ISSUER REPORT

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12008

Turkey

Chief Analyst Atsushi Masuda
Analyst Shinichi Endo

Long-term Rating	BB+
Outlook*	Negative
Short-term Rating	-

*Long-term Rating refers to Foreign Currency Long-term Issuer Rating in principle.

1. Overview

Turkey is a major power in the Middle East with a population of approximately 83 million and a land area of 780,000 square kilometers (approximately twice that of Japan) that connects Europe and Asia. Its gross domestic product (GDP) in 2019 totaled USD 753.5 billion, the second-largest after Saudi Arabia in the Middle East, with its per capita GDP reaching USD 9,127. While it is a member of the G20, it has joined the EU Customs Union, keeping strong economic ties with Europe.

Ethnically, Turkish account for about 70% of the population, with Kurds accounting for about 20%. The Middle East is said to have about 20-30 million Kurds, of whom some 15 million live in Turkey. More than 90% of the population are Muslims.

2. Social and political bases

Since the foundation of the Republic of Turkey in 1923, the country has adopted secularism as its principle, advocating the separation of politics and religion. Its parliament is based on a unicameral system and the pro-Islamic Justice and Development Party (Turkish: Adalet ve Kalkınma Partisi, AKP) has been in power since 2002. The administration is led by AKP leader Recep Tayyip Erdoğan, who served as Prime Minister from 2003 to 2014 and has been President since 2014. Erdoğan has actively strengthened his political base in recent years. In April 2017, a constitutional amendment aimed to introduce executive presidency was passed by majority in a referendum. In June 2018, he was reelected in the presidential election, which had been moved forward from initially scheduled November 2019. This paved the way for him to serve as president for up to two terms totaling ten years.

Since 2019, however, there have been some developments that appear to show that Erdoğan is losing some of his political clout. In the local elections held in March 2019, while the ruling coalition, which AKP formed with the right-wing Nationalist Movement Party (MHP), retained a majority of seats by winning 51.6% of the votes, the candidate of the ruling camp suffered a crushing defeat in the mayoral election in the capital city of Ankara and another ruling coalition candidate was also defeated by a narrow margin in the mayoral election in the largest city of Istanbul. As regards the Istanbul election, an objection filed by the ruling coalition was accepted and a follow-up election was held in June 2019. However, the ruling coalition candidate was again defeated this time by a big margin. Moreover, some leading AKP lawmakers have bolted from the party in succession. Former Deputy Prime Minister Ali Babacan left the party in July 2019, followed by former Prime Minister Ahmet Davutoğlu in September. Both indicated their intention to form a new party.

In this situation, the government stepped up its military operations in Syria in the autumn of 2019, which resulted in the temporary recovery of the approval rate for the government. In 2020, the approval rate rose to the highest level since 2019 as the administration's leadership in dealing with the COVID-19 pandemic drew strong public support.

Turkey's diplomatic relations with major countries have developed mainly over the situation in Syria in recent years. Its relationship with the US severely deteriorated at

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one stage in 2018. However, the Trump administration decided in October 2019 to withdraw US troops from Syria and discontinue its support for the Kurdish armed forces. This removed one of the factors that had prompted Turkey, which regards the Kurdish force as a terrorist organization, to blame the US. But Turkey began deploying Russian-made S-400 missiles in July 2019 and launched military operations in Syria in October that year after the US troop withdrawal from that country, marring its relations with Washington. In November, however, President Erdoğan and US President Donald Trump held a summit meeting and agreed to improve the bilateral relations. As the impact of COVID-19 on the domestic economy worsened in 2020, Turkey has faced the need to draw external support, such as a possible currency swap agreement with the US. Meanwhile, the operation of its S-400 missiles originally planned for April 2020 has been delayed due to COVID-19 pandemic, and it has been contributing to the improvement of the relationship between Turkey and the US. In this regard, however, some members in US Congress have been arguing in favor of imposing sanctions against Turkey. There remains uncertainty over how the bilateral relationship will evolve in the future.

In the peace process for the Syrian civil war, Turkey and Russia had been in step with each other, but at the beginning of 2020, the Assad regime, supported by Russia, and the Turkish armed forces went into direct combat in the Idlib region of Syria. At that time, tensions temporarily heightened between Turkey and Russia, with both sides repeatedly blaming each other. However, the tensions were alleviated after the two countries concluded a cease-fire agreement in early March. While they are basically seen to share common interests in the Syrian situation, there remain uncertain points about the civil war, and future Turkey-Russia relations require further attention.

