

Corporate Credit & Issue Rating

New Update

Sector: NPL Asset Management
 Publishing Date: 31/03/2020

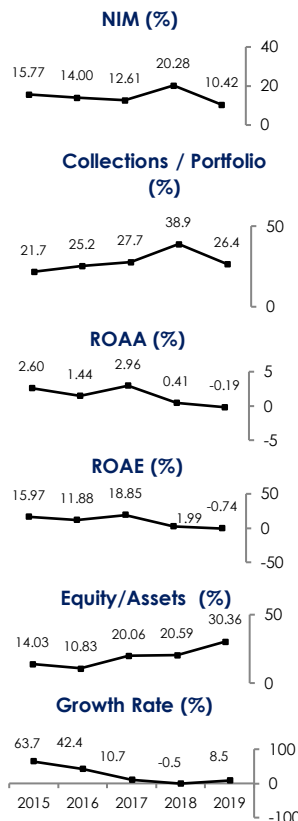
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RATINGS

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

*Affirmed by JCR on December 6, 2019



Denge Varlık Yönetim A.Ş.

Company Overview

Financial Data	2019*	2018	2017	2016	2015
Total Assets (000 USD)	22,479	23,401	32,486	31,771	27,004
Total Assets (000 TRY)	133,528	123,108	123,786	111,810	78,518
Equity (000 TRY)	40,534	25,346	24,835	12,112	11,015
Pre-Tax Profit (000 TRY)	-243	500	3,482	1,374	1,646
Net Profit (000 TRY)	-816	549	2,763	1,097	1,414
Net Interest Income (000 TRY)	13,186	24,724	14,708	13,192	9,898
Total Receivables (000 TRY)	115,472	120,968	122,062	107,690	77,976
Equity / T. Assets (%)	30,36	20,59	20,06	10,83	14,03
Cost / Purchased Loans (%)	N/A	6,80	6,64	8,49	15,86
Collections / Total Portfolio (%)	26,40	38,90	28,15	25,20	21,70
Growth Rate (%)	8,46	-0,55	10,71	42,40	63,74

*Unaudited

Denge Varlık Yönetim Anonim Şirketi (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 Anonim Şirketi’. 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 Company’s title has been renewed to current name in 2019. As of reporting date, Lider Faktoring A.Ş. is the sole owner of the Company. The paid-in capital of Denge Varlık is TRY 40mn. The Company operates in its headquarters located in Istanbul and has no branches. While 2019 data in this report belong to Denge Varlık, older data belong to Destek Varlık. A merged report was used to make comparison of 2019 and previous years.

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.

Strengths

- Strengthened paid-in capital and increase in equity level
- Successful track record of the sole shareholder, Lider Faktoring
- Favorable tax advantage contributing competitiveness and financials positively
- High growth potential of the sector linked to financial markets and new regulations

Constraints

- Expected slowdown in portfolio expansion and collection capability in the sector due to the recent coronavirus outbreak occurred in early 2020
- Deficiency in being compliant with corporate governance principles

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. An independent audit report has not been prepared after the merge of the Deren Varlık and Denge Varlık, and the evaluation has been made on the unaudited figures for the year of 2019.

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;

Strengthened Paid-In Capital

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. Thus, the Company's total equity to asset ratio increased over 30%, indicating a 50% increase from the previous year's figure of 20%.

Successful Track Record of the Shareholder, Lider Faktoring

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. As being a non-bank financial institution, Lider Faktoring's successful track record is a prominent contributor to Denge Varlık's business.

Tax Advantage of the Sector

As required by law, NPL asset management companies have tax advantages such as stamp tax, mortar, BITT 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

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.

Expected 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 report, 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 2019. Moreover, there was no purchase of new files in 2019 and overall collections declined, compared to previous year. Due to the recent Coronavirus outbreak started in early 2020, the outlook for the current year 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. Therefore, the expectations on current year are negative both in terms of collection capability and the new portfolio generation capacity.

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.

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. 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. 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.

3. 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.

4. Company Profile

a) History & Activities

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.

b) Organization & Employees

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
Şule Betül Akyürek	Member & CEO	Executive

The top management staff of Denge Varlık is provided below.

