

Corporate Credit & Issue Rating

New Update

Sector: Factoring
 Publishing Date:12/07/2018

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RATINGS

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

*Affirmed by JCR on November 10, 2017

Arena Faktoring A.Ş. Company Overview

Financial Data	2018Q1	2017*	2016*	2015*	2014*
Total Assets (000 USD)	33,594	95,930	52,117	13,908	31,625
Total Assets (000 TRY)	132,658	361,839	184,068	40,438	73,334
Equity (000 TRY)	12,560	17,764	16,372	14,603	17,186
Net Profit (000 TRY)	-5,204	1,405	1,764	-5,677	32
Market Share (%)	N/A	0.83	0.56	0.15	0.28
ROAA (%)	N/A	0.55	1.96	-10.55	0.08
ROAE (%)	N/A	8.73	14.17	-37.77	0.33
Equity/Assets (%)	9.47	4.91	8.89	36.11	23.43
NPL (%)**	16.96**	1.48	2.51	20.49	10.97
Growth Rate (%)	-63.34	96.58	355.18	-44.86	19.08

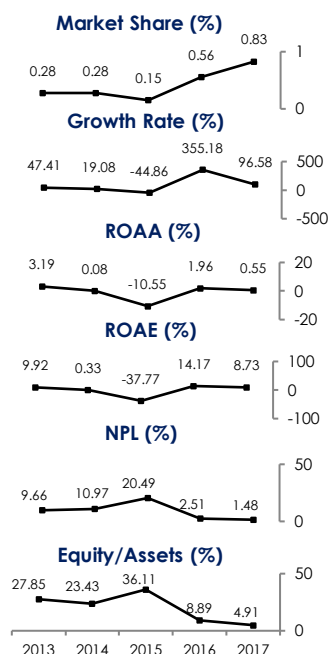
*End of year

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

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

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

The Company had a total asset size of TRY361.84mn, and a 0.83% asset share in the factoring sector worth a total of TRY 46.50bn in FYE2017. As of December 31, 2017, the Company employed an average workforce of 33 (December 31, 2016: 29).



Strengths

- Committed paid-in capital increase strengthening equity level
- Expanded funding opportunities and efforts to diversify funding channels through bond issuances
- Strong sponsor support of shareholders
- Majority of the balance sheet items being composed of earning assets contributing to asset quality

Constraints

- Low market share
- Profitability level inadequate to generate internal equity
- Fierce competition in the market
- Need for improvement in corporate governance practices
- Pressurized global and regional economic outlook with persistent uncertainties concerning the monetary policy responses

1. Rating Rationale

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

BRSA regulates and oversees the activities of the Turkish Factoring Sector since 2006. The Leasing, Factoring and Financing Companies Law No. 6361, the Factoring Sector's first, came into effect on December 13, 2012. Moreover, a regulation regarding organization and operating principals of financial leasing, factoring and financing companies entered into force on April 24, 2013. According to BRSA statistics, the total asset size of the Turkish Factoring Sector was TRY 43.7bn and involved 61 factoring companies as of FYE2017.

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

Main rating considerations are as below;

Impact of Macro-Based Government Incentives Including Credit Guarantee Fund backed Loans on the Factoring Sector

Several incentive packages have been initiated so as to tackle economic headwinds in economy, most prominent of which is the CGF backed loans underwritten by the banking sector, exceeding TRY 220bn. While the Fund backed loans provided a much-needed relief to the corporates and supported the loanbook and profitability growth of the banks, the factoring sector's growth acceleration has been somewhat tampered with the influx of additional banking loans. However, given the resource-based constraints on the banks, the expansion of the

aforementioned loans is deemed unlikely, potentially helping factoring sector recover its momentum.

Notable Increase in Factoring Receivables

The increasing trends in the Company's factoring receivables positively affect company's asset quality and market share. The Company's factoring receivables increased by 97.54% in FYE2017.

Committed Paid-In Capital Increase Strengthening Equity Level

On February 2018, decision is taken in extraordinary general meeting about increasing paid-in capital from TRY 20.00mn to TRY 35.00mn. The type of the capital increase is decided to be in cash-basis so that the aforementioned increase will directly contribute to the paid-in capital a positively affect the total equity level of the Company. Thanks to the planned cash capital increase, Arena Faktoring's dependency to external funding will be declined.

Downward Pressure in Profitability Ratios

The Company's 'Return of Average Assets (ROAA) and Return on Average Equity (ROAE)', the main profitability indicators, recorded a decrease as of FYE2017 and performed below the sector averages.

Above Sector Operational Expense Ratios

The ratio of 'total operating expenses to total income' exceeded the sector average over the last three years, mainly due to the extension of business operations and personnel expenses

Low Compliance Level in Corporate Governance Principles

Although Arena Faktoring is not a publicly traded company, it operates under the regulations and supervision of BRSA. Therefore, full compliance with corporate governance principles is not a legal obligation. However, a higher compliance level with corporate governance principles will contribute to its asset quality and market perception. In this scope, it is considered that there is large room for improvement in the corporate governance field.

Strong Competition Throughout the Sector

Currently, 61 companies actively operate in the factoring sector. Compared to non-bank factoring companies, bank-related factoring companies have easy access to a large clientele of banks in a diversified geographical area, funding sources and lower cost of funding.

Volatility in Macroeconomic Indicators Through Ongoing Regional Tensions

Factoring sector is sensitive to the economic prospects and the consumer confidence due to the fast-paced nature of the business. Recent depreciation of the TRY against the USD, political fluctuations, state of emergency in the country, turbulence in the Middle East, and possible increases in future costs of borrowing due to the rise in interest rates by the Federal Reserve are expected to lead contraction in economic activities and liquidity in the following periods.

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

2. Outlook

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

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

3. Sponsor Support and Stand-Alone Assessment

The Sponsor Support notes and risk assessments carried out reflect the financial and nonfinancial standings and expected supportive potential of the main controlling corporate shareholders, Mr. Emre Tezmen and Oğuz

Tezmen. It is considered that the shareholders have the willingness and propensity to supply long term liquidity or equity to the Company as and when financial needs arise and the adequate experience to provide efficient operational support.

The Stand-Alone Note is formed regarding the Company's assets quality, equity structure, market shares, sustained growth rates, organizational structure, management practices and development of existing risks in the markets and financial environment. Therefore, JCR Eurasia Rating believes that the Company has enough experience and infrastructure to manage the risks individually as long as it maintains its existing customers, sustainability of profitability and effectiveness in the market positions.

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

4. Company Profile

a) History & Activities

Arena Faktoring, founded in 2009, offers factoring operations to its clients in terms of cash management and receivable solutions. The Company has been acquired by Tera Menkul Degerler A.S. (by its shareholders) in 2015. During the exchange of the shares, in 2015, the Company paused its operations for 7 months. After the date when the acquisition was completed, the Company rapidly increased its business scale and as of FYE2016, the total assets reached to TRY 184mn (2015: TRY 40mn, 2014: TRY 73mn). Additionally, the Company's total asset reached to TRY 362mn as of FYE2017. Today, Arena Faktoring operates in headquarters in Istanbul and one branch in Ankara opened in July 2016.

