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EKSPO FAKTORİNG A.Ş. 2014 **ANNUAL REPORT**

We have accomplished great successes and many breakthroughs in 15 years in a sector which requires tremendous responsibility and where trust is in the foreground. We created a strong foundation by financing trade with trust. Now it is time to build on this foundation. To many great years together.

WITH OUR STRONG CORPORATE STRUCTURE, VISION, AMBITION TO WORK AND QUALIFIED STAFF, WE WILL CONTINUE TO BE SUCCESSFUL FOR MANY MORE YEARS BY PROTECTING OUR SOLID FINANCIAL STRUCTURE. I TRULY BELIEVE THAT WE WILL CONTINUE TO MAKE A DIFFERENCE IN THE TURKISH FINANCE SECTOR AND THAT WE WILL MOVE OUR PERFORMANCE MUCH FURTHER.

GÜRBÜZ TÜMAY
HONORARY CHAIRMAN

MESSAGE FROM THE HONORARY CHAIRMAN

Distinguished stakeholders,

Securing success in the future, first and foremost, requires a strong foundation. When we laid the foundations of Ekspo Faktoring 15 years ago, we had a vision that enabled us to see the development areas and opportunities which would highlight us in the sector. Our nearly 40-years' experience in banking was effective in building a business model based on expertise and knowledge and designing innovative applications that would take us ahead of the competition. We set our goals by examining good examples and established factoring companies abroad. We wanted to be different and to bring a breath of fresh air to the sector, not only with our products and services but in every sense, from our relationships with our correspondent banks and customers to our technological infrastructure and corporate organization. I see that we achieved this objective in the 15th year of our journey and I truly believe that we will provide value added to our customers and to the national economy in the future as well.

In a sector which has a limited product range, is non-transparent and where companies predominantly adopt an old-fashioned and closed structure, we set off with the mission of founding an open, clear and visible factoring system. Our previous experience and the importance that we attach to transparency helped Ekspo Faktoring reach a reputable point both at home and abroad in a short span of time.

Until that day, private factoring companies with no bank partnerships did not announce their balance sheets and very few companies owned by banks circulated their annual reports. We have adopted an accountable structure by issuing our annual reports and regularly sharing our balance sheets with our customers and correspondent banks since our foundation. This accountability strengthened the trust factor in all of our relationships and also highlighted the factoring sector and its development.

In a period when technology and communication was developing rapidly, none of the factoring companies operating in our country had a website. We followed new technologies and implemented them considering that the way to trust and success in our sector is through sharing knowledge. On our website, we declared our mission, objectives and balance sheets and displayed our staff and workplace. Later on, we continued to invest in technology and to actualize the implementations that would bring innovation to the sector.

The synergy that we have created with the international banks and financial institutions since our foundation has played a part in reaching broader resources. With the work that we conducted to improve our foreign correspondent relationships, we increased our global recognition as an efficient and stable institution in the capital markets. In 2002, when we started to conduct foreign trade financing, our target was to be in the top 10, and we achieved this. Non-bank factoring companies did not exist in these areas until then, and we set a good example in this regard. We played an active role in the development of foreign trade in Turkey by catching the attention of both the real sector and our own sector.

In the beginning, another significant factor that made us different from our competitors, and one that would set the pace for them, was our equity structure. In a country like Turkey where inflation is continuous, we saw that the way to sustainability was through the protection of capital structure and we increased our capital far above inflation by keeping our profit within the company. Thus, we established a healthier structure against both inflation and the market.

Right after our founding, we took a firm stand during the economic crisis of 2001. In an environment where companies were obligated to downsize, we strengthened our relationships by remaining close to our customers and putting them in our focus. Our management skills and approach that prioritize building long-term relationships with clients before profitability led us to a different position in the sector.

We differ from our competitors in the quality and extent of the time that we allocate for our customers. We have a "customer retention rate" of 70% which is far above the sector average. Getting to know our customers and understanding their needs has always been our priority. We have always pioneered in innovations with our products and services and we have activated many instruments for the first time in Turkey.

We predicated on earnings while our customers earn and on our employees' earnings while we earn. The belief that we have in the necessity of shared wisdom and a collective way of working, and the value that we attach to our intellectual capital helped us have a very significant employee engagement. We really care about the fact that Ekspo Faktoring is not only a workplace, but also a learning opportunity for its employees.

Although we did not undertake a mission, the business model which we designed in the beginning brought us to a position that contributes to the development of the sector and that sets an example. The fact that Ekspo Faktoring is appreciated and perceived positively both in Turkey and abroad shows that we are on the right track.

Our innovative and entrepreneurial character that has brought us to the present is the guarantee of our future successes. We had set off with the aim of becoming long-lasting, consistent, good, different and successful. Today, when I look at Ekspo Faktoring, I feel happy to see a company that has proven the sustainability of its achievements. As I am hopeful for the future, I see a sector that has strengthened its position and raised its standards, and a company that has taken root in this sector.

With our strong corporate structure, vision, ambition to work and qualified staff, we will continue to be successful for many more years by protecting our solid financial structure. I truly believe that we will continue to make a difference in the Turkish finance sector and that we will move our performance much further.

I would like to forward my most sincere thanks to my colleagues, who have a significant share in achieving these results by accomplishing our mission, and to our valuable customers, who trust us.

Yours Faithfully,

Gürbüz Tümay
Honorary Chairman

EKSPO FAKTORING IS CELEBRATING ITS 15TH ANNIVERSARY AS THE PROUD PIONEER IN MANY AREAS OF THE INDUSTRY. SINCE THE DAY IT WAS FOUNDED, OUR COMPANY HAS BEEN A BUSINESS AND SOLUTION PARTNER FOR ITS CLIENTELE WITH THE VISION OF DEVELOPING INNOVATIVE PRODUCTS, SERVICES AND APPLICATIONS. THE COMPANY'S CONTRIBUTION TO THE NATIONAL ECONOMY HAS BEEN INCREASING OWING TO THE RESOURCES CHANNELED INTO THE REAL SECTOR.

MURAT TÜMAY
EKSPO FAKTORİNG A.Ş.
CHAIRMAN OF THE BOARD AND
GENERAL MANAGER

MESSAGE FROM THE CHAIRMAN

Distinguished stakeholders,

As we set off on this journey 15 years ago, our goal was to become a company which could provide commodity, import and export financing, extend loans for supporting industrial development and exports and also create several alternative financing products. We have reached these goals by focusing on innovation. We have accomplished steady growth, together with our clients, by sharing our know-how and experience with them. Ekspo Faktoring, well-known today as an active and trusted institution in international finance markets, is continuously broadening its opportunities to reach foreign resources and is introducing these to its clientele.

The Turkish economy is leaving behind a tough year where internal and external conditions were demanding; however, the major economic developments of 2014 will echo in 2015 as well. In 2014, the global economy demonstrated less growth than anticipated and there were serious fluctuations caused by the US Federal Reserve after announcing a possible future interest rate hike. The political tension between Russia and Ukraine led to sanctions on Russia which ended with recession and, consequently, a drastic drop in oil prices. While oil-importing countries such as Turkey have benefited from the situation, exporter countries have had to cope with budget deficits. Within the Euro region, which is still far from reaching its growth targets despite emerging from recession, there is still a risk of deflation.

The Turkish economy displayed a growth of 2.9% in the year 2014. It has also displayed noteworthy positive progress in the budget deficit, current deficit and foreign trade deficit. While oil prices and exchange rate fluctuations stand out as major factors which determine the course of the economy, the deceleration in consumption expenditures and the decline in investment expenditures have had a negative effect on growth performance. Geopolitical developments of the Middle East also affected Turkish foreign trade adversely. The Turkish Lira lost value, causing an inflation rate of 8.17% instead of the expected 5%.

The Turkish banking sector maintained its steady growth in 2014 too, thanks to its substantial capital structure and asset quality. The sector, retaining its size of assets and profitability, grew by 15% and reached a size of 1,994,238 million TL. The net profit was 25 billion TL. The factoring sector expanded by 22%.

Ekspo Faktoring continued supporting the real sector also in 2014 via its strong financial structure, customer-oriented approach, and innovative products and services. Besides our steady growth in assets, our pre-tax profit in 2014 increased by 29% compared to the previous year, because we began to work with our clients in more efficient ways through new and unique products, and we established a method of expenditure control.

Our shareholders' equity, which was 82 million TL in 2013, increased by 10% and escalated to the level of 90 million TL in 2014. After the dividend payments, our equity profitability corresponds to 14%. In 2014, we increased our issued capital from 50 million TL to 60 million TL. We are determined to further enhance our sustainable performance in 2015 as well.

As a company, we improved our operations in all client segments in 2014, broadening our clientele through different sectors. The know-how we accumulated in these new sectors will enable us to enlarge our client base within the coming period.

In the year 2014, we reinforced our relations with international banks and financial institutions. We doubled the 5-million-USD loan that we obtained from the Black Sea Trade and Development Bank in 2012, thus boosting the support we provide for exporters. We financed a foreign trade of 27.2 million USD. We added Turkish Eximbank and Takasbank loans to our portfolio. We became one of the first factoring companies which was assigned a limit by Turkish Eximbank. We began to work towards extending post-shipment export re-discount loans. A limit of approximately 45 million TL was assigned to our Company by Takasbank A.Ş. We will continue to help our clients enhance their competitive capacity in global markets and also to develop more innovative products and services.

As we leave behind a highly productive and profitable year, we are also proud of having extended our investments in technological infrastructure for the end of operational excellence. In 2014, we renovated our entire systems infrastructure, thus maximizing our operational readiness and productivity. Also in 2015, we will be investing in our infrastructure and human resources capital in order to remain instinctively innovative.

I firmly believe that we will further improve our sustainable performance together with our client base, which has been expanded by making no compromises on our asset quality and risk-oriented operational policy. Hereby, I would like to thank our personnel for working in a dedicated manner; our esteemed clients, for confiding in Ekspo Faktoring; and all our shareholders.

Yours Faithfully,

Murat Tümay
Ekspo Faktoring A.Ş.
Chairman of the Board and
General Manager

BOARD OF DIRECTORS

MURAT TÜMAY
CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Murat Tümay was born in Istanbul in 1974. He graduated from Clark University, Department of Economics. He began his career in 1997, when he started working at The Park Avenue Bank N.A, where he worked as an analyst, assistant manager and manager respectively. Between the years 2000 and 2002 he worked as a director at Turkcell İletişim Hizmetleri and İş-Tim Telekomünikasyon Hizmetleri A.Ş., and has been working at Ekspo Faktoring since 2002. His current position is General Manager.

ZEYNEP Ş. AKÇAKAYALIOĞLU
DEPUTY CHAIRMAN

Zeynep Şükriye Akçakayalıoğlu was born in Istanbul in 1969. She studied at Lycée Saint Benoit d'Istanbul, and afterwards graduated from the University of West Georgia, Department of Management Systems, in 1991. Between 1991 and 1999 she worked as a director at Arthur Andersen Human Resources Consultancy. She has been performing her duties as a Member of the Board at Royal Yönetim Danışmanlığı A.Ş. since 1999 and at Ekspo Faktoring A.Ş., where she is also a founding partner.

ŞERİF ORHAN ÇOLAK
MEMBER

Şerif Orhan Çolak was born in Istanbul in 1945. He graduated from Neuchatel University, Department of Economics. He began his career in 1971 as a manager in Altın Mekik Tic. ve San. A.Ş. and has worked as a director in many finance institutions, such as the International Industry and Trade Bank, Facto Finans, Banque Internationale de Commerce and İktisat Bankası T.A.Ş. In 2007 he started working at Istanbul Commerce University as an instructor and has been working at Ekspo Faktoring A.Ş. as a Member of the Board since 2011.

GÜNAL İNCE
MEMBER

Günal İnce was born in Istanbul in 1959. He graduated from Boğazici University, Department of Management. He began his career in 1985 at İktisat Bankası T.A.Ş. and later worked at Dresdner Bank A.G., Dresdner Kleinwort Benson, BNP-AK-Dresdner Bank. Between 2000-2012 he worked as a director at Doruk Una Değer Katma A.Ş., Unmaş Unlu Mamüller A.Ş. (UNO), Doruk Perakende A.Ş. (Komşufırın), Dosu Maya A.Ş. and Zeelandia Doruk A.Ş. He started working at Ekspo Faktoring A.Ş. in December 2014 and has acted as a Member of the Board ever since.

ABOUT EKSPO FAKTORING

MISSION

Expanding its portfolio with recent financing models which are in demand throughout the global economy and leading the process in which the Turkish banking sector increases its share of domestic and foreign trade.

Gaining a competitive edge in the sector with its corporate management insight and innovative products and introducing advantageous financing products to several companies operating in different sectors.

Applying quality and productivity based practices in client relations management.

Being a regional pioneer in international commerce.

VISION

Continuing its steady growth and reaching an asset size of 150 million USD in 2015.

STRATEGIC GOALS

Accommodating the ever-changing needs of the real sector with the help of innovative products and services.

Retaining a sustainable level of growth by adopting a service concept based on quality and productivity.

Developing "tailor-made financing models" for companies operating in different sectors and thus maintaining competitive power.

Financing Turkish companies in their foreign operations and helping them to improve their profitability.

Providing its employees with occupational and personal improvement opportunities and becoming a company which stands out with the quality of its human resources.

EKSPO FAKTORING, ONE OF THE LEADING BUSINESS PARTNERS IN FOREIGN TRADE FOR NUMEROUS COMPANIES OPERATING IN MANY SECTORS, FROM CONSTRUCTION TO FOOD INDUSTRY, IS KNOWN TO BE AN ACTIVE AND CONSISTENT INSTITUTION IN GLOBAL MONEY MARKETS.

EKSPO FAKTORING AT A GLANCE

LEADING INNOVATION

In a period where obtaining a factoring license was difficult and took a long time, even at times not possible at all, Ekspo Faktoring was the only company to be granted a license by the Undersecretariat of Treasury. The company was founded in the year 2000 with a capital of 1 million TL. Its strong equity structure enabled the Company to emerge from several crises in a stable situation, thus leading to a sustainable, profit- and growth-oriented future aided by its innovative vision.

The Company stands out with its transparent and reliable practices and aims to establish a brand new perspective for factoring in Turkey through the vast amount of experience of it founders. Ekspo Faktoring is the first company in the sector to issue annual reports, to regularly share its financial statements, to accommodate independent members in the board of directors and to be audited by independent auditing companies, all of which help to raise the standards of the sector.

YOUTHFUL, DYNAMIC AND REPUTABLE

A pioneer in the Turkish finance sector, Ekspo Faktoring has achieved a steady growth since its founding in 2000 with the help of its open and innovative administration practices.

One of the principles that drives the company is providing clients with products and services with an ever-expanding scope and outstanding quality of service. The company has positioned itself as a distinctive enterprise by providing efficient and rapid solutions for its clients according to their needs and expectations, and it is one of the most powerful establishments in Turkey in its 15th year.

Ekspo Faktoring has distinguished itself in the sector in particular by its proficiency in foreign trade, and has a remarkable competitive advantage in its international correspondent relations abroad, as well as its innovative financial solutions in the import and export field. The company has built long-term relationships with its clients based on trust; it presents investors the right products at the right prices, and leads development through its competence and knowledge.

GROWING SUPPORT FOR FOREIGN TRADE

Ekspo Faktoring is one of the leading business partners in foreign trade for numerous companies operating in many sectors, from construction to food industry, and is known to be an active and consistent institution in global money markets. It has further strengthened its correspondent relationships with domestic and international banks and financial institutions in 2014, has a correspondent network extending from Japan to the United States, has the funding accesses about half a billion US dollars. The company mediates foreign trade financing of 27.2 million USD in total, and aims to expand by 40% in domestic and international transactions in 2015.

By providing medium- and long-term resources and a guarantee to its clients' imports from overseas, the company supports the increase of their competitive power. One of the most important steps taken towards this end was the loan agreement signed with the Black Sea Trade and Development Bank.

In 2013 the company signed a loan agreement with the Black Sea Trade and Development Bank for financing international trade, for 5 million USD with a term of 370 days. Within this scope, Ekspo Faktoring made a lending of 5 million USD in 2013 and established a second bracket limit of 5 million USD to be used by its clients for pre-exports in April 2014. Within the year, this increased amount of 10 million USD was used to support the clients further by assigning them medium-term financing loans.

Ekspo Faktoring was given the GSM 102 loan by the US Department of Agriculture, which is granted to a limited number of banks in the world and, aside from the largest 22 banks in Turkey, Ekspo Faktoring became the only financing institution to receive this loan. The company has also collaborated with Canadian Eximbank in 2013 as a result of its international operations and has become able to provide medium- and long-term financing support for its clients. In addition to these institutions, Ekspo Faktoring has signed agreements with American Eximbank, Korean Eximbank and UK Export Finance (ECGD).

POWERFUL INTELLECTUAL CAPITAL, CUSTOMIZED SOLUTIONS

Ekspo Faktoring has also positioned itself among the strongest finance institutions of Turkey with regard to intellectual capital. The major factor driving the company's success is that it has a team composed of experienced and up-to-date professionals which provide the clients with innovative and customized solutions suited to their needs and expectations. This kind of human resource with high ethical standards and level of responsibility is essential to the company culture that carries us forward.

In accordance with its mission and vision, Ekspo Faktoring has adopted the principle of perpetual development. Its specialists are dedicated to perfection, competence and coordination, remain up-to-date about the finance sector and improve the service infrastructure.

Ekspo Faktoring has also made large investments in information technologies. In 2012 the company switched to using the Society for Worldwide Interbank Financial Telecommunication (SWIFT), an interbank medium of secure information transfer, and was the first one to do so in its sector. Then the company started to communicate with banks and international financing institutions over this system. Later, the corporate website was redesigned to be more user-friendly, and the complete system infrastructure was renovated in 2014 in order to improve operational pace and efficiency.

ISSUED CAPITAL

Strong capital, sustainable growth

Ekspo Faktoring has accommodated growth by strengthening its capital, which is its main driving force. In the year 2000 its issued capital was 1 million TL, a number that reached 60 million TL in 2014. Our target is to increase this figure to 70 million TL in 2015.

