EKSPO FAKTORİNG A.Ş.

2013
ANNUAL REPORT

CONTENTS

In addition to offering a wide variety of products and providing high quality service, Ekspo Faktoring's significant financial support to the Turkish real sector aids in this key industry's development. The Company continued to pursue this important mission in 2013 as well.

Achieving differentiation in the non-bank financial sector through innovative approaches, Ekspo Faktoring further expanded its funding opportunities and correspondent network via international collaborations in 2013. The Company ranks among the most important business partners of a variety of enterprises in a wide range of industries in the area of foreign trade. Ekspo Faktoring has become a leading financial institution by continuously diversifying its product offering and raising its service quality.

As of year-end 2013, Ekspo Faktoring continued its successful track record by achieving a turnover of TL 1.1 billion, an asset size of TL 309 million, and a profit of TL 9.5 million. The Company understands that good corporate governance enables its sustainable success. Ekspo Faktoring plans to continue growing, developing, and providing financing and cash flow solutions with its strong capital structure of TL 82 million and highly skilled human capital, which has played a significant role in the Company's many achievements to date.

BOARD OF DIRECTORS

MURAT TÜMAY
CHAIRMAN OF THE BOARD OF DIRECTORS AND GENERAL MANAGER

ZEYNEP AKÇAKAYALIOĞLU
DEPUTY CHAIRMAN

NAMIK BAHRİ UĞRAŞ
MEMBER

ŞERİF ORHAN ÇOLAK
MEMBER

MESSAGE FROM THE CHAIRMAN AND THE GENERAL MANAGER

Ekspo Faktoring’s assets increased by 15% over the previous year, from TL 270 million to 309 million, while shareholders’ equity rose from TL 76 million to its highest ever level at TL 82 million.

Distinguished Stakeholders,

We welcome 2014 having left behind a year during which the last wounds of the global financial crisis have finally healed. Global economic growth of 2.6% in 2012 was followed by a 3% expansion in 2013. This uptick led to suggestions that the crisis period is over at last and that the world economy has returned to steady growth.

This trend is expected to continue in 2014, with the world economy again expanding by an estimated 3%. As in previous years, emerging markets, including Turkey, are projected to contribute the lion’s share of this growth. The Euro zone is forecast to expand 1% with the USA posting 2.8% growth; meanwhile, developing economies are expected to grow at a clip above the 3% mark. For this recovery process to continue, the Federal Reserve and the European Central Bank need to continue their respective quantitative easing programs. The decision to end their expansionary monetary policies and raise interest rates will not impact the most industrialized economies, but will cause emerging market growth to undershoot its potential in 2014. During the coming year, interest rates in the US and Europe may gradually increase, up to 4%. In such a scenario, the Turkish banking sector will be able to compensate for possible capital outflows from the country, thanks to its robust capital base and long-term debt structure.

I can happily report that 2013 was a successful year for Ekspo Faktoring A.Ş., too. During a period in which interest rates were falling, we raised our turnover up to TL 1.1 billion. In parallel with our conservative approach, we increased our assets by 24%, from TL 238 million to TL 295 million, excluding non-cash loans. Having increased our turnover to above the half-billion dollar level, we extended USD 26 million in export/export preshipment credits as well as USD 30 million in import financing to customers in 2013.

Import financing, and in particular commodity import finance, is one of Ekspo Faktoring’s areas of specialization. During the year, we visited the world's top providers of cotton, wheat, petroleum coke and other commodities, and provided long-term sales and credit facilities for their products while offering structured finance solutions to some. We extended USD 42 million in long-term structured financing to help a leading Turkish company meet its annual machinery procurement of USD 70 million from the UK. We managed to extend such a high level of credit by overcoming regulatory hurdles associated with our being a non-bank financial institution, which is a source of pride for both Ekspo Faktoring A.Ş. and Turkey. In cooperation with the British import-export credit agency UK Export Finance and Barclays Bank PLC, we created this funding facility, which is considered a rare example of its kind even in the United Kingdom.

We use the international loans obtained from the world’s largest banks to offer our customers the funding they require for trade related activities. These credit facilities are at the disposal of Ekspo Faktoring customers to meet their short and long term financing needs.

In another important development for the Company in 2013, we managed to increase our trade finance facility from Black Sea Trade and Development Bank -which includes the Turkish Treasury among its partners- from USD 5 million to USD 10 million. This lending facility will be used to finance raw material imports to Turkey. Our growing relationship with BSTDB will provide critical support for Turkish exporters. Ekspo Faktoring has been able to secure high profile funding facilities from international institutions thanks to our long-term, trust-based relationships with our clients.

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Ekspo Faktoring's real growth driver is its strong capital structure, which becomes more and more robust every day. In 2013, we expanded our shareholders' equity by 8% over the previous year, from TL 76 million to TL 82 million. In the coming year, we aim to increase our paid-in capital to TL 60 million. Since our sound shareholders' equity is entirely liquid, with a ratio of 2.6 we boast the lowest financial leverage in the sector.

As a result of all these positive developments, Moody's Investor Service, widely considered to be the most conservative of the global rating agencies, affirmed Ekspo Faktoring A.Ş.'s rating as Ba3 following its 2013 assessment. Moody's based this decision on the Company's high level of profitability, strong shareholders' equity, healthy asset quality, as well as its successful and innovative business model.

As I have already shared with you in previous reports and in various meetings, Ekspo Faktoring is actively pursuing its vision of becoming a regional financial leader in trade finance. We are moving forward towards this goal with great resolve. Our objective is to contribute to trade financing in the region and turn Turkey into a hub in this key area. We are extremely proud to have you, our valued stakeholders, accompany us as we make progress on this challenging journey.

I extend my gratitude to everyone who supports us on this quest with their committed efforts, and hereby submit our 2013 Annual Report for your consideration.

MURAT TÜMAY
Ekspo Faktoring A.Ş.
Chairman and the General Manager

50

TL MILLION
PAID-IN CAPITAL

33

TL MILLION
FACTORING REVENUES

12%

GROSS PROFIT MARGIN

FINANCIAL HIGHLIGHTS

Financial Highlights	December 2011-TL	December 2012-TL	December 2013-TL	December 2013-USD
Total Assets	255,787,833	269,575,803	309,295,620	144,916,657
Total Shareholders' Equity	66,700,499	76,205,521	82,067,136	38,451,547
Paid-in Capital	40,000,000	50,000,000	50,000,000	23,426,885
Net Working Capital	63,776,038	73.543.537	79.621.030	37.305.454
Factoring Receivables	236.425.268	233.544.382	289.514.399	135.648.409
Factoring Payables	602.921	990.294	2.671.290	1.251.600
Net Advances to Clients	235.822.347	232.554.088	286.843.109	134.396.809
Bank Loans	151.392.733	105.914.780	153.891.031	72.103.749
Issued Bonds	20.000.000	50.000.000	50.000.000	23.426.885
Total Income	40.295.282	41.194.549	33.848.017	17.591.610
Factoring Income	39.991.770	41.048.572	32.687.856	16.988.647
Gross Profit	13.291.991	14.407.228	9.534.458	4.955.282
Net Profit	10.562.119	11.505.022	7.861.615	4.085.866

Financial Data (%)	December 2011	December 2012	December 2013
Current Ratio	1,37	1,46	1,38
Liquidity Ratio	1,37	1,46	1,38
Net Working Capital/Total Assets Ratio	26	31	27
Liquid Assets/Total Assets Ratio	98	98	99
Debt/Assets (Indebtedness Ratio)	72	68	72
Debt/Equity (Financial Leverage Ratio)	2,61	2,12	2,59
Financial Liabilities/Total Assets Ratio	71	67	70
Interest Coverage Ratio (Times)	1,74	1,91	1,76
Average Collection Period (Days)	94	84	84
Total Expenses/Turnover Ratio	3	2	2
Gross Profit Margin	17	17	12
Net Profit Margin (Sales Profitability)	6	6	4
Return on Equity (Equity Profitability)	19	20	12

Deriving strength from a deep-rooted corporate culture, Ekspo Faktoring's stable financial performance continued in 2013 and fostered confidence among stakeholders as the Company increased its factoring receivables to TL 289,514 thousand.

1,106,219

TL THOUSAND TOTAL TURNOVER

2013	**1,106,219**
2012	1,107,466
2011	948,729

9,534

TL THOUSAND GROSS PROFIT

2013	**9,534**
2012	14,407
2011	13,292

82,067

TL THOUSAND TOTAL SHAREHOLDERS' EQUITY

2013	**82,067**
2012	76,206
2011	66,700

33,848

TL THOUSAND TOTAL INCOME GELIRLER

2013	**33,848**
2012	41,195
2011	40,295

309,296

TL THOUSAND TOTAL ASSETS

2013	**309,296**
2012	269,576
2011	255,788

289,514

TL THOUSAND FACTORING RECEIVABLES

2013	**289,514**
2012	233,544
2011	236,425

EKSPO FAKTORING IN BRIEF

Ekspo Faktoring works diligently to increase the quality and variety of services available in the Turkish financial services industry while developing effective financing solutions to meet the expectations and needs of its clients.

Ekspo Faktoring is one of the leaders in Turkey's financial services industry. Since the Company's founding in 2000, Ekspo Faktoring has carved out a niche in the sector through its innovative solutions.

Ekspo Faktoring works diligently to increase the quality and variety of services available in the Turkish financial services industry while developing effective financing solutions to meet the expectations and needs of its clients.

Ekspo Faktoring differentiates itself well in the industry especially with its expertise in foreign trade transactions. The Company has a significant competitive advantage thanks to its strong international correspondent network coupled with its innovative financial solutions in the area of imports and exports.

ESSENTIAL BUSINESS PARTNER IN FOREIGN TRADE

As the most important partner of its customers in their foreign trade activities in sectors ranging from construction to food, Ekspo Faktoring has taken important steps to become a comprehensive financial services institution by increasing service quality and diversifying the Company's product portfolio.

One of the most significant steps taken in line with this mission was Ekspo Faktoring's loan agreement with the Black Sea Trade and Development Bank. The Company signed a USD 5 million loan facility with a term of 370 days for foreign trade financing, and thus, has provided its customers with medium-term and long-term financing. Having extended USD 5 million of the facility in 2013, Ekspo Faktoring is preparing to provide the second stage limit of an additional USD 5 million as export preparation loans to the Company's customers as of April 2014.

Ekspo Faktoring is the only financial institution in Turkey, aside from the country's 25 largest banks, authorized by the US Department of Agriculture to provide GSM-102 loans, a privilege extended primarily to select banking institutions in the world. As a result of increased international business carried out in 2013, the Company collaborated with Canada Eximbank as well, and thus, has provided clients with additional medium and long-term financing opportunities.

CUSTOMIZED SOLUTIONS FROM EXPERIENCED PROFESSIONALS

At the top of the list of Ekspo Faktoring's success factors are the Company's highly qualified personnel who are focused on improving added value in business processes. Ekspo Faktoring's team of experienced professionals, who closely monitor sector developments, offer clients customized solutions tailored to their needs and expectations.

Ekspo Faktoring has adopted the continuous improvement approach in line with the Company's mission and vision. A highly skilled team of professionals works to continuously develop the Company's service infrastructure while closely monitoring developments in the financial services industry.

In the information technology area, Ekspo Faktoring has switched to the SWIFT system. Relations with banks and international financial institutions are carried out through this system. The use of SWIFT has minimized operational risks of transactions by decreasing the number of steps of the work flow. Additionally, the Company has refreshed its corporate web site, www.ekspofaktoring.com, with a more contemporary and user-friendly interface in line with emerging advanced technology standards.

As one of the key business partners in the foreign trade operations of many companies in a wide range of sectors, Ekspo Faktoring has become an expert financial services provider by continuously raising its service quality and diversifying its product portfolio.

DIVERSIFIED PRODUCT RANGE

Ekspo Faktoring has significantly diversified its client portfolio on an industry basis in accordance with the Company's mission of introducing advantageous financing products to a wide range of enterprises operating in different sectors. Ekspo Faktoring aims to maintain a competitive edge in the industry by providing innovative products and adhering to good corporate governance practices. As a result, the Company has attained a high level of customer satisfaction and differentiated itself in the financial services industry, which is getting more competitive day by day.

The Company provides clients with a diverse range of products including trade, commodity and structured finance solutions.

As of year-end 2013, Ekspo Faktoring recorded TL 309 million in total assets, TL 1.1 billion in total turnover, and TL 9.5 million in profit. The Company also increased shareholders' equity by 8% to TL 82 million over the prior year. In addition, Ekspo Faktoring posted record-breaking commission income, an all-time high in the Company's history.

MISSION TO SUPPORT THE REAL ECONOMY

Since its founding in 2000, Ekspo Faktoring has provided significant financial support to the development of Turkey's real sector through a wide range of products and high-quality service. The Company continued to pursue this mission in 2013. About 90% of Ekspo Faktoring's turnover was generated from domestic transactions, while international transactions accounted for 10% during the reporting period.

In 2013, Ekspo Faktoring posted a total of USD 26 million in export turnover and USD 30 million in import volume.

In 2012, Ekspo Faktoring began participating in SWIFT (Society for Worldwide Interbank Financial Telecommunication), a secure information exchange system between banks. The Company's participation is the first of its kind in the industry. The Company expanded its correspondent network further in 2013 by entering into agreements with the world's largest banks.

Through its effective business processes based on speed and quality along with a corporate structure open to continuous improvement, Ekspo Faktoring is committed to playing a key role in the future growth and development of Turkey's economy.

WORLD ECONOMY

Despite slowing economic expansion in developing countries in 2013, Ekspo Faktoring posted strong growth of 15% while the Turkish economy expanded 4%. The Company's project financing services provide support to Turkey's growth driver sectors including energy, infrastructure, transport and real estate, contributing to the economic development of the country as well as increasing employment opportunities.

Moderate global economic growth was observed in 2013. The world economy grew 3.8% in 2011, 3.1% in 2012, and 3% in 2013.

The main driver of this expansion in recent years has been emerging markets. During the year, developing economies expanded 4.7%, while the most industrialized countries recorded growth of about 1.3%. In 2013, the global economy continued to grow at a moderate pace. As a result of the ongoing recession in the Euro zone, weak domestic demand mainly in emerging markets, and thus slowing expansion there, worldwide economic growth continued at a moderate and widely-fluctuating pace.

Although many years have passed since the onset of the world financial crisis, global employment has yet not risen to pre-crisis levels and many developed countries have maintained high rates of unemployment. Simultaneously, emerging market growth has decelerated while financial fragility linked to instability in capital movements has increased.

In spite of all these challenges, the ongoing contraction that occurred for six consecutive quarters in the Euro zone finally ended in second quarter 2013. While the European economy contracted 0.4% for the year, the EU's economic engine, Germany, managed to grow by 0.5%. Elsewhere, China's economy expanded by 7.7%, and the US economy posted 1.9% growth, which was a relatively successful performance among the most developed countries.

Three fundamental risks that the global economy currently faces include: lingering financial problems in developed countries, the exit from expansionary monetary policies in the most advanced economies, and slowing growth in emerging markets. Recent volatility in capital movements has increased the downward risks for developing countries that have adopted a growth model based on credit inflow and expectations.

In this environment, the European Central Bank (ECB) and the US Federal Reserve (Fed) have both taken positive steps forward; as a result of their low interest rate and liquidity policies, inflation has remained at reasonable levels. While the inflation rate in the most advanced economies was 1.4%, this rate increased for developing countries compared to the previous year, rising to 5.8%. Thus, the global inflation rate for 2013 was around 3.1%.

The US Federal Reserve has indicated that it will manage its monetary policy in line with inflation and unemployment levels and that it will keep interest rates low in 2013. Nonetheless, signs of cutting back the Fed's asset purchases initially sparked a commotion in international markets. The statement given by Janet Yellen, who has become the chairwoman of the Federal Reserve after Ben Bernanke's term of office ended in February 2014, to continue the Fed's bond purchase program has partially allayed market concerns for now.

However, the Federal Reserve's decision in December 2013 to reduce the amount of assets purchased monthly by USD 10 billion, from USD 85 billion to USD 75 billion, impacted emerging markets and financial fragility linked to capital movements have increased.

Beginning to gain momentum in the second half of 2013, the global economy is expected to also continue this uptrend in 2014 and 2015 due to the positive effects of more robust growth in the most developed countries in particular.

The world economy is forecast to expand by 3.7% in 2014 and 3.9% in 2015. Meanwhile, expected growth rate is 2.8% and 3% for the USA, and 1% and 1.4% for Europe in 2014 and 2015, respectively.

ISTANBUL-IZMIR HIGHWAY PROJECT

Project Value

USD 5 billion

Completion Date

2020

The Istanbul-Bursa-Izmir Highway project, still under construction between Izmir and Istanbul, is currently one of the biggest infrastructure projects in the world. The largest Build-Operate-Transfer project in Turkey to date has a budget of USD 5 billion, which is greater than the GDP of 53 of the world's smallest countries.

