

Corporate Credit & Issue Rating

New  Update

Sector: Factoring  
 Publishing Date: 25/07/2019

**Analyst(s)**

**Head of Group**

Zeki Metin Çoktan  
 +90 212 352 56 73

[zekic@jcrer.com.tr](mailto:zekic@jcrer.com.tr)

**Assistant Analyst**

Ersin Kılıçkap  
 +90 212 352 56 73

[ersinkilickap@jcrer.com.tr](mailto:ersinkilickap@jcrer.com.tr)

**RATINGS**

		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC Negative	Negative
	Issue Rating	LC Negative	Negative
National	Local Rating	BBB- (Trk)	A-3 (Trk)
	Outlook	Stable	Stable
	Issue Rating	BBB- (Trk)	A-3 (Trk)
Sponsor Support		3	-
Stand-Alone		B	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC Negative	-
		LC Negative	-

\*Affirmed by JCR on November 27, 2018

**Arena Faktoring A.Ş.**  
**Company Overview**

Financial Data	1H2019	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	26,529	26,201	95,930	52,117	13,908	31,625
Total Assets (000 TRY)	152,966	137,842	361,839	184,068	40,438	73,334
Equity (000 TRY)	24,934	23,826	17,764	16,372	14,603	17,186
Net Profit (000 TRY)	1,109	-8,929	1,405	1,764	-5,677	32
Market Share (%)	N/A	0.40	0.83	0.56	0.15	0.28
ROAA (%)	N/A	-4.12	0.55	1.96	-10.55	0.08
ROAE (%)	N/A	-49.47	8.73	14.17	-37.77	0.33
Equity/Assets (%)	16.30	17.28	4.91	8.89	36.11	23.43
NPL (%)	14.37**	16.54**	1.48	2.51	20.49	10.97
Growth Rate (%)	10.97	-61.91	96.58	355.18	-44.86	19.08

\*End of year

\*\* This ratio relates to the portfolio acquired from the previous shareholder period.

Arena Faktoring Anonim Şirketi (hereinafter referred to as 'Arena Faktoring', or 'the Company') was founded in 2009, by Hitay Holding, one of the famous investment group in Turkey rooting back to 1980. After 6 years of operations, Hitay Group exited from Arena Faktoring and the shares are bought by the shareholders of Tera Menkul Değerler A.Ş. (Tera Yatırım), widely-known brokerage firm in Turkey. Arena Faktoring had paused its operations during the exchange of shares in 2015, which lasted 7 months. The Company operates through its headquarters located in Istanbul main office, Istanbul Kartal office which is opened in April 9, 2018 and one branch in capital, Ankara.

Arena Faktoring promises and carries out factoring operations, receivable and cash management services. The Company is a member of 'Association of Financial Institutions' that is a professional organization of factoring, leasing and financing companies of Turkey. The activities of the Company are regulated and supervised by the Banking Regulation and Supervision Agency (BRSA).

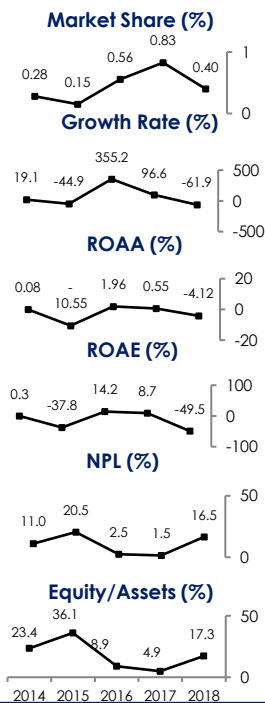
The Company had a total asset size of TRY137.84mn, and a 0.40% asset share in the factoring sector worth a total of TRY 34.6bn in FYE2018. As of December 31, 2018, the Company employed an average workforce of 30 (December 31, 2017: 33).

**Strengths**

- Realized paid-in capital increase strengthening equity level
- Expanded customer base compared to previous year
- Strong sponsor support of shareholders
- Diversified funding mix via bond issuances
- Experienced management team well organized management infrastructure

**Constraints**

- Short term maturity profile of borrowings in the sector
- Downward pressure on profitability figures below sector averages
- Weakened economic circumstances stemming from sharp currency depreciation and rising inflationary pressures
- Strong competition in the market
- Decreasing market share



## 1. Rating Rationale

The ratings assigned by JCR Eurasia Rating for Arena Faktoring are a reflection of the Company's independent audit reports prepared in conformity with Banking Regulation and Supervision Agency (BRSA) Accounting and Financial Reporting Regulation, on and off-balance sheet figures, general market conditions in its fields of activity, information and clarifications provided by the Company, and non-financial considerations.

The BRSA has regulated and overseen the activities of the Turkish Factoring Sector since 2006. The Leasing, Factoring and Financing Companies Law No. 6361, the Factoring Sector's first, came into effect on December 13, 2012. Moreover, a regulation regarding organization and operating principals of financial leasing, factoring, and financing companies entered into force on April 24, 2013. According to BRSA and Association of Financial Institutions (AFI) statistics, the total asset size of the Turkish Factoring Sector was TRY 34.6bn and involved 59 factoring companies as of FYE2018.

The Company's balance sheet composition, asset quality, risk management practices, business profile, liquidity management, history in the sector, profitability figures, revenues, debt structure, growth rates, off-balance sheet commitments, and the financial and non-financial positions of the main shareholders were taken into consideration while determining the risk assessment of the long-term international local currency and foreign currency ratings as well as national ratings. Considering the fact that there will be no additional legal or financial collateral guarantees provided separately for the repayment of the bonds issued, the note assigned for potential TRY dominated bond issuances is assigned as the same as the Company's Long and Short Term National Local Ratings.

Main rating considerations are as below;

### ***Diversified Customer Base in the Sector***

Compared to the previous year, the Company's loan portfolio is more diversified in order to manage the concentration risk which had been at stake for a long period. In this regard, top 10 loan customers constitute

35 % of the portfolio by FYE 2018 whereas this figure was 75 % in the previous year.

### ***Stronger Equity/Assets Ratio***

Arena Faktoring's TRY 35mn paid-in capital, beyond the minimum required capital level for factoring companies, is assumed strong enough to finance its assets. The Company's total equity increased by 34.12% and reached to TRY 23.8mn in 2018.

### ***Diversified Funding Structure Through Bond Issuances***

Arena Faktoring's borrowing structure has been diversified through capital market instruments such as bonds. The bond issuances, particularly from the financial sector, present the advantages of agility in financing, lowering the exposure of foreign exchange losses, reducing funding costs and relieving the burden of collaterals on bank loans. Bond issuances help the Company to enjoy an effective liquidity management.

### ***Decrease in Factoring Receivables***

The Company's asset quality is affected negatively due to the decrease in factoring receivables. The Company's factoring receivables decreased by 71.88 % in FYE2018.

### ***Decline in Total Asset Size***

Turkish factoring sector has contracted over 20% in 2018. Total asset size of the sector declined from TRY 43.7bn to TRY 34.6bn. As of year-end 2018, Arena Faktoring's total asset size was TRY 137.84mn, which was %61.91 percent below previous year's figure. 2018 was a year in which the Turkish economy exhibited 2.6% growth in total and two consecutive negative growth in the last two quarters. The currency shock and slowdown in real sector transactions led to a decrease in demand of the companies for external resources. Besides, factoring companies became more cautious in new loan underwritings and collection ability of the floating receivables. Therefore, the contraction in total size of the market was inevitable, as well as Arena Faktoring's. Nevertheless, the decline in size is a negative indicator for the economies of scale, operational profitability and efficiency measures of the Company.

### ***Decreasing trend in Profitability Ratios***

The Company's 'Return of Average Assets (ROAA) and Return on Average Equity (ROAE)', the main profitability indicators, recorded a decrease as of FYE2018 and performed below the sector averages.

### ***Intensive Competitive Environment***

As of FYE2018, there were 59 companies with different ownership and management structures, customer bases, scope of services, operational business models and strategies, profitability and risk preferences, branching facilities, access opportunities to customers and markets, funding sufficiency, and operational capacities operating in the sector according to BRSA data. The domination of bank-affiliated companies persisted due to their competitive advantage in easy access to a large clientele of banks in a large geographical area, funding sources, and lower borrowing costs. While requirements for new companies have been established in recent legislation, competition in the sector has continued to increase.

