EKSPO FAKTORİNG

ANNUAL REPORT 2020

EKSPO Faktoring A.Ş.

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GÜRBÜZ TÜMAY
HONORARY CHAIRMAN

MURAT TÜMAY
CHAIRMAN OF THE BOARD & GENERAL MANAGER

THE PERFECT BLEND OF DEEP-ROOTED
BANKING TRADITION AND INNOVATION...

A STRONG FINANCIAL FOUNDATION AND
HIGHLY QUALIFIED HUMAN RESOURCES...

LONG-LASTING RELATIONS AND
A CORPORATE STRUCTURE WITH A PROVEN
INTERNATIONAL REPUTATION...

SECTOR-FIRST PRACTICES AND
HIGH STANDARDS...

MESSAGE FROM THE CHAIRMAN

As Ekspo Faktoring, we are ready for the future with our capital, technological infrastructure, and qualified human resources. We will continue to grow and contribute to the national economy together.

Esteemed Partners/Stakeholders,
For all of us, 2020 was quite unlike any other year in history as the pandemic quickly spread around the world and impacted life in all aspects. The disruptions in the global supply chain brought production nearly to a halt in several industries. As the consumer confidence slumped, growth expectations were completely reversed.

In the face of this unexpected global economic downturn, low interest and monetary expansion policies and solutions such as credit guarantees, credit and tax deferments, stimulus packages for business enterprises and community support programs were implemented. In addition, developed and developing countries spent around 20% and 6% of their gross domestic products, respectively, to overcome the economic struggles caused by the pandemic. While this ratio was 12 to 14% in Turkey, the practice was mostly in the form of loan facilities provided to the businesses and households.

With the aid of such support programs and stimulus packages, the Turkish economy completed the year with a growth.

As the key intermediary player of the monetary expansion, the Turkish banking sector, completed 2020 with a 36% growth. Although the cuts in interest rates and the control mechanisms imposed by the regulatory agency created pressure on the banks' profits, the banks still managed to record profit increases compared to the previous year. In line with the banking sector, the factoring sector also achieved a 30% growth in total assets, particularly with the support of state-owned factoring institutions. However, as a result of the Turkish Central Bank's monetary tightening policy and the ensuing reduction in interest rates, the interest income failed to capture the level of asset growth and declined by 29% on an annual basis.

In a year when the impact of the pandemic was deeply felt in all areas, Ekspo Faktoring diligently strived to respond to its clients' financing requests for exports, imports, and domestic sales. In 2020, our turnover and asset size reached TL 1 billion and TL 325 million, respectively. Domestic transactions accounted for 73% of our turnover and foreign transactions accounted for 27%. In our international turnover, export financing amounted to USD 38.5 million and import financing to USD 1.6 million. Thanks to the profits from our commercial activities, we were able to increase our shareholders' equity, the driving strength of our company, by 11% on an annual basis from TL 174 million to TL 193 million.

The global economy is currently delivering a dynamic performance. As Ekspo Faktoring, we are well prepared to respond to all kinds of rapid growth opportunities and related potential risks with our capital, technological infrastructure, and qualified human resources. In 2021, we will accelerate the digital finance investments that we started previously and maintain our position as a pioneering, leading and innovative financial institution in Turkey.

We would like to express our gratitude to you, our valued stakeholders for your unwavering support. As we move forward, we will continue to grow and contribute to the national economy together.

Sincerely,

MURAT TÜMAY
CHAIRMAN & GENERAL MANAGER

BOARD OF DIRECTORS

MURAT TÜMAY
CHAIRMAN OF THE BOARD & GENERAL MANAGER

Murat Tümay (born in 1974, Istanbul) holds a bachelor's degree in Economics from Clark University. After graduation, he worked at The Park Avenue Bank N.A. as Analyst, Assistant Manager and Manager, respectively. After working in executive positions at Turkcell İletişim Hizmetleri and İş-Tim Telekomünikasyon Hizmetleri A.Ş. (2000-2002), he joined Ekspo Faktoring A.Ş. where he has served as General Manager and Chairman since 2002.

ZEYNEP Ş. AKÇAKAYALIOĞLU
DEPUTY CHAIR

Zeynep Şükriye Akçakayalıoğlu (born in 1969, Istanbul) holds a bachelor's degree in Management from the University of West Georgia. She worked as a Director at Arthur Andersen İnsan Kaynakları Danışmanlığı A.Ş. from 1991 to 1999. She has been a Founding Partner and a Board Member of Royal Yönetim Danışmanlığı A.Ş. since 1999 and Founding Partner and Deputy Chair of Ekspo Faktoring A.Ş. since the firm's establishment.

HASAN AKÇAKAYALIOĞLU
BOARD MEMBER

Hasan Akçakayalıoğlu (born in 1963, Ankara), holds bachelor's and master's degrees in Computer Engineering from Middle East Technical University and an MBA from Yeditepe University. Mr. Akçakayalıoğlu worked at London and Istanbul offices of Arthur Andersen & Andersen Consulting, and served in executive positions and as General Manager at a number of banks. In addition to board memberships at various banks located in the Netherlands, Romania, Bulgaria, and Kazakhstan, he also served as a Board Member at the Turkish Industry & Business Association and as the Chairman of the Turkish - Israeli Business Council of Foreign Economic Relations Board. Mr. Akçakayaoğlu is currently the Chairman of C Faktoring A.Ş. and Demir Kyrgyz International Bank, and also an Independent Board Member in various real sector companies. He has served on the Board of Ekspo Faktoring A.Ş. since October 2018.

ŞERİF ORHAN ÇOLAK
BOARD MEMBER

Şerif Orhan Çolak (born in 1945, Istanbul) studied Economics at Université de Neuchâtel. Following his graduation, he began his career as a Manager at Altın Mekik Tic. ve San. A.Ş. in 1971. Over the years, he worked as a director in various financial institutions, including Uluslararası Endüstri ve Ticaret Bankası A.Ş., Factofinans A.Ş., Banque Internationale de Commerce, İktisat Bankası T.A.Ş., Credit Lyonnais Suisse, and Credit Agricole Suisse. Mr. Çolak has served on the Board of Ekspo Faktoring A.Ş. since 2011.

MISSION, VISION, STRATEGIC GOALS

Mission

Leading the way for the non-banking financial sector in increasing its share in domestic and foreign trade by enriching its corporate product portfolio with the latest and highly demanded global financing models and by leveraging the latest technological advancements

Holding a competitive edge in the sector with its corporate governance approach and innovative products by offering advantageous financial solutions to companies operating in diverse industries

Implementing quality and efficiency-based practices in client relations management

Becoming a regional leader in international trade

Embracing a visionary perspective since its establishment, Ekspo Faktoring operates with the mission of implementing innovative practices and introducing industry-first products and services.

Vision

Maintaining a steady growth and reaching an asset size of TL 550 million by the end of 2021

Strategic Goals

Catering to the evolving needs of the real sector with innovative products and services

Capturing sustainable growth with a quality and efficiency-focused service approach

Maintaining competitive strength by developing tailored financing models for companies operating in diverse industries

Contributing to foreign trade by providing financing support for Turkish companies in their international operations

Standing out as a company with highly qualified human resources by offering professional and personal improvement opportunities to its employees

TL 1 BILLION

2020 TURNOVER

Ekspo Faktoring reached TL 325.3 million in asset volume, TL 1 billion in turnover and TL 24.8 million in profits by year-end 2020.

EKSPO FAKTORİNG AT A GLANCE

Ekspo Faktoring, founded in 2000 and backed with more than 40 years of banking experience and know-how, moves forward with its robust capital structure, innovative management philosophy, qualified human resources and sustainable growth target.

RELIABLE AND ROBUST STRUCTURE

Ekspo Faktoring, founded in 2000 and backed with more than 40 years of banking experience and know-how, has quickly established itself as a leading institution in the finance sector. Today, the Company continues its successful journey with shareholders' equity exceeding TL 193 million while keeping its focus on ensuring quality, efficiency and client satisfaction in all its activities. Ekspo Faktoring has brought a new perspective based on reliability and transparency to the rapidly growing Turkish factoring sector. With a strong capital structure, business processes aligned with universal ethical values, an innovative management philosophy and highly qualified human resources, Ekspo Faktoring moves forward with aim of achieving sustainable growth.

LEADING AND INNOVATIVE POSITION

Embracing a visionary perspective since the very beginning, Ekspo Faktoring operates with the mission of introducing industry-first innovative practices, products and services. By offering Turkey's first structured financing products for various industries, the Company has acted as an intermediary in foreign trade transactions amounting to approximately USD 645 million as well as letter of credit transactions worth nearly USD 95 million in the last decade. As the first company in the Turkish factoring sector to fully disclose its financial statements, Ekspo Faktoring also has other firsts to its name such as being rated by an international credit rating agency, publishing its annual report and implementing SWIFT (The Society for Worldwide Interbank Financial Telecommunication System), all of which reinforce its pioneering position.

EFFECTIVE AND AGILE APPROACH

Ekspo Faktoring is built on the strong foundation of its founders' deep-rooted banking experience. With the second generation at the helm, Ekspo Faktoring embraces an innovative approach, carrying out all business processes across the organization without compromising conventional values. Capturing a perfect balance between innovation and tradition in today's ever-evolving and transforming business world gives the Company superiority in responding to changing demands and a competitive edge in swiftly generating effective financial solutions for its clients in line with their expectations and needs.

TIMELY AND ACCURATE SOLUTIONS

Ekspo Faktoring adopts a proactive approach and considers keeping up with the rapid changes in the world and anticipating the dynamics of tomorrow as key priorities. With a wide range of products and services, including contract financing, project financing, order financing, pre-sales financing, supply chain financing and structured products, Ekspo Faktoring meets the financing needs of its clients, operating in a diverse spectrum of industries including textiles, transportation, construction and manufacturing, which form the backbone of the Turkish economy. One aspect that helps position Ekspo Faktoring in the lead is its ability to develop creative products and services, tailored to clients by analyzing their needs and expectations. This enables the Company to be prepared for offering the right financing, guarantee and cash management solutions in a timely manner to meet the potential needs of its clients. This capability has made Ekspo Faktoring a partner preferred by some of Turkey's most prominent companies.

LONG-LASTING RELATIONSHIPS BASED ON TRUST

Ekspo Faktoring places the client at the center of all of its business processes and focuses on ensuring ultimate customer satisfaction while building and maintaining long-lasting client relationships based on mutual trust. With effective and fast solutions generated in line with client expectations and needs combined with superior service quality, Ekspo Faktoring boasts a client portfolio that is predominantly composed of loyal clients which the Company has served for many years.

Ekspo Faktoring follows its clients' activities and the developments in their respective industries closely and pays regular visits to keep the relations strong and fruitful. As a result, the Company maintains a client retention ratio well above the sector average.

EFFECTIVE AND CONSISTENT POSITION

In addition to eliciting confidence with its strong financial structure, Ekspo Faktoring also stands apart with its management principles shaped around transparency and accountability. The Company is well known in the global financial markets for its effective and consistent stance. The fact that its financial superiority is confirmed by international rating agencies also contributes to positioning Ekspo Faktoring as a preferred partner of the real sector in foreign trade transactions. The strong international correspondent relations developed over many years give Ekspo Faktoring another competitive advantage. Ekspo Faktoring continues to strengthen its wide correspondent network by further improving relations with domestic and foreign banks and financial institutions.

COOPERATION WITH STRONG BANKING INSTITUTIONS

Following its mission of offering exclusive services to its clients, Ekspo Faktoring builds partnerships with strong and established banking institutions in various countries. Such partnership enable the Company to help its clients improve their competitiveness by providing medium- and long-term resources and guarantees for their imports.

CONSISTENTLY PROFITABLE PERFORMANCE

As of year-end 2020, Ekspo Faktoring reached TL 325.3 million in asset size and TL 1 billion in turnover, posting TL 24.8 million profit. With this performance, the Company maintained its consistent growth and increased its shareholders' equity by 11% to TL 193.2 million. Exports accounted for USD 38.5 million of Ekspo Faktoring's total turnover in 2020 and imports for USD 1.6 million, with 73% and 27% of its turnover consisting of domestic and foreign transactions, respectively. Driven by innovative strategies, robust shareholders' equity structure, and a corporate governance approach, Ekspo Faktoring aims to sustain the consistent performance of 2020 in the future in a manner to contribute to Turkey's development.

QUALIFIED AND DYNAMIC HUMAN RESOURCES

Highly qualified and experienced human resources consisting of solution-focused and dynamic employees plays a key role in Ekspo Faktoring's sustainable success. The Ekspo Faktoring team caters to client needs and expectations with a service excellence approach, high ethical standards and responsibility. Aware of the importance of being a good team, Ekspo Faktoring employees follow the developments in the financial sector closely and keep up with the requirements of the business world. Aiming to constantly enhance its service infrastructure and to build on the competencies of its human resources, Ekspo Faktoring supports the continuous development of its employees with training programs.

STATE-OF-THE-ART TECHNOLOGICAL INFRASTRUCTURE

Aiming to ensure security of correspondence and information exchange with banks and international financial institutions, Ekspo Faktoring became the first company in the sector to implement the SWIFT system in 2012. The Company's system infrastructure was upgraded in 2014 and this was followed by investments in 2016 to meet the requirements of the Risk Center under the Banks Association of Turkey. With these investments, the virtual platform capacity of the Company was doubled and steps were taken to create logging and testing environments, shift to centralized management of the technological infrastructure, and enhance data security. Ekspo Faktoring follows technological innovations closely while maintaining and strengthening its infrastructure to keep it up-to-date.

FOCUS ON DOMESTIC MARKETS AND EXPORTS

Ekspo Faktoring's client portfolio includes companies operating in diverse industries. The Company focuses on both domestic and export activities of its clients. Ekspo Faktoring carries out successful project, contract and order financing activities with companies operating in industries including metal industry, machinery and equipment, durable consumer goods, textiles, leather, paper, foodstuff and construction which mainly import raw materials for export purposes to support the real sector. Ekspo Faktoring offers the most suitable financing options by assessing client needs with a multi-dimensional approach, thus adding value to the Turkish economy.

TL 193+ MILLION

SHAREHOLDERS' EQUITY

Ekspo Faktoring maintained its successful performance consistently, increasing its shareholders' equity by 11% to TL 193.2 million.

MANAGEMENT APPROACH

Ekspo Faktoring conducts its business in alignment with ethical values, international criteria, and applicable legislation, regulations and standards.

Empowered by the vast experience and know-how of its founders and driven by the synergy created by the second generation at the helm, Ekspo Faktoring implements the "new traditional banking" approach with great success. As the first company to disclose its financial statements, to publish its annual report, to appoint independent board members and to work with international independent audit firms for audits, Ekspo Faktoring contributes significantly to raising the standards in the sector.

In addition to adopting a proactive management strategy, Ekspo Faktoring also keeps its focus on transparency and reliability as a priority, conducting its business by upholding ethical values and complying with international criteria, applicable legislation, regulations and standards across all its operations. With financial discipline and accountability among its key principles, Ekspo Faktoring's corporate governance approach is grounded on transparent management, effective risk management and internal control mechanisms. Appointment of an independent member to the Board of Directors is an indicator to the Company's commitment to the principles of transparency and accountability.

CORPORATE GOVERNANCE THROUGH COMMITTEES

Ekspo Faktoring has a number of committees in place since the Company's establishment to achieve sustainable corporate development. These committees work actively to ensure that the company culture and corporate governance approach are implemented in the same standards across the organization and to strengthen internal communication. The committees and their respective duties are described below:

Headed by the General Manager, **the ALCO (Asset-Liability) Committee** convenes weekly with the group managers, who engage in activities that might affect the balance sheet. The meeting agenda includes evaluation of the balance sheet, departmental activities, credit risks of clients, general economic data, current political and economic developments, current legislation and prospective placements, as well as determination of the weekly strategy.

The Risk Assessment Committee convenes weekly and more frequently when needed. The Committee considers the proposals regarding corporate clients' utilization requests and evaluates the suggestions of the Marketing Department to approve or reject them within the limits of its authority. Proposals exceeding these limits are presented to the Board of Directors for approval.

The Liquidity Committee, chaired by the General Manager, convenes weekly with senior executives. Current interest rates in the financial markets, weekly positions to be taken with the banks and interest rates offered by banks are discussed, considering daily, weekly, quarterly, semi-annual, and if possible, annual outlooks. Assessing available bank limits and collateral maintained with banks, determining the financial institutions to work with and obtaining information about their financial structures also fall within the responsibilities of the Committee.

The Information Technologies Committee, headed by the General Manager, convenes annually and is responsible for researching the latest information technologies in which the Company might need to invest. Ekspo Faktoring is audited by an international independent audit firm to prevent internal and external risks associated with information technologies. Taking action according to the results of this audit is among the primary duties of the Information Technologies Committee.

The Human Resources Committee, headed by the Board Member in charge of Human Resources, convenes every December. The Committee evaluates the vertical (advancement in title as well as duties and responsibilities) and horizontal (a change in duties and responsibilities under the same title) promotion of all employees and reaches its final decisions. The Committee also determines the actions - from orientation processes for new employees to training programs - to enhance the efficiency of the Company's human resources.

PRODUCTS AND SERVICES

Ekspo Faktoring offers a wide range of products and services and develops fast and effective business processes with its team of experienced specialists to meet client expectations and needs.

With the customer satisfaction principle placed at the core of all of its business processes, Ekspo Faktoring always focuses on enriching and improving its product range and implementing more effective marketing strategies to expand its client portfolio. Anticipating the clients' potential and providing timely financing, guarantee and cash management alternatives play a key role in helping the clients undertake and deliver successful business processes and projects. Ekspo Faktoring meets client expectations and needs with tailored solutions.

In addition to project financing for its clients' domestic and international projects, Ekspo Faktoring also offers guarantee and collection services. With its strong financial structure, Ekspo Faktoring is committed to ensuring transparency and acting with due diligence for its clients against all kinds of volatility that may occur in the financial and real sectors, using these processes as opportunities to better understand clients and enhance its experience in risk management. Ekspo Faktoring closely follows the conditions in the markets that have economic and commercial relations with Turkey and addresses financing opportunities to support its clients towards creating maximum added value.

STRUCTURED FINANCE

Importing raw materials for export-aimed production needs as well as generating energy and mining natural resources play a critical role in the exports and national welfare of Turkey and many other emerging economies. With commodity prices trending high in the recent years and causing an unprecedented rise in demand, businesses are forced to seek additional credit lines. Structured finance, which has so far been effective in meeting these demands, functions as a way of creating funds by pledging future cash flows and current receivables as collateral.

Ekspo Faktoring has been providing structured pre-export financing options since 2012. With USD 142 million in structured finance secured through international finance institutions to date, it has supported industrial companies for sourcing raw materials.

