

PRESS RELEASE
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JCR-Eurasia Rating
has evaluated **Tera Menkul Değerler A.Ş.** and its
“Cash Flows arising from Planned Bond Issues” and upgraded its Long Term National
Scale of “**BBB+ (Trk)**” to “**A- (Trk)**”, its Short Term National Scale of “**A-3 (Trk)**” to “**A-1**
“**(Trk)**” along with “**Stable**” outlook for both terms.

JCR-Eurasia Rating has evaluated Tera Menkul Değerler A.Ş. in high investment grade category and upgraded its Long Term National Note of “BBB+ (Trk)” to “A- (Trk)”, Short Term National Note of “A-3 (Trk)” to “A-1 (Trk)”, along with “Stable” outlook for long and short terms. On the other hand, JCR Eurasia Rating has affirmed the Long Term International Foreign Currency and Local Currency ratings as “BBB-” along with “Stable” outlooks. Other notes and details of the ratings are provided in the table presented below.

Long Term International Foreign Currency	: BBB- /(Stable Outlook)
Long Term International Local Currency	: BBB- /(Stable Outlook)
Long Term National Local Rating	: A- (Trk) /(Stable Outlook)
Short Term International Foreign Currency	: A-3 /(Stable Outlook)
Short Term International Local Currency	: A-3 /(Stable Outlook)
Short Term National Local Rating	: A-1(Trk) /(Stable Outlook)
Sponsor Support	: 3
Stand Alone	: B

The Company, with an operational history dating back to 1990, changed its trade name from **Stok Menkul Değerler A.Ş** to **Tera Menkul Değerler A.Ş. (Tera)** in 2005 following the changes in its shareholder structure. The Company is authorized as a “**Broadly Authorized Intermediary Institution**” regarding the renewal of its operating licenses in line with the Capital Markets Law and is ranked among the leading non-bank owned intermediary institutions based on transaction volume with its liaison offices domestically and London based subsidiary **Tera Europe Limited** providing investment consultancy/intermediary services. In line with the Company’s vision of creating a financial Holding, Tera has established Tera Varlık Kiralama A.Ş. in 2015 to provide investment banking services including Islamic finance activities. Furthermore, the Company has achieved considerable progress with respect to its expansion plans following the acquisition of Arena Faktoring A.Ş. and by its owners and the acquisition of Ticaret Menkul Kıymetler A.Ş. by the Tera. **Tera** actively carries out intermediation of share certificates and fixed income securities, futures in the Turkish Capital Markets whilst operating in the leveraged transactions segment of the Forex market under the “**TeraFX**” brand as well as carrying out investment banking services.

The Company which outperformed its sector with regards to asset size growth over the review periods, has significantly increased its profits starting from 2014, which resulted to return on assets and equity ratios above the sector averages. The internal equity generation capacity supported via sustainable revenue streams, corporate policies relating to the retention of internal resources supported the equity base of the Company, whose capital adequacy and liquidity ratios are in compliance with the legal regulations and able to cover the potential losses from incidental risks. Aside from sustaining its high asset quality, the Company also managed to diversify its external funding sources by issuing a corporate bond (discount bond) with 6 months to maturity. On the other hand, the overall riskiness of the Company which has significantly raised its investments in corporate bonds in first three quarters of 2015, is increased due to the erosion in the debt service capacity of the issuing companies derived from high volatility of the foreign currency rates, the depreciation of TRY and slowdown of economic activity.

Increasing geopolitical risks that arise from unrests in the nearby geographies with contagion potential, weak recovery in the global economy, downward pressures on commodity prices that adversely affects the developing economies that relies upon commodities for growth and hence spreading of the economic slowdown to developing economies, the negative effects of FED’s interest rate hikes and other various factors that increase the uncertainty in the global economy could lead to reductions in the capital outflows to developing markets whilst the resultant fall in risk appetite may divert the attention of investors towards instruments offering greater security hence carries the potential to exert pressure on cash flows into equity markets.

By considering the significant improvement of the Company’s profitability ratios that are above the sector averages, the continuation of the robust growth trend, retaining of profits in the company that strengthen the equity base, diversification of external funding sources through bond issuance, preservation of asset quality, Company recognition in the sector, its current market share and projections regarding the profitability and growth, form the rationale of the upgrading of the Company’s Long Term National Rating from “**BBB+ (Trk)**” to “**A- (Trk)**”, Short Term National Rating from “**A-3 (Trk)**” to “**A-1 (Trk)**”. On the other hand, the International Foreign and Local Currency Ratings of the Company have been restricted at **BBB-/(Stable)**, which represents the sovereign ceiling.

The Sponsor Support ratings and the financial strength of the Company’s qualified shareholders have been assigned as **(3)**, whilst the Stand Alone grade which assesses the Company’s ability to manage the incurred risks on its balance sheet regardless of shareholder support has been determined as **(B)**. The **(B)** grade in the Stand Alone category represents a “**Satisfactory**” level on JCR Eurasia Rating’s notations system indicating the Company’s ability to meet its liabilities without external support whilst the grade of **(3)** in the Sponsor Support category denotes a “**Satisfactory**” 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. Sevkett GÜLEÇ**.

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