Company's outlook for Long-Term International Foreign and Local Currency Issuer Credit Ratings has been assigned as '**Stable**' in line with the sovereign rating outlooks of the Republic of Türkiye.

Significant factors that may be taken into consideration for any future change in ratings and outlook status include;

Factors that Could Lead to an Upgrade

- Further increases in revenues and profitability,
- Maintenance of retention policy leading to more amplified internal equity generation capability,
- Notable growth in market shares and market power,
- Supportive local and global financial climate and increasing investor risk appetite,
- Significant improvement in liquidity indicators,
- Sizeable cash equity injections,
- Upgrades in the sovereign rating level and economic growth prospects of Republic of Türkiye.

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 the sovereign rating level and economic growth prospects of Republic of Türkiye.

The Company's profitability, internal equity generation capacity, liquidity profile, market position and cost management practices will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

3. Debt Instruments

Tera Yatırım diversifies its own borrowings and adjusts its financial needs via bond issuances. Cash flows generated via activities are deemed sufficient to cover the principal and coupon requirements of the bills.

Following table gives the outstanding issuances of the Company.

Issue Date	Maturity	Principal Amount (000' TRY)
3.07.2024	2.07.2025	330,000
16.08.2024	12.02.2025	410,000
11.09.2024	10.09.2025	450,000
Total		1,190,000

Tera Yatırım plans to continue bond issuances in the following periods, as so long as the market conditions do not deteriorate.

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 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.

As there are no additional legal and/or financial collateral guarantees provided separately for the repayment of the bond issued by Tera Yatırım, the Long and Short-Term National Issue Specific Rating assigned for the TRY dominated bond issuance has been affirmed as the same as the Company's Long and Short-Term National Issuer Credit Rating which are '**A (tr)**' and '**J1 (tr)**'.

4. Company Profile & Industry

a. History and Activities

Tera Yatırım was founded in 1990. After the acquisition of the Company by its current shareholders in 2005, the Company's title has been changed to 'Tera Yatırım Menkul Değerler A.Ş.'. (formerly; 'Stok Menkul Değerler A.Ş.'). Licensed as a "broadly authorized

intermediary institution” in accordance with the approval by the Capital Market Board on 02 January 2015, the Company offers 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 six liaison offices in Antalya, Ankara, İzmir, Bodrum/Muğla, Üsküdar/İstanbul and Kadıköy/İstanbul. In addition, Tera Yatırım has targets to expand its branch networks by keeping risk management a priority. As of December 31, 2023, Tera Yatırım employed a staff force of 78 (FYE2022: 45).

b. Shareholders & Subsidiaries

In December 2022, 16,500,000 Group B shares with a total nominal value of TRY 16.50mn were offered to the public and the Company's issued capital was increased from TRY 37.50mn to TRY 52.50mn. The size of the public offering was TRY 165.00mn. The shares of the Company have been traded on Borsa Istanbul since December 22, 2022, and 31.43% of the shares are publicly traded. The Company's other shareholders are Oğuz Tezmen with 31.43% share, Emre Tezmen with 28.62% share and Gül Ayşe Çolak with 8.52% share as FY2023. Furthermore, in October 2024, the Board of Directors decided to increase the capital to TRY 157.50mn, which was all paid-in. This capital is divided into 157,500,000 shares with a nominal value of TRY 1 each, of which 11,250,000 are registered Group A shares and 146,250,000 are registered Group B shares. The Company's shareholder structure is shown below as of FY2023.