When the project is completed, the driving distance between Istanbul and Izmir will be shortened by 140 km and the travel time, which is currently 8-10 hours, will drop to 3.5-4 hours. The Turkish economy is projected to save TL 870 million per year with this project, which will also reduce the traffic load between Izmir and Istanbul by 30%.

TURKISH ECONOMY

2013 was a successful year for Turkey as the country completed large-scale, globally renowned infrastructure projects and continued to develop rapidly.

2013 was a year in which the Turkish economy expanded. In 2011, the country's economic growth rate climbed to 8.5%, while in 2012, it dropped to 2.2%. In 2013, Turkey's economy posted growth of 4%. Uncertainties towards the exit strategy of the US Federal Reserve from its expansionary monetary policy, increased financial risk perception due to rising geopolitical tension in the region, volatility in the movement of capital, along with rising foreign currency exchange and interest rates have had a negative effect on the country's growth.

However, the capacity to create employment opportunities, low budget deficit, low public debt liability, strong banking sector, low-risk household and private sector balance sheets, upward trend in industrial production, diversification of export markets, and flexible foreign exchange system stand out as the main factors that support short- and medium-term growth and make the Turkish economy more resilient to external shocks.

In 2013, Turkey's current account deficit increased 34% over the previous year, climbing to USD 65 billion. Keeping in mind that GDP rose 4% in 2013, the current account deficit/GDP ratio has become 7.9%. The negative effects of the net gold trade and the increase in imports due to domestic demand as well as the relative stagnancy in exports in the recent period as a result of the weak outlook in the global economy and the ongoing debt crisis in the EU, one of Turkey's biggest trade partners, have played a major role in this rise.

International credit rating agencies have verified the positive developments in the Turkish economy. Standard and Poor's (S&P) has raised Turkey's credit rating from BB to BB+, one notch below investment grade. Meanwhile, Moody's, Dominion Bond Rating Services and Japan Credit Rating Agency (JCR) all upgraded Turkey's credit rating to investment level in May. Thus, with Fitch, who increased its rating in November 2012, four international credit rating agencies have now improved Turkey's credit rating to investment grade.

As of December 2013, the total reserves of the Central Bank of the Republic of Turkey (CBRT) increased USD 326 million and climbed to a record-breaking USD 135.964 billion. Under the Cash Repatriation Law TL 10.5 billion has flowed into the country and TL 209 million was collected in taxes throughout the year.

The CBRT has continued to implement a monetary policy that not only safeguarded price stability but also effectively managed macro financial risks in 2013. On one hand, interest rates were gradually decreased in an effort to balance risks related to financial stability resulting from the improvements in the inflation outlook and the strong course of capital movements, on the other hand macro cautionary measures were implemented in order to increase foreign currency reserves.

As a result of the effects of the financial markets developments, the CBRT changed its policy position and began monetary tightening in May 2013. The Turkish economy grew below expectations in 2012 with a 2.2% growth rate as a result of the "balancing" economic policies implemented. Moreover, the contribution of foreign trade, which has been flat due to weak global demand, began to diminish while domestic demand began to bloom. In light of these developments, internal demand has improved and totaled USD 932.1 billion in 2013.

In 2013, the banking sector maintained its asset quality with strong liquidity ratios and a sound capital structure. The industry managed to maintain its strong and healthy position thanks to its asset quality, sufficient shareholder's equity, solid funding structure, and profitability capacity. The banking system also increased foreign borrowings from USD 8.5 billion in 2012 to USD 30.7 billion in 2013.

While the tender for Istanbul's third airport, one of the most important infrastructure projects in the country, took place in 2013, the agreement for the nuclear power plant planned for construction in Sinop was also finalized.

Another historical development for the Turkish economy is that a new debt-free period with the International Monetary Fund (IMF) has begun. Turkey has paid the last installment of its debt, about USD 421 million, to the IMF. As a result, Turkey now has a zero balance with the IMF and has transferred to IMF's creditors group.

Looking at foreign trade data, in 2012 Turkey's exports totaled USD 152.5 billion; in 2013, the country's export volume reached a similar level at USD 151.8 billion. Meanwhile, imports amounted to USD 236.5 billion in 2012 and rose to USD 251.6 billion in 2013. In 2013, the foreign trade deficit increased by 18.7% compared to the previous year, climbing to USD 99.8 billion.

The weakest link in the Turkish economy continues to consist of a structurally high current account deficit and in turn the need for high levels of external financing. A key driver in Turkey's current account deficit is energy imports, which contributed USD 55.8 billion net to the negative current account balance for the year.

In 2012, Turkey's net foreign direct investment inflow totaled USD 8.3 billion, while it increased to USD 12.9 billion in 2013. Portfolio investments amounted to USD 23.7 billion due to the effects of developments that occurred at the end of the year.

The Central Bank's monetary policies and implementations have had direct impacts on the country's economic growth rate. Throughout this period, the Central Bank of Turkey utilized various policy instruments and monitored data to manage liquidity in the market. With the measures taken against rising inflation in 2011 as a result of overheating in the economy, Turkey's inflation rate dropped to 6.16% in 2012, the lowest rate recorded in 44 years. Nonetheless, at year-end 2013, the consumer price index had risen to 7.4% and the producer price index reached 6.97%; meanwhile, core inflation increased to 7.1% for the same period.

For 2013, government spending totaled TL 407.9 billion, while revenues amounted to TL 389.4 billion, resulting in a budget deficit of TL 18.4 billion. TL 326.1 billion, approximately 84% of the government revenue, came from tax proceeds. At 54.3%, the budget deficit rate remained below expectations.

2013 was also a year in which large scale infrastructure projects in Turkey have been completed and first steps were taken on future projects. While the tender for Istanbul's third airport, one of the most important infrastructure projects in the country, took place, the agreement for the nuclear power plant planned for construction in Sinop was also finalized. Marmaray, a project that provides uninterrupted rail transportation between Europe and Asia under the Bosphorous strait, went into service on October 29, 2013.

BANKING INDUSTRY

In 2013, with its strong financial structure and professional workforce, the banking sector continued to be the most important supporter and the most reliable partner of our entrepreneurs in bringing high profile projects to life in Turkey.

A strong economy is only possible by means of a continuously developing and solid financial services industry. The financial sector plays a critical role in a nation's economy, namely the collection and transfer of financial resources to users. It is the brains and centerpiece of an efficiently functioning market mechanism. In a country such as Turkey where there is a resource deficit, the financial services industry absolutely must work effectively and precisely in the economically efficient utilization of financial savings. Establishment of an effective, functional, and growing financial system mostly depends on the trust placed in the system and macroeconomic stability stemming from political stability.

The Turkish banking system is based on a deep-rooted banking tradition dating back to the 19th century. However, real improvement in the system has occurred only in the last 20 years. The market liberalization process that began in particular in 1980, and impacted Turkey's economy radically, naturally affected banks as well.

Important steps were taken to establish a functioning market mechanism in Turkey; a corporate infrastructure to improve and strengthen this mechanism was set up in the 1980s. Allowing markets to set prices was an important part of the liberalization of financial services in the country. In addition, a legal and regulatory framework that ensured compliance with international standards for monitoring, auditing, and regulating banking activities was established at that time.

Despite these positive developments in the 1980s, due to ongoing macroeconomic instability and high public deficits, the straining negative effects of government-owned banks on the system, and weakening of risk detection and management in the 1990s, the country's banking industry could not effectively carry out its financial intermediary role to aid production and manage resources with long-term investments. As a result, the Turkish banking system was plagued with structural weaknesses including the lack of equity capital, a small-scale highly fragmented structure, high shares of state-owned banks in the system, weak asset quality, hypersensitivity and fragility to market risks, and an acute lack of internal control, risk management, transparency, and good corporate governance.

The back-to-back crises in 2000 and 2001 significantly damaged the country's financial system, and especially the banking system. The "Restructuring Program for the Banking System," implemented after the crisis period, marked the beginning point of the reform of Turkey's financial system. The restructuring program included legal requirements and corporate regulations that moved the banking industry forward to a more efficient and competitive structure.

The crisis in 2001 resulted in the advent of the stable banking system of today. During a time when the European banking sector is going through difficult trials, the Turkish banking sector serves as a model of strength and stability.

In 2013 while some large-scale infrastructure projects were completed in Turkey and others were commenced, the banking sector has played a key role as one of the most important supporters of the country's advancement.

Emerging from the global financial crisis stronger than ever, the Turkish banking industry has a solid footing in spite of current uncertainties in the world economy.

The most important indicator of the domestic industry's strength is the eagerness of foreign players to move into the sector and the significant investments banks have made in financial services.

The Turkish banking sector entered 2014 with growing risks and under pressure caused by the uncertainties in the global economy; thus, the industry is shaping its expectations for 2014 and beyond in line with the government's Medium-Term Program and the current global economic environment.

According to evaluations by the international credit rating agency Fitch, the most important developments in 2014 will include the following:

Banks in Turkey may be under pressure due to rising interest rates, slowing economic growth, and devaluation of the Turkish lira, which will result in diminished profit margins for banks. Nonetheless, the outlook of the sector will be stable due to the banking industry's strong capital base and funding structure.

Potential interest rate and foreign currency exchange rate shocks are the biggest risks for banks currently.

In the event that the upward trend in interest rates continues, the sector carries the risk of temporary contraction in net interest margins, and thus, decreased profitability.

Two challenges for the Turkish banks include the adaptation to the new interest rate and recently changed regulatory environment.

Earnings of Turkish banks in 2014 will also be affected by newly enacted regulations, including restriction in the interest rates charged in overdraft accounts and commercial credit cards, increased risk weighting and general reserves for credit cards, limitations in the number of credit installments and potential restriction in fees and commissions in consumer loans.

A certain level of decrease in the banking industry's overall growth rate and profitability, relatively lower loan growth, and difficulty of finding funds for the sector from abroad compared to before are expected due to the effect of these developments.

That said, the Turkish banking sector has the necessary means to minimize the impact and overcome these negative effects. In the medium-term, the industry will sustain its profitability through its strong shareholders' equity and balance sheet structures, well-qualified human capital, advanced technology infrastructure, and effective management strategies.

FINANCIAL ADVANTAGES OF EKSPO FAKTORING

Climbing to TL 82 million in shareholders' equity in 2013 with 8% growth, Ekspo Faktoring recorded TL 309 million in assets, TL 1.1 billion in turnover and TL 9.5 million in profit as of year's end.

Since the Company's establishment in 2000, Ekspo Faktoring has continuously strived to improve and deepen relationships between global companies and Turkish enterprises. Ekspo Faktoring has since become one of the leading financial services providers in Turkey. The Company is the preferred destination for innovative products and services in the non-bank financial sector thanks to its many competitive advantages, including a robust capital structure, highly qualified human resources, and a solution focused corporate culture.

With each passing day, Ekspo Faktoring makes real progress toward achieving its strategic goals. Having added import and export letters of credit to its product portfolio, the Company has become one of the most important financial partners of international trading firms with effective solutions for external financing.

TURNOVER

As of year-end 2013, Ekspo Faktoring's turnover totaled TL 1.1 billion. Domestic transactions account for 90% of the Company's turnover, while international transactions comprise the remaining 10%.

Ekspo Faktoring offers clients a wide variety of products and services related to international trade transactions, including: Non-Recourse Export Financing; Recourse Export Factoring; Assignment of Export Letters of Credit; Import Letters of Credit; GSM-102 Loans of the US Department of Agriculture; Loans from the United States Ex-Im Bank, Canada Ex-Im Bank, Korea Eximbank and UK Export Finance; Loans from the Black Sea Trade and Development Bank; Assignment of Export Receivables backed by Accepted Drafts; Import Factoring; and Direct Factoring.

The Company's domestic transaction related products and services, which are important in improving Turkey's export potential, include: Undisclosed Assignment of Receivables, Disclosed Assignment of Receivables and Assignment of Collateralized Receivables.

In 2011 and 2012, Ekspo Faktoring gained a significant competitive advantage by focusing on its supplier financing product. The Company maintained its competitive edge in this area in 2013.

In addition to its expertise in domestic and international trade transactions, Ekspo Faktoring also provides consulting services including market and industry analyses and project finance. As a result, the Company can develop customized financial solutions to fully meet the needs and expectations of its clients.

PROFITABILITY

Ekspo Faktoring's profit for 2013 amounted to TL 9.5 million, all of which originated from trade related operations. The Company bears a manageable amount of maturity, liquidity and foreign currency risks.

SHAREHOLDERS' EQUITY

At year-end 2013, the Company increased its capital to TL 82 million, maintaining steady corporate growth and development.

DEBT-TO-EQUITY RATIO

One of the main factors that give Ekspo Faktoring a competitive edge in the market is its enviable debt-to-equity ratio of 2.59. A low financial leverage ratio has enabled the Company to establish strong relationships with correspondent and financial institutions both within Turkey and internationally. Funding a significant part of its operations via shareholders' equity, the Company has achieved a high level of profitability due to its effective business processes.

As per the Banking Regulation and Supervision Agency (BRSA) Regulation dated April 24, 2013, the ratio of shareholder's equity to total assets of non-banking financial institutions must be at least 3%. At Ekspo Faktoring, this ratio is around 27%.

As of year-end 2013, Ekspo Faktoring generated a profit of TL 9.5 million, all of which is from its trade related operations.

ASSET QUALITY

Ekspo Faktoring's non-performing loans ratio is below the industry average. During 2013, net NPLs in the non-bank financial sector rose from 4.71% to 4.89%, up 3.8%. Despite this negative trend in the sector, Ekspo Faktoring's non-performing loans ratio remained at 3.17%.

Of the Company's receivables, 99% are with recourse. Ekspo Faktoring limits its maximum exposure to any one sector to 18%. The Company works to ensure that the share of a single debtor in the receivables assigned by one client does not exceed 5% of that client's total risk.

This is a clear indication of the reliability of the Company's rating system and the high quality of its assets. In order to accurately and coherently assess its financial receivables, Ekspo Faktoring continuously develops its risk assessment system by utilizing the rating methods of the world's leading rating agencies. Additionally, the Company continues to keep its asset quality above the industry average by adding low risk enterprises to its client portfolio.

ASSET SIZE

As of year-end 2013, Ekspo Faktoring's asset size amounted to TL 309 million, up 15% over the prior year. The Company produces fast and effective solutions to meet client needs and expectations thanks to its sector expertise, strong funding structure and well qualified human resources. The Company serves many companies operating domestically and/or internationally with this approach. Ekspo Faktoring sees its clients as ongoing and long-term business partners and provides resources obtained from local and foreign banks with attractive terms while restructuring them according to customer expectations.

Ekspo Faktoring's target for 2014 is to reach net advances of TL 410 million. The Company's high ratings assigned by international rating agencies are also proof of its financial strength. Ekspo Faktoring will continue to offer fast and cost-effective solutions to clients in 2014 while aiming to increase profitability and providing support to the real sector.

CREDIT RATING

Ekspo Faktoring occupies an enviable position in the sector with its high profitability, strong equity and healthy asset quality. Moody's reaffirmed Ekspo Faktoring's credit rating as 'Ba3' is yet another indicator of the Company's solid and robust structure.

Moody's: Ba3

Ekspo Faktoring is the first Turkish factoring company to have been evaluated by Moody's. In 2007, Ekspo Faktoring was issued a long-term credit rating of Ba3 with a 'stable' outlook for local and foreign currency. The Company's strong profitability and capitalization ratio, asset quality, and effective business model supports its Ba3 credit rating. Thanks to its successful performance, Ekspo Faktoring maintained its credit rating in 2013 as well.

POSITIONING OF EKSPO FAKTORING IN THE INDUSTRY

Initiating many projects that will increase customer business volume and profitability in 2013, Ekspo Faktoring has taken important steps to solidify commercial financing activities even further and has reached a leading position in the sector through these initiatives.

Ekspo Faktoring is one of the leading players in Turkish financial services as a regional provider of commercial financing. Moreover, Ekspo Faktoring continues to advance and increase its market share steadily leveraging off the strength of its business partners.

Ekspo Faktoring has a correspondent network that extends from Japan to the USA. In 2013, the Company reinforced its correspondent relationships with domestic and international banks and financial institutions. Ekspo Faktoring has financing means amounting to nearly half-billion USD. Intermediating financing of foreign trade in the sum of USD 56 million, the Company aims to grow by 40% in domestic and international operations in 2014.

As one of the few non-bank financial institutions whose risk is insured and which is accepted by the world's largest banks, Ekspo Faktoring continues to receive positive ratings from international credit rating agencies.

INTERNATIONAL COOPERATION IN TRADE FINANCING

In 2013, Ekspo Faktoring implemented many projects that aim to expand the client base, increase profitability and boost trade finance activities; thanks to these initiatives, the Company maintained a leading position in the industry.

As a result, the Company provided medium and long-term funding and guarantees to clients for their import related activities. In turn, this helped Ekspo Faktoring gain an additional competitive advantage for its customers.

