## Corporate Credit Rating

☐New ☒Update

**Sector:** Factoring
**Publishing Date:** 26.08.2022


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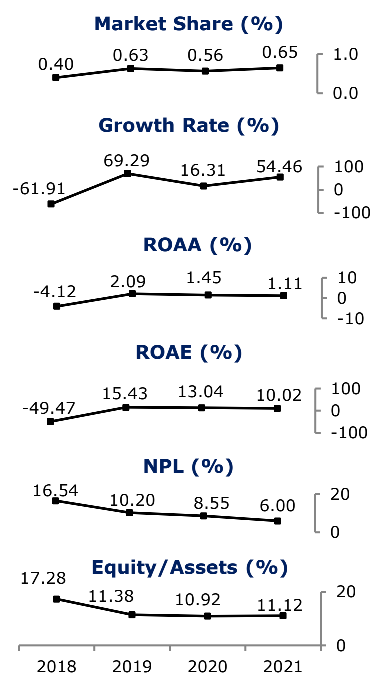
| RATINGS | | Long Term | Short Term |
|---|---|---|---|
| ICRs (Issuer Credit Rating Profile) | National ICR | BBB (tr) | J2 (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Negative | - |
| | International LC ICR | BB | - |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

** Assigned by JCR on August 18, 2022*




# Arena Finans Faktoring A.Ş.

JCR Eurasia Rating has evaluated **"Arena Finans Faktoring A.Ş."** in the investment-grade category, affirmed the Long-Term National Issuer Credit Rating as **'BBB (tr)'** and the Short-Term National Issuer Credit Rating as **'J2 (tr)'** with **'Stable'** outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as **'BB/Negative'** as parallel to international ratings and outlooks of Republic of Turkey.

**Arena Finans Faktoring A.Ş.** (hereinafter referred to as '**Arena Faktoring**', or **'the Company'**) was established in 2009 and acquired by the current shareholders in 2015. The Company continues its operations through two offices in İstanbul and Ankara, in addition to the headquarter in İstanbul. As a factoring services provider, Arena Factoring's 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.

Tezmen Family is the primary shareholder of the Company as of June 30, 2022. The Company maintains its operations by average workforce of 50 employees in FY2021 (FY2020: 46; FY2019: 38).

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

| Strengths | Constraints |
|---|---|
| • Diversified funding structure through debt security issuances, providing financial flexibility, | • Despite improvement, NPL ratios still exceeding the sector averages, |
| • Stable net interest income generation capacity, | • Ongoing profitability ratios below the sector averages, |
| • Refactoring facility contributing volume growth, | • Capital adequacy ratios standing below sector average despite being compatible with the requirements, |
| • Manageable customer concentration risk supported with collateral mechanism, | • Short-term borrowing profile in line with the sector, |
| • Experienced management team and low employee turnover rate. | • Intense competitive environment in the sector dominated by bank-owned companies which have comparative advantages with wide branch networks and lower borrowing costs. |

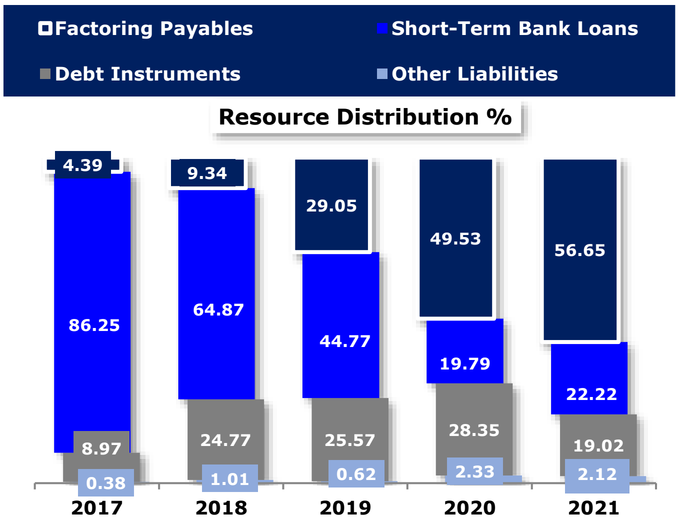
Considering the aforementioned points, the Company's Long-Term National Issuer Credit Rating has been affirmed as **'BBB (tr)'**. The Company's revenue generation capacity, asset quality, capital adequacy, risk management infrastructure supported by internal control systems, high provision level, experienced management team together with the general outlook of the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**. The Company's financial structure, attainability of the Company's budgeted projections, efficiency of investments, the possible impacts of the Russia-Ukraine War on the global and Turkey's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

## 1. Rating Rationale

**Diversified Funding Structure Through Debt Security Issuances, Providing Financial Flexibility**

The funding structure of Arena Faktoring is mainly comprised of factoring payables, short-term bank loans and bond issuances in addition to the equity base corresponding to 11.12% of total assets as of FYE2021.

The Company's resource distribution in the last five-year period is provided below:




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

| Interest Rates (%) Weighted Average | 2019 | 2020 | 2021 |
|---|---|---|---|
| *Assets* | | | |
| **Factoring Receivables** | 23.14 | 26.36 | 28.80 |
| *Liabilities* | | | |
| **Factoring Payables** | 15.50 | 20.09 | 24.16 |
| **Short Term Bank Loans** | 14.60 | 15.83 | 25.36 |
| **Debt Instruments** | 17.10 | 18.47 | 23.34 |

Issued debt securities made up an integral part of the Company's financing sources accounting for 19.02% of total liabilities as of FYE2021. Arena Faktoring uses debt instruments with a relatively long tenor of 1-2 years according to the average of the sector.

Considering the average maturity of the factoring receivables around 3-6 months, the ability to raise relatively long-term funding provides financial flexibility for the Company.

The Company plans to continue bond issuances to diversify funding resources and reduce borrowing from financial institutions in the following periods provided that the market conditions do not deteriorate materially.

