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**JCR**  
**Eurasia Rating,**  
**“Birikim Varlık**  
**Yönetim A.Ş.” ve**  
**Tahvil İhraçları**  
 ‘nin nakit  
 akımlarını  
 derecelendirerek  
 Uzun Vadeli  
 Ulusal Notu’nu  
 ‘A- (Trk)’  
 “Stabil” görünüm  
 olarak teyit  
 etmiştir.

”

## NOTLAR

		Uzun Vade	Kısa Vade
Uluslararası	Yabancı Para	BB	B
	Türk Parası	BB	B
	Görünüm	YP Negative TP Negative	Negative Negative
	İhraç Notu	-	-
Ulusal	Ulusal Not	A-(Trk)	A-2(Trk)
	Görünüm	Stabil	Stabil
	İhraç Notu	A(Trk)	A-1(Trk)
Desteklenme Notu		2	-
Ortaklardan Bağımsızlık Notu		B	-

**Sektör:** Varlık Yönetim Sektörü  
**Rapor Tarihi:** 30 Mart 2020

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## Basın Açıklaması

### İstanbul – 30 Mart 2020

JCR Eurasia Rating, Birikim Varlık Yönetim A.Ş.’yi ve “Tahvil İhraçları” ‘nin nakit akımlarını derecelendirerek, Uzun Vadeli Ulusal Notu ‘nu ‘A-(Trk)’, Kısa Vadeli Ulusal Notu ‘nu ‘A-2(Trk)’ olarak ‘Stabil’ not görünümü ile teyit etmiştir. Diğer taraftan, Uzun Vadeli Uluslararası Yabancı Para ve Uzun Vadeli Uluslararası Yerel Para Notları ‘BB’ olarak teyit edilmiş olup diğer notlarla birlikte detayları sol sütunda gösterilmiştir.

Bankacılık Düzenleme ve Denetleme Kurumu (BDDK) regülasyonu içerisinde, bankalar ve banka dışı finansal kuruluşların tahsil gecikmiş alacaklarının temlik alınması ve yeniden yapılandırılarak müşterilerin finansal sisteme yeniden kazandırılması amacıyla yönelik faaliyet gösteren Varlık Yönetim Şirketleri bankacılık sistemi ve ülke ekonomisindeki istikrarın sürdürülebilirliği için önemli bir rol üstlenmiştir.

Banka dışı finansal kuruluşlar arasından görece yeni sayılabilecek bir alan olan varlık yönetim hizmetleri sektörü Türkiye’de BDDK tarafından regüle edilmektedir. Başta bankalar olmak üzere, çoğunlukla finans kesimine ait tahsil gecikmiş alacakları satın alıp, sonrasında bu alacaklardan sağladığı tahsilatlar ile kar elde eden varlık yönetim şirketleri, özellikle bankacılık kesiminin aktif kalitesinin geliştirilmesinde önemli bir rol oynamaktadırlar. BDDK tarafından kuruluş ve faaliyetlerine ilişkin yapılan yönetmelik çalışmaları ile birlikte, asgari sermaye düzeyi ile etkin gözetim ve denetim açısından sektörün yasal altyapısı iyileştirilmiş; bilgi sistemleri, risk ölçüm teknikleri ve iç kontrol süreçlerinin kurulması zorunlu hale getirilmiştir. Söz konusu gelişmeler ışığında sektörün kurumsallık yapısı gelişmiş, finansal raporlamaların kalitesi, standardizasyonu ve şeffaflığının artırılmasına yönelik adımlar atılmıştır. İlaveten, bu düzenlemeler neticesinde, rekabet eşitliğinin sağlanmasına yönelik olarak sektöre pozitif yönde ivme kazandırılmıştır.

Makro ekonomik gelişmelerin reel sektörün finansal bünyesine olumsuz etkisi, sektörün alacak tahsilâtı üzerinde baskı oluşturmuştur. Birikim Varlık Yönetimi A.Ş. portföy dağılımını bireysel ve ticari segment tabanına yaymış, yüksek aktif müşteri sayısının katkısıyla elde ettiği müşteri başına düşük ortalama risk konsantrasyon seviyesini koruyabilmiştir. Birikimli büyüme performansı sonucunda portföy büyüklüğü 5 milyar seviyesini aşmıştır. Tahsilat seviyelerinin portföy büyüklüğüne orandaki pozitif ivme, başarılı tahvil ihracı ile fon çeşitliliği yaratarak likidite ihtiyacını rahatlatması, ilave dış kaynak erişim gücünün varlığı, aktif kalitesi, içsel kaynak yaratma kapasitesi, istikrarlı yönetimi ve ihtiyatlı duruşu ile edinilen sürdürülebilirliğin korunması, JCR-ER tarafından Uzun Vadeli Ulusal Notu ‘nun ‘A-(Trk)’ ve ‘Stabil’ görünüm olarak teyit edilmesinde etkin rol oynamıştır. İhraç yoluyla elde edilmesi planlanan kaynaklar şirket bilançosunda taşınacağı için ayrı bir ihraç rating raporu düzenlemeyip kredi derecelendirme raporu içerisinde analiz edilmiştir. İhraç edilecek tahvilin, teminat açısından, şirketin diğer yükümlülüklerine göre ilave dışsal kefalet sağlanmış olunmasından dolayı Uzun Vadeli Ulusal İhraç Notu ‘A(Trk)’ olarak şirketin Uzun vadeli notundan daha yukarıda teyit edilmiştir.