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

b) Organization & Employees

The management of the Company is composed of a chief executive officer and the departments of marketing,

operations, administrative affairs, loans, and credit intelligence. Independent internal audit unit reports directly to the Board of Directors, while others are reporting to the Chief Executive Officer.

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

Board Members of Arena Faktoring as of December 31, 2017

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

c) Shareholders, Subsidiaries & Affiliates

On February 2018, decision is taken in extraordinary general meeting about increasing paid-in capital from TRY 20.00mn to TRY 35.00mn. The type of the capital increase is decided to be in cash-basis so that the aforementioned increase will directly contributed to the paid-in capital a positively affect the total equity level of the Company. Thanks to the planned cash capital increase, Arena Faktoring's dependency to external funding will be declined.

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

Arena Faktoring A.Ş.

Shareholders	Share %	Paid-in Capital (TRY)
Emre Tezmen	43.02	8,603,000
Oğuz Tezmen	37.00	7,400,000
Gül Ayşe Çolak	9.99	1,998,000
Taner Eray	9.99	1,998,000
Fatma Nurcan Taşdelenler	0.01	1,000
Total	100.00	20,000,000

Arena Faktoring A.Ş.

Shareholders	Share %	Paid-in Capital (TRY)	Cash Capital Commitment	Total Capital
Emre Tezmen	43.02	8,603,000	7,950,750	16,553,750

Oğuz Tezmen	37	7,400,000	5,550,000	12,950,000
Gül Ayşe Çolak	9.99	1,998,000	1,498,500	3,496,500
Taner Eray	9.99	1,998,000		1,998,000
Fatma Nurcan Taşdelenler	0.01	1,000	750	1,750
Total	100	20,000,000	15,000,000	35,000,000

As of August 15, 2017, main shareholders of Arena Faktoring are Oguz Tezmen and Emre Tezmen with a share of 37.00% and 43.02 %, respectively. The shareholders of the Company are almost same with the shareholders of Tera Yatırım Menkul Degerler A.Ş. As there is no consolidation between two companies, the shareholder structure of Tera Yatırım is provided below for informative purposes only.

Tera Yatırım Menkul Degerler A.Ş.

Shareholders	Share %	Paid-in Capital (TRY)
Oguz Tezmen	45.84	11,459,633
Emre Tezmen	38.99	9,748,464
Gül Ayşe Çolak	12.42	3,104,751
Myra Araç Kiralama A.Ş.	2.75	687,152
Total	100.00	25,000,000

d) Corporate Governance

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

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

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

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

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

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

e) The Company Strategies

Arena Faktoring targeted 2017 as the year for growth and increasing share in the factoring sector. In line with these objectives, the Company's management achieved 2017 budget targets by efficient use of human resource infrastructure. Moreover, the targets were achieved with 97.54% growth in factoring receivables and 96.58% growth in asset size owing to more agile profile compared to most bank affiliates companies. Arena Faktoring has a profit-oriented strategy for the year 2018. The company, which opened a new branch in April 2018, reaching to a total 3 offices, aims to achieve an increase in transaction volume and factoring receivables.

5. Sector Overview & Operational Environment

The Turkish factoring sector is comprised of 61 companies. As of FYE2017, the total asset size and equity of the Turkish Factoring Sector amounted to TRY 43.7bn (USD 11.59bn) TRY 5.78bn (USD 1.53bn) respectively. Containing 61 companies of various sizes, turn-over in the sector reached 117.40bn.

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

business model of some factoring companies into one where numerous small amount checks are discounted partially or completely.

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

The realization of manufacturing activities primarily by SMEs is the most fundamental reason underlying the dynamism of the demand for factoring services. When the distribution of factoring services turn-over across different sectors is examined, it's observed that the manufacturing sector occupies the leading position followed by services. The significant rises in the activities of retail trade, motor vehicle services, and construction are the major contributors to the increase in the share of services sector.

Non-performing receivables, collections, rapid credit growth of the banking sector, fast and flexible structure, and rising profit margins provided relief for the factoring sector throughout 2017 and consequently the ratio of non-performing receivables was reduced. We anticipate that the sector's growth trend will continue throughout 2018 with respect to both the number of customers and transaction volume.

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

The principles relating to the establishment and working conditions of factoring companies are regulated by the BRSA and is organized under the Financial Institutions Union. It remains a legal requirement that the sector management structures contain people that are educated and have sufficient professional experience, establish sound information systems, and identify and evaluate the

risks they are exposed to. The implementation of a centralized invoice registry system in factoring transactions prevented the duplicate transfer of receivables arising from sale of goods and services and as such increased transparency. The establishment of the Central Invoice Recording System under the **“Financial Institutions Union”** and the improvement of conditions in the process of obtaining data from the information pool in the Risk Centre within the Turkish Banking Union increase the capability to reach more accurate intelligence by the sector, contributing to the increase and preservation of the sector’s asset quality.

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

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

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

THE KEY INDICATORS OF TURKISH FACTORING SECTOR							
(000.000)	2017	2016	2015	2014	2013	2012	2011
Asset Size-TRY	43,712	33,080	26,716	26,515	21,790	18,146	15,622
Asset Size-USD	11,589	9,400	9,155	11,395	10,228	10,208	8,270
Equity-TRY	5,781	5,082	4,627	4,442	4,015	3,856	3,377
P/L-TRY	929	670	377	616	495	581	447
ROAA %	3.00	2.84	1.86	3.12	2.97	4.50	3.43
ROAE %	21.23	17.47	10.94	17.82	15.08	21.00	16.87
NPL Ratio%	3.47	4.62	5.49	4.83	4.70	4.69	3.94
Equity / T. Sources	13.23	15.36	17.32	16.75	18.42	21.25	21.00

The factoring sector has a relatively low free float rate and occupies a rather small share in the general finance sector. Location wise, 61 factoring companies are based in Istanbul and 1 in Ankara.

Taking into consideration the fact that the funds supplied by the factoring companies are largely provided by bank-subsidary factoring firms or those that contain banks within their groups, it becomes difficult for non-bank subsidiary factoring companies and the sector to carry out their intermediary function. As of FYE2017, the total asset size of factoring companies was TRY 43.71bn along with an equity size of TRY 5.78bn. In its 28-year history, the factoring sector has grown consistently, with the exception of 1994 and 2001 in which it contracted by 10.31% and 40.23%, respectively. The factoring sector exhibited a cumulative growth rate of 724.76% in the 2006-17 period. The growth rate in the last year was 32.14%.

Factoring receivables occupy the highest share among sector’s assets with a rate of 95.81% while loans occupy the highest share among resources at 72.78%. The sector meets a significant part of its resource needs through the short-term loans obtained from banks and is characterized by its inability to generate resource diversity. However, bond issuances slowed down starting in FY2008 but began to gather momentum as an aggregate sum in FY2012 before somewhat declining in 2016 and re-entering a phase of growth in FY2017. As of FY2017, issued bonds comprised 10.2% of total resources. The share of equity among total resources stands at 13.23% while its share among total resources is declining steadily. The practice of standard ratio was adopted across factoring companies with the new regulations and the rules brought into place dictated that the ratio of equity to the total assets of factoring companies should not fall below 3%.

Risk concentration is principally focused on the manufacturing sector with a rate of 42.76% with a predominance of the textile and textile products, transport vehicles, nuclear fuel, metals, and processed goods manufacturing sectors. The highest level of concentration among the wider services industry is observed in the sectors of wholesale and retail trade, motor vehicles services, construction, transportation, warehousing, and communication.