Executive Team of Denge Varlık

Name	Title	Experience
Şule Betül Akyürek	CEO	30 Years
Kemal Bayramoğlu	Deputy CEO	22 Years

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

c) Shareholders, Subsidiaries & Affiliates

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		
	2019	2018	2017	2016
Lider Faktoring A.Ş.	100.00%	100.00%	100.00%	49.98%
Merkez Faktoring A.Ş.	-	-	-	49.98%
Nedim Menda	-	-	-	0.01%
Jak Sucuz	-	-	-	0.01%
Namık Bahri Uğraş	-	-	-	0.01%
Erhan Özçelik	-	-	-	0.01%

Lider Faktoring's shareholder structure as of 2019 is provided below.

Shareholder Structure of Lider Faktoring A.Ş.

Name	2019	2018	2017
Nedim Menda	33.56%	33.56%	34.85%
Raşel Elenkave	11.34%	11.34%	11.34%
Jak Sucuz	21.39%	21.39%	10.20%
Credit Suisse BV	-	-	9.90%
Other Individuals	18.71%	18.71%	18.71%
Public	15.00%	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 30mn to TRY 45mn in 2018 and total equity was TRY 170mn as of 2019. Lider stands out with total asset size of TRY 1.1bn (2018: TRY 990mn).

d) 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.

e) 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.

5. 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 AMC's 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 AMC's to the market, as well as banks selling larger portfolios. In 2018, total bad receivables bought by AMC's 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 AMC's 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 grew in 2019.

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 AMC's 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 AMC's 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 8-9% 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.

Non-performing loans portfolio of the banks is shown below:

Non-Performing Loans	2015	2016	2017	2018	2019
Dev. & Investment Banks	479	602	732	1,618	2,226
Participation Banks	4,335	3,175	3,392	5,075	7,499
Government Banks	12,024	15,770	18,988	26,726	40,564
Foreign Banks	14,936	17,287	21,936	34,153	42,717
Domestic Private Banks	15,766	21,046	22,926	35,717	55,526
Total (000,000/TRY)	47,541	57,880	64,585	96,597	148,532

Source: BRSA

Consolidated financial results of the sector as of FYE2019 are not disclosed by the BRSA yet. The following tables including the data of 2018 and 2019 are prepared with reference to the financial statements of the 5 main companies (*Birikim Varlik, Gelecek Varlik, Hayat Varlik, Sümer Varlik, Vera Varlik*).

*Balance Sheet (TRY /000)	2019	2018
Total assets	3,227,134	1,686,584
Total Liabilities	2,127,308	687,422
Equity	1,099,826	999,162

Source: Public Disclosure Platform - *Including 5-AMCs

As of 2019, the total asset size of 5-Asset Management Companies was TRY 3.22bn., with an equity of TRY 1.1mn. Despite the macroeconomic volatility, the sector continued its growth trend as in its last 10 years.

The bond market in Turkey has provided NPL AMCs 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. The two of the largest NPL AMCs, Gelecek (Güven) and Hayat Varlık (Turkasset), dominate the market with approximately 50% market share. 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 AMCs. State banks' portfolios are expected to be traded in the market.

Recent legislative regulations reinforced the representative capability by gathering AMCs 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 AMCs. 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 2020

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	EFES VARLIK YÖNETİM A.Ş.
10	EMİR VARLIK YÖNETİM A.Ş.
11	GELECEK VARLIK YÖNETİM A.Ş.
12	HAYAT 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	VERA VARLIK YÖNETİM A.Ş.
19	YUNUS VARLIK YÖNETİM A.Ş.

