

## Corporate Credit Rating

New  Update

Sector: NPL Asset Management  
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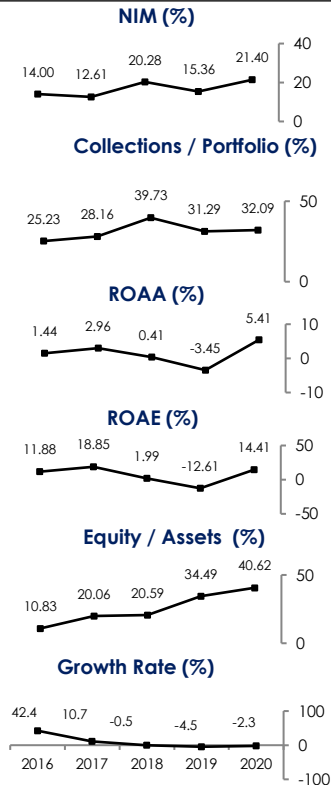
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## RATINGS

		Long Term	Short Term	
International	Foreign Currency	N/A	N/A	
	Local Currency	N/A	N/A	
	Outlook	FC	N/A	N/A
		LC	N/A	N/A
Issue Rating	-	-		
National	Local Rating	BBB+ (Trk)	A-2 (Trk)	
	Outlook	Negative	Negative	
	Issue Rating	-	-	
Sponsor Support	2	-	-	
Stand-Alone	B	-	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

\*Assigned by JCR on April 10, 2020



## Denge Varlık Yönetim A.Ş.

JCR Eurasia Rating, in the periodic annual review, has evaluated **Denge Varlık Yönetim A.Ş.** in investment-level category on the national scale and has affirmed its Long Term National Rating at **'BBB+ (Trk)'** with **'Negative'** outlook.

**Denge Varlık Yönetim A.Ş.** (formerly known as Destek Varlık Yönetim A.Ş. and hereinafter referred to as "Denge Varlık" or the "Company"), an asset management company specialized in Non-Performing Loans (NPL), began activities in 2013, under the name of 'Deniz Varlık Yönetim A.Ş.'. Under the rules and regulations drawn by BRSA (Banking Regulation and Supervision Agency of Turkey), the Company buys non-performing assets of banks and other financial institutions (primarily over-due loans and receivables) and executes the collection or restructuring process of those assets. The paid-in capital of Denge Varlık is TRY 40mn. The Company operates in its headquarters located in Istanbul and has no branches. As of reporting date, Lider Faktoring A.Ş. is the sole owner of the Company.

The NPL asset management sector, which is characterized as new in the classification of financial institutions, has a rapid growth trend. With the increase in activities aimed at monitoring the asset quality of the banks, the sector has become more prominent and promises the future. The increasing pressure on the economic conditions within the country, the supply of non-performing loans exhibits an increasing trend where asset management companies find better places on the stage.

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

### Strengths

- Notable increase in bottom line result in 2020
- Satisfying level of equity
- Backed by the sole shareholder, Lider Faktoring, that has successful track record
- Favorable tax advantage contributing competitiveness and financials positively
- High growth potential of the sector linked to financial markets and regulations

### Constraints

- Slowdown in portfolio expansion and collection capability in the sector
- Down turn in growth rate
- Intensive competition in the sector
- Projected contraction on global and local economy, triggered by Coronavirus outbreak

Considering the aforementioned points, the Company's the Long Term National Rating has affirmed at **'BBB+ (Trk)'**. The Company's transaction volume, purchased NPLs, level of collection capacity and ongoing effects of the pandemic have been evaluated as important indicators for the stability of the ratings and the outlooks for long and short term national ratings are determined as **'Negative'**. Asset Management Sector was deeply affected by Covid-19 outbreak since macroeconomic conditions and stability are very significant for the sector. In this context, ongoing economic uncertainty makes NPL acquisition and associated collections unpredictable. Sustainability of the Company's operational profitability performance, equity level and cash generation capacity together with the trends in the industry are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions will be continued to be monitored.

It is considered that the shareholder, Lider Faktoring, has the willingness to ensure long-term liquidity and equity should such a need arise and the experience to provide efficient operational support to Denge Varlık. In this regard, the Company's Sponsor Support Grade has been affirmed as **(2)** which denotes adequate external support.

The Company's Stand Alone grade has been constituted with respect to the Company's market shares, growth rates, asset quality, equity structure and risk management practices as well as the development of existing risks in the markets and business environment by using its internal sources. When the factors above are considered, our opinion is that Denge Varlık has reached a level of adequate experience and facilities to manage the occurring risks in its balance sheet through internal means, provided that it maintains the current business scale and efficiency in the market. The Stand-Alone rating has been determined as **(B)**, signifying a sufficient level to bear its liabilities through its own asset quality and profitability level.

## 1. Rating Rationale

Denge Varlık Yönetim A.Ş. was registered and established in 2019. The assets and liabilities of Destek Varlık Yönetim A.Ş., which we have rated in the past years as JCR Eurasia Rating, were transferred to Denge Varlık Yönetim A.Ş. Since all receivables and liabilities of Destek Varlık are transferred to Denge Varlık, the ratings we have already given for Denge Varlık are the continuation of the ratings given to the Destek Varlık.

The Company's year-end independent audit reports prepared in conformity with the BRSA regulations, statistical data on the sector, JCR Eurasia Rating's own studies and records, information and clarifications provided by the Company and non-financial figures constitute the major basis of Denge Varlık Yönetim A.Ş.'s ratings.

Turkish Non-Performing Loan Asset Management Sector (AMCs) has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since October 1, 2002 in Official Journal No: within the scope of the Law on Restructuring of Debts to Financial Sector numbered 4743 were regulated with Article 143 of the Banking Law numbered 5411 promulgated in the Official Gazette dated 01.11.2005 and numbered 25983. Moreover, the Regulation on the establishment and operating principles of asset management companies entered into force on November 01, 2006. Legislative regulations reinforced the representative capability and power of the Non-Banking Financial Sector. This legal infrastructure is expected to increase the efficiency of supervision and effectiveness of audit systems in the sector.

The rating is based on the independently audited financial statements of the Company prepared in compliance with the BRSA regulations, projections of the management, business analysis of the firm and the sector, statistical data provided from BRSA and JCR Eurasia Rating's own studies. Several calculations and evaluations concerning the financial and business position of the Company are also performed.

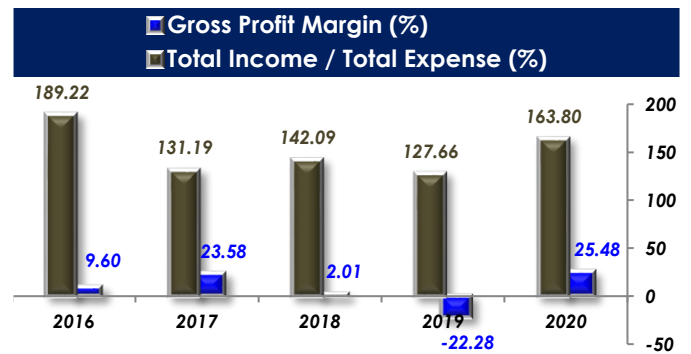
The Company's asset quality, profitability and performance figures, equity structure, risk management practices, market efficiency, growth rates as well as the main shareholders' financial and non-financial positions and expected support were taken into consideration while determining the risk assessment of the long term and short term national ratings

as well as issue rating. According to the rating agreement signed with Denge Varlık, international foreign currency and international local currency ratings have not been assigned and not in the scope of this report.