Shareholders				
(000 TRY)	2023/12	%	2022/12	%
Oğuz TEZMEN	16,503	31.43	16,503	31.43
Emre TEZMEN	15,026	28.62	15,026	28.62
Gül Ayşe ÇOLAK	4,471	8.52	4,471	8.52
Publicly Traded	16,500	31.43	16,500	31.43
Paid-in Capital	52,500	100	52,500	100

The Company's current BoD is listed below in the chart:

Board of Directors	Duty
Emre TEZMEN	Chairman
Gül Ayşe ÇOLAK	Vice-Chairman
Emir Münir SARPYENER	Board Member/General Manager
Kadir BOY	Independent Board Member
Özgür ALTAN	Independent Board Member

Consolidated subsidiaries of the Company included in the consolidation are listed below in the chart:

	FYE2023	FYE2022
	%	%
Tera Portföy Yönetimi AŞ	100	100
Vesta Menkul Değerler A.Ş. (*)	100	100

(*) The Company acquired 100% of the shares of Vesta Menkul Değerler A.Ş. (former title: BGC Partners Menkul Değerler A.Ş.) on September 5, 2022.

c. Industry Assessment

Intermediary Institutions

Intermediary institutions operating in the Turkish Capital Markets are subject to regulations of the CMB, a supervisory and regulatory body. In order to provide financial services in Türkiye, 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 Türkiye 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. Banks and brokerage firms serving in the capital markets are organized under the Turkish Capital Markets Association (TCMA). Especially in periods when transaction volumes and IPO increase in financial markets, transaction volumes and profitability of intermediary institutions also increase. As Türkiye went through a period in which the stock exchange increased in volume and public offerings increased in

2022 and 2023, the balance sheets of brokerage firms strengthened.

According to data published by the Turkish Capital Markets Association, there are 71 intermediary institutions, as of May, 2024. Total employee headcount of the intermediary sector was 7,573 in FYE2023 (FYE2022: 6,771). On the portfolio management company side, the number of portfolio management companies, which was 59 in 2022, increased to 66 as of May, 2024.

Key Financial Indicators of Intermediary Institutions

	3Q2023	2022	2021	2020
Total Assets (bn USD)	8.4	8.2	5.6	4.6
Total Assets (bn TRY)	224.5	152.4	61.4	41.3
Total Equity (bn TRY)	57.8	32.1	16.8	11.6
Net Profit (bn TRY)	25.6	14.5	5.8	4.4
ROAA (%)	20.0	13.5	11.2	12.9
ROAE (%)	79.6	59.1	40.7	46.1
Equity / Assets (%)	25.8	27.3	28	28
Asset Growth (%)	122.6	148.3	48.5	52

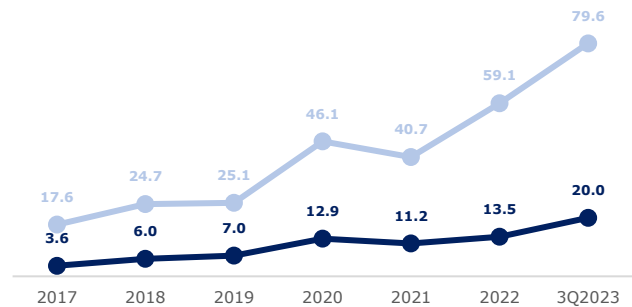
Source: TCMA, JCR-ER

As a result of low deposit interest rates and stable exchange rate parity throughout 2022 and in the three quarters of 2023, investors seeking alternative returns turned to the stock market, which was a positive development for brokerage firms.

In 3Q2023, the sector's net sales increased by 69.9% compared to the same period of the previous year. As a result of the 69.8% increase in OpEx, net profit for the period increased by 235.6% in the first three quarters of the year, reaching TRY 25.6bn. Increasing profitability also supported the equity capital of brokerage firms and shareholders' equity increased by 145.1% annually to TRY 57,846mn as of September 2023.

In addition, the sector's asset size, increased by 122.6% compared to FYE2022 and reached TRY 224.5bn. As seen in the below chart, in line with the robust profit growth supported by increase in activity revenues of intermediary institutions, ROAA and ROAE exhibited strong performance and realized as 20.0% and 79.6% at first three quarters of 2023.