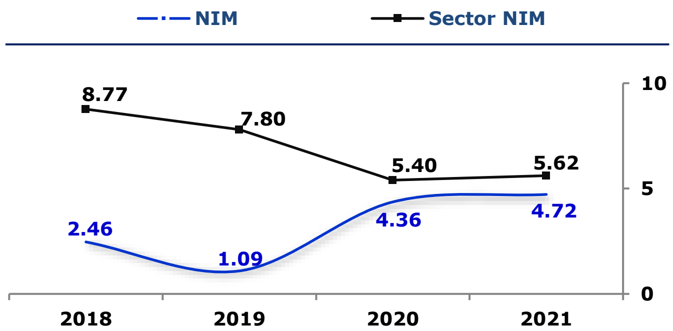
**Stable Net Interest Income Generation Capacity**

The Company's net interest income on factoring receivables increased from TRY 10.22mn to TRY 15.02mn as of FYE2021 as the earning assets increased from TRY 249.14mn to TRY 387.28mn in the same time period. In FY2021, the Company also recorded net fee and commission revenues on factoring transactions of TRY 3.15mn (FY2020: TRY 3.11mn). As a result of these changes, the Company's net factoring income amount reached TRY 18.17mn in FY2021 by increasing 36.40% YoY.

| (TRY 000) | 2019 | 2020 | 2021 |
|---|---|---|---|
| **Factoring Income** | **41,237** | **44,559** | **79,225** |
| *Interest income on factoring receivables* | *35,126* | *41,135* | *75,448* |
| *Fee and commission income on factoring transactions* | *6,112* | *3,423* | *3,777* |
| **Financial Expenses** | **33,552** | **31,235** | **61,052** |
| *Interest expenses on borrowings* | *33,287* | *30,916* | *60,425* |
| *Fee and commission expenses* | *265* | *319* | *626* |
| **Net Factoring Income** | **7,685** | **13,324** | **18,173** |
| *Net Interest Income* | *1,838* | *10,219* | *15,023* |
| *Net Fee and Commission Income* | *5,847* | *3,105* | *3,151* |

Consequently, the net interest margin of the Company increased from 4.36% as of FYE2020 to 4.72% as of FYE2021. The net interest margin is calculated as net interest income over average earning assets, excluding net fees and commissions.

Although, the Company's net interest margin (4.72%) shaped below the sector averages (%5.62) in FY2021, the ratio has indicated an upward trend in the last three-year period as shown in the below graph.

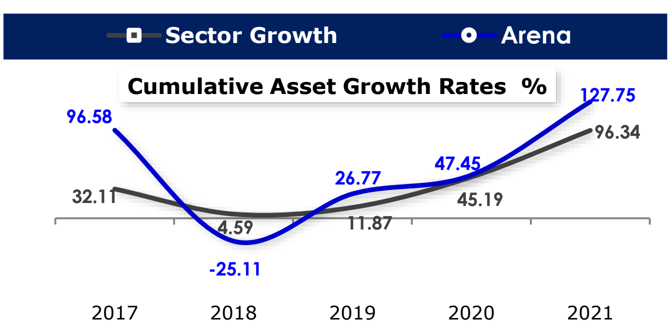



## Refactoring Facility Contributing Volume Growth

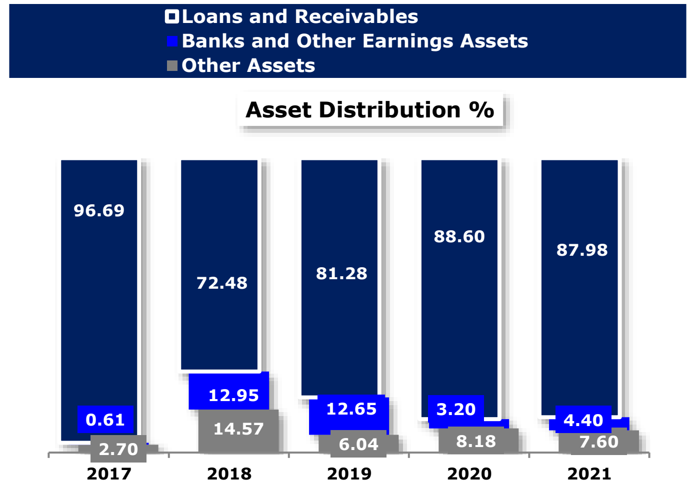
Depending on its business model, the Company use refactoring facility which contributes further volume growth. Factoring payables arise from the assignment of cheques/invoices etc. received from customers to other factoring companies through refactoring transactions. On the other hand, the responsibility of the Company that made the assignment continues. It is observed that factoring payables to factoring receivables ratio of the Company has indicated an increasing trend over the years as shown in the below table.

| (TRY mn) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Factoring Payables (FP) | 58,099 | 119,741 | 211,087 |
| Factoring Receivables (FR) | 188,375 | 239,216 | 368,209 |
| **FP/FR (%)** | **30.84** | **50.06** | **57.33** |

Besides debt security issuances and bank loans, refactoring facility provides the Company enhance its earning assets portfolio due to gaining cost advantages and maturity-matched funding. Increase in the earning assets accordingly contributes asset growth.




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.

## Manageable Customer Concentration Risk Supported with Collateral Mechanism

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

As of FYE2021, the Company's sector exposure was most noticeable in the "Wholesale and retail trade; repair of motor vehicles", "Transportation, storage and communication", "Manufacturing" and "Food, beverage and tobacco" sectors, which is considered reasonable regarding the composition of economy.

The sectoral distribution of factoring receivables as of FYE2021 is provided below,

| Sectoral Distribution - FYE2021 | Share (%) |
|---|---|
| Wholesale and retail trade; repair of motor vehicles | 32.60 |
| Transportation, storage and communication | 7.80 |
| Manufacturing | 7.00 |
| Food, beverage and tobacco | 6.70 |
| Agriculture, livestock and forestry | 6.40 |
| Paper raw materials and paper products printing | 6.10 |
| Construction | 5.30 |
| Textiles | 4.90 |
| Nuclear Fuel, petroleum and coal products | 4.20 |
| Rubber and plastic products | 4.00 |
| Machinery and equipment | 2.10 |
| Transport vehicles | 2.00 |
| Others | 10.90 |

The Company gives priority to increase its customer number, as seen in FY2021. The active customer number has reached to 1,049 in FY2021 from 882 in FY2020. The customer concentration risk is manageable compared to the sector dynamics. As of 1H2022, the top 10, 20 and 50 customers of the Company accounted for %15, %21 and %30 of the total receivables, respectively.

The customer concentration risk is managed with collateral mechanism. The guarantee of factoring receivables is checks/promissory notes, which are also payment instruments. These payment instruments are on average 1.07-1.10x more than the payment made. Additionally, the collateral mechanism is strengthened by taking surety bonds and guarantees from the shareholders of companies.

**Experienced Management Team and Low Employee Turnover Rate**

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.