INNOVATIVE PRODUCTS THAT EXCEED CLIENT EXPECTATIONS

The primary competitive edge of Ekspo Faktoring is its power to provide innovative products and services that are in line with the ever-changing market conjuncture. The Company has diversified its clientele on a sectoral base in accordance with its mission to introduce profitable financing products to as many businesses in different sectors as possible. By pursuing the trends in the markets closely, Ekspo Faktoring can anticipate possible client needs and present adequate finance, guarantee and cash options ahead of time. By maximizing client satisfaction, Ekspo Faktoring makes a difference in the financing sector, where the number of actors increases rapidly.

Ekspo Faktoring provides a wide range of products and services to its clients, including contract financing, project financing, order financing, pre-sale financing, supply chain financing and structured products, and also undertakes successful operations in cooperation with Turkey's leading corporations with the help of its proactive approach.

Ekspo Faktoring reached an asset size of 284 million TL, a turnover of 1.1 billion TL and a profit level of 12 million TL by the end of 2014, increasing its shareholders' equity up to 90 million TL by achieving a 10% growth. Also, this year saw the highest level of commission income in the history of the company.

MISSION OF SUPPORTING THE REAL SECTOR

Since the year 2000, Ekspo Faktoring has financed the Turkish real sector and supported its growth with the help of its product diversity and quality of service. This support continued in 2014 as well. In 2014, 94% of the company's turnover consisted of domestic transactions and 6% of international transactions. Moreover, the company reached an export turnover of 21.6 million USD and an import volume of 5.6 million USD.

Ekspo Faktoring signed agreements with the largest banks of the world in 2014 and expanded its scope. The company's target clients are companies which import raw materials mainly for exports and companies which operate in construction, tourism, textiles, the metal primary industry, machinery, durable consumer goods, and the energy and food industries. The common trait of these industries is that they focus on exports as well as domestic operations and that they prefer to work on a project, contract and order basis.

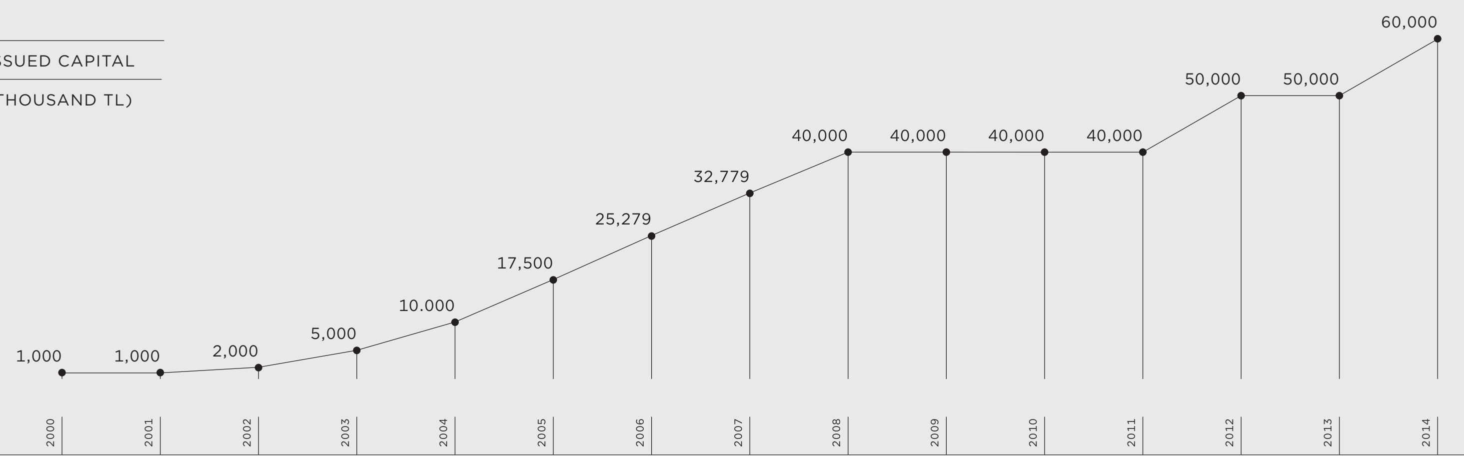
Ekspo Faktoring is closely familiar with and analyzes the needs of its clients multidimensionally, and based on this presents the most appropriate financing options to them. The company is determined to actively partake in the steady rise of the Turkish economy with the help of its effective business processes that are formed in accordance with its pace and quality requirements and its corporate structure which is open to improvement.

70 PERCENT CLIENT RETENTION

70% of Ekspo Faktoring's clientele consists of loyal and long-term clients. Thanks to its sensitive portfolio management and proactive approach to portfolio efficiency, the company has a client retention rate well above the sector average. By visiting our clients regularly, we keep up-to-date on our clients' operations and activities, as well as the sectors they operate in.

ISSUED CAPITAL

(THOUSAND TL)



MANAGEMENT UNDERSTANDING

TRANSPARENT MANAGEMENT FOCUSED ON SUSTAINABLE GROWTH

Ekspo Faktoring targets to achieve sustainable growth in the most profitable manner possible by adhering to current criteria, legislations, specifications, standards and ethical values. The company has adopted a corporate management understanding which is sustained by experienced human resources and sectoral expertise. This understanding is made possible by maintaining a transparent mode of management, having an effective risk management system and an internal control mechanism. Two independent members are elected for the Board of Directors, a practice which demonstrates the company's dedication to the principles of transparency and accountability.

It is important that the understanding of corporate management is reflected and equally practiced in every single department of the organization; therefore, the company ceaselessly works in order for internal communication and corporate culture to become more solid. Within this scope, the goal is to resolve our shortcomings one by one and maintain a sustainable corporate growth with the help of our committees that have actively worked since our founding. These committees, which enable more solid and efficient work processes, and their duties are as follows:

ASSET-LIABILITY (ALCO) COMMITTEE

This committee gathers weekly under the chairmanship of the General Manager and with the attendance of group managers which undertake activities that could affect the financial statement. The agenda includes the financial statement of the company, activities of departments, risk positions of clients, general economic information, current political and economic developments, current legislation and lendings to be made, and also the definition of a weekly strategy.

RISK ASSESSMENT COMMITTEE

This committee gathers weekly, led by the Chairman of the Credit Committee. The committee evaluates the offers regarding corporate clients' requirements and the suggestions of the Marketing Department to approve or reject them within the limits of its authority. Outside these limits, it submits the offers and suggestions to the Board of Directors. The committee may have a non-scheduled gathering if need be.

SIZE OF ASSETS

Consistent increase in the size of assets

Ekspo Faktoring had an asset size of 14 million TL in 2000, the year it was founded, and has managed to steadily increase this amount owing to its sectoral expertise, its strong reserves and qualified human resources. In 2014 the asset size reached 284 million TL.

EKSPO FAKTORING HAS ADOPTED A CORPORATE MANAGEMENT UNDERSTANDING WHICH IS SUSTAINED BY EXPERIENCED HUMAN RESOURCES AND SECTORAL EXPERTISE. THE COMPANY AIMS TO MAKE ITS CORPORATE GROWTH MORE AND MORE SUSTAINABLE THROUGH ITS COMMITTEES THAT ACTIVELY WORK SINCE THE COMPANY'S FOUNDING.

LIQUIDITY COMMITTEE

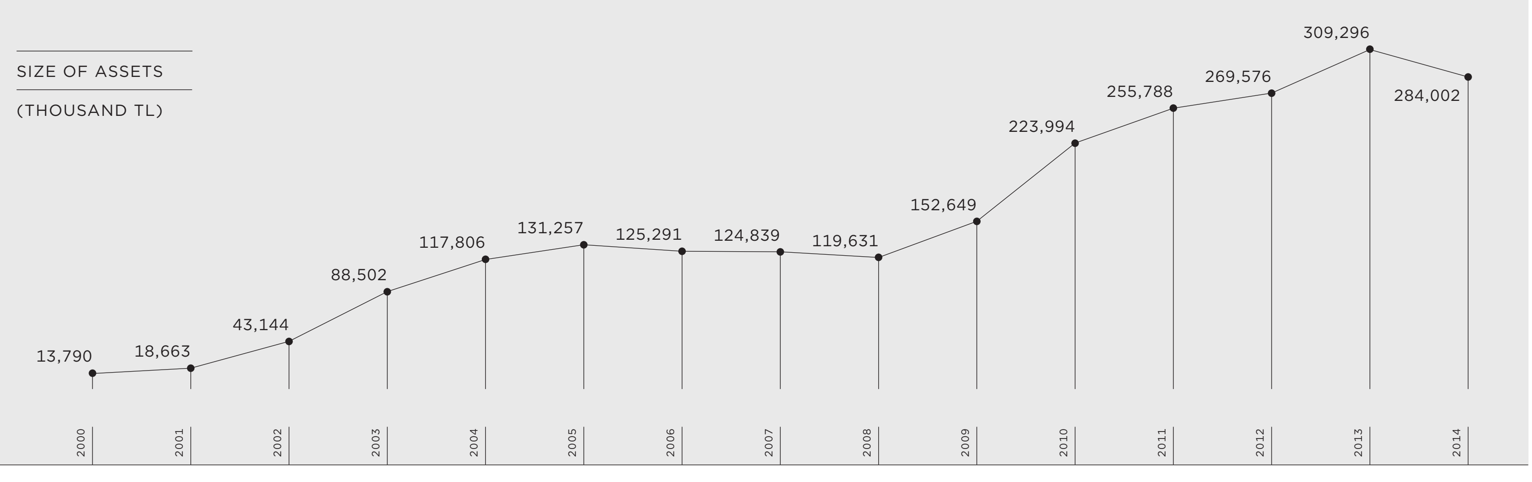
This committee gathers weekly under the chairmanship of the General Manager and with the attendance of senior executives. Interest rates applied in the financial markets, weekly positions to be assumed in banks and interest rates used by banks are discussed daily, weekly, quarterly, semiannually and, if possible, annually. The committee assesses mobilized bank limits and collaterals maintained with banks, determines the financial institutions to work with and obtains information about their financial structure. Considering the market and economic conditions, the committee makes funding decisions in a manner that complies with the collection and payment terms. It also stress-tests the company's financial statement in order to evaluate its susceptibility to interests and market risks.

INFORMATION TECHNOLOGIES COMMITTEE

This committee gathers once a year, led by the General Manager. Among the principal duties of this committee are gathering information about the latest technologies required for related investments and taking action after determining internal and external risks regarding information technologies.

HUMAN RESOURCES COMMITTEE

This committee gathers every December under the chairmanship of the Member of the Board in charge. The committee evaluates the vertical (advancement of both the title and the duties and responsibilities) and horizontal (a change in duties and responsibilities with the title remaining the same) progress of all employees and makes final decisions within this scope. Also, the committee determines what actions are to be taken in order for new employees to undergo training and orientation processes, maximizing the human resources productivity of the Company.



PRODUCTS AND SERVICES

VERSATILE AND SOPHISTICATED MANNER OF SERVICE

Ekspo Faktoring is a company which provides high-quality financing services to its clients from different sectors, and has achieved a corporate structure well above the sector average when it comes to managing client relations. The main point of client relations based on mutual trust is to present liquidity and guarantee together within the same package.

Ekspo Faktoring is determined to act in a transparent manner according to Company principles while handling all kinds of fluctuations that clients might face; indeed, the company regards these processes as an opportunity to better know its clients and also gain experience in risk management. The company provides financing services for both domestic and international transactions and also services regarding guarantee and collection. In order to broaden its client portfolio, it has focused on expanding the product portfolio and utilizing more efficient marketing methods.

Ekspo Faktoring observes the conditions in the Turkish market and other markets with which they do business and, by assessing financing opportunities, supports its clients in achieving the highest possible added value.

STRUCTURED FINANCING

For Turkey and also many other developing economies, importing raw materials for export purposes and manufacturing energy and other natural resources bears great importance to both national prosperity and export operations. The high commodity prices of recent years have led to an unprecedented rise in the level of demand, leaving businesses in need of additional bank limits. Structured financing, an essential factor in meeting these demands so far, provides funds by pledging future cash flows and current receivables as collateral.

Ekspo Faktoring has been providing structured pre-export financing options since 2012. It has provided 100 million US dollars in structured financing so far through finance institutions, contributing to the supply of raw materials that the industrial businesses need.

PRE-SHIPMENT FINANCING

Pre-shipment financing means financing the expenses made until the goods are shipped for export. Ekspo Faktoring has been providing this service since 2008, allowing its clients to have an advance payment amounting to a certain percentage of the total export amount, on the condition that the export contract is assigned to Ekspo Faktoring. This percentage is determined in light of several parameters, such as the reliability of the relations between the client and the buyer, the duration of embarkation and the credibility of the client, as the amount will be revoked to them in the event that the export amount cannot be collected. This financing enables the client to gain a financial advantage in purchasing the goods or perform debt servicing.

FACTORING RECEIVABLES

Steady financial performance

Ekspo Faktoring has achieved a steady financial performance with the help of its deep-rooted corporate structure. 99% of the Company’s receivables are revocable. Making a difference with its high level of asset quality and the reliability of its rating system, the company increased its factoring receivables from 13 million TL in its first period of operation to 276 million TL in 2014.

COMMODITY FINANCING

Commodity financing is a mechanism which allows to support medium- or large-scale industrialist clients to receive financing for raw material imports for the purpose of exports or domestic sale. Ekspo Faktoring has a high level of know-how in commodity financing, a major branch of the business since 2010, and mainly focuses on the energy industry and agricultural goods. The company provides these products to its clients with the contribution of the largest banks and export credit agencies in the world.

AGRICULTURAL GOODS

Agriculture is a substantial industry for many developed and developing countries, including Turkey. Ekspo Faktoring provides trade financing for a wide range of agricultural products, such as cotton, sugar, soy beans, cocoa, coffee and tobacco. Besides meeting the daily financing needs of its clients, Ekspo Faktoring has been supplying financing and pre-shipment financing services in exchange for commodity lien with the support of its business partners located in America, Europe and the Far East.

GSM 102

It is possible that loans are given to Turkish importers for their agricultural import activities from the US within the scope of the GSM 102 program conducted by the Commodity Credit Corporation (CCC), a subsidiary of the US Department of Agriculture. Within the GSM credit process, the related institution insures the sovereign and the corporate risk status and the loan is provided by the intermediary bank in the US. The loan is extended as follows: A sight letter of credit is opened for the importer and, after shipment, the intermediary bank in the US issues a loan to Ekspo Faktoring, thus paying the exporter in United States. In this transaction, Ekspo Faktoring is the debtor, however, the loan is actually extended to the importer company in Turkey; that is why a credit line is allocated to this company by Ekspo Faktoring. Principal repayment is realized annually or semi-annually (optional).

GSM 102 allows a wide range of goods to be credited and the maximum term is two years. When a GSM transaction is in question, the whole import amount (generally over the FOB value, CIF for some types of goods) is credited with no obligation of advance payment. Since 2012, this program facilitates the import of such products as forest products, wheat, wheat flour, semolina, rice, brown rice, feed seeds, animal feed products, protein foods, breeding farm animals (cattle, sheep, goat, horse - including the sperm and the embryo), breeding poultry, fish, vegetable oils, seeds, tallow, oil, fat, dairy products, meat, feeder cattle, cotton, cotton thread, cotton products, sowing seeds and ethanol.

IMPORT FINANCING

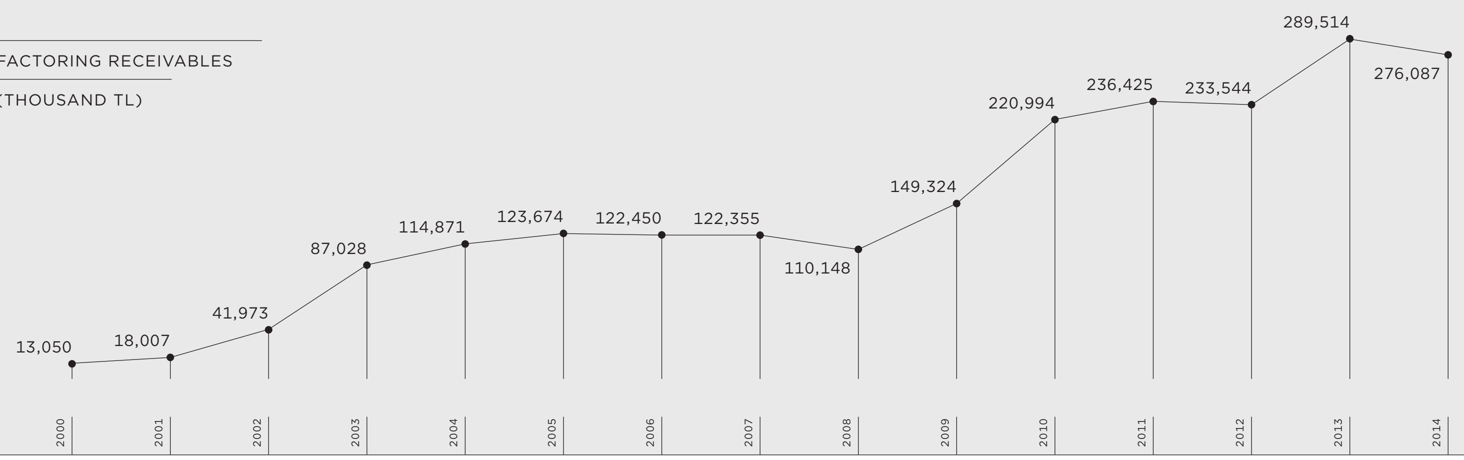
Since 2004, Ekspo Faktoring serves its clients in importing products except for commodity. Within this scope, the guarantee given by Ekspo Faktoring to the foreign institution against the risk of non-payment on the side of the importer clients is accepted by international banks. The guarantee provided by Ekspo Faktoring is recognized by the largest banks in the Far East, Asia, America and Europe and, if need be, a discount is applied and the supplier is paid in advance. Thanks to its international reputation and network of correspondents, Ekspo Faktoring is able to meet its clients' export financing needs up to 29 million USD.