### ***Deteriorated Economic Circumstances Stemming from Sharp Currency Depreciation and Rising Inflationary Pressures Affecting the Debt Service Capacity of the Companies***

There was a contraction in economic activities due to the uncertainties brought by the election decision taken in 2018 and the increase in exchange rates, together with the transition of economic management to tight monetary policy. While the erosive effects of foreign currency appreciation constrain the financial viability of borrowers/customers with notable short positions and potentially might impact factoring companies' loan book composition, the resilience of the Companies to such movements supports its overall asset quality. The import dependency in many sectors and transitivity of foreign currency rates on the domestic prices and inflation is also a burden on the real sector.

With respect to the mentioned factors above, JCR Eurasia Rating has affirmed National Local Rating Note of Arena Faktoring A.Ş. as '**BBB- (Trk)**' in the Long Term, which donates an investment grade and affirmed '**A-3(Trk)**' in the short term with a '**Stable**' outlook. The Company's

Long Term International Foreign Currency and Local Currency notes have been affirmed as the country ceiling of '**BBB-**'.

## **2. Outlook**

JCR Eurasia Rating has assigned a '**Stable**' outlook on the short and long term national and international ratings perspectives of Arena Faktoring considering the Company's adequate capital levels, risk and liquidity management policies, distribution of assets and liabilities, efforts to diversify fund resources through bond issuance, projected growths in assets, equity and net profit figures for the ongoing year along with the current outlook of Turkey's sovereign ratings and growth prospects in the Turkish economy.

Improvements in profitability ratios, liquidity and capital adequacy ratios and enhancement in practices in corporate governance principals, improvements in the global financial climate as well as growth prospects in the Turkish economy and competitive environment in the sector, and management of additional risks combined with the growth of the Company are driving factors that may be taken into consideration for any future positive changes in ratings and outlook status.

## **3. Sponsor Support and Stand-Alone Assessment**

The Sponsor Support notes and risk assessments carried out reflect the financial and nonfinancial standings and expected supportive potential of the main controlling corporate shareholders, Mr. Emre Tezmen and Oğuz Tezmen. It is considered that the shareholders have the willingness and propensity to supply long term liquidity or equity to the Company as and when financial needs arise and the adequate experience to provide efficient operational support.

The Stand-Alone Note is formed regarding the Company's assets quality, equity structure, market shares, sustained growth rates, organizational structure, management practices and development of existing risks in the markets and financial environment. Therefore, JCR Eurasia Rating believes that the Company has enough experience and

infrastructure to manage the risks individually as long as it maintains its existing customers, sustainability of profitability and effectiveness in the market positions.

After assessing all factors stated above, the Sponsor Support and Stand Alone Notes of the Company have been affirmed at “3” and “B”, respectively. A Sponsor Support Note of “3” denotes adequate external support possibility while a Stand Alone Note of “B” signifies a strong level of financial standing.

## 4. Company Profile

### a) History & Activities

Arena Faktoring, founded in 2009, offers factoring operations to its clients in terms of cash management and receivable solutions. The Company has been acquired by Tera Menkul Degerler A.S. (by its shareholders) in 2015. During the exchange of the shares, in 2015, the Company paused its operations for 7 months. After the date when the acquisition was completed, the Company rapidly increased its business scale and as of FYE2016, the total assets reached to TRY 184mn (2015: TRY 40mn, 2014: TRY 73mn). Additionally, the Company’s total asset reached to TRY 362mn as of FYE2017. Finally, The Company’s total asset is TRY 137.84 mn as of FYE2018. Today, the Company operates through its headquarters located in Istanbul main office, Istanbul Kartal office which is opened in April 9,2018 and one branch in capital, Ankara.

Main operations of the Company include revocable factoring services, guaranteeing, intermediating to collection and consulting by purchase, sale, assignment or acquisition of the customer receivables based on invoices or other certifying documents representing the domestic or international commercial sales of goods and services.

### b) Organization & Employees

The management of the Company is composed of a chief executive officer and the departments of marketing, operations, administrative affairs, loans, and credit intelligence. Independent internal audit unit reports directly to the Board of Directors, while others are reporting to the Chief Executive Officer.

The Board Members of Arena Faktoring is composed of 4 members. The lack of independent member in the Board is deemed as a negative factor in terms of alignment with the corporate governance principles. However, the Company is not listed in Borsa Istanbul and shares are not traded publicly, therefore Arena Faktoring is not subject to the regulations of Capital Markets Board of Turkey in terms of corporate governance.

**Board Members of Arena Faktoring as of December 31, 2018**

Oğuz Tezmen	Chairman
Emre Tezmen	Vice Chairman
Gül Ayşe Çolak	Board Member
Fatma Nurcan Taşdelenler	Board Member

### c) Shareholders, Subsidiaries & Affiliates

Arena Faktoring realized paid-in capital from TRY 20.00mn to TRY 35.00mn as of FYE2018. The type of the capital increase directly contributed to the paid-in capital a positively affect the total equity level of the Company.

The table below exhibits shareholders structure of Arena Faktoring A.Ş. and Tera Yatırım Menkul değerler A.Ş.

**Arena Faktoring A.Ş.**

Shareholders	Share %	Paid-in Capital (TRY)
Emre Tezmen	47.30	16,553,750
Oğuz Tezmen	37.00	12,950,000
Gül Ayşe Çolak	9.99	3,496,500
Taner Eray	5.71	1,998,000
Fatma Nurcan Taşdelenler	0.01	1,750
<b>Total</b>	<b>100.00</b>	<b>35,000,000</b>

As of October 12, 2018, main shareholders of Arena Faktoring are Oguz Tezmen and Emre Tezmen with a share of 37.00% and 47.30 %, respectively. The shareholders of the Company are almost same with the shareholders of Tera Yatırım Menkul Degerler A.Ş. As there is no consolidation between two companies, the shareholder structure of Tera Yatırım is provided below for informative purposes only.

**Tera Yatırım Menkul Degerler A.Ş. (As of December 31,2018)**

Shareholders	Share %	Paid-in Capital (TRY)
--------------	---------	-----------------------

Oguz Tezmen	45.84	11,459,633
Emre Tezmen	38.99	9,748,464
Gül Ayşe Çolak	12.42	3,104,751
Myra Araç Kiralama A.Ş.	2.75	687,152
<b>Total</b>	<b>100.00</b>	<b>25,000,000</b>

#### d) Corporate Governance

Owing to the supervision and regulation of BRSA, the factoring sector in Turkey has a minimum set of disclosure requirements and corporate governance policies. Financial reporting is done in accordance with the BRSA template and is audited by independent audit companies. Therefore, the reporting standards, transparency and overall corporate governance quality of the factoring companies satisfy fundamental expectations.

The objective of BRSA's regulations are to maintain principles and procedures concerning the running of factoring market. Arena Faktoring has successfully adjusted its practices to align with BRSA regulations. Moreover, the Company implements procedures to ensure transparency considering its bond issuances in the Turkish bond market. Financial records and governance practices are in line with the international standards and are audited by independent entities. The audited financial statements are disclosed to public through the Company website.

Information technology systems are built and running to make daily factoring operations and are consistent with the size of the business, activities and level of complexity. Information security exercises are in place to ensure the secure storage of company and customer data.

Both senior management and board members have sufficient and appropriate professional and managerial experience depending on their position. The Board of Directors identifies the vision and mission of the Company and are published on the website.

The Board of Directors of Arena Faktoring consists of 4 members, including the chairman and vice chairman of Arena Faktoring and two board members.

The Company publishes an annual report, detailing its activities, important events and financials.

#### e) The Company Strategies

The Company aims to be at the forefront of innovation in implementing factoring facilities by using digitalization in the financial sector.

### 5. Sector Overview & Operational Environment

As of FYE2018, the total asset size and equity of the Turkish Factoring Sector amounted to TRY 34.6bn (USD 6.5bn) and TRY 6.77bn (USD 1.28bn) respectively. There has been a shrinkage in asset size by %20.83 in TRY and % 43.45% in USD. Containing 59 companies of various sizes, turn-over in the sector recorded decrease of 17.13% in comparison to the previous year and realized a value of TRY 35.2bn. The number of companies decreased from 61 to 59.

The factoring sector provides faster "guarantee", "financing", and "collection" services in comparison to the banking industry via the transfer of spot and forward receivables stemming from the sales of goods and services domestic and overseas. The sector maintained its efforts in the fields of corporate institutionalization and the extension of branch network and customer base throughout FY2017. However, a significant number of companies operating in the Turkish Factoring Sector do not possess the necessary infrastructure to provide collection services nor the capability to carry out export factoring activities. The certification of a significant portion of assigned receivables via post-dated checks has turned the business model of some factoring companies into one where numerous small amount checks are discounted partially or completely.