CUSTOMER SATISFACTION ORIENTED INNOVATIVE SOLUTIONS

Having many industry leading companies in the client portfolio, Ekspo Faktoring conducts its operations based on the philosophy that business processes are valuable investments both for customers as well as its own corporate structure.

Ekspo Faktoring's target customer base includes companies that mainly import commodities to use for export purposes and enterprises active in the construction, tourism, textile, basic metals, machinery and equipment, durable consumer goods, energy and food industries. The common features of firms in these sectors are that they all focus on export operations rather than domestic markets and that they prefer to work on a project, contract or purchase order basis.

In order to provide customers with the most attractive financing alternative, Ekspo Faktoring assesses the needs of clients, with whom the Company is closely acquainted, with a multi-dimensional analysis.

CULTURE OF CONTINUOUS IMPROVEMENT

Always conducting company operations in line with the principle of continuous improvement, Ekspo Faktoring does not limit its business activities to providing alternative solutions to its clients' existing financing needs. Today's highly competitive market conditions and rapid changing operating environment cause customer needs to change at a moment's notice. Ekspo Faktoring works to anticipate its clients' future needs; the Company then provides the most suitable financing, guarantees, and cash management options to meet both present and future customer needs.

Ekspo Faktoring's financial products -including Contract Finance, Project Finance, Purchase Order Finance, Pre-Sales Finance, Supply Chain Finance, and Structured Trade Finance- reflect the Company's proactive product development approach. And thanks to this proactive approach, Ekspo Faktoring facilitates successful business transactions with numerous long-term clients.

POSITIONING OF EKSPO FAKTORING IN THE INDUSTRY

Keeping a close watch on market trends, and capitalizing on its sizeable equity base and extensive international relationships, Ekspo Faktoring provides the most appropriate financing, guarantee, and cash management alternatives to its customers.

HIGH LEVEL OF CUSTOMER LOYALTY

As a result of the great importance placed on portfolio efficiency and the Company's proactive approach, Ekspo Faktoring's client base largely consists of customers that have preferred to work with the Company for long terms. At 66%, Ekspo Faktoring has one of the highest customer retention rates in the industry, significantly above the sector average.

GOOD CORPORATE GOVERNANCE APPROACH EMPOWERED BY INDUSTRY KNOW-HOW

Ekspo Faktoring embraces a good corporate governance approach that is supported by its experienced personnel and deep industry know-how. The Company underscored its commitment to transparency and accountability by electing two independent members to its Board of Directors.

The Company continues its efforts to ensure adoption of good corporate governance practices throughout the organization at consistent standards, to enhance corporate communications, and to reinforce the corporate culture. Through committees established to meet these objectives, Ekspo Faktoring aims to eliminate any deficiencies and achieve sustainable corporate growth. Ekspo Faktoring's committees and their duties are as follows:

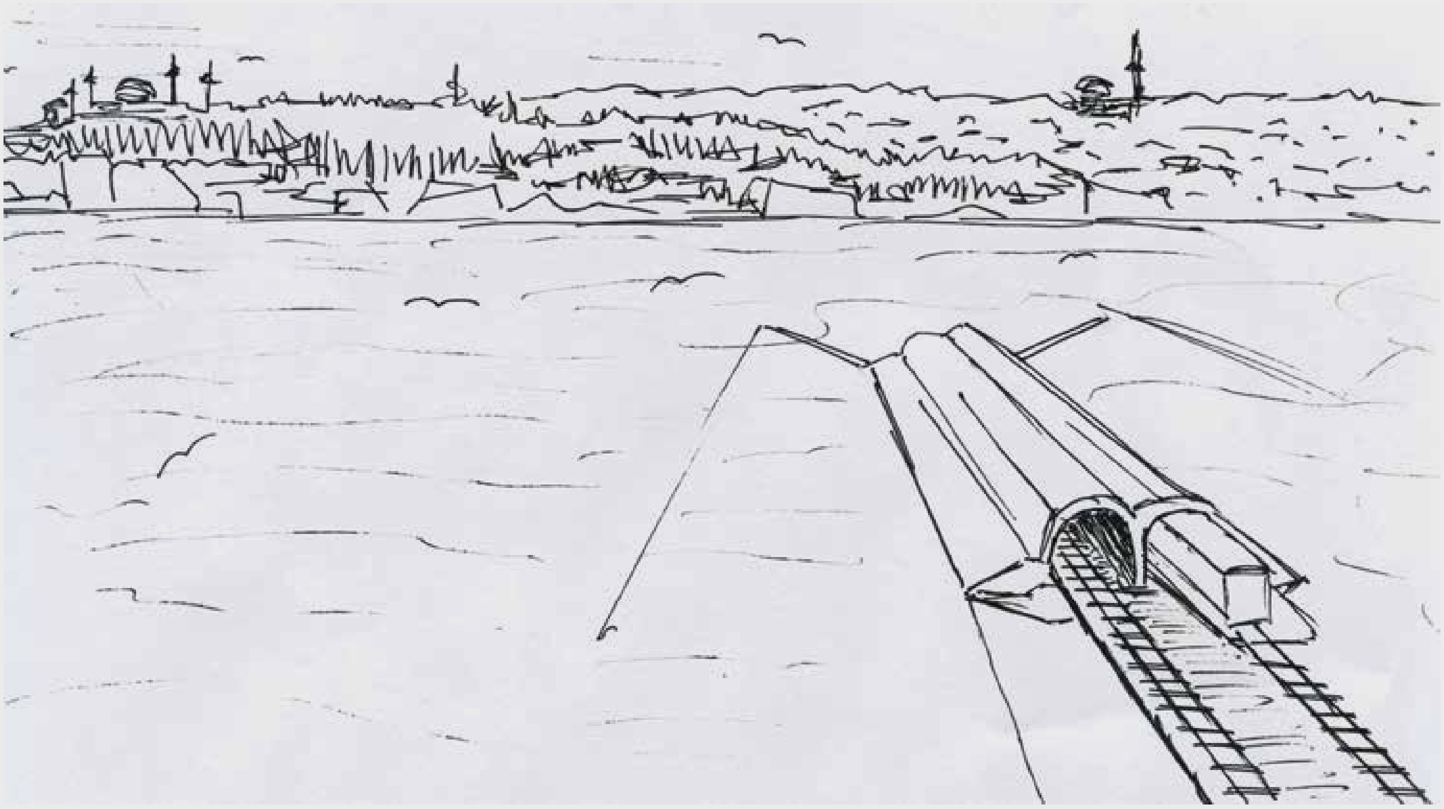
The Asset-Liability Committee evaluates the assets and liabilities on Ekspo Faktoring's balance sheet, the Company's resources and the use of these resources as well as the risks that may affect the Company's operations and its asset quality.

The Risk Assessment Committee evaluates client requests, performs detailed and comprehensive analyses and makes decisions on credit limit proposals.

The Liquidity Committee is responsible for keeping Ekspo Faktoring's balance sheet highly liquid to ensure that operations are carried out without exposure to foreign currency and maturity risks.

The Information Technology Committee focuses on updating the Company's IT infrastructure in line with the latest technological developments and with the purpose of fulfilling client expectations and long-term corporate strategies.

The Human Resources Committee is responsible for increasing the productivity of the Company's workforce through activities ranging from the orientation of new personnel to training programs.



MARMARAY PROJECT

Project Value

USD 4.4 billion

Completion Date

2015

Completed with unrivaled engineering technology and connecting Asia with Europe 62 meters under the Bosphorus strait, Marmaray is widely considered one of the world's most challenging transport infrastructure projects. Increasing the share of the railway systems in urban transportation to 28% while significantly reducing Istanbul's traffic problem, Marmaray will not only serve as a means of transportation in Turkey's largest city but will also connect two major world civilizations while significantly contributing to both the regional and global economy.

The project is expected to cost approximately USD 4.4 billion upon completion and will generate around TL 387 million per year for the Turkish economy as a result of time and energy that will be saved.

Besides its positive economic impact, the Marmaray project also attracts attention with its environmental benefits. Marmaray targets the prevention of 425 thousand tons of CO_2 emissions into the atmosphere every year.

DEVELOPMENT OF THE BANKING SECTOR

The Turkish banking sector's net profit in 2013 climbed to TL 24,733 million, up 5.1% over the prior year. The main factor behind the rise in net profit for the period is the increase in net interest income.

The banking sector is the largest and most important player that functions as an intermediary in the financial system. Banks are enterprises that have a goal to make profit. Compared to the other sectors of the economy, the financial system is strictly regulated by the government and banks operate under such a legal and regulatory environment. The banking sector is very sensitive to changes in supply and demand that impact the financial system of which it is a part. Thus, banks are quickly affected by any such market developments.

Similarly with other fundamental changes that occurred in Turkey's economy and social structure, the structural transformation of the banking sector also began in the country's early Republic period.

The government undertook major efforts to create a national industry and banking sector during the early years of the Republic. Significant decisions were made at the Izmir Economic Congress that convened for this purpose. The first bank established after this congress was Türkiye İş Bankası (1924). The first large scale private sector bank established in the country's early Republic period, Türkiye İş Bankası's mission was to provide loans to the industrial and commercial sectors and also to help develop these sectors with the aim of supporting Turkey's overall economic development. Another institution established in this period was the Central Bank of the Republic of Turkey (1930). The Central Bank was established as a joint-stock company and started operations in 1931. In addition to these significant developments, many local banks were established between 1923-1933 and thus the domestic banking industry made considerable progress during this time.

In the 1930s, state banks were established to serve specific purposes in Turkey. The First Five-Year Development Plan, which went into effect in 1934, had a major impact on this stage of the sector's development. Since World War II (1940-1945), also caused economic recession in Turkey as in the rest of the world, the banking sector was negatively impacted during this period. The closed and protective economic policies pursued during the 1930s in Turkey's economy were later replaced with a more liberal and outward-oriented approach that supported the private sector, and thus banking sector was positively affected.

The 1950s reflect a rapid increase in the number of private sector banks increase rapidly in the country. The main drivers for this proliferation of private sector banking institutions were the increasing foreign loans and export revenues in this period, the Foreign Investment Incentive Law coming into effect in 1954, the rapid growth in Turkey's economy, and increasing domestic savings.

In the early 1970s, conglomeration of group companies accelerated and thus "holding banking" advanced during this time.

Developing rapidly since the 1980s, the Turkish banking sector entered into a stage of integration with the international banks and financial system. During this time, transition to a free market economy, economic and financial integration with the rest of the world, and structural transformation policies occurred. Liberalization of global financial markets in this period had a significant impact on the development of Turkey's banking sector.

After 1980, as result of the globalization of the economy and efforts to further integrate with the world financial system, the foreign expansion trend occurred in the banking sector. As a result, many foreign commercial and investment banks opened branches and/or established partnerships with Turkish financial services companies while Turkish banks opened branches and/or established banks abroad.

These developments were the outcome of foreign banks opening branches within the Turkish banking sector. Moreover, this increased competition also improved the efficiency of Turkey's banking sector. Another significant development in the 1980s was the formation of the "interbank" market within the structure of the Central Bank of the Republic of Turkey. As a result, the short-term liquidity needs of banks were met and liquidity surplus was easily invested. The interbank market gave banks the opportunity to flexibly and efficiently use resources, and thus greatly contributed to creating a liquidity balance in the economy.

In 2013, although the increase in the cost of funding slowed the sector's growth rate, the banking sector grew 4.2% in the first quarter, 7% in the second quarter, %7.9 in the third quarter and 5% in the last quarter in spite of rising foreign exchange rates.

Since the Central Bank of Turkey did not have sufficient reserves to adequately react on time, the banking and financial crisis in 1994 expanded and started to threaten the entire banking sector and economy. The main reason behind the serious impact of the 1994 crisis on the banking sector was the low foreign exchange rate between 1989-1993, and the termination of high interest rate policies that decreased profitability.

Turkey entered 2000 in an environment where critical economic policy decisions were made. In February 2001, faltering confidence in the financial markets once again triggered a financial crisis, and as a result the monetary and foreign currency exchange policies of the Inflation Lowering Program were abolished and the program was terminated on February 22, 2001 as the floating exchange rate system commenced.

Both financial crises that rocked Turkey in the 2000s had negative impacts on all sectors of the economy, particularly on the banking industry. Extremely high interest rates after the crises in November 2000 and February 2001 increased the funding losses of the banks that had maturity mismatch risk and decreased the value of the securities in their portfolios. With the floating foreign exchange rate policy that started in February 2001, the banks that operated with a high deficit had to face a significant amount of FX losses because the TL was rapidly losing its value against foreign currencies.

After the 2001 financial crisis, Turkey's banking system underwent structural reforms in which small and inefficient banks were excluded from the system.

One of the most important reasons behind the relatively limited impact of the 2008 global financial crisis on the Turkish banking sector was the new regulatory framework introduced after the domestic crisis in February 2001. Depending on the strength of the ties between the real sector and the banking sector, potential problems that may arise in either will have impact on the other; thus, banking sector reforms give the real sector the opportunity to recover as soon as possible.

The Turkish banking industry demonstrated important growth after 2002 while cash loans increased significantly and directly improved production and foreign trade, thus contributing to Turkey's economic expansion.

As of year-end 2013, 49 banks and 11,986 branches operated in the Turkish banking system while the number of personnel working in the sector totaled 214,263. In 2013, the sector reached the highest levels of branching and employment since 2009.

The Turkish banking sector's net profit in 2013 climbed to TL 24,733 million, up 5.1% over the prior year. The main factor behind the rise in the net profit for the period is the increase in net interest income.

The cost of funding, and deposit interest rates in particular, increased for Turkish banks after the first quarter of 2013. As a result, the sector's growth rate slowed.

DEVELOPMENT OF THE BANKING SECTOR

As of year-end 2013, 49 banks and 11,986 branches operated in the Turkish banking system while the number of personnel in the sector totaled 214,263.

However, the slowdown in the growth rate was limited as the banking sector expanded 4.2% in the first quarter, 7% in the second quarter, 7.9 in the third quarter and 5% in the last quarter in spite of rising foreign currency exchange rates.

The Federal Reserve's tapering decision announcement impacted emerging markets including Turkey while measures taken in response to this Fed policy shift slowed credit growth.

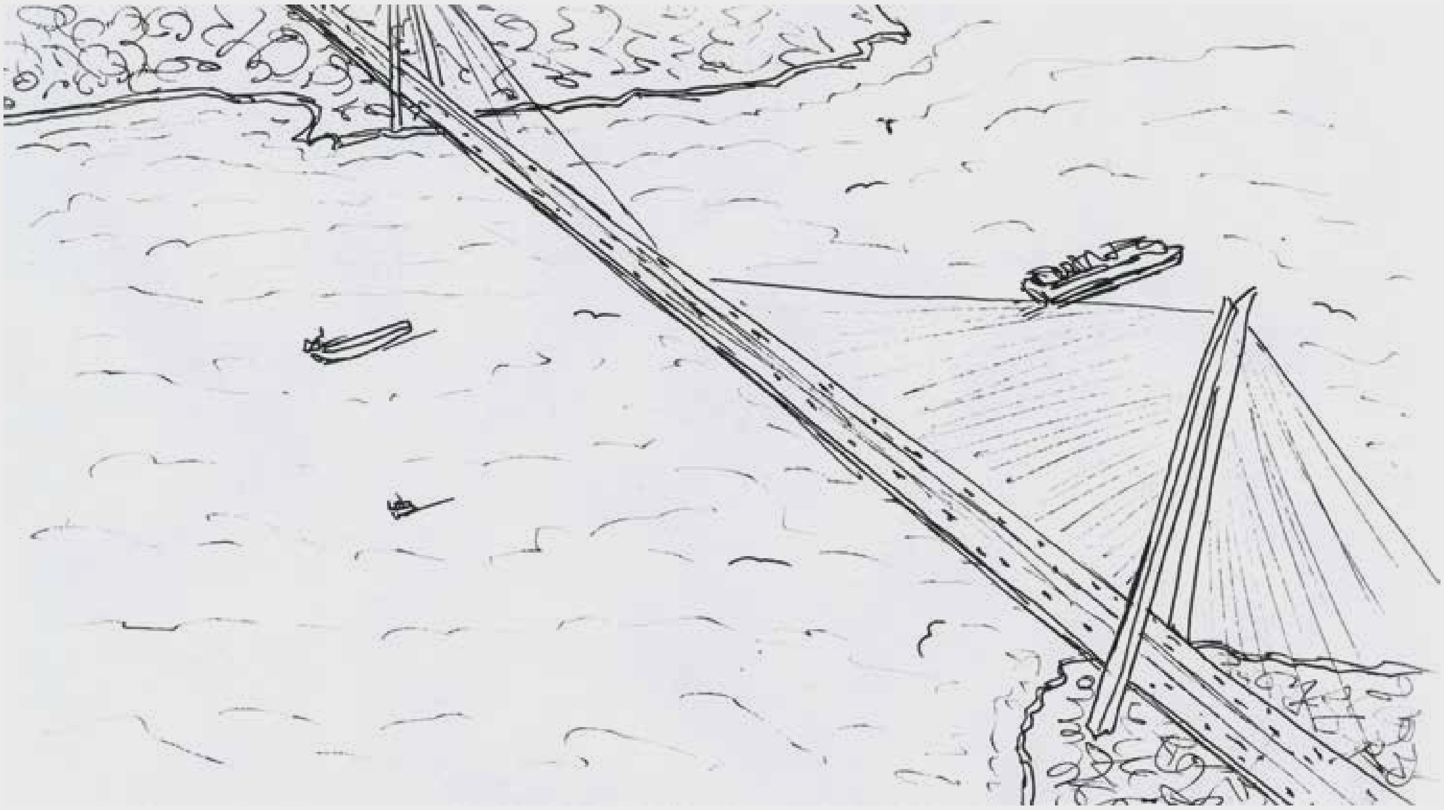
Increasing TL 252.7 billion over the previous year, the sector's loan portfolio expanded to TL 1,047 billion making up 60.5% of total assets. Non-performing loans in the sector rose to TL 29.6 billion, up TL 6.2 billion. In 2013, the rate of all types of overdue personal loans except individual credit cards were lower compared to 2012.

