

Corporate Credit Rating

New Update

Sector: Factoring

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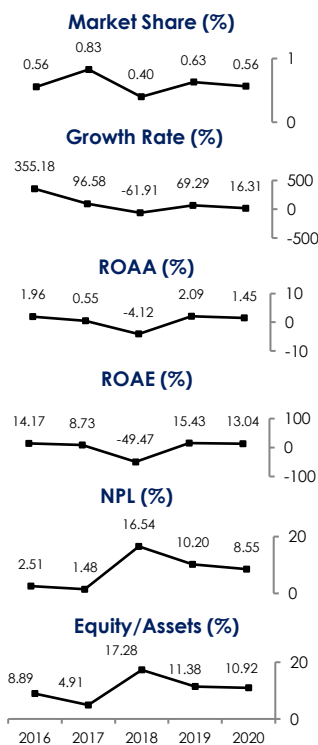
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RATINGS

		Long Term	Short Term
National	Local Rating	BBB (Trk)	A-3 (Trk)
	Outlook	Stable	Stable
	Issue Rating	BBB (Trk)	A-3 (Trk)
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC Stable LC Stable	Stable Stable
Sponsor Support	2	-	
Stand-Alone	B	-	
Sovereign*	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	FC Stable LC Stable	- -

*Assigned by JCR on May 31, 2021



ARENA FİNANS FAKTORİNG A.Ş.

JCR Eurasia Rating has evaluated the credit ratings of “**Arena Finans Faktoring A.Ş.**” in an investment-grade category and assigned the ratings as “**BBB (Trk)**” on the Long-Term National Scale and as “**A-3 (Trk)**” on the Short-Term National Scale with ‘**Stable**’ outlooks. On the other hand, the Long-Term International Foreign and Local Currency Ratings have been assigned as ‘**BB/Stable**’.

Arena Finans Faktoring A.Ş. (hereinafter referred to as ‘**Arena Faktoring**’, or ‘**the Company**’) was founded in 2009 and acquired by the current shareholders in 2015. The Company operates through two offices, in Istanbul and Ankara, in addition to the headquarters in Istanbul. As a factoring services provider, Arena Faktoring’s main operations 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. The sector is supervised by Banking Regulation and Supervision Agency of Turkey (BRSA) since 2006 and the market players are members of Associations of Financial Institutions, an umbrella organization for factoring, leasing and consumer finance companies.

The Tezmen Family is the primary shareholder of the Company, owning 90% of the total shares as of June 30, 2021. The ownership structure of the Company is fairly stable. The Company maintains its operations by average workforce of 52 employees as of June 30, 2021 (FYE2020: 46; FYE2019: 38).

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

Strengths	Constraints
<ul style="list-style-type: none"> • Diversified borrowing profile through debt security issuances contributing to borrowing structure and relieving the liquidity, • Well-diversified portfolio with manageable customer concentration, • High level of provision mitigating potential losses, • Majority of the balance sheet items being composed of earning assets contributing to revenue generation, • Experienced management team well organized management infrastructure. 	<ul style="list-style-type: none"> • Despite improvement, still NPL ratio above industry average pressuring asset quality, • Ongoing profitability ratios below industry average, • OPEX partially suppressing profitability, • Low level of capital adequacy despite increase in paid-in capital, • Short-term borrowing profile of the Sector, • Intensive competitive environment dominated by bank-owned companies which have a comparative advantage with wide branch networks and low borrowing costs.

Considering the aforementioned points, the Long-Term National Rating of the Company has been assigned as ‘**BBB (Trk)**’. The Company’s revenue generation capacity, asset quality, capital adequacy, leverage level, liquidity profile, net interest margin level, risk management implementations together with the general outlook of the sector are primary pillars of the rating and the outlooks for Long- and Short-Term National ratings are determined as ‘**Stable**’. JCR-ER will monitor the global and domestic macroeconomic indicators, Covid-19 pandemic and geopolitical risks-driven uncertainties and collection performance of problematic receivables and the NPL level.

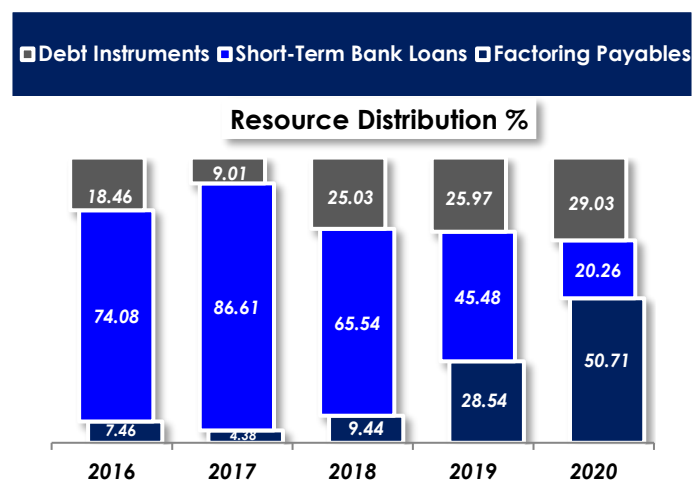
JCR Eurasia Rating has maintained its opinion that, Tezmen Family has the principal shareholder status of the Company and has the willingness and capability to ensure long term liquidity, equity as well as provide efficient operational support to “**Arena Finans Faktoring A.Ş.**” within its financial capability if required, when taking into consideration the Company’s position achieved in its sector. In this scope, “**Sponsor Support**” category has been assigned as (2), which denotes an adequate level.

Considering the Company’s asset quality, equity structure, ease of access to funding sources, high provision and strong collateral level, organizational structure, management practices and development of existing risks in the markets and financial environment, we, as JCR Eurasia Rating, state the opinion that the Company has reached the level of sufficient experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders, if it preserves its current customer level, efficiency and existing macroeconomic level in the market. Within this context, the “**Stand-Alone**” grade of the Company has been assigned as (B) in the JCR Eurasia Rating notation system, indicating an adequate level.

1. Rating Rationale

Diversified Borrowing Profile Through Debt Security Issuances Contributing to Borrowing Structure and Relieving the Liquidity

The funding structure of Arena Faktoring is mainly comprised of short-term bank loans, factoring payables and bond issuances in addition to the equity base corresponding to 10.92% of assets as of FYE2020. The Company's main resource components' distribution (*constituting 98% of total liabilities as of FYE2020*) over the years are provided below:



Accounting for 29.03% of main resource components volume as of FYE2020, issued debt securities made up an integral part of the Company's financing sources. Arena Faktoring uses debt instruments with a relatively long tenor of 2 years according to the average of the Sector. Considering the average maturity of the factoring receivables around 3-6 months, the ability to raise long-term funding supports the liquidity profile.

Arena Faktoring benefits from opportunities to reduce funding costs through utilizing capital market instruments. As of FYE2020 and FYE2019, the weighted average effective interest rates applied to the financial instruments are as follows,

(TRY %)	FYE2020	FYE2019
<i>Assets</i>		
Factoring Receivables	26.36	23.14
<i>Liabilities</i>		
Factoring Payables	20.09	15.50
Short Term Bank Loans	15.83	14.60
Debt Instruments	18.47	17.10

As shown in the above table, the relatively high spread between factoring receivables and funding resources in terms of interest rates also provides liquidity for the Company.

