

HAYAT VARLIK YÖNETİM A.Ş.

Long-term National Credit Rating: **TR AA**

Short-term National Credit Rating: **TR A1**

Outlook: **Positive**

Rating History:

LTNCR: **TR AA**

STNCR: **TR A1**

Outlook: **Positive**

Date: 19.04.2018

Istanbul, 19 April 2019 - The Long-term National Credit Rating of TR AA and the Short-term National Credit Rating of TR A1 of Hayat Varlık Yönetim A.Ş. (hereafter Hayat or the Company) have been affirmed. These ratings are supported by the continuing collection performance, a strong equity structure and the enhanced collateral structure of its NPL portfolio in addition to Hayat's strong position in the sector and its experienced management team. The outlook remains positive as the Company has succeeded in improving its collection power and the collateral structure of the portfolio despite the negative economic environment.

Maintaining a Strong Position in the Sector: Hayat being one of the two leading companies in the sector, the Company's purchases of NPL (Non-Performing Loans) portfolios reached TL12.9 billion in total by the end of 2018. Company representatives indicated that the Company had a market share of 28.3% in terms of purchased NPL portfolios. In 2018, Hayat purchased TL2.1 billion worth of NPL portfolios for TL88.0 million. The Company plans to maintain its strong position, purchasing new portfolios in the coming periods. In 2018, Hayat's asset size increased by 16.4% to TL1.2 billion.

Successful Business Model: The Company purchases the NPL portfolios of financial institutions, in particular banks, and seeks to make profit by collecting from these portfolios. The Company's strategy has been to strengthen the collateral structure of its existing portfolio, and to this end its legal infrastructure was improved. The Company resolved the files of 287,363 customers as of the end of 2018 and agreed on a payment plan with 64,422 customers during the year. Hayat operates with 5 regional offices throughout the country and works with many law offices. The Company has a subsidiary (Merkez Alacak Yönetimi ve Danışmanlık Hizmetleri A.Ş.) for purchasing the non-financial NPL portfolios.

Strong Collateral Structure of the NPL Portfolio: As of year-end 2018, the Company paid a total of TL 1.2 billion purchase price for the NPL portfolios. Due to the sale of NPLs with low collection potential, the Company's ratio of amount paid to purchase a portfolio to the amount of purchased NPLs decreased parallel to the sector. This ratio, which was 11.5% in 2014, declined to 4.2% in 2018. 38.5% of the Company's NPL portfolio amounting TL 12.9 billion is enhanced with collateral. The asset tracking and collateralization strategy of the Company had a positive effect on collections.

Collections Continue to Increase: Hayat managed to increase its collections despite the challenging conditions of 2018. The Company's strong portfolio collateral structure and successful collection methods were effective in the collection of TL 361.7 million in 2018, which is 66.7% of its net debt. As of year-end 2018, the Company made a total collection of TL 1.7 billion. The Company's expected collections from the existing portfolio for the next 10 years are TL2.7 billion.

Strong Equity Structure: Shareholders' equity of the Company with the strongest equity structure in the sector, increased by 22.1% in 2018 and reached TL498.5 million. In 2015 the Company increased its subscribed capital to TL185.0 million. Not distributing any dividends and especially high net profits obtained

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in the last three years contributed to the increase in equity. The fact that the Company has a cash capital well above the amount that Banking Regulation and Supervision Agency determines as the legal limit indicates the confidence of the main shareholder in the Company.

Profitability Continues to Increase: Hayat has high profitability performance. The Company's cash EBITDA (Collection-Operational Expenses (excluding Depreciation)) increased by 16.0% to TL212.2 million. Net interest income increased by 48.7% in the same period despite the fact that the interest expenses of the Company increased significantly in the last two periods. The Company increased its net profit by 22.6% to TL 90.1 million in spite of increasing financing and operational expenses. With the increase in net profit, the average return on assets and return on equity rose to 8.0% and 24.2%, respectively.

Limited Increase in Borrowing: The total funding of the Company increased by 5.3% in 2018 to TL580.3 million. Hayat secures funds by using credits from banks and issuing domestic bonds. All of the bank loans (TL370.4 million) are medium and long term and denominated in TL. The Company's total borrowing is only 1.2 times its equity. In parallel with the rise in interest rates, the borrowing costs of the Company increased and the total financing cost increased by 53.4% to TL128.5 million.

Strong Shareholder Structure and Experienced Management Team: Hayat, which is one of the 20 companies operating in the asset management sector, is owned by Vector Holdings S.a.r.l.(50%), Vector Investments Holding S.a.r.l (37.6%) and the European Bank for Reconstruction and Development (EBRD) (12.3%). The presence of an experienced team of experts has been effective in strengthening the Company's position in the sector with its high collection and its strong financial performance.

Hayat Selected Financial Indicators

(TL1000)	2014	2015	2016	2017	2018 ¹
Total Assets	780,896	768,008	940,199	1,036,983	1,206,675
<i>Asset Growth (%)</i>	<i>29.1</i>	<i>-1.7</i>	<i>22.4</i>	<i>10.3</i>	<i>16.4</i>
NPLs (Net)	658,502	696,743	860,307	980,072	1,134,672
Total Borrowings	597,082	425,586	543,048	551,160	580,293
Equity	141,311	294,401	334,862	408,356	498,539
<i>Equity / Total Assets (%)</i>	<i>18.1</i>	<i>38.3</i>	<i>35.6</i>	<i>39.4</i>	<i>41.3</i>
Total Interest Income	149,789	156,809	208,359	314,184	433,239
Operational Profit/Loss	83,851	89,066	141,359	231,863	303,637
Total Operational Expenditures (-)	61,479	67,079	89,777	126,603	153,864
Provisions for Decrease in Value	21,178	10,917	677	7,175	36,672
Net Profit/Loss	2,857	8,844	40,485	73,494	90,085
Value of Portfolio Purchased (Principal)	6,918,255	7,563,973	9,342,003	10,793,593	12,888,716
Acquisition Value of Portfolios	181,747	61,521	167,353	106,997	88,034
Collections	170,003	164,710	216,973	305,709	361,688

¹ Financial data for 2018 are consolidated. The consolidation includes Merkez Alacak Yönetimi ve Danışmanlık Hizmetleri A.Ş., a subsidiary of Hisar Stratejik Yatırımlar Holding A.Ş. which is wholly owned by the Company.