With regard to its relationships with EU countries, Turkey has been negotiating its accession to the EU for many years. However, the EU countries have taken a critical view of the Erdoğan administration's strengthening of its political base in recent years, claiming it to be a move toward authoritarianism. In March 2019, the European Parliament adopted a report recommending suspension of the accession negotiations with Turkey. In such situation, Turkey began exploring a natural gas field in the Exclusive Economic Zone claimed by Cyprus. The EU repeatedly urged Turkey to stop the survey, but Turkey which does not recognize Cyprus as a state turned it down and its relationship with the EU worsened. Furthermore, Turkey launched military operations in Syria in October 2019, inviting sharp criticism from the EU and making its isolation from the EU decisive. In November, the EU's Foreign Affairs Council decided to introduce sanctions against Turkey, denouncing its gas mining activities off the coast of Cyprus as illegal. When the situation in Syria became unstable after the autumn of 2019, Turkey pressed the EU for concession by beginning to send European IS fighters back to their native countries. In 2020, it began to urge Syrian refugees to travel to Europe in a bid to get the EU intervene in the Syrian situation to help ease its soured relations with Russia. These moves further cooled Turkey's relationship with the EU. This has made it difficult for Turkey to get adequate economic support from the EU.

3. Economic base

Turkey boasts the second-largest GDP in the Middle East (USD 753.5 billion in 2019) after Saudi Arabia and a per capita GDP of USD 9,127, establishing a relatively developed economic base. It has a population of about 83 million, the second-largest in the Middle East after Egypt. Its ratio of working-age population is in upper 60%, which is one of the highest among the major emerging countries. According to the United Nations Population Prospects, the ratio is expected to remain at that level until around 2040. This means that the Turkish economy may enjoy a population bonus for some time to come. In addition, because of its geographical advantage, Turkey has a high potential not only for the domestic market but also as a base for export to the EU with which it has a customs union and to the neighboring Middle Eastern countries. Among major companies at home, conglomerates such as Koç and Sabancı have a big presence along with former state-owned corporations like Turkish Airlines and Turkish Telecom. Turkey actively takes in foreign direct investment. Leading global automakers are engaged in production in the country while its consumer electronics, steel and chemical manufacturers enjoy a good reputation in the European market. Furthermore, the tourism industry blessed with rich tourist resources also assumes an important position in the Turkish economy.

The economy has rapidly slowed down since the substantial fall of the lira in August 2018, which was

accompanied by a spike of prices and massive policy rate hikes by the central bank, suffering negative growth for three successive quarters from the fourth quarter of 2018 to the second quarter of 2019. The consumer price inflation rate soared to 25.2% year-on-year in October 2018 due mainly to an upsurge of import prices immediately after the lira's sharp drop but the pace of increase swiftly slowed down as the lira's value stabilized. The slower inflation prompted the central bank to lower its policy rate after July 2019. It cut the rate by a cumulative 12% through the end of 2019. Helped in part by such aggressive monetary easing, the Turkish economy swiftly headed toward recovery, returning to a 1.0% year-on-year growth rate in the third quarter of 2019 and achieving a V-shaped recovery with a 6.0% growth in the fourth quarter. It registered a 0.9% full-year growth in 2019.

However, as COVID-19 infections have spread worldwide since the beginning of 2020, Turkey has also been hard hit, with its cumulative number of confirmed infections exceeding 100,000[*1]. The Turkish government has imposed a curfew on people older than 65 and younger than 20 along with a weekend lockdown. President Erdoğan announced a gradual relaxation of the restrictions in May, but their impact on economic activities has been becoming increasingly serious. JCR holds that even under the assumption that the COVID-19 pandemic will converge in the second half of 2020, the Turkish economy in 2020 is highly likely to record a negative growth while the government expects the growth rate to be round 0% based on some of the most recent leading economic indicators.

*1 The number of officially confirmed cases as of June 10th stood at 173,036, but total active cases have been going down due to daily recoveries outnumbering new cases since April 24. Number of active patients as of June 10th was 21,451. Mortality rate stood at 2.7% compared to world average of around 6%.

4. External position

Turkey's current account balance had been in deficit since 2003. However, the country had a surplus equivalent to 1.2% of GDP in 2019 as imports fell sharply due to slower economic activity brought by the lira's steep depreciation and the rise of domestic interest rates in 2018. JCR assumes that the current account balance will remain in surplus in 2020 and that the external balance will continue to improve as the economy will substantially contract due to the COVID-19 pandemic.