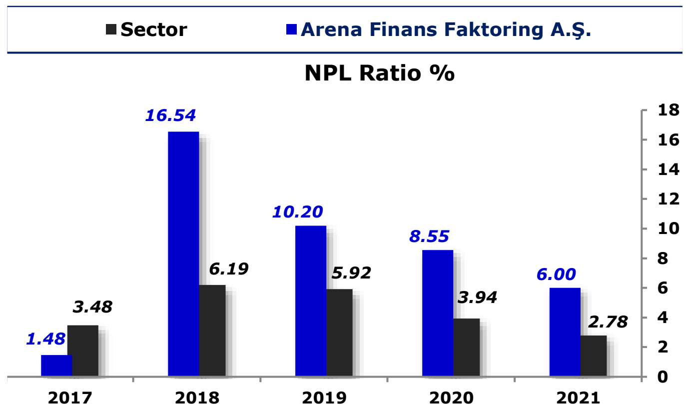
The significant sector experience and network of the senior executives are reflected to the Company operations through their cooperation in daily operations. During the review period, employee turnover rate of the Company was low and no material changes occurred in senior management permanency, ensuring the successful continuity of Company operations.

**Despite Ongoing Improvement, NPL Ratios Still Exceeding the Sector Averages**

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.

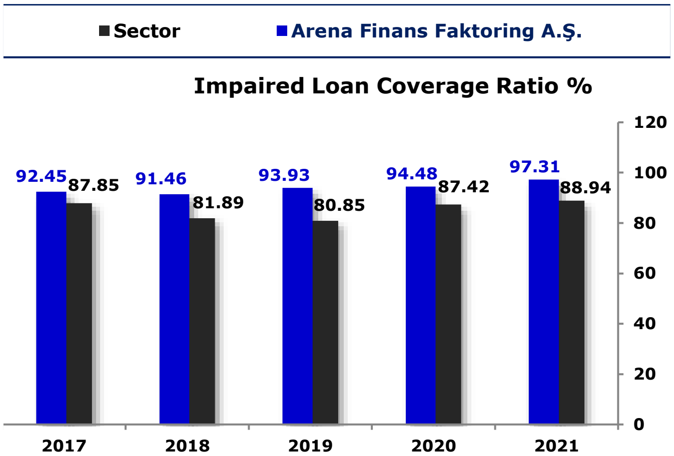
With the effective performance of the Company management, the NPL ratio of the Company decreased to 10.20%, 8.55% and 6.00% in FYE2019, FYE2020 and FYE2021 respectively.




The Company's gross overdue receivables increased from TRY 22.35mn to TRY 23.51mn as of FYE2020 (TRY 16.20mn of them are pre-2015 overdue receivables) as the total receivables increased from TRY 240.45mn to TRY 368.21mn and allowances increased from TRY 21.12mn to TRY 22.88mn in the same time period.

As a result of these changes, the NPL ratio of the Company decreased from 8.55% to 6.00% as of FYE2021. In the same time, the sector average of NPL decreased from 3.94% to 2.78%.

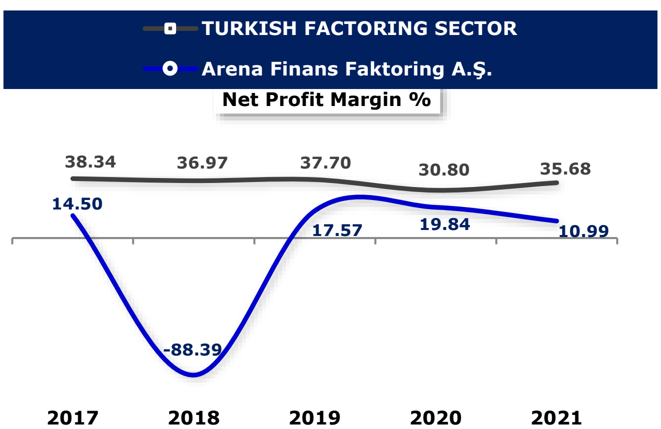
Additionally, the Company softened the pressure on NPL through effective internal control mechanisms, risk management infrastructure supported by internal control systems, experienced management team, cautious lending practices and high provision level.



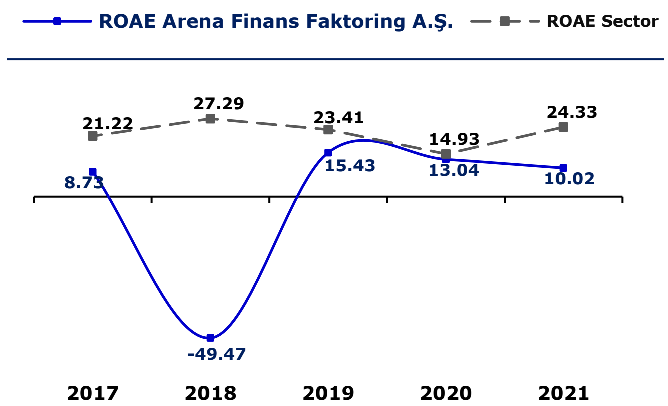

As shown in the above graph, the Company's impaired loan coverage ratio exceeds the sector averages over years indicating high provision level.

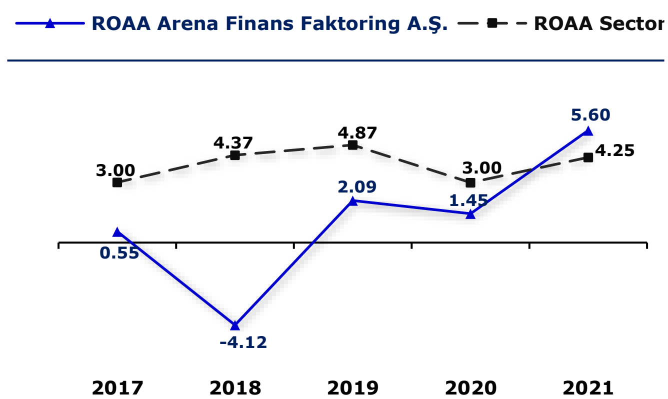
## Ongoing Profitability Ratios Below the Sector Averages

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.