Makroekonomik veriler ve piyasa koşullarındaki dalgalanma, finansman maliyetleri ve tahsilat kapasitesi açısından sektörün geneline negatif yönde etki etmektedir. Bütçelenen büyüme oranları için içsel öz kaynak yaratma kapasitesinin genişletilmesi, borçlanma kapasitesi ve kaynakları, sermaye düzeyi ve birikimli portföy büyüme performansı ile beraber Covid-19 salgınının yaygınlık ve etkinlik seviyesinin küresel ekonomiye ve Türkiye ekonomisine etkileri JCR-ER tarafından yakından takip edilecek hususlardır.

Ortaklık yapısında kontrolü elinde tutan Altınhas Holding’in firmayı destekleme arzusu ve finansal güçlülük düzeyi, Şirketin ölçeği, planlanan yatırımların ve sektörel genişlemenin sağlayacağı katkı dikkate alınarak, Birikim Varlık Yönetim A.Ş.’nin ‘Desteklenme’ kategorisinde notu (2) olarak teyit edilmiştir. Firmanın üstlendiği riskleri kendi imkânlarına dayanarak yönetebilme yeteneği, içsel kaynak yaratma ve mevcut sermayeleşme düzeyi dikkate alındığında, Firmanın ‘Ortaklardan Bağımsızlık’ kategorisindeki notu ise (B) olarak teyit edilmiştir.

Derecelendirme neticeleriyle ilgili daha fazla bilgi Kuruluşumuzun <http://www.jcrer.com.tr> adresinden sağlanabilir veya Kuruluşumuz Baş Analisti Sn. Orkun İNAN ile iletişim kurulabilir.

**JCR EURASIA RATING**

**Genel Müdür**

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**JCR Eurasia Rating,**  
 has affirmed on the Long-Term National Scale at ‘A-(Trk)’, the Short-Term National Note at ‘A-2(Trk)’ with “Stable” outlooks for “Birikim Varlık Yönetim A.Ş.” and the “Cash Flows Relating to the Bond Issues”

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## Press Release

Istanbul – March 30, 2020

JCR Eurasia Rating, has reaffirmed notes on the Long-Term National Scale at ‘A-(Trk)’, the Short-Term National Note at ‘A-2 (Trk)’ with “Stable” outlooks and the Long Term International Foreign and Local Currency ratings were also assigned at ‘BB’ for “Birikim Varlık Yönetim A.Ş.” and the “Cash Flows Relating to the Bond Issues”. Other notes and details of the ratings are given in the left-hand column.

NPL Asset Management Companies within the regulation of the Banking Regulation and Supervision Agency (BRSA), which operate for the purpose of purchasing the overdue receivables of banks and non-bank financial institutions, and reconstructing them into the financial system, have assumed an important role for the sustainability of the banking system and the stability of the country's economy.

NPL Asset Management services, which can be considered a relatively new service of non-bank financial institutions are regulated by BRSA in Turkey. NPL Asset Management Companies, which purchase non-performing loans from the finance sector-particularly the banks, and obtain the cash flow with the collections from these receivables, play an important role especially in the improvement of the asset quality of the banking sector. With the regulation exercises carried out by the BRSA regarding NPL Asset Management establishment and activities, the legal infrastructure of the sector has been improved in terms of minimum capital level and effective surveillance and control; establishment of information systems, risk measurement techniques and internal control processes have become mandatory. In the light of these developments, the institutional structure of the sector has improved and steps have been taken to increase the quality, standardization and transparency of financial reporting. In addition, thanks to these regulations, the sector has been given a positive momentum in order to ensure equality of competition.

The negative impact of macroeconomic developments on the financial structure of the real sector put pressure on the sector's debt collection ratio. Birikim Varlık Yönetim A.Ş. has spread its portfolio distribution to the individual and commercial segment base and has been able to maintain the low average risk concentration level per customer with the contribution of the high number of active customers. As a result of cumulative growth performance, portfolio size exceeded TRY5bn. Maintaining the sustainability gained via the positive momentum in the ratio of the collection levels to the total portfolio size, the successful bond issuance and the diversity of funds, presence of additional access to external funds, asset quality, internal resource generation capacity, maintaining the sustainability gained through its stable management team and prudent stance were effective in the affirmation of the rating on the Long-Term National Note at ‘A-(Trk)’ with “Stable” outlook by JCR-ER. No separate rating report has been compiled as the resources obtained from the bond issue will be carried in the Company's balance sheet and has been subject to analysis in the corporate credit rating report. Due to additional financial collateral guarantee and the external bail in terms of collateral which are provided for the repayment of the bond issued by Birikim Varlık Yönetim, the note as the Company's Long National Local Rating affirmed at ‘A (Trk)’ for TRY dominated bond issuance which is determined above the Company's Long-Term National Note.

The fluctuations in macroeconomic development and market conditions affect the sector in a negative way in terms of financing costs and collection capacity. Expanding the capacity to create internal equity for budgeted growth rates, debt capacity and its resources, capitalization level, and cumulative portfolio growth performance along with prevalence & activity level of Covid-19 outbreak and its effects on the global economy and Turkish Economy are issues that will be followed closely by JCR-ER.

Considering the willingness of the majority shareholder, “Altınhas Holding A.Ş.” to support Birikim Varlık Yönetim, its financial power and scale, the expected contribution from planned investments and expansion in the sector, the Company's “Sponsor Support Grade” has been affirmed at (2). On the other hand, the Group's “Stand Alone Rating” has been affirmed at (B), indicating an adequate level considering its internal resource generation capacity and the composition and weight of external resources.

