

Corporate Credit Rating

New Update

Sector: Housing and Construction

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Senior Chief Analyst

Orkun İNAN

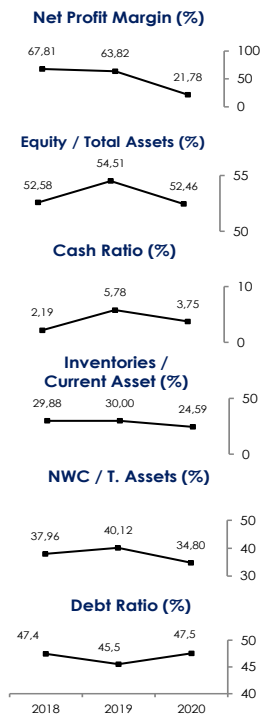
+90 212 352 56 73

orkun.inan@jcrer.com.tr

RATINGS

		Long Term	Short Term	
National	Local Rating	AAA (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Stable	Stable
		LC	Stable	Stable
Sponsor Support		1	-	
Stand-Alone		A	-	
Sovereign*	Foreign Currency	BB	-	
	Local Currency	BB	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by JCR on May 31, 2021



Toplu Konut İdaresi Başkanlığı

JCR Eurasia Rating has evaluated “Toplu Konut İdaresi Başkanlığı” in the highest investment grade category at national level and assigned the ratings as “AAA (Trk)” on the Long-Term National Scale and as “A-1+ (Trk)” on the Short-Term National Scale with “Stable” outlooks. On the other hand, the Long Term International Foreign and Local Currency Ratings have been assigned as “BB/Stable”.

Toplu Konut İdaresi Başkanlığı (hereinafter referred to as “TOKİ”) was established under the name of Mass Housing and Public Partnership Administration with the Mass Housing Law No. 2985, which came into force in 1984. TOKİ is a not for profit public entity that operates under a mandate from the central government of Turkey relating to housing and settlement issues in Turkey due to its mission. In this respect, the Administration is not in a competitive environment. TOKİ has no share capital, it cannot be declared bankrupt. Operating under the Prime Ministry since 2004, TOKİ has been affiliated to the “Ministry of Environment and Urbanization” as of 02 July 2018, with the transition to the Presidential Government System in Turkey. Following the 1999 Marmara Earthquake, an Emergency Action Plan was prepared, and as a result of the closure and/or abolition of the companies such as T. Emlak Bankası A.Ş., Undersecretariat of Housing, Immigrant Housing Coordinatorship and Meskhetian Turks Settlement Coordinator, General Directorate of Land Office, Ministry of Public Works and Settlement Department of Housing Affairs and Prime Ministry Project Implementation Unit; their ongoing duties were transferred to TOKİ.

TOKİ carries out its operations through 6- subsidiary, namely, Emlak Gayrimenkul Yatırım Ortaklığı A.Ş., TOBAŞ (TOKİ Metropolitan Municipality Construction Real Estate and Project Inc.), GEDAŞ Real Estate Appraisal Inc., Vakıf Construction Restoration and Trade Inc., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş., Boğaziçi Housing Service Management and Trade Inc.

TOKİ takes over lands with and/or without a price from the Treasury, public entities and government agencies and municipalities.

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

Strengths	Constraints
<ul style="list-style-type: none"> Current local law affording for remoteness of bankruptcy, Limited financial debt level resulted with self-financing capacity, Diversified income stream mitigating fluctuations of revenues which has benefitted from substantial asset expansion, Having alternative funding opportunities, including debt issuance through tailored financial instruments, easing liquidity management, Solid cash flow management thanks to its business model, The projects, underpinned by its subsidiaries, meeting the demands at different income levels, Increasing population, urban transformation, disciplining the housing market and cooperation with local government supporting the growth of the sector. 	<ul style="list-style-type: none"> In line with the contraction in the construction sector, the slowdown in sales and operating income during 2020,

Considering the aforementioned points, the Company’s Long-term National Rating has been assigned as “AAA (Trk)”. Taking into account sustainable sales generation capacity, resilience of income stream against market fluctuations, substantial asset expansion, low debt levels, historically strong operating performance, mass housing law, and experienced and qualified organizational structure, as well as, Covid-19 pandemic and geopolitical risks-driven uncertainties; the Company’s outlook for Long and Short-Term National ratings has been determined as “Stable”. Financial risk indicators, profit margins, regulations as well as market conditions regarding the sector are the priority issues to be monitored in the following period.

The operational strength and the expected support of the TOKİ’s ultimate controlling constitute the foundation for TOKİ’s sponsor support evaluation. The Sponsor Support notes and risk assessments carried out reflect the financial and nonfinancial standings and expected support of Republic of Turkey Ministry of Environment and Urbanization and Mass Housing Law No 2985. TOKİ has no legal capital. Therefore, it cannot be declared bankrupt. TOKİ’s operations and financials are engaged with the Turkish Government, reflecting its public-statute entity and operations under a mandate of the central government. In this scope, “Sponsor Support” category has been assigned as (1), which denotes the highest level.

The Stand Alone Note of TOKİ has been constituted particularly with respect to the TOKİ’s current backlog, equity level, asset quality strengthened by low collection risk, diversified income stream, social housing program of Turkey, legally recognized competitiveness, experienced management team and know-how level. In this respect, the “Stand-Alone” rating of the Company has been assigned as (A) in JCR Eurasia Rating notation system.

1. Rating Rationale

With respect to the below-mentioned factors, JCR Eurasia Rating has assigned **Toplu Konut İdaresi Başkanlığı** Long Term National Note as “**AAA (Trk)**” and the Short-Term National Note as “**A-1+(Trk)**” with “**Stable**” outlooks in JCR Eurasia Rating’s notation system.

