INTERNATIONAL TRADE FINANCE

EKSPO Faktoring A.Ş.

ANNUAL REPORT 2011

CONTENT

2011 marked a year of advancement for Ekspo Faktoring, the innovative face of the non-bank finance sector, thanks to the effective financing solutions it has provided to the real economy since the Company's founding. Our Company significantly improved its funding capabilities and correspondent relationships by establishing international partnerships throughout the year and increased its asset size to TL 255 million, turnover to TL 1 billion and net profit to TL 13 million in 2011.

At the beginning of 2012, our Company's paid-in capital was increased to TL 50 million from TL 40 million. Committed to continuous development in corporate governance practices and thanks to its solid capital structure and highly qualified human resources, Ekspo Faktoring will continue to provide unique solutions to meet the trade finance and cash flow needs of real sector companies in the coming period.

Mission, Vision and Strategic Targets

Mission

- To play a leading role in ensuring that factoring obtains a larger share in financing domestic and international trade by adding new financing solutions, which are in demand in the global economy.
- To introduce advantageous trade finance solutions to more customers in different sectors and to enhance competitiveness through strong corporate governance and product innovation.
- To initiate quality and efficiency based practices in Customer Relations Management.
- To be the regional leader in terms of international trade.

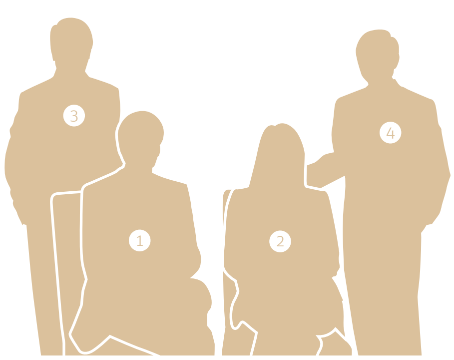
Vision

- To reach an asset size of US$ 1 billion by 2015 through steady and sustainable progress.

Strategic Targets

- To meet the evolving needs of the real sector via innovative products and services.
- To attain sustainable growth with a high quality and efficiency-based service approach.
- To maintain a competitive edge by developing “boutique financing solutions” for customers across sectors.
- To further increase profitability by providing financing to Turkish companies for their international trade.
- To be a company that stands out with its highly qualified personnel; and to provide employees with professional and personal development opportunities.

Board of Directors



Murat Tümay (1)
Chairman of the Board of Directors and General Manager

Zeynep Akçakayalıoğlu (2)
Deputy Chairman

Namık Bahri Uğraş (3)
Member

Şerif Orhan Çolak (4)
Member

Message from the Chairman of the Board and General Manager

In 2011, Ekspo Faktoring introduced numerous innovative financial solutions not only to Turkey's banking sector, but also to the global finance sector.

Dear Shareholders,

Ekspo Faktoring is happy and proud to have achieved strong financial results in 2011. During the last operating period, our Company expanded its client portfolio by adding numerous companies that have significant business volume in their respective fields of activity. In 2011, Ekspo Faktoring's assets reached TL 255 million, including off-balance sheet items. This increase, which made our client portfolio even stronger, resulted mainly from the effective financing solutions Ekspo Faktoring has provided for domestic and international trade and raw materials supply.

25% increase in paid-in capital

With the increase in our paid-in capital to TL 50 million, up from TL 40 million, at the beginning of 2012, Ekspo Faktoring ranked third with the highest paid-in capital in its sector. Our Company's paid-in capital is liquid capital, completely allocated to business operations and not tied to shares or fixed assets.

Major advances towards expanding the funding base

Evaluating Ekspo Faktoring's current financial situation in terms of liabilities, our Company made major progress in expanding its funding base in 2011. Firstly, I would like to share with you that we initiated correspondent relations with Wells Fargo Bank N.A, one of the world's largest syndication participant banks. A loan of US$ 15 million secured from this Bank, under the guarantee of the United States Ex-Im Bank, was offered to Turkish importers to increase their competitive advantages. Striving to further strengthen its correspondent network, Ekspo Faktoring also successfully forged relationships with the Korea Ex-Im Bank in 2011. As a result of our initiatives in South Korea, a country that has the world's highest export rates in iron and steel products, electronic products and chemicals, we proudly signed a loan allocation agreement with the Bank. Ekspo Faktoring is the first Turkish non-bank financial service company that has signed loan agreements with these two export credit agencies. Our Company is also close to finalizing negotiations for loan allocations for Turkish companies with UK Export Finance (formerly named ECGD) and with leading banks in the United Kingdom. Our Company's progress in the global arena represents a major milestone in terms of our own corporate development as well as for Turkey's financial sector as a whole.

A new funding source with the support of the United States Department of Agriculture

In 2011, Ekspo Faktoring introduced numerous innovative financial solutions not only to the banking sector in Turkey, but also to the global finance sector. Ekspo Faktoring is the first factoring company in the world to secure loans from the United States Ex-Im Bank and Korea Ex-Im Bank. Our Company is also the first non-bank financial service company authorized by the US Department of Agriculture to extend the GSM-102 Loan, as a result of an eight month negotiation with representatives of the US Department of Agriculture and the US Embassy.

Ekspo Faktoring also added Bank of China to its extensive correspondent network in 2011 and began to provide financing support to export and import activities between China and Turkey.

Another important achievement of our Company during the year is that we are now included within the international SWIFT system, a first for a factoring company. This integration process was completed with the approval of the Banking Regulation and Supervision Agency (BRSA), the International Chamber of Commerce, the Banking Association of Turkey, the United States Ex-Im Bank and the world's biggest 25 banks that serve on SWIFT Boards.

A 30% increase in total income

In 2011, Ekspo Faktoring's total income increased 30% over the previous year. As a result, our year-end profit totaled TL 13 million after provisions. Reviewing the Company's quarterly results, Ekspo Faktoring achieved the highest operating profit, TL 4 million, within the October-December period, thanks to the positive effect of income from foreign transactions.

Increased profit from international transactions

A review of Ekspo Faktoring's operating income as of year-end 2011 shows the extent of our strong performance. During certain periods of last year, our total asset size occasionally reached TL 300 million, including off-balance sheet items. However, due to the contraction of the real sector in the last quarter, the year ended with TL 255 million. In the coming period, we plan to increase our asset size to higher levels by implementing new, high value adding initiatives.

From the second half of 2011, we began to include income generated from international transactions in our income statement. By the end of the year, this item constituted 6% of our total income. In 2012, we project a five-fold increase over the previous year in the income generated from international trade finance with new products we plan to launch.

I truly expect that 2012 will be an important milestone for Ekspo Faktoring on the course we have set in line with our Company's objectives.

As I always emphasize,

Ekspo Faktoring is a financial service company that provides "trade finance" with its distinctive products.

We would like to thank you for supporting us.

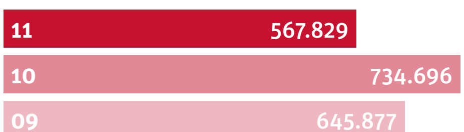
Murat TÜMAY
EKSPO FAKTORİNG A.Ş.
Chairman of the Board and
General Manager

Financial Highlights

As of year-end 2011, Ekspo Faktoring's asset size reached US$ 127 million, its turnover US$ 568 million and net profit US$ 6 million.

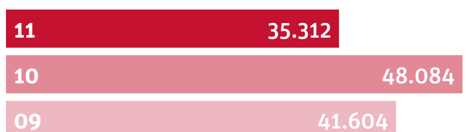
US$ 568 million

Total Turnover (US$ thousand)



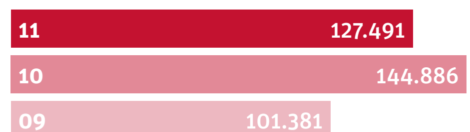
US$ 35 million

Total Shareholders' Equity (US$ thousand)



US$ 127 million

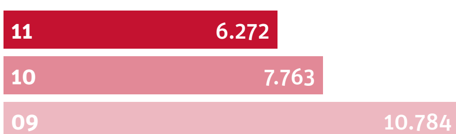
Asset Size (US$ thousand)



Financial Highlights (USD)	December 2011	December 2010	December 2009
Total Assets	127,491,319	144,886,472	101,380,885
Total Shareholders' Equity	35,311,821	48,084,334	41,603,549
Paid-in Capital	21,176,346	25,873,221	26,565,717
Net Working Capital	33,763,586	59,965,294	40,297,079
Factoring Receivables	125,165,582	142,945,586	99,172,659
Factoring Payables	319,192	49,613	532,408
Net Advances to Clients	124,846,390	142,895,973	98,640,251
Bank Loans	80,148,622	82,494,927	54,754,047
Issued Bonds	10,588,173	13,197,923	-
Total Income	23,926,894	21,022,673	22,126,870
Factoring Income	23,746,672	20,528,860	21,097,572
Net Profit	6,271,670	7,762,605	10,784,394

US$ 6 million

Net Profit (US$ thousand)

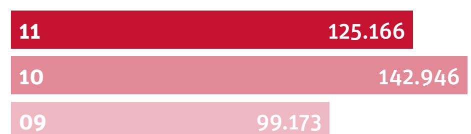


US$ 24 million

Total Income (US$ thousand)

US$ 125 million

Factoring Receivables (US$ thousand)



Financial Data (%)	December 2011	December 2010	December 2009
Current Ratio	1.37	1.72	1.67
Liquidity Ratio	1.37	1.72	1.67
Net Working Capital / Total Assets Ratio	26	41	40
Liquid Assets / Total Assets Ratio	98	99	98
Debt / Assets (Indebtedness Ratio)	72	67	59
Debt / Equity (Financial Leverage Ratio)	2.61	2.01	1.44
Financial Liabilities / Total Assets Ratio	71	66	54
Interest Coverage Ratio (Times)	1.74	2.62	4.18
Average Collection Period (Days)	94	78	100
Total Expenses / Turnover Ratio	3	2	1
Gross Profit Margin	17	17	25
Net Profit Margin	6	8	16
Return on Equity	19	22	34

Ekspo Faktoring time in international trade finance

Ekspo Faktoring advanced its leading role in ECA loans by serving as a co-guarantor with Korea Ex-Im Bank for Turkey's imports from South Korea. With the agreement finalized following a year of negotiations, the Company introduced another important service to Turkish importers.

Management

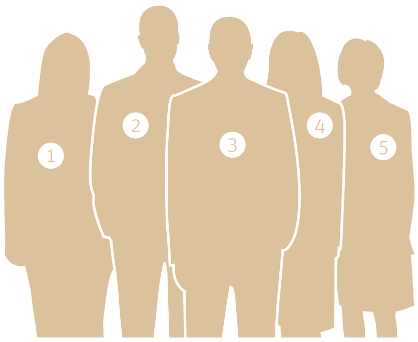
Duygu Taşkınsu (1)
Manager, Marketing

Emre Özsoy (2)
Manager, Marketing

H. Cenk Eynehan (3)
Assistant General Manager, Marketing

Hale Yıldırım (4)
Manager, Marketing

Filiz Berikman (5)
Manager, Marketing



Erhan Meral (6)
Assistant General Manager,
Financial and Administrative Affairs

Funda Kösedağı (7)
Manager, Accounting

Siyami Serdar Noyan (8)
Manager, Risk Assessment

Banu Hayta (9)
Manager, Internal Audit and
Financial Control

Significant support to cotton importers

In 2011, Ekspo Faktoring extended loans guaranteed by the United States Ex-Im Bank to its clients. During the Cotton Conference, which brought together American producers and Turkish buyers, Ekspo Faktoring's commodity financing projects attracted the attention of both Turkish and American businessmen.