For more information regarding the rating results you may visit our internet site <http://www.jcra.com.tr> or contact our chief analyst Mr. Orkun İNAN.

**JCR EURASIA RATING**  
 General Manager

### NOTES

		Long Term	Short Term	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-		
National	Local Rating	A- (Trk)	A-2(Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A (Trk)	A-1 (Trk)	
Sponsor Support	2	-		
Stand-Alone	B	-		

**Sector:** NPL Asset Management

**Report Date:** March 30, 2020

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Corporate Credit &  
 Issue Rating

New  Update

Sector: NPL Asset Management

Publishing Date: 30/03/2020

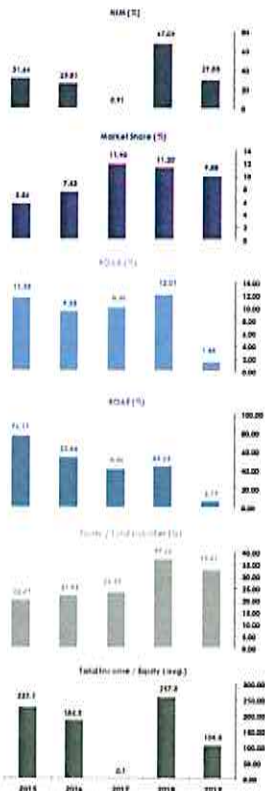
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RATINGS

		Long Term	Short Term	
International	Foreign Currency	BB	B	
	Local Currency	BB	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	n.a.	n.a.		
National	Local Rating	A-(Trk)	A-2(Trk)	
	Outlook	Stable	Stable	
	Issue Rating	A (Trk)	A-1 (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



**Birikim Varlık Yönetim A.Ş.**

Company Overview

Financial Data	2019* (2)	2018* (2)	2017* (2)	2017(1)	2016*(1)	2015*(1)
Total Assets (000 USD)	46,932	54,794	3,051	86,154	83,463	70,843
Total Assets (000 TRY)	278,635	288,265	11,626	328,281	294,776	205,982
Total Net Loans (000 TRY)	214,979	245,566	11,335	278,151	266,005	176,521
Equity (000 TRY)	68,828	76,683	9,279	73,344	53,038	34,408
Net Profit (000 TRY)	3,298	14,052	-761	14,770	18,635	16,013
Market Share (%)	9.88	11.20	n.m.	11.90	7.43	5.54
ROAA (%)	1.48	12.01	n.m.	5.95	9.33	11.58
ROAE (%)	5.77	41.89	n.m.	29.34	53.44	76.19
Equity/Assets (%)	24.70	26.60	79.81	22.34	17.99	16.70
Asset Growth Rate (%)	-3.34	2,379.49	n.a.	11.37	43.11	45.29

\* End of Year, (1) Final Varlık Yönetim Anonim Şirketi, (2) Birikim Varlık Yönetim Anonim Şirketi

**Birikim Varlık Yönetim Anonim Şirketi** (hereinafter referred to as **"Birikim Varlık"** or the **"Company"**), formerly known as **Final Varlık Yönetim Anonim Şirketi**, founded activities with a Banking Regulatory and Supervisory Agency (BRSA) license in 2016 and started its operations in 2017. Completion of merge between Final Varlık A.Ş. and Birikim Varlık A.Ş. has been registered to the trade registry as of September 21, 2018. The Company maintains its operations by a staff force of 206 employees as of FYE2019.

The Company, within the content of BRSA regulations, concentrates in the management of assets it acquired via purchasing over-due receivables of banks and other financial institutions or taking them on with respect to revenue sharing basis including the activities of collection and restructuring of them as well as consultancy.

The Company's real person shareholding structure covers 2 entities. The main controlling shareholder (95.65%) is Altınhas Holding A.Ş as of December 31, 2019 which is a leading institution in Turkey operating in the jewellery, finance, energy, logistics, education and sports sectors as of. JCR Eurasia Rating has reaffirmed Birikim Varlık's National Local Rating as **'A-(Trk)'**.

Strengths

- The level of provision providing a buffer to absorb unexpected losses,
- High granularity marked by further improved concentration level on client base,
- Majority of the balance sheet items being composed of earning assets contributing to asset quality,
- Maintaining strong levels of liquidity level through bond issue and credit line,
- Sustained collection capability as indicated by large portfolio value
- Favorable tax advantages contributing competitive position with regard to cost management supporting the bottom line,
- Shareholder and Group support in both financial and operational aspects,

Constraints

- Internal resource generation capacity requiring strong improvement,
- High level of financial expenses resulting restrain profitability,
- Economic dislocation caused by the COVID-19 outbreak, potentially impact on asset quality,
- Short term borrowing profile of the sector.

## 1. Rating Rationale

The Company's independent audit report prepared in conformity with Banking Regulation and Supervision Agency (BRSA) regulations, statistical data on the sector produced by BRSA and Public Disclosure Platform (PDP), JCR Eurasia Rating's own studies and records, information and clarifications provided by the Company and non-financial figures constitute the major basis of **Birikim 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.

In the assignment of Birikim Varlık's ratings, quantitative and qualitative assessments regarding profitability figures, asset quality, equity level, liquidity profile, efficiency and risk management practices, the main shareholders' financial and non-financial positions along with expected support, growth strategy and market shares have been taken into consideration.