EXPORT FINANCING

Cash flow is a significant problem faced by many exporters. Companies need to generate cash in order to finance their growth. Financing is an important issue for exporters who sell goods to developed and developing countries. Within the scope of export financing, exporters are provided with funds at reasonable charges in exchange for disposition of current or future receivables. Apart from this, through comprehensive insurance agreements made by export development agencies or private insurance companies, long-term funding can be provided for machinery or large-scale commodity export transactions made with developing countries that bear a certain level of risk or countries that experience domestic turbulence, thus preventing the political or credit risks that could be posed. Ekspo Faktoring has provided export financing services since 2002 and has vast experience in this area.

FACTORING RECEIVABLES

(THOUSAND TL)



EKSPO FAKTORING PROVIDES A WIDE RANGE OF SERVICES AND FINANCING OPTIONS. PRACTICING A SOLUTION-ORIENTED PARTNERSHIP AND REGARDING THE BUSINESS RELATIONS AS AN INVESTMENT FROM WHICH BOTH SIDES BENEFIT ARE THE MAIN PILLARS OF TRUSTING CLIENT RELATIONS.

COMMERCIAL FINANCING SOLUTIONS

Commercial financing solutions are represented by a structure in which several products provided by Ekspo Faktoring can be used together in order to meet client needs:

• Purchasing of current or future receivables,
• Guarantees,
• Purchasing of non-revocable commercial receivables,
• Supply chain financing, discount on confirmed letters of credit, post-financing, assignment of receivables agreement, payment guarantee, inventory financing.

With the help of its experienced specialists, Ekspo Faktoring creates unique financing structures and helps clients to reach liquidity. So far, the Company has met its clients' financing needs through structuring and is constantly in search of new and innovative solutions.

PAYMENT GUARANTEES

Payment guarantees are instruments used in minimizing commercial and sovereign risks that could be posed by developing or developed countries with which open account export transactions are made. Usually, these guarantees are used to cover the possibility of non-payment of debts that are generated by a transaction or over a period of time. Ekspo Faktoring has provided payment guarantee services to its clients since 2004.

PURCHASING OF COMMERCIAL RECEIVABLES

Ekspo Faktoring has provided this service since 2004. Purchasing of commercial receivables, i.e. factoring, is one of the main branches in which the Company operates. This process involves the purchasing of the commercial rights of the seller covered by a contract and payment of the related amount to the seller in advance. Purchasing of receivables provides opportunities for:
• Retaining a strong financial structure,
• Audit and management of receivables,
• Providing alternative human resources,
• Resolving issues of undercapitalization,
• Facilitating management and operation,
• Maintaining a good relationship between the seller and the client in case of undisclosed transactions.

SHAREHOLDERS' EQUITY

A sound graph of growth

The continuous success of Ekspo Faktoring is mainly based on its strong capital structure. Traditionally Ekspo Faktoring does not distribute profits, indeed the liquid capital is, at the very least, increased in parallel with the inflation rate. For this reason, the shareholders' equity has multiplied 65 times since the Company's founding, reaching 90 million TL in 2014.

SUPPLIER FINANCING

Within recent years, supplier financing has been regarded by many foreign and Turkish CFO's as a significant tool that provides working capital and financing opportunities. Large-scale purchasers that use the supplier financing method are generating low-cost alternative financing resources for many primary product and service suppliers, supporting them in terms of cash flow. Through the supplier financing method it has been using since 2009, Ekspo Faktoring provides its clients with the opportunity to make deferred payments.

COUNTRY LOANS

Ekspo Faktoring also provides exclusive services to its clients through country loans.

Korean Ex-Im Bank: Korean Ex-Im Bank is a national export credit bank, which was founded in order to encourage the exportation of Korean products by providing attractive financing opportunities through banks. Since 2011, Ekspo Faktoring has been providing financing services with a maximum term of six months via its agreement signed with Korean Ex-Im Bank in order to facilitate its clients' import activities from Korea. Within this scope, Ekspo Faktoring finances its clients' imports of construction machines and chemicals.

American Ex-Im Bank: The USA is one of the countries from which Turkey procures and imports high amounts of agricultural raw material. Within the scope of an agreement that Ekspo Faktoring signed with the US Ex-Im Bank in 2011, the bank acts as an intermediary for industrialists undertaking deferred imports from the US to Turkey, thus providing low-cost funding for imports with a one year term.

UK Export Finance (ECGD): UK Export Finance (formerly ECGD) is another export incentive institution, which acts as an intermediary for Ekspo Faktoring clients that wish to import goods from the UK. The company has been providing low-cost and long-term funding for imports from the UK since 2012.

Canadian Eximbank (EDC): Since 2013, Ekspo Faktoring provides medium- and long-term financing opportunities for imports from Canada to Turkey with the help of Canadian Eximbank loans.

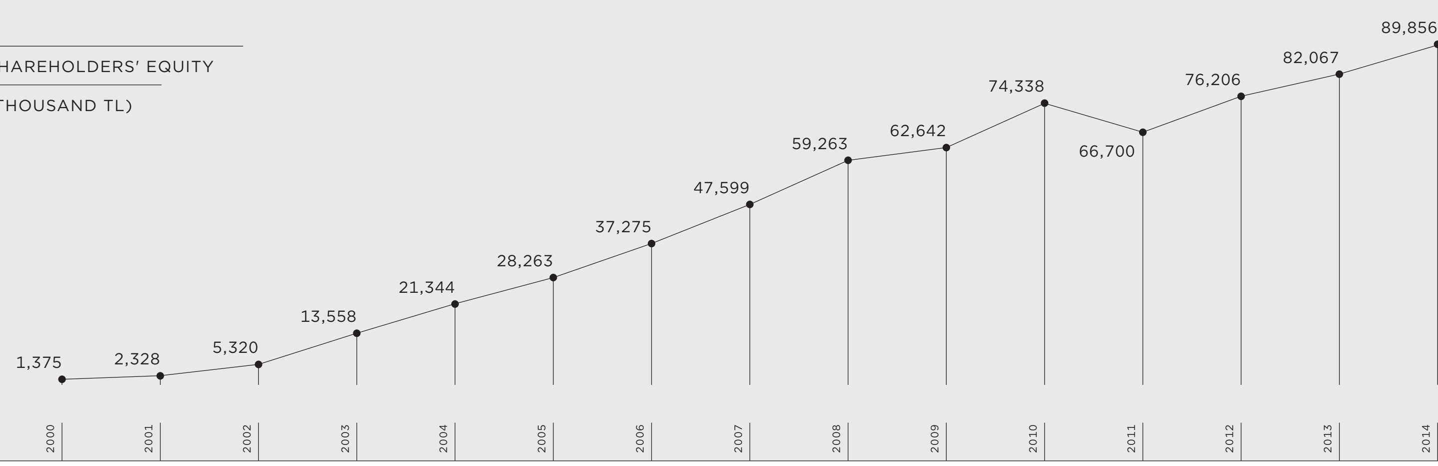
Black Sea Trade and Development Bank: In 2013, the Company signed a loan agreement of 5 million USD with a term of 370 days, with the Black Sea Trade and Development Bank for financing international trade. The funds are aimed to finance import activities undertaken by Turkish companies from member states of the Black Sea Trade and Development Bank and to support Turkish companies in their global export activities. The company primarily extends this resource in order to finance Turkish companies in their raw material imports from the Bank's member states. This loan, provided in 2013, was doubled in 2014 to reach 10 million USD.

Turkish Eximbank: Ekspo Faktoring became one of the first factoring companies which was assigned a limit by the Turkish Eximbank. The company began to work for extending post-shipment export rediscount credits. In order to boost the competitive power of its exporter clients in global markets, the company provides the most cost-efficient export financing options in Turkey.

Takasbank Money Market: A line of 45 million TL was assigned to Ekspo Faktoring by Takasbank A.Ş in order to make transactions in the Takasbank Money Market. Takasbank Money Market is an organized market where intermediary institutions and banks can meet the needs of those who have fund surpluses and/or fund deficits. It was declared with the General Letter of Takasbank A.Ş., numbered 1215 and dated 16.03.2015, that financial leasing, faktoring and financing companies can become members of the Takasbank Money Market.

SHAREHOLDERS' EQUITY

(THOUSAND TL)



FINANCED OPERATIONS

CUSTOMIZED SOLUTIONS SUITED TO CORPORATE TARGETS

Ekspo Faktoring makes a difference with its capabilities of generating customized solutions, developing strategies suited to the corporate targets of numerous companies operating in many segments of the economy, from textiles and consumer goods to construction and energy. Ekspo Faktoring maintained its extensive foreign financing activities in 2014 as well.

SECTORAL DISTRIBUTION OF FINANCED OPERATIONS IN 2014 (%)

Textiles	14.77
Construction	14.62
Financial institutions	12.13
Earthenware and fire brick	5.98
Research and consultancy	4.43
Motorized vehicles	4.06
Wholesale trade	3.71
Land transportation	3.64
Food and beverage	3.64
Artificial and synthetic fiber	2.91
Hotels	2.61
Sea transportation	2.52
Leather and leather products	2.40
Metal primary industry	2.12
Production of electricity, natural gas and water	2.00
Ready wear	1.89
Wood and products	1.56
Plastic products	1.33
Real estate investment companies	1.27
Cement, lime and gypsum	1.25
Fishery	1.18
Pulp and paper products	1.17
Furniture	1.07
Other	7.75

FACTORING INCOME

Steady growth in factoring income

With its deep-rooted corporate culture, Ekspo Faktoring has steadily increased its factoring income, obtained only from factoring operations, for the last 15 years thanks to its ceaselessly growing transaction volume. The mentioned figure reached 43 million TL in 2014.

WITH THE PURPOSE OF EXTENDING A LARGER PROPORTION OF RESOURCES TO THE REAL SECTOR FOR INTERNATIONAL TRADE BY THE HELP OF ITS KNOW-HOW IN INTERNATIONAL MARKETS AND THE EXTENT OF ITS CAPITAL, EKSPO FAKTORING RAISED ITS EFFECTIVENESS IN ALL CLIENT SEGMENTS IN 2014, STARTING TO WORK WITH A NUMBER OF NEW COMPANIES FROM DIFFERENT SECTORS.

COMMODITY IMPORT FINANCING FOR COTTON

2011	9.0	million USD
2012	17.3	million USD
2013	9.3	million USD
2014	1.7	million USD

Cotton is one of the most important raw materials used in Turkish textiles and ready-wear industries, two leading segments of export activities in Turkey. Ekspo Faktoring provides loans to importers under favorable conditions via international development agencies.

COMMODITY IMPORT FINANCING FOR CHEMICALS

2011	10.0	million USD
2014	1.2	million USD

Gold was first produced in Turkey in 2001 and its role in economic development gradually grows larger. Within this scope, Ekspo Faktoring financially supports gold mining organizations through development agencies in purchasing sodium cyanide. In 2014, the Company also financed the import of urea to be used in the chipboard and MDF industry.

COMMODITY IMPORT FINANCING FOR PETROLEUM PRODUCTS

2012	10.0	million USD
2013	5.2	million USD
2014	2.0	million USD

Petroleum coke is a waste that reduces air pollution and is used by the Turkish heavy industry due to its energy efficiency. Ekspo Faktoring finances the import of this product, which bears great importance for the Turkish industry, by broadening its agreements with international banks.

COMMODITY FINANCING FOR PETROLEUM PRODUCTS

2014 13.0 million TL

Petroleum products are products other than gasoline, which are derived from crude petroleum processed in refineries. Ekspo Faktoring realized commodity financing for petroleum products in 2014 at a value of 13 million TL.

IMPORT FINANCING FOR CONSTRUCTION MACHINES

2012 42.0 million USD

Turkey, which is the fourth largest construction machines market in Europe on a sales basis, is anticipated to become the largest in 2023. Ekspo Faktoring has provided deferred import opportunities for 42 million USD in total for Turkish distributors through international development agencies and banks.

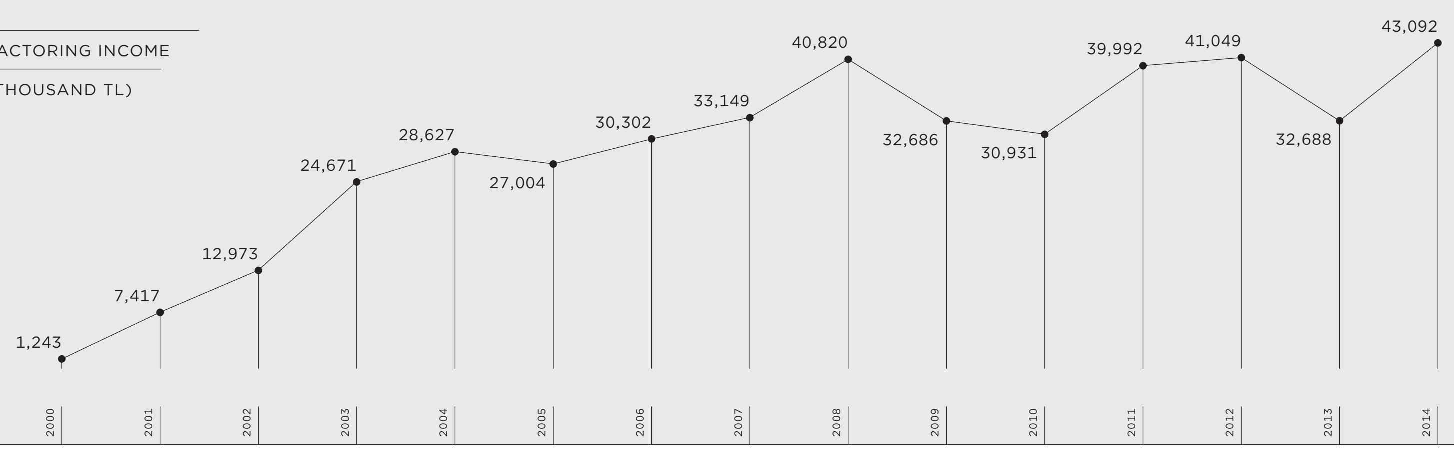
COMMODITY IMPORT FINANCING FOR WOOD CHIP AND PULP

2012	2.8	million USD
2013	425	thousand USD

Wood chip is used as the primary raw material in the chipboard and MDF industry, while wood pulp is used for the production of all paper products. Within the scope of the incentive program conducted by international banks, Ekspo Faktoring extended a loan of 3.2 million USD to be used by Turkish importers.

FACTORING INCOME

(THOUSAND TL)



IMPORT FINANCING FOR AQUACULTURE PRODUCTS

2012	9.0	million USD
2013	1.6	million USD

Ekspo Faktoring also provides pre-shipment guarantee and financing services for importing consumer goods from China. Within this scope, guarantee and financing services were given for ready made clothes imports at an amount of 4.5 million USD and for technology products imports at an amount of 6.1 million USD.

IMPORT FINANCING FOR WIND TURBINE SPARE PARTS

2013	2.2	million USD

Wind power means turning the power of wind into energy. Several measurements demonstrate that Turkey has one of the most productive wind corridors in the world. With the support of its international banking network, Ekspo Faktoring has provided guarantee and financing services to its clients for their spare part import activities from Japan, Europe and the Far East with different payment terms at a total amount of 2.2 million USD.

COMMODITY FINANCING FOR DAIRY PRODUCTS

2012	1.2	million USD
2013	750	thousand USD
2014	218	thousand USD

Through its network of correspondents, Ekspo Faktoring provides guarantee and financing services to leading manufacturers of dairy products in Turkey for their animal fat import activities from Europe.

IMPORT FINANCING FOR AGRICULTURAL GOODS

2014	370	thousand USD

The agricultural sector is greatly important for the Turkish economy in that it meets the food demands of the population, it provides raw materials for industry, creates employment opportunities and contributes to export activities. Ekspo Faktoring provides financial support for the sector, primarily financing seed import activities.

GROSS PROFIT

Profitability brought about by innovative strategies

Since its founding, Ekspo Faktoring has increased its profitability by loans reasonably tailored to the conditions in money markets. The company continued to use its 12 million TL gross profit pertaining to 2014 for expanding its shareholders' equity, making it worth 90 million TL.

EXPORT FINANCING FOR AQUACULTURE PRODUCTS

2013 250 thousand USD
2014 1.3 million USD

Aquacultural activities in sea and stream springs and building the required facilities and infrastructure draw great investments presently. Ekspo Faktoring has provided financing support for the export of frozen fish and processed fish products to several European countries.

EXPORT FINANCING FOR TEXTILES AND READY-WEAR PRODUCTS

2013 2.3 million USD
2014 4.1 million USD

Since the late 1980s, textile exports in Turkey have grown immensely, making the sector an essential segment of exports in Turkey. The sector provides great added value to the Turkish economy. Ekspo Faktoring continuously supports ready-wear export activities through long-term financing.

EXPORT FINANCING FOR TEXTILE PRODUCTS

2013 350 thousand USD
2014 1.3 million USD

The textiles sector, growing gradually with regard to investment and employment, is also a critical source of tax income for the state owing to export activities. Ekspo Faktoring provides financing support for raw materials used in the textiles sector, predominantly for thread.

EXPORT FINANCING FOR STEEL PRODUCTS

2013 500 thousand USD

The steel industry, which has a wide product line ranging from construction steel to pipes and profiles, manufactures products with great added value thanks to recent investments. Ekspo Faktoring also provides financing for the steel industry.