On the other hand, the Company's International Foreign and Local Currency Ratings have been assigned as “**BB**” in the Long Term and “**B**” in the Short Term with “**Stable**” outlooks considering country risks, convertibility, transfer risks. As a result, JCR Eurasia Rating 's believes that TOKİ's credit quality ultimately aligns with the Government of Turkey's credit rating.

Current Local Mass Housing Law Remoteness of Bankruptcy

Toplu Konut İdaresi Başkanlığı was established in 1984 with the Mass Housing Law No. 2985 (the “Law”) in order to produce social housing by developing alternative models in order to meet the housing demands of citizens who cannot own housing under market conditions., the duties, revenues and supervision of TOKİ, which has a public legal personality, and the areas in which its expenditures will be made have also been determined with this Law. In this context, TOKİ is a public economic institution with a special budget.

TOKİ is a not for profit public entity that operates under a mandate from the central government of Turkey relating to housing and settlement issues in Turkey due to its mission. In this respect, the Administration is not in a competitive environment. TOKİ has no share capital, it cannot be declared bankrupt. In 2010, it was included in the scope of the financial audit of the TCA within the framework of the TCA Law.

Limited Financial Debt Level Resulted with Self-Financing Capability

TOKİ acts as the government of Turkey's institution for implementing the national Urbanization and Housing Production Plans. In line with its constitutionally declared responsibility to meet social housing needs in Turkey through Mass Housing Law No. 2985, which came into force in 1984, the Turkish government provides solid

strategic surveillance over TOKİ's management to ensure that goals set in the national housing and urbanisation policies are to be met. Historically, TOKİ's financial performance and balance sheets were influenced closely by the government's decision on land allocations and investment plans.

TOKİ's FYE2020-19-18 main credit metrics are shown below It should be noted that these ratios are sustainable in line with the TOKİ's well-managed sales revenue generation capacity, low financial debt.

Credit Metrics (%)	2020	2019	2018
Fin Debt/ Equity	4.72	4.91	5.74
Fin Debt/ Total Liabilities	5.20	5.88	6.36
Fin Debt/ Total Assets	2.47	2.68	3.02

In 2020, TRY147mn interest-free housing loans were extended to the 997 citizens who are relatives of martyrs, veterans and the disabled and a total of TRY1,512 loans were extended to 26,486 citizens. The interest-free housing loan of TRY154k per person in 2020 was increased to TRY177k in 2021.

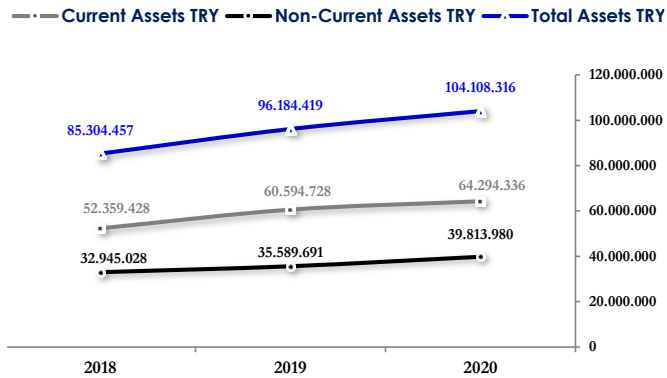
TOKİ financial accounts are kept in public banks in accordance with the General Communiqué of the Public Treasurer. Returns of sales and loans made by TOKİ are followed and collected by public banks (on behalf of TOKİ).

Diversified Income Stream Mitigating Fluctuations of Revenues Which Has Benefitted from Substantial Asset Expansion

TOKİ's main incomes includes residence, workplace, land sales and rental income, loan returns, interest income, appropriations allocated by budget laws and international departure fees, service share amounts to be received from relevant institutions and organizations between 3 - 10% of the construction cost for constructions made on behalf of public institutions.

TOKİ's social housing program constitutes 85% of the total housing applications, while the remaining 15% consists of resource development projects with the revenue sharing model in return for land sales. In TOKİ projects, the residences are offered for sale at the beginning of the construction phase after the tender or when these reach a certain stage. TOKİ completes the construction of the residences in approximately 2- year. The beneficiaries of

TOKI's social housing projects make their down payment at the beginning of the construction or when it reaches a certain stage after the tender, and then continue to make monthly payments according to a single-indexed repayment plan. Civil servant salary index is used in projects for low- and middle-income groups.



TOKI's assets grew 8.24% and 12.75% in FYE2020 and FYE2019, respectively. This growth in active assets reached TRY64,294mn with a 6% increase in current assets and TRY39,814mn with a 12% increase in non-current assets. As of the end of 2020, the total amount of deposits in banks is TRY1,011mn, reflecting 1.01% of total assets (1.32% in FYE2019). Short term receivables decreased by 1% to TRY16,796mn. and inventories of real estates decreased by 13% to TRY15,809mn in the same period. Construction investments in progress reached TRY25,203mn with an increase of 31% in FYE2020. The long-term receivables increased by 13% to TRY37,642mn.

Having Alternative Funding Opportunities, Including Debt Issuance Through Tailored Financial Instruments, Easing Liquidity Management

In TOKI projects, the residences are offered for sale at the beginning of the construction phase after the tender or when these reach a certain stage. TOKI completes the construction of the residences in approximately 2- year. The beneficiaries of TOKI's social housing projects make their down payment at the beginning of the construction or when it reaches a certain stage after the tender, and then continue to make monthly payments according to a single-indexed repayment plan.

