

Corporate Credit Rating

New Update

Sector: NPL Asset Management
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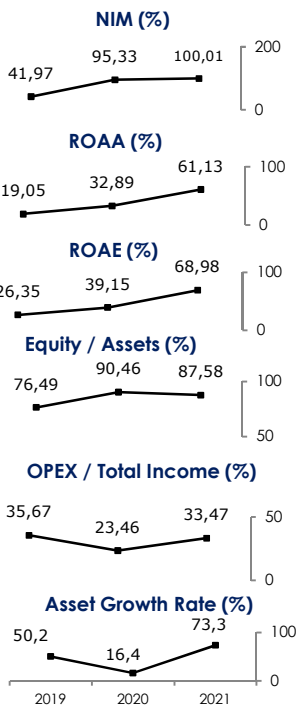
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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	A-(tr)	J2 (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	National ISR	A-(tr)	J2 (tr)
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB Negative	-
	Local Currency	BB Negative	-

* Assigned by JCR on August 18, 2022



Arsan Varlık Yönetim A.Ş.

JCR Eurasia Rating, has evaluated **Arsan Varlık Yönetim A.Ş.** in the investment-level category on the national scales and assigned the Long-Term National Issuer Credit Rating at '**A-(tr)**' and the Short-Term National Issuer Credit Rating at '**J2 (tr)**' with '**Stable**' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were assigned as '**BB/Negative**' as parallel to international ratings and outlooks of Republic of Türkiye.

Arsan Varlık Yönetim A.Ş. (hereinafter referred to as 'Arsan Varlık' or 'the Company'), an asset management company specialized in Non-Performing Loans (NPL), started activities in 2018. Under the rules and regulations drawn by Banking Regulation and Supervision Agency of Turkey (BRSA), the Company buys non-performing assets of banks and other financial institutions (primarily over-due loans and receivables) and executes the collection or restructuring process of those assets. The paid-in capital of Arsan Varlık was TRY 30mn until July,2022 and increased to TRY 50mn with internal sources as per trade registry gazette dated July 4th,2022. The Company operates in its headquarters located in Istanbul with 33 employees as of reporting date. Arsan Dokuma A.Ş. holds 65% share of the Company whereas remaining shares are held by Tolunay Toybukoğlu, Vecih Yamanyılmaz and Abdullah Ayan. Arsan Dokuma A.Ş. shares are mainly held by Arsan Tekstil Ticaret ve Sanayi A.Ş. and Arkan Family.

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 presents an increasing trend where asset management companies find better places on the stage. Total number of asset management companies listed in BRSA website is 23 as of reporting date which was 20 as at October, 2021.

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

Strengths

- Notable increase in transaction volume and bottom line result in 2021 together with satisfactory profit margins
- Steady improvement in equity base underpinned by retained earnings
- Backed by the Arsan Textile Group that has successful track record
- Favorable tax advantage contributing competitiveness and financials positively
- Growth potential of the sector linked to financial markets and regulations
- Significant improvement in Net Interest Margin (NIM) in the analyzed years

Constraints

- Intensive competition in the sector
- Difficulty of predicting cash flows from the NPL portfolio carried over from previous years
- Fluctuations in earning assets growth rate over the examined periods
- Further improvement needs in corporate governance practices
- The geopolitical risks stemming from the Russia-Ukraine tension increasing uncertainty

Considering the aforementioned points, the Company's the Long-Term National Issuer Credit Rating has been assigned as '**A- (tr)**'. The Company's equity level, purchased NPLs, profitability, level of collection capacity, experienced risk management practices, along with ongoing uncertainties arisen from geopolitical tensions as well as global interest rate hiking cycle, have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as '**Stable**'. The Company's sustainability of profitability performance, revenue growth and cash generation capacity, developments in the global economy, effects of the Covid-19 pandemic together with the trends in the industry will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.