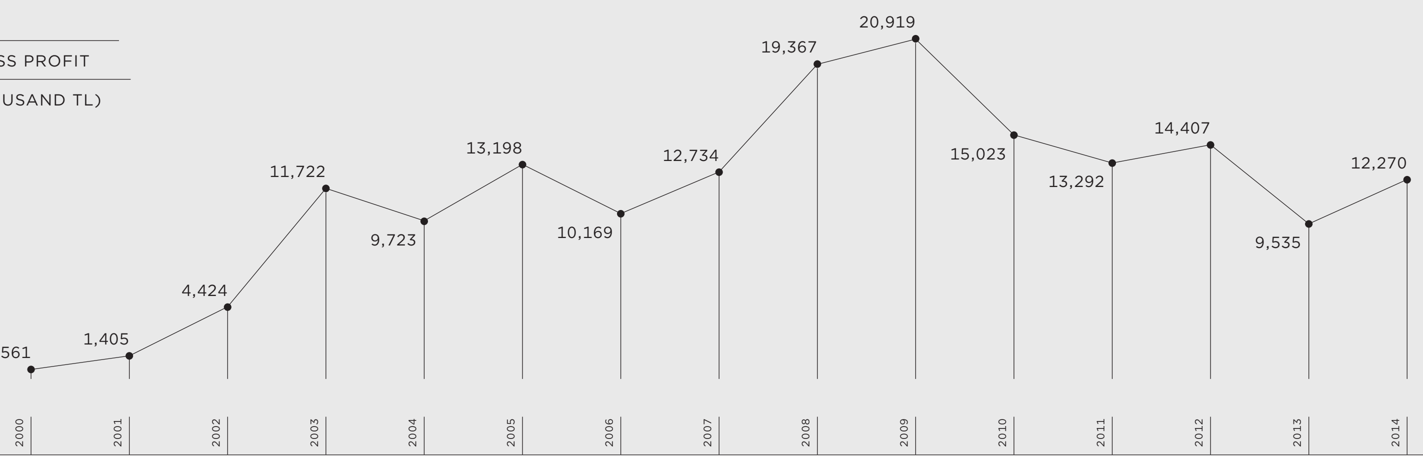
IMPORT FINANCING FOR UNDERTAKING ELECTRICAL AND ELECTROMECHANICAL INSTALLATIONS

2012 450 thousand USD
2014 155 thousand USD

Undertaking electrical and electromechanical system installations in buildings and industrial operations is an area that enables the use of the most recent applications and technology products. Ekspo Faktoring provides financial support for electromechanical systems and spare parts.

GROSS PROFIT

(THOUSAND TL)



DEVELOPMENTS IN 2014

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS (TL THOUSAND)	DECEMBER 2012 (TL)	DECEMBER 2013 (TL)	DECEMBER 2014 (TL)	DECEMBER 2014 (USD)
TOTAL ASSETS	269,576	309,296	284,002	122,473
TOTAL SHAREHOLDERS' EQUITY	76,206	82,067	89,856	38,749
PAID IN CAPITAL	50,000	50,000	60,000	25,874
NET WORKING CAPITAL	73,544	79,621	87,320	37,656
FACTORING RECEIVABLES	233,544	289,514	276,087	119,059
FACTORING PAYABLES	990	2,671	1,249	539
NET ADVANCES TO CLIENTS	232,554	286,843	274,838	118,521
BANK LOANS	105,915	153,891	188,216	81,166
ISSUED BONDS	50,000	50,000	–	–
TOTAL INCOME	41,195	33,848	44,847	20,453
FACTORING INCOME	41,049	32,688	43,092	19,652
GROSS PROFIT	14,407	9,534	12,270	5,596
NET PROFIT	11,505	7,862	9,789	4,464

FINANCIAL DATA (%)	DECEMBER 2012	DECEMBER 2013	DECEMBER 2014
CURRENT RATIO (TIMES)	1.46	1.38	1.46
LIQUIDITY RATIO (TIMES)	1.46	1.38	1.46
NET WORKING CAPITAL/TOTAL ASSETS RATIO	31	27	31
LIQUID ASSETS/TOTAL ASSETS RATIO	98	99	98
DEBTS/ASSETS (INDEBTNESS RATIO)	68	72	68
DEBTS/EQUITY (FINANCIAL LEVERAGE RATIO) (TIMES)	2.12	2.59	2.14
FINANCIAL LIABILITIES/TOTAL ASSETS RATIO	67	70	67
INTEREST COVERAGE RATIO (TIMES)	1.91	1.76	1.63
AVERAGE COLLECTION PERIOD (DAYS)	84	84	88
TOTAL EXPENSES/TURNOVER RATIO	2	2	3
GROSS PROFIT MARGIN	17	12	16
NET PROFIT MARGIN (SALES PROFITABILITY)	6	4	4
RETURN ON EQUITY (EQUITY PROFITABILITY)	20	12	14

EKSPO FAKTORING CONTINUED SUPPORTING THE REAL SECTOR ALSO IN 2014 THROUGH ITS STRONG FINANCIAL STRUCTURE, CUSTOMER-ORIENTED APPROACH, INNOVATIVE PRODUCTS AND SERVICES. THE COMPANY'S PRE-TAX PROFIT IN 2014 INCREASED BY 29% COMPARED TO THE PREVIOUS YEAR WITH THE SHAREHOLDERS' EQUITY RISING UP TO 90 MILLION TL.

TOTAL TURNOVER
(TL THOUSAND)

1,104,410 2014

1,106,219 2013

1,107,466 2012

TOTAL INCOME
(TL THOUSAND)

44,847 2014

33,848 2013

41,195 2012

GROSS PROFIT
(TL THOUSAND)

12,270 2014

9,534 2013

14,407 2012

TOTAL ASSETS
(TL THOUSAND)

284,002 2014

309,296 2013

269,576 2012

TOTAL SHAREHOLDERS' EQUITY
(TL THOUSAND)

89,856 2014

82,067 2013

76,206 2012

FACTORING RECEIVABLES
(TL THOUSAND)

276,087 2014

289,544 2013

233,544 2012

2014 ACTIVITIES

EKSPO FAKTORING HAS POSITIONED ITSELF IN AN EXCLUSIVE SITUATION OWING TO ITS HIGH PROFITABILITY, POWERFUL SHAREHOLDERS' EQUITY AND HEALTHY, HIGH-QUALITY ASSETS. LEAVING BEHIND A YEAR OF NUMEROUS ACHIEVEMENTS, EKSPO FAKTORING INCREASED ITS SHAREHOLDERS' EQUITY FROM 82 MILLION TL TO 90 MILLION TL.

PREFERRED BY THE BEST THANKS TO CLIENT-ORIENTED AND INNOVATIVE SOLUTIONS

Since its founding in 2000, Ekspo Faktoring has strengthened its capital structure, at the same time maintaining its steady growth. The confidence of clients and creditors is an explicit proof that this growth is built upon solid grounds. Shaping its client relations within the framework of mutual trust and profitability, the company pioneered many successful projects in 2014 and consistently increased its turnover.

The client portfolio of Ekspo Faktoring mainly involves the 500 largest companies in Turkey as well as multinational companies. The Company regards its clients as business partners and develops unique products that meet their specific financial needs. The turnover for 2014 was as high as 1.1 billion TL. Operating in the factoring sector but adopting the approach of a bank enables Ekspo Faktoring to become as flexible as possible to make decisions and apply them in a rapid manner, allowing it to gain a competitive edge.

RISING POWER IN IMPORT FINANCING

Ekspo Faktoring, with its deep level of experience and expertise in foreign trade as well as domestic trade, provides strategic perspectives and sufficient resources for its clients to reach their goals. In 2014, the company financed the imports of commodities such as cotton, chemicals, dairy products and consumer goods worth approximately 6 million USD.

In 2012, Ekspo Faktoring signed an agreement for a Trade Financing Loan with a term of 370 days with the Black Sea Trade and Development Bank, which has 11 member states including Russia, Ukraine and Greece. In 2014, the current limit was doubled and the Company thus increased the support provided to clients importing from the member states and exporting globally.

Ekspo Faktoring signed a loan contract with Wells Fargo Bank, headquartered in San Francisco, in order to support raw material imports from the US. Within the framework of the 360-day loan contract, the Company's clients receive attractive funds in order to finance their commodity import activities from the US regarding goods such as petroleum coke, scrap steel, coal, cotton and wood dust.

Ekspo Faktoring also signed an import loan and correspondent agreement with the National Bank of Canada, headquartered in Quebec. Within the framework of the 370-day loan contract, the Company's clients receive attractive funds to finance their import activities from Canada.

CREDIT RATING

GROWING SUPPORT FOR EXPORTS

Ekspo Faktoring provides funding obtained from its extensive network of correspondents to its exporter clients, thus helping Turkey realize its potential in exports.

Turkish companies that aim to sell goods in foreign markets may face plenty of difficulties. The services provided by Ekspo Faktoring constitute an immense financing advantage that leads to gaining a competitive edge. In 2014, the Company provided 22 million USD worth of export financing to many sectors, including textiles, aquaculture products, metal primary industry and cement, and it aims to raise this amount to 26 million USD in the coming period.

Since 2004 Ekspo Faktoring has been a member of Factors Chain International (FCI) -known as the largest non-bank financing services network in the world- and has established relations with other members so as to improve its network of correspondents and funding resources in 2014. FCI was established in 1968 to support the development of international trade volume and to standardize international financing transactions. By the end of 2014, FCI had a total of 274 members from 75 countries. The organization holds 61% of the global non-banking finance turnover. If we take into account only the international turnover, this figure reaches 78%.

INTERNATIONAL NETWORKING TO BOOST CORPORATE REPUTATION

Ekspo Faktoring has made steady progress in export and import financing transactions thanks to its strong network of correspondents and funding resources. The Company's senior executives visited the international financial institutions in 2014, thus establishing collaborations that could reinforce foreign relations.

By improving its financing power and corporate reputation, Ekspo Faktoring began to fund transactions which were guaranteed by the correspondent finance companies in 2014, achieving success in this endeavor.

With the goal of further improving the international funding opportunities and the network of correspondents, Ekspo Faktoring is planning to accelerate efforts in this area.

Ekspo Faktoring has positioned itself in a privileged point in the sector thanks to its thriving shareholders' equity and sound, high-quality assets. The company is the first Turkish factoring institution to be evaluated by Moody's, an international rating organization, and has been subjected to such evaluation since 2006.

THE FIRST TURKISH FACTORING COMPANY TO BE EVALUATED BY MOODY'S

Rating is an important device of measurement taken into account by creditors and investors. All types of pricing are performed in accordance with rating results. Rating also contributes to the recognition of an organization. Pricing of the funds to be obtained from local money markets are based on this. For this reason, many local finance and non-finance institutions make an effort to undergo rating.

Ekspo Faktoring preferred to work with Moody's since 2006 on the grounds that it is an international organization that evaluates institutions within the framework of high standards of the banking sector.

For many years, the rating of Ekspo Faktoring remained as Ba3. However, in 2014, due to the Company's almost doubled capital, its smaller indebtedness coefficient, its capacity of international borrowing, its diversified indebtedness structure, maturity and the fact that Moody's underwent a structural change in its rating methodology, this score was revised **B2**.

FINANCIAL ADVANTAGES

GLOBAL PERSPECTIVE, COMPETITIVE RESULTS

Ekspo Faktoring is a financial institution which collaborates with the largest banks in the world and is able to have its risks purchased, and it continues to create resources for Turkish companies at reasonable costs based on mutual trust and transparency.

For 15 years, the company has been working to improve the relations between global companies and Turkish companies, gradually reinforcing its significance among international players and strengthening its position.

Ekspo Faktoring presents a global perspective to its clients for achieving world-class results. With its significant competitive edges, such as a solid capital structure, qualified human resources and solution-oriented business culture, Ekspo Faktoring is the leading company providing innovative products and services within the non-bank finance sector.

A STRONG BUSINESS PARTNER IN FINANCE

2014 was full of accomplishments for Ekspo Faktoring. It was a period of time when current relations with international financial institutions were further improved. Now closer to its strategic goals than ever, the Company expanded its product portfolio, only to become one of the most prominent financial partners, preferred by import/export based companies due to the effective solutions it provides in the area of foreign trade.

Ekspo Faktoring further reinforced its relations as a correspondent with domestic and foreign banks and finance institutions in 2014. The Company has a financing scope of approximately 500 million USD. In 2014, Ekspo Faktoring acted as an intermediary for foreign trade financing at the amount of 27.2 million USD and is targeting to realize 40% growth in domestic and international transactions in 2015.

BROAD RANGE OF PRODUCTS AND SERVICES

Ekspo Faktoring provides products and services within the scope of international transactions in many areas including irrevocable export financing, revocable export financing, assignment of export letters of credit, the US Department of Agriculture GSM 102 Loan, American Ex-Im Bank, Canadian Ex-Im Bank, Korean Ex-Im Bank and UK Export Finance loans, Black Sea Trade and Development Bank loans, assignment of export receivables with acceptance credit, import financing and direct factoring.

The Company also provides products and services within the scope of domestic transactions, including the assignment of receivables without notice, assignment of receivables with notice and assignment of receivables via checks and bonds, as well as products and services that play a key role in realizing Turkey's export potential. In 2011, 2012 and 2013, the Company gained the competitive edge by placing emphasis on supplier finance, maintaining its position in the competition also in 2014.

In addition to its expertise in domestic and international transactions, Ekspo Faktoring provides consultancy in markets, sectoral analyses and project financing, thus meeting client needs and expectations through customized financial solutions. The Company assists its clients in realizing their strategic and financial targets with the approach of being a "business partner" in a proactive manner.

TURNOVER

By the end of 2014, Ekspo Faktoring reached a transaction volume of 1.1 billion TL and the Company's turnover was composed of 94% domestic and 6% international transactions.

WITH ITS SIGNIFICANT COMPETITIVE EDGES, SUCH AS SOLID CAPITAL STRUCTURE, QUALIFIED HUMAN RESOURCES AND SOLUTION-ORIENTED BUSINESS CULTURE, EKSPO FAKTORING MANAGED TO BECOME ONE OF THE LEADING COMPANIES IN TURKEY IN THE FINANCIAL SERVICES SECTOR.

SHAREHOLDERS' EQUITY

Traditionally Ekspo Faktoring does not distribute profits, indeed the issued capital is, at the very least, increased in parallel with the inflation rate. The company was founded in 2000 with 1 million TL capital and its shareholders' equity reached 90 million TL by the end of 2014. The Company has focused on sustainability since its founding, maintaining its growth ever since.

PROFITABILITY

Ekspo Faktoring gained a profit of 12 million TL in 2014, all of which is derived from the company's activities. The Company carries a manageable level of maturity risk, liquidity risk and currency risk.

INDEBTEDNESS COEFFICIENT

The primary competitive edge of Ekspo Faktoring is its indebtedness coefficient of 2.14. This low rate enabled Ekspo Faktoring to develop strong relationships with correspondents and financing organizations within domestic and international markets. The Company carries out its operations based heavily on its shareholders' equity and has achieved a high level of profitability through effective business processes.

In accordance with the regulation of the Banking Regulation and Supervision Agency (BDDK) dated 24.04.2013, a non bank finance company has to maintain its shareholders' equity/total assets ratio at a minimum level of 3%. This ratio is around 30% for Ekspo Faktoring.

QUALITY OF ASSETS

Ekspo Faktoring has a non-performing loan level well below the sector average. The ratio of non-performing loans (net) for the non-bank finance sector was 4.29% in 2014, while the previous year's ratio was 4.89%. However, this level was 2.19% for Ekspo Faktoring.

99% of the Company's receivables are revocable. The Company takes care so that a single debtor's debt does not exceed 5% of that client's outstanding risk.

This is a clear indication of the Company's high asset quality and the reliability of its rating system. In order to assess its financial receivables in a healthy and consistent manner, Ekspo Faktoring continuously improves its risk evaluation system by making use of methods utilized by the leading rating organizations of the world. The Company adds clients with low risk to its client portfolio, thus keeping the asset quality above the sector average.

SIZE OF ASSETS

By the end of 2014, the asset size reached 284 million TL. The Company provides services to numerous domestic and foreign firms by making use of its expertise, strong funding structure and qualified human resources to offer fast and effective solutions suited to the needs of its clients. Ekspo Faktoring regards its clients as long-term and loyal business partners, customizes its resources obtained from domestic and foreign banks to its clients according to their expectations.

Ekspo Faktoring aims for a net lending size of 423 million TL in 2015. The Company's financial advantages have been officially confirmed by international rating organizations. Ekspo Faktoring aims to maintain its profitability and also its support to the real sector by developing fast and cost-effective solutions in 2015 as well.

ECONOMIC DEVELOPMENTS

GLOBAL ECONOMY

US ECONOMY GATHERED STRENGTH

In 2014, the global economy demonstrated a growth performance below expectations. The International Monetary Fund (IMF) lowered these expectations three times and it was announced as 3.3% in the World Economic Outlook Report published on 7 October. The most outstanding development of 2014 with regard to economy and finance was that developing countries grew relatively slowly, whereas economies like the US and England maintained their strength.

In 2014, the USA created 2.5 million new jobs, thus revitalizing the consumer market and built trust regarding the future. Parallel to this improvement, the US Federal Reserve (FED) continuously performed bond tapering throughout the year and acted as a major player shaping the course of global finance markets in 2014. It is expected that the FED will perform another interest rate hike in mid-2015 in parallel with the aforementioned positive growth performance. According to the data obtained from the IMF, the US economy grew by 2.4% in 2014.

The economy of the UK demonstrated a growth that exceeded expectations, mainly due to the high performance in the production and service sectors. In 2014, the UK economy grew by 2.6%. This year, it is expected that it will be the fifth largest economy in the world, getting ahead of France.

THE EURO REGION IS FAR FROM ITS GROWTH TARGETS

Despite coming out of recession, the Euro Region could not achieve its growth targets. The economy was relatively better, but problems such as debts, high unemployment rates and an outstanding risk of deflation were clearly apparent. Within the last days of 2014, the European Central Bank (ECB) announced a broad-scale bond purchase program in order to neutralize the deflation threat. According to Eurostat data, the average growth rate of 28 EU countries was as low as 1.3%. On the other hand, IMF data suggest that, despite an acceleration observed within the last quarter of 2014, annual average growth was only 0.8%.

CHINA AND OTHER DEVELOPING ECONOMIES GEARED DOWN

China's economy represented a growth rate of 7.4% in 2014 - the lowest figure in the last 24 years. It is suggested that this recession is controlled and intentional; however, if we look at the reforms in the state economic enterprises, investments directed towards employment and the steps taken in order to prevent foreign debt, it is apparent that the country is endeavoring to consolidate against risks. China's low growth rate has a negative impact on other Asian economies. In India, the greatest economic stagnation of recent years can be seen. Likewise, in Japan, the global growth rate is slowing because the recession is deepening.