Ekspo Faktoring in Brief

Having initiated a fundamental transformation process recently, Ekspo Faktoring is evolving from a factoring company into a comprehensive financial service institution by increasing its service quality and diversifying its product range.

Since its foundation, Ekspo Faktoring has developed effective financial solutions to meet the expectations and needs of its clients. The Company is one of the leaders in the Turkish non-bank financial service sector. Over the last reporting period, Ekspo Faktoring focused mainly on the financing of international trade while striving to increase the service quality and diversify the product range in the Turkish factoring sector, which reached a volume of US$ 40 billion as of year-end 2011. In addition to its innovative financial solutions in the area of exports and imports, Ekspo Faktoring also has gained a significant competitive advantage with its solid international correspondent network. As a result, the Company is the most important partner of its clients in their foreign trade activities in areas that range from construction to food.

The only non-bank financial institution authorized to extend GSM-102 loans

Having initiated a fundamental transformation process recently, Ekspo Faktoring is focused on evolving from a factoring company into a comprehensive financial services institution by increasing its service quality and diversifying its product range. In 2011, the Company included import/export letters of credit in its product range and became the only non-bank financial institution authorized by the US Department of Agriculture to extend GSM-102 loans.

Ekspo Faktoring is one of the 61 members of the Factoring Association; in addition, the Company is an active member of Factors Chain International (FCI), the world's largest factoring service network.

Ekspo Faktoring aims to strengthen its competitive edge by implementing even more value adding initiatives in the coming period.

Experienced and highly qualified human resources

Ekspo Faktoring is able to sustain its corporate structure with its highly qualified employees who are focused on adding value to the Company's business processes. Thanks to its highly skilled personnel who have gained experience in leading financial institutions in Turkey, Ekspo Faktoring offers customized solutions to meet the needs and expectations of its clients. The Company values continuous development as a fundamental component of its corporate governance policies and as a result invests significantly in the personal and professional development of its employees. With these investments, Ekspo Faktoring aims to advance rapidly towards becoming a comprehensive financial service institution specialized in the financing of international trade.

Customer satisfaction focus in business processes

Ekspo Faktoring is aware of the importance of customer satisfaction in the finance sector where more and more new players start operating every day. As a result, the Company places great importance on making its business processes more efficient especially in terms of promptness and high quality service. With total turnover of nearly TL 1 billion as of year-end 2011, the Company creates innovative solutions to meet the changing needs of its clients under the prevailing market conditions while diversifying its client portfolio in each reporting period.

Always with the real sector

In 2011, Ekspo Faktoring continued to provide significant financing support to the real sector. Domestic factoring accounted for 91% of the Company's factoring turnover with international transactions making up the remaining 9% for the year. With a diversified product portfolio and high quality service, Ekspo Faktoring has provided funding support to develop the Turkish real sector since 2000. The Company plans to continue playing a key role in the development of the Turkish economy with an organizational structure that embraces continuous improvement.

Turkish economy continued its record growth performance of 9% in 2010 and went on to grow 8.5% in 2011.

World economy

In 2011, the world's developed economies could not reach their growth targets and consequently, the required financial policies were not implemented, leading to further concerns about liquidity. Additionally, a banking crisis emerged in the Euro Zone and many regional banks were not able to raise their capital to target levels. All of these developments negatively impacted economic expectations for 2012 and the following period in continental Europe. In 2010, which was a year of growth in the aftermath of the global financial crisis, the world economy grew 5.1% due to expansionary monetary policies. However, the global economic growth rate fell to 4% in 2011. According to IMF forecasts, the world's growth performance will slow even more in the coming year.

Another development that emerged during and after the global financial crisis is the differentiation between developed and developing countries, in terms of growth performance. According to IMF data, developed economies contracted 3.7% during 2009 when the crisis was at its peak and then grew 3.1% in 2010. In contrast, developing economies played a key role in the global recovery by growing 2.8% and 7.3% in 2009 and 2010, respectively. Given that developing economies expanded 6.4% in 2011 while the more developed world recorded a much slower growth of 1.6%, global economic growth is expected to be fueled primarily by developing economies in the coming period as well. One of the major indicators that support this forecast is that the state of public finance is stronger in developing economies compared to their more developed counterparts. The problems that emerged due to the high growth rates and expansionary monetary policies in developing economies necessitated adoption of new policies against hot cash inflows starting with 2010.

Turkish economy

Turkey's economy has grown steadily in recent years, attaining a leading position among developing economies. The Turkish economy maintained its record growth performance of 9% in 2010 and achieved a growth rate of 8.5% as of year-end 2011. According to the forecasts of IMF and other global economic authorities, Turkey is expected to record a growth rate between 2.2% and 4% in 2012.

Turkey's growth forecasts are trending lower due to the recession in Europe, its biggest export market. Additionally, it is expected that the European banks which provide syndication loans to Turkey, will focus on meeting their own domestic demands in the coming period, diverting funds from the Country. In light of these developments, the Central Bank of the Republic of Turkey (CBRT) adopted policies to limit the devaluation of the TL and as a result reduced the current account deficit while heading off speculative hot money movements. Accordingly, the CBRT reduced the policy interest rate, raised the uncertainty about the effectiveness of monetary policy and dampened the enthusiasm for the TL by hot money.

Ekspo Faktoring in Brief

With its unique financing solutions for commodity imports, Ekspo Faktoring has become the most important partner of its clients in international trade finance.

In order to counteract the expansionary effect of the reduced interest rate especially in the domestic demand, the CBRT increased reserve requirements for banks. This action caused the Country's money supply to contract and the cost of borrowing to increase. The sharp increase in reserve requirements served to slow down the fall in lending interest rates.

As a result of these policy measures, Turkey's current account deficit rose to US$ 79 billion by October 2011, compared to US$ 47 billion as of year-end 2010. Although these figures seem to indicate no improvement in the current account deficit, its rate of growth slowed sharply during the year. While the current account deficit reached US$ 72 billion in June 2011, the increase was only US$ 7 billion over the following four months.

Turkey's inflation rate for 2011 was initially forecast to be 5.5%, in fact it reached 10.45%. Additionally, the inflation rate forecast for 2012 is 5%; however, markets indicate expectations of a rate over 7%, necessitating caution around price stability. One of the main reasons why the inflation rate exceeded expectations was the pronounced rise in exchange rates.

The strict monetary policies implemented by the CBRT caused the interest rates of short-term bonds to be higher than long-term bonds, resulting in an increase in the interest rates of deposit accounts and loans. These tightening measures aimed to keep inflation expectations under control and they caused a further slowing in the loan supply.

Due to the uncertainties in the global economy and the continuing problem of public debt sustainability in the Euro Zone, developed economies such as the US, EU and Japan started to implement expansionary monetary policies. In this economic environment, Turkey is expected to adopt a tighter monetary policy during the coming period even if a recovery is experienced in the Euro Zone.

The Factoring Sector

In 2011, the worldwide factoring volume reached US$ 2.6 trillion, up 19% from US$ 2.2 trillion a year earlier.

The products and services provided by the factoring sector play a key role in meeting the financial needs of domestic market focused companies as well as exporters in the real sector. At the beginning of the 2000s, the world factoring transaction volume grew around 20% each year. It then stabilized at about US$ 1.9 trillion through 2007, 2008 and 2009. In 2010, because of the recovery in global trade, the worldwide factoring volume reached US$ 2.2 trillion, up 19% from the previous year. In 2011, this volume expanded to US$ 2.6 trillion, increasing at the same rate as the prior year. Of the total growth, 17% originated from Europe, 12% from the US and 43% from Asian markets. (*)

The factoring sector in Turkey reached a transaction volume of US$ 40 billion in 2011. (*)

* Source: FCI

Another major development in the global arena is the significant share of international transactions in the factoring sector. In 2010, of the total global transaction volume, 85% consisted of domestic transactions and 15% of international transactions. In 2011, the composition shifted slightly to 86% domestic transactions and 14% international transactions. (*)

The factoring sector has served as an alternative financing model in Turkey since 1990 and it strengthened its position with legislation enacted in 1994. Following a two-year transition period, the factoring sector began to be regulated by the Banking Regulation and Supervision Agency (BRSA) in 2006. The restructuring process and the sector's transformation allowed factoring companies to achieve a more reputable position in financial markets and to attain higher transaction volumes.

In 2011, the asset size of the Turkish factoring sector increased 8% over the previous year. Domestic receivables grew 13% and foreign receivables were up 31%, both of which contribute significantly to the total asset size growth. Loan volume in the sector recorded an increase of 77% in 2011. In addition, shareholders' equity increased 20% while profits rose 2.8%.

At year-end 2011, there were 74 companies operating in Turkey's factoring industry. While the competitive environment becomes more challenging and customer expectations rise, factoring companies are required to develop more effective financing solutions.

Thanks to its fast and high quality service approach, Ekspo Faktoring significantly expands its client portfolio every reporting period. The Company contributes in every way possible to make the factoring sector achieve the important position it deserves in the Turkish economy.

Share of Balance Sheet Items in Total Assets / Liabilities in the Turkish Factoring Sector (%)**	12/2010	12/2011
Bank + Cash and Cash Equivalents	8.1	2.9
Factoring Receivables	85.5	90.9
Non-performing Loans	3.2	3.4
Other Assets	5.9	5.4
Loans	77.2	74.5
Shareholders' Equity	20.3	21.7
Other Liabilities	(0.4)	0.5
Profit	2.8	3.2

** Source: Factoring Association

Financial Advantages of Ekspo Faktoring

Ekspo Faktoring aims to reach net advances of TL 330 million in 2012.

Since its establishment in 2000, Ekspo Faktoring has been the destination for innovative products and services in the non-bank finance sector, thanks to its many competitive edges, including its robust capital structure, highly qualified human resources and solution focused business culture. In 2011, the Company added export/import letters of credit to its product range, proving once more that it is taking prudent steps in line with its strategic targets. Ekspo Faktoring takes great care to comply with all legal and regulatory requirements. With its effective solutions tailored for the financing of foreign trade, Ekspo Faktoring has become one of the most important financial partners of international trading companies.

Turnover

As of year-end 2011, Ekspo Faktoring recorded a transaction volume of nearly TL 1 billion. Domestic factoring accounts for 91% of the Company's factoring turnover while international factoring transactions comprise the remaining 9%. In international transactions, the Company offers a wide variety of products and services to its clients including Non-Recourse Export Factoring, Recourse Export Factoring, Assignment of Export Letters of Credit, Import Letters of Credit, GSM-102 Loans of the Commodity Credit Corporation; Loans of the United States Ex-Im Bank, Korea Ex-Im Bank and UK Export Finance (formerly named ECGD), Assignment of Export Receivables backed by Accepted Drafts, Import Factoring and Direct Factoring. In 2011, Ekspo Faktoring gained a significant competitive advantage by focusing on its supplier financing product, in which a limit is set for the main company and suppliers are financed with the receivables of the main company.

The Company's domestic transactions include various products and service, which are important in developing Turkey's export potential; these include Undisclosed Assignment of Receivables, Disclosed Assignment of Receivables and Assignment of Collateralized Receivables. In addition to its expertise in domestic and international transactions, Ekspo Faktoring also provides consultancy services including market and sector analyses and project finance. As a result, the Company can develop customized financial solutions to meet the needs and expectations of its clients.

Profitability

Ekspo Faktoring's profit for the year of 2011 stands at TL 13.3 million, all of which originated from trade related operations. The Company bears a manageable amount of maturity, liquidity and foreign currency risks.

Shareholders' equity

As of year-end 2011, the Company increased its capital to TL 67 million, maintaining steady corporate growth.

Banks

Ekspo Faktoring's debt-to-equity ratio of 2.58 gives a competitive advantage to the Company. Financing a significant part of the Company's operations via shareholders' equity, Ekspo Faktoring targets high profitability by managing its business processes more efficiently. The low debt-to-equity ratio enabled the Company to establish strong relationships with correspondents and creditors in both domestic and international markets.