Return on Average Equity (%) Return on Average Asset (%)



Source: TCMA, JCR-ER

*Annualized net profit is used in ROAA and ROAE calculations for 3Q2023 period

While an increase was observed in all revenue items in the first half of 2023 compared to the same period of the previous year, the biggest increase was seen in other real operating income which was mainly consisted of interest received from customers. Commissions on common stock trading were also highly effective in the increase in the net revenues of the sector.

It is however essential to note that the equity return metrics do not account for the inflation adjustment. With the implementation of inflation accounting in 2023, we note that inflated to current prices, as opposed to historical transaction prices as the current accounting practice, intermediary institutions would face notable inflation-accounting related expenses and the current-price-inflated equity base would give a much more realistic and modest return metric.

In 2023, the demand for the stock market surged significantly in response to inflation and the low returns on deposit interest. Although monetary policy tightened, pushing deposit rates close to the inflation rate, this move made deposit accounts more attractive to savers compared to alternative risky investments.

However, the allure of the stock market persisted for investors due to several factors. The number of Initial Public Offerings (IPOs) and their potential returns captured investor interest, alongside the impressive year-to-date performance of BIST in 2024. These factors combined led to expectations of high trading volume in equity markets.

As of the first four months of 2024, a buy-sell volume of TRY 25,979 billion has been recorded, nearly 40% of the total volume for the previous fiscal year. Despite

the attractiveness of deposit interest rates due to tightened monetary policy, the risk-return performance of the equity market continues to keep transactions lively.

In summary, while deposit accounts may seem appealing in the current economic climate, the dynamic nature of the equity market, fueled by IPOs and strong market performance, suggests that investors are still drawn to the potential returns offered by stocks despite the risks involved.

Trading Volume of Intermediaries*

(Billion TRY)	2021	2022	2023	4M2024
Equity Market**	15,027	35,408	65,481	25,979
Brokerage Firms	13,418	31,409	58,520	22,894
Banks	1,609	3,999	6,960	3,085
Fixed Income Market***	1,311	2,700	3,811	1,947
Brokerage Firms	247	468	509	355
Banks	1,060	2,231	3,299	1,591
Central Bank + Takasbank	3.3	1.4	2.7	0
Repo-Reverse Repo Market***	30,202	24,761	68,616	53,279
Brokerage Firms	6,844	3,069	3,828	10,152
Banks	22,568	21,562	57,319	43,127
Central Bank + Takasbank	791	130	7,469	0
Futures Market	8,915	15,713	23,202	9,247
Brokerage Firms	8,483	14,719	20,676	8,409
Banks	390	916	2,485	837
Central Bank	43	78	42	0
Options Market	43.9	61.7	120	73.7
Brokerage Firms	40.8	59.2	109.8	62.5
Banks	3.2	2.5	10.2	11.3
Leveraged FX Transactions****	12,637	24,872	28,908	8,024
Customers	7,224	14,452	16,779	4,519
Liquidity Providers	5,413	10,420	12,129	3,504

Source: TCMA

*Cumulative, sum of buy & sell transactions.

**Only brokerage firms and investment banks are authorized to trade.

***Sum of market and OTC. (OTC as of previous month)

****Only brokerage firms are authorized to trade.

Portfolio management companies were also positively affected by the increase in demand for the stock market in FYE2023. The portfolio size by portfolio management companies increased by 101.6% from TRY 1,569bn in 2022 to TRY 3,163bn in FYE2023. The increase continued in 2024 and the portfolio size increased by 17.1% in the first three months. This increase is expected to continue in the coming period. Moreover, the number of investors also increased from 13,040 to 15,264 in the first three months of 2024.

Asset Management by Portfolio Management Firms

	2021	2022	2023	1Q2024
Portfolio Size (Million TRY)	653,077	1,569,005	3,163,227	4,183,200
Number of Investors	5,464	18,092	13,040	15,264

Tightening financial conditions for the latter of 2024 could temporarily diminish trading volume in the stock exchange due to the increase of tendency towards deposit accounts. However, considering the IPO, it is expected that they will persist throughout the year, maintaining demand at a consistent level. This is likely to have a positive effect on brokerage firms' profitability.