The property rights of the residences belong to TOKI until the debts of the homeowners are discharged. Hence, the repayment of the projects is guaranteed. The sales prices of

the residences are determined by TOKI based on the savings patterns and monthly payment power of the target groups, without any profit motive, and the construction costs, consultancy services and land costs are also considered in the calculations.

Short term liabilities decreased by 28% to TRY28,066mn, while long term liabilities decreased by 1% to TRY21,424mn. in FYE2020.

Due to the financial analysis of TOKI's balance sheet and income statement; depending on the well-administered operational risks together with implementing right strategic financial policies, it is seen that long-term financial predictions are suitable with targets and the balance of indebtedness is well- managed.

In line with the development of the regulatory environment, TOKI has options for alternative funding mechanisms, including debt issuance through tailored financial vehicles.

Solid Cash Flow Management Thanks to Its Business Model

TOKI continues its efforts to transform and improve slum areas in cooperation with local government, particularly by ensuring that low-income citizens own a house within the framework of a certain model such as paying rent, increasing housing production with alternative practices and disciplining the housing market. TOKI's social housing program constitutes 85% of the total housing applications, while the remaining 15% consists of resource development projects with the revenue sharing model in return for land sales. In TOKI projects, the residences are offered for sale at the beginning of the construction phase after the tender or when these reach a certain stage. TOKI completes the construction of the residences in approximately 2- year.

Payments for houses sold to low-income households begin when the house is delivered, and the risk of receivables is reduced to minimum levels by providing long-term opportunities with low level of payments.

Advances are given to contractor companies. Progress payments are only paid according to the percentage of completion of the project. Therefore, TOKI's cash flow metrics are quite strong when compared to peer groups of Turkey's construction companies.

Competitiveness Provided by Projects and The Mass Housing Law

Toplu Konut İdaresi Başkanlığı was established under the name of Mass Housing and Public Partnership Administration with the Mass Housing Law No. 2985, which came into force in 1984. TOKİ is a not for profit public entity that operates under a mandate from the central government of Turkey relating to housing and settlement issues in Turkey due to its mission. In this respect, the Administration is not in a competitive environment. TOKİ has no share capital, it cannot be declared bankrupt. Operating under the Prime Ministry since 2004, TOKİ has been affiliated to the "Ministry of Environment and Urbanization" as of 02 July 2018, with the transition to the Presidential Government System in Turkey. Following the 1999 Marmara Earthquake, an Emergency Action Plan was prepared, and as a result of the closure and/or abolition of the companies such as T. Emlak Bankası A.Ş., Undersecretariat of Housing, Immigrant Housing Coordinatorship and Meskhetian Turks Settlement Coordinator, General Directorate of Land Office, Ministry of Public Works and Settlement Department of Housing Affairs and Prime Ministry Project Implementation Unit; their ongoing duties were transferred to TOKİ. Upon this transfer, totally 64.5 million m2 land was passed into the ownership of TOKİ as of December, 2004

TOKİ carries out its expanding activities and the works of the companies in the portfolio of the institutions transferred to it, together with 6 subsidiary companies. TOKİ, which provides services in the fields of project management, real estate marketing, contracting, management services, real estate valuation, restoration finance, trade and consultancy.

The product portfolio supported by the services offered to different customer groups in different styles via its projects supports TOKİ's sustainable growth. TOKİ has also cooperated with central and local government agencies in certain projects.

TOKİ's current subsidiaries are Emlak Real Estate Investment Trust Inc, TOBAŞ (TOKİ Metropolitan Municipality Construction Real Estate and Project Inc.), GEDAŞ Real Estate Appraisal Inc, Vakıf Construction Restoration and Trade Inc, Vakıf Real Estate Investment Trust Inc, Boğaziçi Housing Service Management and Trade Inc.

• *Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş*

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş was established on December 26, 1990 as a subsidiary of Türkiye Emlak Bankası A.Ş. The Company has been registered and started its activities on March 6, 1991. The Company was transformed into a Real Estate Investment Company on August 4, 1999. Emlak Konut REIT assumed the title of Real Estate Investment Trust on July 22, 2002. Subsequently Emlak Konut REIT was listed on Borsa Istanbul on November 26, 2010. As a real estate investment trust, Emlak Konut REIT has operations and investments in real estate projects and operates as defined in the regulations of the Capital Markets Board regarding real estate investment partnerships. The Company reached TRY 4.73bn in sales and TRY 28.64bn in total assets as of FYE 2020, which were TRY 5.67bn and TRY 24.18bn as of FYE 2019, respectively. As of 1Q2021, The Company reached TRY 1.29 bn in sales and TRY 28.71bn in total assets.

JCR Eurasia Rating, has evaluated Emlak Konut Gayrimenkul Yatırım Ortaklığı AŞ in a high investment-level category on the national scale and assigned the ratings on the Long-Term National Scale as 'A (Trk)' as of June 25,2021.

• *Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş*

Established on January 12, 1996 as the first Real Estate Investment Trust in Turkey, Vakıf REIT has an important place in the sector due to its strong capital.

Among its shareholders are T. Vakıflar Bankası T.A.O., a leading corporation in the banking sector and, the Housing Development Administration of Turkey that has been providing a great support in term of the housing production and financing in its field of operations for many years.

During 2020, the company's operating income was TRY 88.466 million compared to TRY 96.185 million a year ago. Net income was TRY 118.592 million compared to TRY 96.152 million a year ago.