Ekspo Faktoring's profit for 2011 totaled TL 13.3 million, all of which originated from trade related operations.

Pursuant to BRSA regulations, the maximum amount of receivables a factoring company can hold at any time is limited to 30 times its equity of the previous reporting period. While this ratio is very high at many factoring companies, at Ekspo Faktoring this multiplier is only 3.61, far below the sector average. In 2011, Ekspo Faktoring adopted a number of measures in order to reinforce its stable position due to its low debt-to-equity ratio.

Asset quality

Although the net non-performing loans (NPL) ratio in the sector increased over the previous year, its share in total receivables dropped to 3.67%, down from 3.78% a year earlier. This development shows that the increase in the advance payments is higher. In 2011, the NPL ratio for the sector was around 4%, while Ekspo Faktoring recorded an NPL ratio of 1%, an indicator of the effectiveness of the Company's risk rating system and its high asset quality. To ensure that prudent and consistent credit decisions are made, the Company, which is regularly rated by international ratings agencies, continuously enhances its own risk assessment system. Ekspo Faktoring includes low-risk companies in its portfolio to maintain its asset quality above the sector average.

Of the Company's receivables, 99% are "with recourse." Ekspo Faktoring limits its maximum exposure to any sector with 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.

Asset size

As of end-2011, Ekspo Faktoring increased its asset size by 7.5% over the prior year, to reach TL 241 million, equivalent to a 2% market share in the sector. The steady growth in the Company's asset size is due to its industry know-how, robust funding structure and qualified human resources that enable it to create fast and effective solutions to meet the needs and expectations of its clients. The Company's market strength allows it to provide firms across industries in domestic and international markets with unique financial solutions.

Ekspo Faktoring's target for 2012 is to reach net advances of TL 330 million. Ekspo Faktoring is aware that in the financing sector, investing in human resources and information technology are keys to ensure productivity and profitability. To this end, the Company makes investments in these areas in particular. Ekspo Faktoring views its clients as long-term business partners. In line with customer expectations, the Company provides inexpensive funding obtained from domestic and international financial institutions.

The high ratings assigned by international rating agencies to the Company also indicate Ekspo Faktoring's financial strength. The Company will continue to offer rapid and cost-effective solutions to its clients in 2012 as it aims to increase its profitability and provide support to the real sector.

Credit Ratings

Despite the uncertainties in the global economic environment, Ekspo Faktoring received BBB+ from Fitch Ratings as long-term credit rating and Ba3 from Moody's.

FITCH RATINGS

BBB+

An innovative and leading force in the factoring sector, Ekspo Faktoring achieved a breakthrough in 2006 when it was first included in the Fitch Ratings credit rating system; at the time, the Company received the enviable local currency credit rating of BBB (tur). The following year, this rating was revised upwards to BBB+ (tur). Despite the global financial crisis, Fitch Ratings affirmed this rating for Ekspo Faktoring in 2008, 2009, 2010 and 2011, four years in a row, thanks to the Company's professional management approach, robust capital structure and expertise in credit portfolio management.

MOODY'S

Ba3

A pioneer of strong international business partnerships, Ekspo Faktoring was the first and still the only Turkish factoring company to be evaluated by Moody's. In 2007, the Company's foreign and local currency long-term credit ratings received Ba3 with a "stable" outlook. The Company maintained this rating in 2008, 2009, 2010 and 2011 thanks to its asset quality and high profitability.

Positioning of Ekspo Faktoring in the Sector

In 2011, Ekspo Faktoring achieved yet another breakthrough when it became the first non-bank financial institution included in the GSM-102 Export Credit Guarantee Program administered by the United States Department of Agriculture (The Commodity Credit Corporation).

In 2011, Ekspo Faktoring attained a vaunted position in the sector with its new initiatives. The Company strives to implement projects that increase both the number of its clients and the level of profitability. Ekspo Faktoring steadily increases its market share among the 74 companies operating in the Turkish factoring sector. The trade volume of the Turkish factoring industry reached US$ 40 billion in 2011, with domestic and foreign transactions of US$ 33 billion and US$ 7 billion, respectively. Net profit for the sector reached TL 507 million, an increase of 30% over the previous year. As a result of this level of factoring activity, Turkey accounted for 1.5% of the global factoring volume and ranked 14th in the world in terms of transaction volume. (*)

* Source: FCI

Ekspo Faktoring targets over 30% growth in domestic and foreign transactions in 2012.

Ekspo Faktoring's target client base mainly comprises companies that import commodities to use for export purposes and those active in the tourism, textiles, basic metals, machinery and equipment, durable consumer goods and food stuff industries. These companies focus on both domestic and export markets and prefer to operate on a project, contract or purchase order basis.

Financing facilities top US$ 250 million

Having strong correspondent relationships with many banks and financial institutions in Turkey and abroad, Ekspo Faktoring has funding sources of over US$ 250 million. The Company's favorable credit ratings from international credit rating agencies enable it to maintain a solid reputation in international markets.

International collaborations in trade finance

In 2011 Ekspo Faktoring took significant steps to strengthen its trade finance activities by adding to its portfolio new loan types that are administered by the United States Ex-Im Bank, Korea Ex-Im Bank and UK Export Finance. As a result, the Company provided medium and long term funding and guarantees to its clients for their import activities, supporting them in their efforts to gain an additional competitive advantage. Ekspo Faktoring was also accepted into the Export Credit Guarantee Program administered by the US Department of Agriculture (GSM-102), further sharpening its own competitive edge in terms of its product range.

Positioning of Ekspo Faktoring in the Sector

Having strong correspondent relationships with many banks and financial institutions in Turkey and abroad, Ekspo Faktoring has financing sources of over US$ 250 million and maintains a solid reputation in international markets.

Corporate governance approach empowered by industry know-how

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

Additionally, the Company formed various committees to ensure the adoption of the corporate governance philosophy throughout the organization at consistent standards, to enhance corporate communications and to reinforce the corporate culture. Through these highly valued committees, Ekspo Faktoring aims to eliminate any deficiencies and reach sustainable corporate growth.

The committees and their duties are as follows:

The Assets-Liabilities 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 activities and its asset quality.

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

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 Company strategies.

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

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.

Ekspo Faktoring tries to identify a client's potential needs that could arise under highly competitive conditions and then offers the most accurate financing, guarantee and cash management alternatives.

Innovative solutions focused on customer satisfaction

Ekspo Faktoring is committed to develop innovative solutions in the light of the needs and expectations of its clients. To this end, the Company performs a detailed analysis of clients' needs and then offers the most suitable financing options. As a result of its meticulous approach, Ekspo Faktoring's customer portfolio is mainly comprised of long-term clients.

High customer loyalty

Always operating in line with the principle of continuous development, Ekspo Faktoring does not limit its activities to providing alternative solutions to its clients' existing financing needs. On the contrary, the Company tries to identify the potential needs that could arise for its clients under highly competitive conditions. This approach enables Ekspo Faktoring to provide customers with the most accurate financing, guarantee and cash management alternatives.

Thanks to this proactive approach, Ekspo Faktoring conducts profitable business practices with its numerous long-term clients. As one of the companies with the highest level of customer loyalty in the sector, Ekspo Faktoring identifies customer needs through an interactive process and focuses on developing tailor-made, original products.

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. The share of these products in total turnover and advances of the Company have consistently increased every year.

Ekspo Faktoring's client portfolio includes numerous companies that are leaders in their sectors. Perceiving business processes as highly valuable investments for both itself and clients, the Company places great importance on portfolio efficiency. The success of this approach is shown in the Company's customer retention rate of 73%, a very high percentage in the sector.

Development of the Factoring Sector in Turkey

Data on the Economy and the Factoring Sector

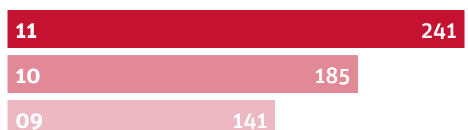
Data on the Economy and the Factoring Sector

TL 1,295 billion

GDP (In fixed prices) (TL billion)

US$ 241 billion

Imports (US$ billion)



18%

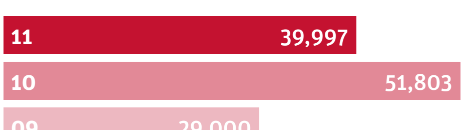
GDP Growth (%)

US$ 135 billion

Exports (US$ billion)

US$ 40 billion

Total Factoring Turnover in Turkey (US$ million)



Factoring Turnover in the World and in Turkey* (US$ million)

Year	World	FCI Members	Turkey International	Turkey Total
2000	580,172	277,122	921	5,943
2001	617,108	281,612	990	3,552
2002	760,423	350,190	1,260	4,476
2003	950,490	475,243	1,413	6,663
2004	1,161,290	610,104	2,093	10,733
2005	1,199,525	707,467	2,352	13,959
2006	1,497,260	914,304	3,485	19,701
2007	1,896,725	1,107,244	3,935	28,653
2008	1,868,407	1,109,904	4,230	25,451
2009	1,835,489	1,082,386	3,266	29,000
2010	2,190,002	1,229,634	5,391	51,803
2011	2,611,371	1,491,414	6,839	39,997

Breakdown of Factoring Turnover* (US$ million)	Domestic	International	Total
Europe	1,328,816	249,102	1,577,918
America	246,005	22,427	268,433
Africa	29,786	600	30,386
Asia	576,363	83,002	659,366
Australia	75,021	247	75,269
Total	2,255,991	355,379	2,611,371
Turkey	33,158	6,839	39,997

* Source: FCI

Recent Developments in the Factoring Sector in Turkey

The draft law pertaining to "Financial Leasing, Factoring and Financing Companies" presented to the Turkish Grand National Assembly, was the most important item on the sector's agenda in 2011.

As of the end of 2005, the Undersecretariat of Treasury delegated the supervision and auditing duties related to the 88 factoring companies in Turkey to the Banking Regulation and Supervision Agency (BRSA). As of 2011, the Turkish factoring sector which comprises 74 companies is more advanced than equivalent sectors in many developed countries. According to BRSA data, applications to establish new factoring companies have increased in Turkey. Additionally, foreign buyers are highly interested in the transfer of shares.

The Turkish factoring sector plays a key role in meeting the liquidity needs of the market by providing funding to small and medium size companies. In 2011, the sector continued to expand. While factoring penetration rates are around 10% in many countries, it was 5.5% in Turkey, according to 2011 BRSA data.

A BRSA evaluation report shows that the sector's asset size reached TL 15.6 billion in 2011, exceeding the level of TL 14.4 billion from the prior year. In contrast, the sector recorded a total turnover of US$ 42 billion in 2011, compared to US$ 45 billion a year earlier. However, when ignoring the impact of one company operating in the energy sector on the sector's total turnover in 2010-2011, total turnover actually increased 29% for the year.

The Factoring Association pursued efforts in 2011 to further develop the sector and to introduce it to the real sector in a more effective way. To this end, a Legal Symposium that addressed the current problems in the sector and that was held with the participation of members of the Supreme Court, was well received among real economy stakeholders.

The draft law pertaining to "Financial Leasing, Factoring and Financing Companies" presented to the Grand National Assembly of Turkey on April 28, 2009, was the most important item on the sector's agenda in 2011. The law, which has been in a draft status for an extended period of time, is finally expected to pass in 2012 in such a form as to meet the sector's requirements. Additionally, new developments pertaining to regulations in the Turkish Commercial Code and the Code of Obligations were heavily discussed within the sector throughout 2011.

Ekspo Faktoring's Extensive Solutions for the Real Sector

Ekspo Faktoring expanded its correspondent network and increased its foreign transactions volume with innovative initiatives in 2011.