DRASTIC DROP IN PETROLEUM PRICES

Another significant development of 2014 was that, due to the tension between Russia and Ukraine, the EU and the USA imposed sanctions on Russia and a drastic drop was experienced in commodity prices, primarily petroleum. Towards the end of the year, the price per barrel for petroleum dropped below 60 USD; also, the Russian economy, which essentially depends on petroleum, almost hit the bottom. The growth rate of the country, which was the greatest energy exporter in the world, was 0.6% and the Russian Ministry of Economy announced that the net capital outflow could reach 125 billion USD. The credit evaluation organization S&P, and then Moody's, declared that the credit score of the country was below investing level. The dramatic recession in Russia and the depreciation of the ruble weakened the image of other economies which are members of the Commonwealth of Independent States.

Although the record drop of 50% in petroleum prices proved to be advantageous for importer countries like Turkey, petroleum exporters whose national income has a large share in petroleum such as Iran, Venezuela and Ecuador faced immense budget deficits. The member countries of Organization of the Petroleum Exporting Countries (OPEC) called on Saudi Arabia to decrease petroleum production, however, their call went unanswered.

GEOPOLITICAL DEVELOPMENTS BOOSTED THE RISK

The general political turmoil in the Middle East and the civil wars happening in Syria and Iraq intensified the negative impacts of the situation primarily in neighboring countries like Turkey. The issue of refugees whose number exceeds several millions and also the problems in foreign trade affected the economy adversely.

The political picture formed by the early elections in Greece worsened the state of anxiety and uncertainty as to the future of the Euro Region. As a result of the 25 January elections in Greece, the radical left-wing party Syriza, which opposes the austerity policy, gained majority within the parliament. The possibility of Greece leaving the EU works against the value of the dollar.

DOLLAR AND STOCK MARKET GAINED VALUE

The value of the US dollar increased against all currencies in 2014. The dollar index, which follows the position of the dollar against ten major currencies, reached 12.7% in 2014. The value of the dollar increased by 12% against the Japanese yen and by 1.85% against the euro. In November, the US and English authorities fined five banks in the amount of 3 billion dollars on the grounds that they manipulated the foreign currency market.

On the other hand, world stock markets demonstrated great success in 2014. The average market value of the world stock markets increased by 5.6% to reach 63 trillion dollars. The stock markets in developing countries in particular underwent double-digit escalations, the most dramatic of which being the Argentinian stock market with a rise of 55.3%. The Istanbul Stock Exchange came in fourth with regard to increase in value (25.28%). The New York Stock Exchange, known to have the highest market value among world stock markets, maintained its position in 2014.

EXPECTATIONS REGARDING 2015

It is anticipated that the world economy will grow by approximately 3.5% in 2015. Developing economies are expected to have grown about 4.3% by the end of 2015. Despite causing a gap between the importer and exporter countries, the drop in petroleum prices had a positive impact on global economic growth in 2014. Although a short-term rise is not expected for petroleum prices, the uncertainty as to the amount of supply in 2015 demonstrates itself as another risk.

THE GLOBAL ECONOMY DISPLAYED A GROWTH PERFORMANCE BELOW EXPECTATIONS IN 2014. ONE OF THE MOST NOTEWORTHY DEVELOPMENTS OF THE YEAR WAS THE RELATIVE SLOWDOWN IN THE GROWTH OF DEVELOPING COUNTRIES AGAINST THE STRONG AND STABLE PRESENCE OF ECONOMIES LIKE THE US AND ENGLAND.

ECONOMIC GROWTH RATES (%)

	ESTIMATES	**PROJECTIONS**	
	2014	**2015**	**2016**
WORLD	3.3	3.5	3.7
DEVELOPED ECONOMIES	1.8	2.4	2.4
US	2.4	3.6	3.3
EURO REGION	0.8	1.2	1.4
JAPAN	0.1	0.6	0.8
ENGLAND	2.6	2.7	2.4
DEVELOPING ECONOMIES	4.4	4.3	4.7
COMMONWEALTH OF INDEPENDENT STATES	0.9	-1.4	0.8
RUSSIA	0.6	-3.0	-1.0
CHINA	7.4	6.8	6.3
INDIA	5.8	6.3	6.5

Reference: IMF, World Economic Outlook Report, January 2015

TURKISH ECONOMY

MODERATE GROWTH TREND CONTINUES

The Turkish economy has been experiencing a growth trend since the last quarter of 2009. In 2013, economic growth exceeded the ratio of 3.6% projected in the Medium Term Fiscal Plan and reached 4.2%. In 2014, uncertainty marked all economies and financial markets in the world, and naturally, Turkey was affected by the political and economic developments in the neighboring countries. The signs given by the FED, implying that they will halt the expansion policy, caused fluctuations in foreign currency and financial markets. Moreover, the debt crisis in the Euro Region and the issues of the previous year played an indicative role in 2014.

Even if it was affected by these external issues, though to a limited extent, the Turkish economy followed a moderate growth trend in 2014 and reached a growth ratio of 2.9%. Although the interest rate hike predicted by the FED for the second quarter of 2015 seems unfavorable for Turkey, the crisis in Russia and the fact that the EU plans to follow a looser fiscal policy will allow for fund flow in the long term.

DECREASE IN INTERNATIONAL INVESTMENT

The sharp plunge in petroleum prices helps improving the inflation and the current deficit, allowing for minimizing the need for foreign resources. Within this scope, Turkey can be seen to start 2015 with a stronger currency. However, factors like political ambivalence and the volatility in global markets have an adverse impact on the perception of investors. The volatility in exchange rates limits the range of action for the Central Bank of Turkey (TCMB) to respond to the improvements in inflation and the amendments of the FED and ECB by lowering the interest rates.

According to the data received from the Ministry of Economy, net direct international investment flow in 2014 was lower than the same period of the previous year by 1.7% to become 12.143 billion USD. TCMB increased the repo interest rate from 4.5% to 10% within the first month of the year. Starting from May, interest rates were reduced to a final 8.25%. Tight financial conditions and their impact on inflation sparked many debates.

POSITIVE DEVELOPMENTS IN PUBLIC FINANCE

If 2014 is evaluated from the public finance point of view, it can be observed that fiscal discipline concerns played a significant role. The fiscal discipline of the previous ten years bore return in 2014, bringing down the ratio of national budget deficit/GDP to 0.8%. In a period when many developed and developing countries are dealing with public debt issues, this situation is an important and successful step in maintaining the microeconomic stability. Although the measures taken in order to retain the fiscal discipline cause a slight drop in domestic consumption and, as a result, in tax income, it bears importance in that it constitutes a defense mechanism that empowers Turkey.

ALTHOUGH THE TURKISH ECONOMY WAS AFFECTED BY EXTERNAL PROBLEMS AND RISKS TO SOME EXTENT, IT PRESENTED A MODERATE GROWTH TREND AND GREW BY 2.9% IN 2014. A POSITIVE SCENARIO IS EXPECTED IN 2015, WHERE THIS TREND WILL CONTINUE AND BOTH INTEREST RATE DISCOUNTS AND AN INCREASE IN LOANS WILL BE IN QUESTION.

OBSERVABLE IMPROVEMENT IN CURRENT DEFICIT AND FOREIGN TRADE DEFICIT

The current deficit of 2014 was around 45.8 billion USD, the lowest level in the last four years. Decreasing import costs as a result of the drastic drop in petroleum and energy prices also contributed to the 29% decrease in the current deficit. This constituted an opportunity for Turkey to implement necessary structural reforms.

In 2014, the foreign trade deficit shrunk by 15.3% to 84.5 billion USD. This also demonstrates the positive impact of the drop in petroleum prices on foreign trade balance. It is expected that this trend will have a positive effect on foreign trade performance within the coming period.

INFLATION WAS ABOVE THE TARGET

The Turkish Statistical Institute declared the consumer price index as 8.17% and domestic producer price index as 6.36% for the year 2014. This picture shows that the values are 5% above expectations and that was caused by the depreciation of Turkish Lira and the increase in food prices.

The central administration budget deficit/GDP ratio plunged to 1.3% in 2014, while gross public debt stock/GDP ratio was 34.9%. On the other hand, the decrease in the current deficit also reduced public debt, which is regarded as a positive economic development.

EXPORTS AS THE DRIVING FORCE BEHIND GROWTH

Since macro interim injunctions were imposed, domestic demand growth lost pace, leading to a state where exports are the driving power behind growth. Giving the greatest contribution to growth, exports increased by 4% in 2014 compared to the previous year to 157.6 billion USD. In particular, a dramatic increase was experienced in exports made to the European Union countries, namely by 9.2% compared to the previous year. Disputes in the Middle East and North Africa caused a significant drop in exports made to the countries in these regions.

STOCK MARKET BULLED, UNEMPLOYMENT INCREASED

The Istanbul Stock Exchange was among the fastest hiking stock markets in the world in 2014, with a rate of 25.28%. The total market value of 437 companies traded on the Istanbul Stock Exchange in 2014 rose by 111.6 billion TL to reach 615.8 billion TL.

Despite the high performance and ability to create jobs, the workforce also expanded, leading to an increase in unemployment in 2014. The discontinuation of public investment affected employment adversely. According to the data obtained from the Turkish Statistical Institute, the unemployment rate was 9.9% in 2014.

Fitch Ratings declared that Turkey's credit score was BBB-, meaning investing level, and that the outlook was stable. Moody’s declared that Turkey's credit score was Baa3, meaning investing level.

2015 PROJECTIONS

The World Bank has not altered its prediction of 3.5% for Turkey's possible growth rate in 2015. Despite the adversities of 2014, the improvements made in the current deficit and foreign trade deficit levels were encouraging. In 2014, fiscal discipline marked the Turkish economy. The general elections to be held in 2015 caused a certain amount of relaxation in precautionary fiscal policies. It is expected that the moderate economic growth trend will continue and that an increase will be observed in interest rate discounts and, as a result, loans.

ECONOMIC DATA

BANKING INDUSTRY TOTAL ASSETS
(TL BILLION)

2014	1,994
2013	1,732
2012	1,371

GDP (CURRENT PRICES)
(TL BILLION)

2014	1,750
2013	1,567
2012	1,417

BANKING SECTOR NET PROFIT
(TL BILLION)

2014	25.0
2013	24.7
2012	23.6

GDP GROWTH RATE (CURRENT PRICES)
(%)

2014	11.6
2013	10.6
2012	9.2

IMPORTS
(USD BILLION)

2014	242.2
2013	251.6
2012	23.6

THE TURKISH ECONOMY, PRESENTING A GROWTH TREND IN 2014, GREW BY 2.9% IN 2014. DESPITE THE ADVERSITIES THAT OCCURRED, 2014 WAS A POSITIVE YEAR IN TERMS OF CURRENT DEFICIT AND FOREIGN TRADE DEFICIT. FISCAL DISCIPLINE MARKED THE TURKISH ECONOMY.

EXPORTS
(USD BILLION)

157.6 2014

151.8 2013

152.5 2012

CONSUMER PRICE INDEX
(%)

8.17 2014

7.40 2013

6.16 2012

GROWTH RATE OF THE TURKISH ECONOMY
(%)

2.9 2014

4.2 2013

2.2 2012

CAPITAL INFLOW EXCEPT RESERVES
(USD BILLION)

42.7 2014

67.2 2013

68 2012

GDP PER CAPITA
(USD)

10,404 2014

10,822 2013

10,459 2012

UNEMPLOYMENT
(%)

9.9 2014

9 2013

8.4 2012

BANKING DEVELOPMENTS

DEVELOPMENT OF BANKING

FIRST STEPS

The Turkish banking system was founded on a deep-rooted banking tradition dating back to the 19th century. During the last epoch of the Ottoman Empire, the economy was formed under the influence of European countries. Upon the establishment of foreign banks, and later the Ottoman Bank in 1863, money and capital markets in the modern sense began to develop. After the declaration of the Second Constitutionalist Monarchy Period, the number of national banks predicated on domestic capital increased. This era which ended with the War of Independence is quite significant in Turkish history in terms of being a period when experience was gained in banking.

FIRST YEARS OF THE REPUBLIC

In the Turkish Economy Congress, which gathered four months before the signing of the Treaty of Lausanne, the economic targets of the Republic were determined, and many privileges provided to foreign banks were withdrawn by the Treaty of Lausanne. The decisions made in the Congress about the national character of economic development constituted the first steps of the statist approach to economy which was dominant until 1950s. The "golden principle" which involved the balanced budget approach where the primary goal is to prevent the state budget from having any deficit was adopted in public finance. After the proclamation of the Republic, many banks were founded through government promotion in order to encourage national banking. The Central Bank of Turkey came into operation in 1931. After the Great Depression, which caused the collapse of many economies in the world, state intervention came into question. Starting with this period, the power of public banks increased.

LIBERALIST ERA

After World War II, state control in the economy lost significance and a new development policy led by the private sector was adopted. Private sector banking flourished in this period and, with the transition to multi-party democracy, the economy began to expand across borders. However, from 1953 onward, the economic balances were disturbed, and inflation and the foreign trade deficit rose rapidly.

YEARS OF LIQUIDATION

Within the first half of the 1960s, 15 banks were closed and went into liquidation. The banking system was once again under government control. Until the 1980s, the Turkish economy adopted an isolated outlook once more; interest rates and exchange rates were adjusted by the state without necessarily any relevance to the world markets.

THE BANKING SECTOR, IN WHICH A TOTAL OF 51 BANKS OPERATED IN 2014 INCLUDING PARTICIPATION BANKS, IS DEVELOPING BY MAINTAINING ITS HIGH LEVEL OF CAPITAL AND PROFITABILITY. THE SECTOR CONTINUES TO PROVIDE FINANCING FOR THE ECONOMY AND THE REAL SECTOR AND ALSO TO SUPPORT THE GROWTH OF OUR COUNTRY.

PERIOD OF MARKET ECONOMY

From 1980 onward, liberalization was adopted for the financial system and the economy expanded abroad once more. With the rapid economic growth, the financial system was improved and the banking sector began merging with the international banking and financial system. On one hand, many foreign banks at the level of commerce banks, investment banks and their branches came into operation and also established partnerships with Turkish banks, and on the other hand, Turkish banks opened branches and new banks in foreign countries. With the decisions made in 1989, money markets and foreign currency markets were established and investors turned to foreign currency. However, the Treasury and the Central Bank fell short in balancing this new trend. Within this competitive environment where the number of banks multiplied and the interest rates were determined by the market itself, also with the influence of globalization, the banking system faced crisis.

The banking and finance sector crisis of 1994 spread because the Central Bank did not have sufficient reserves to intervene in a timely and efficient manner, thus posing a threat to the whole banking sector and to the economy. The 1994 crisis had a heavy influence on the banking sector because of the drop in the profit rates caused by the discontinuation of low exchange rate-high interest rate policies that were effective between 1989-1993.

REORGANIZATION

Turkey entered the new millennium in an environment where major economic decisions were being made. In February 2001, another financial crisis unfolded due to the vulnerability of confidence in financial markets. As a result, the money and currency policies projected in the Disinflation Program of 2000 were abandoned and, on 22 February 2001, a flexible exchange rate system was adopted, thus bringing the program to an end.

The crises of 2000-2001 damaged the financial system of Turkey, especially the banking system, heavily. After the crisis, a financial system reformation was commenced with the "Reorganization Program for the Banking System" supervised by the IMF.

The fundamental reforms realized after 2001 allowed the banking sector to embrace a strong financial and operational presence through inspections and strict risk management. The sector, which was now in a much stronger position against crises, differentiated itself from those of other developing and developed countries in economic distress. Indeed, Turkey was the only OECD member which accepted no type of public support for the banking sector after the 2008-2009 crisis.

STEADY GROWTH

The presence of a strong economy is only possible through a growing and healthy finance sector. In a country like Turkey where there is resource deficit, having a powerful banking sector is significant for using financial savings in the most economically efficient way. The constitution of such a financial system depends mainly on the level of trust in the system itself, and also macroeconomic stability earned through political stability.

In 2014, a total of 51 banks, including participation banks, were in operation. The banking sector is developing by maintaining its high level of capital and profitability. Despite the major depreciation in the currency and the sharp increase in interest rates, the sector continues to provide financing for the economy and the real sector and also to support the growth of our country.

OVERVIEW OF BANKING IN 2014

FLUCTUATION IN INTEREST RATES

In 2014, the Turkish banking sector retained its asset size and profitability. Within the framework of its loose money policies, the FED declared that bond tapering will be performed. This statement caused an increase in currency exchange and interest rates, causing the Central Bank of Turkey (TCMB) to decide on an interest rate hike. The TCMB responded to the changes in the perception of the investors by actively managing liquidity throughout the year, thus taking a major step towards taking control of currency exchange and benchmark interest rates.

The developments in the world economy and the attitude of the TCMB determined the interest rates in the market. The decline in petroleum prices and the mitigatory statements of the FED caused a turbulence in Turkish assets until the end of November. Within this period, the indicative stock index increased by 14.5%, whereas the indicative bond yield was reduced by 234 basis points. Until 27th November, the Turkish Lira was the best-performing currency against the US dollar among the leading escalatory currencies. When the pressure on the Turkish Lira was relieved, TCMB loosened liquidity and the cost of the TCMB financing and interbank overnight interest rates drew close to the interest rates projected in the policy.

As of the end of November, most escalatory markets went under pressure once more and, by 17th December, the Turkish Lira lost value against the USD by 7.4%, raising the USD exchange rate to 2.37. In the face of the rising level of volatility in the foreign currency market, TCMB provided less financing than demanded through weekly repos. In the interbank market, the average level of the overnight interest rate was 11.24%, which was the upper limit of the corridor, and the average cost of TCMB financing increased to 8.78% by 17th December. The Turkish Lira was depreciated by 15% on an annual average basis against the euro/dollar exchange basket.

MACRO PRECAUTIONARY MEASURES

Global uncertainty and the negative appearance of inflation necessitated a stance which could protect the strict fiscal policy. In 2014, BDDK (Banking Regulation and Supervision Agency) and TCMB imposed precautionary measures which limited credit growth in order to maintain the current deficit at a sustainable level. Regulations regarding credit cards and consumer loans caused a decrease in profitability and consumer loan applications. Personal loans lost importance and dropped to the level of 15% determined by TCMB, while a rising trend in corporate loans continued.