• ***TOKİ Büyükşehir Belediyesi İnşaat Emlak ve Proje A.Ş (TOBAŞ)***

Tobaş's shareholders are (49%) Mass Housing Administration, (1%) TOKİ Affiliate Company, (49%) Ankara Metropolitan Municipality and (1%) of Ankara Metropolitan Municipality Affiliated Companies. It has the status of public institution subject to the provisions of private law ((North Ankara Entrance Urban Transformation Project Law No 5104). TOBAŞ has experiences with many municipalities in Turkey and many countries abroad, which are urban transformation works. Within the scope of the Northern Ankara Entrance Urban Transformation Project, it took part in the planning-projecting and manufacturing phases of the various sizes of Housing Construction, Trade Center-Unit Center-School, Health Center, Place of Worship-Mosque-Police Building-Road-Tunnel-Viaduct.

• ***GEDAŞ Gayrimenkul Değerleme A.Ş***

GEDAŞ Gayrimenkul Değerleme A.ş was established in 1995 as a subsidiary of Emlak bank in order to provide business and services defined as appraisal and evaluation.

Gedaş Gayrimenkul Değerleme A.Ş, serving all over Turkey, primarily real estate valuation; it provides services in the fields of urban transformation, machinery and equipment valuation, ship valuation, feasibility & project development, risky building detection.

• ***Vakıf İnşaat Restorasyon ve Ticaret A.Ş***

The Company provides services for all kinds of construction, restoration, contracting, equipping, repair and strengthening works in accordance with modern technology standards. It was established in 1977 and changed its trade name to current title in 1985. The company was transferred to TOKİ in 2011.

• ***Boğaziçi Konut Hizmet Yönetim İşletmeciliği ve Ticaret A.Ş***

Boğaziçi Yönetim AŞ was established in 1997 as a public participation company of Istanbul Metropolitan Municipality to provide integrated facility management services in mass housing.

In addition to the mass housing units produced by KIPTAŞ in Istanbul, the company also provides management consultancy services in privately owned sites.

Boğaziçi Yönetim AŞ also provides management services for the Greater Istanbul Bus Terminal and Kemerburgaz City Forest, and provides cleaning, maintenance and repair services in the common living areas. In order to ensure that the Cultural Properties of Boğaziçi Yönetim AŞ are protected in a sustainable order, the general cleaning, simple maintenance and repairs of Cultural Property Immovables such as Mosques of Historical and Touristic Importance, Historical Tombs, Graveyards, Fountains, Monuments and Sculptures are carried out within the scope of preventive protection, and the institutions and organizations within the Istanbul Metropolitan Municipality. It ensures that the cleaning services provided to the affiliates are carried out according to the regulations.

Increasing Population, Urban Transformation, Disciplining the Housing Market and Cooperation with Local Government Supporting the Growth of The Sector

The Squatter Law No 775 (1966) was the first regulatory aim to make housing for low-income segments in Turkey and with the Mass Housing Law No 2985 (1984), they targeted to grow the production of social housing. These regulations demonstrate the importance given to low-income housing production in Turkey. In the 2000s, the legal concept of urban transformation emerged; and it started to be mentioned together with disaster risk. In 2012, the Turkish parliament passed a Law on Urban Transformation No 6306, which authorized the public sector's involvement in the urban transformation process in disaster risk prone areas. Under this Law, close to seven million dwellings country-wide are expected to be included in the urban transformation process.

The Government of Turkey, at both central and local government levels, has elevated the importance of urban transformation practices. Major urban transformation projects have been implemented in other cities and districts, particularly in cities with intense population such as Ankara, Istanbul, Izmir, Bursa, Denizli, Uşak, Erzurum, Erzincan, Gaziantep, Trabzon by TOKİ.

Where the pace of population increases and migration from rural areas has been very high, upward trend in the production of mass housing projects continues. Consequently, urbanization process has been experienced in a short time span in recent years. Demand for urban land and housing rises to a very high level. Particularly for the low- and middle-income groups.

2. Projections & Debt Instruments

Taking into consideration TOKI's sales and profitability performance during 2020 and current backlog amount remain achievable for following years that the operating performance is maintained throughout the year. The contract amounts of the projects for the end of 2020 and 2021/9 months are TRY23,025mn. and TRY11,038mn., respectively.

Period	Number of Projects Tendered	Total Tender Value
2020	462	TRY34.6bn.
2021/9	329	TRY26.8bn.

Period	Total Number of Residences	Number of Reinforcements
2020	98,219	5,409
2021/9	56,605	3,714

3. Rating Outlook

JCR Eurasia Rating has assigned “**Stable**” outlooks on the short and long-term rating perspectives of TOKI, considering its sustainable sales generation capacity, resilience of income stream against market fluctuations, substantial asset expansion, low debt levels, historically strong operating performance, mass housing law, and experienced and qualified organizational structure, as well as, Covid-19 pandemic and geopolitical risks-driven uncertainties.

Financial risk indicators, profit margins, regulations as well as market conditions regarding the sector are the priority issues to be monitored in the following period.

Additionally, as JCR Eurasia Rating, we have assigned “**Stable**” outlooks on the international long and short-term local currency rating perspectives of TOKI, considering credit quality ultimately aligns with the Government of Turkey's credit rating.

4. Sponsor Support and Stand-Alone Assessment

The operational strength and the expected support of the TOKI's ultimate controlling constitute the foundation for TOKI's sponsor support evaluation. The Sponsor Support notes and risk assessments carried out reflect the financial and nonfinancial standings and expected support of Republic of Turkey Ministry of Environment and Urbanization and Mass Housing Law No 2985. TOKI has no legal capital. Therefore, it cannot be declared bankrupt. TOKI's operations and financials are engaged with the Turkish Government, reflecting its public-statute entity and operations under a mandate of the central government. In this scope, “Sponsor Support” category has been assigned as (1), which denotes the highest level.