Factoring companies increasingly maintain the practice of transferring their non-performing (uncollectible) receivables to asset management companies in resemblance to the banking sector. The factoring sector exhibits a higher level of susceptibility to economic conjecture in comparison to the banking industry whilst changes in economic conjecture and regulatory pressures from the BRSA make management policies in the sector more difficult.

The realization of manufacturing activities primarily by SMEs is the most fundamental reason underlying the dynamism of the demand for factoring services. When the distribution of factoring services turn-over across different sectors is examined, it's observed that the manufacturing sector occupies the leading position with a share of 58.41% in 2016, 47.59% in 2017 and 60.86% in 2018. The services sector, on the other hand, reached a share of 32.86% in 2016, 42.00% in 2017 and 33.51% in 2018. The significant rises in the activities of retail trade and motor vehicle services are the major contributors to the increase in the share of services sector. Although the construction sector still holds an important place in the services sector, the decrease in its share compared to 2017 also led to a decrease in the share of the services sector.

Turnover (000/TRY) Sectoral Break-Down				
Factoring Sector	2015	2016	2017	2018
Manufacturing	15,334,465	21,419,970	20,235,112	21,446,629
Services	11,476,551	12,050,371	17,859,298	11,808,461
Agriculture	478,855	519,672	580,040	419,757
Financial Intermediation	1,058,808	1,103,661	1,835,966	1,026,003
Others	926,353	1,579,590	2,010,045	537,546
<b>Total</b>	<b>29,275,032</b>	<b>36,673,264</b>	<b>42,520,461</b>	<b>35,238,396</b>
Turnover Sectoral Distribution %				
Factoring Sector	2015	2016	2017	2018
Manufacturing	52.38%	58.41%	47.59%	60.86%
Services	39.20%	32.86%	42.00%	33.51%
Agriculture	1.64%	1.42%	1.36%	1.19%
Financial Intermediation	3.62%	3.01%	4.32%	2.91%
Others	3.16%	4.31%	4.73%	1.53%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The nuclear fuel, petroleum, coal products industry is ranked first under the wider manufacturing sector, followed by extraction of energy generation mines, transportation activities and textiles and textile products industry while the wholesale and retail motor vehicles service sector are ranked first among the wider services sector followed by the construction sector.

Non-performing receivables, collection difficulties, rapid credit contraction of the banking sector and rising funding costs have forced the factoring sector throughout 2018. We anticipate that the sector's growth trend will be limited throughout 2019 with respect to both the number of customers and transaction volume.

Some factoring companies are subsidiaries or associates of banks. The fundamental characteristic of factoring companies which are bank subsidiaries is that they operate with a lower level of equity, higher level of external resources, wide capability to reach loans and customers, higher level of assets, take-over of risks belonging to lower profile firms, and low profitability. The fundamental characteristics of non-bank subsidiaries are that they operate with a lower level of assets, higher NPR level and interest margin, lower financing, and higher equity level and profitability and have a narrow credit-customer reaching capability.

The principles relating to the establishment and working conditions of factoring companies are regulated by the BRSA and is organized under the Financial Institutions Union. It remains a legal requirement that the sector management structures contain people that are educated and have sufficient professional experience, establish sound information systems, and identify and evaluate the risks they are exposed to. The implementation of a centralized invoice registry system in factoring transactions prevented the duplicate transfer of receivables arising from sale of goods and services and as such increased transparency. The establishment of the Central Invoice Recording System under the **"Financial Institutions Union"** and the improvement of conditions in the process of obtaining data from the information pool in the Risk Centre within the Turkish Banking Union increase the capability to reach more accurate intelligence by the sector, contributing to the increase and preservation of the sector's asset quality.

In accordance with the implemented reforms, the legal infrastructure of the sector has been improved from an effective supervision and governance perspective and the obligations for the establishment of risk measurement systems and internal control processes provided the sector with a positive acceleration with regards to the improvement in its corporate structure, improvement in the quality, standardisation, and transparency of financial reporting, and the provision of competition equality. With regards to the sector's effectiveness and standardisation, it is anticipated that further progress from the current level of gains will be parallel to the expected performance from the **"Financial Institutions Union"** to an important extent.

The bond market in Turkey has provided factoring companies with the opportunity to diversify their funding resources since 2010. Non-Banking Financial Institutions exhibit the fundamental characteristic of obtaining funding externally and from the Turkish Banking System. However, their tendency to raise funding from capital markets via debt issuances is on an increasingly upward trend.

Based on overall size, the Turkish Factoring Sector is ranked 13th on a global scale and 8th in Europe. In the field of export factoring, it is ranked 2nd globally behind China. Factoring companies which operate in an environment characterised by intense levels of competition have high levels of entry and while displaying high turn-over rates in their shareholder structure and management teams.

The Factoring Sector exhibits one of the highest levels of vulnerability to fluctuations in macroeconomic circumstances and instability. Management policies in the sector become more difficult mainly due to changes in economic conjuncture and regulatory pressures from the BRSA.

THE KEY INDICATORS OF TURKISH FACTORING SECTOR							
(000,000)	2018	2017	2016	2015	2014	2013	2012
Asset Size-TL	34,608	43,712	33,080	26,716	26,515	21,790	18,146
Asset Size-USD	6,553	11,589	9,400	9,155	11,395	10,228	10,208
Equity-TL	6,770	5,781	5,082	4,627	4,442	4,015	3,856
P/L-TL	1,306	929	652	395	616	495	581
ROAA %	4.37	3.00	2.78	1.86	3.12	2.97	4.50
ROAE %	27.29	21.23	17.10	10.94	17.82	15.08	21.00
NPL Ratio%	6.26	3.47	4.62	5.49	4.83	4.70	4.69
Equity / T. Sources	19.56	13.23	15.36	17.32	16.75	18.42	21.25

The factoring sector has a relatively low free float rate and occupies a rather small share in the general finance sector. Location wise, 58 factoring companies are based in Istanbul and 1 in Ankara.

Taking into consideration the fact that the funds supplied by the factoring companies are largely provided by bank-subsidary factoring firms or those that contain banks within their groups, it becomes difficult for non-bank subsidiary factoring companies and the sector to carry out their intermediary function.

As of FYE2018, the total asset size of factoring companies was TRY 34.60bn along with an equity size of TRY 6.77bn. In its 29-year history, the factoring sector has grown consistently, with the exception of 1994 and 2001 in which it contracted by 10.31% and 40.23%, respectively. In addition, there has been a shrinkage by %20.83 in 2018. The factoring sector exhibited a cumulative growth rate of 552.99% in the 2006-2018 period. The growth rate in the last year was -20.83%.

Factoring receivables occupy the highest share among sector's assets with a rate of 91.82% while loans occupy the highest share among resources at 66.60%. The sector meets a significant part of its resource needs through the short-term loans obtained from banks and is characterized by its inability to generate resource diversity. However, bond issuances slowed down starting in FY2008 but began to gather momentum as an aggregate sum in FY2012 before somewhat declining in 2016 and re-entering a phase of growth in FY2017. In FY2018, there have been macro-level difficulties in bond issuance. As of FY2018, issued bonds comprised 10.14% of total resources. The share of equity among total resources stands at 19.56% while its share among total resources is increasing in FY2018. The practice of standard ratio was adopted across factoring companies with the new regulations and the rules brought into place dictated that the ratio of equity to the total assets of factoring companies should not fall below 3%.

Risk concentration is principally focused on the manufacturing sector with a rate of 60.86% with a predominance of the nuclear fuel, petroleum products, coal industry, extraction of energy generation mines, transport vehicles and textile and textile products. The highest level of concentration among the wider services industry is observed in the sectors of wholesale and retail trade, motor vehicles services, construction, transportation, warehousing, and communication.

NPL ratios are reflected on the sector's balance sheets and declined from 5.49% in FY2015 to 4.62% and 3.47% in 2016 and 2017, respectively. On the other hand, the sector's NPL ratio increased to 6.26% in FY2018. However, it is widely known that there are impaired receivables in the market which are not yet treated on the sector's balance sheets as non-performing. The ratio of impaired receivables

across the sector to its equity reached 30.97%. The level of provisioning for non-performing receivables was 87.85% in 2017 decreased to 82.47% in 2018. The current rigidity of non-performing receivables experienced a comparative increase in line with the economic strains throughout FY2018.