On the financial front, a steady inflow of foreign direct investment continued and the Turkish economy recovered rapidly in the second half of 2019, prompting a pickup of inward portfolio investments and other investments. The lira regained stability in the second half of the year and the country's foreign exchange reserves temporarily recovered to the USD 100 billion levels in gross terms. In 2020, however, the currency has again weakened mainly due to a global risk-off trend triggered by the COVID-19 pandemic. The central bank has been supplying foreign currency to the domestic market through a reduction of the reserve requirement ratio for foreign currency deposits and other operations. As a result, the lira's sharp depreciation as seen in 2018 has not occurred to date. However, the central bank's foreign exchange reserves fell by some USD 20 billion from about USD 94 billion at the beginning of 2020 to about USD 75 billion at the end of March, excluding the foreign currency procured through short-term swap transactions with domestic banks.

The central bank began short-term currency swap deals with domestic banks in November 2018. The lira lost much of its value amid an accelerated capital outflow during the political uncertainty between the unified local elections in March 2019 and the follow-up mayoral election in Istanbul in June 2019. While such funding only averaged USD 100-200 million per month from November 2018 to February 2019, it grew to USD 9.6 billion in March 2019 when the lira began to fall. The monthly volume has been well over USD 10 billion between April 2019 and now. It swelled to reach approximately USD 19 billion in February 2020.

On the other hand, Turkey's external financing needs have been staying high but have slightly declined as compared to a few years ago. JCR estimates such needs of the government and the private sector as a whole to be slightly less than USD 200 billion at the end of 2020, as measured in terms of the current account deficit, external debt service and short-term external debt outstanding at the end of the previous year[*2]. The domestic banking sector accounts for about half of the total. But this amount is smaller as compared to the mid-2010s when it was well over USD 200 billion per year. One of factors responsible for this is improved

*2 According to the short-term external debt statistics based on remaining maturity as of March 2020 published by the central bank, total amount of short-term external borrowing stood at USD 169 billion. The large portion is related to stable deposit funding for banks as well as external trade financing for other industries. The external funding amount excluding such factors stood at approximately USD 70 billion.

foreign currency liquidity in the banking sector stemming from its better balance of payments since the fall of 2018, a slower demand for foreign currency borrowing by domestic enterprises and a stronger preference among domestic residents for assets denominated in foreign currencies. Therefore, the sector has been reducing its foreign currency-denominated interest-bearing debt by opting not to refinance all its borrowings that mature. The sector's refinancing rate for its external debt was about 80% in the latest December 2019 statistics made available by the central bank. Such moves can lead to a medium-term reduction of external financial needs. Nevertheless, as the financing needs will remain high in the short term, Turkey will stay vulnerable to external shocks. There remains a risk where access to international financial markets becomes difficult for some reason or other, making the country harder to procure necessary foreign currency.

Against this backdrop, COVID-19 began widely spreading in March 2020. This has resulted in a massive outflow of funds from emerging countries including Turkey, making their access to international financial markets harder. Under these circumstances, the supply of foreign currency to the domestic market by central banks is important in mitigating the deterioration of foreign currency liquidity at home. In Turkey, however, the foreign exchange reserves excluding the funding from swap deals have largely declined as mentioned above, eroding its ability to respond to the latest external shocks.

5. Financial systems

Turkey's financial system has been adding to its soundness since the 2000-2001 currency crisis thanks to the consolidation of the banking sector by the financial supervisory authority and its strong macroprudential policy. Currently, the Banking Regulatory and Supervision Authority (BRSA) supervises the banking sector. Domestic banks numbered 53 at the end of March 2020, including 34 deposit banks. Of these, three are state-owned commercial banks and nine are private commercial banks, the remainder being the branches of foreign banks. The banking sector's total assets stood at about 5 trillion lira (about 114% of GDP). The three state-owned commercial banks boast a strong presence, accounting for 34% of the total assets.

One of the characteristics of Turkey's banking sector in recent years is the ongoing progress on the so-called "dollarization". This stems from the sharp increase in demand for dollar-denominated funds in the early 2010s and the lira's accelerated depreciation in the mid-2010s. The ratio of foreign currency-denominated deposits to total deposits remained in the 30% range from the 2000s to the mid-2010s. However, the ratio exceeded 40% in 2015 due mainly to the lira's fall triggered by the instability of domestic political and security conditions. Since the currency's plunge in August 2018, the ratio has topped 50% amid the heightened preference for foreign currency-denominated deposits.