### Fundamental Rating Indicators are;

#### Sustainability through Moderate Risk Profile, Stability of Management & Prudent Stance

Since its establishment in 2012, Birikim Varlık (formerly known as Final Varlık), as one of the first movers in the sector, has been able to sustain its activities to date partly thanks to its moderate risk profile and stability in its shareholder and management structure.

The collection rate still maintained above the sector averages despite sectorial difficulties experienced during FY2017 and FY2018, improved client concentration level as well as the management's prudent strategy and stance to allow high level of provisions have evidenced the level of the said risk profile.

#### Maintaining Market Share

Well-established Company enjoys asset growth over the past 6 years, experienced cumulative asset growth rate of 96.53 percent in 2019-maintaining the market share and becoming 3<sup>rd</sup> among the 14 AMCs in terms of portfolio size.

#### Profitability Ratios Remained Resilient

Historically, Birikim Varlık is one of the most profitable financial institutions in the sector with respective ROAA and ROAE ratios thanks to its remarkable interest & fee and commission

income growth rates while the sector experienced unusually sluggish growth in profitability ratios.

The Company's interest income declined while expenses maintaining during FY2019 in line with the decrease in the general interest rate level. While the Company was not affected to a great extent in the gross profit level, its net profitability figures declined significantly.

#### Internal Resource Generation Capacity Requiring Strong Improvement:

Depending on the abovementioned factors regarding net profit level, equity generation capacity of the Company has continued to be impeded and exhibited a declining trend during the previous years.

#### Well-Diversified Portfolio and Sound Asset Quality

The Company had a total assets size of TRY278.64 mn with a distribution of 88.34% earning assets as of FYE2019 against FY2018 year-end sector figure of 87.68%. The large weight of earning assets in line with the sectorial dynamics contributes to the Company's asset quality.

The level of provisions compared to loan portfolio had also exhibited a fluctuating pattern until FYE2019 but afterwards has converged more to the sector averages. The Company's provision for losses covered 18.69% of total loan portfolio in 2019.

The Current portfolio of the Company provides sustainable cash generation to meet its debt payments. The Company's resilient provisioning and profitability levels are foreseen to be the first line of protection against unexpected losses.

#### Inherent Flexibility

Birikim Varlık's cash flow generation and autonomous rate provide liquidity management with significant financial flexibility.

#### Improvement in Liquidity Management

As for the alternative channels within the funding base, Birikim Varlık has facilities to benefit from ample amount of free lines out of currently extended credit lines by many different banking institutions. With the utilization of other funding channels via issuing bonds during FY2019, the liquidity management was eased.

#### Need for Progress in Corporate Governance Practices

Birikim Varlık is not subject to strong governance regulations as a non-publicly traded company. However, to establish transparency and ensure that its customers have the access to current information, the Company should disclose materials concerning the organization.





customer segments. The majority of employees have experience in the field of finance promoting the quality of its services.

Birikim Varlik continues to work with 80 attorney's offices across Turkey. These offices work within the scope of the contractual relationship based on the fee payment according to the legal service received.

### c. Shareholders, Subsidiaries & Affiliates

The following table provides the Company's FYE2018-FYE2019 shareholder structure and realized changes over time.

Shareholders	FYE2019 (%)	FYE2018 (%)
Altınhas Holding A.Ş.	95.65	99.49
İnan Altınbaş	0	0.07
Hüseyin Altınbaş	0	0.07
Ak Faktoring A.Ş.	4.35	1.28
Paladyum Madencilik A.Ş.	0	0.1
Share Capital (TRY / 000)	40,000	40,000

#### • Altınhas Holding A.Ş.

Altınhas Holding A.Ş., established under the guidance of Mr. Inan Altınbaş with the aim of creating market leader brands, has an operational history dating back to the 1950s and over 60 years of sector experience. Altınhas Holding is the principal shareholder of Altınbaş Holding.

The holding carries out its operations with both domestic and overseas investments in the main fields of energy, finance, jewellery, logistics, education, sports activities, textiles, construction, and real estate. Group operations in the field of education in particular have accelerated. The Holding's main investment strategy is to invest in companies with a high growth tendency in order to strength profitably.

The table below shows shareholder structure of Altınhas Holding A.Ş. as of December 31,2019;

Shareholder Structure	FYE2019
Inan Altınbaş	112,450,000
Hüseyin Altınbaş	112,450,000
Trona İç ve Dış Ticaret Danışmanlık A.Ş.	24,900,000
Final Alacak Yönetim Dan. ve Destek Hizm. A.Ş.	200,000
Paid Capital (TRY / 000)	250,000.000

#### • Ak Faktoring Anonim Şirketi

The Company operates in the Turkish Factoring sector since 1992 as a non-bank owned factoring company. Since 2006, the

Turkish Factoring Sector has been regulated and supervised by the Banking Regulation and Supervision Agency (BRSA). With a staff force of 40, the Company provides funding to its customer portfolio via financing invoiced/documentated receivables based in Turkey.

The Company held a 0.53% market share in a factoring sector worth TRY 37.02bn in FYE2019.

Ak Faktoring is one of the financial corporations under the control of Altınhas Holding Anonim Şirketi. The paid-in capital of Ak Faktoring increased to TRY 34mn as of FYE2019. On the other hand, the Company planned to increase its paid-in capital to TRY 50mn through internal resources in accordance with the amendment will be made in the Law No. 6361. Details of the shareholding structure are displayed in the table below:

Shareholder Structure	2019 (%)	2018 (%)
Altınhas Holding A.Ş.	99.99	99.99
Inan Altınbaş	>1	>1
Hüseyin Altınbaş	>1	>1
Final Alacak Yönetim Dan. ve Destek Hiz. A.Ş.	>1	-
Paladyum Eğitim Yayıncılık İnş. San. Ve Tic. A.Ş.	-	>1
Altınhas Gayrimenkul A.Ş.	>1	>1
Paid Capital (TRY / 000)	34,000	25,500

### d. Corporate Governance

Regarding the fact that Birikim Varlik is not a publicly traded company, the corporate governance discipline is not a field that is required to be taken legally into consideration with regard to the Capital Market Law.

