Corporate Credit Rating

☐New ☒Update

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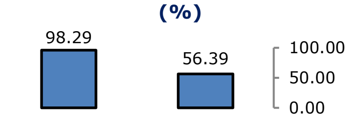
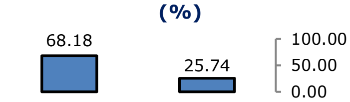
RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A- (tr)	J1 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
	International LC ICR Outlooks	Negative	-
ISRs (Issue Specific Rating Profile)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

** Assigned by JCR on August 18, 2022*

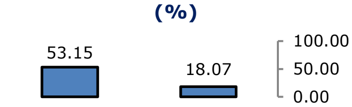
Equity / Total Assets (%)



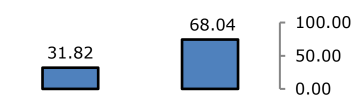
Gross Profit Margin (%)



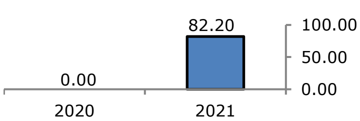
Net Profit Margin (%)



OPEX / Total Income (%)



Asset Growth Rate (%)



D Yatırım Bankası A.Ş.

JCR Eurasia Rating has evaluated **"D Yatırım Bankası A.Ş."** in the high investment-grade category, affirmed the Long-Term National Issuer Credit Rating as **'A- (tr)'** and the Short-Term National Issuer Credit Rating as **'J1 (tr)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as **'BB / Negative'** as parallel to international ratings and outlooks of Republic of Turkey.

"D Yatırım Bankası A.Ş." (hereinafter referred to as '**D Investment Bank**', or **'the Bank'** or **'the Company'**) was established with an initial capital of TRY 200mn and registered in the Istanbul Trade Register on June 22, 2020 with the decision of the Banking Regulation and Supervision Agency (BRSA) dated March 19, 2020 and numbered 8953. The Bank obtained authorization for the establishment from the BRSA which became valid by being published in the Official Gazette dated May 26, 2021, and began the process on banking operations on August 2, 2021. As part of its vision, mission and strategy, D Investment Bank is offering Structured Finance, Investment Banking, Transactional Banking (Cash Management and International Trade Finance) and Treasury products and services to Corporate and Commercial Banking customers. The Bank had an average workforce of 54 employees as of June 30, 2022.

Doğan Şirketler Grubu Holding A.Ş. (hereinafter referred to as '**Doğan Holding**', or **'Doğan Group'**) is the main controlling shareholder, owning 90.99% of the total shares of the Bank and the remaining shares belong to Doğan Holding's subsidiaries as of reporting date. Doğan Holding was established in 1961 by Mr. Aydın Doğan and has been transformed into an investment holding in 1980. The main field of activity of Doğan Holding consists of electricity production, petroleum products retail, industry and trade, automotive trade and marketing, financing and investment, internet and entertainment and real estate investments. With over 60 years of activity history, Doğan Group has established collaborative partnerships with internationally well-known domestic and foreign institutions thanks to know-how and network presence. Doğan Holding operates 51 subsidiaries and 9 joint ventures under its umbrella with a staff force of 7,414 as of June 30, 2022.

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

Strengths	Constraints
• Earning asset growth supported by operational activities, • Increasing trend in the net interest margin, • Diversified funding structure providing financial flexibility, • Reputable brand name with a proven track record in various business segments, financial and operational strength of Doğan Şirketler Grubu Holding A.Ş. and the synergy created, • Experienced management team and well-organized management infrastructure, • Well-established risk management organization, • Country-specific advantages encouraging investment which contributes to the investment banks' operations.	• Limited historical data for trend analysis, • Lack of customer and product diversification, • Short-term borrowing profile causing sensitivity to interest rates and liquidity.

Considering the aforementioned points, the Bank's Long-Term National Issuer Credit Rating has been affirmed as **'A- (tr)'**. The Bank's revenue generation capacity, asset quality, diversified borrowing structure, capital adequacy and risk management implementations have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**. The Bank's financial structure, attainability of the Bank's budgeted projections, the NPL level, the possible impacts of the Russia-Ukraine War on the global and Turkey's economy and its effects on the Bank's activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

1. Rating Rationale

Earning Asset Growth Supported by Operational Activities

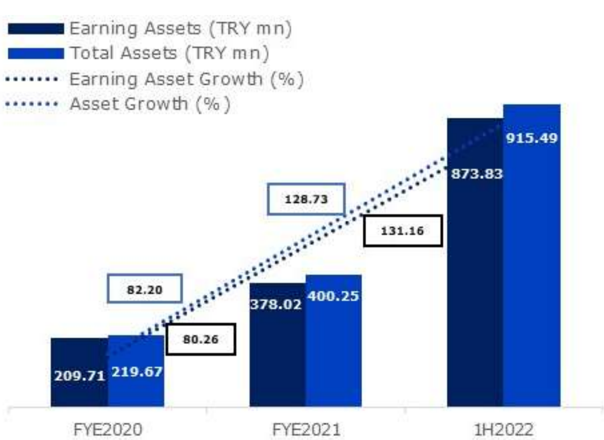
D Investment Bank began the process on banking operations on August 2, 2021. In the recent years, important developments caused pressure on Turkey's economic stability. Despite the ongoing Covid-19 global pandemic and relatively weak domestic economic conditions throughout the completed financial year, the Bank has demonstrated a successful operational performance in FY2021.

The Bank's total asset size robustly increased by 82.20% YoY and reached TRY 400.25mn as of FYE2021, while those of the Turkish development & investment banking sector and the Turkish banking sector as a whole were 58.66% and 50.88%, respectively.

As of 1H2022, the Bank's total asset size reached TRY 915.49mn. The market share of the Bank, based on its asset size, increased slightly in 1H2022 and amounted 0.07% (FYE2021: 0.06%). The Bank does not seize an aggressive growth strategy and instead focuses on profitability and efficiency.

The Bank's earning assets constituted 95.45% of total asset size and reached TRY 873.83m as of 1H2022. The high share of earning assets among total assets indicates the potential revenue increase in the following periods.

The improvement in the total asset and earning asset size is provided in the below graph:



The earning asset growth was mainly derived from loan book growth. As of 1H2022, the Bank's loans book reached TRY 619.85mn constituting 70.94% of earning asset size. The main contribution in the loan growth came from corporate segment and finance sector.

Besides loans book, the Bank's asset quality is supported by interbank placements and investment securities portfolio as indicated in the below table.

Earning Assets	FYE2020	FYE2021	1H2022
(000, TRY)			
Loans	-	200,489	619,854
Balance with Banks	209,706	34,443	8,175
Reserve Deposits at CB	-	130,280	200,492
Financial Investments	-	12,803	45,306
Total	**209,706**	**378,015**	**873,827**

The large share of loans, securities and balance with banks within the balance sheet structure in line with the sectorial dynamics continues to be assessed as a factor to contribute to the Bank's asset quality.

Increasing Trend in the Net Interest Margin

The Bank's net interest income increased from TRY 3.70mn in FYE2020 to TRY 33.35mn as of FYE2021 through the earning assets increase. As of 1H2022, the Bank's net interest income reached TRY 25.85mn.

(000, TRY)	FYE2020	FYE2021	1H2022
Interest Income	3,703	36,025	60,165
Interest Expense	0	-2,671	-34,313
Net Interest Income	**3,703**	**33,354**	**25,852**

The net interest margin is calculated as net interest income over average earning assets, excluding net fees and commissions. According to data provided by the Bank management, the swap adjusted net interest margin of the Bank increased from 1.87% as of 1Q2022 to 3.92% as of 1H2022.

	1Q2022	1H2022
Net Interest Margin (%) *	1.87	3.92

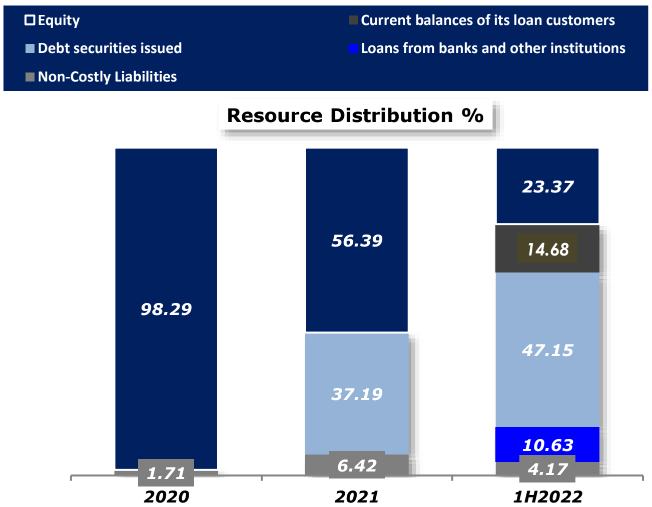
** Swap Adjusted, provided by the Bank management*

The Bank's swap adjusted net interest margin (3.92%) shaped above the sector averages (development & investment banking sector: 1.73%; entire banking sector: 2.75%) in 1H2022.

Diversified Funding Structure Providing Financial Flexibility

As an investment bank, D Yatırım Bankası A.Ş. is not entitled to collect customer deposits and has funded itself through issued debt securities, borrowed funds from local banks, current balances of its loan customers in addition to the equity base corresponding to 23.37% of total assets as of 1H2022.

The resource distribution of the Bank is provided in the below graph:



As of 1H2022, cost bearing resources amounting TRY 663.39mn constituted 72.46% of total assets (FYE2021: 37.19%).