In 2013, the banking sector's deposits totaled TL 945.8 billion, rising 22.5% over a year earlier. Taking into consideration the increase in deposits in all banks in 2013, private banks accounted for the highest amount, TL 80.7 billion.

The amount of funds the Turkish banking sector obtained from banks abroad continued its upward trend climbing to USD 138.2 billion, up 23.7%. The sector's total shareholders' equity amounted to TL 194 billion as of year-end 2013. As a result of the policy of encouraging banks to limit profit distribution and retain profits, the TL 19 billion increase in the reserve funds and the TL 5 billion rise in paid-in capital boosted the sector's total shareholders' equity.

The Turkish banking sector is expected to remain stable in 2014. The international rating firm Fitch's reports on the Turkish Banking Sector state that because of their capacity to absorb losses, Turkish banks have the strength to resist mild shocks related to the quality of their assets and their performance. This is the reason behind the stable situation for Turkish banks in spite of the sharp fall in the domestic currency and interest rate shocks that will make 2014 a relatively tough year.

Due to rising interest rates, the likelihood of rapid loan growth as experienced in the first half of 2013 seems low. On the other hand, higher interest rates raise the risk of increasing the cost of servicing debt and dampening economic growth.



THIRD BOSPHORUS BRIDGE

Project Value

USD 2.5 billion

Completion Date

2015

Istanbul's Third Bosphorus Bridge, currently under construction across the Bosphorus strait, will move Turkey closer to its target of becoming one of the world's 10 largest economies by 2023. The new structure will also stand as one of the symbols of modern Turkey.

Having an investment cost of USD 2.5 billion, the project is being constructed under a Build-Operate-Transfer model. Having started construction in 2013 and targeted for completion in 2015, the immense structure is called "The Bridge of Firsts." A product of advanced engineering and technology, the bridge will include an 8-lane highway and a 2-track railway.

The Third Bosphorus Bridge, with a width of 59 meters, a main span of 1,408 meters, will be the world's widest and longest suspension bridge with a railway system on it. In addition, the structure will have the highest suspension bridge tower in the world at over 320 meters.

GENERAL ECONOMIC DATA

Exceeding both legal requirements and targeted levels, the capital adequacy ratio of the Turkish banking sector was 15.3% as of December 2013.

1,732

TL BILLION BANKING INDUSTRY TOTAL ASSETS

2013	**1,732**
2012	1,371
2011	1,218

24.7

TL BILLION BANKING INDUSTRY NET PROFIT

2013	**24.7**
2012	23.6
2011	19.8

1,562

TL BILLION GDP (CURRENT PRICES)

2013	**1,562**
2012	1,417
2011	1,298

10%

GDP GROWTH RATE (CURRENT PRICES)

2013	**10%**
2012	9%
2011	18%

251.6

USD BILLION IMPORTS

2013	**251.6**
2012	236.5
2011	240.8

The Turkish banking sector has remained solid and sound in spite of the global economic uncertainties.

151.8

USD BILLION
EXPORTS

2013	151.8
2012	152.5
2011	134.9

4%

GROWTH RATE OF THE TURKISH ECONOMY

2013	4%
2012	2.2%
2011	8.5%

10,782

USD
GDP PER CAPITA

2013	10,782
2012	10,504
2011	10,444

7.40%

CPI

2013	7.40%
2012	6.16%
2011	10.45%

9.7%

UNEMPLOYMENT

2013	9.7%
2012	9.2%
2011	9.8%

REVIEW OF 2013 OPERATIONS

Ekspo Faktoring provided financing for the import of petcoke, cotton, dairy products, and clean energy equipment totaling USD 30 million. Additionally, Ekspo Faktoring mediated a USD 42 million structured finance package.

Since its founding in 2000, Ekspo Faktoring has been the destination for innovative and effective solutions in the non-bank financial sector. The Company is a trustworthy institution for its clients and creditors; in addition, it maintains long term, ongoing relationships with customers based on mutual trust and profitability. As a result of this approach, the Company implements successful initiatives and steadily increases its turnover.

Thanks to its high profitability, strong shareholders' equity, and healthy asset quality, Ekspo Faktoring occupies a leading position in the industry. Our strong and robust structure was further proven when Moody's reaffirmed our credit rating as Ba3.

Leaving behind a year full of achievements, Ekspo Faktoring grew its assets by 15% compared to last year, from TL 270 million to TL 309 million, and increased shareholder's equity from TL 76 million to a record-breaking TL 82 million.

Working with clients that lead in their respective sectors, Ekspo Faktoring continues to develop unique financing products in line with the financial needs of customers, while further strengthening their own competitive advantages. As a result of its success, the Company increased its turnover to TL 1.1 billion as of year-end 2013.

Having experience and expertise not only in domestic commerce but also international trade finance, Ekspo Faktoring provided financing for exports in the sum of USD 26 million and for the import of petcoke, cotton, dairy products, and clean energy equipment totaling USD 30 million. Additionally, Ekspo Faktoring mediated a USD 42 million structured finance package.

In 2012, Ekspo Faktoring secured a Trade Finance Loan Facility from the Black Sea Trade and Development Bank, of which 11 countries, including Russia, Ukraine, and Greece, are members. Ekspo Faktoring is the first non-banking financial institution to have secured this loan. In 2013, through this financing facility, Ekspo Faktoring has facilitated an export volume of USD 10 million with a maturity of 370 days.

After the current credit facility limit at BSTDB is doubled, Ekspo Faktoring will increase lending to customers who import raw materials from member countries and to customers who export to many points in the world from Turkey in the coming year.

Ekspo Faktoring has signed a new loan agreement with Wells Fargo Bank, headquartered in San Francisco, to facilitate the import of raw materials from the US. With this agreement, Ekspo Faktoring has sourced funds with attractive conditions for customers who import goods such as petcoke, scrap steel, coal, cotton, and sawdust from the US; the terms of the loan agreement include a 360-day maturity.

Having entered into a loan and correspondent agreement with National Bank of Canada, headquartered in Quebec, for imports from Canada, Ekspo Faktoring has provided funds for financing imports from Canada to Turkey with attractive conditions such as a 370-day maturity period.

Ekspo Faktoring provides exporter customers with funding and loans sourced from its extensive international correspondent network; thus, the Company contributes significantly to the development of Turkey's export potential.

In today's challenging market environment, Turkish companies that aim to sell products abroad face many difficulties. Ekspo Faktoring offers a very important financing option that can help customers to gain a competitive edge.

In 2013, the Company provided financing for exports totaling USD 26 million. The Company aims to intermediate USD 40 million in exports in the coming period.

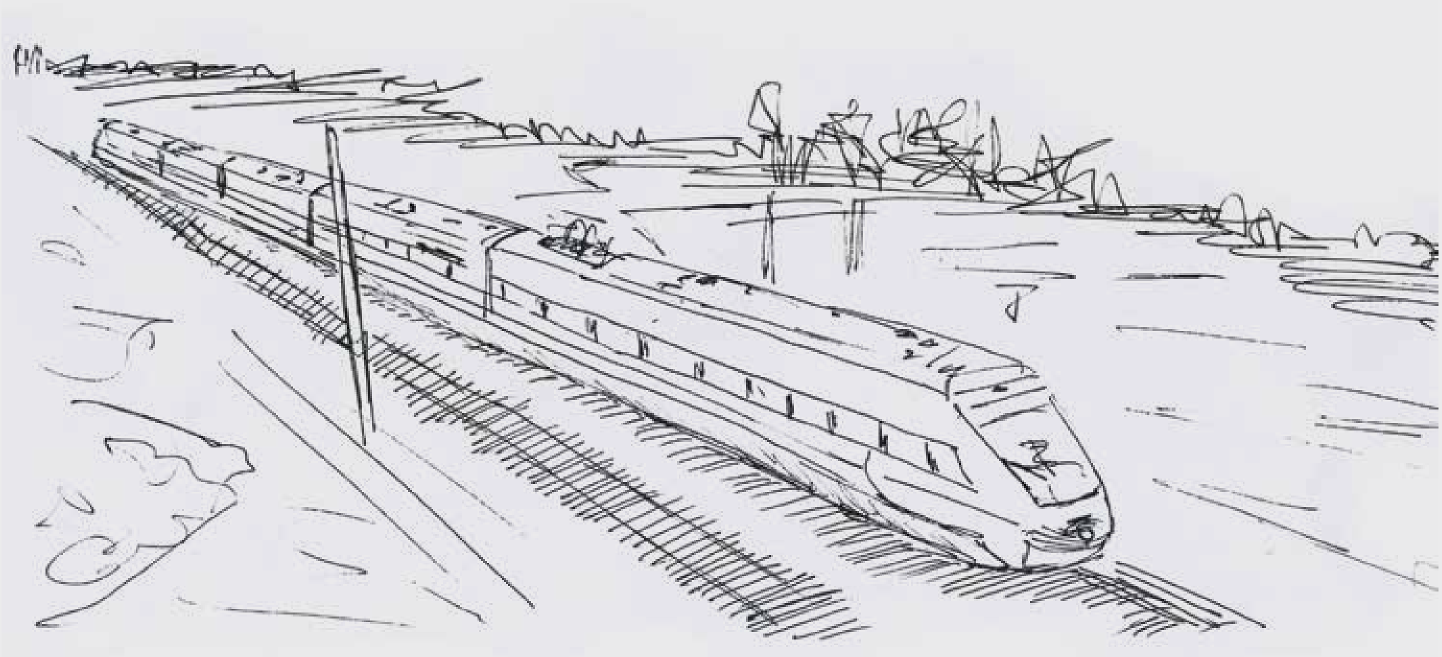
A member of Factors Chain International, the world's largest non-bank financial network, since 2004, Ekspo Faktoring maintained close contact with other member companies in 2013. As a result, the Company extended its correspondent network and increased its funding sources.

Founded in 1968 to help expand the volume of international trade and to establish a common standard in international operations, FCI members account for 60% of global non-bank financing turnover. This ratio rises to 90% when only international trade turnover is taken into consideration. FCI is active in 75 countries with 270 members as of year-end 2013.

Having established international ties that raise the Company's profile and increase its financial strength, Ekspo Faktoring's strong results in 2013 were boosted by the guarantee services provided from foreign correspondents as well as by the funding received from these entities for transactions under their guarantee.

Ekspo Faktoring strides confidently towards the future, expanding its export and import financing volume with a strong correspondent network and increasing its funding resources. In 2013, the Company's senior management visited international financial institutions located in developed countries and established collaborations to strengthen the Company's overseas connections.

To further expand its international transactions and correspondent network, Ekspo Faktoring plans to accelerate its efforts in this area in the coming period.



HIGH-SPEED TRAIN PROJECT

Project Value

USD 4 billion

Completion Date

2015

With the high-speed train project, Turkey was acquainted with to the most advanced technology in rail transport in addition to a fast, inexpensive and high quality transportation opportunity. The high-speed train currently runs on the Ankara-Eskişehir-Konya line. Work to connect Ankara with Istanbul, a large-scale USD 4 billion project, is also in the final phase. Upon completion of the project, travel time between Ankara and Istanbul will be shortened to three hours.

The high-speed train project is carried out entirely by Turkish contractors and engineers. The plan is to extend the rail project to the whole country. Under the nation-wide project, which will have a cost of around USD 45 billion, the goal is to reach 9,978 kilometers of high-speed rail line by the 100th anniversary of the Republic of Turkey in 2023. The new rail system is planned to connect 29 provincial cities including Yozgat, Trabzon, Diyarbakır, Malatya as well as Istanbul, Ankara, Izmir, Sivas, Bursa with high-speed train service.

PRODUCTS AND SERVICES

Ekspo Faktoring has contributed to the supply of raw materials needed by industrial enterprises through intermediating financing of over USD 100 million via international financial institutions.

Ekspo Faktoring's client-partnership approach and win-win solutions that mutually benefit both parties form the foundation of the Company's trust based customer relationships. Ekspo Faktoring's guiding principle is to always develop solutions that meet client needs. To this end, the Company has adopted a more systematic approach to customer relationship management compared to the industry average. Since its establishment, Ekspo Faktoring has provided liquidity, trust and a long-term partnership in the same package to clients.

Despite possible fluctuations in the real economy or financial sector, the Company always considers the best interests of its customers by focusing on transparency and consistency. Ekspo Faktoring sees volatile periods as opportunities to get to know its clients better and improve its experience in risk management.

The Company also offers guarantee and collection services in addition to financing. Ekspo Faktoring focuses on expanding its product range along with marketing its products effectively to expand the domestic market client base.

STRUCTURED TRADE FINANCE

For many emerging economies, the extraction and export of energy and other natural resources as well as the import of raw materials for the purpose of exporting finished products is critical to economic security and a key national objective. The high market price of commodities in recent years has led to an unprecedented boom in the level of investment for expansion, upgrading of existing facilities and acquisition. Structured Trade Finance has played an important role in facilitating this investment and continues to do so. Through providing legally pledged export contracts as secured collateral, Ekspo Faktoring's clients are able to tap international capital markets with advantageous terms. Ekspo Faktoring has provided structured pre-export financing facilities for its clients for many years. To date, Ekspo Faktoring has closed over USD 100 million in transactions in recent years across a range of sectors.

PRE-EXPORT FINANCE

Based on the assignment of export contracts, Ekspo Faktoring offers clients prepayments for a certain amount of the exports that will be affected. This amount is determined according to various criteria including the duration of the relationship between the client and the buyer, shipping period of the goods and the client's creditworthiness since the client will repay this amount in case of non-payment of the buyer. Thanks to this financing option, clients can either benefit from a price advantage or can service their debts.

COMMODITY FINANCE

Commodity Financing is a mechanism that provides short-term financing to small, medium or large industrial clients for importing raw materials that will be used in exports or domestic sales. Having a strategic focus on Commodity Financing since 2010, the Company's know-how is mainly in the energy sector and agricultural commodities. Ekspo Faktoring offers these products to its clients with the support of the world's biggest banks and export credit agencies.

AGRIBUSINESS

Agribusiness is a significant sector in many developed and emerging markets including Turkey. Ekspo Faktoring's knowledge in agribusiness and commodities is vast in a product range that includes sugar, soy, cocoa, coffee and tobacco.

In addition to providing services that meet the daily commercial funding needs of customers, Ekspo Faktoring also provides secured commodity and pre-export financing services with the ever growing support of its business partners located in the USA, Europe and the Far East.

The main success factor underlying the ongoing relationships that Ekspo Faktoring has developed with its customer base since the Company's founding is offering liquidity and assurance to customers in the same package.

GSM 102

Agricultural product imports from the United States can be term financed by Turkish importers via the Commodity Credit Corporation (CCC) under the US Department of Agriculture GSM 102 program. Under the GSM facility, the USDA insures the corporate and sovereign risk while an intermediary bank in the US provides the credit facility. Through the process, a sight letter of credit is issued and following shipment, the intermediary US bank extends a loan to Ekspo Faktoring and payment is made to the exporter through us. Even though the Turkish importer is the borrower, credit is allocated by Ekspo Faktoring. Repayments of the principal loan are carried out annually or (optionally) at the end of six-month periods. The maximum maturity is two years within the GSM program in which a wide range of goods is accredited. In GSM transactions, the amount of all imports can be credited (usually the value of FOB and for certain categories of goods the value of CIF); it is not required to pay in advance. Timber wood products, wheat, flour, semolina, rice, rice paddy, fodder seeds, animal feed products, protein foods, livestock, poultry, fish, vegetable oils, seeds, tallow, oil, animal fat, dairy products, meat, cattle, cotton, cotton yarn, cotton products, crop seeds, ethyl alcohol, farm animals (cattle, sheep, goats, horses, sperm and embryos included) can be imported under this program.

IMPORT FINANCE

In addition to assisting clients in meeting their commodity finance requirements, Ekspo Faktoring can offer customers a variety of financial tools they may need for the import of any product.