On the other hand, official regulations about NPL Asset Management Companies along with BRSA's enforcements of strict regulation and supervision on the NPL AMC Sector have provided the Company with a corporate organizational structure, a comprehensive internal control system, and an internal audit and risk management system. Hence, the Company has internal audit and internal control departments which regularly report to the Board. The organizational chart of the Company consists of two units structured to report to the general management. The Company aligns all of its records and reports in line with BRSA regulations and procures an independent audit service. The periodical financial statements are regularly disclosed to the public via its website. The Company's all information is securely stored in an electronic environment that provides the needed information to be reported and sufficient integration has been performed between the departments of collection, law, asset valuation, credit monitoring, financial affair, allocation and operation.





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
<b>Total (000,000/TRY)</b>	<b>47,541</b>	<b>57,880</b>	<b>64,585</b>	<b>96,597</b>	<b>148,532</b>

Source: BRSA

Consolidated financial results of the sector as of FYE2018 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 Varlık, Gelecek Varlık, Hayat Varlık, Sümer Varlık, Vera Varlık).

*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 7-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 mains 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	ADIL VARLIK YÖNETİM A.Ş.
2	ARMADA VARLIK YÖNETİM A.Ş.
3	ARSAN VARLIK YÖNETİM A.Ş.
4	BIRIKIM 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	EPES VARLIK YÖNETİM A.Ş.
10	EMIR 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

## Birikim Varlık Yönetim Anonim Şirketi

Adres: Büyükdere Cad. Özsezen İş Merkezi A Blok No:122 Kat:5 Esentepe 34394 Şişli / İstanbul

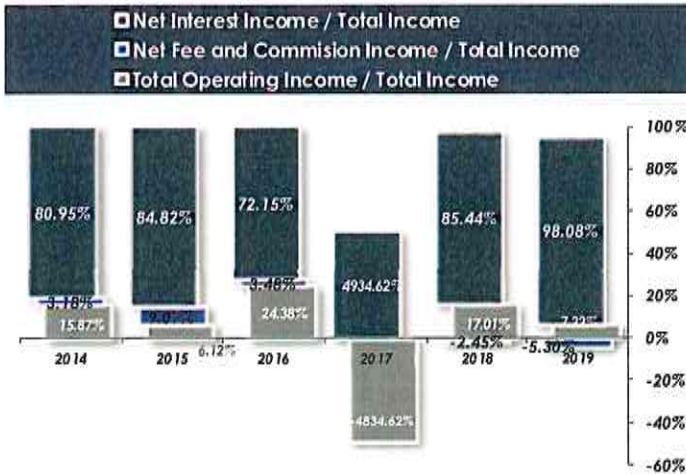
Tel: +90 (212) 355 10 00



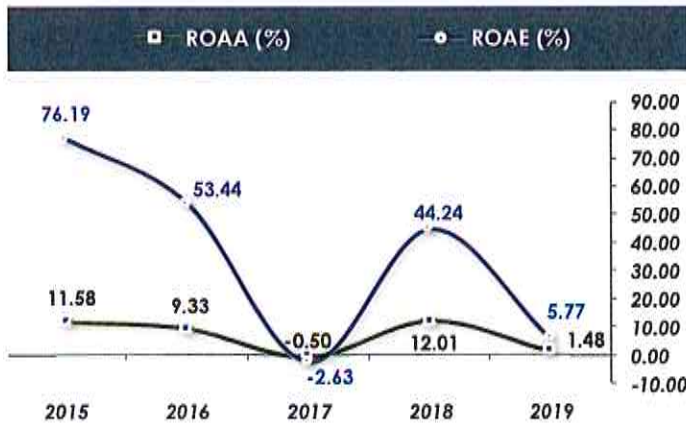
in IFRS 9 transition process. In terms of collection capacity, the Company overperformed the previous year's results.



Net Interest Income (NII) is applied to the key revenue generating activities of the Company as follows. Interest rates for earning assets stood at 54.95% while interest rate for costly liabilities was 25.82% in FYE2019. Consequently, the Company's interest margin stood at 29.13% in FYE2019.



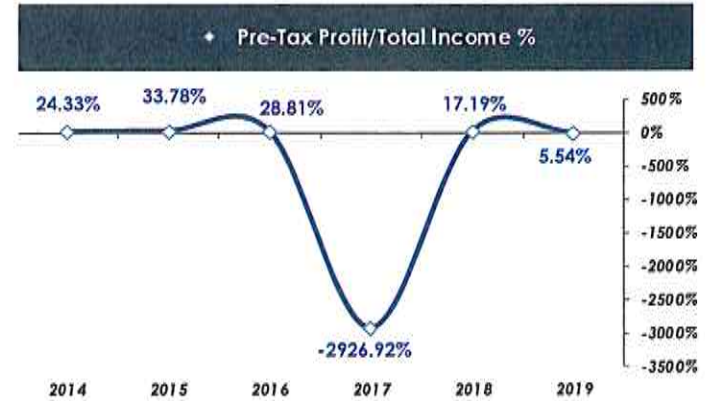
The driving force behind the growth performance is the interest income, constituting the 98.08% of the total income generation in FYE2019.