Additionally, Arena Faktoring plans to continue bond issuances in the following periods provided that the market conditions do not deteriorate materially.

Well-Diversified Portfolio with Manageable Customer Concentration

The concentration of the Company's receivables is mainly evaluated under sector and customer categories.

As of FYE2020, the Company's sector exposure was most noticeable in the "Wholesale and retail trade; repair of motor vehicles", "Food, beverage and tobacco", "Transportation, storage and communication" sectors, which is considered reasonable regarding the composition of economy. Since the share of each sector in the factoring receivables is not higher than the gross profit margin (25%) of the Company as of FYE2020, it is considered as well-diversified portfolio.

The sectoral distribution of factoring receivables as of FYE2020 is also provided below,

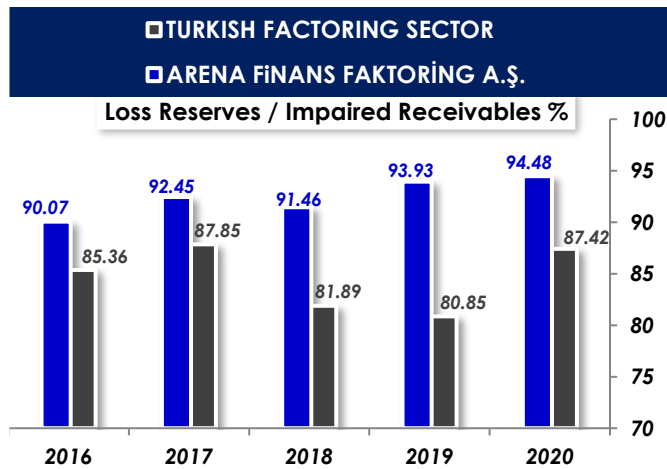
Sectoral Distribution of Factoring Receivables	Share (%)
Wholesale and retail trade; repair of motor vehicles	24.00
Food, beverage and tobacco	16.00
Transportation, storage and communication	9.60
Others	8.46
Construction	7.00
Textiles	6.50
Manufacturing	5.40
Extraction of non-energy-producing minerals	5.14
Chemical products	3.20
Rubber and plastic products	3.10
Paper raw materials and paper products printing	2.70
Transport vehicles	2.40
Electric gas and water supplies	2.20
Health and social services	2.20
Machinery and equipment	2.10

The Company gives priority to increase its customer number, as seen in FY2020. The total customer number has reached to 6,550 in FY2020 from 6,000 in FY2019 whereas the active customer number has reached to 882 in FY2020 from 761 in FY2019.

Moreover, as of FYE2020, the top 10, 20 and 50 customers of the Company accounted for 30%, 35% and 45% of the total receivables, respectively. The customer concentration risk is manageable according to the Sector despite an increase in the customer concentration compared to the previous year (top 10 loan customers constitute 25 % of the portfolio as of FYE 2019).

High Level of Provision Mitigating Potential Losses

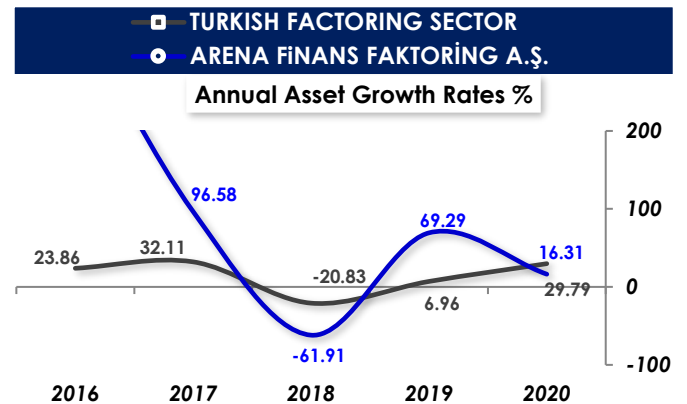
The non-performing loans (NPL) ratio is considered the main indicator of receivables' quality within the financial sector. The NPL ratio of the Company is 8.55% as of FYE2020 (FYE2019: 10.20%) shaped above the sector averages, 3.94% as of FYE2020 (FYE2019: 5.92%) predominantly due to impaired portfolio from the pre-acquisition of the Company in FY2015. (TRY 16.20mn of the overdue receivables amounting TRY 22.35mn as of FYE2020 are pre-2015 overdue receivables). Although, the Company's NPL ratio shaped above the sector averages over the reporting period, Arena Faktoring provided provision coverage of impaired loans significantly above the sector averages. Furthermore, the Company's impaired receivables had shown a dramatic decline from TRY 22.35mn in FYE2019 to TRY 3.05mn in FYE2020. Depending on decline in the impaired receivables, provision expenses decreased from TRY 2.37mn in FYE2019 to TRY 1.41mn in FYE2020.



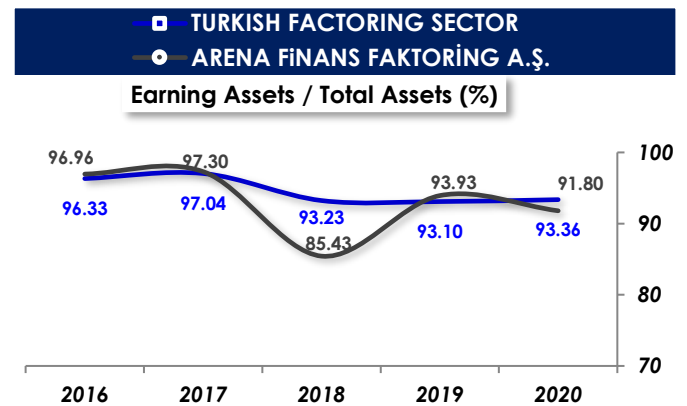
Majority of the Balance Sheet Items Being Composed of Earning Assets Contributing to Revenue Generation

Assets slightly grew by 16.31% and 29.79% to TRY 271.40mn and TRY 48.04bn for the Company and the sector, respectively, as of FY2020. On a cumulative base,

Arena Faktoring achieved a growth of 571.16% between 2016-2020 period, considerably above that of the factoring sector of 79.83%.



The Company's assets have been heavily marked with the large weight of earning assets over the reporting period in line with the sectorial dynamics, contributes to the Company's revenue generation capacity.



The high share of earning assets among total assets indicates the predictability of factoring incomes to increase in the following periods.

Experienced Management Team Well Organized Management Infrastructure

Arena Faktoring's primary shareholder is Tezmen Family, who have significant experience, network and investments in the finance sector over 20 years. The Board of Directors (BoD) of the Company consists of 4 members, including the chairman and vice chairman of Arena Faktoring and two board members including Chief Executive Officer (CEO). The Board of Directors identifies the vision and mission of the Company which are published on the

Company website. The Company has a function based senior management with marketing, operations, administrative affairs, loans, and credit intelligence c-level officers. Independent internal audit unit reports directly to the BoD, while others are reporting to the CEO.

