

Corporate Credit Rating

New Update

Sector: NPL Asset Management

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| RATINGS | | Long Term | Short Term |
|--------------------------------------|-------------------------------|-----------------|------------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | A+ (tr) | J1+ (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) (Stable) | J1+(tr) (Stable) |
| | International FC ISR | - | - |
| | International LC ISR | - | - |
| Sovereign * | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |

* Assigned by JCR on August 18, 2022

Sümer Varlık Yönetim A.Ş.

JCR Eurasia Rating has evaluated "Sümer Varlık Yönetim A.Ş." in the high investment level category and revised the Long-Term National Issuer Credit Rating from 'A (tr)' to 'A+ (tr)' and Short-Term National Issuer Credit Rating from 'J1 (tr)' to 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were determined as 'BB/Negative', as parallel to international ratings and outlooks of Republic of Türkiye.

Sümer Varlık Yönetim A.Ş. (hereinafter referred to as 'Sümer Varlık' or 'the Company'), an asset management company specialized in Non-Performing Loans (NPL), was established in 2015 with the operating permit decision of the Banking Regulation and Supervision Agency of Türkiye (BRSA) dated 28.11.2014. Under the rules and regulations drawn by 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. As of June 30, 2023, the paid-in capital of Sümer Varlık is TRY 50mn and, the Company operates in its headquarters located in Istanbul with 173 employees and 219 contracted law offices located in 60 provinces around Türkiye. ASV Holding A.Ş. has been the controlling shareholder of the Company since July 2016. ASV Holding A.Ş. was established in 2016 by Mr. Vakkas Altınbaş and Mr. Sofu Altınbaş, who are the main partners of Altınbaş Holding A.Ş., the roots of which dates back to 1950 and has subsidiaries in various fields.

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. Total number of asset management companies listed in BRSA website is 23 as of reporting date.

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

Strengths

- Satisfactory equity base supported by internal equity generation capacity in FYE2022,
- Increasing collection performance in FY2022 and expected to continue in 2023 financials,
- Ongoing improvement in the net interest margin in FY2022,
- Diversified funding structure through debt security issuances, providing financial flexibility,
- Growth potential of the sector linked to financial markets and regulations,
- Backed by the controlling shareholder that has successful track record and experienced management team with well-organized management infrastructure.

Constraints

- Short-term weighted borrowing profile in parallel with the sector,
- Intensive competitive environment in the sector,
- Global economic growth slows down evidenced by commodity prices and trade figures on the back of rapid monetary tightening, whereas domestic restrictive financial conditions limit access to finance.

Considering the aforementioned points, the Bank's the Long-Term National Issuer Credit Rating has been revised from 'A (tr)' to 'A+ (tr)'. The Company's equity level, revenue generation capacity, strong collection performance, borrowing profile and risk management implementations 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 financial structure, attainability of the Company's budgeted projections, the geopolitical risks driven uncertainties and Türkiye's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in the upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