Cost Bearing Resources	FYE2020	FYE2021	1H2022
(000, TRY)			
Loans from banks and other institutions	-	-	97,318
Debt securities issued	-	148,691	431,637
Current balances of loan customers	-	153	134,432
Total	**-**	**148,844**	**663,387**

The Bank benefits from opportunities to reduce funding costs through utilizing capital market instruments.

The weighted average effective interest rates applied to the financial instruments are as follows,

Interest Rates (%) Weighted Average	USD	TRY
Assets		
Balance with banks	1.00	19.00
Loans	5.80	29.40
Financial Assets		24.85
Liabilities		
Money market borrowings	-	20.32
Debt instruments	-	20.35
Loan from other financial institutions	-	18.21

Issued debt securities made up an integral part of the Bank's funding resources accounting for 47.15% of total assets as of 1H2022. As of reporting date, the Bank uses debt instruments with 3-6 months tenor. Considering the average maturity of the loan book portfolio around 1-3 months, the ability to raise relatively long-term funding provides financial agility for the Bank. The Bank taps the local bond market as a major source of its funding while aiming to diversify the funding base by securing opportunities from various financial institutions.

Besides external funding resources the Bank has adequate equity base amounting TRY 213.91mn corresponding to 23.37% of total assets as of 1H2022. The Banking Regulation and Supervision Agency (BRSA) requires Turkish banks to maintain a minimum total capital ratio of 12%. As of June 2022, the Bank's capital adequacy ratio (CAR) was 24.22% including BRSA forbearance measures and 22.58% excluding BRSA forbearance measures as indicated in the table below.

Solvency Ratios* (%) 1H2022	Inc. BRSA Forbearance Measures	Exc. BRSA Forbearance Measures
CAR	24.22	22.58
Tier 1	23.13	21.47
CET 1	23.13	21.47

**Data provided by Bank management*

The Bank's CAR (24.22%) shaped above the sector averages (development & investment banking sector: 20.82%; entire banking sector: 18.05%) as of 1H2022.

Reputable Brand Name with A Proven Track Record in Various Business Segments, Financial and Operational Strength of Doğan Şirketler Grubu Holding A.Ş. and the Synergy Created

The establishment of D Yatırım Bankası A.Ş. was registered in the Istanbul Trade Register on June 22, 2020, with an initial capital of TRY 200mn. D Yatırım began the process on banking operations on August 2, 2021.

The Bank's primary shareholder, Doğan Holding has started its operations in 1961 in the automotive industry which has been transformed to Holding structure in 1980.

The Holding has been serving the energy sector, media, petroleum products retail, industry, automotive, real estate marketing, tourism and financial services historically. The Holding sold a significant portion of its media and entire retail assets from the existing investment portfolio and simplified its core business sectors in 2018. With 60 years of activity history and industry experience, the Holding has established beneficial and collaborative partnerships with internationally well-known domestic and foreign institutions.

Doğan Holding operates 51 subsidiaries and 9 joint ventures under its umbrella with a staff force of 7,414 as of June 30, 2022. Doğan Holding operates across a vast geographical area in Turkey, and regularly forms strategic partnerships with international groups in order to ensure efficient operations.

The Group coordinates the activities of and liaises between its subsidiaries and joint ventures operating in different fields including electricity generation, petroleum products retail, industry, automotive distribution, financing & investment, real estate investments and internet & entertainment.

A broad coverage of different sectors and subsidiaries reduced the volatility of valuation and revenue while increase the visibility of the portfolio performance.

In line with the Group's long-run strategy, Doğan Holding's well-established market and business diversification generates strong and resilient cash flow from petroleum products retail, electricity generation, and other sectors such as finance & investment, industry, internet & entertainment, automotive, tourism, real estate investments and foreign trade, husbandry sectors underpinning the Group's financial resilience.

The Group continues to hold strong market positions in several of its key businesses. Dogan Holding has successfully transformed from a media conglomerate into an investment company that has stake in various industries. Since the sale of its mainstream media business in FY2018, the Group focuses on investing in new assets while generating more value from the existing portfolio.

The ultimate shareholder Doğan Holding's expertise in different industries, diversified portfolio, access to financial resources and strong relationships established within the group companies provide high synergy under the same roof. The Bank has an advantage of being a part of that synergy by utilizing operational and financial support by the Group.

The synergy created in the Doğan Group companies together with operational and financial support of shareholders are strengthening the Bank's growth phase.

Experienced Management Team and Well-Organized Management Infrastructure

D Investment Bank's primary shareholder is Doğan Holding, who have significant experience, network and investments in the finance sector over 20 years.

The Board of Directors (BoD) of the Bank consists of 9 members responsible for identifying the vision and mission of the Bank which are published on the Bank website. The average finance and banking experience of the senior management, who constitutes the executive committee, is over 20 years, makes a great contribution to the management infrastructure.

Credit, Audit, Corporate Governance and Remuneration Committees have been formed under the BoD and the Bank has also set up the, Executive, Asset & Liability, Information Security, Information Systems Strategy and Steering, Discipline and Information Systems Continuity Committees with the participation of senior executives under the presidency of the Chief Executive Officer (CEO).

According to the Bank management, current Board of Directors structure is provided below:

Board of Directors	
Ahmet Vural Akışık	Chairman
Çağlar Göğüş	Deputy Chairman
Ertunç Soğancıoğlu	Vice Chairman
Hulusi Horozoğlu	Board Member, General Manager
Mehmet Sırrı Erkan	Independent Board Member
Şinasettin Atalan	Independent Board Member
Aygen Ayözger Özvardar	Board Member
Vedat Mungan	Board Member
Aydın Doğan Yalçındağ	Board Member

According to the Bank management, current senior management structure is provided below:

Senior Management	
Hulusi Horozoğlu	Board Member, General Manager
Tuğba Ersoylu	EVP, Head of Financial Control and Operations
Fuat Tolga Kısakürek	EVP, Head of Corporate and Commercial Banking
Murat Selamoğlu	EVP, Head of Treasury and Financial Institutions
Nihan Salihoğlu Tarmur	Head of Credits
Hikmet Aras	Head of Information Technologies
Gökhan Saydar	Head of Investment Banking
Salih Demirtaş	Head of Information Security
Nalan Taşkıran	Head of Digital Banking
Sinem Eda Güllüoğlu	Head of Human Resources
Rahime Esin Düzer	Head of Risk Management
Sabri Korhan Bilsel	Head of Internal Control and Compliance
Ayşe Türker Çınar	Head of Legal

We, as JCR Eurasia Rating, are of the opinion that both senior management and board members have sufficient and appropriate professional and managerial experience regarding to their position.

Well-Established Risk Management Organization

Risk management ensures that; risk management policies and principles are applied and adopted throughout the Bank and that risk management system is maintained and improved which pursues risk-return relationship, and measures all risks together and which is in compliance with applicable regulation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached. Risk Management defines, measures, reports, monitors the risks and ensures the activities executed in order to control these risks thoroughly and timely; also monitors the results.

Risk management activities are structured under the responsibility of the Board of Directors (BoD). Risks are executed under the risk management framework and in line with the implementation communiques. The Bank's risk management policies and strategies are reviewed according to arising needs. BoD has the overall responsibility of establishing and supervising an effective risk management framework and principals.

The Bank's main approach for the implementation of risk management model is establishing risk culture throughout the Bank, and aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for decision making and implementation mechanisms process by all employees.

Credit, Audit, Corporate Governance and Remuneration Committees have been formed under the BoD and the Bank has also set up the, Executive, Asset & Liability, Information Security, Information Systems Strategy and Steering, Discipline and Information Systems Continuity Committees with the participation of senior executives under the presidency of the Chief Executive Officer (CEO). Furthermore, Internal Control, Internal Audit, Compliance and Risk Management Departments have been formed under Internal Systems in line with the BRSA regulations to establish a thorough and comprehensive risk management system.

Furthermore, compliance with corporate governance provides guidance and sustainability for companies through the enhancement of their efficiency via transparent, widely accepted and continuously monitored processes and policies.

Doğan Holding is registered within the Capital Market Board (CMB) and its shares have been traded on the Borsa Istanbul (BIST) under the ticker symbol DOHOL since June 21, 1993. Doğan Holding's shares are owned by Adilbey Holding A.Ş. (49.66%) and the Doğan Family (14.47%); 35.87% are publicly traded on the BIST as of June 30, 2022.

BIST Indices that the Doğan Holding is included in are BIST 50, BIST 100, BIST Stars, BIST All Shares, BIST Corporate Governance, BIST Sustainability, BIST Liquid 10 Ex Banks, BIST Holding and Investment, BIST Financials and BIST İstanbul.

As a publicly traded company, Doğan Holding is subject to certain compliance requirements concerning corporate governance principles and framework identified by CMB. As such, it has reached a high standard of compliance with the Corporate Governance Practices such as a comprehensive risk management framework, high degree of transparency, quality of financial reporting along with an emphasis on sustainability and efficiency which contributes to its current set of ratings.

Doğan Holding is the main controlling shareholder, owning 90.99% of the total shares of the Bank and the remaining shares belong to Doğan Holding's subsidiaries as of reporting date.

As the Bank is not a publicly traded company, the Capital Market Board's Corporate Governance discipline is not a field that the Bank is required to take into consideration. On the other hand, Regulations on the Principles of Corporate Governance of Banks, corporate governance provisions in Turkish Commercial Code along with Banking Regulation and Supervision Agency (BRSA)'s enforcements of strict regulation and supervision on the Turkish Banking Sector, together with Doğan Holding's previous operating track record in the sector and with over 60 years of activity history have provided the Bank with a corporate organizational structure, a comprehensive internal control, audit and risk management systems.

The Bank's Board of Directors incorporates 9 members all of whom, including the Chairman and the Chief Executive Officer (CEO). The Board of the Bank contains the committees of Audit, Corporate Governance, Remuneration, Disciplinary and Personnel, Assets and Liabilities, Credit, Information Systems Strategy.