Both senior management and board members have sufficient and appropriate professional and managerial experience regarding to their position. During the review period, no material changes occurred in senior management permanency, ensuring the successful continuity of Company operations.

Owing to the supervision and regulation of Banking Regulation and Supervision Agency of Turkey (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 the independent audit companies. Therefore, the reporting standards, transparency and overall corporate governance quality of the factoring companies satisfy fundamental expectations.

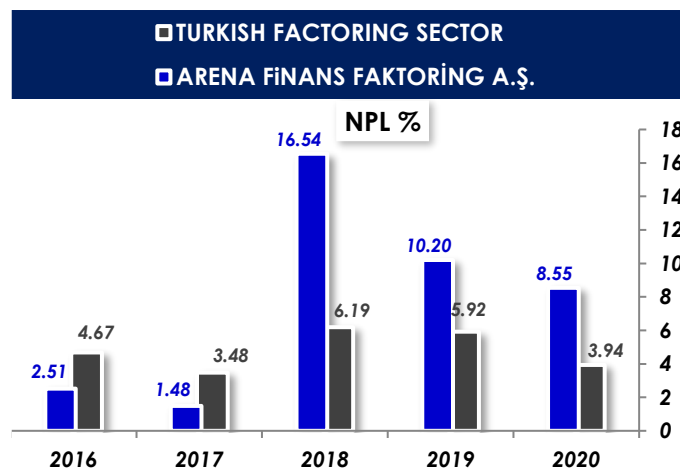
The objective of BRSA's regulations are to maintain principles and procedures concerning the running of factoring market. Arena Faktoring has successfully adjusted its practices to align with BRSA regulations. Moreover, the Company implements procedures to ensure transparency considering its bond issuances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

Despite Improvement, Still NPL Ratio Above Industry Average Pressuring Asset Quality

The non-performing loans (NPL) ratio is considered the main indicator of asset quality within the financial sector.

The NPL ratio of the Company reached to 16.54% in FYE2018 due to the fact that the doubtful receivables in the portfolio, which was taken over with the acquisition of the Company in FY2015, was registered as non-performing receivables in FYE2018. With the effective performance of the Company management, the NPL ratio of the Company decreased to 10.20% in FYE2019 and 8.55% in FYE2020.

The Company's gross overdue receivables increased from TRY 21.39mn to TRY 22.35mn as of FYE2020 (TRY 16.20mn of them are pre-2015 overdue receivables) as the total receivables increased from TRY 189.67mn to TRY 240.45mn and allowances increased from TRY 20.09mn to TRY 21.12mn in the same time period. As a result of these changes, the NPL ratio of the Company decreased from 10.20% to 8.55% as of FYE2020. In the same time, the sector average of NPL decreased to 3.94%.

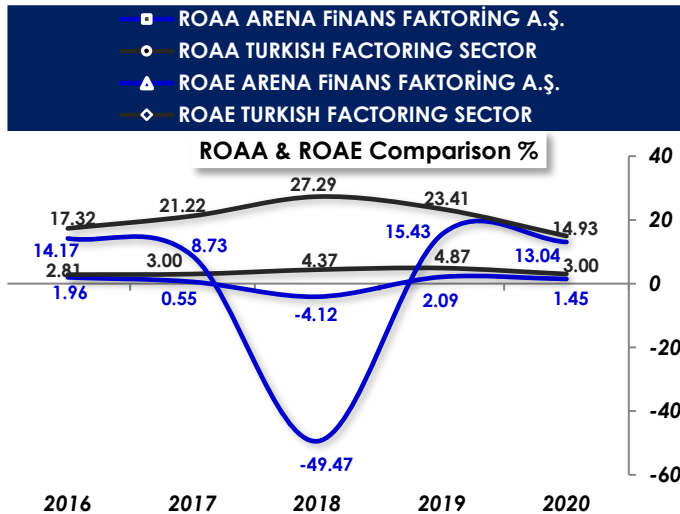


Additionally, the Company softened the pressure on NPL through effective internal control mechanisms, risk management infrastructure supported by internal control systems, experienced management team, cautious lending practices and high provision level.

Ongoing Profitability Ratios Below Industry Average

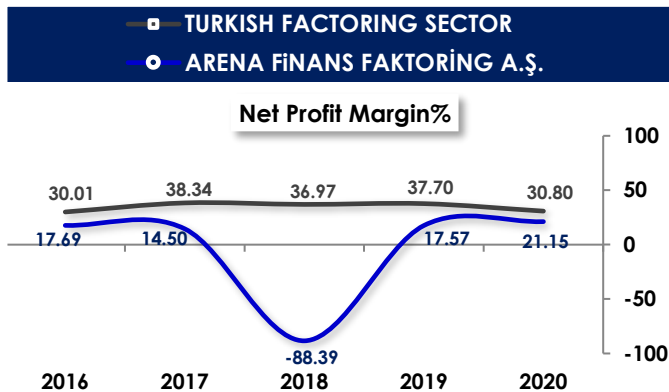
The Company's net interest margin (4.36%) is relatively lower compared to the Sector average (5.40%) as of FYE2020. The net interest margin is calculated as net interest income over average earning assets, excluding net fees and commissions. In FY2020, the Company recorded net fee and commission revenues of TRY 3.10mn. Although, the Company's net interest margin shaped above the sector averages over the reporting period, the ratio has shown an increasing trend in the last year. The Company's net interest income increased from TRY 1.84mn to TRY 10.22mn as of FYE2020 as the earning assets increased from TRY 219.19mn to TRY 249.14mn in the same time period. As a result of these changes, net interest margin of the Company increased from 1.09% as of FYE2019 to 4.36% as of FYE2020.

Similar to net interest margin, the main profitability indicators, ROAA and ROAE they remained well below the Sector averages primarily due to higher financing costs compared to the Sector.



The Company's net profit margin is below the sector averages over the years and the ratio has shown a fluctuating trend during the last five-year period.

The Company's, net profit margin of the Company increased from 17.57% as of FYE2019 to 21.15% as of FYE2020, but still remaining below the sector averages.