The Stand Alone Note of TOKI has been constituted particularly with respect to the TOKI's current backlog, equity level, asset quality strengthened by low collection risk, diversified income stream, social housing program of Turkey, legally recognized competitiveness, experienced management team and know-how level. In this respect, the “Stand-Alone” rating of the TOKI has been assigned as (A) in JCR Eurasia Rating notation system.

5. Company Profile & Industry

a) History and Activities

Mass Housing Administration was established in 1984 with the Mass Housing Law No. 2985 (the “Law”) in order to produce social housing by developing alternative models in order to meet the housing demands of citizens who cannot own housing under market conditions.

The duties, revenues and supervision of TOKI, which has a public legal personality, and the areas in which its expenditures will be made have also been determined with this Law. In this context, TOKI is a public economic institution with a special budget.

Following of 1999 Marmara earthquake, an Emergency Action Plan was prepared and the “Planned Urbanization and Housing Mobilization” was initiated. Within the framework of this plan, all activities other than banking with the closure of T. Emlak Bankası A.Ş., all duties after

the closure of the Under secretariat of Housing, the duties of the Immigrant Housing Coordinator and the Settlement Coordinator of Ahıska Turks, all duties following the closure of the Land Office General Directorate and its responsibilities, the duties of the Department of Housing Affairs of the former Ministry of Public Works and Settlement (Ministry of Environment and Urbanization), and the duties that continued with the abolition of the Prime Ministry Project Implementation Unit were transferred to TOKİ. With these legal regulations, TOKİ's duties and powers in housing production have been improved and the decision-making mechanism has been gathered under a single roof.

TOKİ carries out its expanded activities via its 6 subsidiaries which have been transferred to its portfolio as institutions, consisting of, which provide services in the fields of project management, real estate marketing, contracting, management services, real estate valuation, restoration finance, trade and consultancy, are Emlak Real Estate Investment Trust Inc, TOBAŞ (TOKİ Metropolitan Municipality Construction Real Estate and Project Inc.), GEDAŞ Real Estate Appraisal Inc, Vakıf Construction Restoration and Trade Inc, Vakıf Real Estate Investment Trust Inc, Boğaziçi Housing Service Management and Trade Inc.

Together with the Presidency Government System and the related organizations within the scope of urban planning, TOKİ became a subsidiary of the Ministry of Environment and Urbanization of the Republic of Turkey as of July 9, 2018 with the Decree-Law 703. It continues its efforts to transform and improve slum areas in cooperation with local governments, especially by ensuring that low-income citizens own a house within the framework of a certain model such as paying rent, increasing housing production with alternative practices and disciplining the housing market.

TOKİ focuses on Urban Renewal and Slum Transformation Projects in cooperation with municipalities within the scope of social housing projects for the middle- and lower-income groups and the destitute. TOKİ offers applications for the education, health, security, sports facilities, social facilities, afforestation and environmental arrangements that public institutions need during realizing these projects.

TOKİ transforms slums and excessively dense illegal construction areas, areas with high risk of natural disasters (earthquake, flood, landslide, etc.), historical urban areas and urban areas that have completed their economic life. TOKİ's activities and areas of responsibility are as follows.

– Developing projects directly or through its affiliates at home and abroad; to make or have housing, infrastructure and social reinforcement applications.

– Establishing companies related to the housing sector or participating in established companies.

– To support the industrial sector related to residential construction or those working in this field.

- To build, encourage and support housing and social facilities together with their infrastructures, if necessary, in regions where natural disasters occur.

- To carry out or have the projects and applications subject to the request made upon the request of the Ministries and the approval of the Minister to which they are affiliated.

– To carry out or make applications with profit-oriented projects in order to provide resources to the administration.

– Issuing domestic and foreign bonds and all kinds of securities with or without government guarantee.

- To provide individual and collective housing loans, to provide loans for projects for the development of village architecture, the transformation of slum areas, the preservation and renewal of historical texture and local architecture, and to make interest subsidies on all these loans when necessary.

– Deciding to take a loan from abroad, upon the approval of the competent authorities, to be used for expenditures related to its field of duty.

– To take measures to ensure the participation of banks for the financing of housing, to provide loans to banks when necessary for this purpose, to determine the procedures for the implementation of this provision.

– Ensuring that all kinds of research, project and contracting transactions are carried out by contract when necessary.

– To perform the duties assigned by laws and other legislation.

TOKİ plays a leading role in the government's planning, construction and renovation of housing,

infrastructure and public services in areas damaged by natural disasters. Apart from housing production, it also undertakes the construction of service buildings of public institutions such as education, sports, health, security, etc. In this context, 1,289 schools with 27,251 classrooms, 21 university buildings, 993 gym centres, 203 dormitories with a capacity of 79,677 students, 268 hospitals with a bed capacity of 40,120, 97 health centres, 2,083 commercial workplaces, 42 libraries, 841 mosques, 288 public service buildings, 19 stadiums and with different service buildings, a total of 24,779 social facilities were reached.