Source: BRSA

6. Financial Foundation

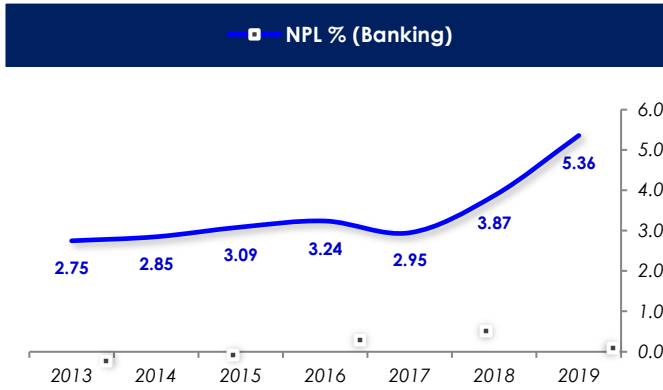
a) Financial Indicators & Performance

i. Indices relating to size

After the currency shock occurred in 2018, Turkish economy encountered a turbulence in macroeconomic level, especially in the last quarter of that year. 2019 was a year to focus on growth, budget balance and currency stabilization. Proactive steps taken by central bank to cut interest rates helped the real sector to reach cheaper resources to step on the gas again. Despite the worsened macroeconomic indicators, Turkish economy achieved to grow in 2019 modestly, at 0.9%. The 6% growth in the last quarter was main determinant for the growth rate of 2019. Parallel to that, especially starting from the second half of 2019, loan growth in financial markets made a upside turn, as an indicator of positive expectations for the current year as well. One of the resident damages on the economy was the higher NPL ratio of the banking sector. For asset management companies, higher NPL can be translated as

increase in supply of raw material, points out a decline in purchasing costs. On the other hand, a worsened macro economy is an indicator of decreasing capability of collections.

The graph below shows the trend of Non-Performing Loans of Turkish Banking Sector, which can be named as 'raw material' for asset management companies.



Source: BRSA

It is seen that the non-performing loans ratio of banking system is in an increasing trend. In 2019, the ratio jumped to 5.26%. The asset management companies are thought to be in a suitable economic environment for increasing their asset size. In addition, even though the increase on the supply side of problematic receivables is likely to have a positive impact on the costs of asset management companies, the correct evaluation of the collection capabilities is being important for sustainability of profitability and asset quality.

Denge Varlık's total assets increased from TRY 123mn to TRY 133mn, despite a decline in year-end receivables base by TRY 5mn. The growth came from an increase in 'assets available for sale' account by TRY 15mn. In 2019, the Company did not buy any receivables to the portfolio. Total collections of 2019 were TRY 35mn and it was lower than 2018's performance which was TRY 47mn.

ii. Indices relating to profitability

Together with the numbers of Destek Varlık, Denge Varlık seized a good level of profitability in last-5-year-scale, excluding 2019. Some of the indicators are provided in the table below.

Ratios (%)	2019	2018	2017	2016
ROAA*	-0.19	0.41	2.96	1.44
ROAE*	-0.74	1.99	18.85	11.88
Total Income / Equity (avg.)	41.23	99.10	79.95	123.9
Total Income / Assets (avg.)	10.58	20.14	12.54	15.05
Total Expenses/ Liabilities (avg.)	10.15	17.79	11.33	9.05
Collections / Total Portfolio	26.40	38.90	28.15	25.20

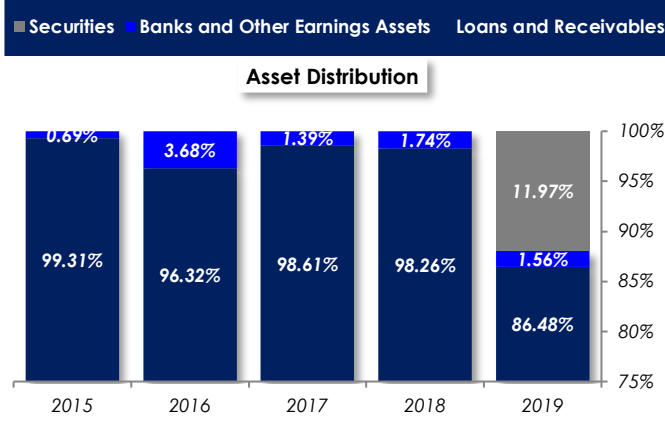
*Based on pre-tax profit

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 815k, whose TRY 572k came from tax effect. Nevertheless, merged pretax result was negative at TRY 243k. 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.

In 2019, collections, which are the primary factor affecting the profitability of the Company, have been declined by TRY 13mn compared to the previous year. The ratio of collections to total portfolio value in 2018 was 38.90% and this figure fell to 26.40% in 2019. On the other hand, the Company had no purchase in 2019.

b) Asset quality

Below is the graph showing the asset composition. As parallel to previous years, the Company's assets are primarily consisted of earning assets which are loans purchased. In 2019, the Company did not buy any problematic loans from banks. Denge Varlık's total asset size was TRY 133mn as of 2019 with a slight increase (2018: TRY 123mn). The securities shown in the graph in 2019 was from 'financial assets available for sale' account.