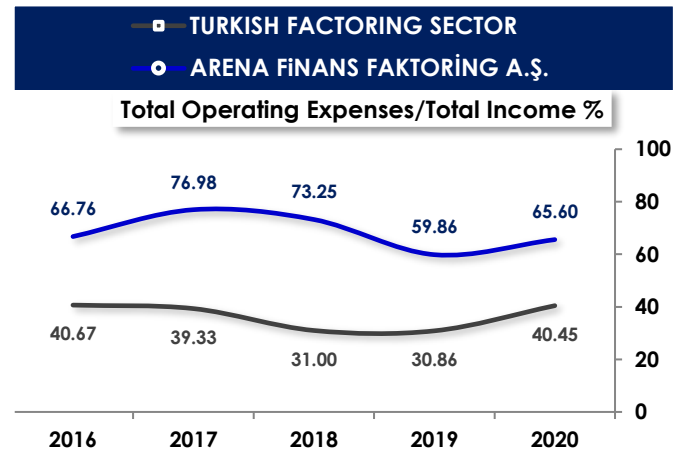


OPEX Partially Suppressing Profitability

The Company's total operating expenses increased from TRY 9.33mn as of FYE2019 to TRY 9.67mn as of FYE2020 as total income of the Company decreased from TRY 15.58mn to TRY 14.73mn in the same time period. As a result of these changes, total operating expenses/total

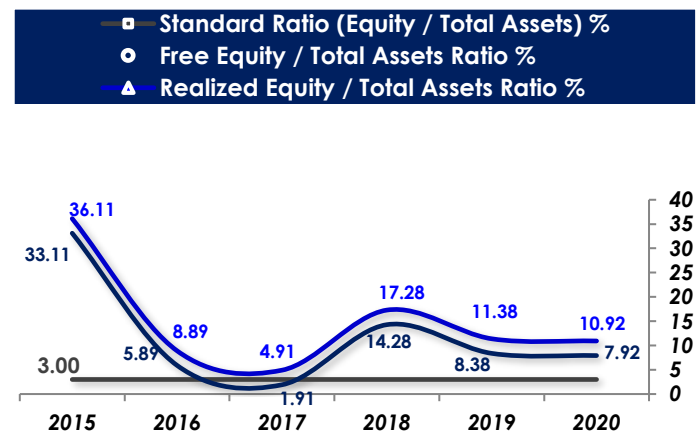
income ratio of the Company increased from 59.86% to 65.60% as of FYE2020.

The Company's high operating expenses level compared to the total income amount resulting mainly from its current scale of business has remained above the sector averages during the reporting period and constraining its profit generation capacity. Due to the fact that the bank-owned companies can capitalize on the branch network of the parent institutions, the Company's efficiency is evaluated as fair. Nevertheless, potential improvements in this core operating item could support overall profitability considerably.



Low Level of Capital Adequacy Despite Increase in Paid-in Capital

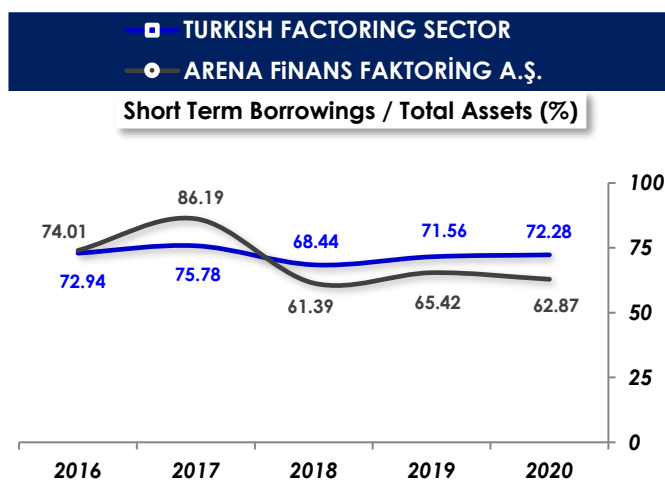
Banking Regulation and Supervision Agency of Turkey (BRSA) regulations require factoring companies operating in Turkey to have an equity to total assets ratio of 3%. The Company's standard ratio is 10.92% as of FYE2020, staying below the sector average of 18.62%.



As of FYE2020, Arena Faktoring has TRY 35mn of paid-in capital, though the equity level is TRY 29.64mn due to accumulated losses in the previous periods. As of May 28,2021, Arena Faktoring increased its paid-in capital to TRY 50mn since BRSA increased the minimum capital requirement of factoring companies to TRY 50mn until December 31,2021. The increased amount has been paid in cash by the shareholders as of June 2021.

Short-Term Borrowing Profile of The Sector

The fact that the Turkish Factoring Sector has had short-term borrowing structure as a major characteristic thereof holds true for Arena Faktoring as well. The short-term weighted receivables structure together with maturity matching efforts within the concern of interest rate exposure resulted in a short-term weighted borrowing structure.



Intensive Competitive Environment Dominated by Bank-Owned Companies Which Have A Comparative Advantage with Wide Branch Networks and Low Borrowing Costs

As of FYE2020, 55 companies operated in the factoring sector according to the BRSA data. The domination of bank-affiliated factoring companies with advantages in funding resources and costs, wide ranging branch network, access to clients, and strong parental support continued in 2020 as well. Accordingly, Arena Faktoring operates in a sector with intense competition that pressure profitability and asset growth opportunities and thus the Company has inherent disadvantages compared with bank-owned factoring companies.

With respect to the factors mentioned above, JCR Eurasia Rating has assigned the Long-Term National Rating of as ‘**BBB (Trk)**’ and the Short-Term National Rating as ‘**A-3 (Trk)**’ in JCR Eurasia Rating’s notation system.

The sovereign rating of Republic of Turkey was downgraded by one notch to ‘BB’ on May 31, 2021. The Company’s Long and Short-Term International Ratings are capped with ‘**BB**’ and ‘**B**’, respectively.

2. Projections and Debt Instruments

The main target of the Company for FY2021 and the following periods is to increase the market share in the factoring sector.

The Company’s FY2020 actual figures and FY2021 valid budget projections are shown in the table below:

Arena Finans Faktoring A.Ş. Management – BS Projections		
TRY (000)	2020A	2021E
Banks	3,910	4,681
Factoring Receivables	239,216	296,369
Net Overdue Loans	1,234	485
Other Assets	27,043	39,594
Total Assets	271,402	341,129
Factoring Payables	119,741	161,276
Bank Loans	47,854	53,335
Issued Debt Instruments	68,543	70,000
Other Liabilities	5,624	9,311
Equity	29,638	47,207
<i>Net Profit</i>	<i>3,117</i>	<i>2,601</i>
Total Liabilities & Equity	271,402	341,129
Annual Asset Growth (%)	16.31%	25.69%
Equity/Total Asset (%)	10.92%	13.84%

Arena Finans Faktoring A.Ş. Management - PnL Projections		
TRY (000)	2020A	2021F
Total Income	14,735	16,895
<i>Provisions</i>	<i>1,406</i>	<i>1,348</i>
<i>Total Operating Expenses</i>	<i>9,665</i>	<i>12,336</i>
Pre-Tax Profit	3,663	3,211
<i>Taxes</i>	<i>546</i>	<i>610</i>
Net Profit	3,117	2,601

The Company projected a 2021 year-end asset size of TRY 341.13mn through annual growth rates of 25.69%. According to the Company management projections, total income is projected to reach TRY 16.9mn by increasing 14.65% in FY2021. On the other hand, net profit of the Company is projected to be decreased from TRY 3.1mn to TRY 2.6mn due to the projected increase in the total operating expenses.

The stated growth projection will be financed also through available credit lines and the issuance of debt instruments. In 2021, the Company will continue to issue TRY denominated bond issuances to diversify funding resources and reduce borrowing from financial institutions.