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

sector to its equity reached 25.94%. The level of provisioning for non-performing receivables was 85.23% in FY2015 and rose to 87.85% in 2017. The current rigidity of non-performing receivables underwent a comparative decline in line with the acceleration of economic growth throughout FY2017.

The performance of the factoring sector has maintained a faster upward acceleration in comparison to the banking sector since FY2016. The ratios of “ROA (avg.)” and “ROE (avg.)” were 2.05% and 18.61% respectively in the banking sector whilst the same ratios in the factoring sector were 3% and 21.23%, respectively. When the ratio of equity to total assets is taken into consideration, the factoring sector has a higher level of equity. The “Equity/Total Assets” ratio stood at 13.23% in 2017 whilst the same ratio for the banking sector was 11.02%. Similarly, the special provisioning ratios for the impaired receivables across the factoring sector rose to a level above that of the banking sector since FY2012.

The privileged position of bank-originated factoring companies in areas such as competition, access to funding, scale of service provision, and alternative distribution channels generate competitive distortions with other factoring companies. The return rates on loans and assets across the sector recorded a significant increase throughout 2017. As the increase in the cost of interest-bearing resources could be compensated by the increase in asset returns, the break-even point in terms of interest did not display a significant change in comparison to the previous year and was balanced at the level of 11.69%. Most importantly, net profit margins underwent a rapid rise from the level of 0.94% to 2.01%.

RETURNS - COST RATIOS ANALYSIS FOR FACTORING INDUSTRY

ASSET RETURN	2017	2016	2015
Loans Interest Yield	13.77%	10.77%	9.08%
Return the Commission	1.05%	0.87%	0.82%
FX Return or cost	-0.11%	0.47%	0.14%
Return or the cost of other operations	1.71%	1.24%	1.06%
Loans Total Return	16.42%	13.36%	11.09%
Cost of Non-Earning Asset	-0.50%	-0.40%	-0.33%
Asset Return	15.92%	12.95%	10.76%

COST OF LIABILITIES	2017	2016	2015
Interest Cost for Cost Bearing resources	10.77%	7.43%	6.34%
Cost of the Commission for Cost Bearing Resources	0.00%	0.00%	0.00%
Return on Non-cost Bearing resources	-0.66%	0.13%	0.58%
Cost of Liabilities	10.11%	7.56%	6.92%

NET PROFIT MARGIN	2017	2016	2015
Interest and Commission Margin	5.81%	5.40%	3.83%
The cost of provisioning expenses	-0.72%	-1.08%	-1.36%
The cost of Activities Expenses	-3.07%	-3.38%	-2.74%
Net Profit Margin	2.01%	0.94%	-0.26%

Break-even	2017	2016	2015
Break-even point in Terms of Interest	11.69%	12.63%	13.49%
Break-even point in Terms of Loan Size-TL	31,620.20	25,522.85	26,902.25

The growth of the factoring sector throughout FY2018 will be dependent on specially awaited new legal regulations, the contribution of technological infrastructure works, improvement in supplier finance, and success in the fields of export factoring works in addition to conjectural developments at the macro level. New regulations concerning “the reduction of transaction costs regarding the investment climate” and “the abolition of different applications among financial institutions” will contribute positively to the sector.

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

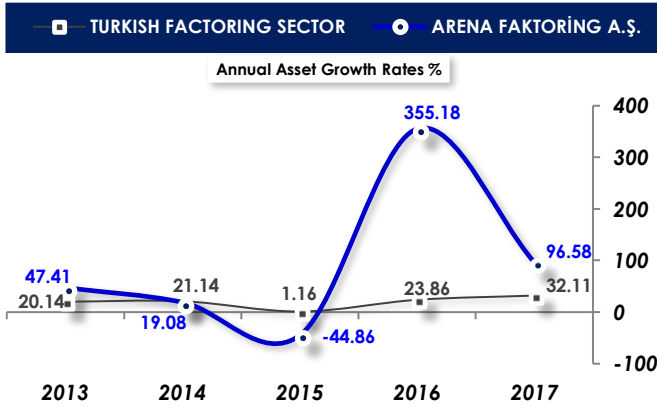
6. Financial Foundation

a) Financial Indicators & Performance

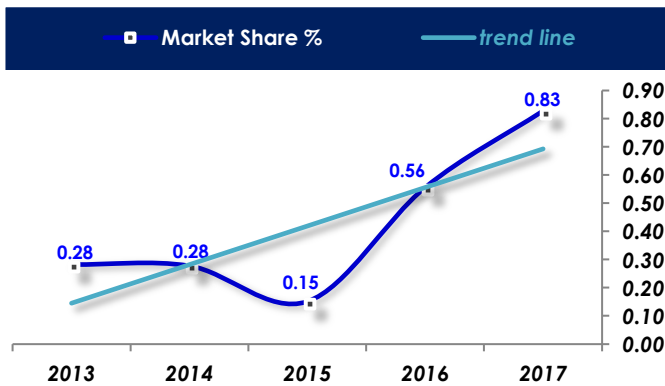
i. Indices relating to size

While the sector has increased its assets by 32.11%, Arena Faktoring’s total assets significantly increased from TRY 184.06mn to TRY 361.83mn with an above sector growth rate of 96.58% as of FYE2017. (As of May 31, 2018 : TRY 140.86mn). The Company maintained positive growth rates over the reporting period with the exception of a negative growth rate in FYE2015 due to constrained national and global economic performance experienced in 2015. Moreover, factoring receivables reached TRY 349.31mn as of FYE2017, displaying an increase of 97.54% compared to the sector’s 34.09% rise. (As of May 31, 2018: TRY 118.99mn)

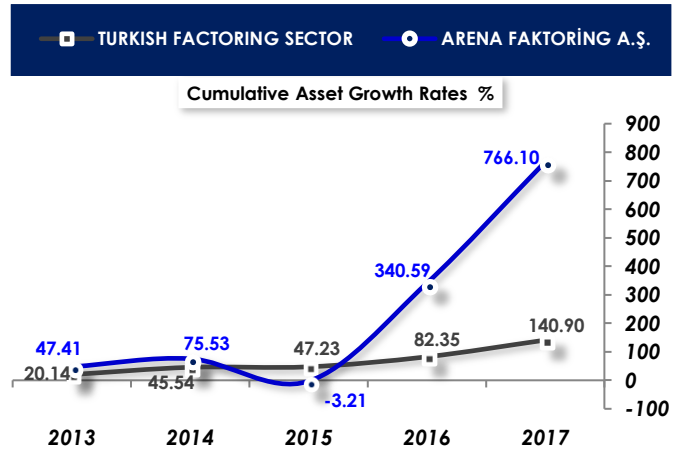
On the other hand, we note that the market is highly fragmented and skewed, with bank owned factoring companies constituting a large share of total factoring loans. BRSA mandated minimum capital requirement of TRY 20mn has resulted in exit and acquisition of certain factoring companies, a trend we expect to continue.



The Turkish factoring sector is comprised of 61 companies with different ownership and management structures, customer bases, scope of services, operational business models and strategies, profitability and risk preferences, branching facilities, access opportunities to customers and markets, funding sufficiency and operational capacities on a local and/or international scale. In this intensely competitive sector, Arena tiny increased its market share of 0.83% as of FYE2017.