Ekspo Faktoring can and has been offering clients guarantee services accepted by worldwide financial institutions. Ekspo Faktoring's guarantee services are accepted and discounted by the world's largest banks in Asia, Europe and the Americas. Via this international support, Ekspo Faktoring can offer customers import guarantee limits up to USD 29 million.

EXPORT FINANCE

A key problem facing many exporters is cash flow – the need to offer cash to customers but at the same time the need for cash to finance growth. For exporters selling to clients in emerging markets as well as more developed markets, export finance becomes especially useful.

Export finance involves extending medium- or long-term financing against the assignment of export trade receivables. Additionally, Ekspo Faktoring can also offer clients the support needed from export credit agencies for their bulk sales to unstable markets.

Ekspo Faktoring's relationship with all the major ECAs means that we are in a good position to provide our customers with the best possible export credit agency guarantee financing.

TRADE SOLUTIONS

Trade solutions involve structuring facilities using a combination of Ekspo Faktoring products to satisfy customer requirements, including:

- Account receivable purchases,
- Guarantees,
- Without recourse discounting (discounting of drafts on a without recourse basis),
- Supply Chain financing, using L/C confirmation, bills discounting, refinance, accounts receivable, purchase, payment guarantee, and warehouse financing.

Ekspo Faktoring's experienced staff is well equipped to provide customers with customized financing solutions to help achieve their liquidity needs. The Company has structured a large number of customized facilities and regularly looks for new and innovative ways to meet the needs of customers.

PAYMENT GUARANTEES

Payment guarantees mitigate credit or country risk when selling on an open account basis. They are often used to cover the non-payment of debts arising under a transaction or over a period of time.

PRODUCTS AND SERVICES

Ekspo Faktoring's experienced staff is well equipped to provide customers with customized financing solutions to help achieve their liquidity needs. The Company has structured a large number of customized facilities and regularly looks for new and innovative ways to meet the needs of customers.

ACCOUNTS RECEIVABLE FINANCE

The purchase of accounts receivable is a core business practice of Ekspo Faktoring. This involves the Company buying accounts receivable possessed by the seller (creditor) against the buyer (debtor) under the commercial contract while maintaining recourse to the debtor.

- Benefits of Accounts Receivable Purchase:
- Results in stronger balance sheet structure,
- Helps control and manage receivables,
- Offers an alternative way to raise funds,
- May help alleviate capital related problems,
- Differs from factoring in that the relationship between the company and debtor is maintained,
- Offers a solution that is relatively simple to administer and operate.

SUPPLY CHAIN FINANCE

Over the last few years, supply chain financing has gained importance among corporate CFOs as an important tool to manage working capital and to derive efficiencies throughout the procurement and manufacturing processes.

Supply Chain Finance programs, especially those assisted by a technology platform, allow automated discounting of a high volume of receivables by a large number of large and small suppliers.

By offering supply chain financing, large buyers support their suppliers by providing them access to an alternative and cheaper source of funding and expediting their cash collection. In return, buyers negotiate better procurement costs and extend their payment terms.

By using supply chain financing, companies free up funds while ensuring uninterrupted supply of raw material and other goods and services.

EXPORT CREDIT AGENCY (ECA) FACILITIES

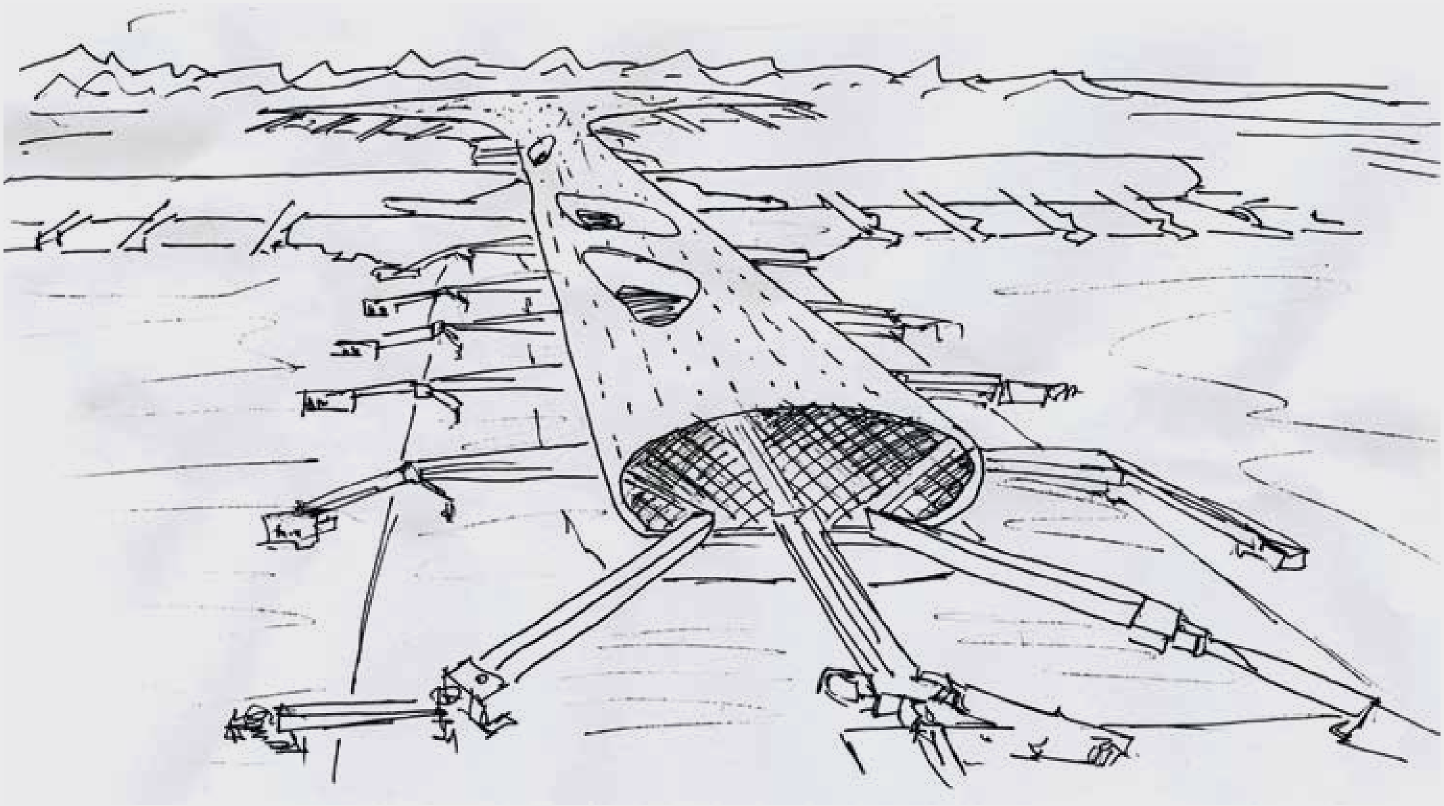
Korea Exim Bank: The Korea Exim Bank (K-Exim) was established as an export credit agency to encourage export of Korean products via banks and to provide attractive financing opportunities. Ekspo Faktoring has provided up to six-month term financing opportunities for customer imports from Korea through an agreement with K-Exim. Under this agreement, Ekspo Faktoring finances heavy machinery and chemical product imports by customers.

United States Ex-Im Bank: The US is one of the countries from which Turkey imports high volumes of agricultural raw materials. Ekspo Faktoring is able to offer Turkish clients deferred payment options for imports from the US under an agreement with the US Ex-Im Bank. Thus, Ekspo Faktoring can provide inexpensive one-year term funding opportunity for customer imports.

UK Export Finance (formerly ECGD): The UK Export Credit Agency (formerly ECGD) is another export incentive agency and an intermediary for imports for Ekspo Faktoring's customers from the United Kingdom. As a result, reduced cost and long-term funding opportunity is available for imports from the UK.

Canada Eximbank (EDC) Loans: Ekspo Faktoring secures loans from Canada Eximbank to provide medium- and long-term financing for Turkish imports from Canada.

Black Sea Trade and Development Bank: Ekspo Faktoring has secured a trade finance facility of USD 5 million with a maturity of 370 days with the Black Sea Trade and Development Bank for the financing of international trade. The facility is designed to finance Turkish companies' imports from BSTDB member countries and to support Turkish exports to the entire world. The Company has been using this funding mainly to facilitate Turkish companies' large scale raw material imports from BSTDB member countries. The amount of this loan facility has been increased to USD 10 million in 2014.



THIRD AIRPORT PROJECT

Project Value

USD 21.6 billion

Completion Date

2018

As one of the key players of the globalizing world with its strong economy, Turkey has made a remarkable progress in the aviation sector in the last decade. The unrivaled strategic location of Turkey, connecting two continents, helps boost airline traffic more and more each day. The Third Airport Project, which commenced to meet this increasing need, will be the largest airport in the world. The massive facility will be situated on an 80 million square meter tract and include 1.5 million square meters of terminal and other auxiliary facilities, with six independent airfields, a 500 plane and 150 million passenger capacity, as well as open and enclosed parking spaces for 70 thousand vehicles.

With a total cost of about USD 21.6 billion together with all connections, the project is scheduled for completion in 2018. The new airport will not only meet the future needs of Turkey for the next 50 years, it will also serve as the meeting point of air traffic from west to east, east to west, between Africa, Europe and Asia.

INTERNAL AUDIT AND FINANCIAL CONTROL

Ekspo Faktoring's audit process includes internal and external audits, which are conducted by experienced teams, specialized in their respective areas. Two different international independent audit firms, which are the best in their field, periodically audit the Company's tax and financial statements.

Internal audit and financial control have become increasingly critical issues for financial services companies. Since its establishment, Ekspo Faktoring has been audited internally by an in-house team and externally by independent international audit firms. Ekspo Faktoring ranks among the sector leaders in its commitment to transparency and accountability; the Company strictly adheres to the principles of accuracy, accountability, and transparency in all its operations. Additionally, the Company ensures its financial integrity through both internal and external audits.

Ekspo Faktoring's audit process includes internal and external audits, which are conducted by experienced teams, specialized in their respective areas. Two different international independent audit firms, which are the best in their field, periodically audit the Company's tax and financial statements. These audit firms regularly report the required information to the BRSA and the Ministry of Finance; they also prepare two different Independent Auditors' Reports with financial statements in accordance with IFRS and BRSA standards.

The Internal Audit and Financial Control Department carries out the internal audit function at Ekspo Faktoring. Internal Audit ensures that the Company conducts its operations in line with corporate management strategies and policies and pursuant to the factoring regulatory framework in a coordinated, efficient and effective manner. Monitoring integration and reliability of accounting records and ensuring timely access to information in the database are also part of this function's responsibility. Internal Audit also monitors and ensures that within the scope of the Company's business activities, all employees comply with management's corporate governance approach, as determined by the Board of Directors and Senior Management. The results of the financial, operational, and other inspections carried out independently by the Internal Audit team, are immediately reported to the Board of Directors.

The Department is also responsible for the financial control function which ensures that the Company's financial statements have been prepared in accordance with IFRS and BRSA standards. Financial Control generates the Non-Bank Financial Institutions Monitoring System reports, which are prepared for and submitted to BRSA each quarter. It also ensures that these reports are submitted through the data transfer system and that they are transferred to the database after confirmation has been received. Other duties of this function include conducting macro and microeconomic research, formulating annual budget estimates and preparing, reporting, and submitting the budget to the Board of Directors. Actual operational results are compared to budget estimates at the end of each month and deviations are calculated.

Ekspo Faktoring's Internal Audit and Financial Control Department checks all domestic and international transactions in order to minimize risks originating from errors and detect problems before they occur; in addition, it monitors daily and monthly transactions. Internal Audit and Financial Control review all correspondence and reporting of the Marketing Department, Operations Department, Treasury Department, Accounting Department, Risk Assessment Department and International Operations Department. The Department aims to correct any deficiencies on the same day and prepares weekly and monthly reports for Senior Management and the Board of Directors. Further, the Internal Audit and Financial Control Department reviews and approves all statements and invoices to be sent to clients; performs reconciliation with the banks and undertakes the cash count.

The Internal Audit and Financial Control Department regularly convenes the Internal Audit Committee and implements the committee's decisions. The Department also sets new checkpoints to improve the system and generates reports when necessary. In addition to contributing to the professional and personal development of employees, it also identifies all the Company's training needs. The Department sees that relevant training content is prepared, trainers are selected, and training is implemented as necessary.

As of January 9, 2008, non-bank financial companies are obliged to abide by Law No. 5549 for the Prevention of the Laundering Proceeds of Crime and Regulation No. 26751. In order to comply with the regulation, Company management requested that the Internal Audit and Financial Control Department take fact-finding and preventative measures in line with Financial Crimes Investigation Board (MASAK) warnings.

Pursuant to Regulation No. 26999 dated September 16, 2008, the Company's Internal Audit and Financial Control Manager was appointed as Compliance Officer by a resolution of the Board of Directors. The Compliance Officer attends all training sessions organized by MASAK and the Financial Institutions Association and shares essential points with Company employees, informing them about compliance requirements and other important issues.

With regards to international activities, Ekspo Faktoring ensures the background checks of persons and organizations who may be sanctioned or considered dubious and whose identities are made public on lists published by internationally authorized organizations such as the UN, OFAC as well as the EU Blacklist and the like.

RISK MANAGEMENT

The relevant units within Ekspo Faktoring regularly report analyses of credit risks and submit them to management to support decision-making processes. Thus, these units take the lead in setting Company policies in line with the possible risks.

Effective risk management is a key component in achieving sustainable success. Implementing an effective risk management policy is especially critical for companies operating in the financial services industry.

Ekspo Faktoring identifies and defines potential risks and carries out proactive control and management of these risks on the road to achieving the Company's strategic goals.

The relevant units within the Company regularly report analyses of credit risks and submit them to management to support decision-making processes. Thus, these units take the lead in setting Company policies in line with the possible risks.

Ekspo Faktoring manages its lending policy with a dynamic and proactive approach; the Company constantly monitors its portfolio risks based on various parameters and develops a range of scenarios using various models. Ekspo Faktoring's most important credit risk criteria include: the target company's longevity and history, sector of activity, the experience of its managers and partners, shareholders' equity structure and fund raising capacity.

The Company manages risk exposure within the framework of sector and group limits. In addition, it ensures that any individual risk does not exceed 10% of shareholders' equity. Under some exceptional circumstances, this limit can be raised to a maximum of 20%, contingent on a Board of Directors' resolution.

In line with effective risk management policies, Ekspo Faktoring avoids concentrating in any one industry to ensure an even distribution of risk. In accordance with a Board of Directors' decision, the Company takes great care not to assume any risk of over 18% of total advances in a single sector. The Company also performs a sensitivity analysis when determining debtor limits and strictly avoids limit violations.

The comprehensive evaluation of risks in compliance with international standards is of utmost importance for Ekspo Faktoring. In this context, in recent years Company management has executed a series of research studies with various risk-rating agencies to develop an effective risk-rating system and increase the efficiency of risk monitoring. Adoption of a new rating system, compliant with international standards, was finalized as of end-2008. Since the beginning of 2009, all Ekspo Faktoring customers are analyzed according to the new rating system.

Ekspo Faktoring began using Negative Personal Loans reports as well as the drawer check report and risk reports, which were first made available by the Credit Bureau of Turkey but then was resumed by the Risk Center within the Banking Association for the use of non-bank financial companies as of year-end 2012.

RISK MANAGEMENT

Ekspo Faktoring closely monitors the risks in its portfolio in light of a range of parameters and develops scenarios for various models in order to manage its lending policy with a dynamic and proactive approach.

As part of its risk monitoring activities, Ekspo Faktoring reviews both its customers and its guarantee portfolio on a weekly, bimonthly and monthly basis. In risk monitoring, Ekspo Faktoring uses the Central Bank's periodical Risk Centralization Report, to which notifications are uploaded and monitored and changes can be reported. In this new system, risks of existing customers are efficiently monitored and changes can be investigated. The credit assessments of companies that apply for limit increase or a new line of credit are made on the basis of objective criteria. In addition, during weekly Asset Quality meetings, existing risks are evaluated in terms of balance sheets, intelligence results and collateral.

While establishing its credit portfolio, Ekspo Faktoring acts very rigorously and selectively to ensure its high asset quality, which is above the sector average. In this process, the Company benefits from the expertise of its Risk Assessment Department, composed of professionals experienced in the latest financial analysis methods and techniques. Department staff members regularly participate in the training courses offered by professional training institutions on credit, financial analysis and market intelligence. The goal is to keep personnel informed of the latest developments in their field and to learn the newest techniques.

As one of the most important units of Ekspo Faktoring, the Risk Committee evaluates the enterprises that borrow from the Company according to their financial status, sector conditions, as well as operational risks and market intelligence. The Committee meets twice weekly and evaluates client requests within a two-day timeframe. Additional committee meetings are held to handle matters requiring urgent attention. Credit Files created for individual companies through financial analyses and intelligence efforts are examined at these meetings. Credit Files include a company's strengths and weaknesses, opportunities and threats based on a SWOT analysis. Decisions are made on the credit line proposals presented to the Risk Committee as a result of all of these evaluations.