Fundamental rating considerations are as below;

### Notable Increase in Bottom Line Result in 2020

Denge Varlık seized a good level of profitability in last-5-year-scale, excluding 2019. Closing 2015 and 2016 with a net profit of over TRY 1mn and 2017 with TRY 2.8mn, was more successful years compared to net profit of 2018's, TRY 549k. In 2019, after the consolidation of Denge Varlık and Destek Varlık, bottom line loss was TRY 4.8, whose mainly came from interest expense effect. While the Company's net profit level turned to negative in 2019, the total portfolio followed a slight upward pattern, compared to previous year-end of 2018. As of 2020, the Company's net profit was realized as TRY 6.2mn. The interest expense of the Company for 2020 decreased to TRY 11mn since there is no issued bonds.



In 2020, collections, which are the primary factor affecting the profitability of the Company, have been increased by TRY 76k compared to the previous year. The ratio of collections to total portfolio value in 2019 was 31.29% and this figure rose to 32.09% in 2020. On the other hand, the Company purchased NPLs amounted TRY 9mn in 2020. There was no purchase in 2019.

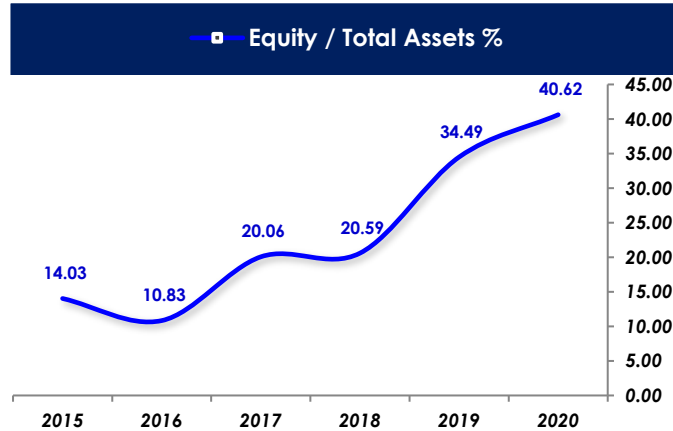
Some of the profitability indicators are provided in the table below.

Ratios (%)	2020	2019	2018	2017
ROAA*	5.41	-3.45	0.41	2.96
ROAE*	14.41	-12.61	1.99	18.85
Total Income / Equity (avg.)	56.55	56.59	99.10	79.95
Total Income / Assets (avg.)	21.22	15.49	20.14	12.54
Total Expenses/ Liabilities (avg.)	10.15	10.15	17.79	11.33
Collections / Total Portfolio	32.09	31.29	39.73	28.16

\*Based on pre-tax profit

### Satisfying Level of Equity

Denge Varlık’s paid-in capital is TRY 40mn as of reporting date. Previous entity, Destek Varlık, was operating with TRY 20mn of paid-in capital. In 2019, Destek Varlık’s commercial name has been changed to Deren Varlık and a new company, Denge Varlık, was established with TRY 20mn of capital. After the consolidation of those two companies, total paid-in capital of Denge Varlık increased to TRY 40mn. With the positive contribution of bottom line result, the Company’s total equity to asset ratio increased over 40%, indicating a 18% increase from the previous year’s figure.



### Backed by The Sole Shareholder, Lider Faktoring, That Has Successful Track Record

Lider Faktoring, sole shareholder of Denge Varlık, has a successful track record in Turkish financial market. Roots of Lider is back to 1992 and it is one of the three factoring companies publicly trading in Borsa Istanbul. In this regard, Lider is highly compliant with corporate governance principles and extra rules and positively distinguished from its competitors in terms of transparency and corporate governance regulations applied to publicly traded companies. Lider Faktoring’s paid-in capital is increased

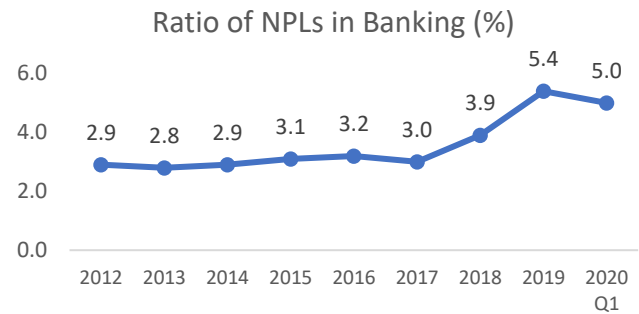
from TRY 45mn to TRY 90mn in 2020. As being a non-bank financial institution, Lider Faktoring’s successful track record is a prominent contributor to Denge Varlık’s business.

### Favorable Tax Advantage Contributing Competitiveness and Financials Positively

As required by law, NPL asset management companies have tax advantages such as stamp tax, mortar, BİTT for 5 years after establishment. Moreover, the new regulation about extending the 5-year rule to life-long status is on the table. The tax subsidies provide a dual-advantage of both lowering operational costs and gaining competitiveness.

### High Growth Potential of The Sector Linked to Financial Markets and Regulations

The NPL asset management sector is one of the fastest growing area in the financial services industry of Turkey. Especially the macroeconomic conditions for the last years, when the non-performing loans of the banks in an upward trend, helped the asset management sector to grow rapidly. Especially in the last three years, there has been significant increase in the ratio of NPLs in banking.



### Slowdown in Portfolio Expansion and Collection Capability in The Sector

As an NPL asset management company, Denge Varlık’s primary asset is its loan portfolio. In our previous rating reports, it is stated that “certain amount of asset size needed to cover operational and financial costs based on normal collection projections. In this regard, it is not concluded that slowdown in growth has a negative effect, but it is an indicator that the collections for the upcoming year’s may be declining due to the fact that fresh portfolios are more likely to be collected.” Parallel to this opinion, the collections from older portfolio has slowed down in 2020. Moreover, there was no collection for the year of 2019 since Denge Varlık did not purchase of new files in 2019. Additionally, according to regulation made by BRSD, it’s decided that the 90-day delay period for the non-performing loan classification will be applied as 180 days

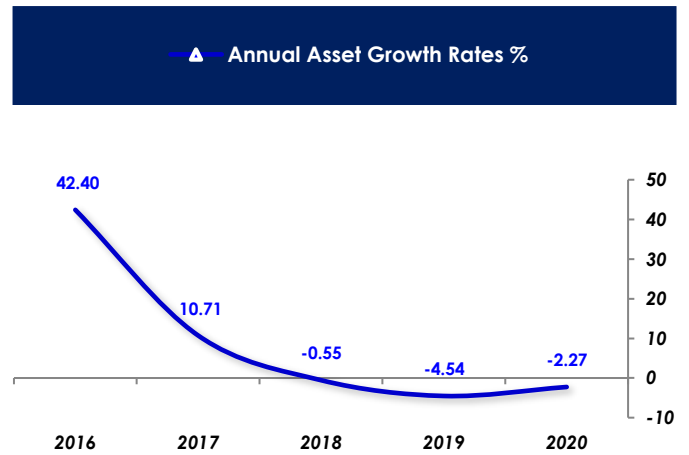
until 31.12.2020 due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic. Also, despite the 90-day delay, it has been decided to continue to allocate the provisions for loans that were classified in the second group according to the banks' own risk models used in calculating the expected credit loss under TFRS 9. This regulation caused serious decrease in NPLs portfolio in the market for the asset management companies. However, it's expected this regulation to be restored as of 2021 Q3 and asset management companies will able to reach new portfolios.