A loan of US$ 15 million from the US Ex-Im Bank

In 2011, Ekspo Faktoring started to extend loans to Turkish importers under the guarantee of the US Ex-Im Bank. This successful program extended loans that totaled US$ 15 million to Turkish cotton importers. As a result of this initiative, Murat Tümay, Chairman of Ekspo Faktoring's Board of Directors, was invited to share his experience in Supplier Financing at the Cotton Conference which was held at the Sabancı Museum on October 27, 2011. At the Conference that brought together American cotton producers and Turkish buyers, Ekspo Faktoring's commodity finance projects attracted the attention of both Turkish and American businessmen.

Guarantorship agreement with K-Exim

Further advancing its leading role in export credit agency (ECA) loans in 2011, Ekspo Faktoring provided guarantorship to Turkish importers via Korea Ex-Im Bank (K-Exim). K-Exim officials allocated a credit line to Ekspo Faktoring on a visit to Turkey during the year. With this allocation agreement, the Company began to act as a guarantor to Turkish companies for their high volume imports of chemicals from South Korea. Thanks to this collaboration, Ekspo Faktoring became the only non-bank financial institution to provide financing for imports of Turkey from South Korea with the support of K-Exim.

Collaboration with United Kingdom Export Finance

Ekspo Faktoring took another important step during the year to offer new products to its clients agreeing with UK Export Finance, United Kingdom's export credit agency (formerly known as ECGD), for financing and guaranteeing the imports of UK manufactured products. With this agreement, Ekspo Faktoring will provide funding and act as a guarantor on behalf of its clients for their imports from the United Kingdom. Through this financing model, the Company aims to meet the long-term funding needs of its clients.

The first and only non-bank financial institution approved for the GSM-102 Export Credit Guarantee Program administered by the US Department of Agriculture.

In 2011, Ekspo Faktoring made great progress in offering clients innovative products with varying terms in the area of international trade finance. Ekspo Faktoring became the first and only non-bank finance institution approved for the Export Credit Guarantee Program (GSM-102) of the US Department of Agriculture (The Commodity Credit Corporation).

Significant contribution from Ekspo Faktoring to foster trade relations between China and Turkey

During the 2011 reporting period, Ekspo Faktoring started to implement new projects which were under development for a long time. The Company added Bank of China to its extensive correspondent network and began to provide financing to the ongoing export-import activities between China and Turkey. Pursuant to this new mission, Ekspo Faktoring aims to further advance the growing trade relations between China and Turkey.

Since its establishment, Ekspo Faktoring has assumed the mission of contributing to the cash flow and turnover growth of its clients by providing them with unique products. The Company will continue to pursue this mission in 2012 by focusing on structured financing models in various countries.

Ekspo Faktoring follows new developments in world trade.

With the correspondent agreement signed with the Bank of China, Ekspo Faktoring took an important step towards financing and guaranteeing the import-export activities between Turkey and the People's Republic of China.

Review of 2011 Operations

With shareholders' equity of TL 67 million as of year-end 2011, Ekspo Faktoring continues to develop unique products in line with the financial needs of its clients, further strengthening the clients' competitive advantages.

Shareholders' equity of TL 67 million

Since its founding in 2000, Ekspo Faktoring has been the destination for innovative and effective solutions in the non-bank finance sector. The Company is well known as a trustworthy institution among its clients and creditors; in addition, it maintains long-lasting, permanent relations with its clients based on the principles of mutual trust and profitability. As a result of this approach, the Company steadily increases its turnover and implements profitable initiatives. With shareholders' equity of TL 67 million as of year-end 2011, Ekspo Faktoring continues to develop unique financing products in line with the financial needs of its clients, further strengthening their competitive advantages. The Company views its customers as business partners. Having experience and expertise in financing both domestic and international trade, Ekspo Faktoring's total transaction volume comprises 91% domestic and 9% international transactions. In 2011, the Company's total international transaction volume was US$ 53,088,263, comprised of US$ 42,182,329 from exports and US$ 10,905,935 from imports.

Membership in the world's largest factoring network, FCI

A member of FCI, the world's largest factoring network, since 2004, Ekspo Faktoring maintained close contact with other member companies in 2011. As a result, the Company extended its correspondent network and increased its funding sources. The credit and funding sources provided by this extensive international correspondent network were extended to export oriented customers to contribute to the development of Turkey's export potential.

Founded in 1968 to help expand the volume of international trade and to establish a common standard in international factoring operations, Factors Chain International (FCI) members account for 57% of global factoring turnover. FCI is active in 68 countries with 256 members, as of end-2011. FCI membership criteria include requirements that raise the bar among members, such as having a robust financial structure, adhering to high service standards and complying with these criteria as a member. Ekspo Faktoring has fulfilled all of these criteria since the beginning of its membership process.

International liaisons strengthening corporate reputation and financing power

Ekspo Faktoring aims to boost its export and import financing volume in 2012 in parallel with the expected increase in the world trade volume. Thanks to its FCI membership, the Company can make use of its extensive international connections in its import and export financing activities. After the Company's joining FCI, the number of services and resources it provides to export customers, as well as the number of export customers and the international trade volume, have soared. Thanks to its FCI membership, the Company benefits from the worldwide correspondent factoring companies network for the international transactions of its customers. Among FCI member factoring companies, Ekspo Faktoring prefers to collaborate with those having the strongest financial structure and the highest service standards.

In 2011, Ekspo Faktoring's correspondent network continued to provide guarantee services and to finance those transactions under guarantee. Thanks to the funds generated through its strong correspondent network supported by FCI, Ekspo Faktoring was able to efficiently use its own resources in its domestic financing activities.

Ekspo Faktoring strides confidently towards the future, expanding its export and import financing volume with its strong correspondent network and increasing its funding sources. In 2011, the Company's senior management visited international financial institutions located in developed countries such as the USA, UK and South Korea and established collaborations to strengthen the Company's connections. To further expand its international transactions and correspondent network in the coming period, Ekspo Faktoring plans to accelerate its efforts in this area. The Company also plans to participate in all FCI trainings and annual meetings with more employees, to strengthen relations and to closely monitor developments in international factoring.

In 2011, Ekspo Faktoring's total export turnover is US$ 42 million. Out of this total, US$ 27 million corresponds to export factoring realized via correspondents.

International transactions

Ekspo Faktoring has long provided its export clients with guaranteed factoring products and services, with or without advance payment. In export factoring, clients' receivables are guaranteed through foreign correspondents. As a result, clients can enter new markets without taking on risk. Thanks to the well-priced credit lines provided by Ekspo Faktoring through international sources, the Company's clients can immediately convert their receivables into cash and create liquidity. Thus, by entering into new markets without any guarantee or financing problems, the exporter strengthens its position compared to its competitors. Providing not only guarantee services but also inexpensive funding facilities for its clients, Ekspo Faktoring creates closer and stronger relationships with them.

In today's environment where Turkish exporters face numerous challenges, Ekspo Faktoring provides very important funding solutions that give the Turkish exporters a competitive edge.

In 2011, Ekspo Faktoring's total export turnover was US$ 42 million. Of this total, US$ 27 million was generated from export factoring via correspondents. The sum of direct export transactions in 2011 was US$ 15 million, some 35.7% of total export transactions. Ekspo Faktoring's import factoring volume totaled US$ 10.9 million in 2011; in addition, the Company ranked first among non-bank factoring companies engaged in import factoring.

Concerning international transactions, Ekspo Faktoring's target for 2012 is to give priority to import transactions via correspondents, further strengthening its position in the sector.

Products and services of international factoring

Ekspo Faktoring offers the following products to firms active in import and export:

Non-recourse export factoring

In non-recourse export factoring of export transactions on a cash-against-goods basis, risk coverage in favor of the buyer to secure payment is requested from an international correspondent. This product operates within the scope of the limit and the credit cover determined by the correspondent. If the buyer fails to pay, advances paid to the exporter are on a non-recourse basis. The share of non-recourse export factoring transactions constituted 4.8% of the Company's overall turnover in 2011.

Recourse export factoring

In export factoring with recourse for cash-against-goods and cash-against-documents export transactions, Ekspo Faktoring pays a maximum of 80% of the invoice to the exporter upon shipment. This product does not provide any risk coverage. If the debtors do not pay the invoice amount on maturity, the exporter is requested to refund the advance payments. The share of export factoring with recourse transactions constituted 2.6% of the Company's overall turnover in 2011.

Assignment of receivables under export letters of credit

When a term export transaction is covered by a Letter of Credit (L/C), Ekspo Faktoring pays the exporter up to 85% of the amount specified in the letter of credit against the assignment of export receivables. Depending upon the type of L/C, the transaction may be with or without recourse. These transactions constituted 0.4% of the Company's overall turnover in 2011.

Assignment of export receivables under accepted drafts (forfeiting)

In export transactions backed by accepted drafts, Ekspo Faktoring pays its export clients up to 85% of the draft accepted by the importer or avalised by the importer's bank. The transaction may be on a recourse or non-recourse basis, depending on the debtor company's or guarantor's creditworthiness.

Import factoring

Within the scope of import factoring, Ekspo Faktoring provides payment guarantees to its FCI-member correspondents on behalf of its importer clients. Despite the current absence of credit insurance in Turkey, Ekspo Faktoring can execute import factoring transactions successfully thanks to its vast domestic market experience and knowledge. In addition to import factoring transactions with two factors, Ekspo Faktoring provides risk coverage to foreign sellers by avalising the drafts drawn on the importers by exporters. The exporter can then receive payment in cash by having these drafts discounted by international finance institutions or it can create funds via Ekspo Faktoring.

Review of 2011 Operations

By working with clients who are leaders in their sectors, Ekspo Faktoring maintained its steady growth and recorded a turnover of TL 1 billion in 2011, a year in which the effects of the global crisis were still reverberating.

Foreign countries' export credit insurances

Ekspo Faktoring provides importers deferred payment options via funding obtained from foreign export credit agencies. For these types of credits, the importing country's risk is insured by the foreign export credit agency (ECA).

Within the context of foreign countries' export credit insurances, Ekspo Faktoring acts as a guarantor for buyer loans provided by the foremost banks of the world to Turkish companies importing raw materials. The limit of US$ 15 billion that Ekspo Faktoring obtained from the United States Ex-Im Bank corresponds to 5% of the total USA-GSM limit provided to Turkey.

Direct factoring

In export and import transactions, Ekspo Faktoring provides guarantees without the need for the intermediation of a correspondent, by directly assuming the buyer's risk. More precisely, it provides guarantees to foreign exporters on behalf of Turkish importers and to Turkish exporters on behalf of foreign importers. Known as direct factoring, this kind of transaction is made viable due to Ekspo Faktoring's strong financial standing, its creditworthiness and it acceptance as a bank in financial communities. As of the end of 2011, the share of direct factoring transactions is 2.6% in Ekspo Faktoring's total transaction volume and 35.7% in its total export transactions.

Domestic transactions

Despite the effects of the global economic crisis that have partially continued. With its extensive customer portfolio which includes leading companies of many sectors, Ekspo Faktoring successfully maintained its growth pace in 2011. It attained a turnover of approximately TL 1 billion as of year-end. Domestic transactions account for 91% of this total. The main factor behind this successful performance is the Company's long standing domestic and international relations.

In 2011, Ekspo Faktoring added to its portfolio new firms active in various sectors thus ensuring that its risk is spread to a wider client basis. In addition, thanks to its customer oriented business approach, the Company expanded its product range in line with the new customers' needs.