PRE-SHIPMENT FINANCING

This enables its clients to receive an advance payment up 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 by considering several parameters, such as the continuity and reliability of the relations between the client and the buyer, the duration of shipment and the client's credibility since the amount would be claimed from the client in the event that the export receivable cannot be collected. This type of financing allows Ekspo Faktoring clients to gain a price advantage in procuring the goods in cash or to perform debt servicing.

IMPORT FINANCING

With its international reputation and correspondent network, Ekspo Faktoring is able to meet its clients' import finance needs swiftly. The guarantee given by Ekspo Faktoring to the foreign parties against the risk of non-payment by the importing clients is accepted by international banks. The guarantee that Ekspo Faktoring extends is recognized by some of the largest banks in the Far East, Asia, the US and Europe and, if need be, a discount is applied, and the supplier is paid in advance.

EXPORT FINANCING

Companies need to generate cash to finance their growth and financing is an important issue, particularly for exporters selling to developed and emerging countries. Cash flow is a common problem that many exporters face. With long years of experience in this field, Ekspo Faktoring has been offering export finance since 2002.

In export finance, Ekspo Faktoring extends funds at attractive prices for exporters against their current or future receivables. Furthermore, comprehensive insurance agreements with export development agencies or private insurance companies provide long-term funding for machinery exports or large-scale commodity exports to emerging countries with a certain level of risk or countries that experience domestic turbulence, thus preventing potential political or credit risks.

Ekspo Faktoring, which became one of the first factoring companies to be allocated a credit line by the Turkish Eximbank in 2015, offers post-shipment export rediscount loans. Aiming to boost the competitive strength of its exporter clients in global markets, Ekspo Faktoring joins forces with Turkish Eximbank to provide export finance options in Turkey.

SUPPLIER FINANCE

Supplier finance is regarded as an important support by many companies for operating capital and financing. Large-scale buyers that utilize supplier financing are able to create an alternative financing option at a lower cost for suppliers of goods and services in all sizes to help them with their cash flows.

TRADE FINANCE SOLUTIONS

With a team of experienced specialists, Ekspo Faktoring offers unique financing schemes to help its clients achieve liquidity. Trade finance solutions involve a structure in which several products that Ekspo Faktoring offers can be combined to meet client needs; these include purchasing current or future receivables, guarantees, purchasing trade receivables irrevocably, supply chain financing, discounting confirmed letters of credit, post-financing, assignment of receivables, giving payment guarantees and inventory financing. The Company has met its clients' financing needs with several structuring deals to date as it continues to pursue new and innovative solutions.

2020 FIGURES

EKSPO FAKTORİNG

TL 193.2 MILLION SHAREHOLDERS' EQUITY

TL 325.3 MILLION ASSET SIZE

TL 1 BILLION TURNOVER

73% DOMESTIC 27% INTERNATIONAL SHARE IN TURNOVER

USD 40.1 MILLION FOREIGN TRADE FINANCE

USD 38.5 MILLION EXPORT TURNOVER

USD 1.6 MILLION IMPORT TURNOVER

TL 24.8 MILLION PROFIT BEFORE INCOME TAXES

USD 40.1

MILLION

FOREIGN TRADE FINANCING SUPPORT

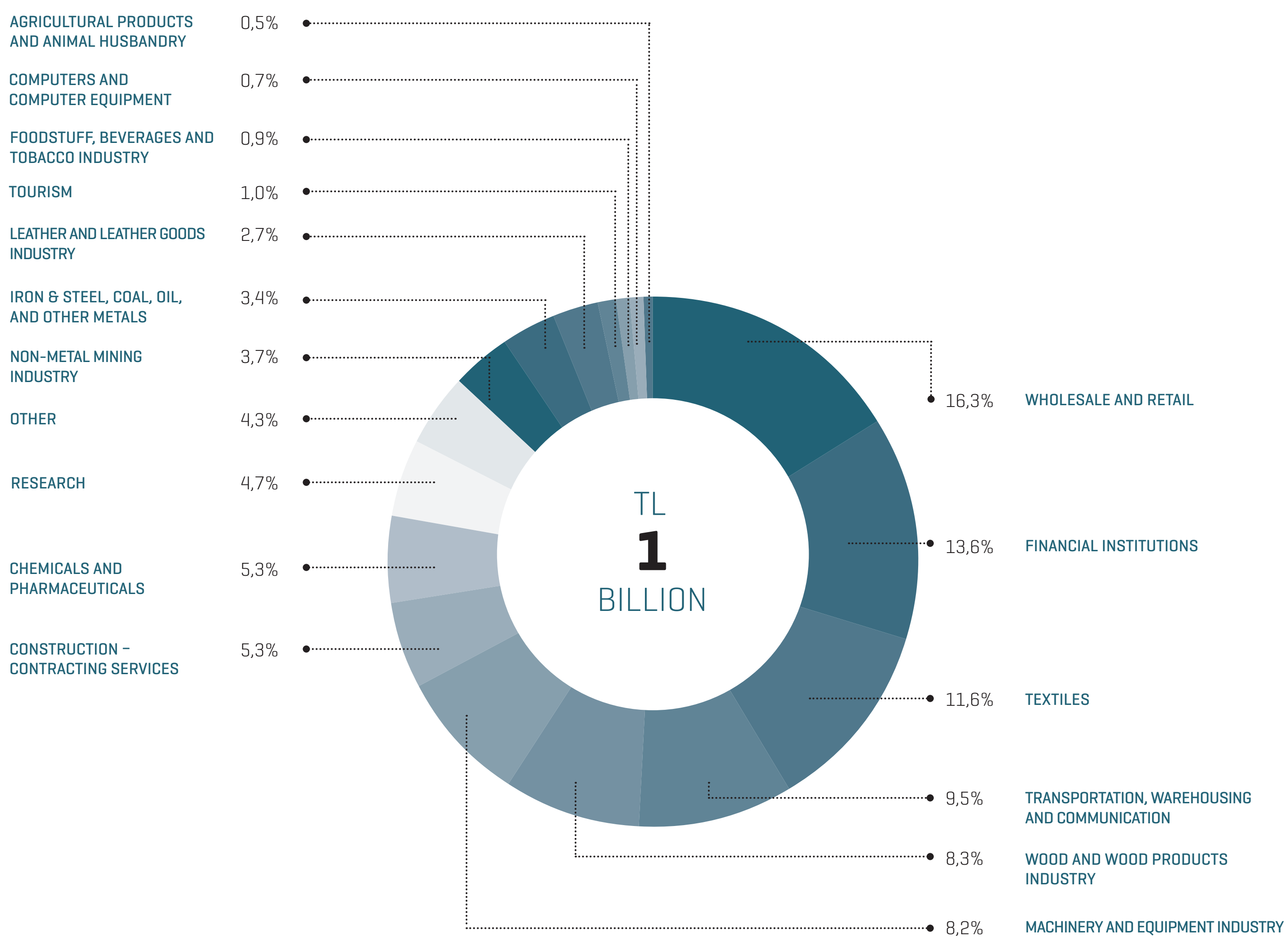
In 2020, Ekspo Faktoring extended USD 38.5 million in export financing and USD 1.6 million in import financing to companies from diverse industries.

TRANSACTIONS FINANCED IN 2020

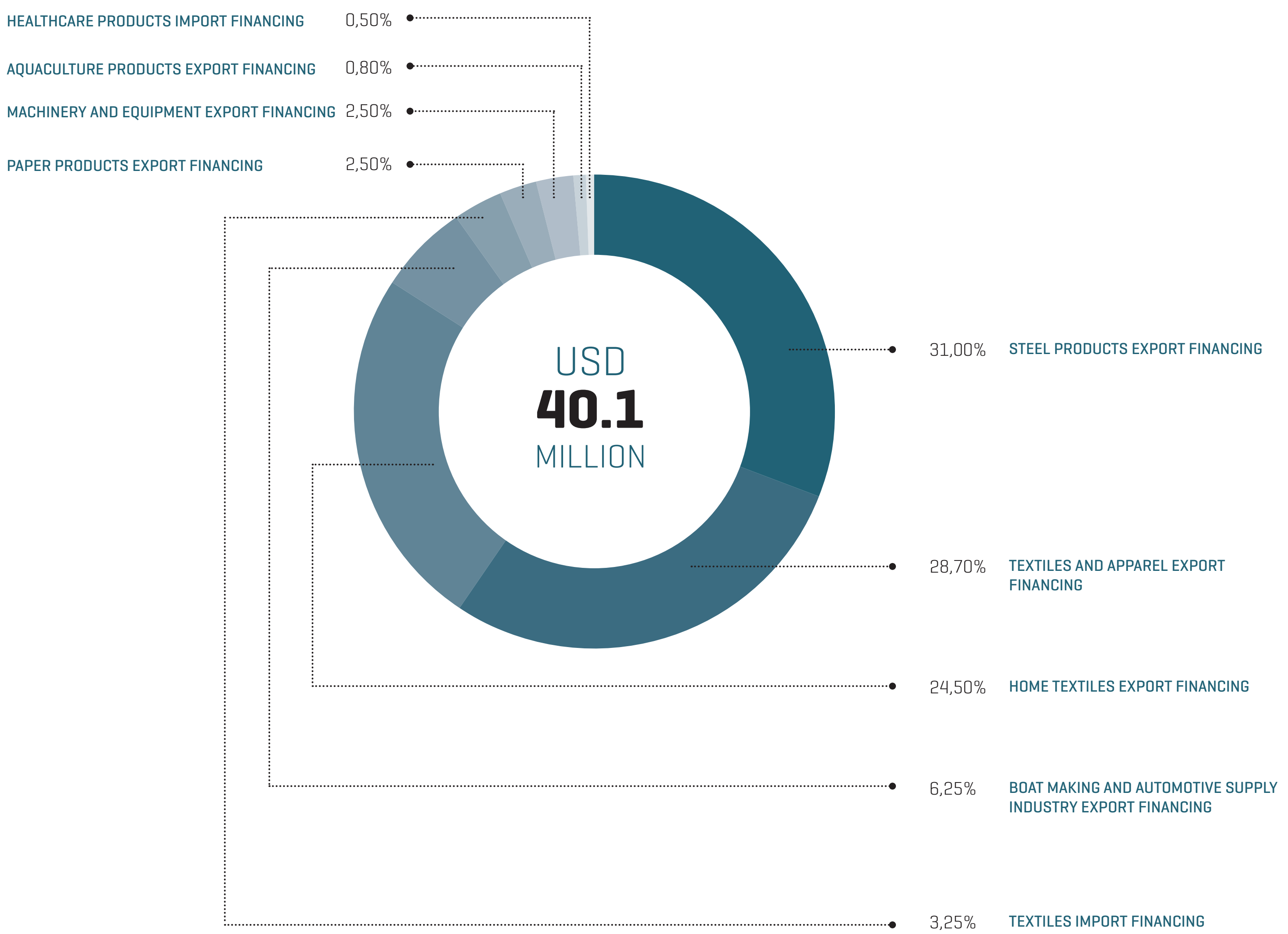
In the last decade, Ekspo Faktoring supported its clients across various industries by financing foreign trade transactions of nearly USD 645 million.

Ekspo Faktoring develops strategies to help its clients in various industries towards attaining their business goals and offers traditional products as well as innovative foreign trade products tailored to their requirements. The Company follows a targeted marketing approach and serves as a strong bridge between the Turkish private sector and domestic and foreign financing institutions. In 2020, Ekspo Faktoring extended financing in the total amount of USD 40.1 million to clients operating in various industries from wholesale trade and textiles to finance, construction and transportation.

TRANSACTIONS FINANCED IN 2020 BY INDUSTRY



FOREIGN TRADE TRANSACTIONS FINANCED IN 2020



Serving clients which operate in various fields, Ekspo Faktoring's portfolio in 2020 included sectors such as steel, textiles, healthcare, machinery and equipment and automotive supply industry.

STEEL PRODUCTS

EXPORT FINANCING

USD 12.4 million
(2020)

The steel industry, primarily producing high value products such as construction steels, pipes and profiles, continues to grow with new investments. Steel is among the industries for which Ekspo Faktoring provides export financing.

TEXTILES AND APPAREL

EXPORT FINANCING

USD 11.5 million
(2020)

Turkish textile exports grew steadily starting in 1985 and became a major export item since then. Today, the industry still creates high added value for the national economy. Ekspo Faktoring supports textile and apparel exports with long-term financing.

HOME TEXTILES

EXPORT FINANCING

USD 9.8 million
(2020)

With a significant share in global home textiles trade, the Turkish home textiles industry ranks among Turkey's highest exporting sectors. Ekspo Faktoring supports the industry through medium-term financing of home textiles exports.

In addition to traditional products, Ekspo Faktoring also designs and offers innovative foreign trade solutions, tailored to client needs.

BOAT BUILDING AND AUTOMOTIVE SUPPLY INDUSTRY

EXPORT FINANCING

USD 2.5 million
(2020)

Boat building and automotive supply industries are emerging sectors in Turkey. Ekspo Faktoring has worked with clients in these industries in the past and in 2020, this support continued to increase.

TEXTILES

IMPORT FINANCING

USD 1.3 million
(2020)

The textiles industry demonstrates steady growth in terms of investments and employment while also creating significant tax revenues for the Turkish economy through imports. Ekspo Faktoring continues to provide import financing for major Turkish textile companies.

MACHINERY AND EQUIPMENT

EXPORT FINANCING

USD 1 million
(2020)

Machinery industry ranked among the top three sectors with the highest export volume last year. Machinery industry accounts for 10.5% of Turkey's total exports of USD 180.5 billion, according to overall trade data. In 2020, Ekspo Faktoring continued to extend financing support to focal sectors within the scope of its core strategies. Financial support for machinery manufacturing and exports is only expected to increase in the years to come.

PAPER PRODUCTS

EXPORT FINANCING

USD 972 thousand
(2020)

The paper and printing industry ranks among the sectors with high growth and expansion potential, both in Turkey and across the world. Ekspo Faktoring acts as an intermediary in foreign trade transactions of leading paper and printing companies in their trade with European countries. The Company also extends financial support to meet the financing requirements for pre-production and postproduction phases of the paper products industry, which is a supplier of various sectors.

AQUACULTURE PRODUCTS

EXPORT FINANCING

USD 315 thousand
(2020)

Investments in aqua-farming in seas and inland water resources along with facilities and infrastructure for cultivating and processing seafood have gained momentum in recent years. Ekspo Faktoring provides financing support for frozen fish and processed seafood exports to various European countries.

HEALTHCARE PRODUCTS

IMPORT FINANCING

USD 200 thousand
(2020)

The rapidly growing medical and healthcare products industry gained even more importance with the pandemic last year. Ekspo Faktoring provided financing support for import transactions of companies selling medical and healthcare products in 2020.

FINANCIAL INDICATORS

Capturing a perfect balance between innovation and tradition in its operations while focusing on the client, Ekspo Faktoring increased its shareholders' equity to more than TL 193 million and achieved a total financed transaction volume of TL 1 billion.

FINANCIAL INDICATORS	DECEMBER 2018 (TL THOUSAND)	DECEMBER 2019 (TL THOUSAND)	DECEMBER 2020 (TL THOUSAND)
TOTAL ASSETS	289,755	309,561	325,321
TOTAL SHAREHOLDERS' EQUITY	152,200	173,787	193,208
PAID-IN CAPITAL	60,000	60,000	60,000
NET WORKING CAPITAL	151,745	171,669	190,436
FACTORING RECEIVABLES	267,796	290,392	299,265
FACTORING PAYABLES	8,261	16,316	14,194
NET ADVANCES TO CLIENTS	259,535	274,076	285,071
BANK LOANS, BOND LOANS	124,183	116,500	113,931
TOTAL INCOME	92,106	87,106	62,035
FACTORING INCOME	86,294	74,071	44,216
GROSS PROFIT	37,653	27,512	24,761
NET PROFIT	29,305	21,587	19,421

FINANCIAL DATA (%)	DECEMBER 2018	DECEMBER 2019	DECEMBER 2020
CURRENT RATIO (TIMES)	2.10	2.28	2.45
LIQUIDITY RATIO (TIMES)	2.08	2.25	2,44
NET WORKING CAPITAL/TOTAL ASSETS RATIO	52	55	59
LIQUID ASSETS/TOTAL ASSETS RATIO	98	98	98
DEBTS/ASSETS (INDEBTEDNESS RATIO)	47	44	41
DEBTS/EQUITY (FINANCIAL LEVERAGE RATIO) (TIMES)	0.82	0.67	0.59
FINANCIAL LIABILITIES/TOTAL ASSETS RATIO	43	44	41
INTEREST COVERAGE RATIO (TIMES)	1.95	3.21	4.05
GROSS PROFIT MARGIN	25	26	15
NET PROFIT MARGIN (SALES PROFITABILITY)	11	10	8
RETURN ON EQUITY (EQUITY PROFITABILITY)	27	17	13

TOTAL TURNOVER (TL THOUSAND)

2020	1.000.000
2019	1.368.625
2018	1.405.754

TOTAL INCOME (TL THOUSAND)

2020	62.035
2019	87.106
2018	92.106

GROSS PROFIT (TL THOUSAND)

2020	24.761
2019	27.512
2018	37.653

TOTAL ASSETS (TL THOUSAND)

2020	325.321
2019	309.561
2018	289.755

TOTAL SHAREHOLDERS' EQUITY (TL THOUSAND)

2020	193.208
2019	173.787
2018	152.200

FACTORING RECEIVABLES (TL THOUSAND)

2020	299.265
2019	290.392
2018	267.796

2020 PERFORMANCE

Ekspo Faktoring maintained its consistent performance in 2020 and continued to help its clients achieve their targets with a strategic approach.

STRONG, MULTINATIONAL CLIENT PORTFOLIO

Ekspo Faktoring caters to a client portfolio consisting mainly of Turkey's top 500 companies and multinationals. The Company builds relationships based on mutual trust and embraces a win-win approach with its clients. In 2020, Ekspo Faktoring continued to take part in numerous important business processes and projects while maintaining its focus on transparent management, strong international partnerships and customer satisfaction. The Company has developed unique financing products tailored to the requirements of its clients, which it regards as business partners. As of year-end 2020, Ekspo Faktoring reached TL 1 billion in turnover, managing its turnover with consistency since its establishment.

LEADING IN EXPORT AND IMPORT FINANCING

With an experienced team of experts, Ekspo Faktoring expanded its product and service diversity in 2020 and maintained its leading position in export and import financing. Ekspo Faktoring also continued to support companies mainly engaged in imports and exports through effective financing solutions by focusing on financing both domestic and foreign trade. Offering financial services and resources with a strategic perspective to help its clients achieve their targets, Ekspo Faktoring contributed USD 40.1 million toward financing foreign trade.