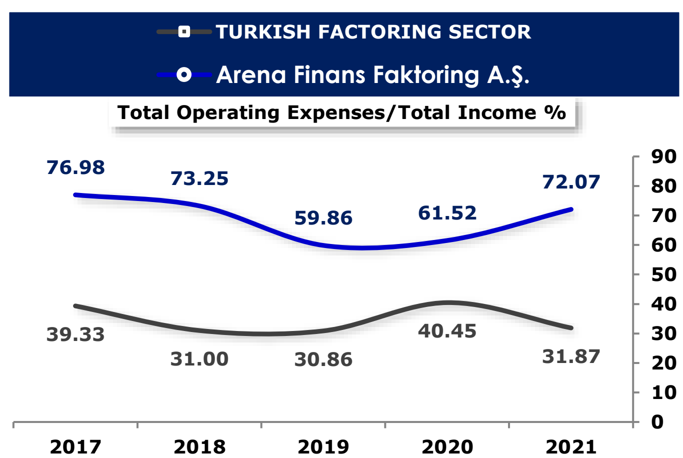



The main profitability indicators, ROAA and ROAE of the Company remained well below the sector averages over the years. On the other hand, in the last year ROAA of the Company slightly exceed the sector average as shown in the graph below.




Although the Company's total operating expenses are in moderate levels with respect to the Company's scale and operations, total operating expenses to total income ratio has remained above the sector averages during the reporting period and constraining its profit generation capacity.

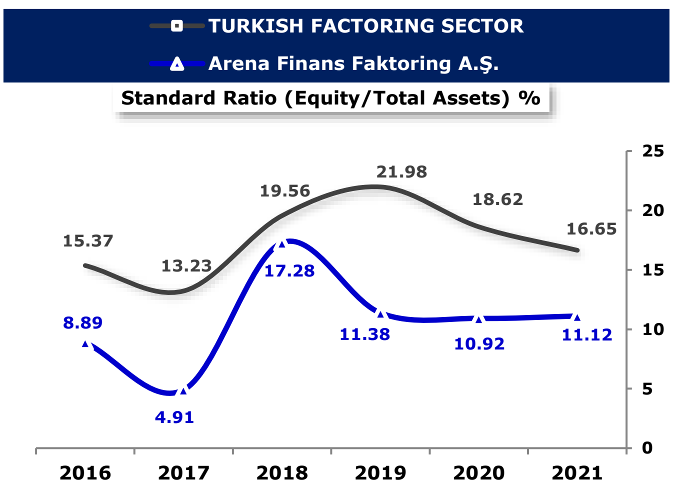


Due to the fact that the bank-owned companies can capitalize on the widespread branch network of the parent institutions, the Company's efficiency is evaluated as fair. Nevertheless, potential improvements in this core operating item could support overall profitability considerably.

**Capital Adequacy Ratios Standing Below Sector Average Despite Being Compatible with the Requirements**

Banking Regulation and Supervision Agency of Turkey (BRSA) regulations require factoring companies operating in Turkey to have an equity to total assets ratio (standard ratio) of 3%.

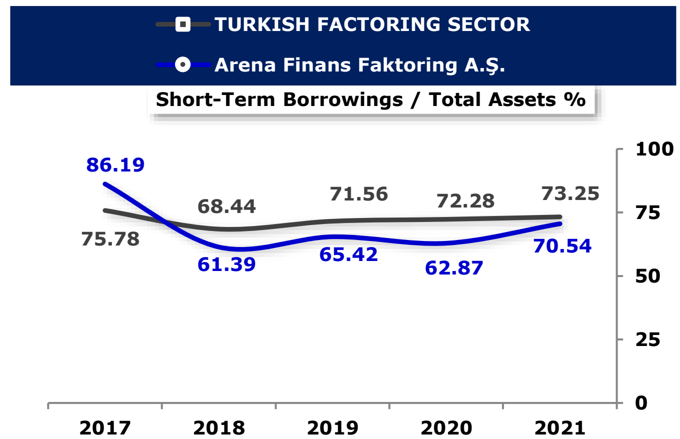
Despite being compatible with the requirements, the Company's standard ratio of 11.12% remains below the sector average of 16.65% as of FYE2021.




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. As of FYE2021, Arena Faktoring has TRY 50mn of paid-in capital, though the equity level is TRY 46.6mn due to accumulated losses in the previous periods.

**Short-Term Borrowing Profile in Line with 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.

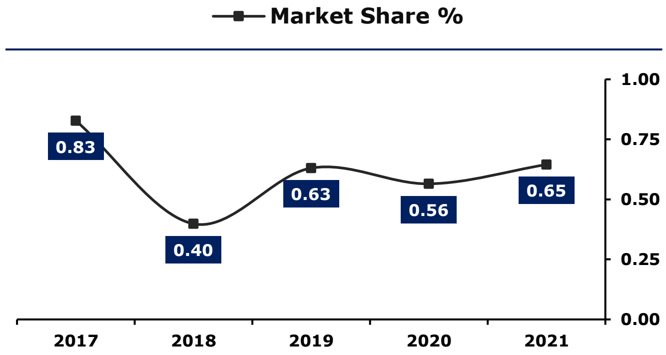



**Intense Competitive Environment in the Sector Dominated by Bank-Owned Companies Which Have Comparative Advantages with Wide Branch Networks and Low Borrowing Costs**

As of FYE2021, 54 companies operated in the factoring sector according to the Banking Regulation and Supervision Agency of Turkey (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 2021 as well.

Accordingly, Arena Finans Faktoring A.Ş. operates in a sector with intense competitive environment that pressure profitability and asset growth opportunities and thus the Company has inherent disadvantages compared with bank-owned factoring companies.




The market share of Arena Faktoring, based on its active size, increased slightly in FYE2021 and amounted 0.65%. Arena Faktoring does not seize an aggressive growth strategy and instead focuses on profitability and efficiency.

With respect to the factors mentioned above, JCR Eurasia Rating affirmed the Long-Term National Issuer Credit Rating of the Company as **'BBB (tr)'** and the Short-Term National Issuer Credit Rating as **'J2 (tr)'** in JCR Eurasia Rating's notation system which denote the investment-grade category.

When the global and national scale rating matching published by JCR Eurasia Rating is considered, the Company's Long-Term International Foreign and Local Currency Issuer Credit Ratings have been assigned as **'BB'** as parallel to international ratings of Republic of Turkey.

## 2. Rating Outlook

The Company's revenue generation capacity, asset quality, capital adequacy, risk management infrastructure supported by internal control systems, high provision level, experienced management team together with the general outlook of the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as **'Stable'**.

On the other hand, the outlooks for the Company's Long-Term International Foreign and Local Currency Issuer Credit Ratings have been determined as **'Negative'** as parallel to international outlooks of Republic of Turkey.

The Company's financial structure, attainability of the Company's budgeted projections, efficiency of investments, the possible impacts of the Russia-Ukraine War on the global and Turkey's economy and its effects on the Company's activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

**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,
- ➢ Significant increase in market shares,
- ➢ Reduction in financing costs and robust economic growth in the domestic and international markets supporting the real and factoring sector,
- ➢ Upgrades in sovereign ratings and economic growth prospects of Turkey.