Bridge financing, one of the important products recently devised by the Company, aims to finance the export or domestic sales contracts of the clients. With this product, following the conclusion of the sales agreement, the Company grants 60% financing, so that the client realizes its purchases prior to production. In pursuit of the production and delivery, the financed amount can be increased to 80%. When the sale is international, international funding resources are initiated and TL financing is converted to foreign currency. When the correspondent guarantee is obtained, it is realized on a non-recourse basis.

In 2011, Ekspo Faktoring realized all domestic factoring transactions on a recourse basis. In international transactions, US$ 27 million is non-recourse, whereas US$ 15 million is on recourse basis.

The Company which strives to identify its clients' needs in order to create suitable solutions for them, developed a corporate structure above the sector average in customer relations management. Despite possible fluctuations in the real or financial sectors, the Company always considers the benefits of its customers focusing on transparency and consistency. Ekspo Faktoring takes these periods as an opportunity to know its clients better and enhance its experience in risk management. Ekspo Faktoring's vision does not limit factoring to simply financing. For the Company, factoring also means assurance. The main theme of its long lasting relationships with clients, based on trust since the Company's establishment, is that it offers liquidity and assurance to its clients in the same package. The Company offers guarantee and collection services in addition to financing. Ekspo Faktoring focuses on expanding its product range together with effective marketing methods to enlarge the portfolio of clients operating in the domestic market.

Ekspo Faktoring is committed to operating in a transparent and scrupulous way despite any possible fluctuations in the financial and real sectors. The Company considers such circumstances as an opportunity to better understand its clients as well as to gain more experience in risk management.

Products and services of domestic factoring

Disclosed factoring

In disclosed factoring transactions, Ekspo Faktoring provides an advance payment to sellers up to 80% of their invoice amount against assignment of the open account receivables arising from sales on credit to domestic clients. Depending on the creditworthiness of the buyer, the transaction may be on a recourse or non-recourse basis.

Undisclosed factoring

In undisclosed factoring transactions, Ekspo Faktoring offers sellers an advance payment up to 75% of the invoice amount against assignment of the open account receivables arising from sales on credit to domestic clients. In these transactions, the seller can also collect the receivables. Thus, the factor has the right of recourse to the seller.

Assignment of collateralized receivables

In the case of sales on credit by companies to domestic clients against postdated checks and notes accompanying the invoices, Ekspo Faktoring provides financing either by discounting the checks and notes or by making an advance payment on a revolving basis up to 80% of the assigned receivables represented by these checks and notes. Depending on the creditworthiness of the check and note drawees, these transactions may be on a recourse or non-recourse basis.

Revolving advances

Ekspo Faktoring provides companies revolving advances against their eligible accounts receivables. These advances, available within specified terms and limits, can be used by the borrower in any amount and whenever required. The repayment is collected by customer checks and notes assigned to the Company. Factoring fees are determined according to current market conditions and are accrued and collected monthly or quarterly.

Spot advances

Spot advances, which meet the short-term financing needs of companies, are used immediately and are paid at maturity. The interest rates on spot advances are determined according to the market conditions at the time of lending and remain fixed until maturity.

Discount advances

Discount advances make it possible for the Company to liquidate endorsed advances checks and commercial notes from a business transaction that is not yet due. The advance is extended after the interest, commission fees and banking and insurance transaction tax (BITT) are deducted from the face value.

Foreign currency indexed advances

Foreign Currency Indexed advances are extended to non-exporting companies in Turkish lira but the interest rates are indexed to a foreign currency. As long as the foreign exchange rate is below the interest rates in Turkish lira, this type of advance is an attractive option for companies seeking to reduce their financing costs. Additionally, for companies whose income are denominated in a foreign currency, foreign currency indexed advances protect them against increases in exchange rates.

Internal Audit and Financial Control

Since its founding, Ekspo Faktoring has been audited internally, by an in-house team, as well as externally, by independent international audit companies. As a result, the Company is widely recognized for its commitment to transparency and accountability.

As of the end of 2011, the factoring sector comprises 74 companies; 61 of which are Factoring Association members. Since 2009, the Banking Regulation and Supervision Agency (BRSA) has diligently supervised the sector in accordance with recent regulations. It has been extremely conscientious in issuing new licenses. Within this context, BRSA issued a circular dated 07.08.2010 and imposed new controls on factoring transactions. Since the factoring sector was placed under BRSA supervision on January 1, 2006, audit procedures have taken on greater significance for factoring companies. Since its establishment, Ekspo Faktoring has been audited internally, by an in-house team, as well as externally, by independent international companies. As a result, the Company is widely recognized for its commitment to transparency and accountability.

The audit process includes internal and external audits, which are conducted by experienced and specialized teams in their fields. Additionally, two different independent international audit companies, which are the best in their fields, periodically audit the Company's tax and financial statements. In addition, they regularly report the necessary information to BRSA and Ministry of Finance and prepare two different financial statements in accordance with IFRS and BRSA.

The internal audit function ensures that Company carries out operations in accordance with the management strategies and policies and in the context of the existing factoring regulations in a coordinated, efficient and effective manner. Monitoring integration and reliability of accounting records and timely access to information in the database, are also part of this function's responsibility. The internal audit function also monitors and ensures that within the scope of the Company's activities, all employees comply with Management's corporate governance approach, 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 Management.

The Internal Audit and Financial Control Department controls the financial statements prepared according to IFRS and BRSA. It generates the Non-Bank Financial Institutions Monitoring System reports, which are prepared for and submitted to BRSA each quarter. It is also the Department's responsibility to ensure that these reports are submitted through the data transfer system and that they are transferred to the database after confirmation has been received. Other Department functions are to conduct macro and microeconomic research and to formulate annual budget estimates, prepare and report on the budget and submit it to the Board of Directors. Actual operational results are compared to budget estimates as of the end of each month and deviations are calculated.

Ekspo Faktoring's Internal Audit and Financial Control Department also checks all clients' domestic and international transactions to minimize risks originating from errors and to detect problems before they occur. In addition, the Internal Audit and Financial Control Department monitors daily and monthly transactions.

The audit process includes internal and external audits, which are conducted by teams experienced and specialized in their respective areas. Additionally, two different independent international audit companies, which are the best in their fields, periodically audit the Company's tax and financial statements.

It also reviews all correspondence and reporting of departments: Marketing, Operations, Treasury, Accounting, Risk Assessment and International Operations. The Department aims to correct any deficiencies on the same day and prepares weekly and monthly reports for Senior Management and Board of Directors. Further, the Internal Audit and Financial Control Department reviews and approves all statements and invoices to be sent to clients, conducts physical and system reconciliation of securities in the portfolio and reconciliation with the banks and undertakes the cash count. Account reconciliation is carried out monthly with all clients, suppliers, correspondents and other financial institutions.

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

Factoring companies are also obliged to abide by Law No. 5549 for the Prevention of the Laundering of Crime Revenues and Regulation No. 26751, as of 01.09.2008. In order to comply with the Regulation, the Company management requested that the Internal Audit Department take fact finding and precautionary measures compliant with Financial Crimes Investigation Board (FCIB) warnings. As per Regulation No. 26999, dated 09.16.2008, the Internal Audit and Financial Control Manager was appointed as Compliance Officer by a Board Resolution. The Compliance Officer attends all training organized by FCIB and the Factoring Association, shares essential points with the Company staff, informing them about compliance requirements and important issues.

With Ekspo Faktoring, international trade is more simple and more secure.

In 2011, Ekspo Faktoring added a new product to its portfolio and signed an agreement with UK Export Finance, the United Kingdom's export credit agency (formerly named Export Credit Guarantee Department) to finance and guarantee the UK manufactured product imports to Turkey.

Risk Management

Understanding the positive impact of effective risk management strategies on sustainable growth, Ekspo Faktoring continuously measures its corporate risks, thanks to its advanced technology infrastructure and its use of the latest auditing methods.

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

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

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

In line with efficient 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, it takes great care not to assume any risk of over 18% of total advances in a single sector. Also, the Company performs a sensitivity analysis when determining debtor limits and firmly avoids limit violations.

For Ekspo Faktoring, the solid evaluation of risks being in compliance with international standards has a key importance. In this context, in recent years, the Company's management has executed a series of 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 the end of 2008. Since the beginning of 2009, all Ekspo Faktoring customers are analyzed according to the new rating system.

In risk monitoring, Ekspo Faktoring uses the Central Bank's periodical Risk Centralization Report. In this new system, risks of existing customers are efficiently monitored and changes are worked through. The credit assessment of the companies, which apply for limit increase or a new line, 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 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 competent in the latest financial analysis methods and techniques. The staff of the Department regularly participates in the training courses offered by professional training institutions on credit, financial analysis and market intelligence. The goal is to be informed of the latest developments in their field and to learn the newest techniques.

Ekspo Faktoring's extensive database is used not only to make credit line allocation decisions, but also to develop and implement marketing strategies.

As one of the most important units of Ekspo Faktoring, the Risk Committee evaluates the companies that borrow from Ekspo Faktoring according to their financial status, sector conditions in addition to 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 as a result of financial analyses and intelligence efforts, are examined at these meetings. The Credit Files include a company's strengths and weaknesses, opportunities and threats based on SWOT analysis. Decisions are made on the 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 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 performances.

While determining sector limits, Ekspo Faktoring utilizes company data and sector information 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 intense and diligent analyses are presented to the Company's senior management.

Ekspo Faktoring has the lowest non-performing loan ratio in the sector. The Company's 1% NPL ratio is well below the 4% sector average and the 9% level that excludes bank-owned factoring companies.

Corporate Governance

In all facets of its business processes, Ekspo Faktoring operates with the awareness and responsibility of being a corporate entity. The Company works to steadily improve its profitability and productivity and as a result sustains its corporate structure.

Human Resources

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 2011, the Company had 35 employees.

The Human Resources Department is responsible for a range of personnel related activities, from orientation of new employees to professional training programs, in line with the Company's targets and strategies. Ekspo Faktoring is well aware of the importance of a productive team with shared responsibilities in leading the way to success. To this end, the Company institutionalized its ongoing training initiatives under the name Ekspo Faktoring Academy.

In its marketing and advertising activities, Ekspo Faktoring prefers to reach customers directly using its own marketing personnel instead of 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 the 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 aims to expand its client portfolio and increase customer satisfaction.

Corporate Structure

In all facets of its business processes, Ekspo Faktoring operates with the awareness and responsibility of being a corporate entity. The Company works to steadily improve its profitability and productivity and as a result sustains its corporate structure. 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 the first factoring company to be graded by Moody's. In addition, the Company is audited by two independent international companies every year. The audit companies are changed every five years to ensure that transparency is sustained.

Ekspo Faktoring uses a variety of criteria when recruiting staff, including possessing a university degree, showing proficiency in a foreign language, having experience and skills in the banking sector. Through these means, the Company ensures the superior quality of its human resources, which currently ranks higher than the sector average. Employees joining the Company are trained in both professional and cultural issues. These training sessions are conducted within the Company or given by external professionals invited to the Company from time to time.

With a customer service approach based on promptness and efficiency, Ekspo Faktoring continues to differentiate itself in the sector; to this end, the Company renewed its corporate website (www.ekspofaktoring.com) in 2011.

In line with the higher importance given to transparency and consistency in the financial sector, BRSA recommends that all financial institutions regularly report their balance sheets on their websites. Ekspo Faktoring has disclosed its balance sheet each quarter since its foundation. Additionally, following the bond issue in 2010, the Company publishes its financial statements on the Public Disclosure Platform quarterly.

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

Information Technologies

Ekspo Faktoring, focusing on effective and fast client services, targets to improve its service quality and attaches utmost importance towards strengthening its technological infrastructure. In contrast to its plain and modest organizational structure, the Company has an advanced information technology infrastructure comprising the latest and most extensive hardware and software in the sector. Ekspo Faktoring, meeting its information technology requirements through outsourcing, inaugurated its Disaster Recovery Center in Ankara in 2006. In 2007, this center's hardware and software development initiatives were undertaken.