The Company's extensive database is constantly enhanced in terms of content and quality. This risk database is used not only for credit line allocation decisions, but also to devise and implement marketing strategies. Additionally, the database contains detailed and complementary information such as that given by correspondents as well as payment patterns and check-honoring performance.

While determining sector limits, Ekspo Faktoring uses company data and sector information present in the database. The Company's TL and foreign currency positions are also closely monitored. Ekspo Faktoring's analyses comply with Basel II criteria to measure market risks. The reports prepared as a result of these intensive and diligent analyses are presented to the Company's senior management.

The sector's average non-performing loans ratio, including bank-owned companies, stood at 5% in 2013, while Ekspo Faktoring posted an NPL ratio of 3.17%.

CORPORATE GOVERNANCE

Significant investment in human resources enables Ekspo Faktoring to render its corporate structure and achievements sustainable and to take fast and confident steps in the process of transformation into an expert financial institution focused on foreign trade financing.

HUMAN RESOURCES

At the top of the list of Ekspo Faktoring's success factors are the Company's highly qualified personnel who are focused on improving the added value in business processes.

Thanks to its specialized core staff, whose professional experience is well above the sector average, Ekspo Faktoring is able to execute highly productive business processes. As of the end of 2013, the Company employed 35 personnel. Ekspo Faktoring's team of experienced professionals, who monitor sector developments very closely, offer clients customized solutions tailored to their needs and expectations.

In line with the Company's targets and strategies, the Human Resources Department is responsible for a range of personnel related activities, from orientation of new employees to professional training programs.

Acutely aware of the importance of a well skilled workforce, the Company organizes continuing education programs under Ekspo Faktoring Academy. Continuing education opportunities are also available through training programs provided by the Financial Institutions Association, of which the Company is a member, and Factors Chain International (FCI), which is the world's largest non-bank financial service network, as well as private consultancy firms and the International Chamber of Commerce (ICC).

In 2013, Ekspo Faktoring provided for training in subject areas that included leadership, management, teamwork, corporate culture and foreign trade financing, depending on employee needs.

These significant investments in human resources help Ekspo Faktoring make rapid and solid progress in becoming a specialized financial institution that focuses on foreign trade financing while enabling sustainable corporate development and long-term success.

In its marketing and promotional activities, Ekspo Faktoring prefers to reach customers directly via its own marketing personnel instead of using advertising and promotional campaigns. In customer relationship management, the Company aims to differentiate itself with its highly capable human resources. To this end, Ekspo Faktoring provides regular training to all employees, from Finance Department personnel to the members of the Marketing team. Thanks to training programs provided by the financial sector's leading and most experienced institutions, Ekspo Faktoring plans to expand its client portfolio and increase customer satisfaction.

CORPORATE STRUCTURE

In all facets of its business, Ekspo Faktoring operates with the awareness and responsibility of being a corporate entity. The Company works steadily to improve its profitability and productivity and as a result sustains its corporate structure and development. The great progress the Company has made since its founding is also confirmed by the high ratings it has received from international rating agencies. Ekspo Faktoring is Turkey's first non-bank financial company to be rated by Moody's. In addition, the Company is audited by independent international audit firms every year. Ekspo Faktoring changes its audit companies every seven years to ensure that transparency is sustained.

Ekspo Faktoring uses a variety of criteria when recruiting staff; these include, holding a university degree, showing proficiency in a foreign language, having banking sector experience, and having expertise in their respective functional area. Using this recruitment approach, the Company ensures the superior quality of its human capital, which currently ranks above the sector average.

CORPORATE GOVERNANCE

Proving the importance that it places on transparency by having independent members on the Board of Directors, Ekspo Faktoring also regularly updates its website for informational purposes.

Employees joining the Company are trained in both professional and cultural issues. These training sessions are conducted within Ekspo Faktoring or administered by external professionals invited to the Company from time to time.

In line with the greater importance placed on transparency and consistency in the financial sector, the BRSA recommends that all financial institutions regularly report their balance sheets on their websites. Ekspo Faktoring has, in fact, publicly disclosed its balance sheet each quarter since its establishment. Additionally, as a result of bond issuances, Ekspo Faktoring publishes all of its financial statements on the Public Disclosure Platform quarterly, to keep its investors informed.

Ekspo Faktoring has an effective organizational structure, which elevates it to a leading position in the sector. This structure enables the Company to execute its operations efficiently, quickly and effectively. Combining these advantages with its advanced technological infrastructure, Ekspo Faktoring has succeeded in further increasing its competitive edge.

WELL-SUPPORTED, FEATURE RICH, AND STATE-OF-THE-ART IT INFRASTRUCTURE

Focused on providing effective and fast client services, Ekspo Faktoring aims to improve its service quality and places utmost importance on strengthening its technological infrastructure. In contrast to its simple and lean organizational structure, the Company has an advanced information technology infrastructure comprising the latest and most extensive hardware and software in the sector. Meeting its IT requirements through outsourcing, Ekspo Faktoring opened its Disaster Recovery Center in Ankara in 2006. In 2007, the Center completed its hardware and software development initiatives.

Ekspo Faktoring uses the Facto 2000 software package, which was developed in line with the Company's daily operating requirements by a software developer specialized in financial applications. This software provides integration between the marketing, client services and accounting functions. In addition, clients can monitor their transactions on Ekspo Online and view their accounts instantly.

EKSPO FAKTORING ON THE INTERNET: WWW.EKSPOFAKTORING.COM

Ekspo Faktoring's corporate website, **www.ekspofaktoring.com**, is the Company's presence on the internet. The website has an advanced technology infrastructure and enables clients to view their checks in collection, account statements, outstanding balances and other information they want to instantly access online. The Company's public disclosures and announcements are also published on **www.ekspofaktoring.com.**

As an innovation in the sector, Ekspo Faktoring launched a check viewing system on its corporate website. Now, both clients and the Company are provided with a more effective monitoring mechanism. By regularly updating its online services, Ekspo Faktoring strives to implement new initiatives to serve its clients at the highest possible standards. In order to provide customers with more convenient and efficient services, the Company redesigned its corporate website in 2013.

Well aware of the value added created by its IT investments, the Company aims to focus on heightened security firewalls, higher internet connection speed, and stronger virtual servers in the coming period.

EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2013

Deloitte.

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Independent Auditors' Report

To the Board of Directors of
Ekspo Faktoring Anonim Şirketi
İstanbul

We have audited the accompanying financial statements of Ekspo Faktoring Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2013, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompaying financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of the Company for the year ended 31 December 2012 were audited by another auditor. The preceding independent auditor expressed an unqualified opinion in connection with the their audit report for the year ended 31 December 2012 dated 20 February 2013.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

DRT Bağımsız Denetim ve SMMM A.Ş.

İstanbul, 21 February 2014

EKSPO FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(CURRENCY: TURKISH LİRA ("TL") UNLESS OTHERWISE STATED)

	Notes	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	*10*	326,684	122,466
Derivative financial assets	*4,21*	382,667	77,889
Factoring receivables	*11*	289,514,399	233,544,382
Other assets	*12*	656,803	268,105
Assets held for sale	*13*	486,703	486,703
Investment properties	*14*	1,166,007	1,192,170
Tangible assets	*15*	1,167,358	1,313,529
Intangible assets	*16*	13,821	24,475
Deferred tax assets	*9*	883,391	692,855
Total assets		**294,597,833**	**237,722,574**
Liabilities			
Loans and borrowings	*17*	153,891,031	105,914,780
Debt securities issued	*18*	52,654,003	52,419,024
Derivative financial liabilities	*4,21*	371,634	82,747
Factoring payables	*19*	2,671,290	990,294
Other liabilities	*20*	1,835,618	723,014
Income taxes payable	*9*	719,338	1,032,301
Reserve for employee severance payments	*22*	387,783	354,893
Total liabilities		**212,530,697**	**161,517,053**
Equity			
Share capital	*23*	50,000,000	50,000,000
Adjustment to share capital	*23*	279,326	279,326
Legal reserves	*23*	9,978,347	9,174,381
Retained earnings	*23*	21,809,463	16,751,814
Total shareholders' equity		**82,067,136**	**76,205,521**
Total sharesholders' equity and liabilities		**294,597,833**	**237,722,574**
Commitments and contingencies	*25*		

The accompanying notes form integral part of these financial statements.

EKSPO FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013
(CURRENCY: TURKISH LİRA ("TL") UNLESS OTHERWISE STATED)

	Notes	1 January-31 December 2013	1 January-31 December 2012
Factoring interest income		30,170,523	36,004,148
Factoring commission income, net		2,517,333	5,044,424
Income from factoring operations		**32,687,856**	**41,048,572**
Interest expense on bank borrowings		(7,635,429)	(11,780,026)
Interest expense on debt securities issued		(5,472,775)	(4,297,861)
Derivative trading losses, net		15,891	(6,848)
Foreign exchange gains / (losses), net		359,731	137,881
Interest income other than on factoring interest income	*5*	-	485
Interest, commission and foreign exchange income, net		**19,955,274**	**25,102,203**
Personnel expenses	*7*	(6,376,742)	(5,694,913)
Administrative expenses	*8*	(2,154,832)	(2,200,931)
Provision for impaired factoring receivables, net	*11*	(2,474,493)	(2,583,759)
Depreciation and amortisation expenses	*14,15,16*	(199,289)	(229,831)
Other income	*6*	784,540	14,459
Profit before income taxes		**9,534,458**	**14,407,228**
Income tax expense	*9*	(1,672,843)	(2,902,206)
Profit for the year		**7,861,615**	**11,505,022**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**7,861,615**	**11,505,022**

The accompanying notes form integral part of these financial statements.

EKSPO FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013
(CURRENCY: TURKISH LİRA ("TL") UNLESS OTHERWISE STATED)

	Notes	Share Capital	Adjustment to Share Capital	Legal Reserves	Retained Earnings	Total Equity
Balances at 1 January 2012		40,000,000	279,326	8,424,204	17,996,969	66,700,499
Total comprehensive income for the year						
Profit for the year		-	-	-	11,505,022	11,505,022
Total comprehensive income for the year		-	-	-	11,505,022	11,505,022
Capital increase		10,000,000	-	-	(10,000,000)	-
Transfer to legal reserves		-	-	750,177	(750,177)	-
Dividend paid		-	-	-	(2,000,000)	(2,000,000)
Total		10,000,000	-	750,177	(12,750,177)	(2,000,000)
Balances at 31 December 2012	23	50,000,000	279,326	9,174,381	16,751,814	76,205,521
Balances at 1 January 2013		50,000,000	279,326	9,174,381	16,751,814	76,205,521
Total comprehensive income for the year						
Profit for the year		-	-	-	7,861,615	7,861,615
Total comprehensive income for the year		-	-	-	7,861,615	7,861,615
Transfer to legal reserves		-	-	803,966	(803,966)	-
Dividend paid		-	-	-	(2,000,000)	(2,000,000)
Total		-	-	803,966	(2,803,966)	(2,000,000)
Balances at 31 December 2013	23	50,000,000	279,326	9,978,347	21,809,463	82,067,136

The accompanying notes form integral part of these financial statements.

EKSPO FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013
(CURRENCY: TURKİSH LİRA ("TL") UNLESS OTHERWİSE STATED)

	Notes	1 January- 31 December 2012	1 January- 31 December 2013
Cash Flows From Operating Activities:			
Profit for the year		7.861.615	11.505.022
Adjustments for:			
Depreciation and amortisation expense	14, 15, 16	199.289	229.831
Provision for employee severance payments	22	88.051	155.111
Other expense/(income) accruals	(3.554.227)	(779.049)	
Provision for deferred and income taxes	9	1.672.843	2.902.206
Interest income	(30.170.523)	(36.004.633)	
Interest expenses	13.108.204	16.077.887	
Provision for impaired factoring receivables	11	3.085.747	3.041.621
Changes in fair value of derivative financial instruments	21	(15.891)	6.848
		(7.724.892)	**(2.865.156)**
Changes in factoring receivables and payables		(56.112.791)	(33.401)
Changes in other assets		(388.699)	(61.339)
Changes in other liabilities		2.793.600	593.173
Employee severance paid	22	(55.161)	(33.265)
Taxes paid	9	(2.176.342)	(2.700.043)
Interest paid		(12.673.792)	(12.818.143)
Interest received		30.170.523	36.198.486
Proceeds from recoveries of impaired factoring receivables	11	611.254	457.862
Net cash provided by / (used in) operating activities		**(45.556.300)**	**18.738.174**
Cash Flows From Investing Activities:			
Acquisition of investment property	14	-	-
Acquisition of property and equipment	15	(16.300)	(75.084)
Acquisition of intangible assets	16	-	(14.116)
Net cash used in investing activities		**(16.300)**	**(89.200)**
Cash Flows From Financing Activities:			
Changes in loans and borrowings		47.776.818	(46.753.840)
Debt securities issued paid		-	(20.000.000)
Proceeds from debt securities issued		-	50.000.000
Dividends paid		(2.000.000)	(2.000.000)
Net cash (used in) / provided from financing activities		**45.776.818**	**(18.753.840)**
Effect of changes in foreign exchange rate on cash and cash equivalents		-	4.663
Net increase / (decrease) in cash and cash equivalents		**204.218**	**(100.203)**
Cash and cash equivalents at 1 January		**122.466**	**222.669**
Cash and cash equivalents at 31 December	**10**	**326.684**	**122.466**

The accompanying notes form integral part of these financial statements.

EKSPO FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013
(CURRENCY: TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

NOTES TO THE FINANCIAL STATEMENTS

EKSPO FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013
(CURRENCY: TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

1 Reporting entity

Ekspo Faktoring Anonim Şirketi ("the Company") was incorporated in Turkey to provide factoring services to industrial and commercial firms and registered to Turkish Trade Registry Gazette on 2 June 2000.

The Company operates in both domestic and international markets and factors its without recourse type transactions via its correspondent factoring companies abroad. The Company provides domestic, import and export factoring services to industrial and commercial enterprises in Turkey.

The Company also applies the requirements of the Communique on the "Principles and Procedures of Receivables Allowances to be Provided by Finance Leasing, Factoring and Financing Companies"; which is prepared based on the Communique on "The Application of Uniform Charts of Accounts and its Guides Book in Connection to the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette No: 28267 on 24 April 2013; published in the Official Gazette No: 26588 on 20 July 2007.

The Company operates mainly factoring transactions in one geographical area (Turkey).

The Company's head office is located at Ayazağa Mahallesi Meydan Sokak Büyükdere Asfaltı Mevkii Spring Giz Plaza B Blok Maslak-İstanbul/Türkiye.

2 Basis of preparation of financial statements

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Accounting Standards as promulgated by the Banking Regulation and Supervision Agency ("BRSA") and also the Turkish Commercial Code.

The statement of balance sheet and comprehensive income of the Company as at and for the year ended 31 December 2013 were authorized for issue by the Board of Directors on 21 February 2014. The General Assembly and certain regulatory bodies have power to amend the statutory financial statements after issue.

(b) Basis of measurement

The financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. They are prepared on the historical cost basis, except for derivatives which are measured at fair value, adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005.

(c) Functional and presentation currency

The financial statements are presented in TL, which is the Company's functional currency. All financial information presented in TL is rounded to the nearest digit.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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2 Basis of preparation (Continued)

(d) Use of estimates and judgements (Continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 4 Determination of fair values
- Note 9 Taxation
- Note 11 Factoring receivables, provision for impairment of doubtful receivables
- Note 14 Investment property
- Note 15 Tangible assets
- Note 16 Intangible assets

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounting in hyperinflationary economies

International Accounting Standard ("IAS") 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey has been 35.61% at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economical stabilisation, decrease in the interest rates and the appreciation of TL against the US Dollars ("USD"), have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the financial statements of the Company as at and for the year ended 31 December 2006 and thereafter.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in the profit or loss as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the comprehensive profit or loss as realized during the course of the year.

Foreign exchange rates used by the Company as at 31 December are as follows:

	2013	2012
USD	2.1343	1.7826
EURO	2.9365	2.3517
GBP	3.5114	2.8708
CHF	2.3899	1.9430

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3 Significant accounting policies (Continued)

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise factoring receivables, other assets, cash and cash equivalents, bank borrowings, debt securities, factoring payables and other liabilities.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time and demand deposits at banks having original maturity less than 3 months and readily to be used by the Company or not blocked for any other purpose.

Time deposits are measured at amortised cost using the effective interest method, less any impairment losses.

Accounting for financial income and expense is discussed in note 3(m).

Factoring receivables

Factoring receivables are measured at amortised cost less specific allowances for uncollectibility and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable is written off immediately.

Borrowings and debt securities

Bank borrowings and debt securities are recognized initially at fair value, net of any transaction costs incurred. Subsequent to initial recognition, bank borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in the statement of comprehensive income over the period of the borrowings.

Other

Other assets and liabilities are measured at cost due to their short term nature.