**Factors that Could Lead to a Downgrade**

- ➢ Deterioration in net interest margin,
- ➢ Considerable increase in NPL ratio,
- ➢ Deterioration in asset quality,
- ➢ Increasing cost of funding and its effect on profitability,
- ➢ Growing turmoil in the domestic and international markets and negative effects of these on the real and factoring sectors,
- ➢ Downgrades in the sovereign rating level of Turkey.

## 3. Projections and Debt Instruments

The main targets of the Company for 2022 and the following periods are as follows:

- To increase the turnover size,
- To increase the customer portfolio,
- To increase the quality of service by commissioning of new products,
- To increase the share of export factoring transactions,
- To increase digital and physical field studies to support company promotion and marketing activities

The Company's FY2021 actual figures and balance sheet and income statement forecast throughout for FY2022 is provided in the below table. These figures have been provided by the Company management.

| Arena Finans Faktoring A.Ş. Management – BS Projections | | |
|---|---|---|
| **TRY (000)** | **2021A** | **2022E** |
| Banks and Other Earning Assets | 18,440 | 14,478 |
| Factoring Receivables | 368,209 | 625,047 |
| Net Overdue Loans | 633 | 0 |
| Other Assets | 31,937 | 51,480 |
| **Total Assets** | **419,219** | **691,005** |
| Factoring Payables | 211,087 | 400,629 |
| Bank Loans | 82,786 | 113,646 |
| Issued Debt Instruments | 70,854 | 114,500 |
| Other Liabilities | 7,884 | 6,746 |
| Equity | 46,607 | 55,484 |
| *Net Profit* | *2,180* | *8,935* |
| **Total Liabilities & Equity** | **419,219** | **691,005** |

| Arena Finans Faktoring A.Ş. Management - PnL Projections | | |
|---|---|---|
| **TRY (000)** | **2021A** | **2022E** |
| **Total Income** | **19,841** | **38,525** |
| *Provisions* | *1,722* | *4,546* |
| *Total Operating Expenses* | *14,299* | *22,366* |
| **Pre-Tax Profit** | **3,820** | **11,613** |
| *Taxes* | *1,640* | *2,678* |
| **Net Profit** | **2,180** | **8,935** |

The Company projected a 2022 year-end asset size of TRY 691.01mn through annual growth rates of 64.83%. According to the Company management projections, total income is projected to reach TRY 38.53mn by increasing 94.16% in FY2022. Accordingly, net profit of the Company is projected to reach TRY 8.94mn from TRY 2.18mn.

The stated growth projection will be financed also through available credit lines and the issuance of debt instruments. In 2022, the Company continues 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 Finans Faktoring A.Ş., the note assigned for the TRY dominated bond issuance has been affirmed as the same as the Company's Long and Short-Term National Issuer Credit Ratings which are **'BBB (tr)'** and **'J2 (tr)'**.

Taking into consideration the Company's past growth and projections relating to FY2022 we, as JCR Eurasia Rating, are of the opinion that Arena Faktoring shall fulfil the obligations in a timely manner and without distress as long as it preserves its current market shares, business mix and efficiency along with no deterioration in the general macro-economic context and sector dynamics.

## 4. Company Profile & Industry

### a. History and Activities

Originally founded in 2009, the Company's ownership has changed in 2015. Currently, Arena Finans Faktoring A.Ş. 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.

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 Company had an average workforce of 50 employees in FY2021 (FY2020: 46; FY2019: 38).

## b. Shareholders, Subsidiaries & Affiliates

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

| Shareholder Structure (%) | FYE 2021 | FYE 2020 |
|---|---|---|
| **Emre Tezmen** | 53.00 | 53.00 |
| **Oğuz Tezmen** | 37.00 | 37.00 |
| **Gül Ayşe Çolak** | 9.99 | 9.99 |
| **Fatma Nurcan Taşdelenler** | 0.01 | 0.01 |
| **Tolga Diramaliol** | 0.00 | 0.00 |
| **Paid-in Capital (TRY 000)** | **50,000** | **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 reporting date, 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 / General Manager |

## c. Industry Assessment

As of 2021, the total asset size and equity of the Turkish Factoring Sector amounted to TRY65bn and TRY10.8bn, respectively. There has been a growth in asset size by 35% in TRY and -25% in USD terms. The sector experienced to increase its net profit by 86% in 2021, compared to 2020. Containing 54 companies of various sizes with total of 350 branches and 4,026 employees, total turnover in the sector was TRY 26.7bn and bottom line was TRY1.8bn.

Based on the data of Association of Financial Institution, the trading volume, the number of customer and company in factoring sector are listed as below:

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Trading Volume (mn TRY)** | 199.55 | 148.50 | 129.91 | 146.69 | 145.05 |
| **Customer** | 80,373 | 74,414 | 83,636 | 92,422 | 109,658 |
| **Company** | 54 | 55 | 56 | 58 | 61 |

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 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, 59.40% in 2020 and 50.04% in 2021 through decreasing its share. Below are the details provided by BRSA.

**Turnover (000/TRY) Sectoral Breakdown**

| Factoring Sector | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Manufacturing | 21,446,629 | 12,764,579 | 12,955,604 | 13,343,085 |
| Services | 10,782,458 | 5,930,247 | 7,771,985 | 11,456,345 |
| Agriculture | 419,757 | 211,151 | 184,498 | 408,301 |
| Financial Intermediation | 1,026,003 | 615,435 | 707,056 | 1,229,428 |
| Others | 537,546 | 410,534 | 192,834 | 225,044 |
| **Total** | **34,212,393** | **19,931,946** | **21,811,977** | **26,662,203** |

**Turnover Sectoral Distribution (%)**

| Factoring Sector | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| Manufacturing | 62.69 | 64.04 | 59.40 | 50.04 |
| Services | 31.52 | 29.75 | 35.63 | 42.97 |
| Agriculture | 1.23 | 1.06 | 0.85 | 1.53 |
| Financial Intermediation | 3.00 | 3.09 | 3.24 | 4.61 |
| Others | 1.57 | 2.06 | 0.88 | 0.84 |
| **Total** | **100** | **100** | **100** | **100** |

Transport industry is ranked first under the wider manufacturing sector, followed by the textile products industry and metal 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**

| mn | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Asset Size-TRY | 64,971 | 48,044 | 37,017 | 34,608 |
| Asset Size-USD | 4,874 | 6,545 | 6,232 | 6,553 |
| Equity-TRY | 10,816 | 8,946 | 8,137 | 6,770 |
| P/L-TRY | 1,821 | 979 | 1,374 | 1,306 |
| ROAA (%) | 4.25 | 3.00 | 4.87 | 4.37 |
| ROAE (%) | 24.33 | 14.93 | 23.41 | 27.29 |
| NPL Ratio (%) | 2.88 | 4.1 | 6.17 | 6.52 |
| Equity/Total Sources (%) | 16.65 | 18.62 | 21.98 | 19.56 |

*Source: Banking Regulation and Supervision Agency*

As of 2021, the total asset size of factoring companies was TRY 65bn along with an equity size of TRY 10.8bn. 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 35%.