In 2020, the Company purchased new files with small amounts in compared to previous years and overall collections stayed at the same level of 2019. Due to the Coronavirus outbreak started in early 2020, the outlook for the upcoming years is reshaped recently in global scale. The expected contraction in economic activities will certainly affect the collection capability of the Company as well. Despite the steps taken towards monetary expansion by all central banks, including Turkey, are expected to increase ability to reach funding, possible increase in unemployment and ability of generating cash from industrial activities, will definitely loosen the power of repayment ability of retail and commercial debtors. In addition, it is predicted that NPL asset management companies will have difficulties to access new portfolios as a result of restructuring and debt-deferring services offered by banks to borrowers as experienced in FYE2020. Therefore, the expectations on current year look negative under these circumstances both in terms of collection capability and the new portfolio generation capacity.

**Down Turn in Growth Rate**

The Company's total assets are mainly composed of NPLs; hence growth rate is directly linked with purchased NPLs from banks or other financial institutions. In this context, Denge Varlık has performed very well until 2018. Then growth rate turned to negative by the reason of drop in NPL purchasing. As of 2020, total assets have been shrunked by 2.27% (FYE2019: -4.54%). Asset size is vital for the Company since it directly shapes the profitability and sustainability.

As stated above, the effect of the pandemic on economic conditions and ongoing uncertainty make harder to find new portfolios and expand the asset size for the Company.

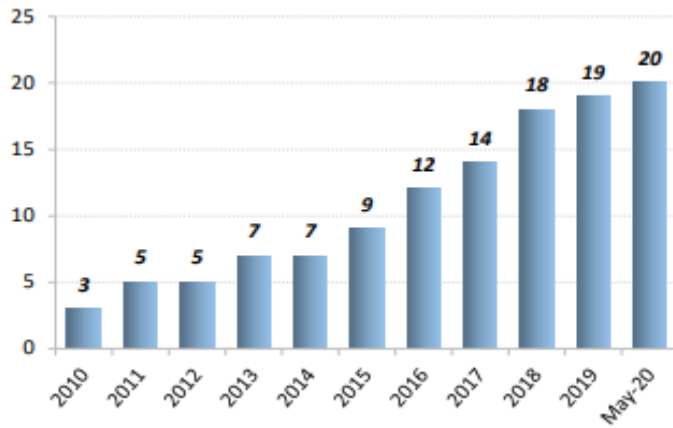


**Intensive Competition in The Sector**

Denge Varlık carries out its operation under the regulations of Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board of Turkey (CMB). On the other hand, like other NPL asset management companies, the Company does not have to comply with Corporate Governance Principles, according to the law. Denge Varlık's compliance level with those principles are relatively low compared to other companies bounded to CMB, like the ones quoted in BIST. Although the compliance is not mandatory for the Company, it would be beneficial for Denge Varlık to increase its corporate governance adaptation for a sustainable and solid standing for mid and long term standing.

On the other hand, the number of AMCs continues to increase rapidly. The number of AMCs increased from 3 in 2010 to 18 in 2020 while it triggers the competition in the sector and may have effect on purchase cost of NPLs. In FYE2020, NPLs purchase cost realized as 6.93%. The same figure was 6.80% in the year of 2018. The Company had no purchase in 2019.

The number of AMCs over the years is shown below.



**Projected Contraction on Global and Local Economy in 2020, Triggered by Coronavirus Outbreak**

Recent uncertainty created by the global Covid-19 pandemic, which started in China in January 2020 and subsequently influenced whole world, caused a sharp drop in expectations of global growth. According to IMF, the world has been put in a Great Lockdown. As a result of the pandemic, the global economy was projected to contract sharply by 4.4% in 2020 by IMF (dated October, 2020).

This makes the Great Lockdown the worst recession since the Great Depression, and for worse than the Global Financial Crisis of 2008. Although the significant actions of large central banks include monetary stimulus and liquidity facilities to reduce systemic stress, weaker economic outlook may spoil the risk appetite of investors. So even though economic growth will soon start to pick up again in step with the reopening of the economies, it may take a time before the risk appetite of investors are healed. The inability to predict when the current process will end, has left societies and countries to face uncertainties. Together with these macroeconomic circumstances, both global and local slowdown in economic activities has been inescapable.

With respect to the factors mentioned above, JCR Eurasia Rating has affirmed the Long Term National Rating of Denge Varlık as **‘BBB+ (Trk)’** and the Short Term National Rating as **‘A-2 (Trk)’** in JCR Eurasia Rating’s notation system. As there are no additional legal and/or financial collateral guarantees provided separately for the repayment of the bonds issued by Denge Varlık, the note assigned for the TRY dominated bond issuance has been assigned as the same as the Company’s Long and Short Term National Local Ratings.

**2. Projections & Debt Instruments**

The Company’s projected balance sheet for the year of 2021 is provided below together with the projected and realized values of 2020.

(TRY 000)	2020F	2020R	2021F
Cash & Cash Equivalent	131	814	136
Loans	127,453	112,986	128,992
NPL	127,581*	131,911	148,045
Provisions (-)	128	18,925	19,053
Tangible Assets	628	235	560
Intangible Assets	148	297	211
Other	199	528	297
<b>Total Assets</b>	<b>128,559</b>	<b>114,860</b>	<b>130,196</b>
Borrowed Loans	80,070**	65,942	73,232**
Issued Bonds	-	-	-
Other	2,289	2,265	2,731
Equity	46,200	46,653	54,233
Paid-in Capital	40,000	40,000	40,000
Net Profit	5,665	6,169	7,580
Other	535	484	6,653
<b>Total Liab. and Equity</b>	<b>128,559</b>	<b>114,860</b>	<b>130,196</b>

\* The effects of IFRS 9 transition are included

\*\*Planned loans and bonds are shown together

According to the projections for the following year, Denge Varlık expects a notable increase in net profit and moderate growth in loans. The forecasted and realized figures of 2020 are close enough to infer that the Company’s projections are aligned with reality. The expectations on net profit for 2021 will be monitored by JCR Eurasia Rating, under the expectations on decline in collection base due to the contraction in economy emanated from Covid-19 pandemic.