SIGNIFICANT CONTRIBUTION TO EXPORT POTENTIAL

Always standing by Turkish exporters, Ekspo Faktoring provides a valuable contribution towards developing Turkey's export potential. The funds that the Company secures through its international correspondent network and the assurances it provides result in financing advantages for its clients. The financial products and services that Ekspo Faktoring offers create a competitive edge for Turkish companies trying to sell to foreign markets in today's challenging circumstances. Positioned as a solution partner to Turkish exporters, Ekspo Faktoring strives to find new markets for export products and to offer exporters a competitive edge in international markets. In 2020, Ekspo Faktoring extended USD 38.5 million in export financing to several industries including textiles, aquaculture, metals, healthcare, boat making and automotive supply, paper products, machinery and equipment and leather goods. The Company aims to increase the amount of its export financing.

VISION OF BECOMING AN INTERNATIONAL PLAYER

Aware of the importance of establishing international connections for its operations, Ekspo Faktoring continued to pursue partnership opportunities to strengthen foreign relations further in 2020. Even though travel was restricted due to the pandemic last year, the senior executives maintained close contact with international finance institutions.

Following its vision of becoming an international player, Ekspo Faktoring joined Factors Chain International (FCI), the world's largest non-bank financial services network, in 2004. The Company continued to expand its correspondent network and financial resources in 2020, thanks to strong relationships with other member institutions of FCI, which has nearly 400 members in 90 countries. FCI was set up in 1968 as an umbrella organization to support the development of global trade volume and promote best practices in international standards. Transactions carried out by FCI members account for approximately 80% of global factoring volume.

SUPPORTING NATIONAL ECONOMY

Maintaining a competitive edge with a flexible organization structure enables Ekspo Faktoring to help its clients succeed in launching and implementing projects and all business processes while also indirectly contributing to the national economy. The total assets of Ekspo Faktoring, which stands apart in the sector with innovative and pioneering practices, amounted to TL 325.3 million in 2020.

INTERNATIONAL RATINGS AND AUDITS

Ekspo Faktoring, boasting a privileged position in the sector with a strong shareholders' equity and healthy asset quality, has been evaluated by international rating agencies Fitch, Moody's and JCR Eurasia Rating since 2006. The Company changes the rating agencies and audit firms at certain intervals as specified by the European Union Audit Reform for the assurance of audit results and ratings.

In a report released on March 19, 2021, JCR Eurasia Rating confirmed the long-term national rating of Ekspo Faktoring as 'A+ (Trk)' and determined the outlook of the Company as Stable. Long-term revenue generation capability, asset quality, a capital adequacy ratio above the factoring sector average and lower leverage ratios as well as high level of risk management skills, experience and effective management capabilities were instrumental in Ekspo Faktoring receiving such a positive rating.

FINANCIAL ADVANTAGES

With effective solutions, Ekspo Faktoring has become a strong and trusted financial partner to major exporters and importers.

GLOBAL COOPERATION

As a leading company that offers innovative products and services, Ekspo Faktoring holds important competitive advantages such as a solid capital structure, qualified human resources and solution-based business culture, among other institutions in the non-bank financial sector. Partnering with some of the largest banks worldwide, Ekspo Faktoring is among a small number of non-bank financial institutions whose risks are purchasable. For the last two decades, Ekspo Faktoring has strived to improve and deepen relations between global and Turkish companies while continuously elevating its reputation in the international arena. Empowered by the principles of mutual trust and transparency, the Company continues to create resources for Turkish companies at reasonable costs and adopts a global perspective to offer its clients opportunities for achieving world-class results.

SUCCESSFUL STRATEGIC PARTNERSHIPS

Ekspo Faktoring has continued to elevate its position through successful strategic partnerships and further strengthened its correspondent relationships with domestic and foreign banks and financial institutions in 2020. With its strategic goals in sight, Ekspo Faktoring has expanded its product portfolio and developed effective solutions for foreign trade financing to become one of the strongest financial partners of its clients, mainly engaged in exports and imports.

TAILORED SOLUTIONS AND CONSULTANCY

The products and services that Ekspo Faktoring offers include a variety of international transactions such as Irrevocable Export Financing, Revocable Export Financing, Assignment of Export Letters of Credit, Opening Import Letters of Credit, Assignment of Export Receivables with Acceptance Credit, Import Financing, and Direct Factoring. The products and services the Company offers to the domestic market also includes Assignment of Receivables with or without Notice, and Assignment of Receivables via Checks and Bonds, as well as products and services aimed at financing deferred trade transactions. With a significant competitive edge gained since 2011 by focusing on supplier finance, Ekspo Faktoring provides market consultancy services, industry analyses and project finance among other areas with its expertise in domestic and foreign transactions.

SUSTAINABLE GROWTH

The shareholders' equity of the Company, founded in 2000 with TL 1 million capital, has reached TL 193.2 million by the end of 2020. The Company's transaction volume of TL 1 billion as of year-end 2020 has generated a profit of TL 24.8 million, completely from its main operations. As of year-end 2020, domestic transactions accounted for 73% of Ekspo Faktoring's total turnover and international transactions for 27%. The Company carries manageable levels of maturity, liquidity, and currency risks.

Traditionally, dividends are not distributed at Ekspo Faktoring, and the profits are retained in shareholders' equity. Focusing on sustainability since its establishment, Ekspo Faktoring continues to demonstrate disciplined and steady growth.

HIGH PROFITABILITY

Ekspo Faktoring carries out its operations depending heavily on its shareholders' equity, and the Company's effective business processes deliver high profitability. Pursuant to Banking Regulation and Supervision Agency's (BRSA) regulation of 24.04.2013, non-bank finance companies are required to continuously maintain a shareholders' equity/total assets ratio of minimum 3%. Considering the changing market conditions in 2020, Ekspo Faktoring has achieved an outstanding ratio of 59%.

EXCELLENT ASSET QUALITY

As a key factor that provides a competitive edge, the low leverage ratio of Ekspo Faktoring has enabled the Company to develop strong relationships with domestic and international correspondents and financial institutions. Ekspo Faktoring's receivables are 98% revocable. Furthermore, the Company works with due diligence to ensure that a single party's debt does not exceed 10% of the related client's total outstanding risk. This is a clear indication of the Company's high asset quality and the reliability of its rating system.

Ekspo Faktoring continuously improves its risk evaluation system using methods applied by leading international rating agencies to assess its financial receivables in a healthy and consistent manner, which enables the Company to add low-risk clients to its portfolio to maintain the asset quality above sector average.

STRONG SUPPORT FOR THE REAL SECTOR

With industry expertise, strong funding structure, and a qualified human resources, Ekspo Faktoring generates fast and effective solutions to meet client expectations and requirements and embraces this approach while serving numerous local and international businesses operating in diverse industries. Ekspo Faktoring regards its clients as long-lasting, loyal business partners, and structures the funds secured from domestic and foreign banks with attractive terms and conditions to offer financing solutions tailored to their expectations. As a result of these practices, Ekspo Faktoring's asset size amounted to TL 325.2 million as of year-end 2020.

Ekspo Faktoring's 2021 target is to reach TL 550 million in placements. With its financial advantages confirmed by international rating agencies, the Company aims to maintain its profitability as well as its strong support of the real sector by developing fast and cost-effective solutions for its clients.

GLOBAL ECONOMY

In 2020, when the world faced a crisis like no other, IMF reported a global economic growth of -3.5%. In line with the pace of vaccination rollouts across the world, IMF projections for global economic growth have been revised as 5.5% and 4.2% in 2020 and 2021, respectively.

THE UNPRECEDENTED IMPACT OF THE PANDEMIC

The COVID-19 pandemic, which began to take hold of the whole world from the first quarter of 2020, had a massive impact on all aspects of life with the fallout causing the economies to shrink at unprecedented levels. In part as a result of the lockdowns imposed around the world, the second quarter of the year saw a serious decline in the production and service sector revenues and the global trade volume. The US economy recorded -3.5% growth, its worst performance since World War II. The Fed acted swiftly to address the economic challenges caused by the COVID-19 pandemic and cut the policy interest rate by 150 percentage points in March 2020 to the 0-0.25% levels.

Even though the Democratic Party's candidate Joe Biden won the presidential election, confirmation of the results by the Electoral College took longer than usual and the riots at the Capitol perpetrated by Trump supporters ended in six deaths, with both facts showing that political polarization in the US has reached an irreparable point, at least in the short term. Those who defended that Trump, who went down in US history as the first sitting president to be impeached twice, would lose his control over the Republican Party after the elections were proven wrong. Considering that Trump still has power within the Republican Party, it seems that the deep divide between the Democratic Party and the Republican Party will continue in the Biden era. With the Democratic Party holding the majority in the US Senate, expectations from the Biden administration are high to pass important bills urgently to pave the way for long-term initiatives, especially in the economy for 2021 and beyond. The first of these decisions was announced in early March 2021 in the form of a USD 1.9 trillion economic stimulus package. On the other hand, the Biden administration is expected to follow the previous administration's economic policies that focused on domestic production.

In its January 2021 report, the World Bank's economic growth projection for the US was 3.5% for 2021. Meanwhile, the Euro Zone recorded -0.3% inflation, in other words, deflation in 2021 whereas in Japan, the inflation rate remained at zero percent.

EURO ZONE

In the Euro Zone, which was one of the hardest hit regions by COVID-19, economic growth was -7.4% in 2020. The economic downturn brought about by the pandemic in the second quarter and the second wave that followed contributed to this result. The European Central Bank predicts growth rates of 4% and 4.1% for 2021 and 2022, respectively. However, the problems in vaccination rollouts seen early in 2021 and more infectious mutations of the coronavirus appearing present challenges in terms of realizing these growth projections.

THE UK, GERMANY, AND FRANCE

The UK, one of the countries hit the hardest by the COVID-19 pandemic recorded negative growth, -9.9%, which was fueled by the Brexit process in 2020. This is the highest level of economic tightening the country has seen since 1709. On the other hand, the German and French economies also left behind a difficult year, recording -5% and -8.3% in economic growth, respectively. Bank of England's economic growth projection for 2021 is 5% while Germany and France are expected to grow 3% and 5%, respectively.

CHINESE ECONOMY

In 2020, the Chinese economy marked its lowest growth rate in the last 40 years with 2%. The overall decline in demand for goods and services both in the domestic market and the world at large due to the pandemic was the primary cause of the Chinese economy's low growth performance. On the other hand, the inflation rate was steady at 2.5%, remaining at the same level as in 2019. In its January 2021 Global Economy report, the World Bank's growth projections for the Chinese economy were 7.9% and 5.2% in 2021 and 2022, respectively. China's FX reserve, which was USD 3.1 trillion at the beginning of 2020, rose to USD 3.2 trillion by the end of the year.

EMERGING MARKETS

According to World Bank data, the emerging economies recorded -2.6% growth in 2020. The Indian economy is estimated to shrink by 9.6% in 2020. In its January 2021 Global Economy report, the World Bank's growth projections for the Indian economy were 5.4% and 5.2% in 2021 and 2022, respectively.

OIL AND COMMODITY PRICES

Oil prices, which saw serious downward trends throughout 2020, closed the year at USD 51.2 levels with a nearly 24% drop compared to the end of 2019. With several countries imposing lockdowns from April 2020 onward, the oil prices decreased to USD 9.1 levels in line with low demand. Despite dropping significantly in the second quarter, commodity prices returned to 2019 levels by the end of 2020. Oil prices are expected to fare between USD 50 and USD 60 due to the lower demand as a result of the COVID-19 pandemic.

2021 OUTLOOK

According to its January 2021 report, the World Bank's global economic growth projection was 4% for this year. Meanwhile, IMF (International Monetary Fund) announced in January 2020 its global economic growth projections for 2021 and 2022 as 5.5% and 4.2%, respectively.

Even if COVID-19 is brought to manageable levels with vaccination rollouts, the pandemic will continue to affect the global economy for a long time. Economic decisions that the countries will make to ensure equitable, sustainable and balanced growth in response to the growing debts and budget balance pressures they face as well as the implementation of radical and permanent reforms will be key solutions to mitigate the prolonged impact of the pandemic. In particular, reforms that support increased human and physical capital and encourage women's participation in the workforce will enable emerging countries to overcome the fallout of the pandemic more easily.

TURKISH ECONOMY

Despite recording -10.3% in economic growth in the second quarter of the year due to the pandemic-related measures, the Turkish economy grew by 1.8% in 2020 with the introduction of support and loan packages.

NEGATIVE GROWTH DUE TO THE PANDEMIC

Despite recording -10.3% in economic growth in the second quarter of the year, due to the pandemic-related measures, the Turkish economy grew by 1.8% in 2020 with the introduction of support and loan packages. Still, the Turkish economy performed well below the 5.5% growth target for 2020 indicated in the Medium-Term Program. The COVID-19 pandemic and its unprecedented impact on the global economy is the primary reason for the wide gap between the actualized and targeted rates. The current account deficit dropped to USD 36.8 billion with a decrease of USD 43.5 billion while the foreign trade deficit rose to USD 49.4 billion with an increase of 69.1%.

POSITIVE CURRENT ACCOUNT BALANCE

The decline in the foreign trade volume and service sector activities due to the COVID-19 pandemic resulted in a current account deficit of USD 36.8 billion in 2020. As such, current transactions, which produced a current account surplus of USD 6.8 billion in 2019, decreased by USD 43.5 billion. In 2020, budget expenditures rose to TL 1.202 billion with an increase of 20.2% while budget revenues increased by 17.6% to TL 1.029 billion. The budget deficit widened considerably, reaching TL 173 billion. Tax revenues, which constitute 81% of the budget revenues, increased by 23.6%. Taxes from domestic goods and services at TL 83.9 billion accounted for the biggest share in the TL 159 billion increase in tax revenues, which amounted to TL 833 billion. The central management's gross debt stock was TL 1,812 billion, with TL 794.4 billion consisting of debts in local currency and TL 1,017.7 billion in foreign currency.

IMPORTS & EXPORTS

Exports decreased by 6.2% compared to the previous year to USD 169.7 billion while imports rose by 4.4% to USD 219.5 billion in 2020. Year on year, foreign trade volume decreased by 0.6% to USD 388.9 billion while foreign trade deficit increased by 69.1% to USD 49.4 billion, with the ratio of exports to imports dropping from 86% to 77.2%.

WORKFORCE PARTICIPATION

The unemployment rate, which was 13.7% in 2019, declined to 13.2% with a slight decrease. The total number of unemployed people reached 4.061 million people, with workforce participation rates of 68.2% among men and 30.9% among women.

INFLATION AND CURRENCY RATES

As a result of the lockdown measures imposed against the pandemic, the economy recorded -10.3% growth in the second quarter. Following the introduction of the TL 100 billion Economic Stability Shield Package, which included several measures to curtail the impact of the pandemic and the normalization process that started in June, the economy began to show signs of recovery. However, despite the momentum created by the incentive programs and the opening of a flood of state-subsidized loans to stimulate economic recovery, inflationary pressures began to appear. The VAT rates were cut to 8% from 18% in several sectors until the end of the year while the VAT rate of 8%, applicable for services in the hotel and food & beverage industries, directly or indirectly related to the tourism sector, was decreased to 1% temporarily until June 2021. The government decided to reduce the income tax rate of 20% to 10% applicable for the workplace lease payments of the craftsmen, merchants, self-employed individuals and companies until June 2021 as well.

In the last two meetings of the year, the new economy management increased the interest rate by 6.75 points to 17% and returned to a single interest policy by simplifying the process. As the USD and Euro rates showed a downward trend late in the year, the CPI inflation rate closed 2020 at 14.6% and PPI at 25.15%. The Turkish Central Bank's gross foreign exchange reserves, which started 2020 at USD 78 billion, dropped to USD 40 billion levels in November.

CREDIT RATINGS

Rating agencies Standard & Poor's (S&P), Fitch and Moody's still keep Turkey's credit rating below 'investment' levels. In August 2020, Fitch maintained Turkey's rating at 'BB-' but downgraded its outlook from stable to negative. Then, on February 19, 2021, Fitch kept the rating the same and revised the outlook as stable again. S&P, which maintained Turkey's rating at 'B+' in May 2020 and outlook as stable, repeated the same ratings in its July 2020 and January 2021 reports. On the other hand, Moody's downgraded the credit rating from 'B1' to 'B2' in September 2020 while maintaining the outlook as negative. Historically, this marked the lowest rating that Moody's reported for Turkey.

2021 OUTLOOK

The timing of vaccination rollouts, the key to the way out of the COVID-19 pandemic, will also determine the course of normalization in 2021. It will take time to see a possible positive outcome from the economic package, which was announced in March 2021 and includes macroeconomic stability and structural policies. As the prolonged pandemic continues to take its toll, recovering from the fallout will put more pressure on the economy.

Two factors that will assist the Turkish Lira in recovering from devaluation will be for the Central Bank's policies to meet the expectations and for the people who save in foreign currency and gold to have more confidence in the economy management. In a scenario where interest rates are cut starting from mid-2021, year-end inflation rate may decline to a level close to the Central Bank's projection of 9.4%. IMF, World Bank and OECD (Organization for Economic Cooperation and Development) anticipate the Turkish economy to grow by 6%, 4%, and 2.9%, respectively in 2021.

ECONOMIC DATA

With the measures and credit packages introduced against the impact of the COVID-19 pandemic, the Turkish economy grew at a rate of 16.8% in 2020 while GDP rose to TL 5,048 billion in current prices.

BANKING INDUSTRY TOTAL ASSETS	(TL BILLION)
2020	6,106
2019	4,490
2018	3,867

GROSS DOMESTIC PRODUCT (CURRENT PRICES)	(TLBILLION)
2020	5,048
2019	4,320
2018	3,758

BANKING SECTOR NET PROFIT	(TL BILLION)
2020	58.5
2019	49.0
2018	54.1

GROSS DOMESTIC PRODUCT GROWTH RATE (CURRENT PRICES)	(%)
2020	16.84
2019	14.95
2018	19.93

IMPORTS	(USD BILLION)
2020	219.5
2019	210.3
2018	231.2

EXPORTS	(USD BILLION)
2020	169.7
2019	180.8
2018	177.2

Source: Banking Regulation and Supervision Agency (BDDK) and Turkish Statistical Institute (TÜİK)

In 2020, Turkey's exports declined by 6.2% year on year to USD 169.7 billion whereas imports were up 4.4%, reaching USD 219.5 billion.