Moreover, the enhanced credibility of both Türkiye and its companies, along with the rising interest of foreign investors into the stock exchange, is projected to augment the revenue of brokerage firms. All developments will be followed by JCR-ER in the coming period.

5. Additional Rating Assessments

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.

Credit Risk

The risk of financial loss to the Company due to the failure of one of the parties to the financial instrument to fulfill its contractual obligations is defined as credit risk. The Company tries to reduce its credit risk by

performing its transactions only with creditworthy parties and obtaining collateral where possible. The Company carries out its credit risk management by constantly monitoring the credit risks of customers with the aging reports of its trade receivables. Trade receivables cover a large number of customers scattered across various sectors. The credit risk of the receivables is evaluated regularly by the Company management.

Maximum credit risk exposure of Tera Yatırım was TRY 2.20bn in FY2023 (FY2022: TRY 1.38bn). When receivables from related parties and deposits in banks (receivables from regulated markets) excluded, the Company's real credit risk exposure would be TRY 1.07bn which corresponds to 41.63% of its total assets (FY2022: TRY 1.09bn, 58.95% of total assets).

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 collateralized with treasury bills, bonds, funds, and publicly traded shares, which dims the credit risk. The Company had no other significant assets subject to credit risk as of FY2023.

Market Risk

Market risks stem from fluctuations in the value of a financial instrument which could potentially impact the Company's future cash flows. These include foreign currency risk, interest rate risks and risks relating to changes in the prices of financial instruments and commodities.

The distribution of foreign currency-based assets and liabilities of Tera Yatırım for the analysis period are shown in the following table.

TRY Equivalent ('000)	FY2022	FY2023
ASSETS	81,249	204,786
LIABILITIES	-	-
NET FX POSITION	81,249	204,786

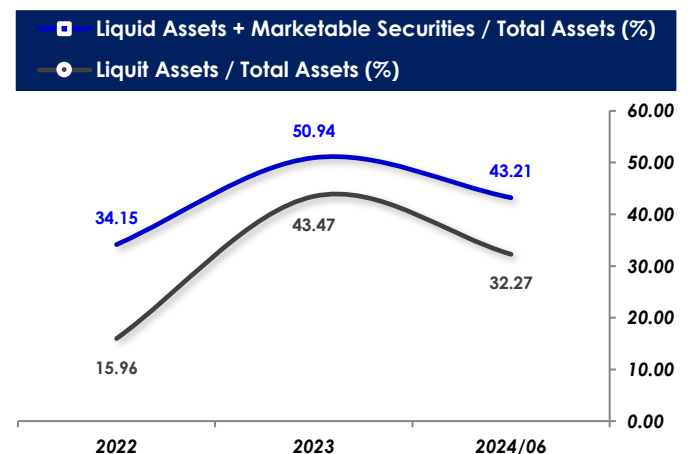
As of FY2023, Tera Yatırım had a net foreign currency position equivalent to TRY 204.79mn (FY2022: TRY 81.25mn).

A company may also be exposed to interest rate risk. While financial instruments with fixed interest rates create fair value risk, floating rated financial instruments cause cash flow interest rate risks. The Company had not any floating rate financial instruments throughout the reviewed period. The Company's interest-sensitive financial instruments as follows:

TRY '000	FY2022	FY2023
Fixed Interest Rate		
Financial Assets	632,866	1,308,177
Financial Liabilities	409,610	917,123

Liquidity Risk

A Company's risk of becoming unable to fulfill its payment requirements on time is defined as liquidity risk. An efficient liquidity risk management requires sustaining adequate liquid sources to meet all of the obligations on time and in a sound manner. The Company 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 FY2023, the liquid assets plus marketable securities to total assets ratio was 50.94% (FY2022: 34.15%).