The performance of the factoring sector has maintained a faster upward acceleration in comparison to the banking sector since FY2016. The ratios of “ROA (avg.)” and “ROE (avg.)” were 1.85% and 16.94% respectively in the banking sector whilst the same ratios in the factoring sector were 4.37% and 27.29%, respectively. When the ratio of equity to total assets is taken into consideration, the factoring sector has a higher level of equity. The “Equity/Total Assets” ratio stood at 19.56% in 2018 whilst the same ratio for the banking sector was 10.88%. Similarly, the special provisioning ratios for the impaired receivables across the factoring sector rose to a level above that of the banking sector since FY2012. On the other hand, in 2018, due to IFRS 9 regulations, the amount of special provisions for impaired receivables in banking sector exceeded the one of factoring sector.

The privileged position of bank-originated factoring companies in areas such as competition, access to funding, scale of service provision, and alternative distribution channels generate competitive distortions with other factoring companies. The return rates on loans and assets across the sector recorded a significant increase throughout 2018. As the increase in the cost of interest-bearing resources could be compensated by the increase in asset returns, the break-even point in terms of interest displayed a significant change in comparison to the previous year and was balanced at the level of 18.51%. Most importantly, net profit margins underwent a rapid rise from the level of 2.01% to 3.06%.

ASSET RETURN	2018	2017
Loans Interest Yield	21.70%	12.56%
Return the Commission	1.37%	1.74%
FX Return or cost	0.50%	-0.25%
Return or the cost of other operations	1.74%	1.63%
<b>Loans Total Return</b>	<b>25.32%</b>	<b>15.69%</b>
<b>Cost of Non-Earning Asset</b>	<b>-0.83%</b>	<b>-0.59%</b>

<b>Asset Return</b>	24.49%	15.09%
---------------------	--------	--------

COST OF LIABILITIES	2018	2017
Interest Cost for Cost Bearing resources	17.25%	8.44%
Cost of the Commission for Cost Bearing Resources	0.00%	0.00%
Return on Non-cost Bearing resources	-1.72%	-0.19%
<b>Cost of Liabilities</b>	<b>15.53%</b>	<b>8.25%</b>

NET PROFIT MARGIN	2018	2017
Interest and Commission Margin	8.95%	6.85%
The cost of provisioning expenses	-1.85%	-0.80%
The cost of Activities Expenses	-4.05%	-3.70%
<b>Net Profit Margin</b>	<b>3.06%</b>	<b>2.35%</b>

	2018	2017
<b>Break-even point in Terms of Interest</b>	<b>18.51%</b>	<b>10.11%</b>
<b>Break-even point in Terms of Loan size-TL</b>	<b>32,359</b>	<b>11,660</b>

The growth of the factoring sector throughout FY2019 will be dependent on specially awaited new legal regulations, the contribution of technological infrastructure works, improvement in supplier finance, and success in the fields of export factoring works in addition to conjectural developments at the macro level. New regulations concerning “the reduction of transaction costs regarding the investment climate” and “the abolition of different applications among financial institutions” will contribute positively to the sector.

“The supply chain finance” method developed by the sector will support the trade cycle and increase the transaction volume of the factoring sector throughout 2018. This method will enable all financial institutions, purchasers, and suppliers to meet in the same electronic platform to be established within the Financial Institutions Union and suppliers will be able to finance transactions based on the credibility of the sides to which sales were undertaken without the need to wait for the maturity set by financial institutions.



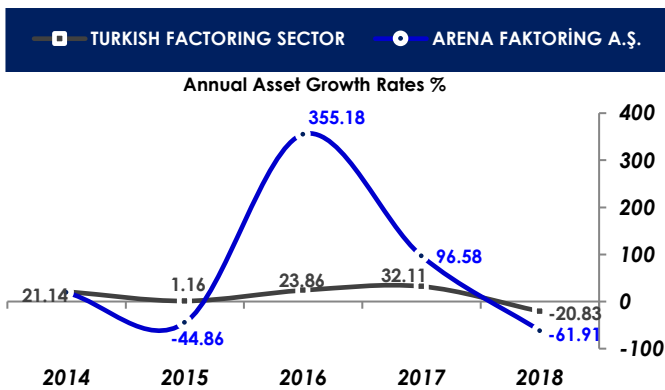
## 6. Financial Foundation

### a) Financial Indicators & Performance

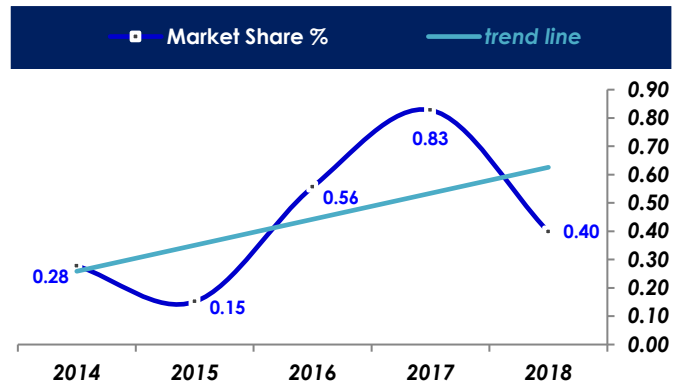
#### i. Indices relating to size

In 2018, when political tension continued to be high, Turkey's economy exhibited a visible slowdown, primarily caused by currency shock and steep increase in inflation rate. The year of 2017 was signaling the upcoming slowdown, especially in the last months. The loans granted under the CGF, the credit expansion and the growth in the banking sector somehow postponed the problems but in 2018, they became visible. Turkish economy recorded negative growth rate in GDP for the last two quarters and total growth for the year of 2018 was 2.6%. The currency shock and jumping inflation rate made market interest rates to rapidly increase. The cost of funding has started to increase in 2018 and peaked around August and September.

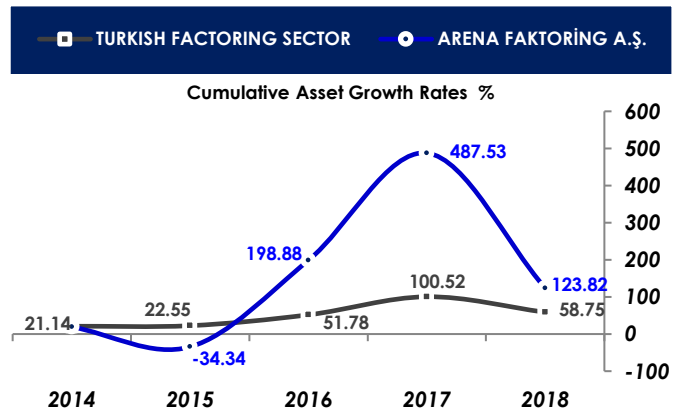
Under these circumstances, the Factoring Sector exhibited a downsizing in 2018 by 20.8%. As of year-end 2018, Arena Faktoring's total asset size contracted by 61.91%.



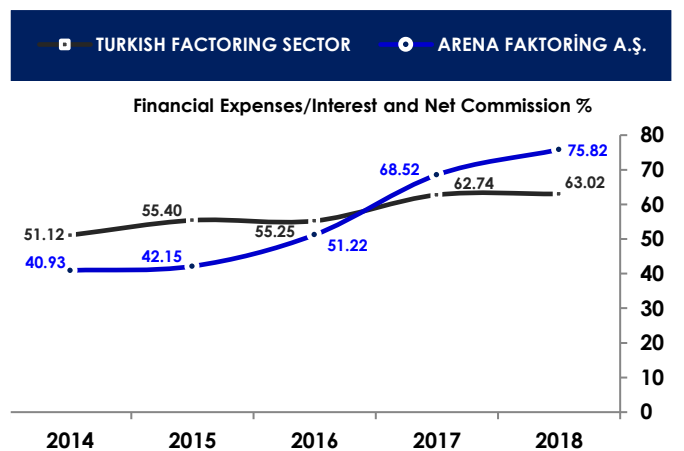
Turkish factoring sector has contracted over 20% in 2018. Total asset size of the sector declined from TRY 43.7bn to TRY 34.6bn and involved 59 factoring companies as of FYE2018. In this competitive sector, the Company's market share decreased from 0.83% to 0.40% as of FYE2018.