As there are no additional legal and/or financial collateral guarantees provided separately for the repayment of the bond issued by Arena Faktoring, the note assigned for the TRY dominated bond issuance has been assigned as the same as the Company's Long and Short Term National Local Ratings which are **'BBB (Trk)'** and **'A-3 (Trk)'**.

Furthermore, with the decision of the Banking Regulation and Supervision Agency, it was decided to factoring companies' paid-in capital increase to TRY 50mn until December 31,2021. As of May 2021, Arena Faktoring increased its paid-in capital to TRY 50mn. The increased amount has been paid in cash by the shareholders as of June 2021. It is projected that the capitalization level of the Company will increase with the related capital increase and it will support growth predictions.

Consequently, taking into consideration the Company's past growth and operating performance and future projections relating to the FY2021 period, we, as JCR Eurasia Rating, are of the opinion that the Company shall fulfil the obligations in a timely manner and without distress as long as it preserves its current market share and efficiency along with no deterioration in the general macro-economic context and sector dynamics.

3. Rating Outlook

JCR Eurasia Rating has assigned a **"Stable"** outlook on the National Short- and Long-Term perspectives of LDR Turizm A.Ş., considering internal resource generation capacity, satisfactory profitability indicators, increasing equity level, capability to access financing sources, liquidity position, organizational structure and capability to access funding resources along with ongoing uncertainties due to the Covid-19 pandemic.

JCR Eurasia Rating has also assigned **'Stable'** outlooks on the International Short- and Long-Term local currency rating perspectives of Arena Finans Faktoring A.Ş., which are the sovereign ratings' outlooks of the Republic of Turkey.

JCR Eurasia Rating will continue to monitor developments with regard to the proposed projections by the Company management including market conditions regarding the sector, enhancement of internal equity generation capacity, collection performance of problematic receivables, the NPL level and effects of Covid-19 pandemic are to be monitored in the upcoming period.

Significant factors that may be taken into consideration for any future change in ratings and outlook status:

Factors that Could Lead to an Upgrade

- »Solid growth performance in assets volume,
- »Increasing net interest margin above the sector average,
- »Robust amelioration of profitability indicators,
- »Improvement in NPL Ratio,
- »Reduction in financing costs and robust economic growth in the domestic and international markets supporting the real and factoring sector.

Factors that Could Lead to a Downgrade

- »Deteriorating asset quality and liquidity profile,
- »Growing turmoil in the domestic and international markets and negative effects of these on the real and factoring sectors,
- »Increasing cost of funding and its effect on profitability,
- »Deteriorating interest margins and material increase in the NPL ratio.

4. Sponsor Support and Stand-Alone

The Sponsor Support notes and risk assessments in this regard reflect the financial and non-financial positions and expected assistance by controlling shareholder within the shareholding structure of the Company.

The shareholders of the Company are considered to have the willingness and experience to ensure long-term liquidity and equity when required and to provide efficient operational support to Arena Finans Faktoring A.Ş. In this regard, the Company's **Sponsor Support Grade** has been assigned as **"2"** in JCR Eurasia Rating's notation system, which denotes an adequate level.

The Stand Alone note of the Company has been constituted particularly with respect to the Company's organizational structure, level of capitalization, asset quality, risk management policies, corporate governance practices, market shares, growth rates, profitability ratios and the trends of the existing risks in the markets and the business environment. It is assumed that Arena Finans Faktoring A.Ş. has sufficient experience and facilities to manage the incurred risks on its balance sheet regardless of any assistance from the shareholders. In this respect, the **Stand-Alone** rating of Company has been assigned as **"B"** in JCR Eurasia Rating notation system.

5. Company Profile & Industry

a) History and Activities

Originally founded in 2009, the Company's ownership changed in 2015. Currently Arena Faktoring operates through its headquarters located in Istanbul main office, and one additional office each in Istanbul and Ankara.

As a factoring services provider, the Company's main operations 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.

As of 2Q2021, the Company had an average workforce of "52" employees (FYE2020: 46; FYE2019: 38)

b) Shareholders

Tezmen Family has the principal shareholder status of the Company. The shareholder structure of the Company is as follows.

Shareholder Structure (%)	2Q 2021	FYE 2020	FYE 2019
Emre Tezmen	53.00	53.00	47.30
Oğuz Tezmen	37.00	37.00	37.00
Gül Ayşe Çolak	9.99	9.99	9.99
Taner Eray	-	-	5.71
Fatma Nurcan Taşdelenler	0.01	0.01	0.01
Tolga Dıramalol	0.00	0.00	-
Paid-in Capital TRY (000)	50,000	35,000	35,000

The Company's total paid-in capital was increased in May 2021 from TRY 35mn to TRY 50mn following the new regulation of The Banking Regulation and Supervision Agency (BRSA) that imposes factoring companies to have minimum TRY 50mn of paid-in capital. Factoring companies were asked to increase their paid-in capital to TRY 50mn by BRSA.

The Board Members of Arena Faktoring is composed of 4 members, including the CEO.

As of 2Q2021, the Company's Board of Directors is as follows.

Board of Directors	
Oğuz Tezmen	Chairman
Emre Tezmen	Vice Chairman
Gül Ayşe Çolak	Board Member
Fatma Nurcan Taşdelenler	Board Member/CEO

c) Industry Assessment

As of 2020, the total asset size and equity of the Turkish Factoring Sector amounted to TRY48bn and TRY8.9bn, respectively. There has been a growth in asset size by 30% in TRY and 5% in USD terms. The sector experienced to decrease its net profit by 29%, compared to year end 2019. Containing 55 companies of various sizes with total of 343 branches and 4,098 employees, total turnover in the sector was TRY 5.5bn and bottom line was TRY979mn.

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 domestically and overseas. The sector maintained its efforts in the fields of corporate institutionalization and the extension of branch network and customer base throughout in the last years. 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 Banking Regulation and Supervision Agency (BRSA) make management policies in the sector more difficult.

When the distribution of turnover in factoring services across different sectors is examined, it’s observed that the manufacturing sector occupies the leading position with a share of 47.59% in 2017, 62.69% in 2018, 64.04% in 2019 and 59.40% in 2020. Below are the details provided by BRSA.

Turnover (000/TRY) Sectoral Break-Down

Factoring Sector	2017	2018	2019	2020
Manufacturing	20,235,112	21,446,629	12,764,579	12,955,604
Services	17,859,298	10,782,458	5,930,247	7,771,985
Agriculture	580,040	419,757	211,151	184,498
Financial Intermediation	1,835,966	1,026,003	615,435	707,056
Others	2,010,045	537,546	410,534	192,834
Total	42,520,461	34,212,393	19,931,946	21,811,977

Turnover Sectoral Distribution (%)

Factoring Sector	2017	2018	2019	2020
Manufacturing	47.59	62.69	64.04	59.40
Services	42.00	31.52	29.75	35.63
Agriculture	1.36	1.23	1.06	0.85
Financial Intermediation	4.32	3.00	3.09	3.24
Others	4.73	1.57	2.06	0.88
Total	100.00	100.00	100.00	100.00

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

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 NPL 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, standardization, and transparency of financial reporting, and the provision of competition equality. With regards to the sector's effectiveness and standardization, 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 continues to show an upward trend.