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 Yatırım continues its efforts to implement human resources and quality policies 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 TRY 3.88mn in total on October 3, 2024. Fines applied by CMB, due to violation in regulation, required the increase compliance level of the Company. According to data provided by the Company management, the contents regarding these fines were examined and actions were taken regarding system corrections by the Company.

TERA YATIRIM MENKUL DEĞERLER A.Ş. VE BAĞLI ORTAKLIKLARI (Consolidated Financials) BALANCE SHEET - ASSET TRY			
	2024-06	2023-12	2022-12
I. CURRENT ASSETS	2,984,160,774	2,468,869,985	1,756,255,233
A. Liquid Assets	1,022,375,572	1,114,769,150	294,946,292
B. Marketable Securities	346,598,910	191,587,376	336,099,229
1.Bonds, Notes & Bills	8,856,755	4,872,950	61,305,552
2.Common Stocks	180,002,926	76,244,349	185,717,493
3.Other	158,513,741	111,221,180	89,076,184
4.Provision for Decrease in Value of Financial Assets (-)	-774,512	-751,103	0
C. Trade Receivables & Leasing	1,367,422,787	914,873,842	1,034,972,629
1.Customers & Notes Receivables	1,367,422,787	914,873,842	1,034,972,629
2.Other Receivables	0	0	0
3.Doubtful Trade Receivables	2,602,196	2,602,196	4,534,874
4.Provision for Doubtful Trade Receivables (-)	-2,602,196	-2,602,196	-4,534,874
5.Rediscount on Notes Receivables (-)	0	0	0
D. Due From Related Parties (Net)	0	4,330,307	0
E. Other Receivables	164,539,864	162,579,291	54,368,454
1.Other Receivables	164,539,864	162,579,291	54,368,454
2.Other Doubtful Receivables	0	0	0
3.Rediscounts on Other Notes Receivable (-)	0	0	0
4.Provision for Other Doubtful Receivables (-)	0	0	0
F. Live Assets (net)	0	0	0
G. Inventories (Net)	0	0	0
H. Contract Progress Income (net)	0	0	0
I. Deferred tax Assets	0	0	0
J. Other Current Assets	83,223,641	80,730,019	35,868,629
1.Other Current Assets	83,223,641	80,730,019	35,868,629
2.Provision for Other Current Assets (-)	0	0	0
II. NON-CURRENT ASSETS	184,289,668	95,379,357	91,727,040
A. Trade Receivables & Leasing	0	70	0
1. Customers & Notes Receivables & Leasing	0	70	0
2. Other Receivables	0	0	0
3. Doubtful Trade Receivables	0	0	0
4. Provision for Doubtful Trade Receivables (-)	0	0	0
5. Rediscount on Notes Receivables (-)	0	0	0
B. Due From Related Parties (Net)	0	0	0
C. Other Receivables	6,011,395	4,177,535	1,538,778
1.Other Receivables	6,011,395	4,177,535	1,538,778
2.Other Doubtful Receivables	0	0	0
3.Rediscounts on Other Notes Receivable (-)	0	0	0
4.Provision for Other Doubtful Receivables (-)	0	0	0
D. Financial Fixed Assets (net)	2,235,804	1,820,423	1,820,423
1. Long Term Securities (net)	0	0	0
2. Affiliates (NET)	0	0	0
3. Subsidiaries (NET)	2,235,804	1,820,423	1,820,423
4.Other Financial Fixed Assets (NET)	0	0	0
E. Tangible Assets	80,983,328	61,112,802	63,195,649
F. Other Fixed Assets	95,059,141	28,268,527	25,172,190
TOTAL ASSETS	3,168,450,442	2,564,249,342	1,847,982,273