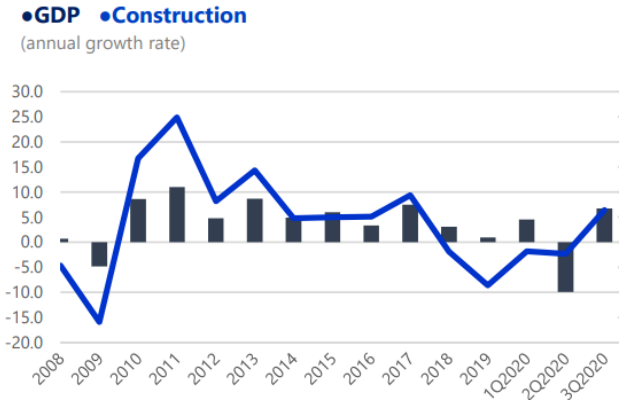
The Company employs 633 personnel as of December 31, 2020 (31 December 2019: 619).

b) Industry

One of the main growth engines of the Turkish economy, the construction sector contributes to economic output not only through principal sector revenues but also through more than 150 subsectors including cement, prefab, steel, ceramics, wood and glass. Hence, the cumulative contribution of the sector to the Turkish economy is more than the sole construction figures reflect.

Construction industry plays a critical role in Turkey’s economic development with a multiplier effect. According to the Turkish Contracting in The International Market Reports published by Turkish Contractors Association, construction industry accounts for nearly 8-9% of GDP and employs almost 2 million people and with the direct and indirect impacts on other sectors the share of the construction sector in the Turkish economy reaches 30%. As can be seen graph below, the construction sector has outperformed to GDP in the period of the economic growth.

However, during the recession periods of the economy construction industry has experienced dramatic declines. In 2019, GDP increased by 0.9% whilst construction industry declined by 8.6% in Turkey. As of second quarter of 2020, Turkey’s economic activity has been affected by Covid-19 pandemic lockdown. Accordingly, GDP and construction industry declined by 9.9% and 2.3%, respectively. With the reopening, economic activity has recovered in the third quarter of the current year. In addition, GDP and construction industry expanded by 6.7% and 6.4%, respectively.



Source: Turkstat

Turkish contracting firms has a reputable presence on the overseas market. According to the “The World’s Top 250 International Contractors” list published by the leading international industry magazine "ENR - Engineering News Record" on August, 2020, 44 Turkish contracting companies ranked among the world’s top 250 international contractors list. Turkish contractors have undertaken 10.175 projects in 126 countries, with a total value of USD 402.3bn during in the period of 1972-2019.

International business volume of Turkish contracting firms reached its peak with an amount of USD 31.4bn in 2012 and maintained downward trend between 2013-2016. Despite improvements in ongoing period, international business volume stood below at level of 2012.

According to the Ministry of Trade data, Russian Federation was a leading market for the Turkish contracting industry with a share of 19.8% between period of 1972- 2019. Turkish contractors undertook 486 projects in 60 countries with a business volume of USD 19.1bn. 57 projects of total projects with an amount of USD 5.8bn was undertaken in the leading market Russian Federation, followed by Iraq (26 projects, USD 1.5bn) and Qatar (10 projects, USD 1.3bn).

The regional distribution of the projects undertaken in 2019 were realized as follows; Eurasia 52.3% (USD 10.0bn), Middle East 23.7% (USD 4.5bn), Europe 10.8% (USD 2.1bn), Africa 7.3% (USD 1.4bn), America 4.3% (USD 812mn), and South Asia and Far East 1.8% (USD 334.4mn).

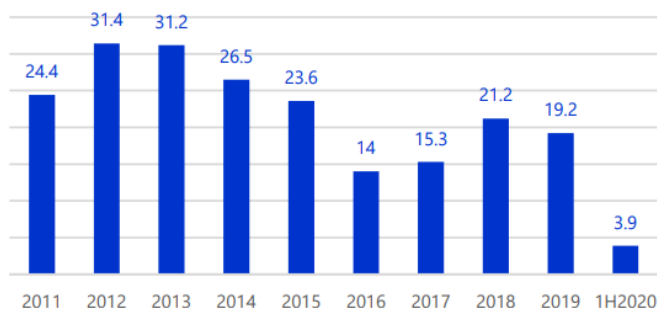
Distribution of International Works by Country		Period	
Country	1972-2019	2010-2019	
Russian Federation	19.80%	18.00%	
Turkmenistan	12.10%	14.10%	
Iraq	6.70%	7.80%	
Saudi Arabia	6.00%	6.60%	
Kazakhstan	6.40%	5.10%	
Others	49.00%	48.40%	

Source: Ministry of Trade of Turkey

Construction industry has been affected by Covid-19 pandemic and international business volume has decreased dramatically whilst construction costs have increased as of 2020. According to the Construction Cost Index, December, 2020 published by TurkStat, construction cost index increased by 25.02%. (June 2021: 42.48%)

International Business Volume of Turkish Contracting Firms

(in billion USD)



Source: Ministry of Trade of Turkey

Turkish contractors have undertaken 486 projects in 60 countries with a business volume of USD 19bn in 2019. In 2020, 57 projects in the amount of USD 5.8bn was undertaken in the leading market Russian Federation, followed by Iraq (26 projects, USD 1.5bn) and Qatar (10 projects, USD 1.3bn). The regional distribution of the projects undertaken in 2019 were realized as follows; Eurasia 52.3%, Europe 10.8%, USA 4.3%, and South Asia and Far East 1.8%. In the first half of 2020, a total of 85 projects and amount of USD 3.9bn were undertaken in overseas by Turkish contracting firms. As of 2020, top's markets were Russia, Ukraine, Iraq, Croatia and Qatar, respectively.

The year of 2020 began on a positive outlook for the sector, with first-quarter growth in total construction spend. But as companies started to realize the impact of Covid-19,

confidence among industry fallen. In several jurisdictions, some projects are paused or postponed. Since construction industry is a locomotive sector and has major share in GDP, industry is highly dependent on economic activities.