The Bank's articles of association, disclosed to the public, involve a detailed declaration of the working principles of its Board. It is concluded that the Board Members have the adequate qualifications and experience to administer their duties and the Board successfully performs its duties of leading, supervising and inspecting.

In the current situation, the Bank shows effort to reach high standard of compliance with the Corporate Governance Practices with investor relations and corporate governance headings in the website providing sufficient information and disclosed documentation regarding transparency such as the organizational structure, board members, audit reports, vision and mission.

Country - Specific Advantages Encouraging Investment Which Contributes to The Investment Banks' Operations

The main purpose of investment banks is to provide long-term funding for small to large-scale companies. They operate to assist corporate and commercial companies in relation to their working capital and refinancing needs and also support their new investments. These banks also play an active role in the capital markets. They ensure the development of capital markets and thus better valuation of investment instruments. In addition to financial support for new entrepreneurs, they also help with administrative and technical issues.

The fact that investments are supported by the state in Turkey as a developing country creates an opportunity when evaluated in terms of investment banking.

According to the Presidency of the Republic Turkey Investment Office, top reasons to invest in Turkey are listed below:

- **Robust Economy**

Over the past 18 years, Turkey has put in a noteworthy performance by increasing the size of its overall economy from USD 236 billion in FYE2002 to USD 717 billion in FYE2020.

As shown in the below chart, Turkey has outpaced its peer economies, and the growth momentum is set to continue in the coming years.

Average Annual GDP Growth (%) – FYE2003-2020

- **Large Domestic and Regional Markets**

More than 23 urban centers, each with populations of over 1 million, support Turkey's thriving domestic market through their production of goods and services. In terms of population, Istanbul is the largest city in Europe.

- **Strategic Location**

Turkey is a natural bridge between both the East-West and the North-South axes, thus creating an efficient and cost-effective hub to major markets. Multinationals are increasingly choosing Turkey as a preferred hub for manufacturing, exports, as well as management.

- **Favourable Demographics and Competititive Labor Force**

According to the Worldbank data as of FYE2020, Turkey's overall labor-force is around 32 million people, which makes the country the 3rd largest labor force in Europe. Turkey's young and dynamic population with half under 32 years old is an important contributor to labor force growth and has boosted the country's rank over peer countries. Turkey has posted the largest labor force growth among the EU countries.

- **Continuous Reform Process**

The Turkish government has always prioritized reforms for a qualified workforce, innovative production, sustainable growth, a sustainable environment, and international cooperation for development. Thanks to the extensive reforms made over the past 16 years, today Turkey is well below the OECD average in terms of the number of restrictions imposed on foreign investors.

- **Liberal Investment Climate**

Turkey's investment legislation is simple and complies with international standards while offering equal treatment for all investors.

The fundamental parts of the overall investment legislation include the Encouragement of Investments and Employment Law No. 5084, Foreign Direct Investment Law No. 4875, the Regulation on the Implementation of the Foreign Direct Investment Law, multilateral and bilateral investment treaties, and various laws and related sub-regulations on the promotion of sectorial investments.

- **Lucrative Incentives**

Applicable both for greenfield and brownfield projects, Turkey offers a comprehensive investment incentives program with a wide range of instruments that helps to minimize the upfront cost burden and accelerate the returns on investments.

These incentives may also be tailored for projects in priority sectors classified as key areas for the transfer of technology and economic development. In addition, the Turkish government provides generous support programs for R&D and innovation projects, employee training initiatives, and for exporters through various grants, incentives, and loans.

- **Advantageous R&D Ecosystem**

Extensive R&D incentives in Turkey are further supported by well-educated and highly qualified labor force, competitive cost advantages, and several global companies that are active in the market. All together these form a dynamic ecosystem in Turkey.

In current situation, over 100 top global companies are taking advantage of the competitive R&D incentives and growing ecosystem in Turkey.

- **Sectoral Opportunities**

Turkey offers abundant opportunities in a wide variety of sectors where it has a competitive edge such as automative, machinery, defense & aerospace, energy, agrofood, infrastructure and financial services.

Limited Historical Data for Trend Analysis

D Yatırım Bankası A.Ş. was founded with an initial capital of TRY 200mn and registered in the Istanbul Trade Register on June 22, 2020 with the decision of the Banking Regulation and Supervision Agency (BRSA) dated March 19, 2020 and numbered 8953. The Bank obtained authorization for the establishment from the BRSA which became valid by being published in the Official Gazette dated May 26, 2021, and began the process on banking operations on August 2, 2021. Although the Company assisted in providing information and documentation throughout the credit rating process, analyses were performed for a limited period due to the operations started partially towards the end of 3Q2021.

Doğan Şirketler Grubu Holding A.Ş. is the main controlling shareholder, owning 90.99% of the total shares of the Bank and the remaining shares belong to Doğan Holding's subsidiaries as of reporting date. Despite of the fact that the ultimate shareholder of the Bank, Doğan Holding's support strengthening the Bank's growth phase, there is low level of predictability regarding growth potential, customer concentration and business diversification as a natural consequence of being a newly established bank.

Due to the fact that the historical financial data regarding the Bank's main activities are not sufficient for trend analysis, the predictability of future financial results are solely based on the Bank's projections together with sector dynamics of Turkish investment banks.

Lack of Customer and Product Diversification

The investment banks operate to assist corporate and commercial companies in relation to their working capital and refinancing needs and also support their new investments. Vast majority of the investment banks provide relatively narrow range of products and services when compared to particularly the deposit banks. Due to the nature of investment banking, the investment banks carry both the risk of interest rate and exchange rate risk, due to long-term TRY and FX loans they will provide. Accordingly, hedging these risks are limited due to narrow product variety and customer portfolio.

As of 1H2022, the Bank's first 10, 20 and 50 cash loan customers constituted 65.23%, 88.42% and 100.00% of the total cash outstanding loans whilst 81.18%, 100.00% and 100.00% of total non-cash outstanding loans, despite slight improvement compared to FYE2021 indicating high concentration levels. On the other hand, with the increase in the Bank's operating history, it is expected to reach more customers and reduce the concentration risk.

Cash Loan Customer Concentration %	FYE2021	1H2022
First 10	93.49	65.23
First 20	100.00	88.42
First 50	100.00	100.00

Non-Cash Loan Customer Concentration %	FYE2021	1H2022
First 10	100.00	81.18
First 20	100.00	100.00
First 50	100.00	100.00

The low level of the collateralized loans portfolio and high credit concentrations increase credit risk level. As of FYE2021, in the Bank's loan book portfolio finance sector has high shares both in cash-loans and noncash-loans with 53.89% and 39.71% shares, respectively.

Cash Loan Book Composition (%)	1H2022
Finance	53.89
Trade	27.61
Manufacturing	10.76
Transportation	5.50
Real Estate	2.24

Non-Cash Loan Book Composition (%)	1H2022
Finance	39.71
Real Estate	25.26
Trade	15.92
Manufacturing	12.46
Agriculture	6.62
Transportation	0.03

While industrial composition and customer concentration remains a risk factor, the Bank is able to manage this risk through collateral structure. Additionally, since the Bank's establishment there are no any nonperforming loans in the Bank's loan book portfolio.

Short-Term Borrowing Profile Causing Sensitivity to Interest Rates and Liquidity

The fact that the Turkish Investment Banking Sector has had short-term borrowing structure as a major characteristic. The long-term weighted loans structure together with short-term weighted borrowing structure such as Issued Debt Instruments within the concern of interest rate exposure constitutes maturity mismatch risk for the Bank.

As detailed under the heading "Diversified Funding Structure Providing Financial Flexibility", the Bank targets to diversify its funding structure and maturity. However, still short maturity profile of the funding exerts pressure on liquidity management through renewal risks along with dependence on capital markets under the challenging operating environment.

With respect to the factors mentioned above, JCR Eurasia Rating affirmed the Long-Term National Issuer Credit Rating of the Bank as **'A- (tr)'** and the Short-Term National Issuer Credit Rating as **'J1 (tr)'** in JCR Eurasia Rating's notation system which denote the high investment-grades.

When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Bank's Long-Term International Foreign and Local Currency Issuer Credit Ratings have been assigned as **'BB'** as parallel to international ratings of Republic of Turkey.

2. Rating Outlook

The Bank's revenue generation capacity, asset quality, diversified borrowing structure, capital adequacy and risk management implementations have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**.

On the other hand, the outlooks for the Bank's Long-Term International Foreign and Local Currency Issuer Credit Ratings have been determined as **'Negative'** as parallel to international outlooks of Republic of Turkey.

The Bank's financial structure, attainability of the Bank's budgeted projections, the NPL level, the possible impacts of the Russia-Ukraine War on the global and Turkey's economy and its effects on the Bank's activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

Factors that Could Lead to an Upgrade

- Solid growth performance in assets volume,
- Increasing net interest margin,
- Robust amelioration of profitability indicators,
- Ease of funding from international organizations,
- Reduction in financing costs and robust economic growth in the domestic and international markets.
- Upgrades in sovereign ratings and economic growth prospects of Turkey.

Factors that Could Lead to a Downgrade

- Deteriorating asset quality and liquidity profile,
- Increasing cost of funding and its effect on profitability,
- Deteriorating interest margins and material increase in the NPL ratio,
- Diminishing capital adequacy strength,
- Possible regulatory actions that would restrain the profitability & growth performance of the sector.
- A sharp slump in growth in the domestic and international markets,
- Downgrades in the sovereign rating level of Turkey.

3. Projections

The Bank's FY2021 actual figures and balance sheet and income statement forecast throughout for FY2022 is provided in the below table. These figures have been provided by the Bank management.