- Including JCR Eurasia Rating's adjustments where applicable,

TERA YATIRIM MENKUL DEĞERLER A.Ş. VE BAĞLI ORTAKLIKLARI (Consolidated Financials) BALANCE SHEET-LIABILITIES+EQUITY TRY	2024-06	2023-12	2022-12
I. SHORT TERM LIABILITIES	2,319,007,692	1,956,385,931	1,298,586,529
A. Financial Liabilities	1,296,130,809	915,295,985	405,761,951
B. Trade Payables	713,702,940	812,466,573	410,874,336
C. Due to Related Parties	158,178,138	124,866,510	456,884,120
D. Other Financial Liabilities	2,938,982	41,278	5,357
E. Advances Received	0	0	0
F. Contract Progress Ongoing Construction Contracts (net)	0	0	0
G. Deferred Tax Liabilities	46,642,124	74,795,964	10,387,145
H. Provisions for Liabilities	3,575,947	2,825,544	1,109,059
I Other Liabilities	97,838,752	26,094,077	13,564,561
II. LONG TERM LIABILITIES	6,766,032	3,880,234	5,240,808
A. Financial Liabilities	3,432,698	1,786,028	3,842,755
B. Trade Payables	0	0	0
C. Due to Related Parties	0	0	0
D. Other Financial Liabilities	0	0	0
E. Advances Received	0	0	0
F. Contract Progress Ongoing Construction Contracts (net)	0	0	0
G. Deferred Tax Liabilities	0	0	0
H. Provisions for Liabilities	3,333,334	2,094,206	1,398,053
I Other Liabilities (net)	0	0	0
TOTAL LIABILITIES	2,325,773,724	1,960,266,165	1,303,827,337
F- EQUITY	842,676,718	603,983,177	544,154,936
a) Prior year's equity	603,983,177	544,154,936	91,993,565
b) Equity (Added from internal & external resources at this year)	199,840,358	-201,395,832	457,815,589
c) Minority Interest	0	0	0
h) Profit & Loss	38,853,183	261,224,073	-5,654,218
TOTAL LIABILITY	3,168,450,442	2,564,249,342	1,847,982,273

- Including JCR Eurasia Rating's adjustments where applicable,

TERA YATIRIM MENKUL DEĞERLER A.Ş. VE BAĞLI ORTAKLIKLARI (Consolidated Financials) INCOME STATEMENT TRY	2024-06	2023-12	2022-12
I. Principal Activity Revenues	408,286,225	689,188,669	199,927,516
A. Sales Revenues (Net)	264,958,031	421,121,273	23,184,493
1.Equity & Share Income	271,396,699	449,308,108	23,873,958
2.Incomes From Bond & Bills	-6,668,431	-33,440,457	-689,465
3.Mutual Funds Income	0	0	0
4.Other Sales Income	229,763	5,253,622	0
B. Commission Income (net)	45,137,891	186,531,208	136,208,403
5.Trading&Brokerage Incomes	33,602,752	103,074,072	71,889,567
6.Corporate Finance Revenues	10,929,845	49,135,987	32,945,533
7.Assets Management Revenues	0	0	0
8.Forex Transactions Income	-1,066,058	2,675,699	-1,763,917
9.Income From Other Activities	2,822,284	32,270,048	37,869,071
10.Deductions From Service Income (-)	-1,150,932	-624,598	-4,731,851
C. Interest & Derivative Income from Operating Activities (Net) (+/-)	98,190,303	81,536,188	40,534,620
D. Other Revenues	0	0	0
GROS PROFIT & LOSS FROM PRINCIPAL ACTIVITIES	408,286,225	689,188,669	199,927,516
Activities Expenses (-)	-245,307,418	-328,185,843	-184,938,345
Provision Expenses (-)	0	0	0
NET PROFIT & LOSS FROM PRINCIPAL ACTIVITIES	162,978,807	361,002,826	14,989,171
Income & Profit From Other Activities	292,143,596	116,761,401	96,254,972
Expenses & Losses From Other Activities (-)	-46,485,429	-27,832,819	-51,777,640
Financing Income	228,492,829	257,448,972	165,475,807
Financing Expenses (-)	-382,958,467	-351,936,235	-91,646,638
OPERATING PROFIT & LOSS	254,171,336	355,444,145	133,295,672
Net Monetary Position Profit & Loss (+/-)	-169,114,076	-21,715,038	-128,902,576
PRETAX PROFIT & LOSS	85,057,260	333,729,107	4,393,096
Taxes (-/+)	-46,204,077	-72,505,034	-10,047,314
NET PROFIT FOR THE PERIOD	38,853,183	261,224,073	-5,654,218
Total Income	928,922,650	1,063,399,042	461,658,295
Total Expense	-674,751,314	-707,954,897	-328,362,623
INCOMES OR EXPENSES FOR THE PERIOD	254,171,336	355,444,145	133,295,672