CONSUMER PRICE INDEX (%)

2020	14.60
2019	11.84
2018	20.30

GROWTH RATE OF THE TURKISH ECONOMY (%)

2020	1.80
2019	0.90
2018	2.60

UNEMPLOYMENT RATE (%)

2020	13.20
2019	13.70
2018	11.00

GROSS DOMESTIC PRODUCT PER CAPITAL USD

2020	8,599
2019	9,127
2018	9,632

Source: Banking Regulation and Supervision Agency (BDDK) and Turkish Statistical Institute (TÜİK)

EVOLUTION OF THE BANKING SECTOR

The banking sector recorded 36% increase in total assets while profitability declined year on year in 2020.

DEEP-ROOTED BANKING TRADITION

The Turkish banking system is built on a deep-rooted banking tradition tracing back to the 19th century. The economic life in the last period of the Ottoman Empire was heavily influenced by the economic structure in European countries. With the establishment of foreign banks, followed by Ottoman Bank in 1863, money and capital markets began to develop in the modern sense. Following the declaration of the Second Constitutionalist Monarchy Period, national banks that relied on domestic capital grew in number. This period, which ended with the War of Independence, is significant in Turkish history as a period of gaining experience in banking. At the Turkish Economy Congress, which convened four months before the signing of the Treaty of Lausanne, the economic targets of the Republic were determined, and several privileges previously granted to foreign banks were retracted by the Treaty. The resolutions reached during the Congress about the national character of economic development constituted the first steps of the statist approach that would make its mark on the Turkish economy until the 1950s. The "golden principle" was adopted for public finance with a balanced budget approach that aimed to avoid deficits in the state budget.

DEVELOPMENT OF NATIONAL BANKING

Following the proclamation of the Republic, several banks were established with government incentives to promote national banking and the Central Bank of the Republic of Turkey (TCMB) was founded in 1931. After the Great Depression that led to economic collapse worldwide, government interventions were seen in banking. Starting with this period, the weight of public banks increased in Turkey. After World War II, government control over the economy began to loosen as a new development policy led by the private sector started to prevail. Private sector banking flourished in this period and with the transition to multiparty democracy, the economy began to expand beyond borders. However, from 1953 onward, the economic balances were upset as inflation rates and foreign trade deficit rose rapidly.

STATE-CONTROLLED BANKING

In the early 1960s, 15 banks terminated their operations and were dissolved as the banking system was once again under government control. Until the 1980s, the Turkish economy maintained an isolated look with the governments adjusting interest rates and exchange rates without much consideration for international markets. From 1980 onward, liberalization was introduced in the financial system and the economy reopened to international markets. As the financial system expanded with rapid economic growth, the banking sector began integrating with international banking and financial systems. Several international banking institutions including commercial, investment and retail banks started operations in Turkey and established partnerships with Turkish banks while major Turkish banks opened branches and established new banks abroad.

FX MARKETS ARE BORN

With TCMB lacking sufficient reserves to intervene in a timely and efficient manner, the banking and financial crisis of 1994 spread and became a threat for the entire banking sector and the economy. The main reason for the banking sector to be so seriously affected by the 1994 crisis was the drop in profitability due to the low exchange rate-high interest rate policies of 1989-1993 no longer being in place. With the regulations introduced in 1989, money markets and foreign currency markets were established, and investors began to turn to foreign currency. However, the Treasury and TCMB fell short in introducing regulations to balance this new trend. In this competitive environment where the number of banks multiplied and the market itself determined the interest rates; the banking system faced a crisis that was exacerbated with the influence of globalization.

INTRODUCTION OF FACTORING

The first factoring activities in Turkey began in 1988 with transactions carried out by the banks. In 1990, the first authorized factoring company was founded. Factoring, which is the leading sector in the non-bank financial segment with an important role in diversifying and developing financial services, began to develop rapidly from the second half of the 2000s onward. Turkey entered the new millennium in an environment of major economic decisions. In February 2001, another economic crisis unfolded with the decline of confidence in financial markets. Consequently, the money and foreign currency policies projected in the Disinflation Program of 2000 were abandoned and a flexible exchange rate system was adopted on February 22, 2001, effectively bringing the disinflation program to an end.

THE IMPACT OF CRISES ON BANKING

The 2000-2001 crisis caused significant damage to the financial system, and particularly to the Turkish banking sector. The "Restructuring Program for the Banking System", introduced in the aftermath of the crisis under the supervision of the IMF, marked the start of reforms in the financial system. Within the scope of the program, the capital structures of the state-owned banks were reinforced, their duty loss receivables were paid, the regulations allowing new duty losses to occur were repealed and their short-term liabilities were dissolved. The fundamental reforms introduced after 2001 enabled the banking sector to gain a strong financial and operational structure through effective regulations, inspections and strict risk management. Today, the sector, with a strong capital structure, more resilience against crises, and better international competitiveness, stands apart from the struggling banking sectors in other emerging and developed countries. As a matter of fact, Turkey happened to be the only OECD member state not to extend any type of open or discreet public support to the banking sector after the 2008- 2009 crisis.

SUSTAINABLE GROWTH IN THE SECTOR

The sector has grasped the importance of introducing regulations to ensure its sustainability by identifying the issues in the system in a timely manner and resolving them quickly and efficiently. A strong economy can only be possible through a growing and healthy financial sector. In a country with resource deficits like Turkey, having a strong banking sector is essential for using financial savings in the most economically efficient way. Building such a financial system depends primarily on the level of confidence in the system itself and macroeconomic balances supported by political stability. As of year-end 2020, there are 48 banks including 34 deposit banks along with participation and development – investment banks in the banking sector, operating with 9,939 branches and 186,612 employees. The banking sector recorded 36% increase in total assets while profitability declined year on year in 2020.

OVERVIEW OF THE BANKING SECTOR IN 2020

The Turkish banking sector maintained its strong position to a great extent despite the fallout of the COVID-19 pandemic. The sector's annual profit rose by 19.4% to TL 58.5 billion.

IMPRESSIVE PERFORMANCE DESPITE THE PANDEMIC

With the introduction of a support package, the loan volume increased significantly as profitability continued to decline. In 2020, shareholders' equity increased by 21.8% and reached TL 600 billion, compounded with the effect of retaining profits and adding them to equity while average return on equity decreased by 0.12 percentage points to 11.36%. Meanwhile, the Turkish banking sector demonstrated strong growth in 2020 with an increase of 36% in total assets. With this increase, total assets reached TL 6.106 billion.

Total loan volume rose to TL 3,576 billion and accounted for 58.6% of assets. By the end of December 2020, the sector's interest revenues amounted to TL 423.5 billion, and interest costs to TL 208.7 billion while net period profit was recorded as TL 58.5 billion. The capital adequacy ratio of the banking sector was 18.7% as of year-end 2020 while net profit increased by 19.4% year on year.

SIGNIFICANT RISE IN TL LOANS

The fact that the measures taken to offset the negative impact of the COVID-19 pandemic on the economy were primarily in the form of loan support and that the interest rates fared relatively low for the majority of the year caused a significant increase in the demand for TL loans. Accordingly, TL loans increased by 43.3% as of December 2020. In the same period, FX loan volume declined by 2.3%, with the total loan volume growing by 34.7%.

Total assets of the banking sector increased by 36% compared to the previous year to reach TL 6,106 billion. The sector's profits increase by 19.4% year on year to TL 58.5 billion. Return on assets was down from 1.16% to 1.07% while return on equity decreased from 11.48% to 11.36% compared to the previous year. The share of foreign currency deposits within the total volume of deposits, as the main funding source of the sector, rose from 51% to 55.3%. As FX deposit volume increased by 46% annually due to the exchange rate effect, the increase in TL deposit volume was around 22.8% in the same period.

STRONG POSITION DURING THE PANDEMIC

The total loan amount in the banking sector was up 34.7% from the previous year, reaching TL 3,576.4 billion in 2020. The sector's ratio of non-performing loans declined while overdue receivables increased 12% year on year, climbing to TL 152.6 billion. The ratio of the loans turning into non-performing loans dropped from 5.36% to 4.08% while the securities portfolio increased by 54.84% year on year to TL 1,202 billion.

With rapid increase compared to the previous years, deposits and non-deposit resources rose by 34.6 and 43.3%, respectively. The annual growth rate of equity rose from 16.6% in 2019 to 21.8% in 2020 while the share of equity in total liabilities was 9.8%. With a capital adequacy ratio of 18.7%, the sector performed better than regulatory ratios.

DEVELOPMENTS IN THE FACTORING SECTOR

In 2020, the factoring sector recorded TL 148.5 billion in transaction volume with a year-on-year increase of 14.3%. The sector's asset size increased by 30% to TL 48 million while the factoring receivables rose by 31% to TL 44.5 billion.

Due to the rapid interest rate cuts expected in the first half of 2020, the sector's profits dropped by 29% year-on-year to TL 1 billion levels. Meanwhile, the securities issued to diversify the funding requirements in the sector recorded a serious growth rate of 105.3%. In light of these developments, the sector's leverage ratio rose from 78% to 81.4% year on year. As of year-end 2020, there are 55 companies registered with the Association of Financial Institutions (FKB), operating with 343 branches, and providing jobs for 4,098 employees. The transaction volume of the sector increased by 14.3% annually to TL 148.5 billion, consisting of TL 128.3 billion in domestic funding, TL 18.3 billion in export financing, and TL 1.9 billion in import financing.

2021 OUTLOOK

With the tight monetary policies remaining in place as well as some recovery in domestic demand and weaker FX fluctuations, inflation rates are expected to move down toward single digits in the second half of 2021. If the Turkish Central Bank, which is expected to uphold its tight monetary policy in the first half, takes steps to cut interest rates in the second half, such a development may reflect positively on the volumes of the banking sector.

In the days to come, the sector may see a growth in loans, which would support a more balanced macro-economy and contribute to financial stability. In this case, the risk costs and asset quality will gain importance as the banks will primarily seek to capture sustainable growth. The banks will most likely remain dependent on the Central Bank for a while longer but possibly, they may need less Central Bank funding in the second half.

On the business side, the companies are expected to restart their investments while on the consumer side, the delayed demand may materialize in the second half. In terms of companies, the demand for loans to finance operating capital requirements, new machinery purchases and modernization needs may also rise.

The increasing demand for loans would be particularly seen in sectors that drive export-led growth.

HIGHLIGHTS OF THE FACTORING SECTOR

(TL MILLION)

(TL MILLION)	DECEMBER 2018	DECEMBER 2019	DECEMBER 2020	INCREASE (%)
INTERNATIONAL TURNOVER	26,208	19,751	20,236	2.5
DOMESTIC TURNOVER	118,954	109,403	128,272	17.2
TOTAL TURNOVER	145,161	129,154	148,508	15.0
RECEIVABLES IN FOREIGN CURRENCY	4,698	4,388	5,534	26.1
RECEIVABLES IN TL	26,712	29,638	39,031	31.7
TOTAL RECEIVABLES	31,410	34,026	44,565	31.0
LOANS AND BORROWINGS AGAINST ISSUED INSTRUMENTS	26,556	27,442	37,588	37.0
SHAREHOLDERS' EQUITY	6,770	8,136	8,943	9.9
TOTAL ASSETS	34,608	37,017	48,041	29.8
NET PROFIT	1,306	1,374	976	-29.0
NON-PERFORMING FACTORING RECEIVABLES (GROSS)	2,096	2,140	1,829	-14.5
SPECIAL PROVISIONS	1,717	1,730	1,599	-7.6
NON-PERFORMING FACTORING RECEIVABLES (NET)	380	410	230	-43.9
NON-PERFORMING FACTORING RECEIVABLES (GROSS/SHAREHOLDERS' EQUITY, %)	31.0	26.3	21.4	-25.4
NON-PERFORMING FACTORING RECEIVABLES (NET/SHAREHOLDERS' EQUITY, %)	5.60	5.0	2.7	-50.5
SPECIAL PROVISIONS/ASSETS (%)	5.0	4.7	3.3	-28.8

TL 325,3 MILLION

ASSET SIZE

Despite the challenges faced during the pandemic that took hold of the whole world, Ekspo Faktoring delivered consistent performance in 2020 with its commitment to always contributing to the development of the country.

INTERNAL AUDIT AND FINANCIAL CONTROL

Internal audit and financial control at Ekspo Faktoring is executed conducted by the Internal Audit and Financial Control Department in line with transparency and accountability principles.

EFFECTIVE AND TRANSPARENT INTERNAL AND EXTERNAL AUDITS

For financial companies that operate in the international arena and aim for sustainable development and growth, audits, risk management and financial control are priority areas. In companies, internal control includes all methods and measures for protecting assets with organization plans, investigating the accuracy and reliability of accounting information, improving operational efficiency and promoting commitment to predefined management policies. Ensuring that there are sufficient and auditable internal controls in place can be a very effective tool for managing current assets and growth-related risks. The Capital Markets Board (SPK), the Banking Regulation and Supervision Agency (BDDK) and Risk Center of the Banks Association of Turkey (TBB) require businesses to conduct regular audits and risk management activities. Ekspo Faktoring has an effective internal audit system put in place to reach the Company's goals and demonstrate the reliability of its financial statements in compliance with predefined policies and applicable legislation and administrative regulations.

ACCOUNTABILITY IN AUDITS

Since the Company was founded, internal audits are always conducted by a team of experts at Ekspo Faktoring. Furthermore, external audits are conducted by independent international audit firms to verify the Company's financial data and information in compliance with transparency and accountability principles. While teams of experts in their respective fields are tasked with internal and external audits at Ekspo Faktoring, two separate independent audit firms, among the leading international companies, conduct tax and financial statement audits. Material disclosures are regularly submitted to the BDDK and the Ministry of Treasury and Finance, and Independent Auditor's Report is prepared in BDDK standards.

EXPERT TEAM

The Internal Audit and Financial Control Department at Ekspo Faktoring is responsible for ensuring that all operations are effectively managed in accordance with the Regulation on Financial Leasing, Factoring and Financing Companies as well as the Company's management policies. The Department also works to make sure that the information in the books, records and data systems are readily available. The Internal Audit Department's responsibilities include auditing the activities, which employees on all levels are required to perform for the Company to function seamlessly within the governance and organizational structure defined by the Board of Directors and senior management.

The Internal Audit and Financial Control Department consists of two individuals: the Internal Audit and Financial Control Manager, and the Internal Audit and Financial Control Analyst. The department reports the results of these independent operational, financial and other controls to the management concurrently.

COMPLIANT REPORTING

Internal Audit activities include inspecting the transactions performed by relevant departments and reporting the results thereof pursuant to the Code of Obligations (TBK), Turkish Commercial Code (TTK), Tax Procedure Code (VUK), applicable statutory decrees, as well as regulations and communiqués issued by Personal Data Protection Authority, Banking Regulation and Supervision Agency (BDDK), Financial Crimes Investigation Board (MASAK), and the Ministry of Treasury and Finance and other related legislation.

On the other hand, Financial Control involves inspecting the financial statements prepared in compliance with BDDK standards, preparing quarterly Non-Bank Financial Institutions Supervision System reports and submitting them to BDDK and obtaining confirmation that these reports are imported to the database. The Internal Audit and Financial Control Department is also responsible for creating the Company's budget forecasts through macro- and micro-economic analyses, preparing relevant reports and presenting them to the Board of Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

Since January 9, 2008, non-bank finance companies have been included as obligated parties within the scope of Law No. 5549 on Prevention of Laundering Proceeds of Crime and the related Regulation No. 26751. Accordingly, the Company management assigns tasks to the Internal Audit Department to take informative and preventive measures in compliance with MASAK notices and provisions of the regulation. Pursuant to Regulation No. 26999 of September 16, 2008, the Board of Directors has assigned the duties of the Compliance Officer to the Internal Audit and Financial Control Manager. The Compliance Officer attends the trainings given by the Association of Financial Institutions and MASAK and informs the employees about important seminar notes. Law No. 6698 on Protection of Personal Data (KVKK) was published in the Official Gazette No. 29677 of April 7, 2016. Ekspo Faktoring has fulfilled its obligations under this law and uploaded its data inventory to the Data Controllers Registry Information System (VERBIS) on November 11, 2019. The Internal Audit Manager has been designated as the Company's contact for KVKK. The Manager is responsible for attending the KVKK meetings and seminars, managing the KVKK Working Group and updating the data inventory. The Manager's responsibilities also include searching the sanctions lists (UN, OFAC, EU Blacklist) issued by international organizations for background checks of people and companies in relation to foreign transactions.

Pursuant to the BDDK Communiqué on the Management and Supervision of Information Systems that entered into force on April 6, 2019, Ekspo Faktoring began working on the policies, procedures, processes and actions for the first audit of 2021.

CLOSE MONITORING OF CLIENTS

Another duty of the Internal Audit and Financial Control Department is to monitor the domestic and international transactions of clients, to minimize risks and to predict and mitigate possible issues. For this purpose, the activities of the Marketing, Operations, Treasury, Accounting, Risk Assessment and Foreign Transactions Departments are audited by this Department according to defined workflows. The issues identified are resolved within the day and weekly and monthly reports are prepared to present to the senior management and the Board of Directors.

PROFESSIONAL AND PERSONAL DEVELOPMENT

The Internal Audit and Financial Control Department is furthermore responsible for convening the Internal Audit Committee at regular intervals and implementing the resolutions reached by the Committee. The Department also manages the projects requested by senior management to improve the current system and presents them to the employees. The Department identifies the types of training the employees would need for their professional and personal development, ensuring that relevant content is prepared, trainers are selected and trainings are provided.

RISK MANAGEMENT

Ekspo Faktoring determines policies by carefully addressing potential risks and manages the risks at each stage with a proactive approach.

EFFECTIVE RISK MANAGEMENT

Any finance company that intends to collect its receivables fully and in a timely manner should systematically manage the processes that follow after taking the risk. Therefore, effective risk management is essential for achieving sustainable success in the financial sector. Identifying and defining the risks that the Company could encounter and carrying out proactive control and management activities against these risks are key steps to take toward strategic goals.

DATA-DRIVEN RISK ASSESSMENT

International standards and regulations require finance companies to use scientific, numerical and systematic risk measurement techniques. However, such measurements and technical methods are typically only used to calculate statutory requirements rather than in making concrete, up-to-date assessments. Companies need more tangible data, industry expertise, personal experience and market intelligence when assessing the risk of working with a specific firm and the possibility of non-performing loans. The widespread informal economic practices, particularly in Turkey, and accountability issues in bookkeeping call for diligent risk assessment.

Understanding the risk weight of a company based solely on technical analyses is not possible just as assessing a business on its own is not sufficient. Following the changes in national economy and the global conjuncture to evaluate a company's credit portfolio in this regard and taking necessary measures are essential to understand risk weight. For this purpose, risk measurement and assessment techniques could be used as aids. Implementing these practices requires employing sufficient number of experts, organizing the risk monitoring function as a department and allocating adequate resources and time for this purpose.