D YATIRIM BANKASI A.Ş.	Income Statement Projections*	
(000, TRY)	2021A	2022E
Net Interest Income	**33,354**	**58,117**
a) Interest Income	*36,025*	*179,595*
b) Interest Expense	*-2,671*	*-121,478*
Net Fee and Commission & Other Operating Income	**1,773**	**25,803**
a) Net Fee and Commission Income	*-323*	*2,193*
b) Other Operating Income	*2,096*	*23,610*
Foreign Exchange Gain or Loss (net)	**22,937**	**27,385**
Total Income	**58,064**	**111,305**
Provisions	**-3,611**	**-6,951**
Total Operating Expense	**-39,506**	**-77,560**
Salaries and Employee Benefits	*-24,072*	*-48,146*
Other Expenses	*-15,434*	*-29,414*
Profit from Operating Activities before Income Tax	**14,947**	**26,794**
Income Tax	*-4,453*	*-6,589*
Net Profit for the Period	**10,494**	**20,205**

**Figures provided by the Bank management*

D YATIRIM BANKASI A.Ş.	Balance Sheet Projections*	
(000, TRY)	2021A	2022E
Total Earning Assets	**378,015**	**1,242,815**
Loans and Leasing Receivables	*200,489*	*900,937*
Other Earning Assets	*177,526*	*341,879*
Non-Earning Assets	**22,234**	**42,758**
Total Assets	**400,249**	**1,285,573**
Cost Bearing Resources	**148,844**	**1,012,582**
Non-Cost Bearing Resources	**25,712**	**26,385**
Total Liabilities	**174,556**	**1,038,967**
Equity	**225,693**	**246,607**
Total Liabilities and Shareholders' Equity	**400,249**	**1,285,573**

**Figures provided by the Bank management*

The Bank projected a 2022 year-end asset size of TRY 1.29bn through annual growth rates of 221.19%. According to the Bank management projections, total income is projected to reach TRY 111.31mn by increasing 91.69% in FY2022. Accordingly, net profit of the Bank is projected to reach to TRY 20.21mn from TRY 10.49mn.

Taking into consideration, the future projections of the Bank relating to FY2022 together with Doğan Holding's operational and financial support strengthening the Bank's growth phase, we, as JCR Eurasia Rating, are of the opinion that the Bank shall fulfil the obligations in a timely manner and without distress as long as it preserves its current market share and efficiency along with no deterioration in the general macro-economic context and sector dynamics.

4. Company Profile & Industry

a. History and Activities

D Yatırım Bankası A.Ş. was founded with an initial capital of TRY 200mn and registered in the Istanbul Trade Register on June 22, 2020 with the decision of the Banking Regulation and Supervision Agency (BRSA) dated March 19, 2020 and numbered 8953. The Bank obtained authorization for the establishment from the BRSA which became valid by being published in the Official Gazette dated May 26, 2021, and began the process on banking operations on August 2, 2021.

Doğan Şirketler Grubu Holding A.Ş. is the main controlling shareholder, owning 90.99% of the total shares of the Bank and the remaining shares belong to Doğan Holding's subsidiaries as of reporting date.

The foundation of the Doğan Holding was laid with the establishment of the first company in the automotive sector in 1961 by Mr. Aydın Doğan.

Doğan Holding has been serving the energy sector, media, petroleum products retail, industry, automotive, real estate marketing, tourism and financial services historically. Doğan Holding sold a significant portion of its media and entire retail assets from the existing investment portfolio and simplified its core business sectors in 2018. With 60 years of activity history and industry experience, the Group has established beneficial and collaborative partnerships with internationally well-known domestic and foreign institutions. Doğan Holding operates 51 subsidiaries and 9 joint ventures under its umbrella with a staff force of 7,414 as of June 30, 2022.

D Yatırım Bankası A.Ş. had a workforce of 54 employees as of 1H2022 (FY2021: 40).

b. Shareholders, Subsidiaries & Affiliates

The shareholder structure of the Bank as of 1H2022 and FYE2021 is indicated in the table below:

Shareholder Structure as of 1H2022	Share Amount (000 TRY)	Share (%)
Doğan Şirketler Grubu Holding A.Ş.	181,998,180	90.999090
DHI Investment B.V.	18,000,000	9.000000
Milta Turizm İşletmeleri A.Ş.	1,070	0.000535
Doğan Dış Ticaret ve Mümessillik A.Ş.	500	0.000250
Değer Merkezi Hizmetler ve Yönetim Danışmanlık A.Ş.	150	0.000075
D Gayrımenkul Yatırımları ve Ticaret A.Ş.	100	0.000050
Total	**200,000,000**	**100.00**

Shareholder Structure as of FYE2021	Share Amount (000 TRY)	Share (%)
Doğan Şirketler Grubu Holding A.Ş.	199,998,180	99.99909
Milta Turizm İşletmeleri A.Ş.	820	0.00041
Doğan Dış Ticaret ve Mümessillik A.Ş.	500	0.00025
Neta Yönetim Dan. Havacılık Hiz A.Ş.	250	0.000125
Değer Merkezi Hiz. ve Yön. Dan. A.Ş.	250	0.000125
Total	**200,000,000**	**100.00**

The shareholder structure of the Bank has been changed by the Board of Directors Decision dated June 20, 2022 and numbered 2022/110, accepting the transfer of 18,000,000 shares with a nominal value of Turkish Lira, corresponding to 9% of the Bank's capital, to DHI Investment B.V. from Doğan Şirketler Grubu Holding A.Ş.

The Bank has no subsidiary or affiliate and no privilege rights exist in the available shares.

The shareholder structure of Doğan Holding which had a paid-in capital of TRY 2,617mn remained unchanged in comparison to the previous year as indicated in the table below.

Doğan Holding's Shareholder Structure as of 1H2022	Share Amount (TRY 000)	Share (%)
Adilbey Holding A.Ş.	1,299,679	49.66
Doğan Family	378,626	14.47
Free Float (BIST)	938,633	35.87
Total	**2,616,938**	**100.00**

As seen in the table above, Adilbey Holding A.Ş., founded in 1986 to carry out real estate and subsidiary management activities is the qualified shareholder of Doğan Holding, holding 49.66% of the shares whilst the remaining shares 14.47% and 35.87% are hold by Doğan Family and listed on Borsa Istanbul (BIST), respectively as of June 30, 2022.

According to the Bank management, current Board of Directors structure is provided below:

Board of Directors	
Ahmet Vural Akışık	Chairman
Çağlar Göğüş	Deputy Chairman
Ertunç Soğancıoğlu	Vice Chairman
Hulusi Horozoğlu	Board Member / General Manager
Mehmet Sırrı Erkan	Independent Board Member
Şinasettin Atalan	Independent Board Member
Aygen Ayözger Özvardar	Board Member
Vedat Mungan	Board Member
Aydın Doğan Yalçındağ	Board Member

c. Industry Assessment

As the core of the financial system in Turkey, banking sector is the primary source of funding for the real sector and main destination of savings. Several external factors such as the pandemic, subsequent forebearance measures by the authorities and recently global energy shock affects the macro landscape in Turkey, though Turkish Banking maintains its characteristics; reasonable capitalization, low NPL ratios, strict risk management, short-term weighted deposit profile, notable share of FX deposits.

Recent developments such as FX-Protected Deposit (FPD) (aimed at reducing dollarisation trend), abolishing of temporary forebearence measures (initially implemented to mitigate the impact of the pandemic) and mandatory FX sales by exporters (initially implemented as 25% of exports and increased to 40%) are defining drivers of 2022 banking outlook in our view.

Selected Balance Sheet Items

	2019	2020	2021
Total Assets	4,491	6,106	9,213
TRY Loan	1,642	2353	2,832
FX Loan	1,014	1,224	2,069
Percentages (%)	*38.20*	*34.20*	*42.20*
NPL	151	153	160
Percentages (%)	*5.40*	*4.10*	*3.20*
Securities	661	1,023	1,477
Total Liabilities	3,999	5,507	8,502
TRY Deposit	1,259	1,546	1,880
FX Deposit	1,308	1909	3,423
Percentages (%)	*51*	*55.30*	*64.50*
Repo	154	255	586
Equity	492	599	711

Source: BRSA, JCR-ER

Banking sector operates with 54 banks maintaining 11,040 branches within the country (74 abroad). ATM network is comprehensive, around 49K as of February 2022. The sector employs a workforce of circa. 201,552. The sector is relatively concentrated. According to the Banks Association of Turkey 3Q2021 data, top 5 banks account for 58.90% of total assets, 65.94% of deposits and 59.13% of total loans.

In FY2021, banking sector asset size has grown by 50% in and exceed the TRY 9.2trn, reflecting the inflation dynamics as annual CPI reached 36% and PPI reached 89.89%. As year-end CPI expectations are above 50% for 2022 and high commodity prices still, another year of notable nominal asset could be expected.

Asset quality continues strong

At the initial stages of the pandemic, real sector debt profile was uncertain, though various subsidies, tax and social security premium rebates and postponements of debt repayments supported the liquidity. As of 2022/2, the sector's NPL ratio is 3.02%.

The sectors such as retail, construction and electricity generation, which are more affected by the Covid-19 pandemic and more intensely affected by the fluctuation in the exchange rate, hike their shares in total loans. According to the data dated February 2022 published by the BRSA, the share of retail, construction and electricity sectors in total commercial loans exceeded 25%. NPL ratio's of these sectors has been deteriorating.