SECTOR STILL GAINS POWER

According to BDDK data, by the end of 2014 the asset size of the Turkish banking sector was 1,994,238 million TL. The total asset size demonstrated a 15.1% increase compared to the end of 2013. The largest asset segment of the sector, namely loans, increased by 18.5% compared to the end of 2013 and reached 1,240,725 million TL; the securities increased by 5.4% and reached 302,266 million TL. Net profit was 25 billion TL. The capital adequacy of the banking sector grew stronger in 2014 too, reaching the level of 16.3%.

In 2014, the banking sector continued to meet its financing needs with non-deposit altermative funding resources. By the end of 2013, an increase of 60.6 billion TL (47.4%) was observed and this figure reached 89 billion TL by the end of 2014.

THE FACTORING SECTOR GROWS MORE EFFECTIVE

Within the factoring sector, the proportion of factoring receivables, which constitute the largest share in assets, was 93.6%, demonstrating a 1.4% increase compared to the same period of the previous year. The sector, which meets its need for resources through resources or short-term loans obtained from banks, displayed a 1.5% drop in the ratio of loans/liabilities compared to the previous year.

The asset size of the sector increased by 22% compared to the same period of the previous year. Receivables in TL and foreign currency, which were major sources of this rise, increased by 25% and 14% respectively. Sector turnover demonstrated a growth of 31% for international transactions and 23% for domestic transactions.

By the end of 2014, the number of factoring companies operating within the sector was 76. The profitability of the sector reached 766 million TL, representing a 25% increase compared to the previous year. Compared to the same period of the previous year, asset profitability and return on equity of the sector was higher, but the non-performing loan ratio was lower by the end of 2014. In 2014, the ratio of non-performing loans, which is the fundamental indication of asset quality, decreased by 6.4% compared to that of 2013, to 4.4%.

EXPECTATIONS FOR 2015

While the year 2014 was drawing to a close, the currency was weakened to prove once more that Turkey is vulnerable against the changes in the perception of investors. Turkey entered 2015 with currency volatility concerns, and the finance sector, which was prepared for crises thanks to effective control and risk management mechanisms, will be facing a tough challenges within the coming period. Central Bank of Europe and developed countries like Japan will target monetary expansion this year, because it is expected that, although the dollar will consolidate and dollar funding costs will rise, petroleum prices will remain low. This situation will strengthen Turkey's resistance. In 2015, in the event that monetary policy is loosened, inflation targets are almost achieved and that the moderate growth continues, the sector will obtain more successful results under more favorable conditions.

IN 2014, THE BANKING SECTOR CONTINUED TO GROW CONSISTENTLY AND RETAINED ITS ASSET SIZE AND PROFITABILITY. IN THE EVENT THAT MONETARY POLICY IS LOOSENED, INFLATION TARGETS ARE ALMOST ACHIEVED AND GROWTH CONTINUES IN 2015, IT IS ANTICIPATED THAT THE SECTOR WILL OBTAIN MORE SUCCESSFUL RESULTS.

BASIC HIGHLIGHTS OF THE FACTORING SECTOR

(MILLION TL)	DECEMBER 2013	DECEMBER 2014	INCREASE (%)
INTERNATIONAL TURNOVER	16,104	21,122	31
DOMESTIC TURNOVER	77,552	95,172	23
TOTAL TURNOVER	93,656	116,295	24
RECEIVABLES IN FOREIGN CURRENCY	2,178	2,487	14
RECEIVABLES IN TL	17,917	22,344	25
TOTAL RECEIVABLES	20,096	24,831	24
LOANS AND BORROWINGS	15,462	18,421	19
SHAREHOLDERS' EQUITY	4,015	4,450	11
TOTAL ASSETS	21,790	26,522	22
PRE-TAX PROFIT	612	766	25
NON-PERFORMING FACTORING RECEIVABLES (GROSS)	993.2	1,147	
SPECIAL PROVISIONS	833.3	937.5	
NON-PERFORMING FACTORING RECEIVABLES (NET)	159.9	209.5	
NON-PERFORMING FACTORING RECEIVABLES (GROSS/TOTAL RECEIVABLES, %)	4.7	4.4	
NON-PERFORMING FACTORING RECEIVABLES (GROSS/SHAREHOLDERS' EQUITY, %)	24.7	25.8	
NON-PERFORMING FACTORING RECEIVABLES (NET/SHAREHOLDERS' EQUITY, %)	4	4.7	
SPECIAL PROVISIONS/ASSETS (%)	3.8	3.5	

CORPORATE MANAGEMENT

INTERNAL AUDIT AND FINANCIAL CONTROL

MANAGEMENT DEDICATED TO ITS PRINCIPLES

There are many factors which obligate the executive management of finance companies to behave in a deliberative manner in terms of the sufficiency and auditability of internal controls and also risk management. Audit systems generated according to the principle of minimizing the risks ensure that all activities of the Company are conducted within the framework of laws and regulations and in accordance with the Company's strategies, principles and goals.

Thanks to processes and work flows, internal audits boost the effectiveness and efficiency of operations. The presence of audits in this organization allows for standard process definitions, job definitions, regulations, and consequently, a high level of business effectiveness and efficiency; it also increases the reliability of financial reports. The reliability of financial reports, in return, helps the management to make sound trade decisions, to identify and prevent any kind of corruption within the organization. Also, internal audits ensure that legal regulations are abided by and provide reassurance.

For these reasons, finance companies that target sustained development and growth in an environment of international competition give priority to audits, financial control and risk management. Sufficient and auditable internal controls are primarily necessary in order to manage risks in accordance with current assets and growth targets, and also to demonstrate a high performance in the long term. The Capital Markets Board (SPK) and the Banking Regulation and Supervision Agency (BDDK) stipulates and encourages audit and risk management activities.

INTERNAL AUDIT STAFF IN CHARGE SINCE DAY ONE

Since its founding in 2000, Ekspo Faktoring has employed Internal Audit personnel and has had international independent auditing companies perform external audits. The Company is one of the pioneers in the sector thanks to its dedication to the principles of transparency and accountability. The Company makes no compromises as to the principles of transparency and accountability, thus securing its financial data and information through internal and external audits.

These audits are performed by experienced specialists. Meanwhile, tax and financial statement audits are performed by two different international independent auditing organizations that are the best in their field. Also, BDDK and the Ministry of Finance are regularly notified as required and two separate Independent Audit Reports are prepared in IFRS and BDDK formats.

SINCE ITS FOUNDING IN 2000, EKSPO FAKTORING HAS EMPLOYED INTERNAL AUDIT PERSONNEL AND HAS HAD INTERNATIONAL INDEPENDENT AUDITING COMPANIES TO PERFORM EXTERNAL AUDITS. THE COMPANY IS ONE OF THE PIONEERS IN THE SECTOR THANKS TO ITS DEDICATION TO THE PRINCIPLES OF TRANSPARENCY AND ACCOUNTABILITY.

REGULAR, EFFICIENT AND EFFECTIVE AUDITING

Internal audits are conducted by the Department of Internal Audit and Financial Control, ensuring regular, efficient and effective functioning of company activities in accordance with the Regulation for Financial Leasing, Factoring and Financing Companies and also with management strategies and policies. The integrity and reliability of books and records, and the timeliness of the information in the database fall within the scope of this function. In order to operate flawlessly, within the scope of the management style adopted by the Board of Directors and Executive Management, the auditing of the activities that bind each member of the staff on every level is performed by the Internal Audit function. The Department of Internal Audit and Financial Control functions with two key persons, i.e. the Manager of Internal Audit and Financial Control and the Internal Audit and Financial Control Analyst. The result of independent financial, operational and other controls performed by the Department are reported to administrative staff concurrently.

Internal Audit incorporates the supervision and reporting of transactions performed as per the Code of Obligations, the Turkish Commercial Code, the Tax Procedure Code, related statutory decrees, the Banking Regulation and Supervision Agency (BDDK), the Financial Crimes Investigation Board (MASAK), the Prime Ministry Undersecretariat of Treasury, their announcements and related legislation.

On the other hand, Financial Control incorporates the supervision of financial statements prepared in compliance with IFRS (International Financial Reporting Standards) and BDDK, the complete preparation of quarterly Non-Bank Financial Institutions Supervision System reports sent to BDDK, sending these reports and recording them into the database in a timely manner. Other responsibilities of the Department include preparing budget projections through macro- and micro-economic research, reporting these projections and submitting them to the Board of Directors. These projections are compared with the actual performance every month and any divergences are identified.

Pursuant to the Law Regarding the Prevention of Laundering of Crime Revenues numbered 5549 and the related regulation number 26751, non-bank finance companies are also counted liable as of 09.01.2008. In order to fulfill the requirements of this regulation, the Company management provides guidance to the Internal Audit Department in taking informative and preventive measures in accordance with MASAK notices.

As per the regulation dated 16.09.2008 and numbered 26999, the Manager of Internal Audit and Financial Control was assigned as the Compliance Officer. The Compliance Officer attends the trainings conducted by the Association of Financial Institutions and MASAK, and informs the personnel about their responsibilities and the issues they need to take into consideration.

PROACTIVE APPROACH

Another duty of the Department of Internal Audit and Financial Control is to supervise the domestic and international transactions of clients and minimize risks and mitigate possible problems. All daily and monthly transactions performed, correspondence made and reports prepared by the Marketing Department, Operations, Fund Management, Accounting Department, Risk Assessment and Foreign Transactions Department are audited by the Department of Internal Audit and Financial Control. The deficiencies identified must be eliminated within the day. Also, weekly and monthly reports are prepared to submit to the Executive Management and the Board of Directors. Another responsibility of the Department is the approval of all abstracts and bills to be sent to clients.

The Department of Internal Audit and Financial Control is also responsible for the gathering of the Internal Audit Committee and the implementation of decisions made by the Committee. Additionally, the Department manages the projects demanded by the Executive Management for the purpose of improving the current system and presents them to the staff. The Department also identifies what kind of training is required for the professional and personal development of employees, prepares content for training, selects instructors and conducts training sessions.

Also, the Department performs checks on persons and organizations that exist in the banned and suspected persons and organizations lists published by international authorities (UN, OFAC, EU Black List etc.).

RISK MANAGEMENT

KEY TO SUSTAINABLE SUCCESS: EFFECTIVE RISK MANAGEMENT

One of the key elements in achieving sustainable success is effective risk management. Particularly within the finance sector, the implementation of an efficient risk management policy is vital to the permanence of an institution.

Every finance company that wants to have a healthy risk portfolio and to collect its receivables in full in a timely manner must manage the phases after taking a risk in a systematic way. Strategic goals cannot be accomplished without identifying the risks that the company could face and implementing positive control and management in the face of these risks. International standards and regulations demand that finance companies use scientific, numeric and systematic risk measurement techniques. However, these measurements and techniques usually allow only for the calculation of statutory requirements rather than providing an up-to-date, tangible assessment. Companies need tangible data, sectoral information, personal experience and market intelligence for measuring the risk of working with a certain firm and the possibility of non-payment of the extended loan. In Turkey especially, since informality is very commonplace and accounting entries cannot be relied on, uncertainty is inevitable.

The risk scale of a company cannot be conceived only by regarding technical analyses; likewise, the credit score is not sufficient on its own. For these reasons, risk measurement and evaluation techniques might be used as auxiliary tools; however, the fundamental thing here is to monitor and take measures regarding the Company's portfolio, the changes in the national economy and the world economic conjuncture. To be able to implement such a practice takes the adequate number of employees, organization of risk monitoring as a proper department and assigning enough resources to this end.

RELIABILITY MAINTAINED THROUGH PRUDENTIAL AND ANALYTIC RISK MANAGEMENT

Credit risk analyses, which play an important role in the Company’s decision making processes, are reported regularly to the management and company policies are formed by taking into account all possible risks. The Department of Risk Assessment monitors the developments in the sector closely via specialists experienced in corporate and commercial banking, financial analysis, loan allocation and intelligence.

DYNAMIC AND PROACTIVE MANAGEMENT

The company manages its lending policy in a dynamic and proactive manner by monitoring the possible portfolio risks using various parameters and developing scenarios within the framework of different models. Before taking any risks, issues such as the establishment date and history of the company in question, its sector of operation, the experience level of executives and partners, its resource structure and funding potential are taken into account.

Ekspo Faktoring manages all risks within sector and group limitations and takes care that any one Client’s risk does not exceed 10% of shareholders' equity. In exceptional cases, the Management can raise this limit to a maximum level of 20%.

Ekspo Faktoring implements an effective risk management style in which it tries to diversify the risk, thus preventing it from being concentrated on a specific sector. Furthermore, sensitive measurements are performed when determining the debtor limits of clients and a decisive approach is implemented against exceeding these limits.

EKSPO FAKTORING ESTABLISHED THE FIRST AND ONLY RATING SYSTEM IN THE SECTOR IN 2009. THANKS TO ITS MARKET DATA AND INFORMATION NETWORK, THE COMPANY IMPLEMENTS EFFECTIVE RISK MANAGEMENT. THE AMOUNT OF NON-PERFORMING LOANS COMPARED TO THE SECTOR AVERAGE IS A CLEAR INDICATION OF THIS.

EVALUATION AS PER INTERNATIONAL STANDARDS

Ekspo Faktoring attaches immense importance to implementing a healthy risk management process compliant with international standards. The Executive Management worked intensively in recent years in order to boost the efficiency of risk monitoring activities and develop an effective risk assessment system. The new system, developed with the help of consultancy companies that the Company collaborates with, was adapted from an international example, and consequently, complies with international standards. It was completed at the end of 2008 and by the beginning of 2009, all Ekspo Faktoring clients were analyzed through this system.

The Company, placing emphasis on the quality of the assigned loans and monitoring its receivables consistently, began to use the check drawing report and risk reports brought into the use of non-bank finance companies by the Credit Bureau towards the end of 2012 and later perpetuated by the Risk Center within the Banking Association, as well as the Bad Credit Personal Loan notices.

Ekspo Faktoring monitors its clients on weekly, bi-weekly and monthly basis, reviewing their collateral portfolio. The Company also uses the combined risk follow up system where combined risks are listed and changes can be reported. This system ensures that current client risks are effectively monitored and the reasons behind any changes are examined. The credibility of the companies that apply for limits or wish to raise their current limits are evaluated objectively. Also, outstanding risks are assesed in terms of balance sheets, current intelligence and collateral in the weekly Asset Quality Committee meetings.

A PRUDENT APPROACH

In order to keep its asset quality above the sector average, Ekspo Faktoring acts in a prudent manner while establishing its credit portfolio. For this process, the Company makes use of the experience of the Risk Assessment team and their financial analysis methods and techniques. As part of the Risk Assessment staff, the financial analysis and intelligence team monitors the latest techniques and regularly attends credit, financial analysis and intelligence trainings provided by professional training institutions in order to keep up-to-date.

The Risk Assessment Committee, one of the most important units of Ekspo Faktoring, evaluates clients that apply for financing in terms of financial status, sector of operation and also operational risks, market intelligence. The Committee gathers two times a week, evaluates and finalizes client demands in two days at most, and organizes interim meetings in critical situations that require immediate attention. In the meetings, the Company Assessment Report, prepared in light of financial analysis and market intelligence, is discussed. This report also incorporates the weaknesses and strengths of the company that are specified by the SWOT analysis. At the end of this process, the limit request submitted to the Risk Commission is either approved or declined.

The broad data bank of the Company is being developed constantly. Ekspo Faktoring does not only rely on this extensive data bank for limit allocation decisions, but also for the development and implementation of marketing strategies in a timely manner. The data bank involves detailed and inclusive information such as client information, payment habits and check drawing performance.

Ekspo Faktoring makes use of sector and company data in its data bank while allocating limits. The analyses performed by the Company review the Turkish Lira and foreign currency positions of the subject companies, taking into consideration Basel II criteria while evaluating market risks. This intensive effort and concluding reports are submitted to the Executive Management.

Including the bank-partnered enterprises, the ratio of non-performing loans, which is approximately 4.4% within the sector in 2014, remained at 2% for Ekspo Faktoring.

CORPORATE MANAGEMENT

SINCE ITS FOUNDING, EKSPO FAKTORING FOCUSED ON ITS CORPORATE CHARACTER IN ALL AREAS FROM ADMINISTRATION AND HUMAN RESOURCES TO INFORMATION TECHNOLOGIES AND AUDITS. THE COMPANY, THEREFORE, IS AWARE OF THE RESPONSIBILITY OF BEING A CORPORATE INSTITUTION ON EVERY LEVEL OF BUSINESS PROCESSES.

A TRANSPARENT, CONSISTENT AND ETHICAL MODE OF MANAGEMENT

Ekspo Faktoring works hard to keep all business processes within a professional framework. The Company acts in a manner that admits the responsibility of being a corporate institution on every level of business processes and focuses on maintaining its exclusive position in the Turkish finance sector and on generating value for all stakeholders, its clients at first.

Corporate management, transparency and ethical values are among the factors that will bring the Company's reputation forward. These values, on one hand, boost the consistent profitability and the efficacy of the company, and on the other hand, renders its corporate structure sustainable. The high international credit rating demonstrates that the Company has come a long way since founding. Ekspo Faktoring, being the first non-bank finance institution to be evaluated by Moody's, is audited by an international independent audit company. In order to maintain the transparency of the evaluation results, the Company switches to a different independent audit organization every seven years.

SHARING INFORMATION IN AN OPEN, CLEAR AND ACCURATE MANNER

The importance of transparency and consistency gradually rises within the finance sector. Parallel to this, BDDK suggests that all finance companies declare their financial statements regularly via the internet. Ekspo Faktoring has assumed the duty of providing open, clear and accurate information to public, knowing that the sector rests on trust. Since the day it was founded, the Company has shared its financial statements annually over its corporate website. Furthermore, since it deals with bond issuance, the Company publishes all financial statements every three months on the Public Disclosure Platform (KAP) in order to inform investors.

The financial statements of Ekspo Faktoring are audited quarterly by an independent external audit company. Tax audits are undertaken by a different institution. The company, though not open to public, has two independent members on the Board of Directors.

The effective organizational structure of Ekspo Faktoring is an important factor that makes it a leading player in the sector. Thanks to this structure, the Company performs its activities in a fast and effective manner and merges its profits with its technology infrastructure, thus maintaining a significant competitive edge.