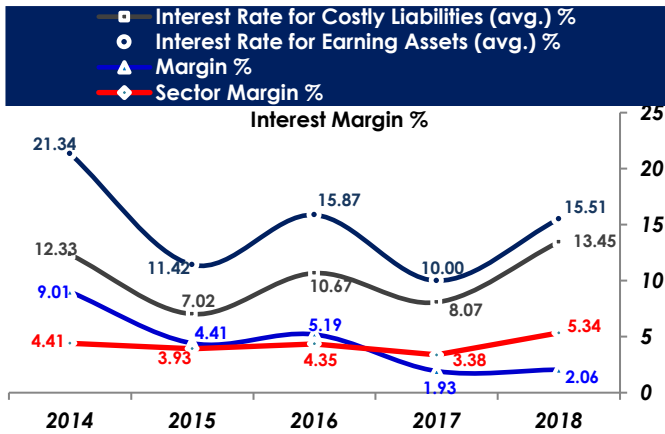
Between 2014 and 2018, Arena Faktoring achieved a cumulative growth of 123.82% while that of the factoring sector was 58.75%.



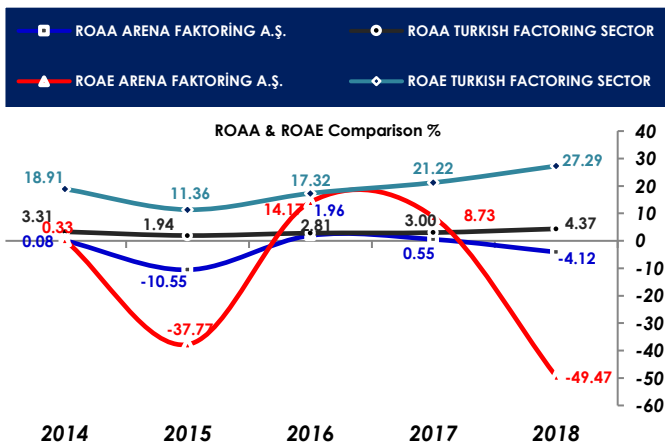
#### ii. Indices relating to profitability



The Company's interest margin tiny increased to 2.06% as of FYE2018 from 1.93% as of FYE2017 and stands below the sector average of 5.34%.

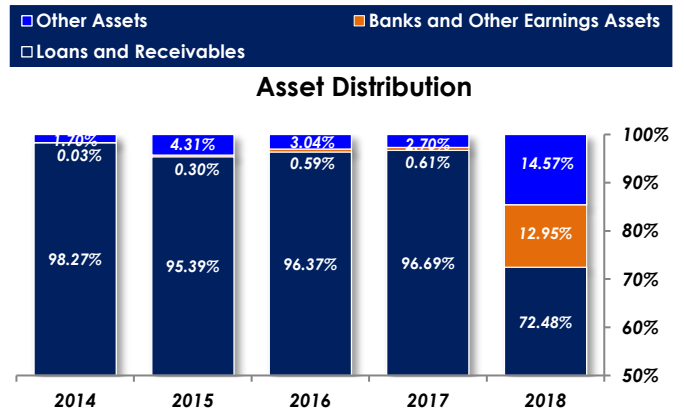


Arena Faktoring's profitability ratios, measured in ROAA and ROAE both recorded a decrease as of FY2018. The return on average asset (ROAA) decreased to -4.12% below the sector averages as of FY2018. In addition, the return on average equity (ROAE) ratio also showed a sharp decrease, and exhibited -49.47% rate as of FY2018, remaining below the sector averages.

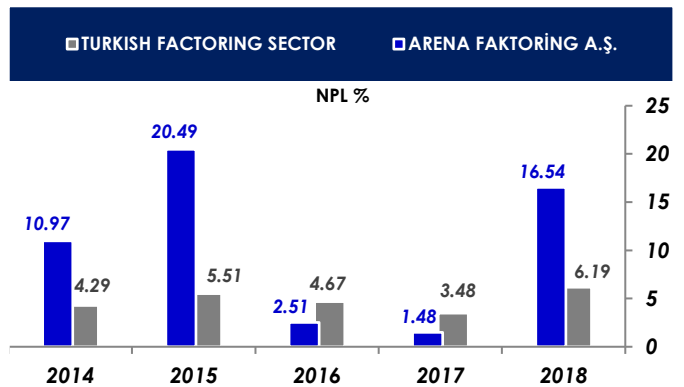


**b) Asset quality**

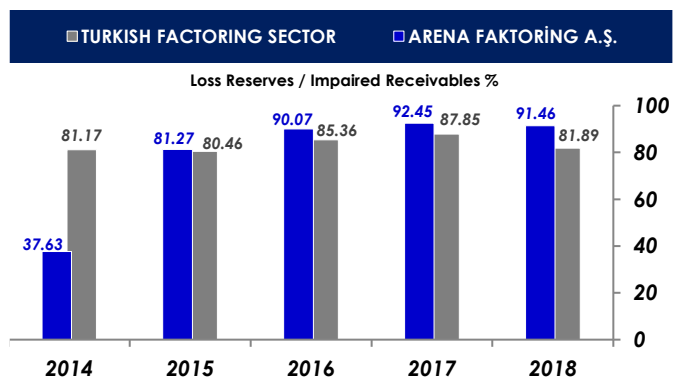
Factoring receivables continued to be the primary asset of Arena Faktoring's balance sheet in 2018 with a share of 71.27% as of FYE2018. As the quality of receivables is the most important part of total assets, the quality of receivables is examined to assess the Company's asset quality.



The overall NPL ratio of the company is 16.54%. On the other hand, this is mainly due to the high NPL ratio transferred portfolio, which is 19.00%. The NPL ratio of the current portfolio is 3.2% so that the new portfolio of the company is quite better in terms of asset quality as of FYE2018.

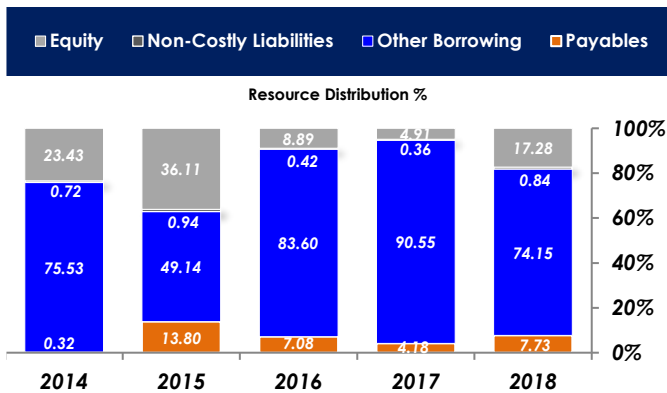


BRSA regulations require 20%, 50% and 100% provision coverage to impaired receivables which are past due by up to 180 days, 1 year and more than 1 year, respectively. The provisioning level of the Company exhibited a growth to 91.46% above the sector figure as of FYE2018.

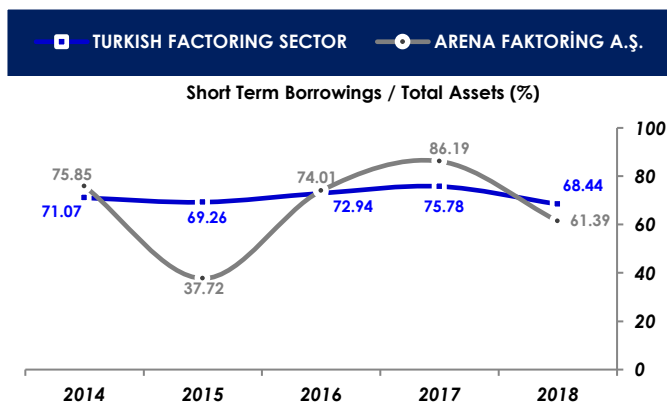


### c) Funding & Adequacy of Capital

The sector's capitalization is marked by bank-owned factoring companies with limited requirement for equity due to greater access to financing sources. Bank loans, bonds and equity are the primary funding source of the operations of Arena Faktoring. %59.30 of the bank loans have a maturity date of less than three months. The Company formed a strong and diversified funding structure through alternative channels. Bonds issued to diversify funding sources amounted to TRY 17.00mn as of FYE2018. Additionally, Arena Faktoring's paid in capital has increased from TRY 20mn to TRY 35mn as of FYE2018.