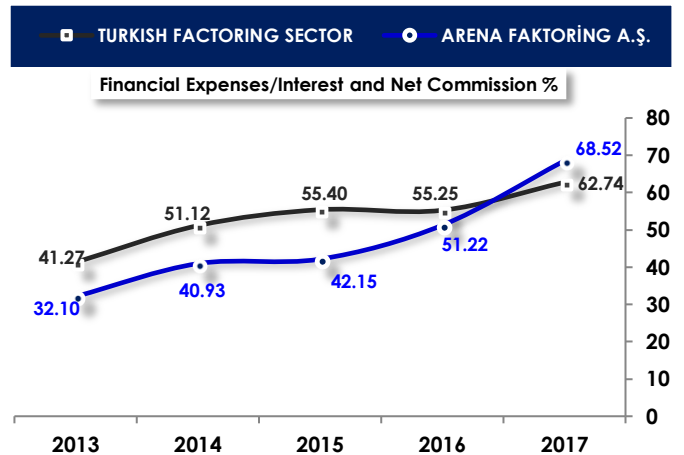


Between 2013 and 2017, Arena Faktoring achieved a cumulative growth of 766.10% while that of the factoring sector was 140.90%.

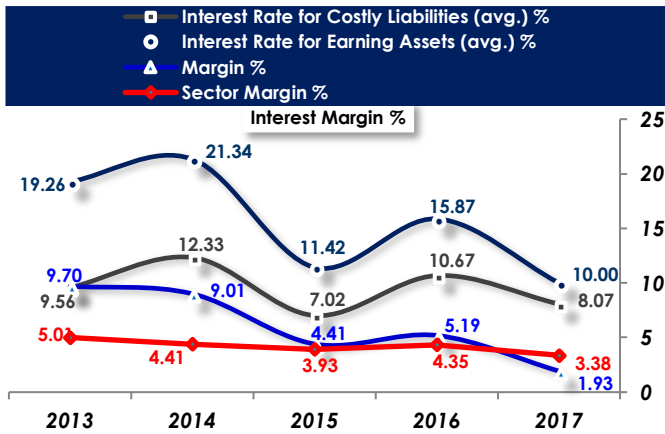


ii. Indices relating to profitability

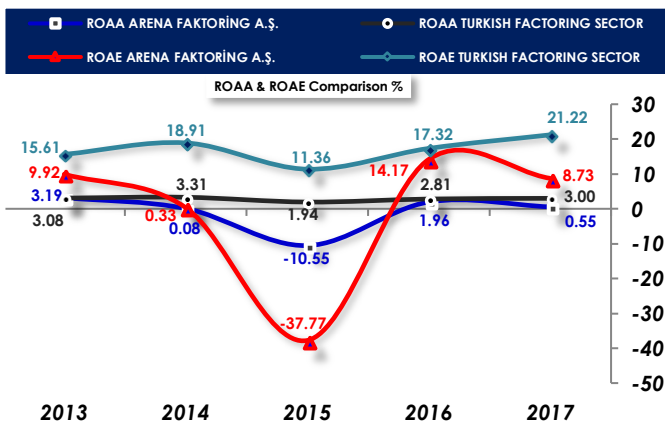
The Company's net profit decreased from TRY 1.76mn to TRY 1.40mn with a decrease of 20.41% compared to the previous year's net profit as of FYE2017. On the other hand, Arena Faktoring performed above the sector with regard to the ratio of financial expenses to net interest and commission income over the reporting period. Arena Faktoring's financial expenses corresponded to 68.52% of interest and net commission income while the sector averaged 62.74%.



The Company's interest margin decreased to 1.93% as of FYE2017 from 5.19% as of FYE2016 and stands below the sector average of 3.38%.

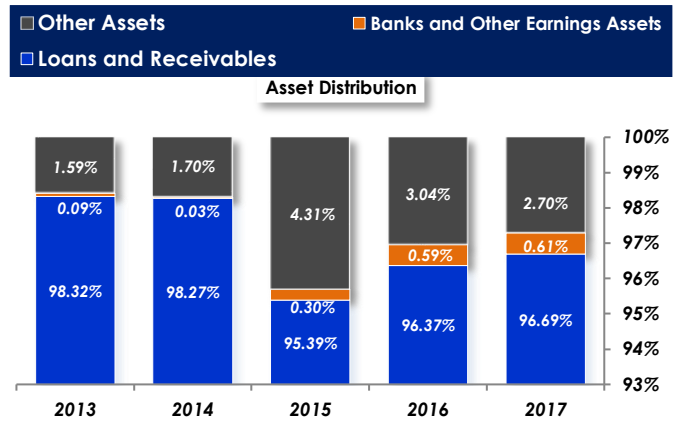


Arena Faktoring's profitability ratios, measured in ROAA and ROAE both recorded a decrease as of FY2017. The return on average asset (ROAA) decreased to 0.55% below the sector averages as of FY2017. In addition, the return on average equity (ROAE) ratio also showed a decreased, and exhibited 8.73% rate as of FY2017, remaining below the sector averages.

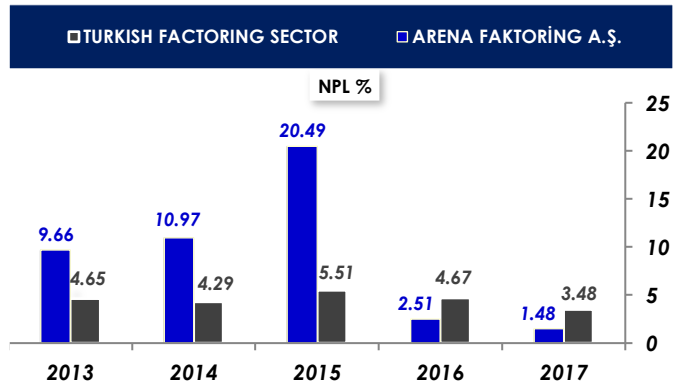


b) Asset quality

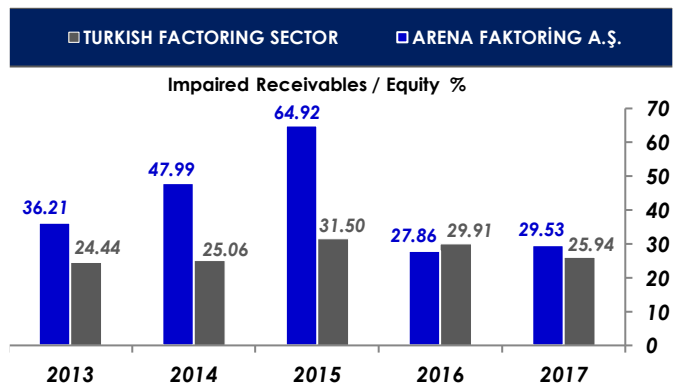
The Company's 2017 year-end total assets size amounted to TRY 361.83mn (As of May 31, 2018 : TRY 140.86mn). In addition, factoring receivables continued to be the primary asset of Arena Faktoring's balance sheet in 2017 with a ratio 96.54%, similar to previous years. As the quality of receivables is the most important part of total assets, the quality of receivables is examined to assess asset quality of the Company.