Accordingly, the Company's profitability ratios of ROAA and ROAE sharply deteriorated to 1.48% and 12.01%, respectively, from 44.24% and 5.77% at the end of FY2019.



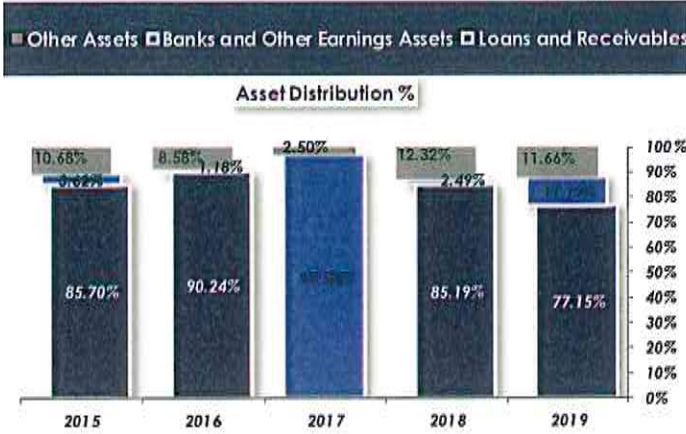
The total operating expenses to total income coverage increased to 57.86% in FYE2019 from 46.24% in FYE2018. The Company's high operating expenses level compared to the total income amount resulting mainly from its current scale of business continued to remain above the sector average.



In accordance with the above fact, the pre-tax profit generation capacity of the Company's total income has been positioned at levels well below the sector averages.

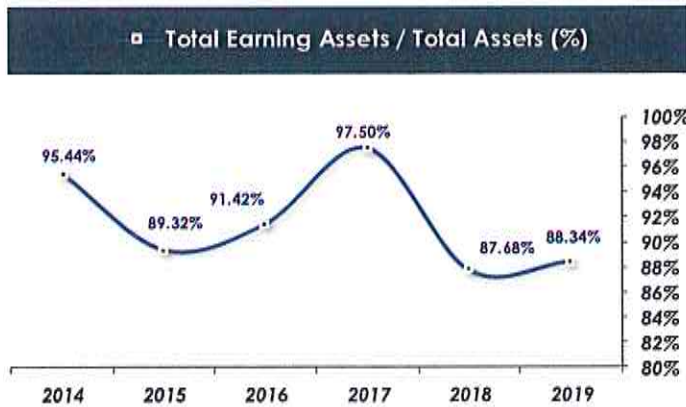
### b. Asset Quality

Due to upward trend level of NPLs and correspondingly growing pressure over the CAR, Turkish banks sold over TRY10bn. their non-performing loans during 2019. Birikim Varlık mainly targets distressed assets transfer from Turkish corporates and individual customers, where competition is intense, in particular from bank-owned NPL AMCs.



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 Birikim Varlık itself, based on the market experience and calculations.

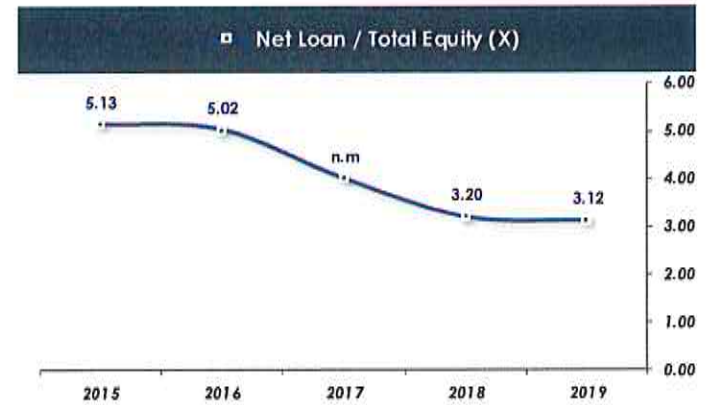
The Company had a total asset size of TRY278.64mn with a distribution of 88.34% earning assets as of FYE2019. The large share of earning assets within the balance sheet structure in line with the sectorial dynamics continues to be assessed as a factor to contribute to the Company's asset quality.



Historically, the ratios of purchased cost to collections and collection to total portfolio stood at 57.07% and 17.07%, respectively. Birikim Varlık purchased non-performing loans portfolio from Turkish lender banks worth TRY5,077mn. since its establishments. 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.

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 expects to purchase the loans at better deals.



Birikim Varlık's net loan portfolio to total equity ratio stood at 3.12x in FYE2019 which is the below of average between FYE2015 and FYE2019 (4.12x) with the exception of since FYE2018. The provision allocated for non-performing loans in the portfolio was TRY49.4mn. in FYE2019 and TRY22.98mn. in FYE2018. The difference caused by new implementation of IFRS 9 standard in which the loans classified under 3rd phase, named default category.

### c. Funding & Adequacy of Capital

Birikim Varlık's paid-in capital increased to TRY 40mn after the consolidation observance of the relevant BRSA regulatory obligations together with the profit reserves and improved profitability.





### c. Market Risk

The Company is not subject to market and operational risks reporting due to its status as an "Asset Management Company". Additionally, the Company has no net foreign exchange position as of December 31, 2019.

### d. Liquidity Risk

The Company's contingency funding plan is reasonably accessible during times of financial hardship. At the basis of the Birikim Varlık in liquidity management is the balance between the collections from the purchased loans and the repayment period of the loans used from the banks. When the company's contractual revenues and projections and liabilities to be paid together are classified according to their maturities.