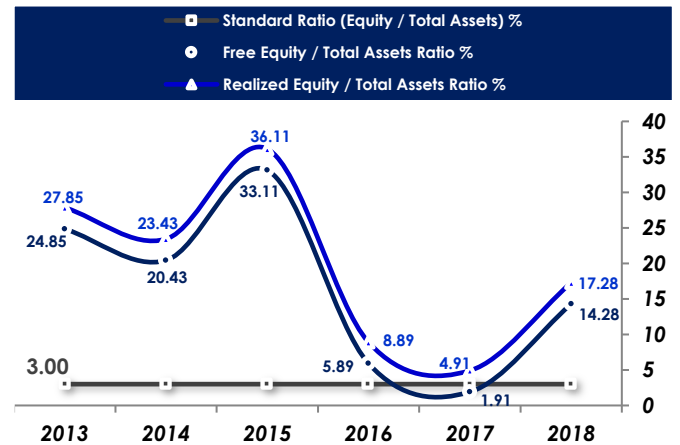


Short term borrowings including bank loans had a total value of TRY 73.96mn, constituting 64.87% of total liabilities as of FYE2017. In addition, the Company's short-term borrowings to total asset decreased from 86.19% to %61.39 as of FYE2018.

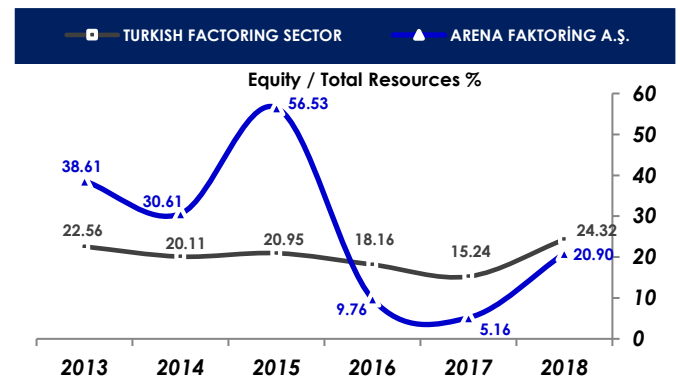


Factoring companies operating in Turkey are required by law to maintain an equity to assets ratio, otherwise known

as the standard ratio, of at least 3%. The Company achieved a standard ratio of 17.28% as of FYE2018, staying below the sector average of 19.56%.



The Company's equity to total resources ratio increased from 5.16% to 20.90% as of FYE2018 thanks to capital increase of TRY 15mn, but the ratio still below the sector average of 24.32%.



## 7. Risk Profile and Management

### a) Risk Management Organization & its Function – General Information

Arena Faktoring is primarily exposed to credit, interest, liquidity and operational risk stemming from its activities and use of financial instruments. Factoring receivables and bank loans are the major obligations of the Company. The Company's risk management policies are monitored by 5 main units under the supervision of CEO. These units are Marketing, Ankara Branch, Operations, Financial & Administrative Affairs and Loan & Intelligence Unit. Each

main unit is managed by the title of group manager, reporting directly to CEO. In addition, Internal Audit & Control Department is responsible for applying risk and control practices drawn out by the Company and reports to Board of Directors.

The Company operates under the strict regulations of the BRSA along with its own effective internal control system, auditing and risk management activities. Additionally, Company operations are audited by Independent Auditing firms on a semi - annual basis. The Company's risk management policies are formed to identify and analyze the potential risk exposures and aim to create appropriate risk limit controls, monitor risks and comply with the limits for the Company risks.

### b) Credit Risk

Arena Faktoring's activities mainly expose the Company to credit, liquidity, market and operational risks. The establishment and surveillance of the risk management structure is under the responsibility of the Board and senior management. The credit risk exposed by the Company is monitored daily and managed according to certain standards, thresholds and limits.

The total number of active customers of Arena Faktoring is 686 as of July 3,2019. Moreover, the Company's loan portfolio is more diversified in order to manage the concentration risk which had been at stake for a long period. In this regard, top 10 loan customers constitute 35 % of the portfolio by FYE 2018 whereas this figure was 75 % in the previous year.

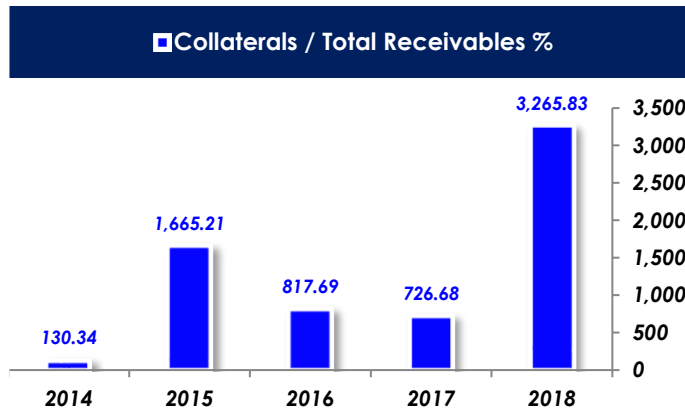
The following table gives the sectoral base diversification of the receivable portfolio of the company. Construction sector held the largest share with a rate of 16.3% followed by transportation, storage & telco with a share of 15.9% as of FYE2018.

Sector Distribution of Receivables	2018(%)	2017 (%)
Transportation Vehicles Industry	1.2	0.08
Construction	16.3	8.26

Textile	11.7	2.12
Machinery and Equipment	3.9	0.91
Other manufacturing not elsewhere classified	8.4	0.21
Wholesale and Retail Motor Vehicle Services	3.7	74.25
Food, Beverages & Tobacco	5.7	3.03
Electrical and Optical Appliances Industry	-	0.31
Financial Intermediation	0.1	0.78
Transportation, Storage & Telco	15.9	2.64
Electricity, Gas & Water Supplies	3.8	0.45
Chemicals & Synthetics	4.2	0.77
Paper	5.7	0.37
Plastics	2.6	0.15
Society Services	2.8	0.07
Leather & Leather Products	0.5	0.05
Wood & Wood Products	1.0	0.05
Tourism	0.1	0.23
Healthcare	0.9	0.02
Metal Industry	-	0.80
Estate and Brokerage	0.1	2.05
Extraction of Non-Energy Producing Mines	-	0.03
Extraction of Energy Producing Mines	-	0.15
Agriculture, Livestock, Forestry	1.1	0.60
Nuclear Fuel, Petroleum Products and Coal	5.2	0.66
Other	6.8	0.96
<b>Total</b>	<b>100</b>	<b>100</b>

The Company ratio of 'Collaterals to Total Receivables' maintained its full coverage over the review period as of FYE2018. While the Company's collaterals to total receivables ratio increased from 726.68% to 3265.83% as of FYE2018, factoring receivables amounting to TRY

98.24mn have been collateralized in the amount of TRY 1.2bn tangible collateral in the form of cheques, mortgage and notes.



**c) Market Risk**

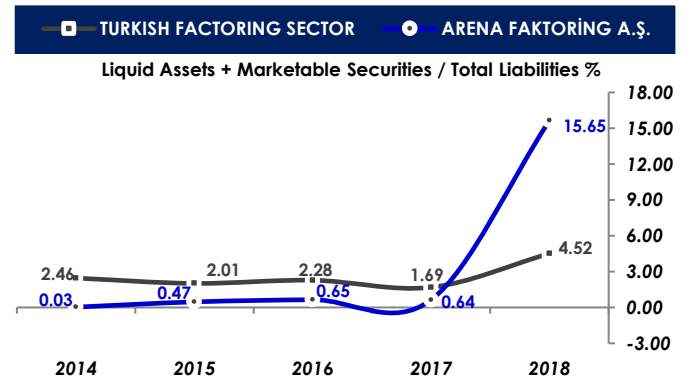
Within the framework of market risk, interest and foreign currency mismatch risks are potential risk factors. The Company’s major interest-bearing assets and liabilities are factoring receivables and bank loans.

Assets and liabilities denominated in foreign currencies create foreign exchange risk. The Company carries a certain amount of foreign exchange position arising from the transactions it has carried out in accordance with its activities. As of FYE2018, the nominal value is quite small compared to the total size of the Company.

**d) Liquidity Risk**

Principally, the timeline of cash outflows and inflows and the uncertainties concerning the size and timeliness of cash flow requirements generates liquidity risk. Arena Faktoring is exposed to liquidity risk during the funding of its operations and manages its liquidity risk through regular monitoring of forecasted and actual cash flows, matching the maturity profiles of financial assets and liabilities and providing the continuation of adequate funding sources as well as maintaining the adequate credit lines. The Company meets its funding needs through its own equity, bond issuances and loans from financial institutions and continuously analyses liquidity risk by monitoring the changes in funding sources as well as the collection and payment schedule.

The Company has credit lines from various major financial institutions, supporting liquidity management. As of July 24, 2019, credit lines of the Company were provided by 13 different financial institutions worth TRY131.39mn. 63.47% of this total line was used with a free line amounting to 36.53%.