The growth of bank lending slowed steeply during the economic recession from late 2018 to early 2019, entering into the year-on-year negative territory in the August-September period. After that, however, the lending grew at an accelerated pace on various government measures aimed to encourage lending. The growth returned to 15% at the end of March 2020. There has been a stark contrast between lira-denominated loans and foreign currency-denominated loans. While the former has been rapidly growing since the second half of 2019, the latter has been in negative growth due in part to the rise of exchange rate risks.

The banking sector's NPL ratio had stayed relatively stable at the 3% levels in recent years, but it turned upward in August 2018, rising to 5.2% at the end of March 2020. Since then, the ratio actually came down to 4.5% as of June 8th, presumably on the back of growing loan portfolios and lesser translation of pandemic related problems thanks to the sustained liquidity levels and relaxation measures taken by the BRSA. In the future, though, the ratio may go up further as the economy will slow down due to the impact of the COVID-19 pandemic. On the other hand, the ratio of loan-loss provisions for Stage 3 assets, which stood high at about 75% at the beginning of 2018, has been declining since mid-2018, falling to upper 60% lately due to increased NPLs as well as the IFRS9 transition which took place in the beginning of 2018[*3]. The credit cost ratio, or the ratio of loan-loss provisions to the average balance of total assets, now exceeds 2%, which is about

*3 Technically, banks had to increase coverage ratios for performing Stage 1 and Stage 2 loans whereas they turned out to be too prudent with those under Stage 3. As a result of IFRS9 model calibrations in the beginning, banks had very excessively high provisioning buffers even after increasing Stage 1 and Stage 2 coverages. Therefore they decided to mostly recycle them into "free provisions" which led Stage 3 coverage ratios to decline sectorwise.

twice as high as that in August 2018. This is due in part to BRSA's instructions for banks to quicken recognition of NPLs and put up provisions to cover them. ROA on a pre-provisioning basis stood at upper 3% in 2019. The banks' profitability stays thick enough to absorb the cost of bad loans for now. However, as they may have to build up their loan-loss provisions in the future, the balance between profitability and credit costs needs to be closely monitored.

The capital adequacy ratio has been on an increasing trend, albeit with some fluctuations. It stood high at 17.9% (Basel III standards) at the end of March 2020. In spite of the lira's plunge, an upsurge of domestic interest rates and the subsequent economic downturn, the fluctuations of the ratio have been kept narrow. This has been due to the temporary measures introduced by BRSA in August 2018 for calculation of the ratio (suspension for inclusion of unrealized gains/losses on available-for-sale securities and adoption of a fixed exchange rate for use in calculating risk assets) and the reinforcement of equity capital by banks through issuance of subordinate bonds since 2018. State-owned banks actively provided low-interest loans in response to the government's lending promotion measures. They received capital injection from the Turkish Wealth Fund in 2019 and 2020, which resulted in recovering their capital levels.

As regards liquidity in the banking sector, the ratio of current assets to liabilities stood at around 150%, according to the latest data made available by the authority in March 2020. No latest data are available on the liquidity coverage ratio (LCR): but according to the central bank's financial stability report, the ratio stood at 165% in November 2019, well above the lower mandatory limit of 100%. In the same month, the foreign currency LCR reached as high as 293%, indicating that the foreign currency liquidity had much improved due to residents' increased preference for foreign currency-denominated deposits. In March 2020, BRSA announced a temporary relaxation of the LCRs in response to the tightened domestic liquidity resulting from the COVID-19 pandemic.

The loan-to-deposit ratio (LDR) exceeded 120% at one stage in mid-2018 but has lately declined to around 100% due to reduced loan demand caused by the economic downturn. The lira-denominated LDR stayed at 130-140% and the foreign currency-denominated LDR at 90-100% in recent years. But both turned down in the latter half of 2018. The former has been at around 130% and the latter at the 70% levels lately. Turkish banks tend to have more liquidity for foreign currencies compared to the lira particularly in terms of short-term current assets and liabilities. They have been using the currency swap facility launched by the central bank in November 2018 to reduce their exchange rate risk.

The ratio of outstanding household debt to GDP has been on a declining trend since the mid-2010s. It has been restrained at around 15% lately. Turkish households are prohibited in principle from borrowing foreign currency-denominated loans.

The debt of non-financial firms in GDP terms had been on an increasing trend toward 2018, rising above 70% at one point. As companies have reduced their foreign currency-denominated debt after the collapse of the lira in the same year, the ratio has now fallen to the 50% levels. However, companies may face increased burden to repay their foreign currency-denominated debt due to the resurgence of the lira's instability and the economic slump caused by the COVID-19 pandemic in 2020. Future developments need to be closely monitored.