The Company's asset quality is linked to two main factors. One is the valuation and collection projections related to the loans in the portfolio. The Company computes the net present value (NPV) of the overdue receivables at the effective interest rate calculated over the collections projections at the initial purchase date. While the positive values between the calculated collection projection of the loan portfolio and the NPV of the portfolio are recorded as 'interest received from the loans', and provisions are made for the negative values. Therefore, the higher projections lead to lower provisions thus the portfolio becomes healthier. The collection projections are made by Denge Varlık itself, based on the market experience and calculations.

Another factor for the asset quality reveals during the process of purchasing the loans. Obviously, the Company's projections may not be equal to the realized values and the portfolio may be at worse than the expected collection capacity. In order to prevent the likelihood of encountering a less healthy portfolio, the Company should purchase the loans at better deals. The figures below show the ratios calculated as cost of portfolio divided by the original value of the loans.

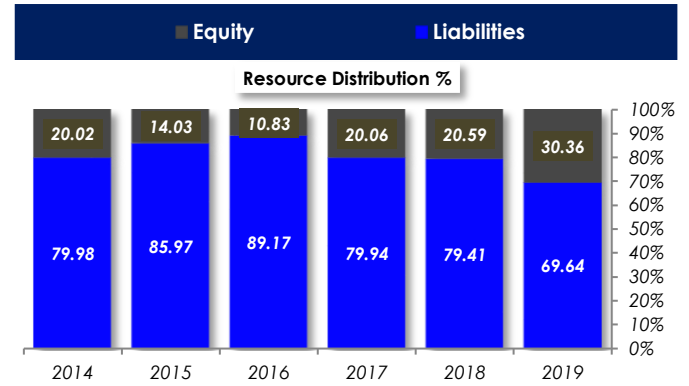
	2019	2018	2017	2016	2015
Purchasing Ratio (%)	N/A	6.80	6.64	8.49	15.86

As seen on the table, Denge Varlık (Destek Varlık) paid less money for a unit of loan throughout the years and in 2017 and 2018 the ratio was almost same. It indicates that in a case where the collection ability of the portfolio decreases, the Company will have an extra room to absorb possible losses in asset quality. There is no data for 2019 since the Company did not buy new portfolio in that year.

The provision allocated for non-performing loans in the portfolio was TRY 7.4mn in 2018 and increased to TRY 15.6mn in 2019, based on the assumptions of the company on collection capability of the portfolio.

c) Funding & Adequacy of Capital

Denge Varlık's paid-in capital increased to TRY 40mn after the consolidation. The Company's total equity was TRY 40.5mn as of 2019, corresponding 30.4% of total assets (2018: TRY 25.3mn).



Approximately 70% - 80% of assets are financed by external resources. The Company uses bank loans and bonds as medium of external resources. Based on market conditions, the Company's liquidity position and strategic standing are important factors on determining the correct mix of bank loans and bonds. Denge Varlık works with various banks within Turkey. As of 2019, the Company's total bank loans were TRY 61.9mn (2018: TRY 55.7mn), and bonds were TRY 29.4mn (2018: TRY 40.6mn).

7. Risk Profile and Management

a) 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 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.

The debts of the credits in the Company's portfolio do not concentrate on any sector or debtor.

b) Market Risk

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 2019, 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. Interest rates are expected to remain low in the upcoming periods within the framework of current macroeconomic conditions. In this regard, the Company's interest rate risk is deemed within acceptable level.

c) 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.

d) Operational, Legal Regulatory & Other Risks

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.

8. Budget & Debt Issue

The Company's projected balance sheet for the year of 2020 is provided below together with the projected and realized values of 2019.

(TRY 000)	2019F	2019R	2020F
Cash & Cash Equivalent	365	624	131
Loans	131,367	115,472	127,453
NPL	131,495*	131,076	127,581
Provisions (-)	128	15,604	128
Tangible Assets	270	949	628
Intangible Assets	292	304	148
Other	1,176	16,179	199
Total Assets	133,470	133,528	128,559
Borrowed Loans	70,741	61,885	80,070**
Issued Bonds	15,900	29,400	-
Other	842	1,709	2,289
Equity	45,987	40,534	46,200
Paid-in Capital	40,000	40,000	40,000
Net Profit	569	-816	5,665
Other	5,418	1,350	535
Total Liab. and Equity	133,470	133,528	128,559

*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 strong net profit and moderate growth in loans. The Company completed its planned capital increase in 2019 as projected earlier. The forecasted and realized figures of 2019 are close enough to infer that the Company's projections are aligned with reality. The expectations on net profit for 2020 will be monitored by JCR Eurasia Rating, under the expectations on decline in collection base due to the contraction in economy emanated from coronavirus during Q22020.