As of reporting date, Denge Varlık has no issued debt instrument in financial markets.

**3. Rating Outlook**

JCR Eurasia Rating has assigned a **‘Negative’** outlook on the National Long Term Rating perspectives of Denge Varlık primarily on concerns about macroeconomic expectations deteriorated by Coronavirus outbreak. Besides, growth path of the Company, equity level, profitability, liquidity indicators and loan collection projections are taken into consideration as well. The

existing debt instruments and composition of resources have also been evaluated in the assignment of the outlook.

The rating methodology employed in this report evaluates the deterioration of profitability indicators and collection problems and any indication of tightened conditions for debt repayments, coupled with aggravated political risks in the local and global markets as negative signals for the outlook.

JCR Eurasia Rating will continue to monitor developments in regard to the proposed projection and will evaluate Denge Varlık's growth strategy, profitability indicators, debt-level and the health of its equity.

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

#### **Factors that Could Lead to an Upgrade**

- »Possible upward trend on the bank side in terms NPL sales with the effect of the pandemic
- »Increase in the number of NPL within commercial loans and SME loans
- »Strong support of the shareholder, Lider Faktoring

#### **Factors that Could Lead to a Downgrade**

- »Intensification of the competition in the sector due to increasing number of AMCs
- »Deteriorating collection possibility with worsening working environment
- »Serious and deepened concerns on global macroeconomic indicators due to prolonged Covid-19 pandemic

## **4. Sponsor Support and Stand Alone Assessment**

The financial strength and expected support of the Company's shareholders lay the foundation of its Sponsor Support assessment. As of reporting date, Lider Faktoring A.Ş. is the sole shareholder with 100% share in Denge Varlık. Lider Faktoring's shareholders consists of real persons. Denge Varlık's paid-in capital is TRY 40mn and compliant with regulations. It is inferred that Lider Faktoring in a ready-state to provide support to Denge Varlık in case of a liquidity or capital requirement. In this regard, JCR Eurasia Rating has affirmed the Sponsor Support note of **(2)** reflecting financial and non-financial states and expected support by the shareholders.

The Company's Stand Alone grade has been constituted with respect to the Company's market shares, growth rates, asset quality, equity structure and risk management practices as well as the development of existing risks in the markets and business environment by using its internal sources. When the factors above are considered, our opinion is that Denge Varlık has reached a level of adequate experience and facilities to manage the occurring risks in its balance sheet through internal means, provided that it maintains the current business scale and efficiency in the market. The Stand-Alone rating has been determined as **(B)**, signifying a sufficient level to bear its liabilities through its own asset quality and profitability level.

## **5. Company Profile & Industry**

The word 'Destek', which is included in the title of Destek Varlık, was deleted from the records and officially registered in the Trade Registry Gazette dated July 10, 2019. At the Extraordinary General Assembly meeting held on August 8, 2019, the title of the company has been amended as 'Deren Varlık Yönetim A.Ş.'. The Company, with its application dated 30 July 2018, applied to the BRSA to establish an asset management company and Denge Varlık was registered on May 2, 2019. Within the framework of article 143 of the Banking Law of BRSA numbered 5411 and Article 6 of the Regulation on the Establishment and Operating Principles of Asset Management Companies, the activity permit was issued to Denge Varlık with the decisions of the Board dated August 22, 2019 and numbered 8506. The decision was published in the Official Gazette dated August 24, 2019. As in the previous company (Destek Varlık), Lider Faktoring is the sole shareholder of Denge Varlık.

The assets and liabilities of Destek Varlık, which we have rated in the past years as JCR Eurasia Rating, were transferred to Denge Varlık Yönetim A.Ş.

According to the article 143/5 of the Banking Law No. 5411, asset management companies have been exempted from stamp duty, BİTT (BSMV in Turkish abbreviation) and similar taxes and fees for 5 years from the date of their establishment. Destek Varlık, which started its activities in 2014, expired the 5-year period in 2019. Denge Varlık was established in 2019 and the entire balance sheet of Destek Varlık circuitously transferred to Denge Varlık. The aforementioned situation is a widely used method in the sector and does not contain any legal risks.

Denge Varlık, which serves in the fields of purchase and sale of the receivables of banks and other financial institutions, sale, collection of the receivables from the debts, translation of the assets into cash and restructuring them, helps to raise the assets and receivables of the customers by taking over the collection of the problematic receivables.

In addition to taking over receivables and collecting receivables, the Company also provides consulting services on restructuring receivables or selling them to third parties.

The Company's board consists of 5 members, including CEO.

**Board Members of Denge Varlık**

Name	Title	Type
Nedim Menda	Chairman	Non-Executive
Jak Sucuz	Vice Chairman	Non-Executive
Can Güney	Member	Non-Executive
Zafer Cantürk	Member	Non-Executive
Kemal Bayramoğlu	Member & CEO	Executive

It was concluded that the work experience and education level of board members and executive staff are at sufficient level.

The Company's shareholder structure is same with the previous year's Destek Varlık. In 2017, Lider Faktoring A.Ş. became sole shareholder of Destek Varlık and still sole shareholder of Denge Varlık. The Company's paid-in capital is TRY 40mn and in compliant with BRSA regulations on NPL asset management companies.

**Shareholder Structure of Denge Varlık Yönetim A.Ş.**

Name	Denge Varlık		Destek Varlık	
	2020	2019	2018	2017
Lider Faktoring A.Ş.	100.00%	100.00%	100.00%	100.00%

Lider Faktoring's shareholder structure as of 30.09.2020 is provided below.

**Shareholder Structure of Lider Faktoring A.Ş.**

Name	30.09.2020	2019	2018
Nedim Menda	33.56%	33.56%	33.56%
Raşel Elenkave	1.89%	11.34%	11.34%
Jak Sucuz	21.39%	21.39%	21.39%
Other Individuals	18.72%	18.71%	18.71%
Public	24.44%	15.00%	15.00%

Lider Faktoring is one of the non-bank leading factoring companies in Turkey and its shares are traded in Borsa Istanbul. It's paid-in capital is increased from TRY 45mn to TRY 90mn in 2020. Total equity was TRY 176.7mn while Lider Faktoring stands out with total asset size of TRY 1.1bn as of 30.09.2020.

**Corporate Governance**

The NPL asset management sector in Turkey is regulated by The Banking Regulation and Supervision Agency (BRSA). Under BRSA regulations, companies are expected to approach a certain level of standard in transparency and accountability. Denge Varlık is not listed on the Borsa Istanbul but issued bond and therefore is subject to rules and regulations of Capital Market Board. The Company prepares its financial statements in line with the standards pointed out by the BRSA. Besides, as a company issuing bond under the rules and regulations of Capital Market Board of Turkey, Denge Varlık fulfills the necessary requirements, like publishing the financial audited report on its website.