RISK ANALYSIS

At Ekspo Faktoring, company policies are defined by considering all possible risks. Credit risk analyses, which play a major role in the decision-making processes, are regularly reported to the management. The Risk Assessment Department monitors the developments in the sector closely with a team of experts, specialized in corporate and commercial banking, financial analysis, loan allocation and intelligence. Ekspo Faktoring manages its lending policy with a dynamic and proactive approach by monitoring the possible portfolio risks using various parameters and developing scenarios according to different models. Before taking any risks, issues such as the establishment date and history of a company, its field of operation, industry experience of executives and partners, equity structure, and funding potential are all taken into account.

SAFE RISK DISTRIBUTION

As part of effective risk management policies, Ekspo Faktoring strives to diversify the risk and avoids concentrating on a specific industry. The Company manages all risks within sector and group limitations, making sure that a client's risk never exceeds 25% of its equity. In specifying buyer limits for clients, Ekspo Faktoring remains committed to its decision not to exceed 10% of equity, a ratio determined through careful calculations.

For Ekspo Faktoring, conducting healthy risk assessments in international standards is of utmost importance. Accordingly, the senior management has worked extensively to boost the efficiency of risk monitoring activities and to develop an effective risk assessment system. The new system, developed with guidance from consulting firms, was adapted to a rating application in international standards in late 2008. Since early 2009, all Ekspo Faktoring clients are reviewed using the new client rating system.

RISK MONITORING ACTIVITIES

Ekspo Faktoring works diligently to ensure the quality of the assigned loans and constantly monitors its receivables. The Company effectively uses the check drawing report and risk reports, which were initially offered to the use of non-bank finance companies by Kredi Kayıt Bürosu (KKB - Credit Bureau) in late 2012 and later continued by the Risk Center of the Banks Association of Turkey. The functions utilized also include inquiries and notifications, such as paid bond statements, bounced checks in litigation, cross checks, and blacklisted companies, etc. Ekspo Faktoring reviews its clients as well as its collateral portfolio weekly, bimonthly and monthly as part of its risk monitoring activities, and also uses the combined risk follow up system where combined risks are listed and changes can be reported.

The credibility of the companies applying for credit line allocation or raising their current lines are evaluated objectively. Outstanding risks are also assessed in terms of balance sheets, intelligence, and collateral in the weekly Asset Quality Committee meetings.

DETAILED ANALYSIS PROCESSES

Ekspo Faktoring acts prudently and with due diligence in forming its credit portfolio to maintain its asset quality above sector average. For this purpose, the Company benefits from the experience of the Risk Assessment Department, specialized in financial analysis methods and techniques. The Financial Analysis and Intelligence Team within the Risk Assessment Department follows the latest techniques and regularly attends credit, financial analysis and intelligence trainings provided by professional training institutions to stay up-to-date. The Risk Assessment Committee evaluates clients that apply for financing according to various criteria, including financial position, industry, operational risks and market intelligence. The Committee convenes weekly, or more frequently when needed, to evaluate and finalize client requests in maximum two days and holds interim meetings in critical situations that require immediate attention. In the meetings, Company Assessment Reports, prepared as a result of financial analyses and market intelligence for individual companies, are discussed. At the end of this process, the credit line allocation request presented to the Risk Assessment Committee is either approved or declined.

UP-TO-DATE DATA

Ekspo Faktoring possesses an extensive data bank that is used when making credit line allocation decisions as well as developing and implementing marketing strategies. The data bank contains detailed and complementary information such as client data, payment habits and check drawing performance, and is constantly enhanced in terms of content and quality. Ekspo Faktoring utilizes the sector and company information in its data bank when allocating credit lines. The analyses involve reviewing the Turkish Lira and foreign currency positions of the subject companies, and Ekspo Faktoring takes Basel II criteria as basis for evaluating market risks. The reports generated as a result of these intensive and diligent efforts are presented to the Company's senior management.

CORPORATE GOVERNANCE

Ekspo Faktoring remains committed to transparency, fairness and ethical values as the cornerstone of its corporate culture and acts with accountability while creating value for all its stakeholders.

RESPONSIBLE MANAGEMENT APPROACH

With a reputable position in the Turkish financial sector, Ekspo Faktoring adopts a professional management approach and acts with the awareness and responsibility of serving as an institutionalized company across all stages of its operations. Aspiring to elevate its reputation in the sector, Ekspo Faktoring aims to create value for all its stakeholders, and clients in particular. The Company applies the principles of transparency, fairness, commitment to ethical values and accountability to all business processes. Remaining committed to these principles allows the Company to improve its profitability and efficiency consistently while rendering the corporate structure sustainable.

EFFICIENT BUSINESS PROCESSES THROUGH COMMITTEES

Ekspo Faktoring has in place committees that work actively to ensure sustainability of organizational development. These committees aim to build on the company culture and make sure that the corporate governance approach is adopted in the same standards across all departments. The Asset-Liability Committee (ALCO), Risk Assessment Committee, Liquidity Committee, Information Technologies Committee, and Human Resources Committee all contribute to the effectiveness and efficiency of business processes.

INTERNATIONAL AUDITS

Ekspo Faktoring is audited by an international independent audit firm twice a year, with the first audit conducted at the end of the sixth month in limited scope. To sustain the transparency of the audit results, the Company switches to a different independent audit firm every seven years. The financial statements of Ekspo Faktoring are also reviewed quarterly by this independent audit firm. Meanwhile, tax audits are conducted by a different firm. Even though the Company is not listed publicly, one independent director serves on the Board of Directors.

TRANSPARENCY FOCUS

The BDDK promotes the importance of transparency and consistency in the financial sector and therefore recommends all finance companies to disclose their financial statements at regular intervals online. Knowing that the financial sector is built on trust, Ekspo Faktoring considers it a duty to disclose open, clear and accurate information to the public. Accordingly, the Company discloses its annual financial statements on its corporate website. The Company also informs the investors by publishing quarterly financial statements on the Public Disclosure Platform (KAP).

An effective organizational structure allows Ekspo Faktoring to work quickly and effectively while the Company's technological infrastructure lends to an important competitive edge. The Company also invests in the development and training of its employees to achieve corporate targets.

HUMAN RESOURCES

Ekspo Faktoring provides its competent and visionary human resources with personal and professional development opportunities to ensure that its clients receive excellent service.

COMPETENT, VISIONARY TEAM

Ekspo Faktoring believes that ensuring the sustainability of its corporate structure and achievements can only be possible with a competent and visionary team and therefore invests regularly in its human resources and in an environment conducive to development. Building on the professional skills of the employees, motivating them and expanding their vision are regarded as prerequisites of service excellence. Ekspo Faktoring promotes team spirit by establishing an inclusive corporate culture to boost employee satisfaction.

STRICT RECRUITMENT PROCESSES

As of year-end 2020, the qualified human resources at Ekspo Faktoring consists of 35 employees with professional experience and expertise above the sector average. In the recruitment process, Ekspo Faktoring considers criteria such as holding a university degree, speaking a foreign language, having experience in the banking sector, specializing in one's specific field and demonstrating the ability to represent the Company to maintain the high quality of its human resources. In line with the Company's primary goals and strategies, the Human Resources Department assumes responsibility in many areas from the orientation of new employees to professional training programs.

CONTINUOUS DEVELOPMENT OPPORTUNITIES

Ekspo Faktoring encourages its employees to attend training programs and sectoral events that would contribute to their professional and personal development and promotes a work environment conducive to progress. The regular training programs coordinated by Ekspo Faktoring Academy in partnership with 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) in Turkey, offer the employees continued development opportunities. Due to the restrictions imposed during the pandemic, classroom trainings were put on hold and instead, online training programs and seminars on new regulations and practices were provided.

ASSESSMENTS AND REVIEWS

The Human Resources Department convenes annually in December to conduct performance reviews, which involve measuring and assessing the performance of the employees in meeting their goals and their competencies. Several criteria such as professional knowledge level, cooperation abilities, client relations/people skills, representation skills, sense of responsibility, personal development, problem solving skills, taking initiative and making decisions, and quality and quantity of the work are considered in performance reviews. This process, which reveals encouraging outcomes in terms of motivation and work discipline, ensures that employees' contribution to corporate success is evaluated and also forms an analytical basis for promotions, remuneration and incentives.

OCCUPATIONAL HEALTH AND SAFETY

Protecting the health and ensuring the safety of its employees is an integral and key part of the human resources practices at Ekspo Faktoring. Throughout the COVID-19 pandemic, the Company implemented maximum measures to create a safe work environment. Ekspo Faktoring also arranged to have the employees tested for COVID-19 with PCR tests every two weeks and rescheduled the working hours considering public health.

INFORMATION TECHNOLOGIES

Ekspo Faktoring maintains its infrastructure up-to-date to keep up with the latest technological developments to maximize operational speed and efficiency.

OPERATIONAL SPEED AND EFFICIENCY

Ekspo Faktoring serves its clients with a well-equipped, reliable and rich system infrastructure. The Company's information technology requirements are procured from experienced and reliable external sources that provide quality service. Ekspo Faktoring always maintains its infrastructure up-to-date to keep up with the latest technological developments to maximize operational speed and efficiency.

The investments that Ekspo Faktoring makes by considering the latest technological innovations include maximum-security servers maintained up-to-date at all times, a Disaster Recovery Platform for continuity with minimum loss during disasters, applications to run updates of operating systems first on the test platform, comprehensive backup procedures and logging and reporting on all levels from basic to highest. As a result of faithfully following the principle of backing up everything on the technological infrastructure, Ekspo Faktoring closed 2020 with 100% uptime.

BACKUP SYSTEM

Ekspo Faktoring launched its Disaster Recovery Center in Ankara in 2006 and completed the hardware and software development activities for this Center in 2007. The Company, which has a healthy and reliable backup system as a result of these efforts, started to procure services from Superonline Data Center, also based in Ankara, in 2016, and switched to the latest version of disaster recovery software.

Ekspo Faktoring uses Facto 2000, a software package developed by a company specialized in financial software according to the latest requirements of the sector. This package enables running marketing, client relations and accounting activities in coordination. Clients can also access Ekspo Online via the corporate website to submit queries about various transactions and check the status of their accounts. In 2020, Ekspo Online was upgraded and became a more user-friendly application.

MAXIMUM SECURITY

Ekspo Faktoring started using the SWIFT system, an interbank medium of secure information transfer in 2012 and became the first company in the factoring sector to communicate with banks and international finance organizations via this system. The Company renewed its entire system infrastructure including the servers in 2014 to enhance operational speed and efficiency and also made new investments in 2016 to further strengthen data security as required by the Risk Center of the Banks Association of Turkey. With these investments, Ekspo Faktoring took steps to double its virtual platform capacity for logging, creating test environments and centralized management of technological infrastructure. The firewall product was renewed and a device that prioritizes security protocols was preferred.

USER-FRIENDLY PLATFORM

Ekspo Faktoring's online face is **www.ekspofaktoring.com,** the corporate website that plays a key role in transparent and consistent communication with clients. While continually updating online services, the Company also works seamlessly to develop new projects to serve its clients in even higher standards. With the corporate website fully revamped in 2013, Ekspo Faktoring now provides services for clients and investors more easily and effectively.

With a corporate website, built on an infrastructure designed in line with the latest technological developments, Ekspo Faktoring was the first factoring company to implement the check viewing system on its corporate website, reinforcing the control mechanism for both the clients and the Company. The website offers clients the opportunity to instantly view their checks in collection, account statements, risk balances and other relevant information. The site also serves as an accessible and transparent platform where public disclosures are shared and stakeholders are informed.

EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH – SEE NOTE 1)

INDEPENDENT AUDITOR’S REPORT

To the General Board of Ekspo Faktoring Anonim Şirketi

A) Audit of the Financial Statements

1) Opinion

We have audited statement of financial position of Ekspo Faktoring A.Ş. ("the Company") as at December 31, 2020 and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the "Communique on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communique and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated BRSA Accounting and Financial Reporting Legislation.

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards ("InAS") which are a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company within the meaning of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring receivables Determining the adequacy of impairment allowance on factoring receivables is a key area of judgment for the management due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment . The risk is that factoring receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the BRSA Accounting and Reporting Legislation. The impairment of factoring receivables are further explained in Note 5 and Note 6 to the financial statements.	Determining the adequacy of impairment allowance on factoring receivables is a key area of judgment for the management due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment . The risk is that factoring receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the BRSA Accounting and Reporting Legislation. The impairment of factoring receivables are further explained in Note 5 and Note 6 to the financial statements. Our audit procedures included assessing applied prosedures by the Company over the booking, monitoring and settlement, and identification the impaired factoring receivables and the required provisions against them. In addition, we selected samples of factoring receivables based on our judgement and considered whether there was objective evidence that impairment exists on these factoring receivables and advances. We also assessed whether impairment losses for factoring receivables and advances were reasonably determined in accordance with the requirements of BRSA and actions taken against Covid-19 impacts have been evaluated in line with sector practices.

4) Other Matter

The financial statements of the Company as at 31 December 2019 was audited by another audit firm, which expressed an unqualified opinion in their report issued on 16 March 2020.

5) Responsibilities of Management and Directors for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with InASs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with InASs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other liabilities arising from legislation

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2020 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

C) Additional paragraph for convenience translation into English of financial statements as of December 31, 2020 and independent auditors' report originally issued in Turkish.

As explained in detail in Note 1 to the financial statements, the accompanying financial statements are presented in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles. The effects of differences between the accounting principles and standards set out by regulations, communiqués, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

The partner in charge of the audit resulting in this independent auditor's report is Fatih Polat.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst &Young Global Limited

Fatih Polat, SMMM
Partner

February 4, 2021
Istanbul, Turkey

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EKSPO FAKTORİNG ANONİM ŞİRKETİ

Financial position (balance sheet) as at December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

			Audited current period			Audited previous period		
	ASSETS		31 December 2020			31 December 2019		
		Notes	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**CASH, CASH EQUIVALENTS and THE CENTRAL BANK**	*3*	171	19.359	19.530	126	11.138	11.264
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)**		-	-	-	-	-	-
III.	**DERİVATİVE FINANCIAL ASSETS**	*3*	-	-	-	-	-	-
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**	*4*	-	-	-	-	-	-
V.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		217.738	81.527	299.265	194.843	95.549	290.392
5.1	**Factoring Receivables**	*5*	217.738	81.527	299.265	194.843	95.549	290.392
5.1.1	Discounted Factoring Receivables (Net)		145.740	58.994	204.734	137.459	43.993	181.452
5.1.2	Other Factoring Receivables		71.998	22.533	94.531	57.384	51.556	108.940
5.2	**Financing Loans**		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	**Lease Receivables (Net)**		-	-	-	-	-	-
5.3.1	Finance Lease Receivables		-	-	-	-	-	-
5.3.2	Operational Lease Receivables		-	-	-	-	-	-
5.3.3	Unearned Income (-)		-	-	-	-	-	-
5.4	**Other Financial Assets Measured at Amortized Cost**		-	-	-	-	-	-
5.5	**Non-Performing Receivables**	*6*	21.815	-	21.815	22.842	2.300	25.142
5.6	**Expected Loss Provisions/Specific Provisions (-)**	*6*	(21.815)	-	(21.815)	(22.842)	(2.300)	(25.142)
VI.	**EQUITY INVESTMENTS**		-	-	-	-	-	-
6.1	Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	**TANGIBLE ASSETS (Net)**	*7*	1.659	-	1.659	1.671	-	1.671
VIII.	**INTANGIBLE ASSETS (Net)**	*8*	272	-	272	282	-	282
IX.	**INVESTMENT PROPERTIES (Net)**	*9*	1.999	-	1.999	1.482	-	1.482
X.	**CURRENT PERIOD TAX ASSETS**		-	-	-	1.851	-	1.851
XI.	**DEFERRED TAX ASSETS**	*10*	1.527	-	1.527	1.508	-	1.508
XII.	**OTHER ASSETS**	*12*	1.062	7	1.069	1.045	66	1.111
	SUBTOTAL		224.428	100.893	325.321	202.808	106.753	309.561
XIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	*11*	-	-	-	-	-	-
13.1	Assets Held For Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
	Total Assets		224.428	100.893	325.321	202.808	106.753	309.561

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Financial position (balance sheet) as at December 31, 2020, 2019

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

			Audited current period			Audited previous period		
	LIABILITIES		31 December 2020			31 December 2019		
		Notes	TL	FC	Total	TL	FC	Total
I.	**FUNDS BORROWED**	*13*	**54.708**	**59.223**	**113.931**	**26.794**	**89.706**	**116.500**
II.	**FACTORING LIABILITIES**	*15*	**1.419**	**12.775**	**14.194**	**1.092**	**15.224**	**16.316**
III.	**LEASE LIABILITIES (NET)**	*16*	-	-	-	-	-	-
IV.	**DEBT SECURITIES ISSUED (Net)**	*14*	-	-	-	-	-	-
V.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS LOSS (NET)**		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	-	-	-
VII.	**PROVISIONS**	*18*	**1.158**	-	**1.158**	**1.317**	-	**1.317**
7.1	Restructuring Reserves		-	-	-	-	-	-
7.2	Reserves for Employee Benefits		1.158	-	1.158	1.317	-	1.317
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	-	-	-
VIII.	**CURRENT PERIOD TAX LIABILITY**	*31*	**1.192**	-	**1.192**	**728**	-	**728**
IX.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
X.	**SUBORDINATED DEBT INSTRUMENTS**		-	-	-	-	-	-
XI.	**OTHER LIABILITIES**	*17*	**544**	**1.094**	**1.638**	**563**	**350**	**913**
	SUBTOTAL		**59.021**	**73.092**	**132.113**	**30.494**	**105.280**	**135.774**
XII.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
12.1	Held for Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**		**193.208**	-	**193.208**	**173.787**	**-**	**173.787**
13.1	Paid in Capital	*20*	60.000	-	60.000	60.000		60.000
13.2	Capital Reserves		-	-	-	-	-	-
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		-	-	-	-	-	-
13.4	Reclassified subsequently to Profit or Loss		-	-	-	-	-	-
13.5	Profit Reserves	*21*	**16.271**	-	**16.271**	**15.191**	-	**15.191**
13.5.1	Legal Reserves		16.271	-	16.271	15.191	-	15.191
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		**116.937**	-	**116.937**	**98.596**	-	**98.596**
13.6.1	Prior Periods Profit/Loss	*22*	97.516	-	97.516	77.009	-	77.009
13.6.2	Current Period Profit/Loss		19.421	-	19.421	21.587	-	21.587
	TOTAL LIABILITIES AND EQUITY		**252.229**	**73.092**	**325.321**	**204.281**	**105.280**	**309.561**

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673.