Since the balance sheet of Destek Varlık is transferred to Denge Varlık, the bonds issued by Destek Varlık will be serviced by Denge Varlık. Details of the current bonds are presented below:

Issued Bonds			
Issue Date	Amount (TRY)	Maturity Date	Status
21.06.2019	5,000,000	19.06.2020	On Track
25.10.2019	9,000,000	23.10.2020	On Track
Total	14,000,000		

As there are no additional legal and/or financial collateral guarantees provided separately for the repayment of the bond 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 which are '**BBB+ (Trk)**' and '**A-2 (Trk)**'.

DENGE VARLIK YÖNETİM A.Ş. BALANCE SHEET - ASSET (000)	FYE 2019 USD (Converted)	FYE 2019 TRY (Original)	FYE 2019 TRY (Average)	FYE 2018 TRY (Original)	FYE 2018 TRY (Average)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	As % of 2019 Assets (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	FYE 2019 Growth Rate %	FYE 2018 Growth Rate %	FYE 2017 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	22,235	132,075	126,607	121,138	121,925	122,712	116,601	110,490	98.91	98.40	99.13	9.03	-1.28	11.06
I- LOANS AND LEASING RECEIVABLES (net)	19,440	115,472	118,220	120,968	121,515	122,062	114,876	107,690	86.48	98.26	98.61	-4.54	-0.90	13.35
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	22,067	131,076	129,728	128,379	125,285	122,190	114,990	107,789	98.16	104.28	98.71	2.10	5.07	13.36
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	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
f) Receivable from Customer due to Brokerage Activities	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-2,627	-15,604	-11,507	-7,411	-3,770	-128	-114	-99	-11.69	-6.02	-0.10	110.55	5,689.84	29.29
II- OTHER EARNING ASSETS	105	624	397	170	410	650	1,725	2,800	0.47	0.14	0.53	267.26	-73.85	-76.79
a) Balance With Banks -Time Deposits	105	624	397	170	410	650	1,725	2,800	0.47	0.14	0.53	267.26	-73.85	-76.79
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
III- SECURITIES AT FAIR VALUE THROUGH P/L	2,690	15,978	7,989	0	0	0	0	0	11.97	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	2,690	15,978	7,989	0	0	0	0	0	11.97	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- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE	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
C- NON-EARNING ASSETS	245	1,453	1,712	1,970	1,522	1,074	1,197	1,320	1.09	1.60	0.87	-26.24	83.43	-18.64
a) Cash and Cash Equivalents	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
b) Balance With Banks - Current Accounts	0	0	56	112	89	66	102	138	n.a	0.09	0.05	-100.00	69.70	-52.17
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	245	1,453	1,656	1,858	1,433	1,008	1,095	1,182	1.09	1.51	0.81	-21.80	84.33	-14.72
- Intangible Assets	51	304	375	446	407	368	191	14	0.23	0.36	0.30	-31.81	21.20	2,528.57
- Property and Equipment	71	419	475	530	531	532	275	17	0.31	0.43	0.43	-20.88	-0.38	3,029.41
- Deferred Tax	7	42	272	502	251	0	0	0	0.03	0.41	n.a	-91.67	n.a	n.a
- Other	116	688	534	380	244	108	630	1,151	0.52	0.31	0.09	80.99	251.85	-90.62
TOTAL ASSETS	22,479	133,528	128,318	123,108	123,447	123,786	117,798	111,810	100.00	100.00	100.00	8.46	-0.55	10.71