Ekspo Faktoring uses a factoring software package, Facto 2000, produced in line with daily requirements, by a financial software development company specialized in financial applications. This software provides integration between marketing, client services and accounting. In addition, clients can monitor their transactions on Ekspo Online and view their accounts instantaneously.

The face of Ekspo Online on the internet: www.ekspofaktoring.com.

Ekspo Faktoring's corporate website, **www.ekspofaktoring.com**, is the Company's face on the internet. The website has a highly 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 announcements are also published on 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 its clients with more convenient and efficient services, the Company renewed its corporate website in 2011.

Considering the value added created by the investments in information technologies, the Company aims to focus on heightened security internet walls, higher internet connection speed and strengthening virtual servers in the coming future.

Ekspo Faktoring Anonim Şirketi

Financial Statements
As at and for the Year Ended 31 December 2011
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi
22 February 2012
This report includes 1 page of independent auditors' report and
33 pages of financial statements and notes to the financial statements.

Ekspo Faktoring Anonim Şirketi

Table of Contents

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Independent Auditors' Report

To the Board of Directors of
Ekspo Faktoring Anonim Şirketi

Introduction

We have audited the accompanying financial statements of Ekspo Faktoring Anonim Şirketi ("the Company"), which comprise the financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

22 February 2012
Istanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

Ekspo Faktoring Anonim Şirketi
Statement of Financial Position
As at 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Notes	31 December 2011	31 December 2010
Assets			
Cash and cash equivalents	10	222,669	157,588
Derivative assets	21	244,353	69,013
Factoring receivables	11	236,425,268	220,993,876
Other assets	12	211,428	145,320
Assets held for sale	13	486,703	486,703
Investment property	14	1,219,053	724,997
Tangible assets	15	1,432,378	1,136,232
Intangible assets	16	19,374	29,074
Deferred tax assets	9	557,126	251,682
Total assets		**240,818,352**	**223,994,485**
Liabilities			
Loans and borrowings	17	151,392,733	127,537,157
Debt securities issued	18	20,435,166	20,403,989
Derivative liabilities	21	242,363	63,366
Factoring payables	19	602,921	76,701
Other liabilities	20	517,214	419,653
Income taxes payable	9	694,409	814,258
Reserve for employee severance payments	22	233,047	178,445
Other provisions	23	-	162,536
Total liabilities		**174,117,853**	**149,656,105**
Equity			
Share capital	24	40,000,000	40,000,000
Adjustment to share capital	24	279,326	279,326
Legal reserves	24	8,424,204	6,070,877
Retained earnings	24	17,996,969	27,988,177
Total shareholders' equity		**66,700,499**	**74,338,380**
Total equity and liabilities		**240,818,352**	**223,994,485**
Commitments and contingencies	26		

The accompanying notes form an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Statement of Comprehensive Income
For the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Notes	31 December 2011	31 December 2010
Factoring interest income		35,028,486	25,959,063
Factoring commission income, net		4,963,284	4,971,780
Income from factoring operations		**39,991,770**	**30,930,843**
Interest expense on bank borrowings		(16,127,598)	(9,228,972)
Interest expense on debt securities issued		(2,167,177)	(403,989)
Foreign exchange gains, net		36,514	234,151
Interest income other than on factoring operations	5	12,046	230
Interest, commission and foreign exchange income, net		**21,745,555**	**21,532,263**
Personnel expenses	7	(5,097,991)	(4,612,534)
Administrative expenses	8	(1,917,293)	(2,008,032)
Provision for impaired factoring receivables, net of recoveries	11	(1,111,053)	348,374
Other expenses	23	(103,283)	(162,536)
Depreciation and amortisation expenses	14, 15 and 16	(236,406)	(235,812)
Other income	6	12,462	161,264
Profit before income taxes		**13,291,991**	**15,022,987**
Income tax expense	9	(2,729,872)	(3,327,070)
Profit for the year		**10,562,119**	**11,695,917**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**10,562,119**	**11,695,917**

The accompanying notes form an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Notes	Share Capital	Adjustment to Share Capital	Legal Reserves	Retained Earnings	Total Equity
1 January 2010		**40,000,000**	**279,326**	**5,282,439**	**17,080,698**	**62,642,463**
Total comprehensive income						
Net profit for the year		-	-	-	11,695,917	11,695,917
Total comprehensive income		**-**	**-**	**-**	**11,695,917**	**11.695,917**
Transactions with owners of theCompany, recognized directly in equity						
Transfer to legal reserves		-	-	788,438	(788,438)	-
Total transactions with owners of the Company		**-**	**-**	**788,438**	**(788,438)**	**-**
31 December 2010	**24**	**40,000,000**	**279,326**	**6,070,877**	**27.988,177**	**74.338,380**
Total comprehensive income						
Net profit for the year		-	-	-	10,562,119	10,562,119
Total comprehensive income		**-**	**-**	**-**	**10,562,119**	**10,562,119**
Transactions with owners of the Company, recognized directly in equity						
Transfer to legal reserves		-	-	(2,353,327)	(2,353,327)	-
Divident paid		-	-	-	(18,200,000)	(18,200,000)
Total transactions with owners of the Company		**-**	**-**	**2,353,327**	**(20,553,327)**	**(18,200,000)**
31 December 2011	**24**	**40,000,000**	**279,326**	**8,424,204**	**17,996,969**	**66,700,499**

The accompanying notes form an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Notes	2011	2010
Cash Flows From Operating Activities:			
Net profit for the year		10,562,119	11,695,917
Components of net profit not generating or using cash			
Depreciation and amortisation	14, 15 and 16	236,406	235,812
Gain on sale of property and equipment		-	19,322
Provision for employee severance payments	22	106,146	66,766
Other expense/(income) accruals		2,512,822	2,255,398
Provision for deferred and income taxes	9	2,729,872	3,327,070
Interest expense		18,294,775	9,632,961
Provision for impaired factoring receivables	11	1,353,543	-
Changes in fair value of currency swap contracts	25	3,657	(5,647)
Changes in operating assets and liabilities			
Factoring receivables and payables		(18,771,537)	(74,998,321)
Prepayments for current assets		(66,108)	(20,773)
Other liabilities		(309,159)	(5,767,570)
Employee severance paid	22	(51,544)	(23,061)
Taxes paid	9	(3,155,165)	(2,985,469)
Funds borrowed		22,595,206	65.189.188
Interest paid		(17,003,228)	(9,324,172)
Recoveries of impaired factoring receivables	11	242,490	348,374
Net cash provided by / (used in) operating activities		**19,280,295**	**(354,205)**
Investing Activities:			
Acquisition of investment property	14	(512,376)	-
Acquisition of tangible assets	15	(504,532)	(297,695)
Acquisition of intangible assets	16	-	(11,579)
Net cash used in investing activities		**(1,016,908)**	**(309,274)**
Financing Activities:			
Dividends paid		(18,200,000)	-
Net cash used in financing activities		**(18,200,000)**	**-**
Effect of changes in foreign currency rates over cash and cash equivalents		1,694	(20)
Net increase / (decrease) in cash and cash equivalents		**65,081**	**(663,499)**
Cash and cash equivalents at 1 January		**157,588**	**821,087**
Cash and cash equivalents at 31 December	**10**	**222,669**	**157,588**

The accompanying notes form an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

Notes to the financial statements

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(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 through its headquarter in Istanbul, provides domestic, import and export factoring services to industrial and commercial enterprises in Turkey.

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

The Company has 34 employees as at 31 December 2011 (2010: 31 employees).

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

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 and tax laws (collectively, "Turkish GAAP").

The financial statements of the Company as at and for the year ended 31 December 2011 were authorized for issue by the Board of Directors on 22 February 2012. 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 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.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

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	Fair value measurement of financial instruments
•	Note 9	Taxation
•	Note 11	Factoring receivables
•	Note 13	Assets held for sale
•	Note 14	Investment property
•	Note 15	Tangible assets
•	Note 16	Intangible assets
•	Note 21	Derivative financial instruments
•	Note 22	Provision for employee severance indemnity
•	Note 26	Commitments and contingencies

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 income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the statement of comprehensive income as realized during the course of the year.

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

	2011	2010
US Dollar ("USD")	1.8889	1.5460
Euro	2.4438	2.0491
Great Britain Pound ("GBP")	2.9170	2.3886
Swiss Franc ("CHF")	2.0062	1.6438

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

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, loans and borrowings, debt securities, factoring payables and other liabilities.

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:

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and time deposits at banks with an original maturity less than three months.

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

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

Factoring receivables and other assets

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. Other assets which are short-term are carried at cost subsequent to initial recognition.

Borrowings and debt securities

Loans and borrowings and debt securities are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, loans and 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 other liabilities are measured at cost.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(c) Financial Instruments (Continued)

(ii) Derivative financial instruments

All derivatives are classified as held for trading and are measured at fair value. Fair value changes are recognized in finance income / expenses. 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 determined by comparing the statement of financial position. If fair value of derivative financial instruments is positive, they are accounted as assets; if the fair value is negative, they are 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. All unrealized gains and losses on these instruments are included in the statement of comprehensive income.

(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 a land, building or part of a building or both held (by the owner or by the lessee under a finance lease) to earn rentals of for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Recognition and measurement

Investment properties are measured initially at cost. Transaction costs are included in the initial measurement.

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.

(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. Tangible assets acquired after 31 December 2005 are measured at cost, less accumulated depreciation and impairment losses.

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.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(f) Tangible assets (Continued)

(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 assetss are recognized in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is recognized in the statement of comprehensive income 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.

(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. Intangible assets acquired after 31 December 2005 are measured at cost, less accumulated amortisation, and impairment losses. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets, which are 5 years.

(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.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in statement of comprehensive income. 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 statement of comprehensive income to the extent that the impairment loss in respect of a financial asset was not recognized in the previous year.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(h) Impairment (Continued)

(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. 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 income statement.

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 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.

(i) Employee benefits

(i) Provision for employee severance indemnity

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. 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.

In accordance with TAS 19 "Employee Benefits", the Company calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financial statements. The main estimates used are as follows:

	31 December 2011	31 December 2010
Discount rate	3.73%	4.66%
Expected salary / limit increase	5.00%	5.10%
Expected severance payment benefit ratio	95%	95%

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(i) Employee benefits (Continued)

(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 if the time value of the money is significant to the provision. In determining discount rate for future cash flows, market interest rates and the risk related to the liability is considered.

(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

For the purpose of the 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 investments are considered and referred to as the related parties.

(m) Revenue and cost recognition

(i) Factoring interest and commission income

Factoring interest and commission income is recognized on the accrual basis using the effective interest rate method.

(ii) Factoring commission expense

Factoring commission charges are recognized on the accrual basis.

(iii) Other income and expenses

Other income and expenses are recognized 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 rate method.

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

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies (Continued)

(n) Income tax

Taxes on income comprise current and deferred taxes. 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, using the balance sheet liability method, 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.

(o) New standards and interpretations not yet adopted

The Standards and interpretations effective in 2011

The Company applied all standards and interpretations which are issued by IASB and became effective in 2011.

The standards and interpretations not yet adopted on 31 December 2011

A number of new standards, amendments to standards and interpretations are not effective for annual period ended on 31 December 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 "Financial Instruments", which becomes mandatory for the annual periods beginning at 1 January 2015 or thereafter and could change the classification and measurement of the financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

(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, even if those events occur after the public announcement of profit or of other selected information. 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 consolidated financial statements, if material.