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	2020	2019	2018	2017	2016
Asset Size-TRY	48,044	37,017	34,608	43,712	33,080
Asset Size-USD	6,545	6,232	6,553	11,589	9,400
Equity-TRY	8,946	8,137	6,770	5,781	5,082
P/L-TRY	979	1,374	1,306	929	670
ROAA (%)	3.00	4.87	4.37	3.00	2.84
ROAE (%)	14.93	23.41	27.29	21.23	17.47
NPL Ratio (%)	4.10	6.17	6.26	3.47	4.62
Equity / T. Resources	18.62	21.98	19.56	13.23	15.36

As of 2020, the total asset size of factoring companies was TRY 48bn along with an equity size of TRY 8.9bn. In its all 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. The growth rate in the last year was 30%.

Factoring receivables occupy the highest share among sector's assets with a rate of 93% while loans occupy the highest share among resources at 70%. 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.

NPL ratios are reflected on the sector's balance sheets and declined from 6.26% in 2018 to 6.17% and 4.10% in 2019 and 2020, respectively. The further projections show a balanced ratio and a moderate decline in the following periods. The performance of the factoring sector has maintained a faster upward acceleration in comparison to the banking sector in 2016-2019 periods. Because of the Covid-19 pandemic the ratios of "ROAA (avg.)" and "ROAE (avg.)" has decreased in 2020.

The growth of the factoring sector throughout 2021 will be dependent on interest rate levels, regulations, the contribution of technological infrastructure works, improvement in supplier finance, and success in the fields of export factoring works in addition to effects of coronavirus and 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.

Sources: Association of Financial Institutions, Banking Regulation and Supervision Agency (BRSA)

6. Financial Policy & Risk

Arena Faktoring is exposed to credit, liquidity, market and operational risks derived from its factoring activities and use of financial instruments.

Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board (CMB) regulations demand certain corporate governance and risk management safeguards. The establishment and surveillance of the risk management structure is under the responsibility of the Board of Directors and senior management. The Board of Directors, the ultimate responsible authority for risk management, delegated its supervision duties to the committees formed.

Credit Risk

Credit risk is defined as the risk of default on a debt that may arise from a borrower failing to make required payments in full and in a timely manner. The credit risk of the Company stems from factoring and other receivables from debtors and receivables from other sources.

As a company operating in the factoring sector, Arena Faktoring is exposed to credit risk stemming from its factoring transactions. The Company operates its business within the frame of a credit allocation policy involving the general evaluation of both existing and prospective customers, analysis of all customers' creditworthiness as well as originators and endorsers of cheques and other receivables and finally assigning certain limits to each customer. The Company does not extend credits to customers that fail to pass the criteria defined by the management and the credit monitoring is supported by designated software.

Credit risk of the Company's financial instruments is as follows;

Credit Risk Exposure		
(TRY 000)	FYE2020	FYE2019
Factoring Receivables	239,216	188,375
Other Assets	11,193	3,242
Cash on deposit	3,910	20,500
Total	254,319	212,116

The Company's credit risk management functions are under the responsibility of the Credit Monitoring and Credits Department. The Company established a credit risk strategy created in accordance with the Board and Credit Committee decisions are taken by considering the Company's risk appetite and the level of available resources.

The Company's customer concentration is measured in terms of the distribution of total credits to the top 10, 20 and 50 customers. As of FYE2020, top 10, 20, and 50 customers constituted 30%, 35%, and 45% of the Company's total factoring receivables, respectively. Compared with the 2019 year-end figures, the Company increased its reliance to its top 10 customers as of year-end 2020 and hence increased its credit risk.

As of FYE2020, the Company's sector exposure was most noticeable in the "Wholesale and retail trade; repair of motor vehicles", "Food, beverage and tobacco", "Transportation, storage and communication" sectors, which is considered reasonable regarding the composition of economy. Since the share of each sector in the factoring receivables is not higher than the gross profit margin (25%) of the Company as of FYE2020, it is considered as well-diversified portfolio.

Market Risk

The Company monitors its market risk under the headings of interest rate and foreign exchange rate risks.

The Company operates with local currency with a very limited FX exposure due to a EUR denominated factoring payables (EUR 130k) facility of TRY 1.169mn as of FYE2020, constituting 0.4% of total liability. Moreover, a probable 10% change in exchange rates applied to the Company had a variance range of (+/-) TRY 65k (FY2019: TRY 1.986mn) on the year-end financial statement.

The carrying amount of the Company's foreign currency denominated financials are as follows:

(TRY 000)	FYE2020	FYE2019
Assets	1,825	21,654
Liabilities	(1,171)	(1,787)
Net FX position	655	19,867

Borrowings from the money markets and banks engender interest rate risk. The interest rate risk of the Company is derived from the bond issuances carrying floating interest rates.

Accounting for 29.03% of main resource components volume (constituting 98% of Total Liabilities: Factoring Payables, Short Term Bank Loans and Debt Instruments) as of FYE2020, issued debt securities made up an integral part of the Company's financing sources. In this sense, movements of the market rates have a notable impact on the profitability.

The Company's interest-sensitive financial instruments as follows:

(TRY 000)	FYE2020	FYE2019
<i>Fixed Interest Rate</i>		
Factoring Receivables	239,216	188,375
Factoring Payables	119,741	58,099
Short Term Bank Loans	-	92,581
<i>Floating Interest Rate</i>		
Debt Instruments	68,545	52,873

Liquidity Risk

Liquidity risk arises from uncertainty regarding maturity profiles of assets and liabilities, in particular cash inflows and outflows. The Company is exposed to liquidity risk during the funding of its operations and manages its liquidity risk by regularly monitoring forecasted and actual cash flows, matching the maturity profiles of financial assets and liabilities and providing the continuation of adequate funding sources.

The Company meets its funding needs through its equity, bank loans and bond issuances and continuously analyses the liquidity risk by monitoring the changes in its funding sources as well as the collection and payment schedules. In this regard, the Company management attempts to ensure that bank credit lines are available and additional funds can be realized in a timely manner.

As of FY2020, the average maturity of the Company's financial borrowings (*less than 3 months*) was less than the average maturity of its factoring receivables (*3-6 months*), exposing the Company to some liquidity and repricing risks. Moreover, Arena Faktoring consistently issue securities (bills/bonds) that cover its liquidity needs with proper maturities. Therefore, the Company arranged the average maturity of its financial borrowings with bond issuances to match the average maturity of its factoring receivables during the review period.

Furthermore, the Company closely monitors the liquidity position on a daily basis and models the cash requirements. The Company convenes weekly to monitor the periodic cash flow position and requirements.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure. Information systems, internal control policies, and procedures outline the overall operational risk management profile.

