

Corporate Credit Rating

New Update

Sector: NPL Asset Management

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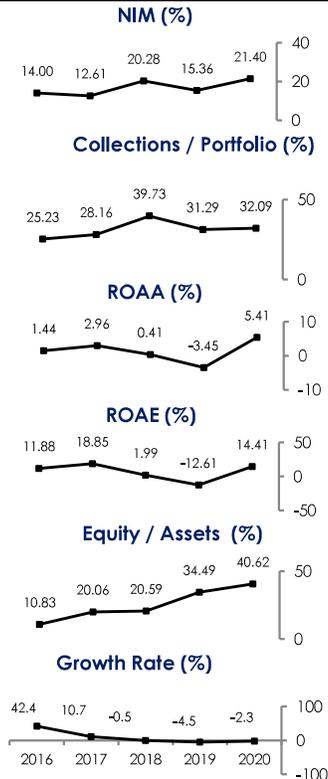
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RATINGS

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

*Assigned by JCR on April 10, 2020



Denge Varlık Yönetim A.Ş.

JCR Eurasia Rating, in the periodic annual review, has evaluated **Denge Varlık Yönetim A.Ş.** in investment-level category on the national scale and has affirmed its Long Term National Rating at **'BBB+ (Trk)'** with **'Negative'** outlook.

Denge Varlık Yönetim A.Ş. (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 A.Ş.'. 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 paid-in capital of Denge Varlık is TRY 40mn. The Company operates in its headquarters located in Istanbul and has no branches. As of reporting date, Lider Faktoring A.Ş. is the sole owner of the Company.

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.

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

Strengths

- Notable increase in bottom line result in 2020
- Satisfying level of equity
- Backed by the sole shareholder, Lider Faktoring, that has successful track record
- Favorable tax advantage contributing competitiveness and financials positively
- High growth potential of the sector linked to financial markets and regulations

Constraints

- Slowdown in portfolio expansion and collection capability in the sector
- Down turn in growth rate
- Intensive competition in the sector
- Projected contraction on global and local economy, triggered by Coronavirus outbreak

Considering the aforementioned points, the Company's the Long Term National Rating has affirmed at **'BBB+ (Trk)'**. The Company's transaction volume, purchased NPLs, level of collection capacity and ongoing effects of the pandemic have been evaluated as important indicators for the stability of the ratings and the outlooks for long and short term national ratings are determined as **'Negative'**. Asset Management Sector was deeply affected by Covid-19 outbreak since macroeconomic conditions and stability are very significant for the sector. In this context, ongoing economic uncertainty makes NPL acquisition and associated collections unpredictable. Sustainability of the Company's operational profitability performance, equity level and cash generation capacity together with the trends in the industry are to be monitored by JCR Eurasia Rating. The macroeconomic indicators at national and international markets, as well as market conditions will be continued to be monitored.

It is considered that the shareholder, Lider Faktoring, has the willingness to ensure long-term liquidity and equity should such a need arise and the experience to provide efficient operational support to Denge Varlık. In this regard, the Company's Sponsor Support Grade has been affirmed as **(2)** which denotes adequate external support.

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.