2019-Balance Sheet shows that the liquidity risk the Company is exposed to is at a manageable level.

## 8. Budget & Debt Issue

Within the framework of projections and budgeting activities of Birikim Varlık, the financial assumptions and estimations spanning the year FY2020-21 have been established. Birikim Varlık has projected a moderate slowdown in asset size in FY2020. The current projection includes new portfolio expenses of TRY25mn. and TRY50mn. during FY2020 and FY2021, respectively. The funds will enable the company to purchase new distressed portfolios from financial institutions.



Integrating the above stated projected cumulative assets growth rate of 59.59% between FYE2013 and FYE2021. In this structure plan, the capital adequacy ratios such as equity to total assets and equity to total liabilities based on the assumptions and parameters are expected to fluctuate between 27.83% & 29.60% and 38.57% & 42.05% as of FYE2020-21, respectively.

	2021e	2020e
Portfolio Collections	160,752	133,960
Portfolio Costs (-)	31,653	26,378
Operational Profit / Loss	79,475	64,268
Pre-tax Profit	17,810	10,627

Accordingly, we, as JCR Eurasia Rating, believe that the Company has the potential to fulfil its obligations that will stem debt instrument issuance in a timely manner and without experiencing a financial distress depending on the preservation of its market efficiency and income streams as well as absence of severe fluctuations in the financial markets.

	FYE 2019			FYE 2018			FYE 2017			FYE 2016			FYE 2015			FYE 2014		
	USD	TRY	(Original)	USD	TRY	(Original)	USD	TRY	(Original)	USD	TRY	(Original)	USD	TRY	(Original)	USD	TRY	(Original)
	(Converted)																	
	2019			2018			2017			2016			2015			2014		
	As % of Assets			As % of Assets			As % of Assets			As % of Assets			As % of Assets			As % of Assets		
	2019			2018			2017			2016			2015			2014		
	Rate %			Rate %			Rate %			Rate %			Rate %			Rate %		
<b>IRKIM VARLIK YONETİM A.Ş.</b>																		
<b>BALANCE SHEET - ASSET</b>																		
	(000)																	
<b>A- TOTAL EARNING ASSETS ( I+II+III)</b>	41,461	246,185	249,454	252,752	132,044	113,335	140,413	269,491	88,34	87,68	97,50	2,129,84	-95,79					
<b>I- LOANS AND LEASING RECEIVABLES (net)</b>	36,210	214,979	230,273	245,566	122,783	0	133,003	266,005	77,15	85,19	n.a.	2,129,84	-100,00					
a) Short Term Loans	0	0	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.					
b) Lease Assets	44,531	264,382	266,465	268,548	134,274	0	0	0	94,88	93,16	0,00	n.a.	n.a.					
c) Medium & Long Term Loans	0	0	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.					
d) Over Due Loans	0	0	0	0	0	0	133,003	266,005	0,00	0,00	0,00	0,00	-100,00					
e) Others	-0	-0	-0	-0	-0	0	0	0	-0,00	-0,00	n.a.	0,00	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.					
g) Allowance for Loan and Receivables Losses (ç)	-8,321	-49,403	-36,193	-22,982	-11,491	-0	-0	0	-17,73	-7,97	-0,00	114,96	n.a.					
<b>II- OTHER EARNING ASSETS</b>	5,251	31,176	19,181	7,186	9,261	11,335	7,411	3,486	11,19	2,49	97,50	-36,60	225,16					
a) Balance With Banks -Time Deposits	3,628	21,541	14,364	7,186	9,261	11,335	7,411	3,486	7,73	2,49	97,50	-36,60	225,16					
b) Money Market Placements	1,623	9,635	4,818	0	0	0	0	0	3,46	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.					
d) Balance With CB- Demand Deposits	0	0	0	0	0	0	0	0	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.					
a) Treasury Bills and Government Bonds	0	0	0	0	0	0	0	0	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.					
c) Repurchase Agreement	0	0	0	0	0	0	0	0	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.					
a) Investments in Associates (Net)	0	0	0	0	0	0	0	0	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.					
<b>C- NON-EARNING ASSETS</b>	5,471	32,480	33,997	35,513	17,902	291	12,788	25,285	11,66	12,32	2,50	12,103,78	-98,85					
a) Cash and Cash Equivalents	0	0	0	0	0	0	1	2	n.a.	n.a.	n.a.	n.a.	-100,00					
b) Balance With Banks - Current Accounts	0	0	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.					
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.					
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.					
e) Other	5,471	32,480	33,997	35,513	17,902	291	12,787	25,283	11,66	12,32	2,50	12,103,78	-98,85					
- Intangible Assets	0	0	0	0	0	0	185	370	n.a.	n.a.	n.a.	n.a.	-100,00					
- Property and Equipment	3,706	22,000	21,000	20,000	10,000	0	1,065	2,130	7,90	6,94	n.a.	10,00	-100,00					
- Deferred Tax	0	0	0	0	7	13	7	0	n.a.	n.a.	0,11	-100,00	n.a.					
- Other	1,765	10,480	12,997	15,513	7,896	278	11,531	22,783	3,76	5,38	2,39	5,480,22	-98,78					
<b>TOTAL ASSETS</b>	46,932	278,635	283,450	288,265	149,946	11,626	153,201	294,776	100,00	100,00	100,00	2,379,49	-96,06					