The Company has established well-prepared and detailed implementation procedures regarding the allocation, utilization, and monitoring of its factoring receivables and

effective invoice and accounting control processes that reduce the operational risks. The Company's business and operation management policies are monitored by the internal control unit to ensure compliance with workflow procedures under the existing rules and regulations. The Company has taken the necessary measures with errors occurring in transactions and IT systems.

Moreover, the Company did not receive penal action by the regulatory and supervisory authorities, within the scope of legal risk.

ARENA FINANS FAKTORİNG A.Ş. BALANCE SHEET - ASSET TRY (000)	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	As % of	As % of	As % of
	2020	2020	2020	2019	2019	2018	2018	2017	2020	2019	2018
	USD (Converted)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	Assets (Original)	Assets (Original)	Assets (Original)
A-TOTAL EARNING ASSETS (I+II+III)	33,940.86	249,142.85	234,165.99	219,189.12	168,472.48	117,755.83	234,907.55	352,059.28	91.80	93.93	85.43
I- LOANS AND RECEIVABLES (net)	32,756.55	240,449.43	215,061.50	189,673.57	144,790.16	99,906.74	224,876.37	349,846.00	88.60	81.28	72.48
a) Factoring Receivables	32,588.46	239,215.58	213,795.12	188,374.66	143,308.64	98,242.63	223,778.93	349,315.24	88.14	80.73	71.27
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
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
d) Over Due Loans	3,045.56	22,355.91	21,875.49	21,395.07	20,435.68	19,476.28	12,360.83	5,245.38	8.24	9.17	14.13
e) Others	0.00	0.00	0.00	0.00	0.00	0.00	67.27	134.54	n.a	n.a	n.a
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
g) Allowance for Loan and Receivables Losses (-)	-2,877.47	-21,122.06	-20,609.11	-20,096.16	-18,954.17	-17,812.17	-11,330.66	-4,849.15	-7.78	-8.61	-12.92
II-BANKS AND OTHER EARNING ASSETS	1,184.31	8,693.42	19,104.48	29,515.55	23,682.32	17,849.09	10,031.18	2,213.28	3.20	12.65	12.95
a) Banks	532.67	3,910.08	12,204.86	20,499.63	16,802.60	13,105.58	7,659.43	2,213.28	1.44	8.78	9.51
b) Other	651.64	4,783.34	6,899.63	9,015.92	6,879.72	4,743.51	2,371.75	0.00	1.76	3.86	3.44
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
III-SECURITIES 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
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
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
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
B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE	8.30	60.93	60.93	60.93	30.47	0.00	0.00	0.00	0.02	0.03	n.a
a) Investments in Associates (net)	8.30	60.93	60.93	60.93	30.47	0.00	0.00	0.00	0.02	0.03	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
C-NON-EARNING ASSETS	3,024.09	22,198.33	18,149.18	14,100.03	17,093.00	20,085.96	14,932.74	9,779.52	8.18	6.04	14.57
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
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
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
d) Other	3,024.09	22,198.33	18,149.18	14,100.03	17,093.00	20,085.96	14,932.74	9,779.52	8.18	6.04	14.57
- Intangible Assets	114.56	840.95	517.97	195.00	202.80	210.60	217.02	223.44	0.31	0.08	0.15
- Property and Equipment	1,262.66	9,268.57	8,990.37	8,712.18	7,919.44	7,126.70	7,251.82	7,376.95	3.42	3.73	5.17
- Deferred Tax	118.79	871.96	952.70	1,033.44	1,605.34	2,177.24	1,496.09	814.93	0.32	0.44	1.58
- Other	1,528.08	11,216.86	7,688.14	4,159.42	7,365.42	10,571.41	5,967.81	1,364.20	4.13	1.78	7.67
TOTAL ASSETS	36,973.25	271,402.11	252,376.10	233,350.09	185,595.94	137,841.79	249,840.29	361,838.79	100.00	100.00	100.00

- According to JCR Eurasia Rating's Calculations,

ARENA FINANS FAKTORING A.Ş. BALANCE SHEET-LIABILITIES+EQUITY TRY (000)	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	As % of	As % of	As % of
	2020	2020	2020	2019	2019	2018	2018	2017	2020	2019	2018
	USD (Converted)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	Assets (Original)	Assets (Original)	Assets (Original)
C- COST BEARING RESOURCES (I+II)	32,584.27	239,184.86	222,355.08	205,525.29	159,193.82	112,862.35	227,809.33	342,756.30	88.13	88.08	81.88
I-PAYABLES	16,727.23	122,786.22	91,429.11	60,072.01	35,361.89	10,651.78	12,885.95	15,120.11	45.24	25.74	7.73
a) Factoring Payables	16,312.38	119,741.03	88,920.21	58,099.39	34,375.59	10,651.78	12,823.68	14,995.58	44.12	24.90	7.73
b) Lease Payables	414.85	3,045.19	2,508.90	1,972.62	986.31	0.00	0.00	0.00	1.12	0.85	n.a
c) Other	0.00	0.00	0.00	0.00	0.00	0.00	62.26	124.53	n.a	n.a	n.a
II-BORROWING FUNDING LOANS & OTHER	15,857.05	116,398.65	130,925.97	145,453.29	123,831.93	102,210.57	214,923.38	327,636.19	42.89	62.33	74.15
a) Fund Borrowed-Short Term	6,519.12	47,853.62	70,217.09	92,580.56	83,272.65	73,964.74	185,363.21	296,761.67	17.63	39.67	53.66
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
c) Marketable Securities For Issued (net)	9,337.92	68,545.03	60,708.88	52,872.73	40,559.28	28,245.83	29,560.17	30,874.52	25.26	22.66	20.49
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
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
D- NON COST BEARING RESOURCES	351.33	2,578.90	1,928.91	1,278.92	1,216.22	1,153.52	1,235.86	1,318.21	0.95	0.55	0.84
a) Provisions	74.76	548.76	448.06	347.36	271.72	196.08	171.58	147.08	0.20	0.15	0.14
b) Current & Deferred Tax Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	165.73	331.47	n.a	n.a	n.a
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
d) Other Liabilities	276.57	2,030.14	1,480.85	931.56	944.50	957.44	898.55	839.66	0.75	0.40	0.69
E- TOTAL LIABILITIES	32,935.60	241,763.77	224,283.99	206,804.21	160,410.04	114,015.87	229,045.19	344,074.51	89.08	88.62	82.72
F- MINORITY INTEREST	0.00		0.00		0.00		0.00		n.a	n.a	n.a
F- EQUITY	4,037.65	29,638.34	28,092.11	26,545.88	25,185.90	23,825.92	20,795.10	17,764.28	10.92	11.38	17.28
a) Prior Year's Equity	3,616.36	26,545.88	25,185.90	23,825.92	20,795.10	17,764.28	17,068.01	16,371.74	9.78	10.21	12.89
b) Equity (Internal & external resources added during the year)	-3.33	-24.43	-20.94	-17.45	7,486.41	14,990.28	7,489.15	-11.98	-0.01	-0.01	10.87
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
d) Profit & Loss	424.62	3,116.90	2,927.15	2,737.41	-3,095.61	-8,928.64	-3,762.06	1,404.52	1.15	1.17	-6.48
TOTAL LIABILITY+EQUITY	36,973.25	271,402.11	252,376.10	233,350.09	185,595.94	137,841.79	249,840.29	361,838.79	100.00	100.00	100.00
USD 1 = TRY		7.3405		5.9402		5.2609		3.7719			