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of off-balance sheet items as of December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

			Audited current period			Audited previous period		
	OFF-BALANCE SHEET ITEMS		**31 December 2020**			**31 December 2019**		
		Notes	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**15.364**	**25.572**	**40.936**	**28.760**	**24.453**	**53.213**
II.	**REVOCABLE FACTORING TRANSACTIONS**	5	**160.730**	**2.901**	**163.631**	**322.853**	**19.240**	**342.093**
III.	**COLLATERALS RECEIVED**	5-23	**4.666.337**	**985.503**	**5.651.840**	**4.372.880**	**783.544**	**5.156.424**
IV.	**COLLATERALS GIVEN**	23	**34.608**	**-**	**34.608**	**25.008**	**-**	**25.008**
V.	**COMMITMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Irrevocable Commitments		-	-	-	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Derivative Financial Instruments for Risk		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		-	-	-	-	-	-
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**		**259.404**	**243.182**	**502.586**	**269.276**	**198.043**	**467.319**
								-
	TOTAL OFF-BALANCE SHEET ITEMS		**5.136.443**	**1.257.158**	**6.393.601**	**5.018.777**	**1.025.280**	**6.044.057**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of profit or loss and other comprehensive income for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	STATEMENT OF PROFIT OR LOSS	NOTES	Current Period Audited 1 January-31 December 2020	Previous Period Audited 1 January-31 December 2019
I.	**OPERATING INCOME**	24	**44.216**	**74.071**
	FACTORING INCOME		**44.216**	**74.071**
1.1	Interest Received from Factoring Receivables		41.350	69.034
1.1.1	Discounted		23.075	46.126
1.1.2	Other		18.275	22.908
1.2	Fees and Commissions Received from Factoring Receivables		2.866	5.037
1.2.1	Discounted		1.645	2.223
1.2.2	Other		1.221	2.814
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME		-	-
1.5	Financial Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from Lease Income		-	-
II.	**FINANCIAL EXPENSES (-)**	27	**(6.991)**	**(10.682)**
2.1	Interest Expenses on Funds Borrowed		(6.367)	(9.770)
2.2	Interest Expenses on Factoring Payables		-	-
2.3	Financial Lease Expenses		-	-
2.4	Interest Expenses on Securities Issues		-	-
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Given		(624)	(912)
III.	**GROSS PROFIT/LOSS (I+II)**		**37.225**	**63.389**
IV.	**OPERATING EXPENSE (-)**	25	**(21.525)**	**(20.013)**
4.1	Personnel Expenses		(16.145)	(14.834)
4.2	Provision Expense for Employment Termination Benefits		(348)	(248)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(4.883)	(4.809)
4.5	Other		(149)	(122)
V.	**OPERATING GROSS PROFIT/LOSS (III+IV)**		**15.700**	**43.376**
VI.	**OTHER OPERATING INCOME**	26	**17.819**	**13.035**
6.1	Interest Received from Banks		619	1.088
6.2	Trading Gains on Securities		-	-
6.3	Dividend Income		-	-
6.4	Interest Received from Marketable Received Portfolio		-	-
6.5	Derivative Financial Transactions Profit		-	573
6.6	Foreign Exchange Gains		13.600	6.302
6.7	Other		3.600	5.072
VII.	**PROVISIONS FOR DOUBTFUL RECEIVABLES (-)**	28	**(56)**	**(22.395)**
7.1	Specific Provisions		(56)	(22.395)
7.2	Expected Loss Provisions		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	29	**(8.702)**	**(6.504)**
8.1	Impairment Losses on Securities Portfolio		-	-
8.2	Impairment of Fixed Assets		-	-
8.3	Loss of Capital Market Transactions		-	-
8.4	Loss from Derivative Financial Transaction		-	(800)
8.5	Foreign Exchange Loss		(8.702)	(5.704)
8.6	Other		-	-
IX.	**NET OPERATING INCOME/EXPENSE (V+...+VIII)**		**24.761**	**27.512**
X.	**INCOME RESULTED FROM MERGER**		-	-
XI.	**SHARES FROM PROFITS AND LOSSES OF INVESTMENT VALUED BY EQUITY METHOD**		-	-
XII	**NET MONETARY POSITION GAIN/LOSS**		-	-
XIII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)**		**24.761**	**27.512**
XIV.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS (±)**	30	**(5.340)**	**(5.925)**
13.1	Current Tax Provision		(5.359)	(5.113)
13.2	Deferred Tax Expense Effect (+)		-	(812)
13.3	Deferred Tax Income Effect (-)		19	-
XV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)**		**19.421**	**21.587**
XVI.	**INCOME FROM DISCONTINUING OPERATİONS**		-	-
15.1	Income of Non-Current Assets Held for Sale		-	-
15.2	Sale Profits from Associates, Subsidiaries and Joint Ventures		-	-
15.3	Income from Other Discontinuing Operations		-	-
XVII.	**EXPENSES FROM DISCONTINUING OPERATİONS (-)**		-	-
16.1	Expenses of Non-Current Assets Held for Sale		-	-
16.2	Expenses Profits from Associates, Subsidiaries and Joint Ventures		-	-
16.3	Expense from Other Discontinuing Operations		-	-
XVIII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XVI-XVII)**		-	-
XIX.	**TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)**		-	-
18.1	Current Tax Provision		-	-
18.2	Deferred Tax Expense Effect (+)		-	-
18.3	Deferred Tax Income Effect (-)		-	-
XX.	**NET PROFIT/LOSS FROM DISCOUNTED OPERATIONS (XVIII±XIX)**		-	-
XXI.	**NET PROFIT/LOSSES (XV+XX)**		**19.421**	**21.587**

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EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of profit or loss and other comprehensive income for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

			Audited Current Period	Audited Prior Period
	INCOME OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**NOTES**	**January 1- December 31, 2020**	**January 1- December 31, 2019**
I.	**PERIOD INCOME/LOSS**		**19.421**	**21.587**
II.	**OTHER COMPREHENSIVE INCOME**		**-**	**-**
2.1	**Other compherensive income or expense that will not be reclassified**		**-**	**-**
2.1.1	Gains/(losses) on revaluation of tangible assets		-	-
2.1.2	Gains/(losses) on revaluation of intangible assets		-	-
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans		-	-
2.1.4	Other items that will not be reclassified to profit or loss		-	-
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss		-	-
2.2	**Other compherensive income or expense that will be reclassified**		-	-
2.2.1	Translation differences for transactions in foreign currencies		**-**	**-**
2.2.2	Valuation/ or and classifaction revenues/ expensense of financial assets at fair value through other comprehensive income		-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**19.421**	**21.587**

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EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of changes in shareholders' equity as of December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

							Other comperhensive income or expense that will not be reclassified subsequently to profit or loss			Other comperhensive income or expense that will be reclassified subsequently to profit or loss						
	CHANGES IN EQUITY	**NOTES**	**Paid-in Capital**	**Share Premium**	**Share Cancellation**	**Other Capital Reserves**	**1**	**2**	**3**	**4**	**5**	**6**	**Profit Reserves**	**Prior Period Profit/ Losses**	**Net Profit/ Losses**	**Total Equity**
	PRIOR PERIOD															
	(31/12/2019)															
I.	**Balances at the beginning of the period**		**60.000**	-	-	-	-	-	-	-	-	-	**13.725**	**49.170**	**29.305**	**152.200**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances (I+II)**		**60.000**	-	-	-	-	-	-	-	-	-	**13.725**	**49.170**	**29.305**	**152.200**
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	-	-	-	-	-	-	**21.587**	**21.587**
V.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase through internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated loans**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/decrease due to other changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Profit distribution**		-	-	-	-	-	-	-	-	-	-	**1.466**	**27.839**	**(29.305)**	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	1.466	(1.466)	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	29.305	(29.305)	-
	Balances at the end of the period (III+IV+......+XI+XII)		**60.000**	-	-	-	-	-	-	-	-	-	**15.191**	**77.009**	**21.587**	**173.787**
	CURRENT PERIOD															
	(31/12/2020)															
I.	**Balances at the beginning of the period**		**60.000**	-	-	-	-	-	-	-	-	-	**15.191**	**77.009**	**21.587**	**173.787**
II.	**Corrections made as per TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances (I+II)**		**60.000**	-	-	-	-	-	-	-	-	-	**15.191**	**77.009**	**21.587**	**173.787**
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	-	-	-	-	-	-	**19.421**	**19.421**
V.	**Capital increase**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase through internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	**Convertible bonds**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated loans**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Increase/decrease due to other changes**		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI1.	**Profit distribution**		-	-	-	-	-	-	-	-	-	-	**1.080**	**20.507**	**(21.587)**	-
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	1.080	(1.080)	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	21.587	(21.587)	-
	Balances at the end of the period (III+IV+......+XI+XII)		**60.000**	-	-	-	-	-	-	-	-	-	**16.271**	**97.516**	**19.421**	**193.208**

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(1) Accumulated revaluation surplus / impairment of fixed assets,
(2) Accumulated repeat measurement gains / losses of defined benefit plans,
(3) Other (Accumulated amounts of investments accounted for by the equity method that are not reclassified from income to profit or loss to others, and other items that are not reclassified to impair others or others)
(4) Foreign currency translation differences,
(5) Accumulated revaluation and / or classification gains / losses on available for sale financial assets,
(6) Other (Cash flow hedging gains / investments accounted for by the equity method cumulative gains / (losses) to be classified as profit / loss to others and accumulated amounts of other comprehensive income to be reclassified to others or others).

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of cash flows as of December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

	CASH FLOW STATEMENT	**Notes**	**Audited Curret Period January 1- December 31, 2020**	**Audited Prior Period January 1- December 31, 2019**
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit before Changes in Operating Assets and Liabilities**		**12.146**	**26.281**
1.1.1	Interests Received/ Leasing Income		42.139	63.068
1.1.2	Interes Paid / Leasing Expenses		(7.077)	(12.067)
1.1.3	Leasing Expenses		(2.183)	(1.831)
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		3.594	4.869
1.1.6	Other Income		-	-
1.1.7	Collections from Previously Written-off Doubtful Receivables	**6**	(2.981)	4.789
1.1.8	Payments to Personnel and Service Suppliers		(16.145)	(14.834)
1.1.9	Taxes Paid	**30**	(4.903)	(9.331)
1.1.10	Other		(298)	(8.382)
1.2	**Changes in Operating Assets and Liabilities**		**(10.621)**	**(32.110)**
1.2.1	Net (Increase)/Decrease in Factoring Receivables		(8.766)	(35.471)
1.2.2	Net (Increase)/Decrease in Finance Loans		-	-
1.2.3	Net (Increase)/Decrease in Lease Receivables		-	-
1.2.4	Net (Increase)/Decrease in Other Assets		1.925	(867)
1.2.5	Net Increase/(Decrease) in Factoring Payables		(2.122)	8.055
1.2.6	Net Increase/(Decrease) in Lease Payables		-	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed		(1.859)	(5.386)
1.2.8	Net Increase/(Decrease) in Due Payables		-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities		201	1.559
I.	**Net Cash Used in Operating Activities**		**1.525**	**(5.829)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment	**7,8**	(623)	(1.077)
2.4	Disposals of Property and Equipment	**7,8**	-	16
2.5	Purchase of Investments Designated at Fair Value Through Other Comprehensive Income		-	-
2.6	Sale of Investments Designated at Fair Value Through Other Comprehensive Income		-	-
2.7	Purchase of Investment Securities Designated at Fair Value Through Profit/Loss		-	-
2.8	Sale of Investment Securities Designated at Fair Value Through Profit/Loss		-	-
2.9	Other		(22)	(120)
II.	**Net Cash (Used in)/Provided from Investing Activities**		**(645)**	**(1.181)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	-
3.4	Dividend Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
III.	**Net Cash (Used in)/Provided from Financing Activities**		**-**	**-**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**7.361**	**3.173**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**8.241**	**(3.837)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**3**	**11.264**	**15.101**
VII.	**Cash and Cash Equivalents at End of the Period**		**19.505**	**11.264**

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673.

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Profit distribution table as of December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

		Audited Current Period January 1- December 31, 2020 (*)(**)	Audited Prior Period January 1- December 31, 2019
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT (*)**		
1.1	CURRENT PERIOD PROFIT	24.761	27.512
1.2	TAXES AND DUES PAYABLE (-)	(5.340)	(5.925)
1.2.1	Corporate Tax (Income Tax)	(5.359)	(5.113)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues (**)	19	(812)
		-	-
A.	**NET PERIOD PROFIT (1.1-1.2)**	**19.421**	**21.587**
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-) (-)	-	1.080
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**-**	**20.507**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	**-**	**-**
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Profit Sharing Bonds	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDENS TO PERSONNEL (-)	-	-
1.8	DIVIDENS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDENS TO SHAREHOLDERS (-)	**-**	**-**
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	20.507
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
		-	-
II.	**DISTRIBUTION FROM RESERVES**		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
		-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF STOCKS	-	-
3.2	TO OWNERS OF STOCKS (%)	-	-
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF STOCKS	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) The General Assembly is the authorized body of the Company regarding the distribution of the current period profit. As of the date these financial statements were prepared, the Company's annual Ordinary General Assembly meeting has not been held yet.

(**) Per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company's deferred tax income, resulting from deferred tax assets, of TL 19 (2019: TL 812) was not taken into account in the calculation of distributable profit.

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

1. Organization and Operations of the Company

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 on 2 June 2000.

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

As of December 31, 2020, the number of employees of the Company is 35 (31 December 2019: 33). The Company's trade registry address, Maslak Maslak Mah. Meydan Sokak No: 5 / B Spring Giz Plaza Sarıyer-Istanbul / Turkey. The company mainly continues its factoring operations in a single geographical region (Turkey).

The Company operates based on Capital Market Boards Law and Financial Leasing, Factoring and Financing Companies Law published in the Official Gazette No: 28496 on 13 December 2012 and the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette No: 28267 on 24 April 2013.

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

	31 December 2020	Share (%)	31 December 2019	Share (%)
M. Semra Tümay	29.400	49,00	29.400	49,00
Murat Tümay	15.300	25,50	15.300	25,50
Zeynep Ş. Akçakayalıoğlu	15.300	25,50	15.300	25,50
Capital	**60.000**	**100,00**	**60.000**	**100,00**

Authorization of Financial Statements

The Board of Directors has approved the publication of financial statements of the Company on February 4, 2021. The General Assembly has the authority to modify the financial statements.

1.2. Additional paragraph for convenience translation into English of financial statements originally issued in Turkish

As at 31 December 2020, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying interim condensed financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2. Basis of presentation of the financial statements

2.1. Basis of presentation

2.1.1. Application of Accounting Policy Standards

The Company maintains its books of account and prepares its financial statements in thousands of Turkish Lira ("TL") in accordance with the communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies"("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated 24 December 2013, numbered 28861; and in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and their additions and comments issued by the Public Oversight Accounting and Auditing Standards' Authority ("POA") with the Communiqué: "The Procedures Regarding the Provisions to be Provided for the Receivables of Leasing, Factoring and Consumer Finance Companies" ("Communiqué of Provisions") issued by the BRSA. Leasing, factoring and consumer finance companies prepares and declares their financial statements in accordance with regulations issued by BRSA.

The financial statements have been prepared on historical cost basis except for the derivative financial instruments which are measured at fair market value.

Financial statements are prepared on a historical cost basis, except for the revaluation of certain financial instruments. In determining the historical cost, generally, the fair value of the amount paid for the assets is taken as a basis.

The recent outbreak of COVID-19 in China, which has spread to various countries around the world, causing potentially fatal respiratory infections, has led to disruptions in operations, especially in countries overexposed to the outbreak, and has negatively affected economic conditions both regionally and globally. As a result of the spread of COVID-19 worldwide, various measures have been taken in our country as well as in the world to prevent the transmission of the virus, and are still being taken. In addition to these, economic measures are also being taken to minimize the economic impact of the epidemic on individuals and businesses in our country and around the world. The Company Management predicts that the effects of the current situation will not be at significant levels in the financial statements prepared as of December 31, 2020. Besides, the predictions and assumptions used in the following periods will be reviewed again.

Based on BRSA's decision dated 19 March 2020 and numbered 8950, mainly due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic, in item (a) of the first paragraph of Article 6 of the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the 90-day delay period specified in the sixth paragraph of the same article is also valid for companies that book expected credit losses within the scope of TFRS 9 and is possible to apply 180 days until 31 December 2020, including the receivables not yet classified in the "Non-Performing Receivables" account as of the date of this Board Decision. Considering the negative impact of the Covid-19 epidemic on economic and commercial activities, the BRSA made a press announcement to the public on the classification of loans, and besides, at its meeting dated 08.12.2020, due to the continuing possible effects of the pandemic, decided to extend the current regulations for the same purposes until 30.06.2021.

2.1.2. Functional and Presentation Currency

The Company's financial statements are presented in the currency of the primary economic environment in which it operates (functional currency). The Company's financial position and results of operations are expressed in TL, which is the presentation currency for the financial statements.

2.1.3. Financial Reporting in Hyperinflationary Economies

The financial statements of the Company for the periods before 31 December 2004 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29 Financial Reporting in Hyperinflationary Economies. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2005. Based on this consideration, IAS 29 has not been applied in the preparation of the financial statements since 1 January 2006.

2.1.4. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2. Basis of presentation of the financial statements (cont'd)

2.2. Changes in accounting policies

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

2.3. Change in accounting estimates and errors

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year.

2.4. The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Company financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments did not have a significant impact on the financial position or performance of the Company. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

2. Basis of presentation of the financial statements(cont'd)

2.4. The new standards, amendments and interpretations (cont'd)

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.The Company will wait until the final amendment to assess the impacts of the changes.

2. Basis of presentation of the financial statements(cont'd)

2.4. The new standards, amendments and interpretations (cont'd)

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018). The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Basis of presentation of the financial statements(cont'd)

2.4. The new standards, amendments and interpretations (cont'd)

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Basis of presentation of the financial statements(cont'd)

2.4. The new standards, amendments and interpretations (cont'd)

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

- TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.

- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Company is in the process of assessing the impact of the improvements on financial position or performance of the Company.

2.5. Summary of significant account policies

a) 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) Other income and other expense

Other income and expenses are recognized on an accrual basis.

(iii) Financial income / expense

Financial income includes interest income and exchange rate differences. Financial expenses include interest expense on loans, foreign exchang losses and other financial expenses.

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(b) Financial Instruments

Financial assets and liabilities are recognized in balance sheet as long as the company is legally involved in particular financial instruments.

Financial Assets

Financial assets are accounted for at fair value less transaction costs except for the financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial assets other than those financial assets designated as at fair value through profit or loss.

Factoring Receivables and Other Receivables

Factoring receivables originated by the Company by providing money directly to the borrower are considered as factoring receivables and are carried at amortized cost.