DENGE VARLIK YÖNETİM A.Ş.
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DENGE VARLIK YÖNETİM A.Ş.	FYE 2019	FYE 2019	FYE 2019	FYE 2018	FYE 2018	FYE 2017	FYE 2017	FYE 2016	As % of 2019	As % of 2018	As % of 2017	FYE 2019	FYE 2018	FYE 2017
BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
(000)	(Conv'd)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate %	Rate %	Rate %
A- COST BEARING RESOURCES (I+II)	15,368	91,285	93,835	96,386	96,755	97,123	97,722	98,321	68.36	78.29	78.46	-5.29	-0.76	-1.22
I- DEPOSIT	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
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
II- BORROWING FUNDING LOANS & OTHER	15,368	91,285	93,835	96,386	96,755	97,123	97,722	98,321	68.36	78.29	78.46	-5.29	-0.76	-1.22
a) Borrowing From Domestic Market	10,418	61,886	58,810	55,735	70,448	85,161	91,741	98,321	46.35	45.27	68.80	11.04	-34.55	-13.38
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	4,949	29,399	35,025	40,651	26,307	11,962	5,981	0	22.02	33.02	9.66	-27.68	239.83	n.a
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- NON-COST BEARING RESOURCES	288	1,709	1,542	1,376	1,602	1,828	1,603	1,377	1.28	1.12	1.48	24.18	-24.73	32.75
a) Provisions	95	565	557	550	512	474	449	423	0.42	0.45	0.38	2.64	16.03	12.06
b) Current & Deferred Tax Liabilities	73	434	340	246	712	1,177	982	787	0.32	0.20	0.95	76.31	-79.10	49.56
c) Trading Liabilities (Derivatives)	0	0	0	0	89	177	141	104	n.a	n.a	0.14	n.a	-100.00	70.19
d) Other Liabilities	120	710	645	580	290	0	32	63	0.53	0.47	n.a	22.50	n.a	-100.00
C- TOTAL LIABILITIES	15,655	92,994	95,378	97,762	98,357	98,951	99,325	99,698	69.64	79.41	79.94	-4.88	-1.20	-0.75
D- MINORITY INTEREST	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
E- EQUITY	6,824	40,534	32,940	25,346	25,091	24,835	18,474	12,112	30.36	20.59	20.06	59.92	2.06	105.04
a) Prior Year's Equity	4,267	25,346	25,091	24,835	18,474	12,112	11,564	11,015	18.98	20.17	9.78	2.06	105.04	9.96
b) Equity (Added From Internall & External Resources At This Year)	2,694	16,004	7,983	-38	4,961	9,960	4,980	0	11.99	-0.03	8.05	#####	-100.38	n.a
c) Profit & Loss	-137	-816	-133	549	1,656	2,763	1,930	1,097	-0.61	0.45	2.23	-248.62	-80.13	151.87
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	22,479	133,528	128,318	123,108	123,447	123,786	117,798	111,810	100.00	100.00	100.00	8.46	-0.55	10.71
		5.9400		5.2609		3.8104		3.5318						

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DENGE VARLIK YÖNETİM A.Ş.
INCOME STATEMENT
(000) TRY

	2019	2018	2017	2016	2015
Net Interest Income	13,186.17	24,724.00	14,708.00	13,192.00	9,898.00
a) Interest Income	28,142.86	46,048.00	28,948.00	19,702.00	15,915.00
b) Interest Expense	14,956.69	21,324.00	14,240.00	6,510.00	6,017.00
Net Fee and Commission Income	-194.36	-171.00	-113.00	-51.00	-25.00
a) Fee and Commission Income	0.00	0.00	0.00	0.00	0.00
b) Fee and Commission Expense	194.36	171.00	113.00	51.00	25.00
Total Operating Income	587.18	312.00	174.00	1,177.00	500.00
Net trading income (+/-)	0.00	0.00	0.00	0.00	0.00
Foreign Exchange Gain or Loss (net) (+/-)	-1.10	22.00	0.00	0.00	454.00
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	588.27	290.00	174.00	1,177.00	46.00
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
Provisions	4,139.52	6,866.00	29.00	5,377.00	2,421.00
Provision for Impairment of Loan and Trade Receivables	4,139.52	6,866.00	29.00	5,377.00	2,421.00
Other Provision	0.00	0.00	0.00	0.00	0.00
Total Operating Expense	9,682.66	17,499.00	11,258.00	7,567.00	6,306.00
Salaries and Employee Benefits	9,682.66	6,835.00	4,988.00	3,423.00	2,918.00
Depreciation and Amortization	0.00	351.00	313.00	13.00	9.00
Other Expenses	0.00	10,313.00	5,957.00	4,131.00	3,379.00
Profit from Operating Activities before Income Tax	-243.19	500.00	3,482.00	1,374.00	1,646.00
Income Tax – Current	0.00	0.00	0.00	0.00	0.00
Income Tax – Deferred	572.75	-49.00	719.00	277.00	232.00
Net Profit for the Period	-815.94	549.00	2,763.00	1,097.00	1,414.00
Total Income	13,580.09	24,865.00	14,769.00	14,318.00	10,373.00
Total Expense	9,683.75	17,499.00	11,258.00	7,567.00	6,306.00
Provision	4,139.52	6,866.00	29.00	5,377.00	2,421.00
Pre-tax Profit	-243.19	500.00	3,482.00	1,374.00	1,646.00

