

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: 19.04.2019

Istanbul, 20 April 2020 - 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, the strong equity and collateral structure and the enhanced NPL portfolio in addition to Hayat's strong position in the sector and its experienced management team. Nevertheless, the potential negative effects and uncertainties caused by the corona virus epidemic, which has reached a pandemic point in the world and is at risk of reaching serious dimensions in our country, on the performance of the financial sector and real sector companies in 2020 and beyond, as well as on the household demand and the payment capacities has become the most basic factor that constrain our ratings. In this negative conjuncture, by the fact that we will closely monitor the collection performance of the Company and review it when necessary, the Company's outlook has been affirmed as positive considering the Company's strengthening the current collection performance and collateral structure of its portfolio.

Strong Position is Maintained: Hayat, which is one of the 19 companies operating in the asset management sector (AMC), 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%). As of the end of 2019, Hayat's NPL (Non-Performing Loan) portfolio has increased to TL14.6 billion, and its market share is 26.0% based on the principal amount purchased according to the data¹ received from the Company. The Company plans to maintain its strong position by purchasing new portfolios in the upcoming periods.

Grows With New Portfolio Investments: Hayat maintains its scale and financial sustainability by purchasing new NPL portfolios every year. In 2019, it purchased the NPL portfolio of TL1.7 billion with a purchase price of TL160 million. As of the end of 2019, the total size of the NPL portfolio, which was taken over with a cumulative portfolio investment of TL1.4 billion, increased to TL14.6 billion. While the Company managed the debt of 1.3 million people, it operated with 5 branches and 480 personnel outside its head office as of the end of 2019. The total assets of the Company grew by 17.7% in 2019 compared to the previous year and reached TL1.4 billion, while its non-performing loans increased by 13.0% to TL1.3 billion.

Collections Performance Continue to Increase: Hayat's collection performance continues to increase. The collection made by the Company increased by 13.3% in 2019 and reached TL410 million. Each year, in improvement of the Company's collection performance; the infrastructure it has developed, the collection methods, the experience it has gained in the sector and the strategic decisions taken by the management staff have been effective. Hayat collected 61,7% of its net debt in 2019. As of the end of 2019, The Company made a total collection of TL2.1 billion . Hayat, which collected 14.6% of total NPL portfolio, anticipates to collect TL3.0 billion from its existing portfolios until 2029.

¹ Since the Asset Management Companies Association does not share data for companies, there have been difficulties accessing the sector data and the data that we use in our reports are obtained from companies and may differ from time to time.

Increased Portfolio Quality: Due to their field of activities, since all loans in the AMC's balance sheet assets are already overdue, the portfolio quality is taken into account in the financial analysis of companies instead of the asset quality. Hayat increases the efficiency of its portfolios with the collateralization method and increases the predictability of the Company's collections. The fact that 43.5% of TL409.8 million collection made by the Company in 2019 consisted of NPL portfolios received in 2015 and previous years shows that the existing portfolio of the Company is high quality and collectible.

Increasing Equity with Net Profit: Hayat's equity increased by 8.4% in 2019 and reached TL540.5 million. The equity of the Company continues to increase with net profit every year. The Company remains the strongest among the companies operating in the sector in terms of equity. As of the end of 2019, the shareholders' equity ratio (Equity / Asset) which was above the peer group average, realized as 38.1% and its total funding was 1.4 times of the equity (2018: 1.2).

Constrained Profitability Ratios in 2019: The Company's interest income decreased by 7.5% as of the end of 2019 and reached TL394.9 million. Due to macroeconomic conditions, the Company's net income increased, along with the decrease in the interest income, as well as the increase in financial and operational expenses. Hayat made a net profit of TL41.9 million in 2019. The company's ROAA and ROAE decreased to 3.2% and 9.2%, respectively, due to the decrease in the net profit. The revenue power of the Company (Collection / Average assets) which remained at a level similar to the previous year in 2019, realized as 31.2%.

Increased Borrowing With New Investments: The total funding of Hayat increased by 28.4% and reached TL745.3 million in 2019. 61.7% of the Company's total funding consisted of bank loans. All of the loans used by Hayat were in TL and 53.1% of which were in short-term. As of the end of 2019, the bonds issued by the Company increased by 32.9% compared to the previous year and reached TL279 million. In line with the increase in funding costs in the market, the Company's financing expense increased by 35.9% compared to the last year and reached TL174.6 million.

EBITDA Increase Continues: The Company's EBITDA (Collections - Total Op. Expenses) increased by 18.1% and reached TL245.4 million in 2019. Higher collections every year are effective in the steady increase of Hayat's EBITDA performance. The Company could meet 36.9% of its net debt with its EBITDA created in 2019.

Experienced Management Team: The presence of experienced and expert management team is an important factor in strengthening Hayat's position in the sector with its high collection and financial performance. The management of the Company tries to increase efficiency by organizing people who are experts in certain areas under certain units and by creating a balance among these units.

Hayat's Selected Financial Indicators

(TL1000)	2015	2016	2017	2018 ²	2019 ³
Total Assets	768,008	940,199	1,036,983	1,206,675	1,420,044
<i>Asset Growth (%)</i>	<i>-1.7</i>	<i>22.4</i>	<i>10.3</i>	<i>16.4</i>	<i>17.7</i>
NPLs (Net)	696,743	860,307	980,072	1,134,672	1,282,479
Total Borrowings	425,586	543,048	551,160	580,293	745,286
Equity	294,401	334,862	408,356	498,539	540,459
<i>Equity / Total Assets (%)</i>	<i>38.3</i>	<i>35.6</i>	<i>39.4</i>	<i>41.3</i>	<i>381</i>
Total Interest Income	156,809	208,359	314,184	433,239	404,702
Operational Profit/Loss	89,066	141,359	231,863	303,637	231,217
Total Operational Expenditures (-)	67,079	89,777	126,603	153,864	167,812
Expected Loss Provision (-)	10,917	677	7,175	36,672	11,606
Net Profit/Loss	8,844	40,485	73,494	90,085	41,920
Value of Portfolio Purchased (Principal)	7,572,198	9,357,805	10,810,064	12,888,716	14,593,994
Acquisition Value of Portfolios	61,521	167,353	106,997	88,034	159,902
Collections	164,710	216,973	305,709	361,688	409,790

² 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.

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