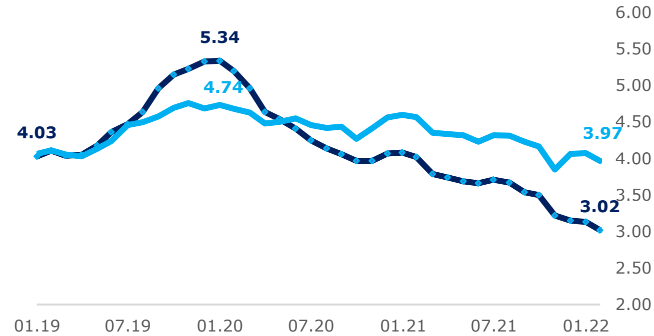
	Loans (%)	NPL (%)
Wholesale and Retail	12.41	3.46
Construction	8.52	6.70
Electric, Gas and Water	7.69	4.52
Transportation, Storage and Comm.	6.41	1.98
Real Estate Brokerage	5.86	3.15
Metal Industry	3.91	1.70
Tourism	3.81	4.08
Textile	3.47	2.27
Agriculture	3.30	2.39
Food, Beverage and Tobacco	3.24	2.17
Others	41.38	2.25

Source: BRSA, JCR-ER

On the other hand, despite the loan growth that started with the pandemic in FY2020, there has been an obvious decrease in NPL rates which shows high asset quality. Although this decrease observed in NPL rates was due to incentive packages such as the ease of access to this new loan and the postponement of debts, the ratio of expected loss provisions to total loans also followed a similar path to the NPL rate.

Initially, the slowdown in economic activity, increasing uncertainties and rising stagflation concerns, which occurred with the outbreak of Covid-19, had deteriorated the outlook for the Sector. However, the facilitation of credit channels for individuals and institutions whose cash flow has deteriorated during the pandemic within the credit packages announced by the government and the postponement of principal and interest payments for 3 months without interest increased the credit growth of the banking system rapidly.

Impaired loan rates continue to decline
NPL Ratio (%), Expected Loss/Loans (%)



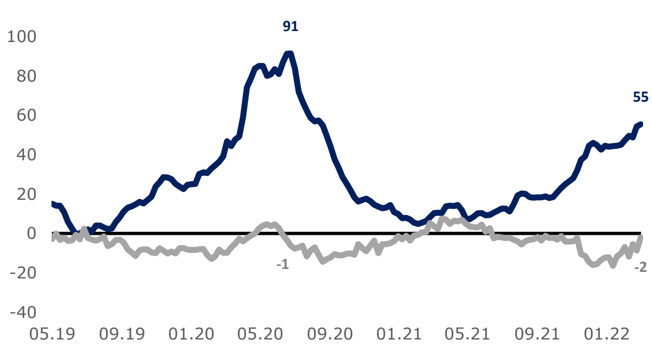
Source: BRSA, JCR-ER

Real lending rates are at all time lows

Especially, at the first stage of the pandemic, the credit support packages provided by the public banks lifted the credit growth rate of the public banks to almost twice the total credit growth of the overall banking system.

On the other hand, the depreciation in TRY had led the CBRT to follow a tight monetary policy by radical rates hike in the second half of 2020. With the increase in interest rates and the resumption of economic activity, the demand for loans decreased and the loan growth rate followed low and stable path till new change in CBRT's rate policy which was launched in September, 2021. Following the start of the easing cycle, banking sector loans started to soar in last quarter of FYE2021 and total loans reached TRY 4.9trn in FYE2021 which was TRY 3.6trn as of FYE2020.

Lira loans lead the way for growth
LCY 13-Week Credit Growth (Annualized)
FX 13-Week Credit Growth (Annualized)

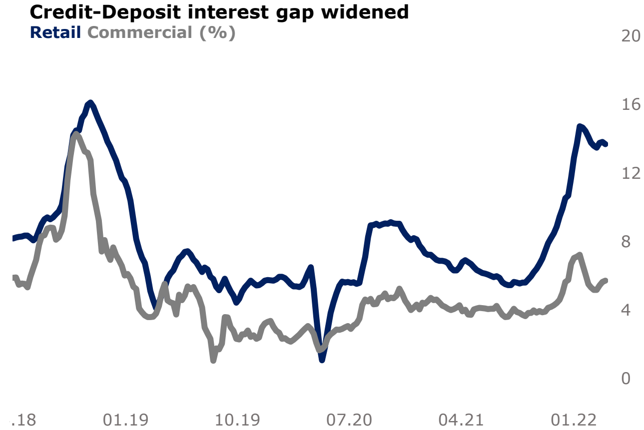


Last observation date: 3/25/2022

Source: BRSA, JCR-ER

Whereas commercial lending has accelerated with rather low rates compared to the CPI and much more so with respect to PPI, retail loan rates are relatively more tight. The retail loan interest rates are still below the CPI and expected inflation, however the credit rate – deposit rate gap is close to the peak of August 2018, indicating a wide margin.

Credit-Deposit interest gap widened
Retail Commercial (%)



Source: BRSA, JCR-ER

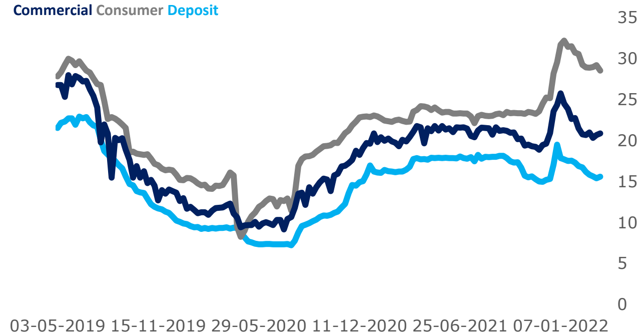
Consumer loans increased by 14.91% in the 2021 fiscal year and reached 766.75 billion TL, according to BRSA data. The tight monetary policy implemented by the CBRT was one of the main reasons why consumer loans had a growth rate below the CPI.

The fact that the interest rate cuts started in September 2021 were not reflected in the consumer loan rates opened by banks also hindered the reflection of the ease monetary policy in the last periods of the year on the growth of consumer loans.

Another important point on the credit side is the reflection of the falling CBRT WAFR on borrowing rates. The banking system did not reflect low policy rates on loan rates until the beginning of FY2022 due to global risks and fluctuations in exchange rates.

As it depicts the chart below, both individual and commercial loan rates remained well above the CBRT policy rate for a long time.

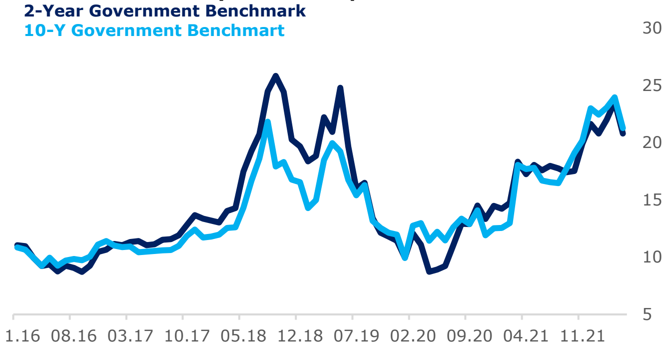
CBRT easing cycle reflected with a lag
(TRY Lending and Deposit Rates, %)
Commercial Consumer **Deposit**



Source: CBRT, JCR-ER

The loan interest rates, which started to decline in the second month of 2022, triggered the loan growth again. In a scenario where the rates continue to decline and loan demand momentum continues for the rest of the year, the loan growth rate can be expected to rise again to the levels seen in FY2020.

Government bond yields are supressed
2-Year Government Benchmark
10-Y Government Benchmart

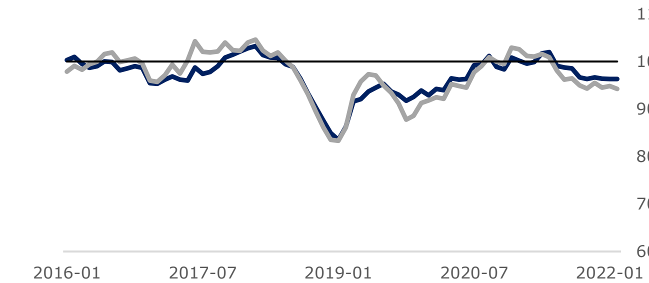


Source: Refinitiv, JCR-ER

Since Turkish banks have opportunity to reach international monetary system, international borrowing costs is another component of lending rate. Increasing benchmark rates of Turkey also soared banks borrowing rates from international markets. Therefore, despite CBRT's easing cycle continues increasing benchmarks holds loan rates above certain level.

Banks' debt-roll performance is resilient, in line with the historical benchmarks.

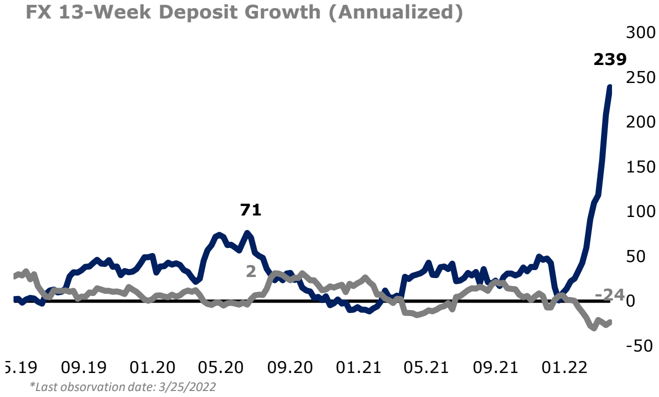
External debt roll rates are strong for banking
(6 Months Rolling Average, %)
Debt Roll Rate, **Rate Including Bonds**



Source: Refinitiv, JCR-ER

Inflation expectations shape deposit profile

LCY 13-Week Deposit Growth (Annualized)
FX 13-Week Deposit Growth (Annualized)

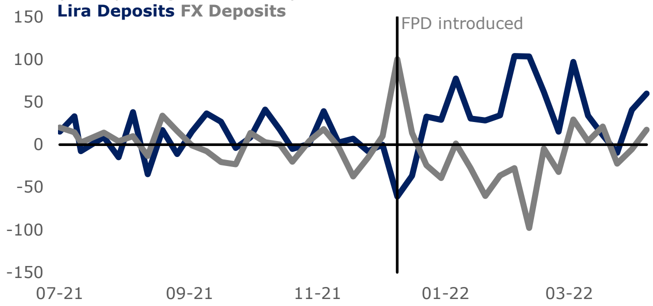


Source: BRSA, JCR-ER

The total deposits of the banking system increased by 52.4% in 2021 and reached TRY 5.30trn where it was TRY 3.46trm in FY2020. Short-term nature of system deposits had historically created maturity mismatch between assets and liabilities and the rapid episode of dollarization leading to volatility in FX rates resulted in a peak. Sudden FX rate jumps in 2021, resulted in FX deposits share reaching its highest value in December, 2021 with 69%.