**The Company & Its Group Strategies**

The business model of Denge Varlık is mainly based on the acquisition of the receivables of banks and other financial institutions and the collection of these receivables from the debtor. In this process, the Company tries to keep the profit margin at the maximum level by focusing on productivity. In order to achieve advantageous prices and to maximize the collection of the receivables, keeping customer satisfaction at the upper levels is important for the profitability of the Denge Varlık. The Company's main shareholder, Lider Faktoring A.Ş.' stands out with its sectoral experience and provides a comparative advantage for Denge Varlık.

As a chain reaction, as the macroeconomic climate of the country goes bad, the supply of non-performing assets increases and asset management companies have a bargain advantage against the banks and other financial institutions. On the other hand, the increase in supply is triggered by worse conditions in economy that decreases the collection ability of non-performing loans and receivables. Under that condition, asset management companies hold the cost advantage in worse economic conditions but the due-diligence processes for those assets should be taken more carefully due to the general depreciation in overall solvency in the market. Under that assumptions, Denge Varlık

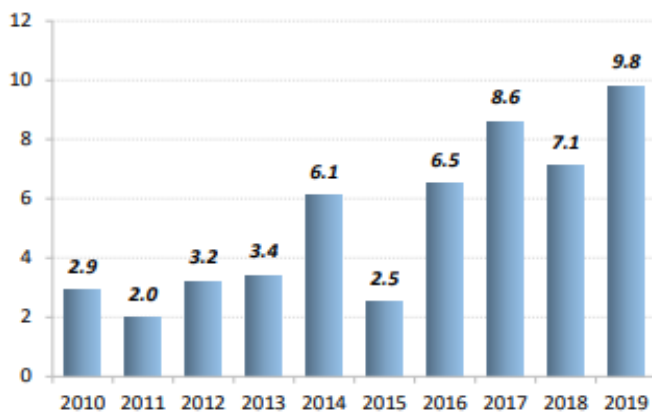
increases its care for due-diligence processes and always considers both sides, cost and collection ability, together.

**Sector Overview & Operational Environment**

The Asset Management Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA) since 2003. Asset management Companies (AMCs), beginning in 2006, have a serious role in the banking and other financial sectors of Turkey through liquidating non-performing loans (NPL) into cash. AMCs are one of the structural ways that financial system use in restructuring their financials by solving their NPL through a direct sale or in a form of revenue sharing.

The main drivers of the sector were banks and other financial institutions realizing the benefits of selling NPLs and increasing maturity and sophistication of AMCs in the market NPL purchasing market has exercised remarkable growth over the years with the rise in the figures of banks selling portfolios, entrance of new AMCs to the market, as well as banks selling larger portfolios. In 2018, total bad receivables bought by AMCs declined by 19% and realized at TRY 7bn. Main rationale behind the decline was the increase in restructured loans by banks that decreases the supply. Another reason was about pricing, where the offers by AMCs in the tenders were lower than previous years, due to the worsened asset quality of the banks’ portfolio. On the contrary, market for bad receivables exhibited an upturn and reached TRY 9.8bn in 2019.

The total NPL amounts sold to asset management companies from 2010 to 2019 are shown below.



A total of TRY 65.1bn NPL portfolio was purchased in the sector from the day it was established until the end of 2019 and paid a total purchase price of TRY 4.7bn for the

acquired NPL portfolio. NPL portfolios were mostly taken from the banking sector and while the sales from non-bank financing companies has been very limited.

The first portfolio sales related with Asset Management Companies were provided with the transfer and assignment of bank-owned receivables by the Savings Deposit Insurance Fund. Asset Management Companies increase the collection possibilities of debts of all maturities acquired by tender from banks and other financial institutions as a consequence of restructuring. BRSA holds a very stringent and lengthy due diligence process in order to issue the license required for purchasing NPLs under the stated regulations, the minimum paid-in capital per company has been increased to TRY 20mn. NPL AMCs in Turkey are granted a five-year exemption period from transaction taxes and certain legal fees by law.

Regulation changes of establishment and operating principles of NPL Asset Management Companies came into effect as of March 5, 2016. The law has presented positive developments in the sector’s corporate structure, quality of financial reports, standardization and transparency, and the assurance of competitive equality. This legal infrastructure is expected to increase the efficiency of supervision and effectiveness of audit systems in the sector.

- Under the stated regulations;
- The establishment and operations of AMCs has been consolidated under a single law and these companies are defined as ‘non-bank financial institutions’,
  - Companies have been required to establish the necessary legal infrastructure, information systems, risk assessment and internal control systems in order to carry out effective supervision and audit,
  - Establishment requirements for new companies have been aggravated,
  - The minimum professional experience and education levels required for the company board members, general managers and assistant general managers have been updated.

The rates of entry and exit and change in ownership structure and executive staff remain relatively low in the sector. The NPL AMC Sector is based on intensive competitive working conditions. The Sector is one of the industries that exhibit the highest level of vulnerability to fluctuations in macroeconomic circumstances and



instability. Management policies in the sector become more difficult mainly stemming from changes in economic conjuncture and regulatory pressures from the BRSA.

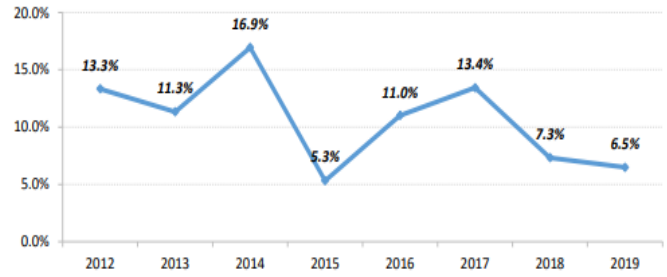
NPL Asset Management Companies buy non-performing loans (NPL) from the banks with a tender offer at a high discount and then they try to collect as much as they can via contacting customers to convince them to pay back loans and negotiate with them by pressuring them with laws to be enforced.

Typically, NPL Asset Management Companies purchased loans approximately 7-8% of the face value, which enables them to negotiate much better with customers than banks. Selling loans to asset management firms facilitate to bunch high & lower quality debts and get rid of the bad debts and also to write off the losses which bring tax advantage.

The bond market in Turkey has provided NPL AMC's with the opportunity to diversify their funding resources since 2010. Non-Banking Financial Institutions exhibit the fundamental characteristic of obtaining funding externally and from the Turkish Banking System. However, their tendency to raise funding from capital markets via debt issuances is on an increasingly upward trend.

The sector enjoys a small share across the wider Turkish Financial Services Sector. Funds offered by the NPL AMC Sector largely belong to companies that are subsidiaries of banks or ones that have banks in among their wider group, making it more difficult for non-bank affiliated Asset Management Companies to carry out their intermediary function. A new legislation has been published in January, 2017 authorizing the BRSA to resolve the principles of state banks' such as TC. Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Vakıflar Bankası T.A.O. receivable sales to AMC's. State banks' portfolios are expected to be traded in the market. However, there has been limited NPL sales from public banks.