(\*) Included in 'Other' line





BİRİKİM VARLIK YÖNETİM A.Ş. INCOME STATEMENT (000) TRY	FY	FY	FY	FY	FY	FY
	2019	2018	2017	2016	2015	2014
<b>Net Interest Income</b>	74,404.00	88,507.00	1,283.00	58,512.00	50,544.00	23,407.00
a) Interest Income	122,606.00	137,079.00	1,283.00	85,635.00	65,999.00	34,189.00
b) Interest Expense	48,202.00	48,572.00	0.00	27,123.00	15,455.00	10,782.00
<b>Net Fee and Commission Income</b>	-4,017.00	-2,542.00	0.00	2,821.00	5,402.00	920.00
a) Fee and Commission Income	0.00	0.00	0.00	4,848.00	6,500.00	1,402.00
b) Fee and Commission Expense	4,017.00	2,542.00	0.00	2,027.00	1,098.00	482.00
<b>Total Operating Income</b>	5,475.00	17,622.00	-1,257.00	19,770.00	3,645.00	4,590.00
Net Trading Income (+/-)	5,463.00	18,759.00	41.00	0.00	0.00	0.00
Foreign Exchange Gain or Loss (net) (+/-)	12.00	-1,137.00	0.00	557.00	127.00	109.00
Gross Profit from Retail Business	0.00	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	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	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	0.00
Other Operating Income	0.00	0.00	-1,298.00	19,213.00	3,518.00	4,481.00
Taxes Other than Income	0.00	0.00	0.00	0.00	0.00	0.00
Dividend	0.00	0.00	0.00	0.00	0.00	0.00
<b>Provisions</b>	27,767.00	37,157.00	774.00	20,911.00	14,265.00	5,276.00
Provision for Impairment of Loan and Trade Receivables	27,767.00	37,157.00	774.00	20,911.00	14,265.00	5,276.00
Other Provision	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Operating Expense</b>	43,895.00	48,424.00	13.00	36,825.00	25,195.00	16,605.00
Salaries and Employee Benefits	25,418.00	26,376.00	13.00	16,353.00	13,346.00	8,710.00
Depreciation and Amortization	0.00	0.00	0.00	737.00	532.00	468.00
Other Expenses	18,477.00	22,048.00	0.00	19,735.00	11,317.00	7,427.00
<b>Profit from Operating Activities before Income Tax</b>	4,200.00	18,006.00	-761.00	23,367.00	20,131.00	7,036.00
Income Tax – Current	772.00	2,357.00	0.00	4,732.00	4,034.00	1,472.00
Income Tax – Deferred	130.00	1,597.00	0.00	0.00	84.00	33.00
<b>Net Profit for the Period</b>	3,298.00	14,052.00	-761.00	18,635.00	16,013.00	5,531.00
<b>Total Income</b>	75,862.00	104,724.00	26.00	81,103.00	59,591.00	28,917.00
<b>Total Expense</b>	43,895.00	49,561.00	13.00	36,825.00	25,195.00	16,605.00
<b>Provision</b>	27,767.00	37,157.00	774.00	20,911.00	14,265.00	5,276.00
<b>Pre-tax Profit</b>	4,200.00	18,006.00	-761.00	23,367.00	20,131.00	7,036.00

BİRİKİM VARLIK YÖNETİM A.Ş. FINANCIAL RATIOS %	FY 2019	FY 2018	FY 2017
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROA - Pretax Profit / Total Assets (avg.)	1.48	12.01	-0.50
2. ROE - Pretax Profit / Equity (avg.)	5.77	44.24	-2.63
3. Total Income / Equity (avg.)	104.27	257.28	0.09
4. Total income / Total Assets (avg.)	26.76	69.84	0.02
5. Provisions / Total Income	36.60	35.48	2,976.92
6. Total Expense / Total Liabilities (avg.)	20.83	45.37	0.01
7. Net Profit for the Period / Total Assets (avg.)	1.16	9.37	-0.50
8. Total Income / Total Expenses	172.83	211.30	200.00
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	22.06	21.26	78.85
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	-2.64	-5.34	38.19
11. Total Operating Expenses / Total Income	57.86	46.24	50.00
12. Net Interest Margin (avg.)	29.83	67.03	0.91
13. Operating ROAA (avg.)	18.49	44.40	-0.50
14. Operating ROAE (avg.)	72.02	163.56	-2.63
15. Net Profit Margin	4.35	13.42	-2,926.92
16. Operating Activities / Total Income	5.54	17.19	-2,926.92
17. Growth Rate	-3.34	2,379.49	-96.06
<b>II. CAPITAL ADEQUACY (year end)</b>			
1. Equity Generation / Prior Year's Equity	-	14.54	9.31
2. Internal Equity Generation / Previous Year's Equity	4.30	21.33	20.44
3. Equity / Total Assets	24.70	27.15	18.85
4. Equity / Total Liabilities	32.81	37.26	23.23
5 Free Equity / Total Assets	16.81	20.48	18.04
<b>IV. ASSET QUALITY</b>			
1. Total Provisions / Profit Before Provision and Tax	86.86	67.36	5,953.85
2. Impaired Loans / Gross Loans	18.69	8.56	n.m.
3. Impaired Loans / Equity	0.72	0.30	n.m.
4. Total FX Position / Total Assets	n.a.	n.a.	n.a.
5. Total FX Position / Equity	n.a.	n.a.	n.a.
6. Net Interest and Commission Income / T.Asset	25.26	29.82	11.04
7. Total Earning Assets / Equity	357.64	329.61	239.79