6. Fiscal base

In 2019, reduced tax revenues, increased interest payments and the extra budget spending to support the flagging economy threatened to expand the government's fiscal deficit. To prevent this happening, the central bank transferred a large amount of foreign exchange gains it had at the time of the lira's plunge in August 2018 to the national treasury. Accordingly, both the central government fiscal deficit (budget cash balance) and public-sector deficit in GDP terms were kept subdued at 2.9% and 3.2%, respectively, as compared to 2.4% and 2.9% in the previous year. On the other hand, the ratio of general government debt to GDP rose to 33.1% at the end of December 2019, up 2.7 percentage points from 30.4% at the end of the previous year, because the value of the lira-denominated debt inflated due to the currency's depreciation as well as the primary balance turning into a deficit equivalent to 0.6% of GDP from a 0.04% surplus in 2018.

As to financing of the fiscal deficit, the government has been raising funds by issuing foreign currency-denominated bonds in the domestic market for the first time in more than a decade. Such bonds carry relatively low interest rates even amid the growing public

borrowing demand. Fund procurements from such bonds amounted to 1.2% of GDP in 2019, accounting for 33% of the total funding. The ratio declined to 27% in the first four months of 2020, but it still remains at high level compared to the past. The Ministry of Finance has explained that this development is in response to the growing demand for management of foreign currency-denominated assets among investors at home. Offshore funding through foreign currency-denominated government bonds has also been increasing, with the amount raised in 2019 hitting a record high at approximately USD 11.2 billion. The ratio of foreign currency-denominated debts (including euro bonds) to the total government debt has continued to rise, reaching 53% at the end of March 2020, the highest since 2003[*4].

At present, if the government accepts a high interest rate, a single offshore bond issuance seems sufficient enough to raise funds to cover the principal and interest payments of the government's foreign debt for a while. JCR holds that the government is less likely to fall short of foreign currency to finance its debt. Nevertheless, attention needs to be paid to the fact that greater dependence on foreign currency can add to the risk associated with future foreign currency financing.

The government had announced in a New Economic Program unveiled at the end of September 2019 that it will tolerate a fiscal deficit up to around 3% of GDP through 2022 and curb the growth of its debt balance to lower 30% of GDP, making it clear that it will support the economy through increased spending while maintaining fiscal discipline. However, due to a sharp economic downturn resulting from COVID-19 in 2020, a major deterioration of the fiscal position from the one predicted in the NEP has become unavoidable in light of reduced tax revenues and additional fiscal spending. Much may depend on how soon the pandemic will end. JCR believes that the government debt in 2020 may deteriorate from upper 30% level of GDP to lower 40% level.

*4 Foreign currency-denominated debt stock contains gold bonds and FX special purpose bonds. In aggregate terms, these two facilities make up 6-7% of the total debt stock.

7. Overall assessment and rating outlook

Since the beginning of 2020, the Turkish lira continued to depreciate reflecting uncertainties including the destabilizing Syrian situation. The foreign exchange reserves kept decreasing against the background of various operations taken by the central bank, and there was growing uncertainty over the external financing by the private sector. This situation has been compounded by an unexpected external shock stemming from the spread of novel coronavirus infections since March 2020. The lira is now under growing depreciation pressure as risk-off sentiment gains steam worldwide. The central bank has been supplying foreign currencies to the domestic market through various operations including reduction of the reserve requirement ratio for foreign currency-denominated deposits. While the sharp fall of the lira as seen in 2018 has been avoided to date, the level of the foreign currency reserves has further declined. The central bank has increased the volume of short-term FX swaps with domestic banks to absorb the increased foreign currency supplies as a result of lowered reserve requirement ratios and simultaneously to meet the FX hedge demand by domestic banks. The amount of foreign currency reserves excluding such short-term swaps has decreased substantially, and such swap operations have supplemented the level of foreign currency reserves. Moreover, Turkey's real economy is under great downward pressure due to the setback of demand both at home and abroad resulting from the novel coronavirus pandemic. Swiftly responding to the situation, the government has mobilized a spate of measures such as tax deferral, various forms of financial support and the use of the unemployment insurance. Meanwhile, JCR expects that the government will formulate a more powerful fiscal package including budgetary measures in the near future to deal with the rapid deceleration of the economy, which may lead the government's fiscal position to further deteriorate.