**e) Operational, Legal Regulatory & Other Risks**

Primary operational risk factors mainly arise from the transactions prior to the loan underwriting and due diligence & document collection processes. To minimize the human errors and potential risk exposures, operational risks are managed with the implementation of automated processes, specialized software and internal control mechanisms.

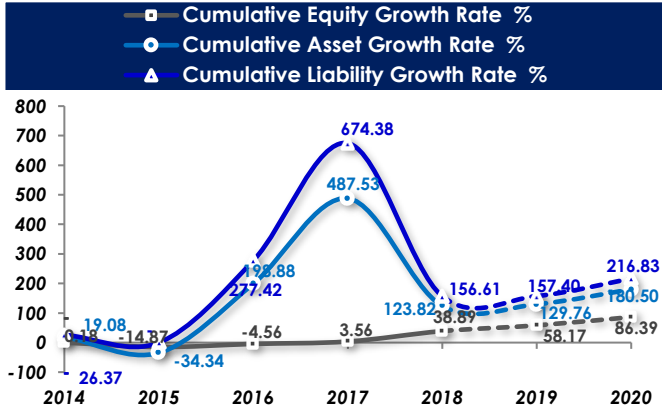
According to information received, the Company did not receive penal action by the regulatory and supervisory authorities, within the scope of legal risk. In addition to periodic reporting and transaction-based controls, the Company aims to minimize the operational processes so as to eliminate redundancies.

In addition to periodic reporting and transaction-based controls, the Company aims to minimize the operational processes so as to eliminate redundancies.

**8. Budget & Debt Issue**

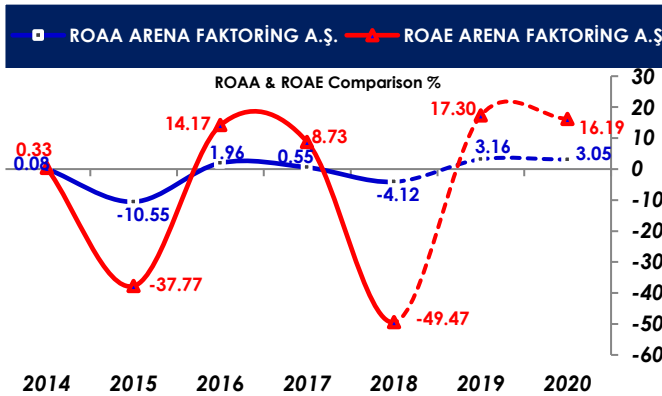
The Company has a profit-oriented strategy for the upcoming years. The Company has projected 2019 year-end financial statements figures of TRY 3.28mn net profit and TRY 141.50mn total asset size.

Based on budgeted statements supplied by the Company, growth rates for the last five years' growth series are expected to result in cumulative asset growth rates of 129.76% and 180.50% for 2019 and 2020, respectively.



The Company's short-term borrowings from banks and bond issuances will remain as the main sources of funding as in the previous years. Bonds issued to diversify funding sources amounted to TRY 17.00mn as of reporting date. Moreover, Arena Faktoring plans to roll over its existing bond issuance.

During FY2019 and FY2020, the Company's main profitability indicators of ROAA and ROAE are projected to be 3.16%, 17.30%, and 3.05%, 16.19%, respectively.



ARENA FAKTORİNG A.Ş. BALANCE SHEET - ASSET TRY (000)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	As % of	As % of	As % of	2018	2017	2016
	2018	2018	2018	2017	2017	2016	2016	2015	2018	2017	2016	2018	2017	2016
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate	Rate	Rate
<b>A-TOTAL EARNING ASSETS (I+II+III)</b>	22,383.21	117,755.83	234,907.55	352,059.28	265,264.32	178,469.36	108,582.49	38,695.61	85.43	97.30	96.96	-66.55	97.27	361.21
<b>I- LOANS AND RECEIVABLES (net)</b>	18,990.43	99,906.74	224,876.37	349,846.00	263,611.82	177,377.64	107,976.13	38,574.62	72.48	96.69	96.37	-71.44	97.23	359.83
a) Factoring Receivables	18,674.11	98,242.63	223,778.93	349,315.24	263,073.68	176,832.13	106,766.88	36,701.64	71.27	96.54	96.07	-71.88	97.54	381.81
b) Financing Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Lease Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Over Due Loans	3,702.08	19,476.28	12,360.83	5,245.38	4,903.36	4,561.33	7,020.91	9,480.50	14.13	1.45	2.48	271.30	15.00	-51.89
e) Others	0.00	0.00	67.27	134.54	113.45	92.36	94.88	97.40	n.a	0.04	0.05	-100.00	45.66	-5.17
f) Receivable from Customer due to Brokerage Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-3,385.76	-17,812.17	-11,330.66	-4,849.15	-4,478.67	-4,108.18	-5,906.54	-7,704.91	-12.92	-1.34	-2.23	267.33	18.04	-46.68
<b>II-BANKS AND OTHER EARNING ASSETS</b>	3,392.78	17,849.09	10,031.18	2,213.28	1,652.50	1,091.72	606.35	120.99	12.95	0.61	0.59	706.45	102.73	802.33
a) Banks	2,491.13	13,105.58	7,659.43	2,213.28	1,652.50	1,091.72	606.35	120.99	9.51	0.61	0.59	492.13	102.73	802.33
b) Other	901.65	4,743.51	2,371.75	0.00	0.00	0.00	0.00	0.00	3.44	n.a	n.a	n.a	n.a	n.a
c) Balance With Banks-Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>III-SECURITIES AT FAIR VALUE THROUGH P/L</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
a) Treasury Bills and Government Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Other Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Repurchase Agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
a) Investments in Associates (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>C-NON-EARNING ASSETS</b>	3,817.97	20,085.96	14,932.74	9,779.52	7,688.88	5,598.25	3,670.35	1,742.46	14.57	2.70	3.04	105.39	74.69	221.29
a) Cash and Cash Equivalents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Financial Assets at Fair Value through P/L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Asset Held For Sale And Discontinued Operations (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Other	3,817.97	20,085.96	14,932.74	9,779.52	7,688.88	5,598.25	3,670.35	1,742.46	14.57	2.70	3.04	105.39	74.69	221.29
- Intangible Assets	40.03	210.60	217.02	223.44	233.83	244.23	216.62	189.01	0.15	0.06	0.13	-5.74	-8.51	29.21
- Property and Equipment	1,354.65	7,126.70	7,251.82	7,376.95	5,766.98	4,157.02	2,205.02	253.03	5.17	2.04	2.26	-3.39	77.46	1,542.90
- Deferred Tax	413.85	2,177.24	1,496.09	814.93	658.69	502.44	718.05	933.67	1.58	0.23	0.27	167.17	62.20	-46.19
- Other	2,009.43	10,571.41	5,967.81	1,364.20	1,029.39	694.57	530.66	366.75	7.67	0.38	0.38	674.92	96.41	89.39
<b>TOTAL ASSETS</b>	26,201.18	137,841.79	249,840.29	361,838.79	272,953.20	184,067.61	112,252.84	40,438.07	100.00	100.00	100.00	-61.91	96.58	355.18