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3 Significant accounting policies (Continued)

(c) Financial Instruments (Continued)

(ii) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are based on available quoted market prices and discounted cash flow model if needed. Fair value of unquoted foreign exchange contracts are presented by the rate of the first term of the contract compared by the rest of the relevant currency market interest rates calculated on the table, minus the maturity rate as determined by comparing the statement of financial position. If fair value of derivative financial instruments is positive, it is accounted as assets; if the fair value is negative, it is accounted as liabilities.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date.

(iii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

Share capital increases pro-rata to existing shareholders is accounted for at par value as approved at the annual meeting of shareholders.

(d) Investment property

Investment property is accounted using the cost model, less accumulated depreciation, and impairment losses. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over 50 years.

(e) Assets held for sale

Assets that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

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3 Significant accounting policies (Continued)

(f) Tangible assets

(i) Recognition and measurement

Items of tangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29 less accumulated depreciation and impairment losses, if any. Tangible assets acquired after 31 December 2005 are measured at cost, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of tangible assets have different useful lives, they are accounted for as separate items (major components) of tangible assets.

Any gain and loss on disposal of an item of tangible assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised net in other income and other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fixtures	5 years
Motor vehicles	5 years

Leasehold improvements are amortised over the periods of the respective leases on a straight-line basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortisation, and impairment losses, if any. Intangible assets acquired after 31 December 2005 are measured at cost, less accumulated amortisation, and impairment losses, if any. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are 5 years.

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3 Significant accounting policies (Continued)

(h) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All financial assets are tested for impairment on an individual basis. Rest of financial assets are evaluated according to same properties of loan risk in group.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in the profit or loss to the extent that the impairment loss in respect of a financial asset was not recognized in the previous year.

(ii) Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment except deferred tax asset (accounting policy n). If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the statements of profit or loss and other compressive income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

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3 Significant accounting policies (Continued)

(i) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued in accordance with IAS 39. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees through statistical methodology.

The assumptions used in the calculation are as follows:

	31 December 2013	31 December 2012
Net discount rate	3.75%	2.60%
Expected salary / limit increase	6.21%	5.00%

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(k) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(l) Related parties

The shareholders of the Company and other companies that are controlled by them or related with them and key management personnel of the Company are considered and referred to as the related parties.

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3 Significant accounting policies (Continued)

(m) Revenue and cost recognition

(i) Factoring interest and commission income

Factoring interest and commission income are recognized in profit or loss on an accrual basis using the effective interest method. Commission income is a certain percentage of the total amount of invoices subject to factoring.

(ii) Factoring commission expense

Factoring commission charges are recognised as expense in profit or loss on accrual basis.

(iii) Other income and expenses

Other income and expenses are recognized in profit or loss on the accrual basis.

(iv) Financial income / expenses

Financial income includes foreign exchange gains and interest income from time deposits calculated using the effective interest method.

Financial expenses include interest expense on borrowings and debt securities calculated using the effective interest method, foreign exchange losses and other financial expenses.

(n) Income tax

Taxes on income comprise current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred taxes on income.

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3 Significant accounting policies (Continued)

(o) Application of new and revised international financial reporting standards (IFRSs)

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy required for financial instruments only under IFRS 7 Financial Instruments: Disclosures are extended by IFRS 13 to cover all assets and liabilities within its scope. The application of this new standard does not result in any impact on financial statements.

IAS 19 Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. The amendments to IAS 19 require retrospective application. The Company management has estimated the changes of the accounting policy and the impact on prior year financial statements and has decided not restated of prior year financial statement because of the impact of after tax is not material. The Company management has estimated the changes of the accounting policy and the impact on current year financial statements and has decided not restated of current year financial statement because of the impact of after tax is not material, either.

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3 Significant accounting policies (Continued)

(o) Application of new and revised international financial reporting standards (IFRSs) (Continued)

New and Revised IFRSs applied with no material effect on the financial statements

Amendments to IAS 1 *Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)*

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009-2011 Cycle are effective for the annual periods beginning on or after 1 January 2013.

IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

Amendments to IFRS 7 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

***Annual Improvements to IFRSs 2009 - 2011 Cycle* issued in May 2012**

- Amendments to IAS 16 Property, Plant and Equipment;
- Amendments to IAS 32 Financial Instruments: Presentation; and
- Amendments to IAS 34 Interim Financial Reporting.

Amendments to IAS 16

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The amendments to IAS 16 did not have a significant effect on the Company's financial statements.

Amendments to IAS 32

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The amendments to IAS 32 did not have a significant effect on the Company's financial statements.

Amendments to IAS 34

The amendments to IAS 34 clarify that disclosure of the total assets and total liabilities for a particular reportable segment is only required if a measure of total assets or total liabilities (or both) is regularly provided to the chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The amendments to IAS 34 did not have an effect on the Company's financial statements.

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3 Significant accounting policies (Continued)

(o) Application of new and revised international financial reporting standards (IFRSs) (Continued)

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*
Amendments to IFRS 10, 11, IAS 27	*Investment Entities*[1]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*[1]
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*

[1] Effective for annual periods beginning on or after 1 January 2014.

(p) Events after the reporting period

Events after the reporting period include all events up to the date when the financial statements are authorized for issue. In accordance with IAS 10, "Events After the Reporting Period", the Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the reporting period. Non adjusting events are disclosed in the notes to the financial statements.

(q) Statement of cash flows

The Company prepares cash flow statements to inform the users of the financial statements about the changes in its net assets, its financial structure and its ability to affect the amount and timing of its cash flows with respect to changing external conditions.

In the statement of cash flows, cash flows of the period are reported with a classification based on operating, investing and financing activities. Cash flows from operating activities represent cash flows from activities within the scope of business. Cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Cash flows relating to financing activities represent the sources of financing the Company used and the repayments of these sources.

(r) Segment reporting of financial information

Since the Company does not have segments whose financial performances are reviewed by operating decision makers, no segment reporting information is provided in the notes.

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4 Determination of fair values

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2013	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	382,667	-	382,667
	-	**382,667**	**-**	**382,667**
Derivative financial liabilities	-	371,634	-	371,634
	-	**371,634**	**-**	**371,634**

31 December 2012	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	77,889	-	77,889
	-	**77,889**	**-**	**77,889**
Derivative financial liabilities	-	82,747	-	82,747
	-	**82,747**	**-**	**82,747**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain financial position instruments is not materially different than their recorded values due to their short nature. These statement of financial position instruments include cash and cash equivalents, factoring receivables, factoring payables, loans and borrowings, other assets and other liabilities. Fair value of debt securities is determined with reference to their quoted bid price at the reporting date.

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4 Determination of fair values (Continued)

As at 31 December, the carrying amounts and fair values of financial instruments are as follows:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	326,684	326,684	122,466	122,466
Factoring receivables	289,514,399	289,514,399	233,544,382	233,544,382
Financial liabilities				
Bank borrowings	153,891,031	153,891,031	105,914,780	105,914,780
Debt securities issued	52,654,003	52,654,003	52,419,024	52,403,319
Factoring payables	2,671,290	2,671,290	990,294	990,294
Other liabilities	1,835,621	1,835,621	723,014	723,014

5 Interest income other than factoring operations

As at and for the years ended 31 December, interest income other than factoring operations are as follows:

	2013	*2012*
Interest income on bank deposits	-	485
	-	485

6 Other income

For the year ended 31 December 2013, other income comprised of brokerage income amounting to TL 784,540 (2012: TL 14,459).

7 Personnel expenses

For the years ended 31 December, personnel expenses comprised the following:

	2013	*2012*
Salary expenses	4,930,139	4,483,482
Social security premium employer's share	380,304	346,843
Bonus expenses	490,627	230,493
Insurance expenses	154,742	159,698
Provision for employee severance payments	88,051	155,111
Meal expenses	110,407	117,397
Transportation expenses	137,898	93,184
Unemployment security employer's share	35,842	30,926
Others	48,732	77,779
	6,376,742	**5,694,913**

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8 Administrative expenses

For the years ended 31 December, administrative expenses comprised the following:

	2013	2012
Rent expenses	539,886	451,811
Audit and consultancy expenses	312,702	292,222
Legal expenses	271,310	218,595
IT related expenses	165,806	185,779
Vehicle expenses	143,720	135,996
Communication expenses	98,924	98,818
Office expenses	90,312	80,406
Taxes and duties other than on income	82,194	89,716
Accommodation expenses	76,691	56,726
Subscription fees	61,457	63,306
Travel expenses	61,404	195,148
Stationery Expenses	17,151	34,366
Advertising expenses	3,968	8,206
Donations expenses	300	2,250
Others	229,007	287,586
	2,154,832	**2,200,931**

9 Taxation

As at 31 December 2013, corporate income tax is levied at the rate of 20% (2012: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, was redefined according to the Cabinet Decision numbered 2006/10731, which was announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those which are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within fourth months fifteen days following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm’s length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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9 Taxation (Continued)

The statement of profit or loss and comprehensive income for the years ended 31 December is different than the amounts computed by applying the statutory tax rate to profits before income taxes.

	2013		2012	
	Amount	%	Amount	%
Reported profit before income taxes	9,534,458		14,407,228	
Taxes on reported profit per				
statutory tax rate	(1,906,892)	(20)	(2,881,446)	(20)
Permanent differences:				
Non-taxable expenses	(25,333)	(0.03)	(59,360)	(1)
Non-taxable income	259,382	-	38,600	-
Income tax expense	**(1,672,843)**	**(20,03)**	**(2,902,206)**	**(21)**

The income tax expense for the years ended 31 December comprised the following items:

	2013	2012
Current tax expense	1,863,379	3,037,935
Deferred tax expense	(190,536)	(135,729)
Income tax expense	**1,672,843**	**2,902,206**

In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the statement of financial position.

The taxes payable on income at 31 December comprised the following:

	2013	2012
Taxes on income	1,863,379	3,037,935
Less: Corporation taxes paid in advance	(1,144,041)	(2,005,634)
Income taxes payable	**719,338**	**1,032,301**

For the years ended 31 December 2013 and 2012, movement of the Company's net deferred tax assets and liabilities is as follows:

	2013	2012
Opening balance	692,855	557,126
Deferred tax income recognized in profit or loss	190,536	135,729
Closing balance	**883,391**	**692,855**

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9 Taxation (Continued)

Deferred income tax is provided, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

As at 31 December 2013, details of deferred tax assets and deferred tax liabilities calculated by the prevailing tax rate are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Unearned interest income	4,294,184	3,176,778	858,837	635,355
Reserve for employee severance payments	387,783	354,893	77,557	70,979
Allowance for impaired factoring receivables	107,274	316,473	21,454	63,295
Derivative financial instruments	-	4,858	-	972
Deferred tax assets	**4,789,241**	**3,853,002**	**957,848**	**786,178**
Derivative financial instruments	11,033	-	(2,207)	(15,578)
Tangible assets, and intangible assets	361,252	388,728	(72,250)	(77,746)
Deferred tax liabilities	**(372,285)**	**388,728**	**(74,457)**	**(93,323)**
Deferred tax assets / (liabilities), net			**883,391**	**692,855**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts at 31 December, determined after appropriate offsetting, are shown in the statement of financial position.

	2013			2012		
	Gross	Offsetting	Net	Gross	Offsetting	Net
DTA	957,848	(74,457)	883,391	770,601	(77,746)	692,855
DTL	(74,457)	(74,457	-	(77,746)	77,746	-
DTA, net	**883,391**	**-**	**883,391**	**692,855**	**-**	**692,855**

For the years ended 31 December 2013 and 2012, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2013 and 2012, there are no unrecognised deferred tax assets and liabilities. Future profit projections and potential tax planning strategies have been taken into consideration during assessment of recoverability of deferred tax assets.

10 Cash and cash equivalents

As at 31 December, cash and cash equivalents are as follows:

	2013	2012
Demand deposits at banks	326,684	122,466
Cash on hand	-	-
Total cash and cash equivalents	**326,684**	**122,466**

As at 31 December 2013, there is not any blockage on bank deposits (31 December 2012: None).

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11 Factoring receivables

At 31 December, factoring receivables comprised the following:

	2013	2012
Domestic factoring receivables	278,485,730	234,265,797
Export and import factoring receivables	15,322,853	3,752,273
Impaired factoring receivables	9,168,297	6,693,804
Factoring receivables, gross	302,976,880	244,711,874
Unearned factoring interest income	(4,294,184)	(4,473,688)
Allowance for impaired factoring receivables	(9,168,297)	(6,693,804)
Factoring receivables	**289,514,399**	**233,544,382**

The Company has obtained the following collaterals for its receivables at 31 December:

	2013	2012
Customer notes and cheques	485,028,088	445,057,311
Mortgages	3,961,900	5,611,020
Letters of guarantee	-	739,631
Total	**488,989,988**	**451,407,962**

Movements in the allowance for impaired factoring receivables during the years ended 31 December are as follows:

	2013	2012
Balance at the beginning of the year	6,693,804	4,110,045
Provision for the year	3,085,747	3,041,621
Recoveries during the year	(611,254)	(457,862)
Balance at the end of the year	**9,168,297**	**6,693,804**

As at 31 December, the ageing analysis of the impaired factoring receivables are as follows:

	2013	2012
Overdue 1 to 3 months	-	805,352
Overdue 3 to 6 months	2,032,871	1,641,218
Overdue 6 to 12 months	-	788,051
Overdue over 1 year	7,135,426	3,459,183
	9,168,297	**6,693,804**

12 Other assets

As at 31 December, other assets are as follows:

	2013	2012
Prepaid expenses (*)	227,916	227,135
Others	428,887	40,970
	656,803	**268,105**

(*) Prepaid expenses include participation fee paid to the Banking Regulatory Supervisory Agency amounting to TL 35,700 and TL 36,200 as at 31 December 2013 and 2012, respectively, and insurance expenses that will be utilized in the subsequent months.

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13 Assets held for sale

As at 31 December 2013, assets classified as held for sale consists of two flats obtained in lieu of impaired factoring receivables, amounting to TL 486,703 (2012: TL 486,703).

14 Investment properties

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2013 is as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost				
Buildings	1,344,107	-	-	1,344,107

	1 January 2013	Current year charge	Disposals	31 December 2013
Less: Accumulated Depreciation				
Buildings	151,937	26,163	-	178,100
Net carrying value	**1,192,170**			**1,166,007**

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2012 is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Buildings	1,344,107	-	-	1,344,107

	1 January 2012	Current year charge	Disposals	31 December 2012
Less: Accumulated Depreciation				
Buildings	125,054	26,883	-	151,937
Net carrying value	**1,219,053**			**1,192,170**

Investment properties include a flat owned by the Company which is property held either to earn rental income or for capital appreciation or for both. The investment properties are amortized with straight-line method over its estimated useful life of 50 years.

Fair value measurement of the Company's investment properties

The fair value of the investment property of the Company is determined by an independent real estate appraisal company as of 31 December 2013 and 2012. The appraisal company has the appropriate qualification and experience for the valuation of property. The expertise report was prepared in accordance with International Valuation Standards and by considering the market prices of the similar properties around the same locations with the related properties.

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14 Investment property (Continued)

Fair value measurement of the Company's investment properties (Continued)

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Carrying value	Fair value as at 31 December 2013		
	31 December 2013	Level 1	Level 3	Level 3
		TL	TL	TL
Commercial property	1,166,007	-	-	2,000,000

	Carrying value	Fair value as at 31 December 2012		
	31 December 2013	Level 1	Level 3	Level 3
		TL	TL	TL
Commercial property	1,162,000	-	-	1,900,000

15 Tangible Assets

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2013 is as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost				
Motor vehicles	1,247,735	-	-	1,247,735
Furniture and fixtures	580,839	16,300	-	597,139
Leasehold improvements	345,355	-	-	345,355
Others (*)	830,397	-	-	830,397
Total cost	**3,004,326**	**16,300**	**-**	**3,020,626**

	1 January 2013	Current year charge	Disposals	31 December 2013
Less: Accumulated depreciation				
Motor vehicles	851,840	135,487	-	987,327
Furniture and fixtures	517,022	22,264	-	539,286
Leasehold improvements	321,935	4,720	-	326,655
Total accumulated depreciation	**1,690,797**	**162,471**	**-**	**1,853,268**
Net carrying value	**1,313,529**			**1,167,358**

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15 Tangible assets (Continued)

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2013 is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Motor vehicles	1,247,735	-	-	1,247,735
Furniture and fixtures	536,930	43,909	-	580,839
Leasehold improvements	321,755	23,600	-	345,355
Others (*)	822,822	7,575	-	830,397
Total cost	**2,929,242**	**75,084**	**-**	**3,004,326**

	Current year charge	1 January 2012	Disposals	31 December 2012
Less: Accumulated depreciation				
Motor vehicles	697,191	154,649	-	851,840
Furniture and fixtures	489,320	27,702	-	517,022
Leasehold improvements	310,353	11,582	-	321,935
Total accumulated depreciation	**1,496,864**	**193,933**	**-**	**1,690,797**
Net carrying value	**1,432,378**			**1,313,529**

(*) Others comprise paintings and other decorative items which are not depreciated.