- According to JCR Eurasia Rating's Calculations,

ARENA FINANS FAKTORİNG A.Ş.			
INCOME STATEMENT	2020	2019	2018
TRY (000)			
Net Interest Income	10,219.41	1,838.28	5,789.16
A) Interest income	41,135.38	35,125.52	36,437.89
a) Factoring Interest Income	41,135.38	35,125.52	36,437.89
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	30,915.97	33,287.24	30,648.73
Net Fee and Commission Income	3,104.61	5,846.91	3,982.72
a) Fee and Commission Income	3,423.37	6,111.59	4,340.23
b) Fee and Commission Expense	318.76	264.68	357.50
Total Operating Income	1,410.71	7,895.64	329.68
Interest Income from Other Operating Field	0.00	0.00	108.51
Foreign Exchange Gain or Loss (net) (+/-)	1,410.71	7,895.64	168.63
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	0.00	0.00	52.54
Taxes other than Income Tax	0.00	0.00	0.00
Dividend	0.00	0.00	0.00
Provisions	1,406.06	2,368.56	12,990.61
Provision for Impairment of Loan and Trade Receivables	1,406.06	2,368.56	12,990.61
Other Provision	0.00	0.00	0.00
Total Operating Expense	9,665.29	9,326.14	7,399.15
Salaries and Employee Benefits	5,543.94	5,902.71	4,572.86
Depreciation and Amortization	0.00	0.00	0.00
Other Expenses	4,121.35	3,423.44	2,826.30
Profit from Operating Activities before Income Tax	3,663.37	3,886.13	-10,288.21
Income Tax – Current	0.00	0.00	0.00
Income Tax – Deferred	546.47	1,148.72	-1,359.57
Net Profit for the Period	3,116.90	2,737.41	-8,928.64
Total Income	14,734.72	15,580.84	10,101.55
Total Expenses	9,665.29	9,326.14	7,399.15
Provisions	1,406.06	2,368.56	12,990.61
Pretax Profit	3,663.37	3,886.13	-10,288.21

- According to JCR Eurasia Rating's Calculations,

ARENA FİNANS FAKTORİNG A.Ş. FINANCIAL RATIO %	2020	2019	2018
I. PROFITABILITY & PERFORMANCE			
1. ROA - Pretax Profit / Total Assets (avg.)	1.45	2.09	-4.12
2. ROE - Pretax Profit / Equity (avg.)	13.04	15.43	-49.47
3. Total Income / Equity (avg.)	52.45	61.86	48.58
4. Total income / Total Assets (avg.)	5.84	8.40	4.04
5. Provisions / Total Income	9.54	15.20	128.60
6. Total Expense / Total Resources (avg.)	4.31	5.81	3.23
7. Net Profit for the Period / Total Assets (avg.)	1.24	1.47	-3.57
8. Total Income / Total Expenses	152.45	167.07	136.52
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	3.69	5.88	3.55
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	-7.23	-5.49	-13.73
11. Total Operating Expenses / Total Income	65.60	59.86	73.25
12. Interest Margin	4.36	1.09	2.46
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	13.70	20.03	8.15
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	123.09	147.60	97.91
15. Interest Coverage – EBIT / Interest Expenses	111.85	111.67	66.43
16. Net Profit Margin	21.15	17.57	-88.39
17. Gross Profit Margin	24.86	24.94	-101.85
18. Market Share	0.56	0.63	0.40
19. Growth Rate	16.31	69.29	-61.91
II. CAPITAL ADEQUACY (year end)			
1. Equity Generation / Prior Year's Equity	-0.09	-0.07	84.38
2. Internal Equity Generation / Previous Year's Equity	11.74	11.49	-50.26
3. Equity / Total Assets (Standard Ratio)	10.92	11.38	17.28
4. Equity / Total Liabilities	12.26	12.84	20.90
5. Free Equity / Total Receivables Ratio	8.10	9.27	16.50
6. Tangible Assets / Total Assets	3.42	3.73	5.17
7. Intangible Assets / Total Assets	0.31	0.08	0.15
8. Equity / Total Guarantees and Commitments + Equity	100.00	100.00	100.00
III. LIQUIDITY (year end)			
1. Liquid Assets + Marketable Securities / Total Assets	3.20	12.65	12.95
2. Liquid Assets + Marketable Securities / Total Liabilities	3.60	14.27	15.65
3. Short Term Borrowings / Total Assets	62.87	65.42	61.39
4. Net Interest and Commission / Total Assets	4.91	3.29	7.09
5. Liquid Assets + Marketable Securities / Equity	29.33	111.19	74.91
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	8.08	9.58	15.13
2. Total Provisions / Profit Before Provision and Tax	27.74	37.87	480.71
3. Impaired Receivables / Gross Receivables	8.55	10.20	16.54
4. Impaired Receivables / Equity	75.43	80.60	81.74
5. Loss Reserves for Receivables / Impaired Receivables	94.48	93.93	91.46
6. Collaterals / Total Receivables	3,075.07	2,813.92	3,363.75
7. Total FX Position / Total Assets	0.24	8.21	9.15
8. Total FX Position / Equity	2.21	72.21	52.91
9. Assets / Total Guarantees and Commitments + Assets	100.00	100.00	100.00

- According to JCR Eurasia Rating's Calculations,

Rating Info

Rated Company:	Arena Finans Faktoring A.Ş. Eski Büyükdere Cd. İz Plaza Giz No: 9 Kat: 11 Maslak /İstanbul Telephone: +90 (212) 960 05 05 Fax: +90 (212) 960 05 25
Rating Report Preparation Period:	18.08.2021-27.08.2021
Rating Publishing Date:	27.08.2021
Rating Expiration Date:	1 full year after publishing date, unless otherwise stated
Audited Financial Statements:	31.12.2020- 31.12.2016 / Solo
Previous Rating Results:	August 27, 2020 / Long Term National Scale / ‘BBB- (Trk)’ Other rating results for the Company are available at www.jcrer.com.tr

Disclaimer

The ratings assigned by JCR Eurasia Rating are reflection of the Company’s independent audit reports prepared in conformity with Turkish Financial Reporting Standards (TFRS), on and off-balance sheet figures, general market conditions in its fields of activity, unaudited financial statements, management report, information and clarifications provided by the Company, and non-financial figures. Certain financial figures of the Company for previous years have been adjusted in line with the JCR Eurasia Rating’s criteria.

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.

Previous rating results and other relevant information can be accessed on www.jcrer.com.tr

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This rating report has been composed within the methodologies registered with and certified by the SPK (CMB-Capital Markets Board of Turkey), BDDK (BRSB-Banking Regulation and Supervision Agency) and internationally accepted rating principles and guidelines but is not covered by NRSRO regulations.

JCR Eurasia Rating
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