- Including JCR Eurasia Rating's adjustments where applicable,

TERA YATIRIM MENKUL DEĞERLER A.Ş. VE BAĞLI ORTAKLIKLARI		
(Consolidated Financials) FINANCIAL RATIOS %	FY 2023	FY 2022
I. PROFITABILITY		
Relationship Between Capital and Profit		
ROAE - Pre-tax Profit / Equity	58.13	1.38
ROAA - Pre-tax Profit / Total Assets (av.)	15.13	0.40
Gross Profit / Total Assets (av.)	31.24	18.41
Net Profit Margin = Net Profit / Net Sales Income	37.90	-2.83
II. LIQUIDITY		
(Liquid Assets + Marketable Securities) / T. Assets	50.94	34.15
(Liquid Assets + Marketable Securities) / T. Liabilities	66.64	48.40
Liquid Assets / Equity	216.29	115.97
Current Ratio	126.20	135.24
III. CAPITAL and FUNDUNG		
Equity / Total Assets	23.55	29.45
Equity / Total Liabilities	30.81	41.74
Net Working Capital/T. Assets	19.99	24.77
Equity generation/prior year's equity	-37.01	497.66
Internal equity generation/prior year's equity	48.01	-6.15
IV. EFFICIENCY		
Net Sales Growth	244.72	315.20
Equity Growth	10.99	491.51
Asset Growth	38.76	470.78
V. ASSET QUALITY		
Non-Performing Receivables / Total Receivables	0.24	0.41
Non-Performing Asset / Total Assets	2.45	3.52
Financial Fixed Assets / Non-Current Assets	1.91	1.98
VII. INDEBTEDNESS		
Leverage Ratio	324.56	239.61
Short Term Liabilities/Total Asset	76.29	70.27
Long Term Liabilities/Total Asset	0.15	0.28
Short Term Liabilities/ Total Liabilities	99.80	99.60
Short Term Financial Liabilities/Short Term Liabilities	46.79	31.25
Tangible Assets/Total Assets	2.38	3.42
Financial Liabilities/Total Liabilities	46.78	31.42
Off Balance Liabilities/(Assets +Off Balance Liabilities)	5.46	6.42
Off Balance Liabilities/(Equity +Off Balance Liabilities)	19.68	18.88

- Including JCR Eurasia Rating's adjustments where applicable,

Rating Info

Rated Company:	Tera Yatırım Menkul Değerler A.Ş. Eski Büyükdere cad. No:9 İz Plaza Giz Kat:11 34398 Maslak İstanbul Telephone: +90 (212) 365 1000
Rating Report Preparation Period:	02.10.2024-25.10.2024
Rating Publishing Date:	31.10.2024
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2023-FYE2022 Consolidated, 2Q2024-2Q2023 Consolidated
Previous Rating Results:	October 31, 2023 / Long Term National Scale / A (tr)
Rating Committee Members:	Ş. Güleş (<i>Executive Vice President</i>), B. Pakyürek (<i>Manager</i>), Ç. Küçükbakırcı (<i>Manager</i>)

Disclaimer

The ratings affirmed 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 e, 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

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This rating report has been composed within the methodologies registered with and certified by the SPK (CMB-Capital Markets Board of Türkiye), 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

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