Factoring receivables occupy the highest share among sector's assets with a rate of 92% while loans occupy the highest share among resources at 71%. 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 steadily declined from 6.26% in 2018 to 2.88% in 2021. 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.

Despite the ratios of "ROAA (avg.)" and "ROAE (avg.)" has decreased in 2020 because of the Covid-19 pandemic, with the pandemic losing its effects, the aforementioned profitability ratios improved to 4.25% for ROAA and 24.33% for ROAE.

The growth of the factoring sector throughout 2022 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. Factoring companies can quickly reach customers anywhere in Turkey with digital onboarding without increasing the number of personnel, that providing a rise in the number of customers with less cost.

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

## 5. Additional Rating Assessments

The principal financial risks that the Company is exposed to include credit, market and liquidity risks along with operational risks which will be examined in greater detail in the following sections.

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.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

**Credit Risk**

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

The credit risks that the Company is exposed to and the credit ratings of its customers are constantly monitored. Credit risk is controlled through limits set for customers and reviewed and approved by the Company management.

Credit risk of the financial instruments is as follows;

| (TRY 000) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Factoring Receivables | 188,375 | 239,216 | 368,209 |
| Cash on deposit | 20,500 | 3,910 | 5,965 |
| Other Assets | 3,242 | 11,193 | 17,173 |
| **Total** | **212,116** | **254,319** | **391,347** |

The Company seeks to mitigate credit risk by conducting transactions only with creditworthy parties and, where possible, obtaining adequate collaterals.

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 15%, 21%, and 30% of the Company's total factoring receivables, respectively.

## Market Risk

Market risks stem from fluctuations in the value of a financial instrument which could potentially impact the Company's future cash flows. These include foreign currency risk, interest rate risks and risks relating to changes in the prices of financial instruments and commodities.

*Foreign exchange risk*

The carrying amount of the Company's foreign currency denominated financials for the last three-year period are as follows:

| (TRY 000) | 2019 | 2020 | 2021 |
|---|---|---|---|
| Assets | 21,654 | 1,825 | 4,645 |
| Liabilities | (1,787) | (1,171) | (6,299) |
| **Net FX Position** | **19,867** | **655** | **(1,654)** |

As shown in the table above, the Company has short net FX position in FY2021.

*Interest rate risk*

The Company is exposed to the fluctuations in interest rates due to the containment of assets and liabilities in its balance sheet carrying interest rates. The Company manages the interest rate risk by applying risk management strategies and matching the interest rate changes of assets and liabilities.

The interest rate risk of the Company is derived from the bond issuances carrying floating interest rates. Accounting for 19.02% of resource volume as of FYE2021, 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) | 2019 | 2020 | 2021 |
|---|---|---|---|
| *Fixed Interest Rate* | | | |
| **Factoring Receivables** | 188,375 | 239,216 | 368,209 |
| **Factoring Payables** | 58,099 | 119,741 | 211,087 |
| **Short Term Bank Loans** | 92,581 | - | - |
| *Floating Interest Rate* | | | |
| **Debt Instruments** | 52,873 | 68,545 | 70,854 |

## 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 FY2021, 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, Legal Regulatory & Other Risks**

Operational risk is defined as the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure. The operational risks arising from the nature of the business are well identified and closely monitored by the Company management.

In order to minimize or avoid operational risks, the Company implements policies regarding occupational safety, ethical and business standards, segregation of duties, compliance with legal and regulatory requirements, risk mitigation and documentation of processes as well as development of polices regarding the definition, measurement and control of operational risks.

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

| Arena Finans Faktoring A.Ş. BALANCE SHEET - ASSET (TRY 000) | FYE2021 USD (Converted) | FYE2021 TRY (Original) | FY2021 TRY (Average) | FYE2020 TRY (Original) | FY2020 TRY (Average) | FYE2019 TRY (Original) | FY2019 TRY (Average) |
|---|---|---|---|---|---|---|---|
| **A-TOTAL EARNING ASSETS (I+II+III)** | **29,843** | **387,282** | **318,212** | **249,143** | **234,166** | **219,189** | **168,472** |
| **I- LOANS AND RECEIVABLES (net)** | **28,422** | **368,842** | **304,646** | **240,449** | **215,062** | **189,674** | **144,790** |
| a) Factoring Receivables | 28,373 | 368,209 | 303,712 | 239,216 | 213,795 | 188,375 | 143,309 |
| b) Financing Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Lease Receivables | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Over Due Loans | 1,811 | 23,508 | 22,932 | 22,356 | 21,875 | 21,395 | 20,436 |
| e) Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| f) Receivable from Customer due to Brokerage Activities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| g) Allowance for Loan and Receivables Losses (-) | -1,763 | -22,875 | -21,998 | -21,122 | -20,609 | -20,096 | -18,954 |
| **II-BANKS AND OTHER EARNING ASSETS** | **1,421** | **18,440** | **13,567** | **8,693** | **19,104** | **29,516** | **23,682** |
| a) Banks | 460 | 5,965 | 4,937 | 3,910 | 12,205 | 20,500 | 16,803 |
| b) Financial Investments | 961 | 12,475 | 8,629 | 4,783 | 6,900 | 9,016 | 6,880 |
| c) Balance with Banks-Current Accounts | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **III-SECURITIES AT FAIR VALUE THROUGH P/L** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| a) Treasury Bills and Government Bonds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Other Investment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Repurchase Agreement | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE** | **5** | **61** | **61** | **61** | **61** | **61** | **30** |
| a) Investments in Associates (net) | 5 | 61 | 61 | 61 | 61 | 61 | 30 |
| b) Equity Share | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **C-NON-EARNING ASSETS** | **2,456** | **31,877** | **27,037** | **22,198** | **18,149** | **14,100** | **17,093** |
| a) Cash and Cash Equivalents | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Financial Assets at Fair Value through P/L | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Asset Held for Sale and Discontinued Operations (net) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Other | 2,456 | 31,877 | 27,037 | 22,198 | 18,149 | 14,100 | 17,093 |
| - Intangible Assets | 189 | 2,447 | 1,644 | 841 | 518 | 195 | 203 |
| - Property and Equipment | 647 | 8,400 | 8,834 | 9,269 | 8,990 | 8,712 | 7,919 |
| - Deferred Tax | 204 | 2,646 | 1,759 | 872 | 953 | 1,033 | 1,605 |
| - Other | 1,417 | 18,383 | 14,800 | 11,217 | 7,688 | 4,159 | 7,365 |
| **TOTAL ASSETS** | **32,304** | **419,219** | **345,311** | **271,402** | **252,376** | **233,350** | **185,596** |