The Company's NPL ratio displayed a below sector average pattern over the last two-year period. This figure decreased to 1.48% from 3.48%, still below the sector average of 3.48% as of FYE2017.

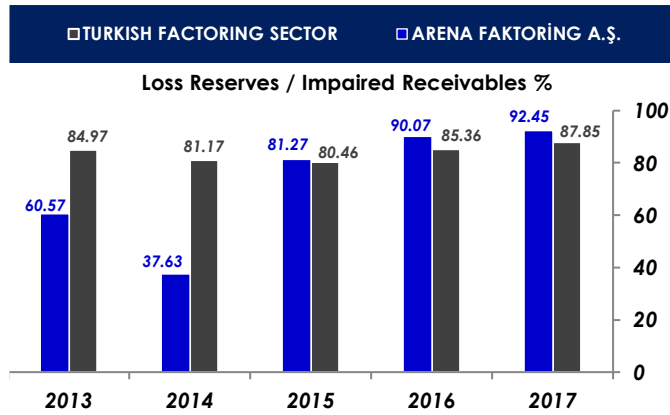


While the ratio of impaired receivables to equity decreased for the sector for the last two periods, Arena Faktoring's ratio of impaired receivables to equity tiny increased to 29.53% from 27.86% as of the reporting period.



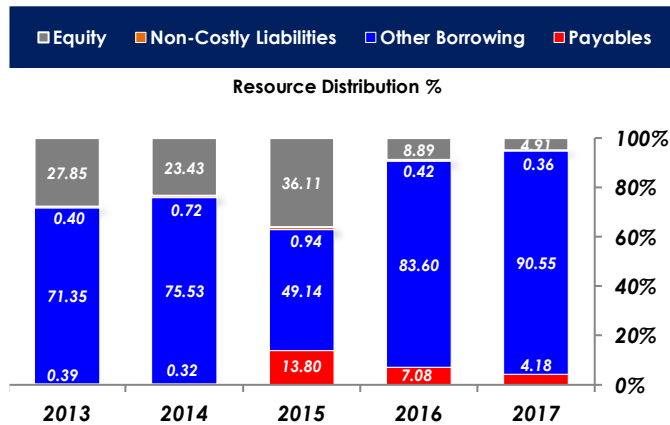
BRSA regulations require 20%, 50% and 100% provision coverage to impaired receivables which are past due by up to 180 days, 1 year and more than 1 year, respectively. The

provisioning level of the Company exhibited a growth to 92.45% as of FYE2017, the Company's figure is above the sector figure in FYE2017.

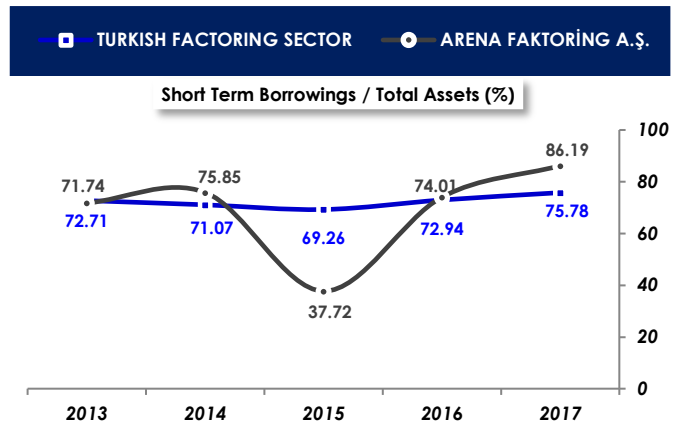


c) Funding & Adequacy of Capital

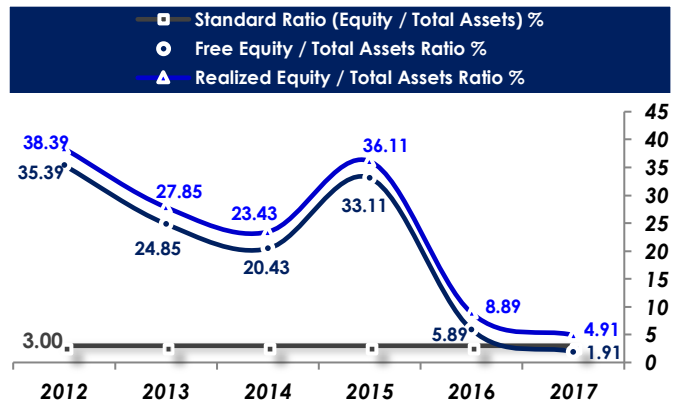
Bank loans, bonds and equity are the primary funding source of the operations of Arena Faktoring. %96.85 of the bank loans have a maturity date of less than three months. The Company formed a strong and diversified funding structure through alternative channels. Bonds issued to diversify funding sources amounted to TRY 27.00mn as of reporting date. (As of FYE2017: TRY 30mn).



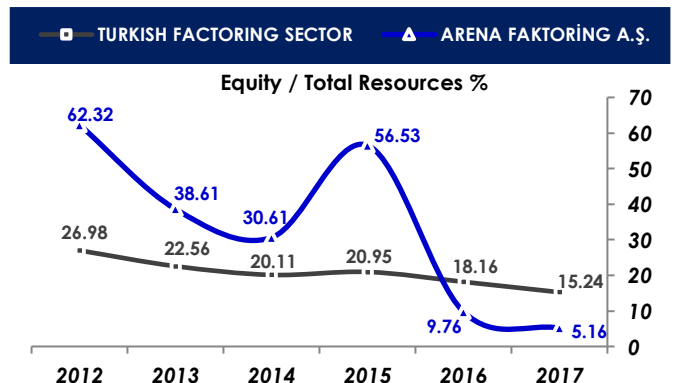
Short term borrowings including bank loans had a total value of TRY 296.76mn, constituting 86.25% of total liabilities as of FYE2017.



Factoring companies operating in Turkey are required by law to maintain an equity to assets ratio, otherwise known as the standard ratio, of at least 3%. The Company achieved a standard ratio of 4.91% as of FYE2017, staying below the sector average of 13.23%.



The capitalization level of the Company went below the sector average as of FYE2016. In 2017, the Company's equity to total resources ratio declined to 5.16%. The Company's cost of resources was subjected to a decline but thanks to the committed capital increase the burden of external funding will be eliminated at certain level.



Despite meeting the minimum paid-in capital requirements as dictated by the regulations, the Company's total equity underwent a reduction of 37% to below the legally required paid-in capital levels. In order to compensate for the fall in the paid-in capital, it was decided in the AGM dated 7 June 2018 that capital increase of TRY 15mn through rights issues would be undertaken. Following the increase in the paid-in capital that is expected to take place in the upcoming weeks, according to statement of the Arena Faktoring's management, the Company's equity will rise above TRY 20mn.

7. Risk Profile and Management

a) Risk Management Organization & its Function – General Information

Arena Faktoring is primarily exposed to credit, interest, liquidity and operational risk stemming from its activities and use of financial instruments. Factoring receivables and bank loans are the major obligations of the Company. The Company's risk management policies are monitored by 5 main units under the supervision of CEO. These units are Marketing, Ankara Branch, Operations, Financial & Administrative Affairs and Loan & Intelligence Unit. Each main unit is managed by the title of group manager, reporting directly to CEO. In addition, Internal Audit & Control Department is responsible for applying risk and control practices drawn out by the Company and reports to Board of Directors.