Having peaked at FYE2017 with a rate of 16.9%, the ratio of NPLs sold to AMC's in NPLs in Banking Sector decreased in 2018 and in 2019 realized as 6.5% in 2019. Even though the expected growth of banks' NPL sales didn't come true in the last three years including 2020, it's estimated that there will be an increasing pressure in terms of NPL sales on the bank side with the effect of Coronavirus outbreak.



Recent legislative regulations reinforced the representative capability by gathering AMC's under a single roof. Thanks to the aggravation of establishment requirements for new companies and enhanced professional experience and education levels, the quality of the sector has improved Turkish NPL AMC's. Sector-wide high profitability rates and the high growth potential due to the small size of the Asset Management Companies in the Turkish financial markets triggers the rating formation.

Asset Management Companies – March 2021

1	ADİL VARLIK YÖNETİM A.Ş.
2	ARMADA VARLIK YÖNETİM A.Ş.
3	ARSAN VARLIK YÖNETİM A.Ş.
4	BİRİKİM VARLIK YÖNETİM A.Ş.
5	BİRLEŞİM VARLIK YÖNETİM A.Ş.
6	BOĞAZIÇI VARLIK YÖNETİM A.Ş.
7	DENGE VARLIK YÖNETİM A.Ş.
8	DOĞRU VARLIK YÖNETİM A.Ş.
9	DÜNYA VARLIK YÖNETİM A.Ş.
10	EFES VARLIK YÖNETİM A.Ş.
11	EMİR VARLIK YÖNETİM A.Ş.
12	GELECEK VARLIK YÖNETİM A.Ş.
13	HEDEF VARLIK YÖNETİM A.Ş.
14	İSTANBUL VARLIK YÖNETİM A.Ş.
15	MEGA VARLIK YÖNETİM A.Ş.
16	MET-AY VARLIK YÖNETİM A.Ş.
17	SÜMER VARLIK YÖNETİM A.Ş.
18	YUNUS VARLIK YÖNETİM A.Ş.

Source: BRSA

## 6. Financial Policy & Risk

### Credit Risk

The Company's business model is collecting the unpaid receivables purchased from banks and financial institutions. If the debt service performance of the purchased receivables below the expectations, it may have a significant negative impact on the Company's business, financial status, operating results or outlook. In order to minimize this risk, the Company mainly purchases personal and personal / SME receivables with higher debt payment potential.

The ability to of Denge Varlık to convert problematic receivables into a healthy and efficient return is directly related to the active monitoring of the Company's quality of receivables. The risk level of the receivables is monitored by making active assessments regarding the collection capabilities in the analysis made for the contents both before and after purchasing.

On the other hand, the Company tries to manage credit risk by spreading its portfolio wide range area, avoiding concentrations on individuals and groups in a certain sector or debtor.

### Market Risk

Market risks arise from the utilization of financial instruments and any changes in their value carry the potential to impact the Company's future cash flows. The principal types of risks that can be classified under market risks include foreign currency, interest rate and risks relating to changes in the prices of financial instruments and commodities. In this context, Denge Varlık's market risk is divided into two categories: currency risk and interest rate risk.

### Currency Risk

Currency risk is the risk arising from the change of the value of any monetary asset depending on the change in the exchange rate. As of 2020, the Company does not have any foreign currency risk since it does not have a FX position.

### Interest Rate Risk

The activity of the company is the collection of overdue receivables. As a nature of the business, this collection process continues widely over the long term. However, the maturities of loans used for funding purposes are concentrated in short and medium terms, and the increase

in interest rates based on pricing during portfolio purchase may increase upward expectations. In this regard, the Company's interest rate risk is deemed within acceptable level.

### Liquidity Risk

Liquidity risk is generally the risk of an institution not being able to meet its net financing needs, and may be caused by market distortions and decisions by creditors, which may lead to the absence of some financing sources. The mentioned risk includes both the risk related to unexpected increases in financing costs, the risk of the Company providing collection below the expectations from the loans, and the risk of not being able to meet its payment obligations on time and at a reasonable price due to liquidity pressures. Problems in funding may adversely affect the financial situation of the Company. Providing collections below and or later than expected from the non-performing loans, which constitute the majority of the Company's assets, may create liquidity risk and should be monitored closely.

### Operational Risk

The operational risk faced by Denge Varlık includes external events such as inappropriate or inoperable internal or external flows and systems, human error, illegal transactions, employee non-compliance or fraud. Such events can lead to financial loss and loss of reputation.

The Company's activity creates operational risk due to its nature. The Company's business is based on a large number of transactions, and recording and executing these transactions is potentially vulnerable to human or technology errors, or to the risk of internal control systems disrupting the transaction powers. The Company's inability to manage these risks can have a significant negative impact on the Company's business, financial status, operating results, or outlook.

The company relies heavily on its information technologies to continue its business. Failure, disruption or abuse of the security of these systems in any way may disrupt or disrupt the Company's risk management, systems or activities. Even if the company has developed emergency plans for this and can continue some of its activities in this way in an emergency, if the information technology systems of the Company collapses only for a short period of time, this may significantly disrupt the Company's business. Similarly, a temporary closure of the Company's information

technology systems may disrupt the Company's collection flow and result in a disruption to the cash flow. If the Company suffers a disruption or disruption in its information technology systems, this may have a significant negative impact on the Company's business, financial status, operating results or outlook.

Denge Varlık implemented necessary precautions about operational risks and implemented risk and control procedures in the restructuring and collection processes