DENGE VARLIK YÖNETİM A.Ş.
FINANCIAL RATIOS %

2019 2018 2017

I. PROFITABILITY & PERFORMANCE

1. ROA - Pretax Profit / Total Assets (avg.)	-0.19	0.41	2.96
2. ROE - Pretax Profit / Equity (avg.)	-0.74	1.99	18.85
3. Total Income / Equity (avg.)	41.23	99.10	79.95
4. Total income / Total Assets (avg.)	10.58	20.14	12.54
5. Provisions / Total Income	30.48	27.61	0.20
6. Total Expense / Total Liabilities (avg.)	10.15	17.79	11.33
7. Net Profit for the Period / Total Assets (avg.)	-0.64	0.44	2.35
8. Total Income / Total Expenses	140.24	142.09	131.19
9. Non Cost Bearing Liabilities + Equity - Non Earning Assets / Total Assets	30.55	20.11	20.67
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	0.19	-0.48	0.61
11. Total Operating Expenses / Total Income	71.30	70.38	76.23
12. Net Interest Margin	10.42	20.28	12.61
13. Operating ROAA (avg.)	11.47	17.68	15.04
14. Operating ROAE (avg.)	44.67	86.98	95.93
15. Interest Coverage – EBIT / Interest Expenses	98.37	102.34	124.45
16. Net Profit Margin	-6.01	2.21	18.71
17. Gross Profit Margin	-1.79	2.01	23.58
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	8.46	-0.55	10.71

II. CAPITAL ADEQUACY (year end)

1. Equity Generation / Prior Year's Equity	63.14	-0.15	82.23
2. Internal Equity Generation / Previous Year's Equity	-3.22	2.21	22.81
3. Equity / Total Assets	30.36	20.59	20.06
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 Weighted 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	29.81	19.80	19.34
12. Equity / Total Guarantees and Commitments + Equity	93.76	90.38	97.56

III. LIQUIDITY (year end)

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

IV. ASSET QUALITY

1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	11.90	5.77	0.10
2. Total Provisions / Profit Before Provision and Tax	106.24	93.21	0.83
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	98.02	97.86	99.50

Previous Rating Results Issued by JCR-ER

		April 28, 2017		March 28, 2018		March 28, 2019		
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	
International	Foreign Currency	N/A	N/A	N/A	N/A	N/A	N/A	
	Local Currency	N/A	N/A	N/A	N/A	N/A	N/A	
	Outlook	FC	N/A	N/A	N/A	N/A	N/A	N/A
		LC	N/A	N/A	N/A	N/A	N/A	N/A
National	Local Rating	BBB (Trk)	A-3 (Trk)	BBB+ (Trk)	A-2 (Trk)	BBB+ (Trk)	A-2 (Trk)	
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	
	Issue Rating	BBB (Trk)	A-3 (Trk)	BBB+ (Trk)	A-2 (Trk)	BBB+ (Trk)	A-2 (Trk)	
Sponsor Support		2	-	2	-	2	-	
Stand-Alone		B	-	B	-	B	-	
Sovereign*	Foreign Currency	BBB-	-	BBB-	-	BBB-	-	
	Local Currency	BBB-	-	BBB-	-	BBB-	-	
	Outlook	FC	Stable	-	Stable	-	Negative	-
		LC	Stable	-	Stable	-	Negative	-
		(*) Affirmed by Japan Credit Rating Agency, on October 7, 2016		(*) Affirmed by Japan Credit Rating Agency, on November 10, 2017		(*) Affirmed by Japan Credit Rating Agency, on November 27, 2018		
Analyst(s)		Mr. Utku Karagülle		Mr. Utku Karagülle		Mr. Utku Karagülle		