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(b) Financial Instruments (cont'd)

Financial Assets (cont'd)

Provision for total factoring receivables determined upon the evaluation of factoring receivables comprises the impaired factoring receivables in the factoring receivables portfolio of the Company. The Company books this provision "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" published in the Official Gazette dated December 24, 2013 and numbered 28861. In accordance with the mentioned communiqué, special provision is booked after taking into consideration their pledges at a rate of at least 20% for factoring receivables whose maturity is 90-180 days overdue, at a rate of at least 50% for factoring receivables whose maturity is 180-360 days overdue, and at a rate of 100% for factoring receivables whose maturity is one year overdue. On the other hand, based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-day delay period envisaged for the classification of financial assets as non-performing loans, effective from 19.03.2020, has started to be applied as 180 days until 31.12.2020. Considering the negative impact of the COVID-19 epidemic on economic and commercial activities, the BRSA made press announcements to the public on the classification of loans, and in addition, at its meeting dated 08.12.2020, it decided to extend these regulations for the same purposes until 30.06.2021 due to the continued potential effects of the pandemic. According to the Offical Gazette n. 30409 in 02.05.2018; the regulation about the " financial leasing, factoring, the accounting applications of finance companies and financial statements; making provision in the scope of TFRS 9 has been set optional. Accordingly, the company does not make provision in the scope of TFRS 9 as of December 31, 2019.

By taking into account all data concerning the credibility level of debtors and the principles of reliability and prudence, the Company also creates specific provisions for receivables without including collaterals, even if they are collected when due or are not overdue beyond the time limits given.

The Communiqué on Provisions states, but not requires, that a general provision, not directly related to any specific transaction, may be created for potential, unmeasured losses associated with any principal or interest or both that are not overdue or are overdue for less than ninety days. The Company creates general provisions for its factoring receivables that have not yet become doubtful.

Receivables that cannot be collected, whether in whole or in part, are written off only after the relevant debtor is ruled insolvent by a court of competent jurisdiction. Once a receivable is written off, the provision created for the receivable is reversed and the receivable is removed from assets. Any account receivable written off in any previous year but later collected is recognized as income.

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(b) Financial Instruments (cont'd)

Financial Assets (cont'd)

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met: (a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

The Company does not have financial assets held to maturity as of December 31, 2020 (December 31, 2019: None).

Financial Assets Measured at Fair Value through Other Comprehensive Income

A financial asset is measured if both of the following conditions are met: (a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. However, the Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

The Company does not have financial assets whose fair value changes are reflected in other comprehensive income as of December 31, 2020 (financial assets available for sale on December 31, 2019: None).

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(b) Financial Instruments (cont'd)

Financial Assets (cont'd)

Factoring receivables and other receivables

Factoring receivables are measured at amortised cost less expected credit loss and unearned interest income. The Company measures the loss allowance for factoring receivables at an amount equal to lifetime ECL. The expected credit losses on factoring receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(b) Financial Instruments (cont'd)

Financial Assets (cont'd)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; demand deposits and other short-term highly liquid investments which their original maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of these assets approximates their fair value.

Derivative Financial Instruments and Hedge Accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:Hedge accounting is not applied at 31 December 2020 and 2019.

Financial Liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss are recorded at their fair value and are revaluated at their fair value at each reporting period.

Changes in their fair values are accounted for in the income statement. Net gains or losses accounted for in the income statement also include the interest paid for the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method and the interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of financial liability, or, where appropriate, a shorter period.

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(c) Property, Plant and Equipments

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Estimated useful lives of property, plant and equipment are as follows:

Description	Years
Furniture and fixtures	5 years
Vehicles	5 years
Buildings	50 years

Special costs are depreciated by direct depreciation method over the shorter of the useful life of the private cost or lease terms.

(d) Intangible Assets

Purchased Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. The estimated useful lives for the current and comparative periods are 5 years.

(e) Impairment of Non-Financial Assets

At each balance sheet date, the Company reviews all of its non-financial assets to look for any indication that any non-financial asset may be impaired. If there is an indication that any non-financial asset may be impaired, then the Company calculates that asset's recoverable amount.

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

Impairment losses are assessed at each balance sheet date whether there is an indication that an impairment loss has decreased or no longer exists. Impairment loss is reversed in the event of a change in the estimations used to measure the recoverable amount.

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(f) Share Capital Increase

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

(g) Employee benefits

Provision for severance pay is allocated according to the amount of the possible liability arising from the retirement of the Company employees and reduced to its present value calculated according to the Turkish Labor Law. It is calculated on an accrual basis as it is earned by employees and accounted for in the financial statements. The amount of liability is calculated based on the severance pay cap announced by the government.

TAS 19 "Employee Benefits" provides for the calculation of the present value of companies' possible liabilities using actuarial valuation methods. Therefore, the present value of the company's probable liability is calculated using the assumptions in the table below.

	December 31, 2020	December 31, 2019
Net discount rate	4,67%	4,67%

The basic assumption is that the cap set for each annual service increases in proportion to inflation.

(h) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(İ) Borrowing Costs

All borrowing costs are recorded in profit or loss in the period in which they are incurred.

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Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

2. Finansal tabloların sunumuna ilişkin esaslar (devamı)

2.5. Summary of significant account policies (cont'd)

(j) Effects of currency change

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. Financial position and the results of operations of the Company are expressed in TL.

The foreign currency exchange rates used by the Company as of December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
USD	7,3405	5,9402
EURO	9,0079	6,6506
GBP	9,9438	7,7765

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(k) Earnings Per Share

According to standard of TMS 33 " Earning per Share", companies processed their stocks inexchange market do not have to announce earning per share. Because stocks of the company do not process in Exchange market, earning per share is not calculated in financial statements.

(l) Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed.

The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

(m) Segment Reporting of Financial Information

The segment disclosure as per TFRS 8 is not presented since the Company's borrowing instruments or financial instruments based on equity are not traded on the stock exchange or other organized markets.

2. Finansal tabloların sunumuna ilişkin esaslar (devamı)

2.5. Summary of significant account policies (cont'd)

(n) Taxes Calculated on The Basis of The Company's Earnings

Income tax expense represents the sum of the current tax and deferred tax payable.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(o) TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

2. Basis of presentation of the financial statements (cont'd)

2.5. Summary of significant account policies (cont'd)

(p) Cash Flow Statement

In statement of cash flows, cash flows are classified according to operating, investment and finance activities. Cash flows from operating activities are those resulting from factoring operations of the Company.

Cash flows from investing activities indicate cash inflows and outflows resulting from fixed asset and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources.

(r) 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. The detail of related party balances and transactions are disclosed at note 30.

(s) 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.

(t) Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

2.6. Significant Accounting Evaluation, Estimates and Assumptions

In the preparation of the financial statements, the Company management must make assumptions and estimates that will affect the assets and liabilities reported as of the balance sheet date and determine the liabilities and commitments likely to occur as of the balance sheet date and the income and expense amounts as of the reporting period. Although these estimates and assumptions are based on Company management's best knowledge of the current events and transactions, actual results may differ from the assumptions. Estimates are regularly reviewed, necessary adjustments are made and reflected in the income statement of the period they occur. The main notes using estimates are as follows:

Notes 18 – Provisions
Notes 31 – Tax assets and liabilities

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

3. Cash and cash equivalents

	December 31, 2020		December 31, 2019	
	TL	FC	TL	FC
Cash	-	-	-	-
Banks	171	19.359	126	11.138
~ Demand Deposit	171	2.453	126	4.010
~ Time Deposits	-	16.906	-	7.128
	171	19.359	126	11.138

As of 31 December 2020, the amount of cash and cash equivalents used in the preparation of the cash flow statement was TL 19.505, excluding the interest income rediscounts of the time deposits. (December 31, 2019: TL 11.264). As of December 31, 2020, the Company's time deposits have a maturity of less than three months and the effective interest rate of time deposits, all in USD, is 3,.08% on average. (December 31, 2019: the Company's time deposits have a maturity of less than three months and the effective interest rate of time deposits, all in USD, is 2,25% on average.)

As of 31 December 2020, there is no blockage on bank deposits.

4. Financial assets available for sale

None (December 31, 2019: None).

5. Factoring receivables

As of December 31, 2020 and 2019, distribution of gross factoring receivables are as follows:

	December 31, 2020		December 31, 2019	
	TL	FC	TL	FC
Discounted Factoring receivables	145.740	58.994	137.459	43.993
Other Factoring receivables	71.998	22.533	57.384	51.556
	217.738	81.527	194.843	95.549

	December 31, 2020		December 31, 2019	
	TL	FC	TL	FC
Domestic Factoring Receivables(*)	217.738	58.994	194.843	43.993
Export and import factoring receivables	-	22.533	-	51.556
Non-performing Factoring Receivables (**)	21.815	-	22.842	2.300
Gross factoring receivables	239.553	81.527	217.685	97.849
Specific provision for impaired factoring receivables	(21.815)	-	(22.842)	(2.300)
Factoring receivables, Net	217.738	81.527	194.843	95.549

(*) The Company has an unearned receivable about TL 6.154 from domestic factoring receivables by the date of December 31, 2020 (December 31, 2019: TL 5.558 TL)

(**) It is classified as "non-performing receivables" in balance sheet.

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Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

5. Factoring receivables (cont'd)

As of December 31, 2020 and 2019, distribution of gross factoring receivables are as follows::

	December 31, 2020	December 31, 2019
Fixed rate	**251.488**	103.822
Floating rate	**47.777**	186.570
	299.265	290.392

Analysis of factoring receivables are as follows:

	31 Aralık 2020	31 Aralık 2019
Neither past due nor impaired	**299.265**	290.392
Past due but not impaired	**-**	-
Impaired	**21.815**	25.142
Gross	**321.080**	315.534
(Loss): Specific provision for impaired factoring receivables	**(21.815)**	(25.142)
Factoring receivables and non-performing receivables (net)	**299.265**	290.392

The sectoral distribution of factoring receivables as of December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Total	**%**	Total	%
Retail and wholesale Trade	**48.984**	**16,4**	45.414	15,6
Financial Services	**40.632**	**13,5**	21.864	7,5
Textiles	**34.632**	**11,6**	60.967	21,0
Transportation, storage and communication	**28.219**	**9,4**	26.009	9,0
Wood and Wooden Products	**24.920**	**8,3**	23.619	8,1
Machinery and equipment	**24.403**	**8,2**	13.139	4,5
Construction	**16.028**	**5,4**	15.459	5,3
Chemicals and pharmaceuticals	**15.876**	**5,3**	20.274	7,0
Researching	**14.063**	**4,7**	17.329	6,0
Non-metal industry	**10.961**	**4,3**	8.721	3,0
Iron, steel, coal, petroleum, other mines	**10.139**	**3,7**	28.977	10,0
Leather industry	**8.282**	**3,4**	705	0,2
Tourism	**3.104**	**2,8**	1.334	0,5
Food, beverages and tobacco	**2.585**	**1,0**	1.400	0,5
Computer and computer equipment	**2.063**	**0,9**	1.400	0,5
Agriculture and ranching	**1.473**	**0,7**	1.927	0,7
Electrical equipment	**-**	**0,5**	742	0,3
Other	**12.901**	**0,0**	1.112	0,3
	299.265	**100**	290.392	100

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

5. Factoring receivables (cont'd)

As of December 31, 2020 and 2019, distribution of revocable factoring transactions are as follows:

	December 31, 2020	December 31, 2019
Customer Checks	163.631	342.093
	163.631	342.093

As of December 31, 2020 and 2019, ,distribution of collaterals received for factoring receivables are as follows:

	December 31, 2020		December 31, 2019	
	TL	FC	TL	FC
Received Bails (*)	4.553.888	881.814	4.271.887	696.290
Collateral Checks and Bills	112.449	103.689	100.994	87.254
	4.666.337	985.503	4.372.881	783.544

(*) If bails is received from more than one person for a receivable, each amount of bailes received is taken into account separately and reflected to the collateral balance.

6. Non-performing receivables

The Company measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA on December 24, 2013 and numbered 28861.

	December 31, 2020	December 31, 2019
Non-performing factoring receivables	21.815	25.142
Specific Provisions	(21.815)	(25.142)
	-	-

The aging of the past due factoring receivables as of December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Up to 90 days	56	16.928
Between 90-180 days	-	2
Between 180-360 days	-	5.538
360 days and above	21.759	2.674
	21.815	25.142

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

6. Non-performing receivables (cont'd)

The Company measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA on December 24, 2013 and numbered 28861. On the other hand, based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-day delay period envisaged for the classification of financial assets as non-performing loans, effective from 19.03.2020, has started to be applied as 180 days until 31.12.2020. Considering the negative impact of the COVID-19 epidemic on economic and commercial activities, the BRSA made press announcements to the public on the classification of loans, and in addition, at its meeting dated 08.12.2020, it decided to extend these regulations for the same purposes until 30.06.2021 due to the continued potential effects of the pandemic.

The movement of specific provision for allowance of non-performing factoring receivables as of December 31, 2020 is as follows:

	January 1 – December 31, 2020	January 1 – December 31, 2019
Balance as at January 1	**25.142**	9.062
Provision booked during the period	**56**	22.395
Deleted on assets (*)	**(402)**	(1.526)
Collections	**(2.981)**	(4.789)
Balance at 31 December	**21.815**	25.142

(*) During the period, the Company has allocated 100 percent provision for the amount of TL 402 and transferred all of its impaired receivables to the asset management company with a price of TL 4 (31 December 2019: All of the non-performing receivables amounting to TL 1.526 for the asset with a value of TL 0,5 transferred to the management company).

7. Tangible Assets

	January 1, 2020	**Addition**	**Disposal**	**December 31, 2020**
Cost				
Furniture ve fixture	738	88	-	826
Vehicle	1.929	-	-	1.929
Special costs	341	-	-	341
Other	837	-	-	837
	3.845	**88**	-	**3.933**
	January 1, 2020	**Current year depraciation**	**Disposal**	**December 31, 2020**
Accumulated Depreciation				
Furniture ve fixture	559	29	-	588
Vehicle	1.274	71	-	1.345
Special costs	341	-	-	341
	2.174	**100**	-	**2.274**
Net book value	**1.671**			**1.659**

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

7. Tangible Assets (cont'd)

	January 1, 2019	Addition	Disposal	December 31, 2019
Cost				
Furniture ve fixture	666	72	-	738
Vehicle	1.679	497	(247)	1.929
Special costs	341	-	-	341
Other	837	-	-	837
	3.523	**569**	**(247)**	**3.845**

	January 1, 2019	Current year depreciation	Disposal	December 31, 2019
Accumulated Depreciation				
Furniture ve fixture	496	63	-	559
Vehicle	1.381	124	(231)	1.274
Special costs	341	-	-	341
	2.218	**187**	**(231)**	**2.174**
Net book value	**1.305**			**1.671**

As of 31 December 2020, the Company has tangible fixed assets with a net book value of TL 1.659, with a cost of TL 3.933 and an accumulated depreciation amount of TL 2.274 (As of 31 December 2019, the net book value of tangible fixed assets is 1.671 TL).

8. Intangible assests

	January 1, 2020	Additon	Disposal	December 31, 2020
Cost				
Computer softwares and rights	614	22	-	636
	614	**22**	**-**	**636**

	January 1, 2020	Amortization	Disposal	December 31, 2020
Accumulated Amortization				
Computer softwares and rights	332	32	-	364
	332	**32**	**-**	**364**
Net book value	**282**			**272**

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Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

8. Intangible assests (cont'd)

	January 1, 2019	Addition	Disposal	December 31, 2019
Cost				
Computer softwares and rights	494	120	-	614
	494	**120**	**-**	**614**
	January 1, 2019	**Amortization**	**Disposal**	**December 31, 2019**
Accumulated Amortization				
Computer softwares and rights	231	101	-	332
	231	**101**	**-**	**332**
Net book value	**263**			**282**

As of December 31, 2020, the Company has 636 TL intangible fixed assets and the accumulated depreciation amount is 364 TL and the net book value is 272 TL (As of December 31, 2019, the net book value of intangible fixed assets is 282 TL).

9. Investment Property

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.

	January 1, 2020	Addition	Disposal	December 31, 2020
Cost				
Invetment Property	1.816	535	-	2.351
	1.816	**535**	**-**	**2.351**
	January 1, 2020	**Current year depreciation**	**Disposal**	**December 31, 2020**
Accumulated Depreciation				
Invetment Property	334	18	-	352
	334	**18**	**-**	**352**
Net book value	**1.482**			**1.999**

	January 1, 2019	Addition	Disposal	December 31, 2019
Cost				
Invetment Property	1.308	508	-	1.816
	1.308	**508**	**-**	**1.816**

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

9. Investment Property (cont'd)

	January 1, 2019	Current year depreciation	Disposal	Decemer 31, 2019
Accumulated Depreciation				
Invetment Property	301	33	-	334
	301	**33**	**-**	**334**
Net Defter Değeri	**1.007**			**1.482**

As of December 31, 2020, the Company has investment property of TL 2.351 and the accumulated depreciation amount is TL 352, with a net book value of TL 1.999 (As of December 31, 2019, the net book value of investment properties is TL 1.482).

10. Deferred tax assets/(liabilities)

The carrying amount of an asset or liability and the company determined by the tax legislation for the value of taxable temporary differences between the tax basis, "Income Related to Tax Turkey Accounting Standards" ("TAS 12") and its interests calculate deferred taxes following the provisions of reports. Deferred tax calculation uses legalized tax rates that are valid as of the balance sheet date under the applicable tax legislation.

Since the corporate tax rate of 22 percent entered into force with the "Law on Amending Certain Tax Laws and Some Other Laws" numbered 7061, while preparing the financial statements of 31 December 2019 in deferred tax calculations, the rate of 22 percent for the temporary differences that are likely to be recovered in 2019 and 2020, the rate of 20 percent has been used for the part exceeding two years. Due to the completion of the temporary tax rate change as of 2020, the Company used a 20 percent tax rate when preparing the financial statements as of December 31, 2020, for the temporary differences expected to occur or close in 2021 and after.

	Temporary differences		Deferred tax assets/liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Employee severance payments	1.158	930	231	186
Employee permission payments	-	387	-	77
Prepaid commissions	1.141	413	228	91
Unearned interest income	6.154	5.559	1.231	1.223
Derivative financial instruments	-	227	-	50
Deferred tax assets	**8.453**	**7.516**	**1.690**	**1.627**
Tangible and intangible assets	(817)	(595)	(163)	(119)
Deferred tax liabilities	**(817)**	**(595)**	**(163)**	**(119)**
Deferred tax liabilities (net)	**7.636**	**6.921**	**1.527**	**1.508**

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Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

10. Deferred tax assets/(liabilities) (cont'd)

As of December 31, 2020, movement of deferred tax asset is as follows:

	December 31, 2020	December 31, 2019
Beginning balance, January 1	**1.508**	2.320
Deferred tax (expense)/ income	**19**	(812)
Closing balance, December 31	**1.527**	1.508

11. Assets held for sale purpose and related to discontinued operations

None (December 31, 2019: None)

12. Other assets

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Receivables from Customers (*)	**1.043**	**7**	1.026	66
Prepaid expenses	**19**	-	19	-
	1.062	**7**	1.045	66

(*) Receivables from customers consist of BITT receivables regarding factoring receivables.