ARENA FAKTORİNG A.Ş. BALANCE SHEET- LIABILITIES+EQUITY TRY (000)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	As % of	As % of	As % of	2018	2017	2016
	2018	2018	2018	2017	2017	2016	2016	2015	2018	2017	2016	2018	2017	2016
	USD (Converted)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	Assets (Original)	Assets (Original)	Assets (Original)	Growth Rate	Growth Rate	Growth Rate
<b>C- COST BEARING RESOURCES (I+II)</b>	21,453.05	112,862.35	227,809.33	342,756.30	254,838.65	166,920.99	96,186.91	25,452.83	81.88	94.73	90.68	-67.07	105.34	555.81
<b>I-PAYABLES</b>	2,024.71	10,651.78	12,885.95	15,120.11	14,076.94	13,033.77	9,307.89	5,582.01	7.73	4.18	7.08	-29.55	16.01	133.50
a) Factoring Payables	2,024.71	10,651.78	12,823.68	14,995.58	13,696.40	12,397.21	8,882.18	5,367.14	7.73	4.14	6.74	-28.97	20.96	130.98
b) Lease Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Other	0.00	0.00	62.26	124.53	380.54	636.55	425.71	214.86	n.a	0.03	0.35	-100.00	-80.44	196.26
<b>II-BORROWING FUNDING LOANS &amp; OTHER</b>	19,428.34	102,210.57	214,923.38	327,636.19	240,761.71	153,887.23	86,879.03	19,870.83	74.15	90.55	83.60	-68.80	112.91	674.44
a) Fund Borrowed-Short Term	14,059.33	73,964.74	185,363.21	296,761.67	209,974.55	123,187.44	66,429.29	9,671.15	53.66	82.01	66.93	-75.08	140.90	1,173.76
b) Fund Borrowed-Long Term	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Marketable Securities For Issued (net)	5,369.01	28,245.83	29,560.17	30,874.52	30,787.16	30,699.79	20,449.73	10,199.68	20.49	8.53	16.68	-8.51	0.57	200.99
d) Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>D- NON COST BEARING RESOURCES</b>	219.26	1,153.52	1,235.86	1,318.21	1,046.54	774.87	578.39	381.90	0.84	0.36	0.42	-12.49	70.12	102.90
a) Provisions	37.27	196.08	171.58	147.08	137.35	127.61	99.39	71.16	0.14	0.04	0.07	33.32	15.25	79.33
b) Current & Deferred Tax Liabilities	0.00	0.00	165.73	331.47	363.46	395.45	283.36	171.28	n.a	0.09	0.21	-100.00	-16.18	130.88
c) Trading Liabilities (Derivatives)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Other Liabilities	181.99	957.44	898.55	839.66	545.74	251.81	195.64	139.46	0.69	0.23	0.14	14.03	233.45	80.56
<b>E- TOTAL LIABILITIES</b>	21,672.31	114,015.87	229,045.19	344,074.51	255,885.19	167,695.87	96,765.30	25,834.74	82.72	95.09	91.11	-66.86	105.18	549.11
<b>F- MINORITY INTEREST</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
<b>F- EQUITY</b>	4,528.87	23,825.92	20,795.10	17,764.28	17,068.01	16,371.74	15,487.54	14,603.33	17.28	4.91	8.89	34.12	8.51	12.11
a) Prior Year's Equity	3,376.66	17,764.28	17,068.01	16,371.74	15,487.54	14,603.33	15,894.60	17,185.87	12.89	4.52	7.93	8.51	12.11	-15.03
b) Equity (Internal & external resources added during the year)	2,849.37	14,990.28	7,489.15	-11.98	-3.96	4.07	1,549.40	3,094.73	10.87	-0.00	0.00	125,258.85	394.64	-99.87
c) Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Profit & Loss	-1,697.17	-8,928.64	-3,762.06	1,404.52	1,584.43	1,764.35	-1,956.46	-5,677.27	-6.48	0.39	0.96	-735.71	-20.39	-131.08
<b>TOTAL LIABILITY+EQUITY</b>	26,201.18	137,841.79	249,840.29	361,838.79	272,953.20	184,067.61	112,252.84	40,438.07	100.00	100.00	100.00	-61.91	96.58	355.18
<b>USD 1 = TRY</b>		5.2609		3.7719		3.5318		2.9076						



<b>ARENA FAKTORİNG A.Ş.</b> <b>INCOME STATEMENT</b> <b>TRY (000)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net Interest Income	5,789.16	5,952.92	6,963.05
A) Interest income	36,437.89	26,514.03	17,228.28
a) Factoring Interest Income	36,437.89	26,514.03	17,228.28
b) Financing Loans Interest Income	0.00	0.00	0.00
c) Lease Income	0.00	0.00	0.00
d) Banks	0.00	0.00	0.00
B) Financial Expense	30,648.73	20,561.11	10,265.23
Net Fee and Commission Income	3,982.72	3,493.95	2,814.44
a) Fee and Commission Income	4,340.23	3,678.32	2,898.26
b) Fee and Commission Expense	357.50	184.37	83.82
Total Operating Income	329.68	240.90	193.02
Interest Income from Other Operating Field	108.51	13.61	128.08
Foreign Exchange Gain or Loss (net) (+/-)	168.63	62.08	-4.83
Gross Profit from Retail Business	0.00	0.00	0.00
Gains or Loss on Derivative Instruments (+/-)	0.00	0.00	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	0.00	0.00
Gains from Investment Securities (net)	0.00	0.00	0.00
Other Operating Income	52.54	165.21	69.78
Taxes other than Income Tax	0.00	0.00	0.00
Dividend	0.00	0.00	0.00
Provisions	12,990.61	740.79	1,116.05
Provision for Impairment of Loan and Trade Receivables	12,990.61	857.12	1,397.99
Other Provision	0.00	-116.33	-281.95
Total Operating Expense	7,399.15	7,457.35	6,659.91
Salaries and Employee Benefits	4,572.86	4,798.53	4,346.60
Depreciation and Amortization	0.00	0.00	0.00
Other Expenses	2,826.30	2,658.82	2,313.31
Profit from Operating Activities before Income Tax	-10,288.21	1,489.63	2,194.56
Income Tax – Current	0.00	0.00	0.00
Income Tax – Deferred	-1,359.57	85.11	430.22
Net Profit for the Period	-8,928.64	1,404.52	1,764.35
<b>Total Income</b>	<b>10,101.55</b>	<b>9,687.77</b>	<b>9,975.35</b>
<b>Total Expense</b>	<b>7,399.15</b>	<b>7,457.35</b>	<b>6,664.74</b>
<b>Provision</b>	<b>12,990.61</b>	<b>740.79</b>	<b>1,116.05</b>
<b>Pretax Profit</b>	<b>-10,288.21</b>	<b>1,489.63</b>	<b>2,194.56</b>

ARENA FAKTORİNG A.Ş. FINANCIAL RATIO %	2018	2017	2016
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROA - Pretax Profit / Total Assets (avg.)	-4.12	0.55	1.96
2. ROE - Pretax Profit / Equity (avg.)	-49.47	8.73	14.17
3. Total Income / Equity (avg.)	48.58	56.76	64.41
4. Total income / Total Assets (avg.)	4.04	3.55	8.89
5. Provisions / Total Income	128.60	7.65	11.19
6. Total Expense / Total Resources (avg.)	3.23	2.91	6.89
7. Net Profit for the Period / Total Assets (avg.)	-3.57	0.51	1.57
8. Total Income / Total Expenses	136.52	129.91	149.67
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	3.55	2.57	6.27
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	-13.73	-2.34	-2.62
11. Total Operating Expenses / Total Income	73.25	76.98	66.76
12. Interest Margin	2.46	2.24	6.41
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	8.15	8.08	11.10
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	97.91	129.19	80.45
15. Interest Coverage – EBIT / Interest Expenses	66.43	107.24	121.38
16. Net Profit Margin	-88.39	14.50	17.69
17. Gross Profit Margin	-101.85	15.38	22.00
18. Market Share	0.40	0.83	0.56
19. Growth Rate	-61.91	96.58	355.18
<b>II. CAPITAL ADEQUACY (year end)</b>			
1. Equity Generation / Prior Year's Equity	84.38	-0.07	0.03
2. Internal Equity Generation / Previous Year's Equity	-50.26	8.58	12.08
3. Equity / Total Assets (Standard Ratio)	17.28	4.91	8.89
4. Equity / Total Liabilities	20.90	5.16	9.76
5. Free Equity / Total Receivables Ratio	16.50	2.91	6.75
6. Tangible Assets / Total Assets	5.17	2.04	2.26
7. Intangible Assets / Total Assets	0.15	0.06	0.13
8. Equity / Total Guarantees and Commitments + Equity	100.00	100.00	100.00
<b>III. LIQUIDITY (year end)</b>			
1. Liquid Assets + Marketable Securities / Total Assets	12.95	0.61	0.59
2. Liquid Assets + Marketable Securities / Total Liabilities	15.65	0.64	0.65
3. Short Term Borrowings / Total Assets	61.39	86.19	74.01
4. Net Interest and Commission / Total Assets	7.09	2.61	5.31
5. Liquid Assets + Marketable Securities / Equity	74.91	12.46	6.67
<b>IV. ASSET QUALITY</b>			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	15.13	1.37	2.26
2. Total Provisions / Profit Before Provision and Tax	480.71	33.21	33.71
3. Impaired Receivables / Gross Receivables	16.54	1.48	2.51
4. Impaired Receivables / Equity	81.74	29.53	27.86
5. Loss Reserves for Receivables / Impaired Receivables	91.46	92.45	90.07
6. Collaterals / Total Receivables	3,265.83	726.68	817.69
7. Total FX Position / Total Assets	0.03	0.01	0.04
8. Total FX Position / Equity	0.19	0.14	0.43
9. Assets / Total Guarantees and Commitments + Assets	100.00	100.00	100.00