Ekspo Faktoring is determined to achieve corporate targets together with its employees. Therefore, the Company support its personnel through trainings and by investing in advanced systems.

INFORMATION TECHNOLOGIES

EKSPO FAKTORING ATTACHES GREAT IMPORTANCE TO REINFORCING ITS TECHNOLOGY INFRASTRUCTURE AND STANDS OUT WITH ITS FAST AND EFFECTIVE CLIENT SERVICES APPROACH. WITH ITS SYSTEM INFRASTRUCTURE THAT IS UP-TO-DATE AND RICH IN CONTENT, THE COMPANY STILL CONTINUES TO INVEST IN THIS AREA.

FAST, EFFICIENT AND WORLD-CLASS SERVICE

With its well-equipped, rich and up-to-date system infrastructure, Ekspo Faktoring meets its IT requirements through the use of external resources. In 2006, the Disaster Recovery Center in Ankara was set up and, in 2007, the hardware and software development works of this center were performed. Therefore, the Company has a highly healthy backup system.

In 2012, Ekspo Faktoring switched to using the Society for Worldwide Interbank Financial Telecommunication (SWIFT), an interbank medium of secure information transfer, and was the first one to in its sector to communicate with banks and international finance organizations via this system.

Ekspo Faktoring uses the Facto 2000 software package developed by a specialist company according to relevant requirements of the sector. This package enables the coordination of marketing, client relations and accounting activities. Also, clients can use **Ekspo Online** in order to place queries and check their accounts.

EKSPO FAKTORING ON THE WEB

Ekspo Faktoring website, **www.ekspofaktoring.com**, introduces the Company to its shareholders in an accessible and transparent manner. The website is designed to suit the latest technological developments and upon this foundation, clients can view their checks in collection, abstracts, risk balances and other relevant information. The website **www.ekspofaktoring.com** is also used to make public announcements.

Ekspo Faktoring, first to implement the check viewing system on its corporate website, reinforces the control mechanism on the side of both the client and the Company by doing do. The Company continually updates its online services and develops new projects in order to better help its clients. Within this scope, in order to provide services to clients and investors without any restraints, the corporate website was completely renovated in 2013. In 2014, all system infrastructure was renovated, including the server, boosting operational speed and efficiency even more.

Ekspo Factoring, aware of the added value that information technologies create, aims to put efforts into reinforcing the system firewall, increasing the internet access speed and amplifying virtual servers.

HUMAN RESOURCES

EKSPO FAKTORING REGARDS HUMAN RESOURCES AS ONE OF ITS FORTUNES, THEREFORE IT PROVIDES A WORKING ENVIRONMENT WHERE EMPLOYEES ARE ABLE TO DEVELOP. AS AN INNOVATIVE ORGANIZATION WHICH PERPETUALLY IMPROVES ITSELF AND MAKES A DIFFERENCE, THE COMPANY CONTINUES TO INVEST IN HUMAN RESOURCES.

A WORK ENVIRONMENT THAT ENCOURAGES IMPROVEMENT

The company's qualified human resource has a professional experience and expertise level well above the sector average. By the end of 2014, Ekspo Faktoring had 37 employees - a team of experienced professionals who tracked current developments step by step and provided "customized" solutions suited for each different need and expectation that clients might have.

Ekspo Faktoring looks for certain criteria during recruitment, such as having graduated from a university, speaking a foreign language, having past experience in the banking sector and being a specialist in their area, so that the quality of employees are maintained above the sector average. The employees of Ekspo Faktoring are familiar with the corporate culture and strategic frame of mind, they are also well-educated and solution-oriented individuals who aim to make a difference.

The Human Resources Commission gathers every January and performs a broad measurement/assessment process, taking into account targets and competencies. Performance assessment is undertaken according to several criteria such as occupational know-how, cooperation skill, client/human relations, representation skills, sense of responsibility, problem solving skills, taking initiative and making decisions, quality and quantity of the work. This process, which brings about encouraging outcomes with regard to motivation and work discipline, ensures that employees' contribution to corporate success is evaluated and also forms a basis for promotions, salaries and incentives.

INCLUSIVE CORPORATE CULTURE, HIGH RATE OF EMPLOYEE RETENTION

Ekspo Faktoring attaches great importance to team spirit and is aware that an inclusive corporate culture boosts employee satisfaction. The company has a high rate of employee retention and the average employment duration is seven years.

The Department of Human Resources, in parallel with its fundamental goals and strategies, takes responsibility for many processes from the orientation of a new employee to occupational training programs. It is prerequisite for employees to feel more empowered, motivated and to have a broader vision so that the company can provide high-quality service. In other words, Ekspo Faktoring emphasizes the importance of a competent human resource.

CONTINUOUS EDUCATION

The company has established a educational facility called the Ekspo Faktoring Academy. Within this scope, employees are educated through coordinated training programs extended by the Association of Financial Institutions, the FCI (Factors Chain International) -the largest non-bank financial services network in the world-, private consultancy companies and also the ICC (International Chamber of Commerce).

The company supports employees in attending educational programs and sectoral gatherings that could contribute to their professional and personal development, with the aim of promoting a work environment open to improvement. The training sessions are conducted by either internal or external instructors.

Educational programs are designed to cover technical and personal development elements in many subjects. In 2014, "Law of Commercial Papers" and "International Factoring Regulations-GRIF" trainings were given in accordance with the needs of the employees. It is planned that "How to Work More Efficiently", "Financial Analysis", "International Factoring Regulations-GRIF" and "Take Initiative, Control the Risk" trainings will be provided in 2015.

HR IMPACT ON SUSTAINABLE SUCCESS

Human resources investments allow Ekspo Faktoring to become a finance institution focused on foreign trade financing and render its corporate structure more sustainable.

The company utilizes well-supported marketing elements such as advertisements and billboards in order to reach the end client directly. Ekspo Faktoring aims to stand out with its quality of human resources and to expand its portfolio through professional trainings provided by experts, thus boosting client satisfaction.

EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 AND INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ekspo Faktoring A.Ş.

We have audited the accompanying financial statements of Ekspo Faktoring A.Ş., which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 policies 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 present fairly, in all material respects, the financial position of Ekspo Faktoring A.Ş. as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU LIMITED

DRT BAĞIMSIZ DENETİM VE SMMM AŞ

İstanbul, 16 February 2015

EKSPO FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

	Notes	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	10	163	327
Derivative financial assets	21	604	383
Factoring receivables	11	276.087	289.514
Other assets	12	796	657
Assets held for sale	13	-	487
Investment properties	14	1.141	1.166
Tangible assets	15	1.942	1.167
Intangible assets	16	47	14
Deferred tax assets	9	1.465	883
Total assets		**282.245**	**294.598**
Liabilities			
Loans and borrowings	17	188.216	153.891
Debt securities issued	18	-	52.654
Derivative financial liabilities	21	322	372
Factoring payables	19	1.249	2.671
Other liabilities	20	1.548	1.836
Income taxes payable	9	460	719
Reserve for employee severance payments and unused vacation pay liability	22	594	388
Total liabilities		**192.389**	**212.531**
Equity			
Share capital	24	60.000	50.000
Adjustment to share capital	24	279	279
Legal reserves	24	10.361	9.978
Retained earnings	24	19.216	21.810
Total shareholders' equity		**89.856**	**82.067**
Total sharesholders' equity and liabilities		**282.245**	**294.598**
Commitments and contingencies	26		

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
Factoring interest income		41.371	30.170
Factoring commission income, net		1.721	2.518
Income from factoring operations		**43.092**	**32.688**
Interest expense on bank borrowings		(17.139)	(7.635)
Interest expense on debt securities issued		(3.994)	(5.475)
Derivative trading losses, net		81	16
Foreign exchange gains / (losses), net		1.316	360
Interest income other than on factoring interest income	5	2	-
Interest, commission and foreign exchange income, net		**23.358**	**19.954**
Personnel expenses	7	(7.245)	(6.377)
Administrative expenses	8	(2.345)	(2.154)
Provision for impaired factoring receivables, net	11	(1.586)	(2.474)
Depreciation and amortisation expenses	14, 15, 16	(268)	(199)
Other income	6	356	785
Profit before income taxes		**12.270**	**9.535**
Income tax expense	9	(2.481)	(1.673)
Profit for the year		**9.789**	**7.862**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**9.789**	**7.862**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

	Notes	Share Capital	Adjustment to Share Capital	Legal Reserves	Retained Earnings	Total Equity
Balances at 1 January 2013		**50.000**	**279**	**9.174**	**16.752**	**76.205**
Total comprehensive income for the year						
Profit for the year		-	-	-	7.862	7.862
Total comprehensive income for the year		**-**	**-**	**-**	**7.862**	**7.862**
Transfer to legal reserves		-	-	804	(804)	-
Dividend paid		-	-	-	(2.000)	(2.000)
Total		**-**	**-**	**804**	**(2.804)**	**(2.000)**
Balances at 31 December 2013	**23**	**50.000**	**279**	**9.978**	**21.810**	**82.067**
Balances at 1 January 2014		**50.000**	**279**	**9.978**	**21.810**	**82.067**
Total comprehensive income for the year						
Profit for the year		-	-	-	9.789	9.789
Total comprehensive income for the year		**-**	**-**	**-**	**9.789**	**9.789**
Transfer to capital		10.000	-	-	(10.000)	-
Transfer to legal reserves		-	-	383	(383)	-
Dividend paid		-	-	-	(2.000)	(2.000)
Total		**10.000**	**-**	**383**	**(12.383)**	**(2.000)**
Balances at 31 December 2014	**23**	**60.000**	**279**	**10.361**	**19.216**	**89.856**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
Cash Flows From Operating Activities:			
Profit for the year		9.789	7.862
Adjustments for:			
Depreciation and amortisation expense	14, 15 ve 16	268	199
Provision for employee severance payments	22	186	88
Other expense/(income) accruals		(2.437)	(3.554)
Provision for deferred and income taxes	9	2.481	1.673
Interest income		(41.371)	(30.171)
Interest expenses		21.133	13.108
Provision for impaired factoring receivables	11	1.586	2.474
Changes in fair value of derivative financial instruments	21	(293)	(16)
		(8.658)	**(8.337)**
Changes in factoring receivables and payables		12.730	(55.501)
Changes in other assets		162	(390)
Changes in other liabilities		(1.403)	2.794
Employee severance paid	22	(80)	(55)
Taxes paid	9	(3.322)	(2.176)
Interest paid		(23.787)	(12.674)
Interest received		41.371	30.171
Proceeds from recoveries of impaired factoring receivables	11	349	612
Net cash provided by / (used in) operating activities		**17.362**	**(45.556)**
Cash Flows From Investing Activities:			
Acquisition of property and equipment	15	(1.013)	(16)
Disposal of property and equipment		9	-
Acquisition of intangible assets	16	(48)	-
Disposal of intangible assets		1	-
Net cash used in investing activities		**(1.051)**	**(16)**
Cash Flows From Financing Activities:			
Changes in loans and borrowings		35.524	47.777
Debt securities issued paid		(50.000)	-
Dividends paid		(2.000)	(2.000)
Net cash (used in) / provided from financing activities		**(16.476)**	**45.777**
Effect of changes in foreign exchange rate on cash and cash equivalents		1	-
Net increase / (decrease) in cash and cash equivalents		**(164)**	**205**
Cash and cash equivalents at 1 January		**327**	**122**
Cash and cash equivalents at 31 December	10	**163**	**327**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

Notes to the financial statements

EKSPO FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(CURRENCY: THOUSANDS OF 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 it's without recourse type transactions via its correspondent factoring companies abroad. The Company provides domestic, import and export factoring services to industrial and commercial enterprises in Turkey.

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

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

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

2 Basis of preparation of financial statements

(a) Statement of compliance

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

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

(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 thousand TL is rounded to the nearest digit.

(d) Use of estimates and judgements

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

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(CURRENCY: THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED)

2 Basis of preparation of financial statements (Continued)

(d) Use of estimates and judgements (Continued)

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

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

3 Significant accounting policies

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

(a) Accounting in hyperinflationary economies

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

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

(b) Foreign currency transactions

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

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

	2014	**2013**
USD	2.3189	2.1343
EURO	2.8207	2.9365
GBP	3.5961	3.5114
CHF	2.3397	2.3899

EKSPO FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014
(CURRENCY: THOUSANDS OF 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, bank borrowings, debt securities, factoring payables and other liabilities.

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

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

Cash and cash equivalents

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

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

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

Factoring receivables

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

Borrowings and debt securities

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

Other

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
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3 Significant accounting policies (Continued)

(c) Financial Instruments

(ii) Derivative financial instruments

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

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

(iii) Share capital

Ordinary shares

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

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

(d) Investment property

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

(e) Assets held for sale

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

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3 Significant accounting policies (Continued)

(f) Tangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Furniture and fixtures	5 years
Motor vehicles	5 years

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

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

(g) Intangible assets

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

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

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3 Significant accounting policies (Continued)

(h) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

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

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

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3 Significant accounting policies (Continued)

(i) Employee benefits

(i) Reserve for employee severance payments

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

The assumptions used in the calculation are as follows:

	31 December 2014	31 December 2013
Net discount rate	2.08%	3.75%
Expected salary / limit increase	6.00%	6.21%

(ii) Short-term benefits

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

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

(j) Provisions

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

(k) Offsetting

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

(l) Related parties

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

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3 Significant accounting policies (Continued)

(m) Revenue and cost recognition

(i) Factoring interest and commission income

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

(ii) Factoring commission expense

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

(iii) Other income and expenses

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

(iv) Financial income / expenses

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

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

(n) Income tax

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

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

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

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3 Significant accounting policies (Continued)

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

Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

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

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

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

Amendments to IFRS 10, 11, IAS 27 Investment Entities

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of IFRS 13 Fair Value Measurements, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

IFRIC 21 Levies

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

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3 Significant accounting policies (Continued)

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

New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[5]
Amendments to IAS 19	TFRS 9 ve Geçiş Açıklamaları için Zorunlu Yürürlük Tarihi
Annual Improvements to 2010-2012 Cycle	IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24[1]
Annual Improvements to 2011-2013 Cycle	IFRS 1, IFRS 3, IFRS 13, IAS 40[1]
IFRS 14	Regulatory Deferral Accounts[2]
Amendments to IFRS 11	Accounting for Acquisition of Interests in Joint operations[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[2]
IFRS 15	Revenue from Contracts with Customers[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[2]
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Annual Improvements to 2012-2014 Cycle	IFRS 5, IFRS 7, IAS 9, IAS 34[3]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[2]

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

[2] Effective for annual periods beginning on or after 1 January 2016.

[3] Effective for annual periods beginning on or after 1 July 2016.

[4] Effective for annual periods beginning on or after 1 January 2017.

[5] Effective for annual periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments
IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

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3 Significant accounting policies (Continued)

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

New and revised IFRSs in issue but not yet effective (Continued)

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

IFRS 1: Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

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3 Significant accounting policies (Continued)

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

New and revised IFRSs in issue but not yet effective (Continued)

Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

• apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11

• disclose the information required by IFRS 3 and other IFRSs for business combinations.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment include “bearer plants” within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of ‘bearer plants’ as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

• Identify the contract with the customer
• Identify the performance obligations in the contract
• Determine the transaction price
• Allocate the transaction price to the performance obligations in the contracts
• Recognise revenue when the entity satisfies a performance obligation.

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3 Significant accounting policies (Continued)

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

New and revised IFRSs in issue but not yet effective (Continued)

Amendments to IAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Annual Improvements 2012-2014 Cycle

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

IAS 9: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

Amendments to IAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgement in presenting their financial reports.

Amendments to IFRS 10, 11, IAS 28 Investment Entities: Applying the Consolidation Exception

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Group evaluates the effects of these standards on the consolidated financial statements.

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3 Significant accounting policies (Continued)

(p) Events after the reporting period

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

(q) Statement of cash flows

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

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

(r) Segment reporting of financial information

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

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4 Determination of fair values

Fair value hierarchy

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	604	-	604
	-	**604**	**-**	**604**
Derivative financial liabilities	-	322	-	322
	-	**322**	**-**	**322**

31 December 2013	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	383	-	383
	-	**383**	**-**	**383**
Derivative financial liabilities	-	372	-	372
	-	**372**	**-**	**372**

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

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

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

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4 Determination of fair values (Continued)

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

	2014		2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	163	163	327	327
Factoring receivables	276,087	276,087	289,514	289,514
Financial liabilities				
Bank borrowings	188,216	188,216	153,891	153,891
Debt securities issued	-	-	52,654	52,654
Factoring payables	1,249	1,249	2,671	2,671
Other liabilities	1,548	1,548	1,836	1,836

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:

	2014	2013
Interest income on bank deposits	2	-
	-	**-**

6 Other income

For the year ended 31 December 2014, other income comprised of brokerage income amounting to TL 356 (2013: TL 785).

7 Personnel expenses

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

	2014	2013
Salaries and wages	5,548	4,930
Social security premium employer's share	447	380
Bonus expenses	477	490
Insurance expenses	214	155
Provision for employee severance payments	186	88
Meal expenses	138	110
Transportation expenses	178	138
Unemployment security employer's share	42	36
Others	15	50
	7,245	**6,377**

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8 Administrative expenses

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

	2014	2013
Rent expenses	619	540
Audit and consultancy expenses	127	259
Legal expenses	170	271
IT related expenses	186	166
Vehicle expenses	185	144
Communication expenses	88	99
Taxes and duties other than on income	112	82
Accommodation expenses	46	77
Subscription fees	179	61
Travel expenses	111	61
Promotion expenses	2	56
Other	520	338
	2,345	**2,154**

9 Taxation

As at 31 December 2014, corporate income tax is levied at the rate of 20% (2013: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, was redefined according to the Cabinet Decision numbered 2006/10731, which was announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those which are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

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

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

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

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

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9 Taxation (Continued)

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

	2014		2013	
	Tutar	**%**	**Tutar**	**%**
Reported profit before income taxes	12,270		9,535	
Taxes on reported profit per statutory tax rate	(2,454)	(20)	(1,907)	(20)
Permanent differences:				
Non-taxable expenses	(34)		(25)	
Non-taxable income	-	-	259	-
Income tax expense	**(2,488)**		**(1,673)**	

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

	2014	2013
Current tax expense	3,063	1,864
Deferred tax expense	(582)	(191)
Income tax expense	**2,481**	**1,673**

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:

	2014	2013
Taxes on income	3,063	1,863
Less: Corporation taxes paid in advance	(2,603)	(1,144)
Income taxes payable	**460**	**719**

For the years ended 31 December 2014 and 2013, movement of the Company's net deferred tax assets and liabilities is as follows:

	2014	2013
Opening balance	883	692
Deferred tax income recognized in profit or loss	582	191
Closing balance	**1,465**	**883**

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9 Taxation (Continued)

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

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

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2014	31 December 2014	31 December 2014	31 December 2014
Unearned interest income	7,009	4,294	1,401	859
Reserve for employee severance payments	494	388	99	78
Reserve for employee permission payments	100	-	20	-
Allowance for impaired factoring receivables	74	107	15	21
Deferred tax assets	**7,677**	**4,789**	**1,535**	**958**
Derivative financial instruments	(91)	(11)	(18)	(3)
Tangible assets, and intangible assets	(261)	(361)	(52)	(72)
Deferred tax liabilities	**(352)**	**(372)**	**(70)**	**(75)**
Deferred tax assets / (liabilities), net			**1,465**	**883**

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.