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

b) Credit Risk

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

The total number of active customers of Arena Faktoring is 470 as of July 2,2018. The concentration levels as of are reported as 75%, 80% and 86% for the top 10, 20 and 50 customers. The 66% is dominated by one company, which operates in automotive sector. Although the Company's exposure to single-party risk is high, there is no sign of a realization of single-party default risk, based on the solvency of the clientele. As of reporting date, the aforementioned receivable has been collected.

As of December 31, 2017

Customer Cluster	Share in Total Receivables (%)
First 10 - Customer	75
First 20 - Customer	80
First 50 - Customer	86

Credit risk mainly derived from short term factoring receivables. The total credit risk exposure of the Company was TRY 349.32mn at the end of FY2017, an increase from TRY 176.83mn as of FYE2016.

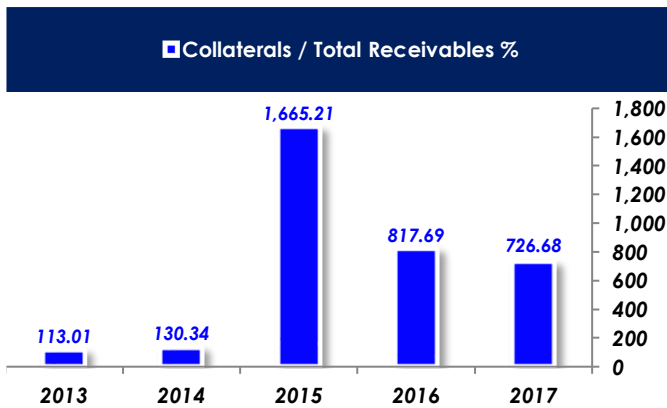
The following table gives the sectoral base diversification of the receivable portfolio of the company. Wholesale and Retail Motor Vehicle Services held the largest share with a rate of 74.25% followed by construction with a share of 8.26% as of FYE2017.

Sector Distribution of Receivables	2017 (%)	2016 (%)
Transportation Vehicles Industry	0.08	2.10
Construction	8.26	17.24
Textile	2.12	9.42
Machinery and Equipment	0.91	7.61
Other manufacturing not elsewhere classified	0.21	4.07
Wholesale and Retail Motor Vehicle Services*	74.25	24.29
Food, Beverages & Tobacco	3.03	6.18
Electrical and Optical Appliances Industry	0.31	1.56
Financial Intermediation	0.78	0.11
Transportation, Storage & Telco	2.64	3.94
Electricity, Gas & Water Supplies	0.45	0.86
Chemicals & Synthetics	0.77	1.90
Paper	0.37	0.69
Plastics	0.15	0.72
Society Services	0.07	0.57
Leather & Leather Products	0.05	0.84
Wood & Wood Products	0.05	0.03
Tourism	0.23	0.48
Healthcare	0.02	0.06
Metal Industry	0.80	5.44

Estate and Brokerage	2.05	1.57
Extraction of Non-Energy Producing Mines	0.03	1.40
Extraction of Energy Producing Mines	0.15	-
Agriculture, Livestock, Forestry	0.60	0.58
Nuclear Fuel, Petroleum Products and Coal	0.66	0.59
Other	0.96	7.75
Total	100	100

*As of reporting date, concentration is removed

The Company ratio of ‘Collaterals to Total Receivables’ maintained its full coverage over the review period as of FYE2017. Although the Company’s collaterals to total receivables ratio decreased from 817.69% to 726.68% as of FYE2017 factoring receivables amounting to TRY 349.32mn have been collateralized in the amount of TRY 835.31mn tangible collateral in the form of cheques, mortgage and notes.



c) Market Risk

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

Assets and liabilities denominated in foreign currencies create foreign exchange risk. The Company carries a certain amount of foreign exchange position arising from the transactions it has carried out in accordance with its activities. As of FYE2017, the Company holds short position in foreign exchange balance amounted TRY 582k. The nominal value is quite small compared to the total size of the Company.

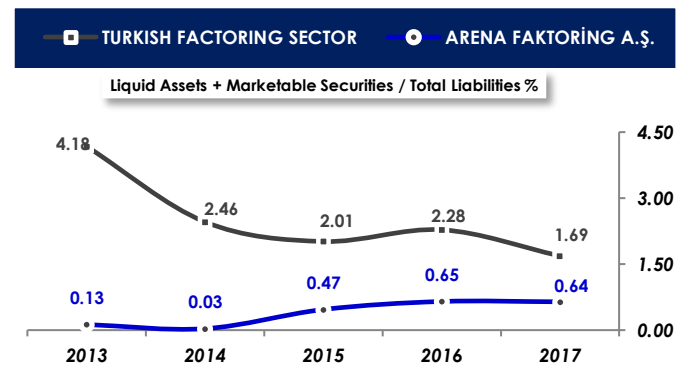
d) Liquidity Risk

Principally, the timeline of cash outflows and inflows and the uncertainties concerning the size and timeliness of cash

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

The Company has credit lines from various major financial institutions, supporting liquidity management. As of June 29, 2018, credit lines of the Company were provided by 19 different financial institutions worth TRY326.61mn. 23.55% of this total line was used with a free line amounting to 76.45% enabling adequate and available credit lines and providing comfort in liquidity management.

The liquid assets level of the Company continuously stayed below sector averages following 2013 in accordance with the management strategy of ensuring minimum idle balance and avoiding additional market risk.



e) Operational, Legal Regulatory & Other Risks

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

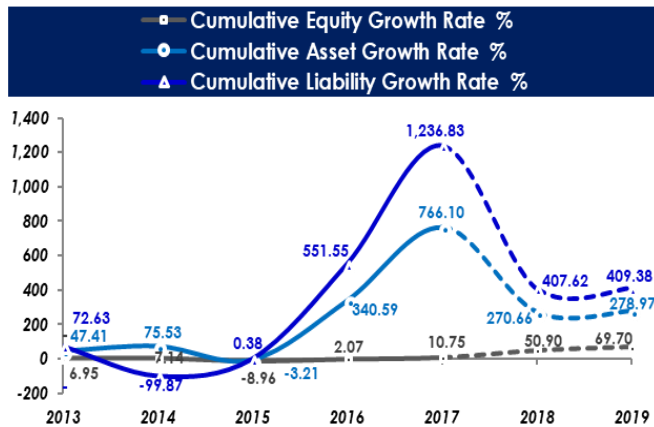
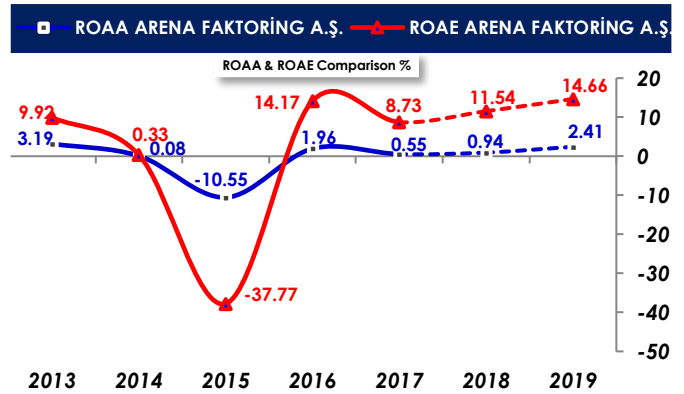
According to information received, the Company did not receive penal action by the regulatory and supervisory authorities, within the scope of legal risk. In addition to periodic reporting and transaction-based controls, the

Company aims to minimize the operational processes so as to eliminate redundancies.