FX-Protected Deposits (FPD) entered the market with sizable interest, in response to the dollarization trend and markedly high FX rate volatilities. The mechanism essentially guarantees the depositors the maximum of the interest rate on the term account or the foreign exchange gains. Since the introduction, this deposit product had been vastly popular, not least thanks to withholding tax waivers and abolishing unrealized FX gains for the corporate tax payments as of 2021. As a result, the balance of FPD has reached TRY 700bn as of April 2022.

FPD introduction triggered switch to Lira deposits
(Weekly change, TRY billions)

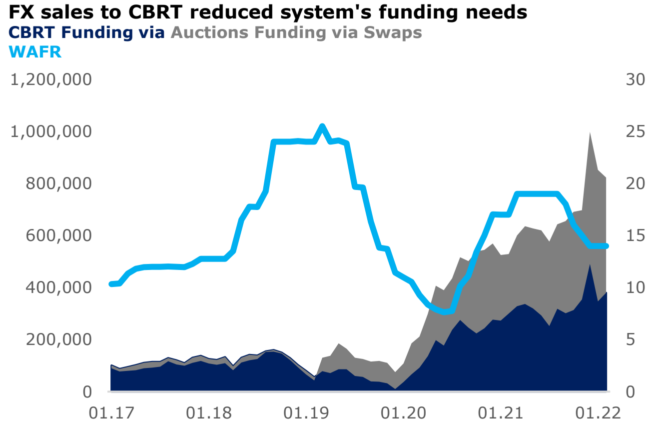


Two types of FPD accounts are available; (i) offered to existing FX depositors where they sell their FX to the CBRT and open Lira accounts and (ii) for existing Lira depositors. The former account, though the breakdown of the figures is no longer periodically published, are estimated to be around TRY 390 as of April 2022.

De-dollarization supports liquidity

Besides the deposits, CBRT funding plays critical role in liability side of banking sector. CBRT provide funding to sector via tender and derivatives channel. As the end of FY2021, CBRT provide TRY 998bn (490bn via tender and 508bn via derivatives) funding to the sector at a WAFR 14%.

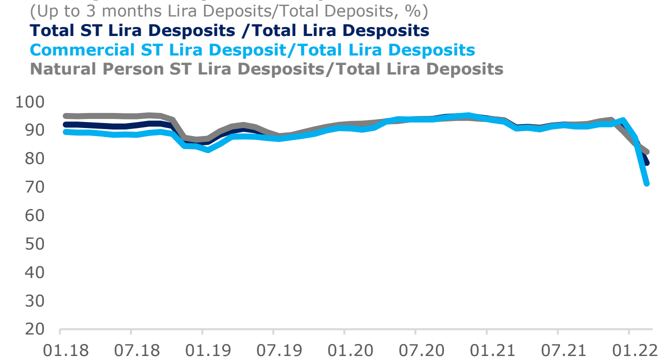
FX sales to CBRT reduced system's funding needs



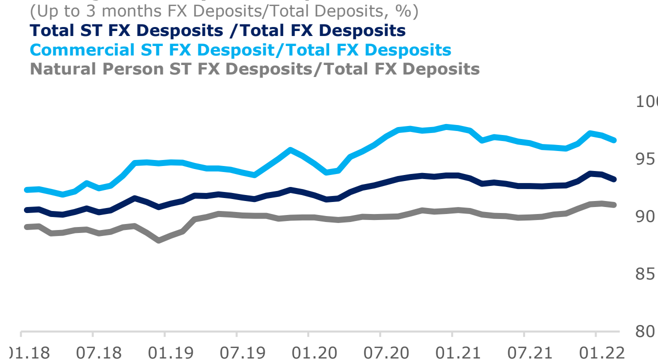
Source: CBRT, JCR-ER

Approximately USD 30bn FX deposit has turned to FDP account which means that TRY 387.1bn funding to banks. Initial effect of FPD on liquidity position of banking system is observed in CBRT's funding to the banking system which declined to TRY 822bn (380 bn via tender, 442bn via derivatives)

Average maturity of Lira deposits increased with FPD
(Up to 3 months Lira Deposits/Total Deposits, %)



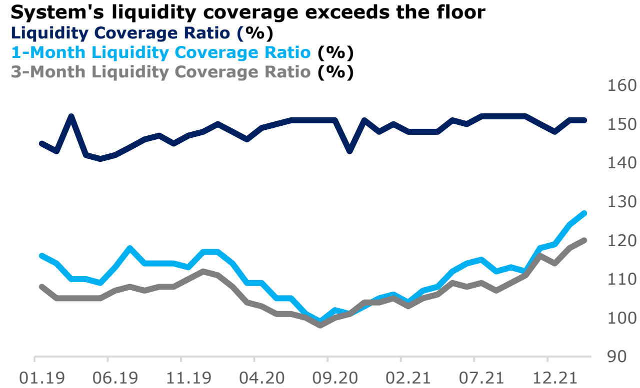
Average maturity of FX deposits increased as well
(Up to 3 months FX Deposits/Total Deposits, %)



Source: BRSA, JCR-ER

Another foremost effect of FDP is observed in banking sectors liquidity coverage ratio (LCR) improvement. In particular, short term cash outflows in which significant portion has been composed of short-term deposits (demand, up to 1-month, and 1-3-month deposits) are restricted by minimum 3-month deposits requirement of FDP deposits requirement of FDP. This development supported the upturn in LCRs, both 1-month and 3-months.

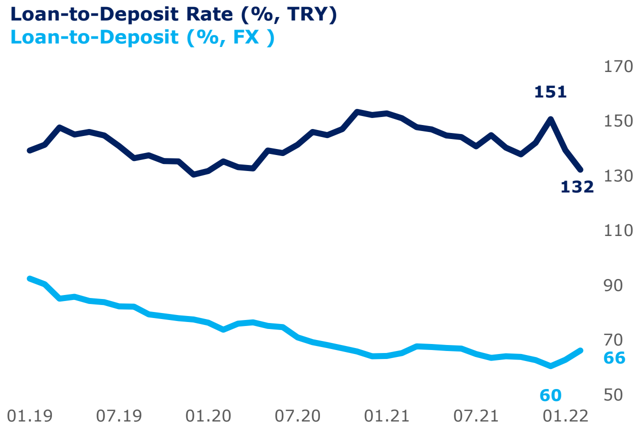
System's liquidity coverage exceeds the floor



Source: BRSA, JCR-ER

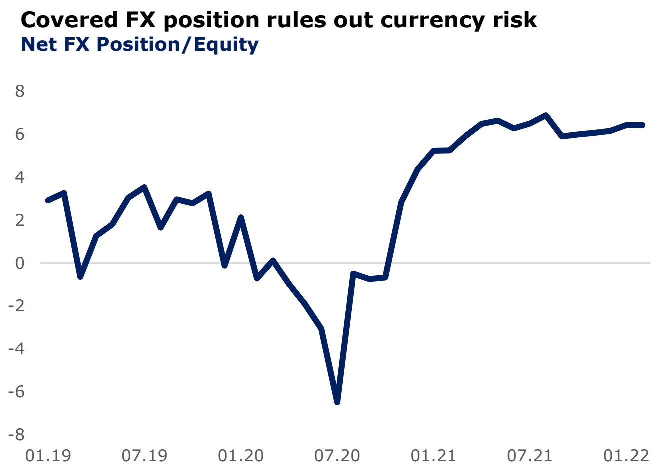
Current de-dollarization efforts also reflected in loan-to-deposit (LTD) ratios. Initial movement to FDP started at the end of 2021 gain momentum in 2022 and FDP accounts balance which is kept in TRY started to soar. With that effort FX deposit account balances also started to shrink. This state lead to decrease in LTD in TRY ratio and vice-a-versa for LTD in FX.

Graph presented below depict recent developments in LTD ratios. Accordingly, LTD in TRY which was 151% at FYE2021 was calculated as 132%, as of February, 2022. In addition, LTD in FX soared to 66% from where it was 60.



Source: BRSA, JCR-ER

Covered FX position via off-balance sheet assets, disposed of the currency risk of sector and remove the new equity requirements.