The outlook for the Syrian situation and the novel coronavirus problem remains highly uncertain. If these problems become serious and prolonged, the downward pressure on the lira is likely to lead to further decline in the foreign exchange reserves and to put further pressure on the external financing by the private sector. In addition, further fiscal stimulus might be required to prevent the economy hitting rock bottom, and the general government debt, which stood at 33% of GDP at the end of 2019, is likely to increase significantly in the future. Based on the above, JCR has downgraded the ratings by one notch to "BB+" and maintained their Negative outlook. JCR will continue to monitor the future developments of foreign currency funding and state finance and will reflect them on the ratings as appropriate.

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Major Economic Indicators

	UNIT	2015	2016	2017	2018	2019
Real GDP growth	%	6.1	3.2	7.5	2.8	0.9
CPI inflation (annual average)	%	7.7	7.8	11.1	16.3	15.2
Central government fiscal balance to GDP	%	-0.8	-1.4	-1.7	-2.4	-2.9
Central government primary balance to GDP	%	1.3	0.8	0.3	0.0	-0.6
General government debt outstanding to GDP	%	27.5	28.2	28.2	30.4	33.1
Current account balance to GDP	%	-3.2	-3.1	-4.8	-2.7	1.2
Trade balance to GDP	%	-5.7	-4.6	-6.9	-5.2	-2.2
Financial account balance to GDP	%	-1.1	-2.6	-4.5	-0.1	-0.6
Official reserve assets	bn USD	110.5	106.1	107.7	93.0	105.5
Import cover	months	5.8	5.8	5.1	4.5	5.6
Short-term external debt outstanding to Official reserve assets	x	0.7	0.6	0.6	0.5	0.6
Foreign exchange rate (annual average)	TRY/USD	2.7	3.0	3.6	4.8	5.7
External debt outstanding to GDP	%	46.6	47.4	53.3	57.0	58.0
External financing needs to official reserve assets	x	1.9	1.9	2.1	2.4	1.8

* Figures for the most recent period could be indicators based on preliminary figures.

(Notes)
1 Fiscal balance is cash-balance basis.
2 Short-term external debt outstanding on remaining maturity basis.
3 External financing needs = current account deficit + principal and interest payments of external debt + short-term external debt outstanding at the end of the previous year

Source: JCR, from Ministry of Treasury and Finance, Central Bank of Turkey, Turkish Statistical Institute and CEIC

Ratings

	Rating	Outlook*	Amount (millions)	Currency	Rate (%)	Issue Date	Maturity Date	Release
Foreign Currency Long-term Issuer Rating	BB+	Negative	-	-	-	-	-	2020.04.10
Local Currency Long-term Issuer Rating	BB+	Negative	-	-	-	-	-	2020.04.10
Japanese Yen Bonds Series E Series 1 (2017)	BB+	-	37,000	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 2 (2017)	BB+	-	2,000	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 3 (2017)	BB+	-	1,000	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 4 (2017)	BB+	-	700	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 5 (2017)	BB+	-	3,000	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 6 (2017)	BB+	-	2,400	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 7 (2017)	BB+	-	3,600	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 8 (2017)	BB+	-	3,000	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 9 (2017)	BB+	-	3,600	JPY	1.81	2017.12.07	2020.12.07	2020.04.10
Japanese Yen Bonds Series E Series 10 (2017)	BB+	-	3,700	JPY	1.81	2017.12.07	2020.12.07	2020.04.10

History of Long-term Issuer Rating (Foreign Currency Long-term Issuer Rating or its equivalent)

Date	Rating	Outlook*	Issuer
2004.03.12			Turkey
2005.03.10			Turkey
2007.12.28	BB-	Stable	Turkey
2009.06.04	BB-	Stable	Turkey
2010.02.01	BB	Stable	Turkey
2011.02.21	BB	Stable	Turkey
2012.06.28	BB	Stable	Turkey
2013.05.23	BBB-	Stable	Turkey
2014.07.11	BBB-	Stable	Turkey
2015.08.28	BBB-	Stable	Turkey
2016.10.07	BBB-	Stable	Turkey
2017.11.10	BBB-	Stable	Turkey
2018.08.14	#BBB-	Negative	Turkey
2018.11.27	BBB-	Negative	Turkey
2020.04.10	BB+	Negative	Turkey

*Outlook for Foreign Currency long-term issuer rating, or direction in case of Credit Monitor

Japan Credit Rating Agency, Ltd.
Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

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