Impact of the economic shock caused by the Covid-19 at the beginning of 2020, caused sudden and sharp decrease in economic activities. Thus, GDP and construction industry shrank by 9.9% and 2.3%, respectively in second quarter of 2020. Then, strong recovery started to observe in the industry mainly backed by skyrocketing house sales due to lowered interest rates and extended maturity term on mortgage credits. On the other hand, the central bank hiked interest rates in recent months to fight against inflation rate, leading mortgage and borrowing costs increase. Accordingly, Turkish construction industry will likely continue to suffer from low demand in the following period. Moreover, effective vaccine rollouts gather pace, however herd immunity to the coronavirus is expected to take some time. All in all, the uncertainty is expected to remain for a while, depending on the developments on the pandemic.

Turkey targets to increase its share of the global construction market 4.6% to 7% in the medium term. The lists published annually by Engineering News-Record (ENR) are seen as a major source of prestige for the construction industry worldwide. Turkish construction companies have been maintaining their top positions in this list for many years. The "Top 250 Global Contractors" list, which includes construction companies doing business on a global scale, is published every year as a study accepted and approved by the relevant authorities in the world. Turkey has taken place with a total of 44 construction companies in the list released in 2020 and has maintained second place after China. The ranking of countries according to the number of construction companies was the same in 2020 as in the previous year. China ranked first with 74 companies; Turkey ranked second with 44 companies; USA ranked third with 35 companies.

It is seen that Turkish contractors play an active role in the Middle East, Russia and Europe. In addition, Turkish contractors seem to be ahead of the Chinese and Korean companies by increasing their share especially in Western Europe. In recent years, Turkish Contractors have been working to increase investments in Africa, and the market share of Chinese contractors in Africa is around 62%.

While the number of Turkish construction companies that entered the top 100 in 2019 in the aforementioned list was 7, it increased to 9 in 2020.

It should not be forgotten that construction industry has a critical role for the economies owing to multiplier effect along with direct and indirect effects on the other sectors. Consequently, after the recession impacts of the pandemic, it's expected to rapid growth in construction industry in the upcoming period.

Financial Policy & Risk

The TOKI's activities expose it to a variety of financial risks such as credit risk and liquidity risk.

Credit Risk

Credit risk refers to the repayment inability of un-related parties that are part of a transaction and the subsequent financial loss. The total amount of doubtful receivables from private institutions, organizations and real persons under legal follow-up is TRT319.98mn and 75.13% of this amount will be received from private sector organizations as of FYE2020(FYE2019: 75.15%). The level of non-performing receivables was negligible in relation to the TOKI's asset size, equity and sales revenues.

Market Risk

In FYE2020, TOKI has no credit risk.

Liquidity Risk

Expectation for TOKI's operations to be managed the execution of its intense investment programmes without stressing its finances, given a stable legal framework and ongoing support and supervision exercised by the government of Turkey.

Due to the financial analysis of TOKI's balance sheet and income statement; depending on the well-administered operational risks together with implementing right strategic financial policies, it is seen that long-term financial predictions are suitable with targets and the balance of indebtedness is well- managed.

In line with the development of the regulatory environment, TOKI has options for alternative funding mechanisms, including debt issuance through tailored financial vehicles.

Payments for houses sold to low-income households begin when the house is delivered, and the risk of receivables is reduced to minimum levels by providing long-term opportunities with low level of payments.

Advances are given to contractor companies. Progress payments are only paid according to the percentage of completion of the project. Therefore, TOKI's cash flow metrics are quite strong when compared to peer groups of Turkey's construction companies.

Operational, Legal Regulatory & Other Risks

Operational risk is defined as the risk of direct or indirect loss arising from operational activities. TOKI continues its activities within the framework of the legislation determined by the laws and regulations.

The Mass Housing Law No 2985 (in 1984) set TOKI as a public legal entity whereas the Law also set its duties, incomes, supervision and the fields in which it makes disbursements.

When the items drawn up as the incomes of the Housing Development Administration (TOKI) by the said Law's 2nd Article are examined within this scope, it is seen that the appropriation allocated by the Budget Laws is also included in the Administration's incomes, but when this Article is assessed as a hole however, the Administration then appears as a "special budgeted" state economic enterprise in terms of its sources of income and the locations in which these resources will be used.

TOKI is a non-profit government administration. It has a well-established non-profit business model which avoids many of the common pitfalls of institutionalized bureaucracy.

With the amendments made to the Turkish Constitution in July 2018, the "Presidential Governmental System" has been adopted in Turkey. Continuing its activities as a subsidiary of the Prime Ministry, TOKI is attached to the Ministry of Environment and Urbanization. (Pursuant to Decree Law No 703 as of July 9 ,2018)

Toplu Konut İdaresi Başkanlığı

Balance Sheet (000, TRY)