(q) Statement of cash flows

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

In the statement of cash flows, consolidated 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.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

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 2011	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	244,353	-	244,353
	-	**244,353**	**-**	**244,353**
Derivative financial liabilities	-	242,363	-	242,363
	-	**242,363**	**-**	**242,363**

31 December 2010	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	69,013	-	69,013
	-	**69,013**	**-**	**69,013**
Derivative financial liabilities	-	63,366	-	63,366
	-	**63,366**	**-**	**63,366**

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.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

4 Determination of fair values (Continued)

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

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	222,669	222,669	157,588	157,588
Factoring receivables	236,425,268	236,425,268	220,993,876	220,993,876
Financial liabilities				
Loans and borrowings	151,392,733	151,392,733	127,537,157	127,537,157
Debt securities	20,435,166	20,435,166	20,403,989	20,403,989
Factoring payables	602,921	602,921	76,701	76,701
Other liabilities	517,214	517,214	419,653	419,653

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:

	2011	2010
Interest income on bank deposits	12,046	230
	12,046	**230**

6 Other income

For the year ended 31 December 2011, other income comprised of rent income amounting to TL 12,462 (2010: TL 45,644 rent income and TL 115,620 gain on sale of tangible assets).

7 Personnel expenses

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

	2011	2010
Salary expenses	4,002,262	3,407,759
Bonus expenses	323,529	568,019
Social security premium employer's share	302,918	254,789
Meal expenses	109,865	88,947
Insurance expenses	109,158	96,949
Provision for employee severance payments	106,146	66,766
Transportation expenses	91,066	89,985
Unemployment security employer's share	26,849	22,474
Others	26,198	16,846
	5,097,991	**4,612,534**

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

8 Administrative expenses

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

	2011	2010
Rental expenses	424,663	381,015
Audit and consultancy expenses	286,023	377,884
Travel expenses	234,444	227,362
Representation expenses	131,809	135,665
Vehicle expenses	113,027	116,346
Communication expenses	86,954	78,185
Taxes and duties other than on income	78,839	70,398
Office expenses	68,280	54,806
Subscription fees	67,499	41,330
Advertising expenses	50,727	50,878
IT related expenses	46,446	56,665
Repair and maintenance expenses	38,625	45,389
Stationery expenses	32,541	29,125
Donations	2,935	101,050
Others	254,481	241,934
	1,917,293	**2,008,032**

9 Taxation

As at 31 December 2011, corporate income tax is levied at the rate of 20% (2010: 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 Corporate Tax , has been 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 four months 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 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.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

9 Taxation (Continued)

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying the statutory tax rate to profits before income taxes.

	2011		2010	
	Amount	%	Amount	%
Reported profit before income taxes	13,291,991		15,022,987	
Taxes on reported profit per statutory tax rate	(2,658,398)	20	(3,004,597)	20
Permanent differences:				
Disallowable expenses	(71,474)	1	(75,530)	-
Non-taxable income	-	-	3,000	-
Tax correction of the prior year	-	-	(249,943)	2
Income tax expense	**2,729,872**	**21**	**(3,327,070)**	**22**

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

	2011	2010
Current tax expense	3,035,316	3,799,727
Deferred tax credit	(305,444)	(472,657)
Income tax expense	**2,729,872**	**3,327,070**

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:

	2011	2010
Taxes on income	3,035,316	3,799,727
Less: Corporation taxes paid in advance	(2,340,907)	(2,985,469)
Income taxes payable	**694,409**	**814,258**

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

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, deferred tax assets (DTA) and deferred tax liabilities (DTL) are attributable to the items detailed in the table below:

	2011		2010	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Unearned interest income	509,325	-	268,373	-
Impaired factoring receivables	69,400	-	-	-
Provision for employee severance indemnity	46,609	-	35,689	-
Tangible assets and intangible assets	-	67,810	-	51,250
Derivative financial instruments	-	398	-	1,130
Total DTA and DTL	**625,334**	**68,208**	**304,062**	**52,380**

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:

	2011			2010		
	Gross	**Offsetting**	**Net**	**Gross**	**Offsetting**	**Net**
DTA	625,334	(68,208)	557,126	304,062	(52,380)	251,682
DTL	(68,208)	68,208	-	(52,380)	52,380	-
DTA / (DTL), net	**557,126**	**-**	**557,126**	**251,682**	**-**	**251,682**

10 Cash and cash equivalents

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

	2011	2010
Demand deposits at banks	222,669	155,763
Cash on hand	-	1,825
Total cash and cash equivalents	**222,669**	**157,588**

As at 31 December 2011, there is not any blockage on bank deposits (2010: None).

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

11 Factoring receivables

At 31 December, factoring receivables comprised the following:

	2011	2010
Domestic factoring receivables	234,299,902	220,049,711
Export and import factoring receivables	6,013,858	3,535,748
Impaired factoring receivables	4,110,045	2,998,992
Factoring receivables, gross	244,423,805	226,584,451
Unearned factoring interest income	(3,888,492)	(2,591,583)
Allowance for impaired factoring receivables	(4,110,045)	(2,998,992)
Factoring receivables	**236,425,268**	**220,993,876**

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

	2011	2010
Customer notes and cheques	382,312,583	348,133,213
Mortgages	2,166,280	1,929,460
Letters of guarantee	194,890	27,825
Total	**384,673,753**	**350,090,498**

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

	2011	2010
Balance at the beginning of the year	2,998,992	3,347,366
Provision for the year	1,353,543	-
Recoveries during the year	(242,490)	(348,374)
Balance at the end of the year	**4,110,045**	**2,998,992**

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

	2011	2010
Overdue 1 to 3 months	1,167,388	-
Overdue 3 to 6 months	-	-
Overdue 6 to 12 months	186,155	-
Overdue over 1 year	2,756,502	2,998,992
	4,110,045	**2,998,992**

12 Other assets

As at 31 December, other assets are as follows:

	2011	2010
Prepaid expenses (*)	201,059	143,774
Others	10,369	1,546
	211,428	**145,320**

(*) Prepaid expenses include participation fee paid to the Banking Regulatory Supervisory Agency (BRSA) amounting TL 33,600 and TL 10,900 as at 31 December 2011 and 2010, respectively, and insurance expenses that will be utilized in the subsequent months.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

13 Assets held for sale

As at 31 December 2011, assets classified as held for sale consists of two flats obtained in lieu of impaired factoring receivables, amounting TL 486,703 (2010: TL 486,703).

14 Investment property

Movement of investment property and related accumulated depreciation during the year ended 31 December 2011 is as follows:

	1 January 2011	Additions (*)	Disposals	31 December 2011
Cost				
Buildings	831,731	512,376	-	1,344,107

	1 January 2011	Current year charge	Disposals	31 December 2011
Less: Accumulated Depreciation				
Buildings	106,734	18,320	-	125,054
Net carrying value	**724,997**			**1,219,053**

(*) Additions to investment property include renovations to the flat.

Movement of investment property and related accumulated depreciation during the year ended 31 December 2010 is as follows:

	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Buildings	831,731	-	-	831,731

	1 January 2010	Current year charge	Disposals	31 December 2010
Less: Accumulated Depreciation				
Buildings	90,100	16,634	-	106,734
Net carrying value	**741,631**			**724,997**

Investment property includes a flat owned by the Company which is property held either to earn rental income or for capital appreciation or for both. The investment property's useful life is amortized on the straight-line method over 50 years.

The fair value of the investment property of the Company is determined by an independent real estate appraisal company on January 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. As at 31 December 2011, the fair value of the real estate, net book value of which is TL 1,219,053, has been determined as TL 1,850,000.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

15 Tangible assets

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2011 is as follows:

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Motor vehicles	757,153	490,582	-	1,247,735
Furniture and fixtures	522,980	13,950	-	536,930
Leasehold improvements	321,755	-	-	321,755
Others (*)	822,822	-	-	822,822
Total cost	**2,424,710**	**504,532**	**-**	**2,929,242**

	1 January 2011	Current year charge	Disposals	31 December 2011
Less: Accumulated depreciation				
Motor vehicles	539,215	157,976	-	697,191
Furniture and fixtures	458,451	30,869	-	489,320
Leasehold improvements	290,812	19,541	-	310,353
Total accumulated depreciation	**1,288,478**	**208,386**		**1,496,864**
Net carrying value	**1,136,232**			**1,432,378**

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2010 is as follows:

	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Motor vehicles	1,010,142	152,750	(405,739)	757,153
Furniture and fixtures	449,479	73,501	-	522,980
Leasehold improvements	321,755	-	-	321,755
Others (*)	751,378	71,444	-	822,822
Total cost	**2,532,754**	**297,695**	**(405,739)**	**2,424,710**

	1 January 2010	Current year charge	Disposals	31 December 2010
Less: Accumulated depreciation				
Motor vehicles	850,269	75,363	(386,417)	539,215
Furniture and fixtures	358,032	100,419	-	458,451
Leasehold improvements	256,512	34,300	-	290,812
Total accumulated depreciation	**1,464,813**	**210,082**	**(386,417)**	**1,288,478**
Net carrying value	**1,067,941**			**1,136,232**

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

As at 31 December 2011, total amount of insurance on tangible assets is TL 2,465,993 (2010: TL 1,346,024) and total amount of insurance premium on tangible assets is TL 21,914 (2010: TL 10,349). As at 31 December 2011 and 2010, there is no pledge on tangible assets.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

16 Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2011 is as follows:

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Rights	140,246	-	-	140,246

	1 January 2011	Current year Charge	Disposals	31 December 2011
Less: Accumulated amortisation				
Rights	111,172	9,700	-	120,872
Net carrying value	**29,074**			**19,374**

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2010 is as follows:

	1 January 2010	Additions	Disposals	31 December 2010
Cost				
Rights	128,667	11,579	-	140,246

	1 January 2010	Current year charge	Disposals	31 December 2010
Less: Accumulated amortisation				
Rights	102,076	9,096	-	111,172
Net carrying value	**26,591**			**29,074**

As at 31 December 2011 and 2010, the Company does not have any internally generated intangible assets.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

17 Loans and borrowings

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

	2011			
			TL amount	
	Original Amount	Nominal Interest Rate (%) (*)	Up to 1 year	1 year and over
TL	135,016,185	11.55-17.00	135,016,185	-
TL (**)	10,731,699	4.98-5.77	10,731,699	-
USD	86,176	Libor + 4.25	162,778	-
Euro	2,243,257	Libor + 3.39	5,482,071	-
Total			**151,392,733**	**-**

	2010			
			TL amount	
	Original Amount	Nominal Interest Rate (%) (*)	Up to 1 year	1 year and over
TL	108,144,747	7.60-8.13	108,144,747	-
TL (**)	12,080,070	3.30-4.15	12,080,070	-
USD	2,670,703	4.29	4,128,906	-
Euro	1,553,575	3.04	3,183,434	-
Total			**127,537,157**	**-**

(*) These rates represent the interest rate ranges of outstanding borrowings with fixed and floating rates at 31 December 2011 and 2010.
(**) Includes the balances with reference to foreign currency indexed loans.

18 Debt securities issued

The Company has issued floating rate debt securities amounting to TL 20,000,000 at 21 October 2010 with 2 years maturity and six-months period interest payments. As at 31 December 2011, debt securities are as follows:

			2011				2010
	Currency	Maturity	Interest type	Interest rate (*)	Nominal value	Carrying value	Carrying value
Debt Securities	TL	2012	Floating (**)	5.50%	20,000,000	20,435,166	20,403,989
						20,435,166	**20,403,989**

(*) Represents the semi-annual interest rate applicable for the second coupon payment term.
(**) The "Benchmark Interest" that will constitute the base of the interest rate of the Security will be the weighted arithmetic mean of the longest number of days to maturity zero coupon government bond's last 5 business days that has been presented 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 2.70% additional rate of return per annum to the "Benchmark Interest Rate".