DENGE VARLIK YÖNETİM A.Ş. BALANCE SHEET - ASSET  (000)	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	As % of	As % of	As % of	FYE	FYE	FYE
	2020	2020	2020	2019	2019	2018	2018	2017	2020	2019	2018	2020	2019	2018
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate %	Rate %	Rate %
<b>A- TOTAL EARNING ASSETS (I+II+III)</b>	15,503	113,800	114,948	116,096	118,617	121,138	121,925	122,712	99.08	98.78	98.40	-1.98	-4.16	-1.28
<b>I- LOANS AND LEASING RECEIVABLES (net)</b>	15,392	112,986	114,229	115,472	118,220	120,968	121,515	122,062	98.37	98.25	98.26	-2.15	-4.54	-0.90
a) Short Term Loans	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Lease Assets	17,970	131,911	131,494	131,076	129,728	128,379	125,285	122,190	114.85	111.53	104.28	0.64	2.10	5.07
c) Medium & Long Term Loans	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Over Due Loans	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Others	0	0	0	0	-3,706	-7,411	-3,706	0	n.a	n.a	-6.02	n.a	-100.00	n.a
f) Receivable from Customer due to Brokerage Activities	0	0	0	0	64	128	64	0	n.a	n.a	0.10	n.a	-100.00	n.a
g) Allowance for Loan and Receivables Losses (-)	-2,578	-18,925	-17,265	-15,604	-7,866	-128	-128	-128	-16.48	-13.28	-0.10	21.28	12,090.63	0.00
<b>II- OTHER EARNING ASSETS</b>	111	814	719	624	397	170	410	650	0.71	0.53	0.14	30.45	267.06	-73.85
a) Balance With Banks -Time Deposits	111	814	719	624	397	170	410	650	0.71	0.53	0.14	30.45	267.06	-73.85
b) Money Market Placements	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Reserve Deposits at CB (*)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Balance With CB- Demand Deposits	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>III- SECURITIES AT FAIR VALUE THROUGH P/L</b>	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
a) Treasury Bills and Government Bonds	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Other Investment	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Repurchase Agreement	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE</b>	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
a) Investments in Associates (Net)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>C- NON-EARNING ASSETS</b>	144	1,060	1,245	1,429	1,700	1,970	1,522	1,074	0.92	1.22	1.60	-25.82	-27.46	83.43
a) Cash and Cash Equivalents	0	0	16	32	16	0	0	0	n.a	0.03	n.a	-100.00	n.a	n.a
b) Balance With Banks - Current Accounts	0	0	0	0	56	112	89	66	n.a	n.a	0.09	n.a	-100.00	69.70
c) Financial Assets at Fair Value through P/L	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Accrued Interest from Loans and Lease	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Other	144	1,060	1,229	1,397	1,628	1,858	1,433	1,008	0.92	1.19	1.51	-24.12	-24.81	84.33
- Intangible Assets	40	297	301	304	375	446	407	368	0.26	0.26	0.36	-2.30	-31.84	21.20
- Property and Equipment	100	735	842	949	740	530	531	532	0.64	0.81	0.43	-22.55	79.06	-0.38
- Deferred Tax	0	0	21	42	272	502	251	0	n.a	0.04	0.41	-100.00	-91.63	n.a
- Other	4	28	65	102	241	380	244	108	0.02	0.09	0.31	-72.55	-73.16	251.85
<b>TOTAL ASSETS</b>	15,647	114,860	116,193	117,525	120,317	123,108	123,447	123,786	100.00	100.00	100.00	-2.27	-4.54	-0.55

DENGE VARLIK YÖNETİM A.Ş	2020	2020	2020	2019	2019	2018	2018	2017	2020	2019	2018	2020	2019	2018
BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
(000)	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate %	Rate %	Rate %
<b>A- COST BEARING RESOURCES ( I+II )</b>	<b>8,983</b>	<b>65,942</b>	<b>70,625</b>	<b>75,307</b>	<b>85,847</b>	<b>96,386</b>	<b>96,755</b>	<b>97,123</b>	<b>57.41</b>	<b>64.08</b>	<b>78.29</b>	<b>-12.44</b>	<b>-21.87</b>	<b>-0.76</b>
<b>I- DEPOSIT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
a) TL Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) FC Deposit	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) FC & LC Banks Deposits	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>II- BORROWING FUNDING LOANS &amp; OTHER</b>	<b>8,983</b>	<b>65,942</b>	<b>70,625</b>	<b>75,307</b>	<b>85,847</b>	<b>96,386</b>	<b>96,755</b>	<b>97,123</b>	<b>57.41</b>	<b>64.08</b>	<b>78.29</b>	<b>-12.44</b>	<b>-21.87</b>	<b>-0.76</b>
a) Borrowing From Domestic Market	8,983	65,942	70,625	75,307	65,521	55,735	70,448	85,161	57.41	64.08	45.27	-12.44	35.12	-34.55
b) Borrowing From Overseas Markets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Borrowing from Interbank	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Securities Sold Under Repurchase Agreements	0	0	0	0	20,326	40,651	26,307	11,962	n.a	n.a	33.02	n.a	-100.00	239.83
e) Subordinated Loans & Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>B- NON-COST BEARING RESOURCES</b>	<b>309</b>	<b>2,265</b>	<b>1,975</b>	<b>1,684</b>	<b>1,530</b>	<b>1,376</b>	<b>1,602</b>	<b>1,828</b>	<b>1.97</b>	<b>1.43</b>	<b>1.12</b>	<b>34.50</b>	<b>22.38</b>	<b>-24.73</b>
a) Provisions	175	1,284	924	564	557	550	512	474	1.12	0.48	0.45	127.66	2.55	16.03
b) Current & Deferred Tax Liabilities	64	473	470	466	356	246	712	1,177	0.41	0.40	0.20	1.50	89.43	-79.10
c) Trading Liabilities (Derivatives)	0	0	0	0	0	0	89	177	n.a	n.a	n.a	n.a	n.a	-100.00
d) Other Liabilities	69	508	581	654	617	580	290	0	0.44	0.56	0.47	-22.32	12.76	n.a
<b>C- TOTAL LIABILITIES</b>	<b>9,292</b>	<b>68,207</b>	<b>72,599</b>	<b>76,991</b>	<b>87,377</b>	<b>97,762</b>	<b>98,357</b>	<b>98,951</b>	<b>59.38</b>	<b>65.51</b>	<b>79.41</b>	<b>-11.41</b>	<b>-21.25</b>	<b>-1.20</b>
<b>D- MINORITY INTEREST</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>
<b>E- EQUITY</b>	<b>6,356</b>	<b>46,653</b>	<b>43,594</b>	<b>40,534</b>	<b>32,940</b>	<b>25,346</b>	<b>25,091</b>	<b>24,835</b>	<b>40.62</b>	<b>34.49</b>	<b>20.59</b>	<b>15.10</b>	<b>59.92</b>	<b>2.06</b>
a) Prior Year's Equity	5,515	40,484	42,905	45,326	35,081	24,835	18,474	12,112	35.25	38.57	20.17	-10.68	82.51	105.04
b) Equity (Added From Internall & External Resources At This Year)	0	0	0	0	-19	-38	4,961	9,960	n.a	n.a	-0.03	n.a	-100.00	-100.38
c) Profit & Loss	840	6,169	689	-4,792	-2,122	549	1,656	2,763	5.37	-4.08	0.45	-228.74	-972.86	-80.13
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>15,647</b>	<b>114,860</b>	<b>116,193</b>	<b>117,525</b>	<b>120,317</b>	<b>123,108</b>	<b>123,447</b>	<b>123,786</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>-2.27</b>	<b>-4.54</b>	<b>-0.55</b>