		2014			2013	
	Gross	Offsetting	Net	Gross	Offsetting	Net
DTA	1,535	(70)	1,465	958	(75)	883
DTL	(70)	70	-	(75)	75	-
DTA, net	**1,465**	**-**	**1,465**	**883**	**-**	**883**

For the years ended 31 December 2014 and 2013, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2014 and 2013, there are no unrecognised deferred tax assets and liabilities. Future profit projections and potential tax planning strategies have been taken into consideration during assessment of recoverability of deferred tax assets.

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10 Cash and cash equivalents

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

	2014	2013
Demand deposits at banks	163	327
Total cash and cash equivalents	**163**	**327**

As at 31 December 2014, there is not any blockage on bank deposits (31 December 2013: None).

11 Factoring receivables

At 31 December, factoring receivables comprised the following:

	2014	2013
Domestic factoring receivables	263,122	278,486
Export and import factoring receivables	19,873	15,322
Impaired factoring receivables	6,024	9,168
Factoring receivables, gross	289,019	302,976
Unearned factoring interest income	(7,009)	(4,294)
Allowance for impaired factoring receivables	(5,923)	(9,168)
Factoring receivables	**276,087**	**289,514**

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

	2014	2013
Customer notes and cheques	125,991	183,520
Letters of guarantee	320	-
Suretyship	342,250	-
Total	**468,561**	**183,520**

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

	2014	2013
Balance at the beginning of the year	9,168	6,694
Loans sold	(4,831)	-
Provision for the year	1,935	3,086
Recoveries during the year	(349)	(612)
Balance at the end of the year	**5,923**	**9,168**

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

	2013	2012
Overdue 1 to 3 months	56	-
Overdue 3 to 6 months	1,744	2,033
Overdue 6 to 12 months	106	-
Overdue over 1 year	4,118	7,135
	6,024	**9,168**

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12 Other assets

As at 31 December, other assets are as follows:

	2014	2013
Prepaid expenses	372	228
Others	424	429
	796	**657**

13 Assets held for sale

As at 31 December 2014, there is no assets classified as held for sale. (2013: TL 487).

14 Investment properties

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2014 is as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Buildings	1,344	-	-	1,344

	1 January 2014	Current year charge	Disposals	31 December 2014
Less: Accumulated Depreciation				
Buildings	178	25	-	203
Net carrying value	**1,166**			**1,141**

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

	1 January 2014	Additions	Çıkışlar	31 December 2014
Cost				
Buildings	1,344	-	-	1,344

	1 January 2014	Current year charge	Çıkışlar	31 December 2014
Less: Accumulated Depreciation				
Buildings	152	26	-	178
Net carrying value	**1,192**			**1,166**

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

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14 Investment properties (Continued)

Fair value measurement of the Company's investment properties

The fair value of the investment property of the Company is determined by an independent real estate appraisal company as of 31 December 2014 and 2013. 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.

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

	Carrying value	Fair value as at 31 December 2014		
	31 December	Level 1	Level 2	Level 3
	2014	TL	TL	TL
Commercial property	1,141	-	-	3,500

	Carrying value	Fair value as at 31 December 2014		
	31 December	Level 1	Level 2	Level 3
	2013	TL	TL	TL
Commercial property	1,166	-	-	2,000

15 Tangible Assets

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2014 is as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Motor vehicles	1,248	860	(110)	1,998
Furniture and fixtures	597	153	(218)	532
Leasehold improvements	345	-	-	345
Others (*)	831	-	-	831
Total cost	**3,021**	**1,013**	**(328)**	**3,706**

	1 January 2014	Current year charge	Disposals	31 December 2014
Less: Accumulated depreciation				
Motor vehicles	987	196	(109)	1,074
Furniture and fixtures	540	28	(210)	358
Leasehold improvements	327	5	-	332
Total accumulated depreciation	**1,854**	**229**	**(319)**	**1,764**
Net carrying value	**1,167**			**1,942**

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15 Tangible Assets (Continued)

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2014 is as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost				
Motor vehicles	1,248	-	-	1,248
Furniture and fixtures	581	16	-	597
Leasehold improvements	345	-	-	345
Others (*)	831	-	-	831
Total cost	**3,005**	**16**	**-**	**3,021**

	1 January 2013	Current year charge	Disposals	31 December 2013
Less: Accumulated depreciation				
Motor vehicles	852	135	-	987
Furniture and fixtures	517	23	-	540
Leasehold improvements	322	5	-	327
Total accumulated depreciation	**1,691**	**163**	**-**	**1,854**
Net carrying value	**1,314**			**1,167**

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

As at 31 December 2014, total amount of insurance on tangible assets is TL 2,860 (31 December 2013: TL 2,453) and total amount of insurance premium on tangible assets is TL 25 (31 December 2013: TL 23). As at 31 December 2014 and 2013, there is no pledge on tangible assets.

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16 Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2014 is as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Rights	150	48	(5)	193

	1 January 2014	Current year charge	Disposals	31 December 2014
Less: Accumulated amortisation				
Rights	136	14	(4)	146
Net carrying value	**14**			**47**

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

	1 January 2013	Additions	Disposals	31 December 2013
Cost				
Rights	150	-	-	150

	1 January 2013	Current year charge	Disposals	31 December 2013
Less: Accumulated amortisation				
Rights	126	10	-	136
Net carrying value	**24**			**14**

As at 31 December 2014 and 2013, the Company does not have any internally generated intangible assets.

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17 Loans and borrowings

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

		2014		
			TL amount	
	Original Amount	Nominal Interest Rate (%) (*)	Up to 1 year	1 year and over
TL	166,820	10.00-11.80	166,820	-
TL (**)	1,733	3.9	1,733	-
USD	7,505	3.78-3.88	16,243	1,161
EUR	801	3.86	2,259	-
Total			**187,055**	**1,161**

		2013		
			TL amount	
	Original Amount	Nominal Interest Rate (%) (*)	Up to 1 year	1 year and over
TL	127,028	8.10-10	127,028	-
TL (**)	11,864	3.75	11,864	-
USD	5,055	3.83-4.73	10,788	-
EUR	1,434	3.44-4.04	4,211	-
Total			**153,891**	**-**

(*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2014 and 2013.

(**) Includes the balances with reference to foreign currency indexed bank borrowings.

As at 31 December 2014, the Company has cheques and promissory notes amounting to TL 271 (31 December 2013: TL 200) given as collateral against its outstanding bank borrowings.

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18 Debt securities issued

At 31 July 2014, debt securities amounting to TL 50,000, issued by the Company are amortized. As of 31 December 2014, there are no issued debt securities by the Company.

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

19 Factoring payables

As at 31 December, factoring payables comprised the following:

	2014	**2013**
Domestic factoring payables	1,249	2,671
Total	**1,249**	**2,671**

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:

	2014	2013
Taxes and duties other than on income tax	345	347
Trade payables to vendors	1,058	1,319
Unearned income	74	107
Social security payables	71	63
Total	**1,548**	**1,836**

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21 Derivative financial assets and derivative financial liabilities

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

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

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

	2014		2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency swap purchases and sales	604	322	383	372
	604	**322**	**383**	**372**

As at 31 December 2014 and 2013, the details of derivative transactions is presented in Note 25.

22 Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 3,541.37 at 31 December 2014 (2013: TL 3,254.44) 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:

	2014	2013
Balance at the beginning of the year	**388**	**355**
Interest cost	40	38
Service cost	73	54
Paid during the year	(80)	(55)
Actuarial difference	73	(4)
Balance at the end of the year	**494**	**388**

Provision for employee benefis	**2014**	**2013**
Unused vacation liability	100	-
	100	**-**

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23 Capital and reserves

23.1 Paid-in capital

At 31 December 2014, the Company's nominal value of authorized and paid-in share capital amounts to TL 60,000,000 (2013: TL 50,000,000) comprising 50,000,000 (2013: 50,000,000) 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:

	2014		2013	
	Share (%)	**TL**	**Share (%)**	**TL**
M. Semra Tümay	49.00	29,400	49.00	24,500
Murat Tümay	25.50	15,300	25.50	12,750
Zeynep Ş. Akçakayalıoğlu	25.50	15,300	25.50	12,750
Others	-	-	-	-
Share capital	100%	60,000	100%	50,000
Adjustment to share capital		279		279
Total share capital		**60,279**		**50,279**

23.2 Legal Reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves is TL 10,361 (historical) at 31 December 2014 (2013: TL 9,978 (historical)).

According to the decisions based on the General Assembly Meeting held on 15 January 2015, the Company has decided and distributed dividend amounting to TL 1,200.

24 Risk management disclosures

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

• credit risk
• market risk
• liquidity risk

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

Credit risk

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

At 31 December 2014, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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24 Risk management disclosures (Continued)

Credit risk (Continued)

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

	2014	%	2013	%
Textiles	61,767	22.38	52,010	17.96
Financial Services	40,720	14.75	28,790	9.94
Construction	26,418	9.57	37,017	12.79
Non-metal industry	25,271	9.16	15,670	5.41
Automotive	17,766	6.44	9,788	3.38
Transportation, storage and communication	16,393	5.94	5,401	1.87
Researching, consulting and advertising	14,338	5.2	24,640	8.51
Retail and wholesale trade	12,801	4.64	11,264	3.89
Leather industry	8,857	3.21	9,410	3.25
Iron, steel, coal, petroleum, other mines	8,808	3.19	6,288	2.17
Wood and Wooden Products	7,759	2.81	3,367	1.16
Agriculture and ranching	7,232	2.62	25,618	8.85
Chemicals and pharmaceuticals	6,888	2.5	5,776	2.00
Food, beverages and tobacco	6,718	2.43	9,229	3.19
Tourism	6,482	2.35	10,235	3.54
Computer and computer equipment	2,556	0.93	3,296	1.14
Rubber and plastic goods	1,885	0.68	8,947	3.09
Machinery and equipment	1,491	0.54	8,672	3.00
Cultural, recreational and sports activities	486	0.17	1,704	0.59
Electrical equipment	18	0.01	5,742	1.98
Others	1,433	0.48	6,650	2.30
	276,087	**100.00**	**289,514**	**100.00**

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

As at 31 December 2014 and 2013, details of the financial assets exposed to credit risk are as follows:

	2014	2013
Cash at banks	163	327
Factoring receivables, net	276,087	289,514
Derivative financial assets	604	383

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24 Risk management disclosures (Continued)

Market risk (Continued)

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

Interest rate risk

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

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

	2014				2013			
	USD (%)	**EUR (%)**	**GBP (%)**	**TL (%)**	**USD (%)**	**EUR (%)**	**GBP (%)**	**TL (%)**
Assets								
Factoring receivables	7.14	5.78	-	14.44	7.03	6.37	-	12.76
Liabilities								
Loans and borrowings	3.81	3.86	-	11,00	3.80	3.81	-	8.47
Debt securities issued	-	-	-	-	-	-	-	12.58

Interest rate profile

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

	Carrying Amount	
Fixed rate instruments	**2014**	**2013**
Factoring receivables	205,736	175,921
Loans and borrowings	166,831	113,061
Floating rate instruments		
Factoring receivables	70,250	113,593
Loans and borrowings	21,385	40,830
Debt securities	-	52,654

Cash flow sensitivity analysis for variable rate instrument

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

	Profit or (loss)	
	100 bp increase	**100 bp decrease**
2014		
Floating rate instruments	350	(350)
2013		
Floating rate instruments	184	(184)

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24 Risk management disclosures (Continued)

Market risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

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

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

Foreign currency risk

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

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

	31 December 2014	31 December 2013
A. Foreign currency monetary assets	23,834	28,248
B. Foreign currency monetary liabilities	(22,286)	(28,478)
C. Derivative financial instruments	94	307
Net foreign currency position (A+B+C)	**1,642**	**77**

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

			2014		
	USD	Euro	GBP	Other	Total
Foreign currency monetary assets					
Cash and cash equivalents	107	-	-	-	107
Factoring receivables	21,433	2,292	-	-	23,725
Other assets	2	-	-	-	2
Total foreign currency monetary assets	**21,542**	**2,292**	**-**	**-**	**23,834**
Foreign currency monetary liabilities					
Loans and borrowings	18,945	2,451	-	-	21,396
Factoring payables	46	-	-	-	46
Other payables	841	3	-	-	844
Total foreign currency monetary liabilities	**19,832**	**2,454**	**-**	**-**	**22,286**
Net on balance sheet position	**1,710**	**(162)**	**-**	**-**	**1,548**
Off balance sheet net notional position	-	94	-	-	94
Net position	**1,710**	**(68)**	**-**	**-**	**1,642**

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24 Risk management disclosures (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

			2013		
	ABD Doları	Avro	GBP	Diğer	Toplam
Foreign currency monetary assets					
Cash and cash equivalents	269	-	4	-	273
Factoring receivables	22,921	5,052	-	-	27,973
Other assets	2	-	-	-	2
Total foreign currency monetary assets	**23,192**	**5,052**	**4**	**-**	**28,248**
Foreign currency monetary liabilities					
Loans and borrowings	21,513	5,350	-	-	26,863
Factoring payables	432	-	-	-	432
Other payables	1,175	8	-	-	1,183
Total foreign currency monetary liabilities	**23,120**	**5,358**	**-**	**-**	**28,478**
Net on balance sheet position	**72**	**(306)**	**4**	**-**	**(230)**
Off balance sheet net notional position	-	307	-	-	307
Net position	**72**	**1**	**4**	**-**	**77**

Foreign currency sensitivity analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2014 and 2013 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2014 and 2013 remain constant.

TL	Profit/(Loss) 2014	Profit/(Loss) 2013	Equity (*) 2014	Equity (*) 2013
USD	171	8	171	8
EUR	(7)	-	(7)	-
GBP	-	-	-	-
Other	-	-	-	-
Total	**164**	**8**	**164**	**8**

(*) Equity effect includes profit or loss effect.

Liquidity risk

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

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24 Risk management disclosures (Continued)

Liquidity risk (Continued)

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

	31 December 2014					
	Carrying Amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**191,013**	**194,999**	**144,908**	**48,886**	**1,205**	**-**
Loans and borrowings	188,216	192,202	142,111	48,886	1,205	-
Factoring payables	1,249	1,249	1,249	-	-	-
Other liabilities	1,548	1,548	1,548	-	-	-
Derivative financial liabilities	**282**	**600**	**447**	**153**	**-**	**-**
Inflow	604	1,073	711	362	-	-
Outflow	(322)	(473)	(264)	(209)	-	-

	31 December 2013					
	Carrying Amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**211,052**	**215,288**	**143,411**	**71,877**	**-**	**-**
Loans and borrowings	153,891	154,508	138,904	15,604	-	-
Debt securities	52,654	56,273	-	56,273	-	-
Factoring payables	2,671	2,671	2,671	-	-	-
Other liabilities	1,836	1,836	1,836	-	-	-
Derivative financial liabilities	**11**	**11**	**1**	**10**	**-**	**-**
Inflow	383	240	83	157		
Outflow	(372)	(229)	(82)	(147)	-	-

Capital management

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

25 Commitments and contingencies

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

Letters of guarantee	**2014**	**2013**
Given to Guarantees for the benefit of customer	1,095	15,102
Total	**1,095**	**15,102**

As at 31 December 2014, the Company has given cheques and notes amounting to TL 271 (2013: TL 200) as collateral against its outstanding bank borrowings.

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25 Commitments and contingencies (Continued)

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

		2014		2013	
		Foreign currency	**TL**	**Foreign currency**	**TL**
Forward purchases					
	USD	5,040	11,688	2,454	5,238
	TL	19,779	19,779	5,542	5,542
	EUR	2,796	7,887	182	533
Total purchases			**39,354**		**11,313**

		2014		2013	
		Foreign currency	**TL**	**Foreign currency**	**TL**
Forward sales					
	USD	5,040	11,688	2,454	5,238
	TL	19,255	19,255	5,531	5,531
	EUR	2,784	7,853	182	533
Total sales			**38,796**		**11,302**

As at 31 December 2014 and 2013, the details of the Company's items held in custody is as follows:

	2014	2013
Customers' Cheques	251,182	276,308
Customers' Notes	44,325	25,200
Mortgages	3,892	3,962
	299,399	**305,470**

26 Related party disclosures

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

	2014	2013
General administrative expenses		
M. Semra Tümay - rental expense	592	515
	592	**515**

Total benefit of key management for the years ended 31 December 2014 and 2013 amounted to TL 3,918 and TL 3,648, respectively.

27 Events after the reporting period

According to the decisions based on the General Assembly Meeting held on 15 January 2015, the Company has decided and distributed dividend amounting to TL 1,200.

MANAGEMENT

MURAT TÜMAY
GENERAL MANAGER

DUYGU BUNJAKU
ASSISTANT GENERAL MANAGER,
MARKETING

ERHAN MERAL
ASSISTANT GENERAL MANAGER,
FINANCIAL AND ADMINISTRATIVE AFFAIRS

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