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

19 Factoring payables

As at 31 December, factoring payables comprised the following:

	2011	2010
Domestic factoring payables	602,921	76,701
Total	**602,921**	**76,701**

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:

	2011	2010
Taxes and duties other than on income tax	325,542	275,811
Trade payables to vendors	140,881	104,394
Social security payables	50,791	39,448
Total	**517,214**	**419,653**

21 Derivative assets and derivative 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:

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Currency swap purchases and sales	244,353	(242,363)	69,013	(63,366)
	244,353	**(242,363)**	**69,013**	**(63,366)**

As at 31 December 2011 and 2010, the details of derivative transactions are presented in Note 26.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

22 Provision for employee severance indemnity

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 2,732 at 31 December 2011 (2010: TL 2,517) 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:

	2011	2010
Balance at the beginning of the year	178,445	134,740
Interest cost	13,504	11,918
Service cost	37,240	26,642
Paid during the year	(51,544)	(23,061)
Actuarial difference	55,402	28,206
Balance at the end of the year	**233,047**	**178,445**

23 Other provisions

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

	2011	2010
Tax dispute provision	-	162,536
Total	**-**	**162,536**

In year 2009, tax inspections covering the whole factoring sector on accounting period of year 2008 has been initiated by The Revenue Administration Department of Ministry of Finance of the Turkish Republic. It is stated that the inspections are carried out in accordance with current tax regulations. Based on the inspections on the accounts of factoring companies, since the principal of unearned revenue that is recorded under unearned revenue account in accordance with "Regulation on Uniform Chart of Accounts and Form and Content of Financial Statements for Leasing, Factoring and Financing Companies", which became effective after announcement in Official Gazzette dated 17 May 2007 and numbered 26525 and provision for impaired factoring receivables arising from factoring transactions at either law-suit or execution stage have not been recorded as revenue, they have been subjected to critics and tax has been levied on them and a penalty for loss of tax has been let-off. In this context, the Company has also been subject to inspection and related assessments have been declared on 7 June 2010. With regard to the mentioned assessment, "settlement" has been requested from tax authorities by the Company management, however was not responded. Thereafter, the Company utilize the possibilities stated in the scope of the law numbered 6111 "Concerning the Restructuring of Certain Receivables, Social Security and the Amendment of the General Health Law and Certain Other Laws and Decrees with the Force of Law" and has paid TL 265,819 as the total of tax and penalty. As at 31 December 2010, the Company has recorded a provision based on its estimations amounting to TL 162,536 in the accompanying financial statements. The difference of TL 103,283 has been booked as other expense in 2011.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

24 Equity

24.1 Paid-in capital

At 31 December 2011, the Company's nominal value of authorized and paid-in share capital amounts to TL 40,000,000 (2010: TL 40,000,000) comprising 40.000.000 (2010: 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:

	2011		2010	
	Share (%)	**TL**	**Share (%)**	**TL**
M. Semra Tümay	49.00%	19,600,000	49.00%	19,600,000
Murat Tümay	25.50%	10,199,999	25.50%	10,199,999
Zeynep Ş. Akçakayalıoğlu	24.50%	9,799,999	24.50%	9,799,999
Others	1.00%	400,002	1.00%	400,002
Share capital	100%	40,000,000	100%	40,000,000
Adjustment to share capital		279,326		279,326
Total share capital		**40,279,326**		**40,279,326**

24.2 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 8,424,204 (historical) at 31 December 2011 (2010: TL 6,070,877 (historical)).

25 Risk management disclosures

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 purchased to monitor the credit risk of the Company.

At 31 December 2011, there were no significant industrial or geographical 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.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

25 Risk management disclosures (continued)

Credit risk (continued)

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

	2011	%	2010	%
Textiles	41,378,441	18	38,208,073	17
Construction	27,618,963	12	32,627,094	15
Food, beverages and tobacco	26,042,243	11	22,159,056	10
Mining other than metal	23,729,059	9	16,774,319	8
Tourism	23,098,040	9	25,038,164	11
Automotive	12,963,907	5	13,150,241	6
Rubber and plastic goods	11,544,646	5	12,809,910	6
Iron, steel, coal, petroleum and other mines	9,863,662	4	10,697,651	5
Financial services	8,958,626	4	1,867,398	1
Transportation, storage and communication	8,847,743	4	7,380,532	3
Wood and wooden products	8,266,373	3	6,409,043	3
Retail and wholesale trade	7,192,530	3	4,518,662	2
Cultural, recreational and sports activities	7,042,636	3	3,162,201	1
Machinery and equipment	6,360,785	3	6,605,286	3
Computer and computer equipments	3,975,727	2	9,105,169	4
Chemicals and pharmaceuticals	2,985,815	1	2,451,043	1
Agriculture and cattle breeding	1,297,502	1	4,818,992	2
Electrical equipments	269,052	1	183,425	1
Others	4,989,518	2	3,027,617	1
	236,425,268	**100**	**220,993,876**	**100**

Market risk

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-priced 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:

	2011				2010		
	USD (%)	Euro (%)	GBP (%)	TL (%)	USD (%)	Euro (%)	TL (%)
Assets							
Factoring receivables	7.5	7.6	8.75	17.9	8.5	7.58	12.23
Liabilities							
Loans and borrowings	5.77	5.49	4.98	14.75	4.29	3.81	7.35
Debt securities	-	-	-	11	-	-	10.53

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

25 Risk management disclosures (continued)

Market risk (continued)

Interest rate profile:

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

	Carrying Amount	
Fixed rate instruments	**2011**	**2010**
Factoring receivables	123,120,162	118,973,874
Loans and borrowings	119,166,185	48,351,293
Variable rate instruments		
Factoring receivables	113,305,107	102,020,002
Loans and borrowings	32,226,548	79,185,864
Debt securities	20,435,166	20,403,989

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at 31 December would have increased profit or loss 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**
2011		
Variable rate instruments	11,661	(11,661)
2010		
Variable rate instruments	28,714	(28,714)

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):

	2011	**2010**
A. Foreign currency monetary assets	16,947,611	18,590,384
B. Foreign currency monetary liabilities	(16,390,583)	(19,449,420)
C. Derivative financial instruments	-	-
Net foreign currency position (A+B+C)	**557,028**	**(859,036)**

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

25 Risk management disclosures (Continued)

Market risk (Continued)

Foreign currency risk

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

		2011		
	USD	Euro	GBP	Total
Foreign currency monetary assets				
Cash and cash equivalents	65,928	171	-	66,099
Factoring receivables	3,814,305	7,932,827	5,132,491	16,879,623
Other assets	1,889	-	-	1,889
Total foreign currency monetary assets	**3,882,121**	**7,932,999**	**5,132,491**	**16,947,611**
Foreign currency monetary liabilities				
Loans and borrowings	2,815,834	8,455,964	5,104,750	16,376,548
Factoring payables	-	-	-	-
Other payables	-	14,035	-	14,035
Total foreign currency monetary liabilities	**2,815,834**	**8,469,999**	**5,104,750**	**16,390,583**
Net on balance sheet position	**1,066,287**	**(537,000)**	**27,741**	**557,028**
Off balance sheet net notional position	-	-	-	-
Net position	**1,066,287**	**(537,000)**	**27,741**	**557,028**

		2010		
	USD	Euro	GBP	Total
Foreign currency monetary assets				
Cash and cash equivalents	-	349	17,617	17,966
Factoring receivables	8,683,006	5,735,162	4,152,704	18,570,872
Other assets	1,546	-	-	1,546
Total foreign currency monetary assets	**8,684,552**	**5,735,511**	**4,170,321**	**18,590,384**
Foreign currency monetary liabilities				
Loans and borrowings	9,284,142	6,047,648	4,060,620	19,392,410
Factoring payables	-	32,432	-	32,432
Other payables	704	17,998	5,876	24,578
Total foreign currency monetary liabilities	**9,284,846**	**6,098,078**	**4,066,496**	**19,449,420**
Net on balance sheet position	**(600,294)**	**(362,567)**	**103,825**	**(859,036)**
Off balance sheet net notional position	-	-	-	-
Net position	**(600,294)**	**(362,567)**	**103,825**	**(859,036)**

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

25 Risk management disclosures (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis:

Depreciation of TL by 10% against the other currencies as at 31 December 2011 and 2010 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2011 and 2010, remain constant.

	Profit/(Loss)	
TL	**2011**	**2010**
USD	106,629	(60,029)
Euro	(53,700)	(36,257)
GBP	2,774	10,383
Total	**55,703**	**(85,903)**

Liquidity risk

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. 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 following are the contractural maturities of financial liabilities of the Company:

	31 December 2011					
	Carrying amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**172,571,701**	**175,291,389**	**98,800,186**	**76,491,203**	**-**	**-**
Loans and borrowings	151,392,733	152,285,801	98,056,384	54,229,417	-	-
Debt securities	20,435,166	22,261,786	-	22,261,786	-	-
Factoring payables	602,921	602,921	602,921	-	-	-
Other liabilities	140,881	140,881	140,881	-	-	-
Derivative financial liabilities	**1,990**	**1,993**	**1,815**	**178**	**-**	**-**
Inflow	244,353	240,475	176,939	63,536	-	-
Outflow	(242,363)	(238,482)	(175,124)	(63,358)	-	-

	31 December 2010					
	Carrying amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**5 years More than**
Non-derivative financial liabilities	**148,122,241**	**152,107,223**	**111,712,400**	**18,352,434**	**22,042,389**	**-**
Loans and borrowings	127,537,157	127,835,739	111,531,305	16,304,434	-	-
Debt securities	20,403,989	24,090,389	-	2,048,000	22,042,389	-
Factoring payables	76,701	76,701	76,701	-	-	-
Other liabilities	104,394	104,394	104,394	-	-	-
Derivative financial liabilities	**5,647**	**5,664**	**5,664**	**-**	**-**	**-**
Inflow	69,013	70,177	70,177	-	-	-
Outflow	(63,366)	(64,513)	(64,513)	-	-	-

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 minimum share capital requirement of the Company is TL 7,500,000 as at 31 December 2011. The Company's share capital is above the minimum requirements.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As at and for the Year Ended 31 December 2011
(Currency: Turkish Lira ("TL") unless otherwise stated)

26 Commitments and contingencies

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

Letters of guarantee	2011	2010
Given to legal courts	194,890	27,825
	194,890	**27,825**

As at 31 December 2011, the Company has given cheques and notes amounting to TL 209,634,993 (2010: TL 187,292,971) as collateral against the bank borrowings.

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

			2011		2010
		Foreign currency	TL	Foreign currency	TL
Currency swap purchases					
	USD	2,369,597	4,475,932	1,088,100	1,682,203
	TL	6,100,767	6,100,767	2,709,500	2,709,500
	Euro	704,132	1,720,759	524,828	1,075,425
Total purchases			**12,297,458**		**5,467,128**

			2011		2010
		Foreign currency	TL	Foreign currency	TL
Currency swap sales					
	USD	2,369,597	4,475,932	1,088,100	1,682,203
	TL	6,098,776	6,098,776	2,703,835	2,703,835
	Euro	704,132	1,720,759	524,828	1,075,425
Total sales			**12,295,467**		**5,461,463**

27 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.

	2011	2010
General administrative expenses		
M. Semra Tümay - rental expense	405,163	361,702
	408,351	**361,702**

Total benefit of key management for the years ended 31 December 2011 and 2010 amounted to TL 2,375,294 and TL 2,353,865, respectively.

28 Events after the reporting period

None.

Management

Murat Tümay	General Manager
H. Cenk Eynehan	Assistant General Manager, Marketing
Erhan Meral	Assistant General Manager , Financial and Administrative Affairs

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