INCOME STATEMENT (000) TRY	2020	2019	2018	2017	2016
<b>Net Interest Income</b>	<b>24,595.00</b>	<b>18,219.00</b>	<b>24,724.00</b>	<b>14,708.00</b>	<b>13,192.00</b>
a) Interest Income	35,633.00	38,877.00	46,048.00	28,948.00	19,702.00
b) Interest Expense	11,038.00	20,658.00	21,324.00	14,240.00	6,510.00
<b>Net Fee and Commission Income</b>	<b>-343.00</b>	<b>-258.00</b>	<b>-171.00</b>	<b>-113.00</b>	<b>-51.00</b>
a) Fee and Commission Income	0.00	0.00	0.00	0.00	0.00
b) Fee and Commission Expense	343.00	258.00	171.00	113.00	51.00
<b>Total Operating Income</b>	<b>396.00</b>	<b>676.00</b>	<b>312.00</b>	<b>174.00</b>	<b>1,177.00</b>
Net trading income (+/-)	0.00	0.00	0.00	0.00	0.00
Foreign Exchange Gain or Loss (net) (+/-)	-4.00	-3.00	22.00	0.00	0.00
Gross Profit from Retail Business	0.00	0.00	0.00	0.00	0.00
Premium income from insurance business	0.00	0.00	0.00	0.00	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	0.00	0.00	0.00	0.00
Gains from Investment Securities (Net)	0.00	0.00	0.00	0.00	0.00
Other Operating Income	400.00	679.00	290.00	174.00	1,177.00
Taxes other than Income	0.00	0.00	0.00	0.00	0.00
Dividend	0.00	0.00	0.00	0.00	0.00
<b>Provisions</b>	<b>3,321.00</b>	<b>8,192.00</b>	<b>6,866.00</b>	<b>29.00</b>	<b>5,377.00</b>
Provision for Impairment of Loan and Trade Receivables	3,321.00	8,192.00	6,866.00	29.00	5,377.00
Other Provision	0.00	0.00	0.00	0.00	0.00
<b>Total Operating Expense</b>	<b>15,046.00</b>	<b>14,598.00</b>	<b>17,499.00</b>	<b>11,258.00</b>	<b>7,567.00</b>
Salaries and Employee Benefits	6,915.00	6,546.00	6,835.00	4,988.00	3,423.00
Depreciation and Amortization	0.00	0.00	351.00	313.00	13.00
Other Expenses	8,131.00	8,052.00	10,313.00	5,957.00	4,131.00
<b>Profit from Operating Activities before Income Tax</b>	<b>6,281.00</b>	<b>-4,153.00</b>	<b>500.00</b>	<b>3,482.00</b>	<b>1,374.00</b>
Income Tax – Current	0.00	0.00	0.00	0.00	0.00
Income Tax – Deferred	112.00	639.00	-49.00	719.00	277.00
<b>Net Profit for the Period</b>	<b>6,169.00</b>	<b>-4,792.00</b>	<b>549.00</b>	<b>2,763.00</b>	<b>1,097.00</b>
<b>Total Income</b>	<b>24,652.00</b>	<b>18,640.00</b>	<b>24,865.00</b>	<b>14,769.00</b>	<b>14,318.00</b>
<b>Total Expense</b>	<b>15,050.00</b>	<b>14,601.00</b>	<b>17,499.00</b>	<b>11,258.00</b>	<b>7,567.00</b>
<b>Provision</b>	<b>3,321.00</b>	<b>8,192.00</b>	<b>6,866.00</b>	<b>29.00</b>	<b>5,377.00</b>
<b>Pre-tax Profit</b>	<b>6,281.00</b>	<b>-4,153.00</b>	<b>500.00</b>	<b>3,482.00</b>	<b>1,374.00</b>

**DENGE VARLIK YÖNETİM A.Ş**
**FINANCIAL RATIOS %**

	2020	2019	2018
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROA - Pretax Profit / Total Assets (avg.)	5.41	-3.45	0.41
2. ROE - Pretax Profit / Equity (avg.)	14.41	-12.61	1.99
3. Total Income / Equity (avg.)	56.55	56.59	99.10
4. Total income / Total Assets (avg.)	21.22	15.49	20.14
5. Provisions / Total Income	13.47	43.95	27.61
6. Total Expense / Total Liabilities (avg.)	20.73	16.71	17.79
7. Net Profit for the Period / Total Assets (avg.)	5.31	-3.98	0.44
8. Total Income / Total Expenses	163.80	127.66	142.09
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	41.67	34.71	20.11
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	1.05	0.22	-0.48
11. Total Operating Expenses / Total Income	61.03	78.32	70.38
12. Net Interest Margin	21.40	15.36	20.28
13. Operating ROAA (avg.)	14.91	13.72	17.68
14. Operating ROAE (avg.)	39.73	50.11	86.98
15. Interest Coverage – EBIT / Interest Expenses	156.90	79.90	102.34
16. Net Profit Margin	25.02	-25.71	2.21
17. Gross Profit Margin	25.48	-22.28	2.01
18. Market Share in Asset Management	N/A	N/A	N/A
19. Market Share in Entire Banking System	N/A	N/A	N/A
20. Growth Rate	-2.27	-4.54	-0.55
<b>II. CAPITAL ADEQUACY (year end)</b>			
1. Equity Generation / Prior Year's Equity	0.00	0.00	-0.15
2. Internal Equity Generation / Previous Year's Equity	15.24	-10.57	2.21
3. Equity / Total Assets	40.62	34.49	20.59
4. Core Capital / Total Assets	0.00	0.00	0.00
5. Supplementary Capital / Total Assets	0.00	0.00	0.00
6. Tier 1 / Risk Waighted Asset	N/A	N/A	N/A
7. Capital / Total Assets	0.00	0.00	0.00
8. Own Fund / Total Assets	0.00	0.00	0.00
9. Standard Capital Adequacy Ratio	N/A	N/A	N/A
10. Surplus Own Fund	N/A	N/A	N/A
11. Free Equity / Total Assets	39.72	33.42	19.80
12. Equity / Total Guarantees and Commitments + Equity	80.39	83.37	90.38
<b>III. LIQUIDITY (year end)</b>			
1. Liquidity Management Success (On Demand)	N/A	N/A	N/A
2. Liquidity Management Success (Up to 1 Month)	N/A	N/A	N/A
3. Liquidity Management Success (1 to 3 Months)	N/A	N/A	N/A
4. Liquidity Management Success (3 to 6 Months)	N/A	N/A	N/A
5. Liquidity Management Success (6 to 12 Months)	N/A	N/A	N/A
6. Liquidity Management Success (Over 1 Year & Unallocated)	N/A	N/A	N/A
<b>IV. ASSET QUALITY</b>			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	14.35	11.90	0.11
2. Total Provisions / Profit Before Provision and Tax	34.59	202.82	93.21
3. Impaired Loans / Gross Loans	0.00	0.00	0.00
4. Impaired Loans / Equity	0.00	0.00	0.00
5. Loss Reserves for Loans / Impaired Loans	N/A	N/A	N/A
6. Total FX Position / Total Assets	0.00	0.00	0.00
7. Total FX Position / Equity	0.00	0.00	0.00
8. Assets / Total Guarantees and Commitments + Assets	90.99	93.56	97.86

## Rating Info

Rated Company:	DENGE VARLIK YÖNETİM A.Ş... Esentepe Mah. Büyükdere Cad. Ercan Han No 121 A Blok Kat 4 D 5 Esentepe/ŞİŞLİ - İSTANBUL TEL: 0212 988 16 10
Rating Report Preparation Period:	25.02.2020-17.03.2021
Rating Publishing Date:	17.03.2021
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Results Used:	31.12.2020 – 31.12.2018 / Consolidated
Previous Rating Results:	March 3, 2020 / Long Term National Scale / 'BBB+'

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# Disclaimer

The ratings assigned by JCR Eurasia Rating are 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](http://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

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