8. Budget & Debt Issue

Arena Faktoring targeted 2017 as the year for growth and increasing share in the factoring sector. In line with these objectives, the Company's management achieved 2017 budget targets by efficient use of human resource infrastructure. Moreover, the targets were achieved with 97.54% growth in factoring receivables and 96.58% growth in asset size owing to more agile profile compared to most bank affiliates companies. Arena Faktoring has a profit-oriented strategy for the upcoming years. The Company has projected 2018 year-end financial statements figures of TRY 2.69mn net profit and TRY 154.85mn total asset size.

Based on budgeted statements supplied by the Company, growth rates for the last five years' growth series are expected to result in cumulative asset growth rates of 270.66% and 278.97% for 2018 and 2019, respectively.



Arena Faktoring's short term borrowings from banks and bond issuances will remain as the main sources of funding as in the previous years. Bonds issued to diversify funding sources amounted to TRY 27.00mn as of reporting date. (As of FYE2017: TRY 30mn).

During FY2018 and FY2019, the Company's main profitability indicators of ROAA and ROAE are projected to be 0.94%, 2.41%, and 11.54%, 14.66%, respectively.

ARENA FAKTORING A.Ş. BALANCE SHEET - ASSET TRY (000)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	As % of	As % of	As % of	2017	2016	2015
	2017	2017	2017	2016	2016	2015	2015	2014	2017	2016	2015	2017	2016	2015
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate	Rate	Rate
A-TOTAL EARNING ASSETS (I+II+III)	93,337.38	352,059.28	265,264.32	178,469.36	108,582.49	38,695.61	55,390.97	72,086.33	97.30	96.96	95.69	97.27	361.21	-46.32
I- LOANS AND RECEIVABLES (net)	92,750.60	349,846.00	263,611.82	177,377.64	107,976.13	38,574.62	55,321.22	72,067.81	96.69	96.37	95.39	97.23	359.83	-46.47
a) Factoring Receivables	92,609.89	349,315.24	263,073.68	176,832.13	106,766.88	36,701.64	51,682.53	66,663.43	96.54	96.07	90.76	97.54	381.81	-44.94
b) Financing Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Lease Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Over Due Loans	1,390.65	5,245.38	4,903.36	4,561.33	7,020.91	9,480.50	8,864.40	8,248.30	1.45	2.48	23.44	15.00	-51.89	14.94
e) Others	35.67	134.54	113.45	92.36	94.88	97.40	178.69	259.99	0.04	0.05	0.24	45.66	-5.17	-62.54
f) Receivable from Customer due to Brokerage Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-1,285.60	-4,849.15	-4,478.67	-4,108.18	-5,906.54	-7,704.91	-5,404.41	-3,103.90	-1.34	-2.23	-19.05	18.04	-46.68	148.23
II-BANKS AND OTHER EARNING ASSETS	586.78	2,213.28	1,652.50	1,091.72	606.35	120.99	69.76	18.52	0.61	0.59	0.30	102.73	802.33	553.22
a) Banks	586.78	2,213.28	1,652.50	1,091.72	606.35	120.99	69.76	18.52	0.61	0.59	0.30	102.73	802.33	553.22
b) Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Balance With Banks-Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
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	n.a	n.a	n.a
a) Treasury Bills and Government Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Other Investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Repurchase Agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
B- INVESTMENTS IN ASSOCIATES (net)+EQUITY SHARE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
a) Investments in Associates (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
C-NON-EARNING ASSETS	2,592.73	9,779.52	7,688.88	5,598.25	3,670.35	1,742.46	1,495.25	1,248.05	2.70	3.04	4.31	74.69	221.29	39.61
a) Cash and Cash Equivalents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Financial Assets at Fair Value through P/L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Asset Held For Sale And Discontinued Operations (net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Other	2,592.73	9,779.52	7,688.88	5,598.25	3,670.35	1,742.46	1,495.25	1,248.05	2.70	3.04	4.31	74.69	221.29	39.61
- Intangible Assets	59.24	223.44	233.83	244.23	216.62	189.01	108.65	28.28	0.06	0.13	0.47	-8.51	29.21	568.26
- Property and Equipment	1,955.76	7,376.95	5,766.98	4,157.02	2,205.02	253.03	258.71	264.38	2.04	2.26	0.63	77.46	1,542.90	-4.29
- Deferred Tax	216.05	814.93	658.69	502.44	718.05	933.67	840.44	747.21	0.23	0.27	2.31	62.20	-46.19	24.95
- Other	361.68	1,364.20	1,029.39	694.57	530.66	366.75	287.46	208.18	0.38	0.38	0.91	96.41	89.39	76.17
TOTAL ASSETS	95,930.11	361,838.79	272,953.20	184,067.61	112,252.84	40,438.07	56,886.23	73,334.38	100.00	100.00	100.00	96.58	355.18	-44.86

ARENA FAKTORİNG A.Ş. BALANCE SHEET-LIABILITIES+EQUITY TRY (000)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	(Year end)	As % of	As % of	As % of	2017	2016	2015
	2017	2017	2017	2016	2016	2015	2015	2014	2017	2016	2015	2017	2016	2015
	USD (Converted)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	TRY (Average)	TRY (Original)	Assets (Original)	Assets (Original)	Assets (Original)	Growth Rate	Growth Rate	Growth Rate
C- COST BEARING RESOURCES (I-II)	90,870.99	342,756.30	254,838.65	166,920.99	96,186.91	25,452.83	40,537.04	55,621.25	94.73	90.68	62.94	105.34	555.81	-54.24
I-PAYABLES	4,008.62	15,120.11	14,076.94	13,033.77	9,307.89	5,582.01	2,907.77	233.53	4.18	7.08	13.80	16.01	133.50	2,290.26
a) Factoring Payables	3,975.60	14,995.58	13,696.40	12,397.21	8,882.18	5,367.14	2,744.83	122.51	4.14	6.74	13.27	20.96	130.98	4,280.98
b) Lease Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Other	33.01	124.53	380.54	636.55	425.71	214.86	162.94	111.02	0.03	0.35	0.53	-80.44	196.26	93.53
II-BORROWING FUNDING LOANS & OTHER	86,862.37	327,636.19	240,761.71	153,887.23	86,879.03	19,870.83	37,629.28	55,387.72	90.55	83.60	49.14	112.91	674.44	-64.12
a) Fund Borrowed-Short Term	78,676.97	296,761.67	209,974.55	123,187.44	66,429.29	9,671.15	32,529.44	55,387.72	82.01	66.93	23.92	140.90	1,173.76	-82.54
b) Fund Borrowed-Long Term	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Marketable Securities For Issued (net)	8,185.40	30,874.52	30,787.16	30,699.79	20,449.73	10,199.68	5,099.84	0.00	8.53	16.68	25.22	0.57	200.99	n.a
d) Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
D- NON COST BEARING RESOURCES	349.48	1,318.21	1,046.54	774.87	578.39	381.90	454.58	527.26	0.36	0.42	0.94	70.12	102.90	-27.57
a) Provisions	38.99	147.08	137.35	127.61	99.39	71.16	100.28	129.41	0.04	0.07	0.18	15.25	79.33	-45.01
b) Current & Deferred Tax Liabilities	87.88	331.47	363.46	395.45	283.36	171.28	185.65	200.02	0.09	0.21	0.42	-16.18	130.88	-14.37
c) Trading Liabilities (Derivatives)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Other Liabilities	222.61	839.66	545.74	251.81	195.64	139.46	168.65	197.83	0.23	0.14	0.34	233.45	80.56	-29.51
E- TOTAL LIABILITIES	91,220.48	344,074.51	255,885.19	167,695.87	96,765.30	25,834.74	40,991.63	56,148.51	95.09	91.11	63.89	105.18	549.11	-53.99
F- MINORITY INTEREST	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
F- EQUITY	4,709.64	17,764.28	17,068.01	16,371.74	15,487.54	14,603.33	15,894.60	17,185.87	4.91	8.89	36.11	8.51	12.11	-15.03
a) Prior Year's Equity	4,340.45	16,371.74	15,487.54	14,603.33	15,894.60	17,185.87	17,170.05	17,154.22	4.52	7.93	42.50	12.11	-15.03	0.18
b) Equity (Internal & external resources added during the year)	-3.18	-11.98	-3.96	4.07	1,549.40	3,094.73	1,547.00	-0.73	-0.00	0.00	7.65	-394.64	-99.87	422,300.14
c) Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Profit & Loss	372.36	1,404.52	1,584.43	1,764.35	-1,956.46	-5,677.27	-2,822.44	32.38	0.39	0.96	-14.04	-20.39	-131.08	-17,633.25
TOTAL LIABILITY+EQUITY	95,930.11	361,838.79	272,953.20	184,067.61	112,252.84	40,438.07	56,886.23	73,334.38	100.00	100.00	100.00	96.58	355.18	-44.86
USD 1 = TRY		3.7719		3.5318		2.9076		2.3189						