As at 31 December 2013, total amount of insurance on tangible assets is TL 2,453,326 (31 December 2012: TL 2,592,141) and total amount of insurance premium on tangible assets is TL 22,625 (31 December 2012: TL 27,545). As at 31 December 2013 and 2012, there is no pledge on tangible assets.

16 Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2013 is as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost				
Rights	154,362	-	-	154,362

	1 January 2013	Current year charge	Disposals	31 December 2013
Less: Accumulated amortisation				
Rights	129,887	10,655	-	140,542
Net carrying value	**24,475**			**13,821**

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2012 is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Rights	140,246	14,116	-	154,362

	1 January 2012	Current yearcharge	Disposals	31 December 2012
Less: Accumulated amortisation				
Rights	120,872	9,015	-	129,887
Net carrying value	**19,374**			**24,475**

As at 31 December 2013 and 2012, the Company does not have any internally generated intangible assets.

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17 Loans and borrowings

As at 31 December, secured bank borrowings are as follows:

	2013			
			TL amount	
	Original Amount	Nominal Interest Rate (%) (*)	Up to 1 year and over	1 year and over
TL	127,028,087	8,10-10	127,028,087	-
TL (**)	11,863,935	4	11,863,935	-
USD	5,054,845	3,83-4,73	10,788,556	-
EUR	1,433,834	3,44-4,04	4,210,453	-
Total			**153,891,031**	**-**

	2012			
			TL amount	
	Original Amount	Nominal Interest Rate (%) (*)	Up to 1 year and over	1 year and over
TL	94,426,018	6.00-7.50	94,426,018	-
TL (**)	8,020,342	3.75	8,020,342	-
USD	1,680	Libor + 3.8	2,995	-
EUR	1,374,251	3.37-3.92	3,231,826	-
GBP	68,054	4.32	195,370	-
CHF	19,675	Libor +3.8	38,229	-
Total			**105,914,780**	**-**

(*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2013 and 2012.
(**) Includes the balances with reference to foreign currency indexed bank borrowings.

As at 31 December 2013, the Company has cheques and promissory notes amounting to TL 199,521,978 (31 December 2012: TL 152,104,188) given as collateral against its outstanding bank borrowings.

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18 Debt securities issued

The Company has issued floating rate debt securities amounting to TL 50,000,000 at 31 July 2012 with 2 years maturity and six-months period interest payment. As at 31 December 2013, debt securities are as follows:

			2013			
	Currency	Maturity	Interest type	Interest rate (*)	Nominal value	Carrying value
Debt Securities	TL	2014	Floating (**)	6.27%	50,000,000	52,654,003
						52,654,003

			2012			
	Currency	Maturity	Interest type	Interest rate (*)	Nominal value	Carrying value
Debt Securities	TL	2014	Floating (**)	5.72%	50,000,000	52,419,024
						52,419,024

(*) Represents the semi-annual interest rate applicable for the first coupon payment term.
(**)The third coupon payment interest rate for the next six-month is 6.2731%. The "Benchmark Interest" that will constitute the base of the interest rate of the Security will be the last 5 business days weighted arithmetic mean of the zero coupon government bond with the longest term at Istanbul Stock Exchange Bills Market Outright Purchases and Sales Market issued by the Treasury. The same procedure will be repeated to present the "Benchmark Interest" on each coupon payment day and the valid Coupon Interest Rate will constitute the base of the next coupon payment. The Coupon Interest Rate will be calculated by adding 3.75% (2012: 3.75%) additional rate of return per annum to the "Benchmark Interest Rate".

19 Factoring payables

As at 31 December, factoring payables comprised the following:

	2013	2012
Domestic factoring payables	2,671,290	990,294
Total	2,671,290	990,294

Factoring payables represent the amounts collected on behalf of but not yet paid to the factoring customers at the reporting date.

20 Other liabilities

As at 31 December, other liabilities comprised the following:

	2013	2012
Taxes and duties other than on income tax	346,484	525,917
Trade payables to vendors	1,318,597	133,374
Unearned income	107,833	-
Social security payables	62,704	63,723
Total	1,835,618	723,014

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21 Derivative financial assets and derivative financial liabilities

The Company uses currency swap derivative instruments. "Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Company uses these derivative financial instruments, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risk.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held as at 31 December, which represent the carrying values are as follows:

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Currency swap purchases and sales	382,667	(371,634)	77,889	(82,747)
	382,667	**(371,634)**	**77,889**	**(82,747)**

As at 31 December 2013 and 2012, the details of derivative transactions is presented in Note 25.

22 Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 3,254.44 at 31 December 2013 (2012: TL 3,033.98) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

For the years ended 31 December, movements in the provision for employee severance indemnity were as follows:

	2013	2012
Balance at the beginning of the year	**354,893**	**233,047**
Interest cost	37,512	20,788
Service cost	54,077	60,009
Paid during the year	(55,161)	(33,265)
Actuarial difference	(3,538)	74,314
Balance at the end of the year	**387,783**	**354,893**

The Company recognises the actuarial gains/losses in profit or loss.

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23 Capital and reserves

23.1 Paid-in capital

At 31 December 2013, the Company's nominal value of authorized and paid-in share capital amounts to TL 50,000,000 (2012: TL 40,000,000) comprising 50,000,000 (2012: 40,000,000) registered shares of par value of TL 1 each. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL as of 31 December 2005.

As at 31 December, the composition of the authorized and paid-in share capital are as follows:

	2013		2012	
	Share (%)	TL	Share (%)	TL
M. Semra Tümay	49.00%	24,500,000	49.00%	24,500,000
Murat Tümay	25.50%	12,749,999	25.50%	12,749,999
Zeynep Ş. Akçakayalıoğlu	25.50%	12,749,999	25.50%	12,749,999
Others	0.00%	2	0.00%	2
Share capital	100%	50,000,000	100.00%	50,000,000
Adjustment to share capital		279,326		279,326
Total share capital		**50,279,326**		**50,279,326**

23.2 Legal Reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves is TL 9,978,343 (historical) at 31 December 2013 (2012: TL 9,174,381 (historical)).

According to the decisions based on the General Assembly Meeting held on 25 February 2013, the Company has decided to distribute dividend. The Company has distributed amounting TL 1,000,000 based on Board of Decision dated 3 May 2013 and amounting TL 1,000,000 based on Board of Decision dated 17 September 2013.

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24 Risk management disclosures

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Credit risk

The Company is subject to credit risk through its factoring operations. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not enter into factoring transactions with the firms which do not meet the predetermined criteria for credit approval. Credit evaluations are performed on all customers by the Credit Risk Committee based on their authorisation limits. The Credit Risk Committee meets every week regularly and performs credit evaluations. The Company has early warning controls with respect to the monitoring of on-going credit risks and the Company regularly performs scoring of the creditworthiness of the customers. A special software program has been developed to monitor the credit risk of the Company.

At 31 December 2013, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December, the breakdown of the factoring receivables by industrial groups is as follows:

	2013	%	2012	%
Textiles	51,996,786	17.96	26,997,731	11.56
Construction	37,028,892	12.79	25,830,009	11.06
Financial Services	28,777,731	9.94	25,222,793	10.80
Agriculture and ranching	25,622,024	8.85	10,789,750	4.62
Researching, consulting and advertising	24,637,675	8.51	15,951,081	6.83
Non-metal industry	15,662,729	5.41	12,681,460	5.43
Retail and wholesale trade	11,262,110	3.89	7,146,458	3.06
Tourism	10,248,810	3.54	13,125,194	5.62
Automotive	9,785,587	3.38	3,643,292	1.56
Leather industry	9,409,218	3.25	9,738,801	4.17
Food, beverages and tobacco	9,235,509	3.19	31,154,821	13.34
Rubber and plastic goods	8,859,141	3.06	8,781,269	3.76
Machinery and equipment	8,685,432	3.00	2,755,824	1.18
Iron, steel, coal, petroleum, other mines	6,282,462	2.17	2,779,178	1.19
Chemicals and pharmaceuticals	5,790,288	2.00	3,222,912	1.38
Electrical equipment	5,732,385	1.98	10,509,497	4.50
Transportation, storage and communication	5,413,919	1.87	9,505,256	4.07
Wood and Wooden Products	3,358,367	1.16	6,702,724	2.87
Computer and computer equipment	3,300,464	1.14	887,469	0.38
Cultural, recreational and sports activities	1,708,135	0.59	3,503,166	1.50
Others	6,716,735	2.32	2,615,697	1.12
	289,514,399	**100.00**	**233,544,382**	**100.00**

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24 Risk management disclosures (Continued)

Credit risk (Continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2013 and 2012, details of the financial assets exposed to credit risk are as follows:

	2013	2012
Cash at banks	326,684	122,466
Factoring receivables, net	289,514,399	233,544,382
Derivative financial assets	382,667	77,889

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

The table below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December:

	2013				2012			
	USD (%)	EUR (%)	GBP (%)	TL (%)	USD (%)	EUR (%)	GBP (%)	TL (%)
Assets								
Factoring receivables	7.03	6.37	-	12.76	6.36	6.85	7.95	14.38
Liabilities								
Loans and borrowings	3.8	3.81	-	8.47	3.74	3.81	4.32	6.73
Debt securities issued	-	-	-	12.58	-	-	-	11.47

Interest rate profile

At 31 December, the interest rate profile of the interest-bearing financial instruments is as follows:

	Carrying Amount	
Fixed rate instruments	2013	2012
Factoring receivables	175,921,241	150,624,373
Loans and borrowings	113,061,454	31,538,220
Floating rate instruments		
Factoring receivables	113,593,158	82,920,009
Loans and borrowings	40,829,577	74,376,560
Debt securities	52,654,003	52,419,024

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24 Risk management disclosures (Continued)

Market risk (Continued)

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at 31 December would have increased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)	
	100 bp increase	**100 bp decrease**
2013		
Floating rate instruments	374,322	(374,322)
2012		
Floating rate instruments	383,514	(383,514)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore a change in interest rates at the reporting date would not directly affect equity.

Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL. The Company uses currency swap contracts to manage its exposure to foreign currency risk, which will be realized in a short period of time.

As at 31 December , the foreign currency position of the Company is as follows (TL equivalents):

	31 December 2013	**31 December 2012**
A. Foreign currency monetary assets	28,247,460	12,027,486
B. Foreign currency monetary liabilities	28,477,633	(11,790,305)
C. Derivative financial instruments	306,864	346,287
Net foreign currency position (A+B+C)	**76,671**	**583,468**

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24 Risk management disclosures (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

As at 31 December, TL equivalents of the currency risk exposures of the Company are as follows:

			2013		
	USD	**Euro**	**GBP**	**Other**	**Total**
Foreign currency monetary assets					
Cash and cash equivalents	268,813	143	3,585	-	272,541
Factoring receivables	22,920,686	5,051,570	529	-	27,972,785
Other assets	2,134	-	-	-	2,134
Total foreign currency monetary assets	**23,191,633**	**5,051,713**	**4,114**	**-**	**28,247,460**
Foreign currency monetary liabilities					
Loans and borrowings	21,512,078	5,350,867	-	-	26,862,945
Factoring payables	432,021	-	-	-	432,021
Other payables	1,173,850	8,364	453	-	1,182,667
Total foreign currency monetary liabilities	**23,117,949**	**5,359,231**	**453**	**-**	**28,477,633**
Net on balance sheet position	**73,684**	**(307,518)**	**3,661**	**-**	**(230,173)**
Off balance sheet net notional position	-	306,864	-	-	306,864
Net position	**73,684**	**(654)**	**3,661**	**-**	**76,691**

			2012		
	USD	**Euro**	**GBP**	**Other**	**Total**
Foreign currency monetary assets					
Cash and cash equivalents	57,503	115	894	-	58,512
Factoring receivables	6,734,496	4,994,138	195,912	42,645	11,967,191
Other assets	1,783	-	-	-	1,783
Total foreign currency monetary assets	**6,793,782**	**4,994,253**	**196,806**	**42,645**	**12,027,486**
Foreign currency monetary liabilities					
Loans and borrowings	5,760,386	5,494,774	195,372	38,229	11,488,761
Factoring payables	252,407	38,395	-	-	290,802
Other payables	5,540	4,993	-	209	10,742
Total foreign currency monetary liabilities	**6,018,333**	**5,538,162**	**195,372**	**38,438**	**11,790,305**
Net on balance sheet position	**775,449**	**(543,909)**	**1,434**	**4,207**	**237,181**
Off balance sheet net notional position	-	346,287	-	-	346,287
Net position	**775,449**	**(197,622)**	**1,434**	**4,207**	**583,468**

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24 Risk management disclosures (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2013 and 2012 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2013 and 2012 remain constant.

	Profit/(Loss)	Profit/(Loss)	Equity (*)	Equity (*)
TL	2013	2012	2013	2012
USD	7,368	77,545	7,368	77,545
EUR	(65)	(19,762)	(65)	(19,762)
GBP	366	143	366	143
Other	-	421	-	421
Total	**7,669**	**58,347**	**7,669**	**58,347**

(*) Equity effect includes profit or loss effect.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has access to funding sources from banks. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Company strategy. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities of the Company:

	31 December 2013					
	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	5 years More than
Non-derivative financial liabilities	**211,051,942**	**215,288,126**	**143,411,264**	**71,876,862**	**-**	**-**
Loans and borrowings	153,891,031	154,508,218	138,904,356	15,603,862	-	-
Debt securities	52,654,003	56,273,000	-	56,273,000	-	-
Factoring payables	2,671,290	2,671,290	2,671,290	-	-	-
Other liabilities	1,835,618	1,835,618	1,835,618	-	-	-
Derivative financial liabilities	**11,033**	**11,380**	**962**	**10,418**	**-**	**-**
Inflow	382,667	240,283	83,136	157,147		
Outflow	(371,634)	(228,903)	(82,174)	(146,729)	-	-

	31 December 2012					
	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	**159,457,472**	**169,285,310**	**99,940,010**	**16,486,450**	**52,858,850**	**-**
Loans and borrowings	105,914,780	106,726,242	95,957,492	10,768,750	-	-
Debt securities	52,419,024	61,435,400	2,858,850	5,717,700	52,858,850	-
Factoring payables	990,294	990,294	990,294	-	-	-
Other liabilities	133,374	133,374	133,374	-	-	-
Derivative financial liabilities	**(4,858)**	**(4,869)**	**(2,128)**	**(2,741)**	**-**	**-**
Inflow	77,889	91,779	40,706	51,073		-
Outflow	(82,747)	(96,648)	(42,834)	(53,814)	-	-

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements. The Board of Directors monitors the return on capital, which includes the capital and reserves explained in note 23. The management has evaluated the risk of relatable capital associated with capital cost during these review. There is no change in the capital management policy of the Company in the current year.

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25 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items at 31 December:

Letters of guarantee	2013	2012
Given to legal courts	-	739,631
Given to Guarantees for the benefit of customer	15.101.976	-
Total	**15.101.976**	**739,631**

As at 31 December 2013, the Company has given cheques and notes amounting to TL 199,521,978 (2012: TL 152,104,188) as collateral against its outstanding bank borrowings.

As at 31 December, commitments for purchase and sale of currencies under swap contracts are as follows:

		2013		2012	
		Foreign currency	TL	Foreign currency	TL
Forward purchases					
	USD	2,454,269	5,238,146	1,399,879	2,495,424
	TL	5,542,431	5,542,431	6,350,309	6,350,309
	EUR	181,573	533,189	1,601,306	3,765,791
Total purchases			**11,313,766**		**12,611,524**

		2013		2012	
		Foreign currency	TL	Foreign currency	TL
Forward sales					
	USD	2,454,269	5,238,146	1,399,879	2,495,424
	TL	5,531,055	5,531,055	6,355,180	6,355,180
	EUR	181,573	533,189	1,601,306	3,765,791
Total sales			**11,302,390**		**12,616,395**

As at 31 December 2013 and 2012, the details of the Company's items held in custody is as follows:

	2013	2012
Customers' Cheques	276,307,691	236,950,306
Customers' Notes	25,200,028	35,009,115
Mortgages	3,961,900	5,611,020
	305,469,619	**277,570,441**

26 Related party disclosures

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and their investments are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis during the normal course of business.

	2013	2012
General administrative expenses		
M. Semra Tümay - rental expense	515,043	428,936
	515,043	**428,936**

Total benefit of key management for the years ended 31 December 2013 and 2012 amounted to TL 3,648,415 and TL 2,827,894, respectively.

27 Events after the reporting period

The Company has decided to increase its capital from TL 50,000,000 to TL 60,000,000 and the increase is made from retained earning accordance with decision of board of minutes dated 19 February 2014.

MANAGEMENT

Murat Tümay

General Manager

Ercan Gürelli

Assistant General Manager, Marketing

Duygu Bunjaku

Assistant General Manager, Marketing

Erhan Meral

Assistant General Manager, Financial and Administrative Affairs

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