- *Including JCR Eurasia Rating's adjustments where applicable,*

| Arena Finans Faktoring A.Ş.<br>BALANCE SHEET-LIABILITIES+EQUITY<br>(TRY 000) | FYE2021<br>USD<br>(Converted) | FYE2021<br>TRY<br>(Original) | FY2021<br>TRY<br>(Average) | FYE2020<br>TRY<br>(Original) | FY2020<br>TRY<br>(Average) | FYE2019<br>TRY<br>(Original) | FY2019<br>TRY<br>(Average) |
|---|---|---|---|---|---|---|---|
| **C- COST BEARING RESOURCES (I+II)** | **28,247** | **366,573** | **302,879** | **239,185** | **222,355** | **205,525** | **159,194** |
| **I-PAYABLES** | **16,408** | **212,932** | **167,859** | **122,786** | **91,429** | **60,072** | **35,362** |
| a) Factoring Payables | 16,266 | 211,087 | 165,414 | 119,741 | 88,920 | 58,099 | 34,376 |
| b) Lease Payables | 142 | 1,846 | 2,445 | 3,045 | 2,509 | 1,973 | 986 |
| c) Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **II-BORROWING FUNDING LOANS & OTHER** | **11,839** | **153,641** | **135,020** | **116,399** | **130,926** | **145,453** | **123,832** |
| a) Fund Borrowed-Short Term | 6,379 | 82,786 | 65,320 | 47,854 | 70,217 | 92,581 | 83,273 |
| b) Fund Borrowed-Long Term | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Marketable Securities for Issued (net) | 5,460 | 70,854 | 69,700 | 68,545 | 60,709 | 52,873 | 40,559 |
| d) Securities Sold Under Repurchase Agreements | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Subordinated Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **D- NON-COST BEARING RESOURCES** | **465** | **6,039** | **4,309** | **2,579** | **1,929** | **1,279** | **1,216** |
| a) Provisions | 352 | 4,568 | 2,558 | 549 | 448 | 347 | 272 |
| b) Current & Deferred Tax Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| c) Trading Liabilities (Derivatives) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Other Liabilities | 113 | 1,471 | 1,751 | 2,030 | 1,481 | 932 | 944 |
| **E- TOTAL LIABILITIES** | **28,712** | **372,612** | **307,188** | **241,764** | **224,284** | **206,804** | **160,410** |
| **F- EQUITY** | **3,591** | **46,607** | **38,123** | **29,638** | **28,092** | **26,546** | **25,186** |
| a) Prior Year's Equity | 2,284 | 29,638 | 28,092 | 26,546 | 25,186 | 23,826 | 20,795 |
| b) Equity (Internal & external resources added during the year) | 1,140 | 14,789 | 7,382 | -24 | -21 | -17 | 7,486 |
| c) Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| d) Profit & Loss | 168 | 2,180 | 2,648 | 3,117 | 2,927 | 2,737 | -3,096 |
| **TOTAL LIABILITY+EQUITY** | **32,304** | **419,219** | **345,311** | **271,402** | **252,376** | **233,350** | **185,596** |

- *Including JCR Eurasia Rating's adjustments where applicable,*

| Arena Finans Faktoring A.Ş. INCOME STATEMENT (TRY 000) | 2021 | 2020 | 2019 |
|---|---|---|---|
| **Net Interest Income** | **15,023** | **10,219** | **1,838** |
| A) Interest income | 75,448 | 41,135 | 35,126 |
| a) Factoring Interest Income | 75,448 | 41,135 | 35,126 |
| b) Financing Loans Interest Income | 0 | 0 | 0 |
| c) Lease Income | 0 | 0 | 0 |
| d) Banks | 0 | 0 | 0 |
| B) Financial Expense | 60,425 | 30,916 | 33,287 |
| **Net Fee and Commission Income** | **3,151** | **3,105** | **5,847** |
| a) Fee and Commission Income | 3,777 | 3,423 | 6,112 |
| b) Fee and Commission Expense | 626 | 319 | 265 |
| **Total Operating Income** | **1,668** | **1,411** | **7,896** |
| Interest Income from Another Operating Field | 0 | 0 | 0 |
| Foreign Exchange Gain or Loss (net) (+/-) | 267 | 1,612 | 1,574 |
| Gross Profit from Retail Business | 0 | 0 | 0 |
| Gains or Loss on Derivative Instruments (+/-) | 0 | 0 | 0 |
| Income on Sale of Equity Participations and Consolidated Affiliates | 0 | 0 | 0 |
| Gain or Loss from Investment Securities (net) (+/-) | 1,003 | -976 | 5,017 |
| Other Operating Income | 398 | 775 | 1,305 |
| Taxes other than Income Tax | 0 | 0 | 0 |
| Dividend | 0 | 0 | 0 |
| **Provisions** | **1,722** | **1,406** | **2,369** |
| Provision for Impairment of Loan and Trade Receivables | 1,722 | 1,406 | 2,369 |
| Other Provision | 0 | 0 | 0 |
| **Total Operating Expense** | **14,299** | **9,665** | **9,326** |
| Salaries and Employee Benefits | 7,605 | 5,544 | 5,903 |
| Depreciation and Amortization | 0 | 0 | 0 |
| Other Expenses | 6,694 | 4,121 | 3,423 |
| **Profit from Operating Activities before Income Tax** | **3,820** | **3,664** | **3,886** |
| Income Tax – Current | 0 | 0 | 0 |
| Income Tax – Deferred | 1,640 | 546 | 1,149 |
| **Net Profit for the Period** | **2,180** | **3,117** | **2,738** |

| | | | |
|---|---|---|---|
| **Total Income** | **19,841** | **15,711** | **15,581** |
| **Total Expense** | **14,299** | **10,641** | **9,326** |
| **Provision** | **1,722** | **1,406** | **2,369** |
| **Pretax Profit** | **3,820** | **3,664** | **3,886** |