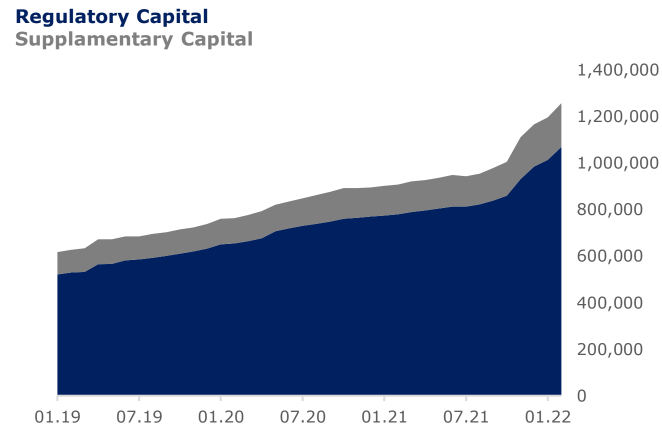


Source: BRSA, JCR-ER

Capitalization is resilient, state banks continue to receive support

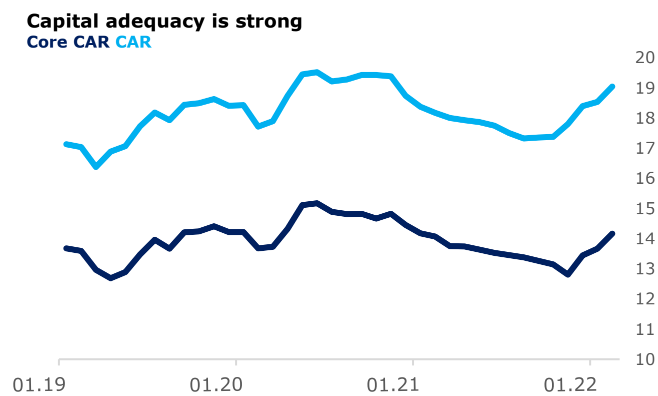
In terms of capital adequacy, Turkish banking sector is on solid ground. Total regulatory capital of sector increased by %28 in 2021 from TRY 770bn in FY2020 to TRY 985bn as of FY2021.

Capital injections to state banks made Turkish banking system capital structure stronger. Turkish Wealth Fund (TWF) had completed capital raise operations in state banks in March, 2022 and totally TRY 48.6bn has been injected to system. Reduced capital adequacy of the state banks due to heavy lending had been remedied via injections.



Source: BRSA, JCR-ER

The CAR ratio, which is one of the main strength indicators of the sector, shows small decline compared to previous year and realized as %18.39 which is well above the Basel III requirement 8%.



Source: BRSA, JCR-ER

CBRT policies boosted profitability

Sectors profitability has shown dramatic increase in 2021 with TRY 92bn after-tax income that was TRY 58bn in 2020. The biggest contribution to profitability came from capital market activities with TRY 38bn profit whilst banking services revenues made TRY 66.8bn contribution.

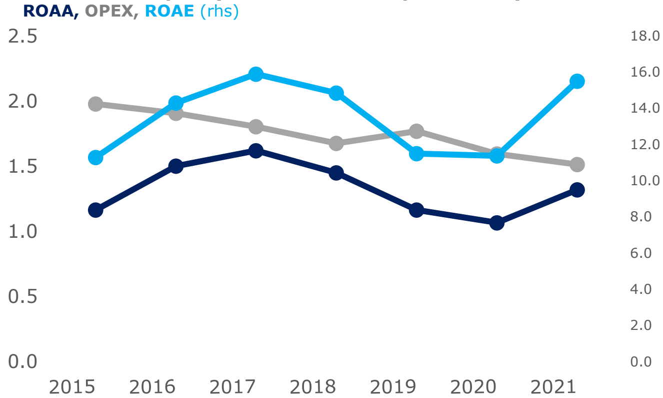
Selected P&L Items

	2019	2020	2021
Net Interest	162,355	214,796	265,518
Special Provision for NPL (-)	56,555	41,560	47,226
Banking Service Revenues	49,640	42,635	66,835
Personnel Expenses (-)	34,119	39,332	46,781
Capital Market P&L	-17,472	-22,487	38,394
FX P&L	-5,510	3,730	-59,467

Source: BRSA, JCR-ER

Monetary easing cycle started in September 2021 contributed to boost in profitability. While CBRT's funding cost declines, macroeconomic risks raised the credit-deposit interest rate gap. The situation boosts banks profitability.

Inflation and policy rates will share profitability
ROAA, OPEX, ROAE (rhs)



Source: BRSA, JCR-ER

Boosted profitability were also observed in profitability ratios. ROaE increased to 15.6 in FYE2021 which were crawling at 11 in FYE2020. ROaA also recover to 1.3 in FYE2021 from 1.1 in FYE2020.

Selected KPIs

(%)	2019	2020	2021
Core CAR	14.22	14.45	13.44
CAR	18.40	18.74	18.39
ROAA	1.44	1.38	1.68
ROAE	11.48	11.36	15.48
Loan-to-Deposit	109.64	108.26	95.92
NII/Average Assets	3.85	3.91	3.76
NIE/Average Interest-Bearing Liabilities	8.45	5.52	7.89
Loan-to-GDP	65.00	62.00	68.00
Loan-to-Deposit (TRY)	130.40	152.20	150.60
Loan-to-Deposit (FX)	77.50	64.10	60.40
Securities-to-Total Assets	14.70	16.70	16.00

Source: BRSA, JCR-ER

Current Topics in Banking Sector

Banking can be seen as a conventional sector where current trends do not have effect on it. However, it does not. Trends like digitalization and sustainability have transforming sector nowadays.

Banking sector is of the areas where the effects of digitalization seen mostly. Besides the technological developments used in banking like mobile apps, BRSA's regulation in digital banking has formalized the evolution process of conventional banking into digital era.

With the regulation in which the principles of digital banking were determined, the concept of branchless (digital) banking became official. In this context, digital banks can be found with a capital of equal or more than TRY 1bn. Also, digital banks will not have branch other than the head office, and customer segment will be individuals and SMEs.

On the other hand, the efforts to solve the emerging problems, especially the climate crisis and inequality, were also reflected in the banking sector. The Responsible Banking declaration put forward by the UN Finance Initiative was signed by 7 Turkish banks. Turkish banks started to allocate some of the resources to the sustainability related (environmental, social) projects.

5. Additional Rating Assessments

When D Investment Bank starts its operations, the Bank will be principally exposed to credit, market, liquidity and operational risks stemming from the nature of its operations and utilization of financial instruments.

Risks are executed under the risk management framework and in line with the implementation communiques. The Bank's risk management policies and strategies are reviewed according to arising needs. The Board of Directors (BoD) has the overall responsibility of establishing and supervising an effective risk management framework and principals.

Credit, Audit, Corporate Governance and Remuneration Committees have been formed under the BoD and the Bank has also set up the, Executive, Asset & Liability, Information Security, Information Systems Strategy and Steering, Discipline and Information Systems Continuity Committees with the participation of senior executives under the presidency of the Chief Executive Officer (CEO). Furthermore, Internal Control, Internal Audit, Compliance and Risk Management Departments have been formed under Internal Systems in line with the BRSA regulations to establish a thorough and comprehensive risk management system.

Credit Risk

The Bank's credit risk management policy is initially set on three pillars; customer assessment, credit allocation and credit pricing. In this sense, through the guides of the comprehensive risk management framework, the Bank manages its credit risk by the allocation of loan limits for customers and customer groups as well as the definition of limits for sectors with considerations of maximizing risk-adjusted returns.

The Bank continuously monitors customer credit assessments, takes necessary precautions and reviews allocated limits when necessary. In accordance with the lending policies, collaterals such as cash, bank guarantees, mortgages, pledges, cheques & notes and personal or corporate guarantees are required in line with the financial position of the debtor and its creditworthiness. In addition, provisions calculated using the outputs of models together with other explanatory variables are monitored under IFRS 9.

D Investment Bank's risk profile by sectors & segment are shown below:

Cash Loan Customer Concentration %	FYE2021	1H2022
First 10	93.49	65.23
First 20	100.00	88.42
First 50	100.00	100.00

Non-Cash Loan Customer Concentration %	FYE2021	1H2022
First 10	100.00	81.18
First 20	100.00	100.00
First 50	100.00	100.00

The below table shows the customer concentration levels in cash and non-cash loan book composition of the Bank in 1H2022.

Cash Loan Book Composition (%)	1H2022
Finance	53.89
Trade	27.61
Manufacturing	10.76
Transportation	5.50
Real Estate	2.24

Non-Cash Loan Book Composition (%)	1H2022
Finance	39.71
Real Estate	25.26
Trade	15.92
Manufacturing	12.46
Agriculture	6.62
Transportation	0.03

While industrial composition and customer concentration remains a risk factor, the Bank is able to manage this risk through collateral structure. Additionally, since the Bank's establishment there are no any nonperforming loans in the Bank's loan book portfolio.

Market Risk

Market risk shows the changes in market prices such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments and use the 'Standard Method', in line with the methodology outlined in the regulations of the Banking Regulation and Supervision Agency (BRSA). The monthly market risk report and the weekly currency risk reports prepared are reported to BRSA. In accordance with the Bank's Market Risk Management Procedure, with the standard shock stress tests method for interest rate risk, in order to calculate the monthly effect of the upward or downward movements that may occur in the yield curve on the balance sheet separate analyzes are provided for assets and liabilities in TRY, USD and EUR.

In addition, the possible loss on the securities portfolio due to the upward movements that may occur in interest rates, and the impact of this loss on the Bank's capital adequacy ratio are also considered in the stress tests. Within the scope of exchange rate risk, the FX position arising from the difference of all FX assets and liabilities in the foreign currency exchange rate is analyzed and subjected to monthly stress test, scenario analysis and it is ensured that the results are presented to the Board of Directors on a monthly basis.

The BoD of the Bank defines the risk limits for primary risks carried by the Bank and periodically updated the limits. The Bank measures its market risk daily through the value at risk (VaR) methodology, related with trading and available-for-sale portfolios.

VAR measurements calculated using internal methods, and exchange rate and overall market risks calculated using standard methods, as well as stress tests and scenarios, are analyzed within the scope of the market risk and regularly reported by the Risk Management Department to the Senior Management and Audit Committee.