ARENA FAKTORİNG A.Ş. INCOME STATEMENT TRY (000)	2017	2016	2015
Net Interest Income	5,952.92	6,963.05	3,483.77
A) Interest income	26,514.03	17,228.28	6,327.68
a) Factoring Interest Income	26,514.03	17,228.28	6,327.68
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	20,561.11	10,265.23	2,843.91
Net Fee and Commission Income	3,493.95	2,814.44	420.01
a) Fee and Commission Income	3,678.32	2,898.26	528.07
b) Fee and Commission Expense	184.37	83.82	108.06
Total Operating Income	240.90	193.02	336.74
Interest Income from Other Operating Field	13.61	128.08	37.35
Foreign Exchange Gain or Loss (net) (+/-)	62.08	-4.83	50.68
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	165.21	69.78	248.71
Taxes other than Income Tax	0.00	0.00	0.00
Dividend	0.00	0.00	0.00
Provisions	740.79	1,116.05	4,601.01
Provision for Impairment of Loan and Trade Receivables	857.12	1,397.99	4,760.30
Other Provision	-116.33	-281.95	-159.29
Total Operating Expense	7,457.35	6,659.91	5,642.53
Salaries and Employee Benefits	4,798.53	4,346.60	3,587.72
Depreciation and Amortization	0.00	0.00	0.00
Other Expenses	2,658.82	2,313.31	2,054.81
Profit from Operating Activities before Income Tax	1,489.63	2,194.56	-6,003.01
Income Tax – Current	0.00	0.00	0.00
Income Tax – Deferred	85.11	430.22	-325.75
Net Profit for the Period	1,404.52	1,764.35	-5,677.27
Total Income	9,687.77	9,975.35	4,240.52
Total Expense	7,457.35	6,664.74	5,642.53
Provision	740.79	1,116.05	4,601.01
Pretax Profit	1,489.63	2,194.56	-6,003.01

ARENA FAKTORİNG A.Ş. FINANCIAL RATIO %	2017	2016	2015
I. PROFITABILITY & PERFORMANCE			
1. ROA - Pretax Profit / Total Assets (avg.)	0.55	1.96	-10.55
2. ROE - Pretax Profit / Equity (avg.)	8.73	14.17	-37.77
3. Total Income / Equity (avg.)	56.76	64.41	26.68
4. Total income / Total Assets (avg.)	3.55	8.89	7.45
5. Provisions / Total Income	7.65	11.19	108.50
6. Total Expense / Total Resources (avg.)	2.91	6.89	13.77
7. Net Profit for the Period / Total Assets (avg.)	0.51	1.57	-9.98
8. Total Income / Total Expenses	129.91	149.67	75.15
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Assets	2.57	6.27	32.75
10. Non Cost Bearing Liabilities - Non Earning Assets / Assets	-2.34	-2.62	-3.36
11. Total Operating Expenses / Total Income	76.98	66.76	133.06
12. Interest Margin	2.24	6.41	6.29
13. Operating ROAA = Operating Net Incomes / Assets (avg.)	8.08	11.10	-5.55
14. Operating ROAE = Operating Net Incomes / Equity Capital (avg.)	129.19	80.45	-19.88
15. Interest Coverage – EBIT / Interest Expenses	107.24	121.38	-111.08
16. Net Profit Margin	14.50	17.69	-133.88
17. Gross Profit Margin	15.38	22.00	-141.56
18. Market Share	0.83	0.56	0.15
19. Growth Rate	96.58	355.18	-44.86
II. CAPITAL ADEQUACY (year end)			
1. Equity Generation / Prior Year's Equity	-0.07	0.03	18.01
2. Internal Equity Generation / Previous Year's Equity	8.58	12.08	-33.03
3. Equity / Total Assets (Standard Ratio)	4.91	8.89	36.11
4. Equity / Total Liabilities	5.16	9.76	56.53
5. Free Equity / Total Receivables Ratio	2.91	6.75	36.71
6. Tangible Assets / Total Assets	2.04	2.26	0.63
7. Intangible Assets / Total Assets	0.06	0.13	0.47
8. Equity / Total Guarantees and Commitments + Equity	100.00	100.00	100.00
III. LIQUIDITY (year end)			
1. Liquid Assets + Marketable Securities / Total Assets	0.61	0.59	0.30
2. Liquid Assets + Marketable Securities / Total Liabilities	0.64	0.65	0.47
3. Short Term Borrowings / Total Assets	86.19	74.01	37.72
4. Net Interest and Commission / Total Assets	2.61	5.31	9.65
5. Liquid Assets + Marketable Securities / Equity	12.46	6.67	0.83
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	1.37	2.26	16.65
2. Total Provisions / Profit Before Provision and Tax	33.21	33.71	-328.17
3. Impaired Receivables / Gross Receivables	1.48	2.51	20.49
4. Impaired Receivables / Equity	29.53	27.86	64.92
5. Loss Reserves for Receivables / Impaired Receivables	92.45	90.07	81.27
6. Collaterals / Total Receivables	726.68	817.69	1,665.21
7. Total FX Position / Total Assets	0.01	0.04	0.00
8. Total FX Position / Equity	0.14	0.43	0.00
9. Assets / Total Guarantees and Commitments + Assets	100.00	100.00	100.00