- *Including JCR Eurasia Rating's adjustments where applicable,*

| Arena Finans Faktoring A.Ş. FINANCIAL RATIO % | 2021 | 2020 | 2019 |
|---|---|---|---|
| **I. PROFITABILITY & PERFORMANCE** | | | |
| 1. ROA - Pretax Profit / Total Assets (avg.) | 1.11 | 1.45 | 2.09 |
| 2. ROE - Pretax Profit / Equity (avg.) | 10.02 | 13.04 | 15.43 |
| 3. Total Income / Equity (avg.) | 52.05 | 52.45 | 61.86 |
| 4. Total income / Total Assets (avg.) | 5.75 | 5.84 | 8.40 |
| 5. Provisions / Total Income | 8.68 | 9.54 | 15.20 |
| 6. Total Expense / Total Resources (avg.) | 4.65 | 4.31 | 5.81 |
| 7. Net Profit for the Period / Total Assets (avg.) | 0.63 | 1.24 | 1.47 |
| 8. Total Income / Total Expenses | 138.76 | 152.45 | 167.07 |
| 9. Non-Cost Bearing Liabilities + Equity- Non-Earning Assets / Assets | 4.95 | 3.69 | 5.88 |
| 10. Non-Cost Bearing Liabilities - Non-Earning Assets / Assets | -6.16 | -7.23 | -5.49 |
| 11. Total Operating Expenses / Total Income | 72.07 | 65.60 | 59.86 |
| 12. Interest Margin | 4.72 | 4.36 | 1.09 |
| 13. Operating ROAA = Operating Net Incomes / Assets (avg.) | 18.61 | 13.70 | 20.03 |
| 14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.) | 168.52 | 123.09 | 147.60 |
| 15. Interest Coverage – EBIT / Interest Expenses | 106.32 | 111.85 | 111.67 |
| 16. Net Profit Margin | 10.99 | 21.15 | 17.57 |
| 17. Gross Profit Margin | 19.25 | 24.86 | 24.94 |
| 18. Market Share | 0.65 | 0.56 | 0.63 |
| 19. Growth Rate | 54.46 | 16.31 | 69.29 |
| **II. CAPITAL ADEQUACY (year-end)** | | | |
| 1. Equity Generation / Prior Year's Equity | 49.90 | -0.09 | -0.07 |
| 2. Internal Equity Generation / Previous Year's Equity | 7.35 | 11.74 | 11.49 |
| 3. Equity / Total Assets (Standard Ratio) | 11.12 | 10.92 | 11.38 |
| 4. Equity / Total Liabilities | 12.51 | 12.26 | 12.84 |
| 5. Free Equity / Total Receivables Ratio | 9.68 | 8.10 | 9.27 |
| 6. Tangible Assets / Total Assets | 2.00 | 3.42 | 3.73 |
| 7. Intangible Assets / Total Assets | 0.58 | 0.31 | 0.08 |
| 8. Equity / Total Guarantees and Commitments + Equity | 100.00 | 100.00 | 100.00 |
| **III. LIQUIDITY (year-end)** | | | |
| 1. Liquid Assets + Marketable Securities / Total Assets | 4.40 | 3.20 | 12.65 |
| 2. Liquid Assets + Marketable Securities / Total Liabilities | 4.95 | 3.60 | 14.27 |
| 3. Short Term Borrowings / Total Assets | 70.54 | 62.87 | 65.42 |
| 4. Net Interest and Commission / Total Assets | 4.34 | 4.91 | 3.29 |
| 5. Liquid Assets + Marketable Securities / Equity | 39.56 | 29.33 | 111.19 |
| **IV. ASSET QUALITY** | | | |
| 1. Loan and Receivable's Loss Provisions / Total Loans and Receivables | 5.84 | 8.08 | 9.58 |
| 2. Total Provisions / Profit Before Provision and Tax | 31.07 | 27.74 | 37.87 |
| 3. Impaired Receivables / Gross Receivables | 6.00 | 8.55 | 10.20 |
| 4. Impaired Receivables / Equity | 50.44 | 75.43 | 80.60 |
| 5. Loss Reserves for Receivables / Impaired Receivables | 97.31 | 94.48 | 93.93 |
| 6. Total FX Position / Total Assets | 0.39 | 0.24 | 8.21 |
| 7. Total FX Position / Equity | 3.55 | 2.21 | 72.21 |
| 8. Assets / Total Guarantees and Commitments + Assets | 100.00 | 100.00 | 100.00 |

- *Including JCR Eurasia Rating's adjustments where applicable,*

# Rating Info

| | |
|---|---|
| **Rated Company:** | Arena Finans Faktoring A.Ş.<br>Eski Büyükdere Cd. İz Plaza Giz No: 9 Kat: 11 Maslak / İstanbul, Türkiye<br>Telephone: +90 (212) 960 05 05 Fax: +90 (212) 960 05 25 |
| **Rating Report Preparation Period:** | 04.08.2022-26.08.2022 |
| **Rating Publishing Date:** | 26.08.2022 |
| **Rating Expiration Date:** | 1 full year after publishing date, unless otherwise stated |
| **Audited Financial Statements:** | FYE2021-FYE2020-FYE2019 \| Solo |
| **Previous Rating Results:** | August 27, 2021 / Long-Term National Issuer Credit Rating / 'BBB (tr)'<br>Other rating results for the Company are available at www.jcrer.com.tr |
| **Rating Committee Members:** | Ş. Güleç *(Executive Vice President)* , Z. M. Çoktan *(Executive Vice President)* ,<br>B. Pakyürek *(Chief Analyst)* , F.Lap *(Chief Analyst)* , K. F. Özüdoğru *(Chief Analyst)* |

# Disclaimer

The ratings affirmed by JCR Eurasia Rating are a reflection of the Company's independent audit reports prepared in conformity with Turkish Financial Reporting Standards (TFRS) and International Financial Reporting Standards (IFRS), on and off-balance sheet figures, general market conditions in its fields of activity, unaudited financial statements, 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.

Considering the fact that there are no additional legal or financial collateral guarantees provided separately for the repayment of the bonds issued, the note assigned for the TRY dominated bond issuance is assigned as the same as the Company's Long and Short-Term National Local Ratings, unless otherwise stated.

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



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

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