The Bank measures the interest rate sensitivity of assets, liabilities and off-balance sheet items in weekly meetings of the Asset- Liability Committee (ALCO) comprising members of senior management.

Foreign exchange risk

The carrying amount of the Bank's foreign currency denominated financials for the analyzed period are as follows:

(TRY 000)	FYE2020	FYE2021	1H2022
Assets	70,778	46,683	119,509
Liabilities	-	(2,225)	(128,477)
Net on Balance Sheet FX position	**70,778**	**44,458**	**(8,968)**
Derivative Assets	-	-	65,407
Derivative Liabilities	-	-	(15,439)
Non-Cash Loans*	-	-	18,718
Net off-Balance Sheet FX position	-	-	**49,968**
Net FX Position	**70,778**	**44,458**	**41,000**

**Non-Cash loans are not taken into consideration in the calculation of the net 'off-balance sheet' position.*

As shown in the table above, the Bank has long net FX position in 1H2022.

Interest rate risk

The Bank is exposed to the fluctuations in interest rates due to the containment of assets and liabilities in its balance sheet carrying interest rates. The Bank manages the interest rate risk by applying risk management strategies and matching the interest rate changes of assets and liabilities.

The weighted average effective interest rates applied to the financial instruments are as follows,

Interest Rates (%) Weighted Average	USD	TRY
Assets		
Balance with banks	1.00	19.00
Loans	5.80	29.40
Financial Assets		24.85
Liabilities		
Money market borrowings	-	20.32
Debt instruments	-	20.35
Loan from other financial institutions	-	18.21

Liquidity Risk

The Bank executes its liquidity risk by maintaining an adequate level of liquid assets to meet its obligations even in stressed conditions and accomplishes the regulations regarding liquidity implemented by the Banking Regulation and Supervision Agency (BRSA).

The Bank's liquidity risk management is strategically owned by the Board of Directors and the Assets-Liabilities Committee (ALCO). The Bank's liquidity situation is discussed in weekly ALCO meetings and Risk Management in monthly periods. It is also ensured that it is reported to the Board of Directors (BoD) through stress tests performed by the Presidency. The liquidity risk appetite is determined by BoD by using the limit and signal values. Overruns are monitored on a weekly basis by the Risk Management Department and necessary notifications are made to the relevant management levels.

Funds for short-term liquidity needs are provided through either internal sources or interbank lines, while long term liquidity needs are managed by utilizing capital market instruments through domestic markets. In overcoming the liquidity risk considering short and long-term liquidity requirements, the Bank has been in an effort to develop alternative funding channels. As of reporting date, the Bank management provided adequate funding sources through good access to financial markets and no violation was observed in this field.

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high-quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to "Regulation for Banks' Liquidity Coverage Ratio Calculations" terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows. In both bank-only and consolidated basis, LCR ratio should be at least 80% for foreign currency and 100% for total.

According to the Regulation on Banks' Liquidity Coverage Ratio Calculation, it has been decided to apply the consolidated and unconsolidated total and foreign currency liquidity coverage ratios for development and investment banks as zero percent until the contrary is determined by the BRSA, and within this framework, compliance with the legal ratio is not sought.

Operational, Legal Regulatory & Other Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure. Information systems, internal control policies, and procedures outline the overall operational risk management profile.

The Bank places importance on compliance with the regulations set by the authorities and changes to the legal framework such as Regulations on the Principles of Corporate Governance of Banks, corporate governance provisions in Turkish Commercial Code along with Banking Regulation and Supervision Agency (BRSA)'s enforcements of strict regulation and supervision on the Turkish Banking Sector.

Operational risks are managed effectively through the formation and implementation of risk management policies, network security and human resources. Business continuity is ensured by implementing back-up and disaster recovery plans and systems. In addition to the Bank's timely risk management applications assisted by the risk management, internal audit, internal control and compliance departments, the Bank insures its premises and equipment, money transfers, business interruption as well as offering liability insurance.

According to the Bank's assessments, there were no significant lawsuits brought against the Bank or its managers as of reporting date that may result in material losses considering the Bank's assets size. Moreover, the Bank did not receive penal action by the regulatory and supervisory authorities, within the scope of legal risk.

D YATIRIM BANKASI A.Ş.			**Balance Sheet**	
(000, TRY)	**1H2022**	**1H2021**	**FYE2021**	**FYE2020**
Total Earning Assets	**873,827**	**213,233**	**378,015**	**209,706**
Loans and Leasing Receivables	*619,854*	*0*	*200,489*	*0*
Other Earning Assets	*253,973*	*213,233*	*177,526*	*209,706*
Non-Earning Assets	**41,662**	**15,638**	**22,234**	**9,968**
Total Assets	**915,489**	**228,871**	**400,249**	**219,674**
Cost Bearing Resources	**663,387**	**0**	**148,844**	**0**
Non-Cost Bearing Resources	**38,195**	**9,573**	**25,712**	**3,766**
Total Liabilities	**701,582**	**9,573**	**174,556**	**3,766**
Equity	**213,907**	**219,298**	**225,693**	**215,908**
Total Liabilities and Shareholders' Equity	**915,489**	**228,871**	**400,249**	**219,674**

- *Including JCR Eurasia Rating's adjustments where applicable,*

D YATIRIM BANKASI A.Ş.		Income Statement		
(000, TRY)	**1H2022**	**1H2021**	**FYE2021**	**FYE2020**
Net Interest Income	**25,852**	**16,000**	**33,354**	**3,703**
a) Interest Income	*60,165*	*16,453*	*36,025*	*3,703*
b) Interest Expense	*34,313*	*453*	*2,671*	*0*
Net Fee and Commission Income	**-37**	**-3**	**-323**	**-7**
a) Fee and Commission Income	*1,942*	*0*	*30*	*0*
b) Fee and Commission Expense	*1,979*	*3*	*353*	*7*
Total Operating Income	**10,544**	**5,432**	**25,033**	**26,235**
Foreign Exchange Gain or Loss (net) (+/-)	*8,458*	*3,746*	*22,937*	*26,235*
Other Operating Income	*2,086*	*1,686*	*2,096*	*0*
Provisions	**10,524**	**3,206**	**3,611**	**0**
Provision for Impairment of Loan and Trade Receivables	*0*	*0*	*0*	*0*
Other Provision	*10,524*	*3,206*	*3,611*	*0*
Total Operating Expense	**32,040**	**13,044**	**39,506**	**9,525**
Salaries and Employee Benefits	*20,453*	*8,313*	*24,072*	*3,431*
Other Expenses	*11,587*	*4,731*	*15,434*	*6,094*
Profit from Operating Activities before Income Tax	**-6,205**	**5,179**	**14,947**	**20,406**
Income Tax – Current	*-2,531*	*-1,861*	*-5,855*	*-4,498*
Income Tax – Deferred	*-140*	*83*	*1,402*	*0*
Net Profit for the Period	**-8,876**	**3,401**	**10,494**	**15,908**

- *Including JCR Eurasia Rating's adjustments where applicable,*

D YATIRIM BANKASI A.Ş.	**Financial Ratios (%)**	
	FY2021	**FY2020**
I. PROFITABILITY & PERFORMANCE		
Provisions / Total Income	6.22	0.00
Total Income / Total Expenses	146.98	314.24
Total Operating Expenses / Total Income	68.04	31.82
Net Interest Margin**	14.71	NM*
Net Profit Margin	18.07	53.15
Gross Profit Margin	25.74	68.18
Asset Market Share in Turkish Investment Banks	0.07	0.06
Asset Market Share in Entire Banking System	0.004	0.004
Asset Growth Rate	82.20	NM*
II. CAPITAL ADEQUACY (year-end)		
Internal Equity Generation / Previous Year's Equity	4.86	NM*
Equity / Total Assets	56.39	98.29
Capital Adequacy Ratio	166.46	NM*
III. LIQUIDITY (year-end)		
Liquidity Management Success (On Demand)	90.98	99.60
Liquidity Management Success (Up to 1 Month)	75.68	52.88
Liquidity Management Success (1 to 3 Months)	95.76	100.00
Liquidity Management Success (3 to 6 Months)	94.03	100.00
Liquidity Management Success (6 to 12 Months)	100.00	100.00
Liquidity Management Success (Over 1 Year & Unallocated)	74.50	52.48
IV. ASSET QUALITY		
Loan and Receivable's Loss Provisions / Total Loans and Receivables	0.00	NM*
Total Provisions / Profit Before Provision and Tax	19.46	0.00
Impaired Loans / Gross Loans	0.00	NM*
Impaired Loans / Equity	0.00	0.00

**NM: Not meaningful*
***Net Interest Margin provided by the Bank management*

- *Including JCR Eurasia Rating's adjustments where applicable,*

Rating Info

Rated Company:	D Yatırım Bankası A.Ş. Kuştepe Mahallesi Mecidiyeköy Yolu Caddesi Trump Tower Apt. No: 12/32 34387 Şişli / İstanbul, Türkiye Telephone: +90 (212) 998 74 00 Fax: +90 (212) 998 74 75
Rating Report Preparation Period:	26.08.2022 - 21.09.2022
Rating Publishing Date:	21.09.2022
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	FYE2021-FYE2020 | Solo 1H2022-1H2021 | Solo
Previous Rating Results:	September 17, 2021 / Long-Term National Issuer Credit Rating / 'A- (tr)'
Rating Committee Members:	Ş. Güleç *(Executive Vice President)*, Z. M. Çoktan *(Executive Vice President),* O. İnan *(Director)* B. Pakyürek *(Chief Analyst)*, F. Lap *(Chief Analyst)*, K. F. Özüdoğru *(Chief Analyst)*

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, 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

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.

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