	2020	2019	2018
Cash & Cash Equivalents	1.053.867	1.272.607	437.231
Short Term Receivables	16.796.094	16.947.538	12.508.895
Other Short-Term Receivables	129.442	783	610
Inventories	15.808.909	18.175.460	15.642.742
Investments	25.203.372	19.261.011	18.756.410
Expenses and Income Accruals	-	1	1
Other Current Assets	5.302.653	4.937.328	5.013.538
CURRENT ASSETS	64.294.337	60.594.728	52.359.427
Managed Account Assets	156.563	135.669	129.363
Long Term Receivables	37.642.223	33.444.186	30.809.859
Other Long-Term Receivables	33	33	33
Financial Fixed Assets	1.943.651	1.938.656	1.935.925
Tangible Fixed Assets	67.228	70.927	69.623
Expenses and Income Accruals	4.279	220	226
NON-CURRENT ASSETS	39.813.977	35.589.691	32.945.029
TOTAL ASSETS	104.108.314	96.184.419	85.304.456
Financial Liabilities	-	-	-
Managed Account Liabilities	156.563	137.409	129.460
Payables from Operation	10.976.012	9.806.590	10.449.993
Other Liabilities	2.922	3.077	51.403
Advances Received	16.569.182	11.735.916	8.771.434
Legal Obligations	192.538	74.191	95.042
Income and Expense Accruals	169.074	248.249	481.216
SHORT TERM LIABILITIES	28.066.291	22.005.432	19.978.548
Financial Liabilities	25.763	25.763	25.763
Payables from Operation	20.125.412	19.974.025	17.757.777
Income Accrual for Commitment	1.273.150	1.749.331	2.690.544
LONG TERM LIABILITIES	21.424.325	21.749.119	20.474.084
TOTAL LIABILITIES	49.490.616	43.754.551	40.452.632
Legal Reserves	1.624.115	1.624.115	1.623.384
Reserves Inherited Resources	53.201	53.201	53.201
Previous Years Income	50.778.443	43.201.128	36.112.650
Past Years Expenses (-)	-25.890	-25.890	-25.890
Period Net Income or Losses	2.187.832	7.577.314	7.088.478
TOTAL EQUITY	54.617.701	52.429.868	44.851.823
TOTAL LIABILITIES AND EQUITY	104.108.317	96.184.419	85.304.455

Toplu Konut İdaresi Başkanlığı

Income Statement (000, TRY)

	2020	2019	2018
Operating Income	10.527.801	12.272.693	10.846.589
Discounts from Operating Income	-481.659	-399.541	-393.424
GROSS PROFIT (LOSS)	10.046.142	11.873.152	10.453.165
Investment and Replacement Expenses	-8.381.830	-4.839.195	-4.471.970
Core Operating Income or Expense	1.664.312	7.033.957	5.981.195
Operating Expenses	-175.837	-162.929	-138.748
OPERATING PROFIT (LOSS)	1.488.475	6.871.028	5.842.447
Ordinary Income from Other Activities	708.495	1.065.607	1.279.125
Ordinary Expenses from Other Activities	-9.886	-61.717	-52.718
Financing Expenses	-39	-144	-74
Ordinary Operating Income or Expense	2.187.044	7.874.774	7.068.779
Extraordinary Income	1.024	5.090	19.876
Extraordinary Expenses	-236	-302.549	-177
NET PROFIT (LOSS) FOR THE PERIOD	2.187.832	7.577.314	7.088.478

Toplu Konut İdaresi Başkanlığı

Key Ratios & Metrics

	2020	2019
PROFITABILITY (%)		
ROAE- Pre-tax Profit / Equity (avg.)	4.09	15.58
ROAA- Pre-tax Profit / Total Assets (avg.)	2.18	8.35
Total Income / Equity (avg.)	20.99	27.42
Total Income / Total Asset (avg.)	11.22	14.70
Operating Profit / Total Assets (avg.)	1.49	7.57
Gross Profit Margin of Operations	16.57	59.24
Return on Long Term Sources (avg.)	2.91	10.86
LIQUIDITY (%)		
Net Working Capital / Total Assets	34.80	40.12
Liquid Assets / Equity	1.93	2.43
Acid Test Ratio	63.60	82.80
Cash Ratio	3.75	5.78
Inventories / Current Asset	24.59	30.00
LEVERAGE (%)		
Equity / Total Assets	52.46	54.51
Equity / Liabilities	110.36	119.83
Net Working Capital/ Total Resources	34.80	40.12
Internal Equity Generation/ Prior Year's Equity	4.17	16.89
EFFICIENCY (%)		
Inventories Turnover	49.33	28.62
Receivables Turnover	28.26	36.96
Payables Turnover	41.81	25.65
Current Assets Turnover	16.09	21.02
Net Working Capital Turnover	26.86	33.46
Equity Turnover	18.77	24.41
GROWTH (%)		
Equity Growth	4.17	16.90
Asset Growth	8.24	12.75
Net Sales Growth	-15.39	13.58

Rating Info

Rated Company:	Toplu Konut İdaresi Başkanlığı Bilkent Plaza B1 Blok 06800 Bilkent - Çankaya / Ankara / Turkey Tel: 0 (312) 565 20 00
Rating Report Preparation Period:	4.10.2021 – 18.10.2021
Rating Publishing Date:	19.10.2021
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	31.12.2020 –31.12.2019 / Annual Report (TOKİ's annual reports prepared by the management of TOKİ and TOKİ was included in the scope of the financial audit of the Court of Accounts within the framework of the Law on the Court of Accounts No 6085 published in 2010.)
Previous Rating Results:	First Report

Disclaimer

The ratings assigned by JCR Eurasia Rating are reflection of TOKİ's annual reports prepared by the management of TOKİ and TOKİ was included in the scope of the financial audit of the Court of Accounts within the framework of the Law on the Court of Accounts No 6085 published in 2010. Other documentations such as general market conditions in its fields of activity, unaudited financial statements, projections, information and clarifications provided by TOKİ and non-financial figures. Certain financial figures of TOKİ for previous years have been adjusted in line with the JCR Eurasia Rating's criteria.

TOKİ's legale framework, governmental support, balance sheet composition, asset quality, risk management practices, business profile, liquidity management, history in the sector, profitability figures, revenues, debt structure, growth rates, off-balance sheet commitments, and the financial 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.

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 Turkey), 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 Sanyer/İstanbul/Türkiye
Telephone: +90(212)352 56 73
Fax: +90 (212) 352 56 75
www.jcrer.com.tr

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