13. Funds Borrowed

	December 31, 2020	December 31, 2019
Short-term bank borrowings	**113.931**	116.500
	113.931	116.500

The details of bank borrowings are as follows:

Currency	**Average Interest rate %**	**Maturity**	**December 31, 2020**
TL	**18,40%**	**January 2021 – February 2021**	**54.708**
			54.708

Currency	Average Interest rate %	Maturity	December 31, 2019
TL	11,86%	January 2020 - January 2020	26.794
			26.794

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

13. Funds Borrowed (cont'd)

Currency	**Average Interest rate %**	**Maturity**	**December 31, 2020**
USD	**0,66%**	**January 2021 – May 2021**	**44.807**
			44.807

Currency	Average Interest rate %	Maturity	December 31, 2019
USD	4,15%	Ocak 2020 – Aralık 2020	80.427
			80.427

Currency	**Average Interest rate %**	**Maturity**	**December 31, 2020**
EUR	**0,37%**	**March 2021 – May 2021**	**14.416**
			14.416

Currency	Average Interest rate %	Maturity	December 31, 2019
EUR	0,45%	February 2020 – April 2020	9.270
			9.270

Currency	**Average Interest rate %**	**Maturity**	**December 31, 2020**
GBP	-	-	-
			-

Currency	Average Interest rate %	Maturity	December 31, 2019
GBP	-	-	9
			9

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Fixed rate	**54.708**	**59.223**	26.794	-
Floating rate	**-**	**-**	-	89.706
	54.708	**59.223**	26.794	89.706

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Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

14. Bonds and notes issued

None (December 31, 2019: None)

15. Factoring payables

	December 31, 2020	December 31, 2019
Factoring payable	**14.194**	16.316
	14.194	16.316

16. Financial lease obligations

None (December 31, 2019: None)

17. Other payables

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Fees and commissions collected in advance	**65**	**1.076**	69	344
Suppliers payable	**479**	**18**	494	6
	544	**1.094**	563	350

18. Provisions

Reserves For Employee Benefits

	December 31, 2020	December 31, 2019
Provision for employment termination benefits	**1.158**	930
Provision for unused vacation	**-**	387
	1.158	1.317

Provision for employment termination benefits

Provision for employment termination benefits table is as follows:

	December 31, 2020	December 31, 2019
January 1, beginning	**930**	745
Interest rate	**112**	39
Service cost	**236**	208
Payments during the period	**(118)**	(62)
Balance at the end of the period	**1.158**	930

18. Provisions (cont'd)

According to Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 years for women, 60 years for men). After the legislative amendment on May 23, 2002, some of transition process articles that related with service time before the retirement were excluded.

The indemnity to be paid is up to one month's salary for each service year, not exceeding the retirement pay ceiling amount for the relevant period, and this amount is limited to 7.117.17 TL (2019: 6.379.86 TL) as of 31 December 2020 (with full TL amount).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As of December 31, 2020 and December 31, 2019, the Company have an independent actuarial work that discounts employment termination benefits based on estimated inflation rates and factors arising from its experience in the separation or termination of personnel from employees and using the interest rate of government bonds applicable at the relevant balance sheet date and "Project Unit Credit Method",and reflected it in its financial statements. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7% and a discount rate of 12%, resulting in a real discount rate of approximately 4,67% (December 31, 2019: inflation rate of 7% and a discount rate of 12%, resulting in a real discount rate of approximately 4,67%).

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

19. Minority shares

None (December 31, 2019: None).

20. Paid-In Capital And Capital Reserves

Paid in-capital

As of 31 December 2020, the company's capital is TL 60.000 Thousand (31 December 2019: TL 60.000 Thousand). As of December 31, 2020, the Company has 60.000.000 (31 December 2019: 60.000.000) non-privileged stocks with a value of TL 1 (31 December 2019: TL 1). The registered capital of the company consists of 100.000.000 shares each worth 1 TL.

In statutory financial statements, accumulated profits may be distributed except for legal reserves and subject to following requirements for legal reserves. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. According to Law No. 5228 on Amendments to Certain Tax Laws published in Official Gazette No. 25539 if 31 July 2004, inflation adjustments to shareholders' equity line items arising from inflation adjusted financial statements and recognized in "Accumulated Profit/Loss" may be offset against inflation-adjusted accumulated losses or included in share capital by corporate taxpayers, and this transaction is treated as a dividend distribution. As per the Banking Regulation and Supervision Agency (BRSA) , income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

21. Profit reserves

As of December 31, 2020 and 2019 profit reserves are as follows:

	December 31, 2020	December 31, 2019
Legal reserves	16.271	15.191
	16.271	15.191

22. Prior Period's Profit / Loss

	December 31, 2020	December 31, 2019
Prior Periods Profit/Loss	97.516	77.009
	97.516	77.009

23. Provisions, contingent assets and contingent liabilities

23.1. Letters of Guarantee Received

As at 31 December 2020 and 2019, the details of the Company's items held in custody is as follows:

	December 31, 2020		December 31, 2019	
	TL	FC	TL	FC
Customers' Cheques	31.642	24.569	68.363	23.504
Customers' Notes	80.807	79.120	32.629	63.750
Received Bails	4.553.888	881.814	4.271.888	696.290
	4.666.337	985.503	4.372.880	783.544

(*) If mortgage is received from more than one person for a receivable, each amount received from mortgage is reflected on the collateral balance by taking into account each amount separately.

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

23. Provisions, contingent assets and contingent liabilities (cont'd)

23.2. Letters of Guarantee Given

The details of letters of guarantee given as at 31 December 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Letters of guarantee given to banks	**27.108**	**-**	17.500	-
Bails in favor of customers	**7.500**	**-**	7.500	-
Guarantee in favor of customers	**-**		8	-
	34.608	**-**	25.008	-

24. Operating income

	January 1-December 31, 2020	January 1-December 31, 2019
Factoring interest income	**41.350**	69.034
Factoring commission and other income	**2.866**	5.037
	44.216	74.071

25. Operating expense

	January 1- December 31, 2020	January 1- December 31, 2019
Personnel expenses	**16.145**	14.834
Rent a car expenses	**2.183**	1.831
Information technologies expenses	**577**	406
Audit and consultancy expenses	**466**	173
Subscription fee	**424**	451
Provisions for employee termination benefits expense	**348**	248
Vehicle expenses	**149**	226
Taxes and duties	**149**	122
Amortization and depreciation expenses(*)	**130**	321
Representation expenses	**65**	115
Advertisement expenses	**40**	79
Other	**849**	1.207
	21.525	20.013

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

25. Operating expense (cont'd)

The detail of personnel expenses as of 31 December 2020 and 31 December 2019 are as follows:

	January 1- December 31, 2020	January 1-December 31, 2019
Salary expenses	**14.139**	12.924
Social security premium employer's share	**937**	902
Insurance expenses	**579**	505
Transportation expenses	**210**	181
Meal expenses	**206**	175
Unemployment security employer's share	**66**	64
Other	**8**	83
	16.145	14.834

26. Other operating income

	January 1- December 31, 2020	January 1-December 31, 2019
Foreign currency gain	**13.600**	6.302
Provision no longer required	**3.600**	4.789
Interest Received from Banks	**619**	1.088
Gain from derivative instruments	**-**	573
Other	**-**	283
	17.819	13.035

27. Financial expenses

	January 1-December 31, 2020	January 1- December 31, 2019
Interest expense on bank borrowings	**6.367**	9.770
Fees and Commissions Expenses	**624**	912
	6.991	10.682

28. Provisions Expenses

As of December 31, 2020 and 2019 provisions follows:

	January 1-December 31, 2020	January 1- December 31, 2019
Provision expenses	**(56)**	(22.395)
	(56)	(22.395)

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

29. Other operating expenses

	January 1-December 31, 2020	January 1- December 31, 2019
Foreign exchange loss	**8.702**	5.704
Derivative financial transactions loss	**-**	800
	8.702	6.504

30. Related Party Transactions

The detail of related party transactions as of 31 December 2020 and 31 December 2019 are as follows:

	January 1-December 31, 2020	January 1- December 31, 2019
M. Semra Tümay – rent expenses	**2.183**	1.831
	2.183	1.831

Top management fees and rights:

As of 31 December 2020 the company paid amount to TL 10.676 to Board of Directors and top management (31 December 2019: TL 9.587).

31. Tax assets and liabilities

Corporation Tax

In Turkey, the corporate tax rate is 20%. Provisional Article 10 of the Corporate Tax Act states that, the 20% advance corporate income tax rate will be raised to 22% for the upcoming tax years 2018, 2019 and 2020. Corporate tax income rate is applied to net corporation profit, which is calculated by adding non-deductible expenses to, and deducting exemptions and discounts from the commercial income of the corporations. The corporate income tax declarations are submitted by the end of 25th and are paid by the last day of the 4th month of the following year.

The companies apply 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) tax rate over their quarterly profits when calculating their temporary tax payables; which they are obliged declare via Advance Corporate Tax Declaration by the end 14th, and pay by the end of 17th of the 2 month following the related period. Quarterly Advance Corporate Tax payments made within a year are deducted from the Corporate Income Tax calculated for the same fiscal year.

Following the netting-off, if there is still remaining Advance Corporate Tax balance, it can be deducted from any other financial debt owed to the State or can be received in the form of cash refund.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate income tax base of up to next 5 years; while, declarations and related accounting records can be examined by the State officials within up to next 5 years. If an error is found as a result of investigations, the tax amounts may change according to new tax assessmentDividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, 15% withholding tax rate is applied to dividends paid.

An increase in capital via issuing bonus shares is not considered as a profit distribution and are not subject to withholding tax.

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

31. Tax assets and liabilities (cont'd)

Current Period Tax Expense and Deferred Tax

Tax expense includes current tax expense and deferred tax expense. Tax is included in the income statement, provided that it is not directly related to a transaction accounted for under equity. Otherwise, the tax is accounted for under the equity, together with the related transaction.

Current tax expense is calculated by taking into account the tax legislation, in force as of the financial statement date, in respective countries where the investments of the subsidiaries and investments accounted for by the equity method are active. According to Turkish tax legislation, all legal or business centers and institutions in Turkey, are subject to Corporate Income Tax.

In the Turkish taxation system, financial losses may be offset against taxable profits for up to next five years while may not be offset (retrospectively) from previous years' earnings.

In addition, corporations pay Advanced Corporate Tax of 20% (22% for taxation periods of 2018, 2019 and 2019) over the tax base declared in the year end periods during the year to which can be deducted from the Corporate Income Tax.

As of December 31, 2020 and 2019, the tax liability has been set aside under the current tax legislation.

	January 1-December 31, 2020	January 1-December 31, 2019
Corporate tax provision	**5.359**	5.113
Prepaid taxes	**(4.167)**	(6.964)
Tax (assets) / liabilities	**1.192**	(1.851)

	January 1-December 31, 2020	January 1-December 31, 2019
Current tax expense	**5.359**	5.113
Deferred tax expense	**(19)**	812
	5.340	5.925

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

31. Tax assets and liabilities (cont'd)

Reconciliation of Tax Provisions	**January 1-December 31, 2020**	January 1-December 31, 2019
Profit before tax	**24.761**	27.512
Effective Tax Rate	**%22**	%22
Calculated Tax	**(5.447)**	(6.053)
Other and Effects of Expenses are not accepted legally	**(33)**	128
Tax exempt income	**293**	-
Effect of change in tax rate	**(153)**	-
Tax expense in statement of profit or loss	**(5.340)**	(5.925)

32. Earning per share

Since the Company's shares are not traded in the active market, earning per share have not been calculated on the accompanying financial statements.

33. Other matters that significantly affect the financial statements or are necessary for the financial statements to be clear, interpretable and understandable

None. (December 31, 2019: None).

34. Nature and level of financial risk arising from financial instruments

a) Capital risk management

The Company aims to make the most efficient use of the debt and equity balance while trying to maintain the continuity of its operations.

In accordance with Article 12 of the "Regulation on the Formation and Operations of Financial Leasing, Factoring and Financial Companies", published in Official Gazette of December 24, 2013, it is mandatory to achieve and maintain a minimum shareholders' equity to total assets ratio of 3%. The Company has reached standard rate as of December 31, 2020 (December 31, 2019: The Company has reached standard rate).

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Nature and level of financial risk arising from financial instruments (cont'd)

b) Significant account policies

The significant account policies of the Company have been explained in the Note 3 "Applied Valuation Principles / Accounting Policies".

c) Financial instruments categories

	December 31, 2020	December 31, 2019
Financial Assets:		
Cash Equivalents and Banks	**19.530**	11.264
Financial Assets Held for Trading	**-**	-
Factoring Receivables	**299.265**	290.392
Financial Liabilities:		
Factoring Payables	**14.194**	16.316
Debt Securities Issued	**-**	-
Lease Obligations	**-**	-
Funds Borrowed	**113.931**	116.500

The fair value of the financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are measured on the basis of the stock exchange prices quoted for identical assets and or liabilities in active markets.
- Level 2: Financial assets and liabilities are measured on the basis of inputs, other quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3: Financial assets and liabilities are measured on the basis of inputs that are unobservable in active markets and cannot be used to measure the fair value of an identical asset or liability

d) Financial risk management

The Company is responsible for ensuring access to financial markets on a regular basis and for observing and managing the financial risks to which it is exposed. These risks include market risk (including exchange rate risk, fair interest rate risk and price risk), liquidity risk and cash flow interest rate risk.

e) Market risk

The Company is exposed to financial risks which is related to changes in foreign exchange rates (please refer to f) and interest rates (please refer to g) and its operations. At a company level, market risk is measured by sensitivity analysis.

There has been no change in the manner in which the Company exposes the market risk of the current year or how it handles or manages the risks in the current year, compared to the previous year.

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Nature and level of financial risk arising from financial instruments (cont'd)

f) Foreign currency risk

Currency risk is a result of the foreign currency transactions. The Company manages its exposure to currency risk which is a result of the Company's operations and cash flows due to the financing agreement regularly.

The table below summarizes the foreign currency position risk of the Company on a detailed basis as of December 31, 2020 and December 31, 2019, the registered amounts of foreign currency assets and debts held by the Company are as follows in terms of their TL equivalents in foreign currencies:

	December 31, 2020			
	USD	**EUR**	**GBP**	**Total**
Assets				
Cash and cash equivalents	17.870	132	1.357	**19.359**
Factoring receivables	44.764	28.684	8.079	**81.527**
Other assets	7	-	-	**7**
Total Assets	**62.641**	**28.816**	**9.436**	**100.893**
Liabilities				
Funds Borrowed	44.807	14.416	-	59.223
Factoring payables	453	4.367	7.955	12.775
Other Liabilities	813	268	13	1.094
Total Liabilities	**46.073**	**19.051**	**7.968**	**73.092**
Net foreing currecy position	**16.568**	**9.765**	**1.468**	**27.801**
Off-balance sheet position	-	-	-	-
Net position	**16.568**	**9.765**	**1.468**	**27.801**

	31 Aralık 2019			
	USD	**EUR**	**GBP**	**Toplam**
Assets				
Cash and cash equivalents	7.496	3.566	76	11.138
Factoring receivables	83.187	13.154	2.133	98.474
Other assets	66	-	-	66
Total Assets	**90.749**	**16.720**	**2.209**	**109.678**
Liabilities				
Funds Borrowed	80.428	9.270	8	89.706
Factoring payables	9.346	3.845	2.033	15.224
Other Liabilities	232	117	1	350
Total Liabilities	**90.006**	**13.232**	**2.042**	**105.280**
Net foreing currecy position	**743**	**3.488**	**167**	**4.398**
Off-balance sheet position	-	-	-	-
Net position	**743**	**3.488**	**167**	**4.398**

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Nature and level of financial risk arising from financial instruments (cont'd)

Foreign Currency Sensitivity

The Company mainly is exposed to USD and EUR exchange rate risks.

The statement below shows the sensitivity of the Company to USD and EUR when a 10% change occurs at those currencies' exchange rates. 10% change in rates is used when reporting foreign currency risk to the top management and stands for expected fluctuation in exchange rates by the top management. Foreign currency sensitivity analysis for the reporting period of the Company is determined based on the change at the beginning of the fiscal year and fixed during the reporting period. Positive amount refers to increase in net profit.

	December 31, 2020			
	Profit/ Loss		Equity	
	The appreciation of foreign curreny	Depreciation of foreign currency	The appreciation of foreign curreny	Depreciation of foreign currency
10% change of the USD against TL				
1 - Net USD asset/liability	1.657	(1.657)	1.657	(1.657)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**1.657**	**(1.657)**	**1.657**	**(1.657)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	976	(976)	976	(976)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**976**	**(976)**	**976**	**(976)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	147	(147)	147	(147)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**147**	**(147)**	**147**	**(147)**
Total (3 + 6 +9)	**2.780**	**(2.780)**	**2.780**	**(2.780)**

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Nature and level of financial risk arising from financial instruments (cont'd)

	December 31, 2019			
	Profit/ Loss		Equity	
	The appreciation of foreign curreny	Depreciation of foreign currency	The appreciation of foreign curreny	Depreciation of foreign currency
10% change of the USD against TL				
1 - Net USD asset/liability	74	(74)	74	(74)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**74**	**(74)**	**74**	**(74)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	349	(349)	349	(349)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**349**	**(349)**	**349**	**(349)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	17	(17)	17	(17)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**17**	**(17)**	**17**	**(17)**
Total (3 + 6 +9)	**440**	**(440)**	**440**	**(440)**

g) Credit Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

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Notes to the financial statements for the period ended December 31, 2020

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Nature and level of financial risk arising from financial instruments (cont'd)

g) Credit Risk (cont'd)

Credit risk exposures relating to types of financial instruments:

December 31, 2020	**Factoring receivables**	**Banks**	**Other Assets**
The maximum credit risk exposure as of reporting date (*)	**299.265**	**19.530**	**1.069**
A. The net book value of financial assets that are neither past due or impaired	**299.265**	**19.530**	**1.069**
B. Renegotiated conditions, otherwise the book value of financial assets at maturity will be accepted as past due or impaired	**-**	**-**	**-**
C. The net book value of assets that are neither past due or impaired	**-**	**-**	**-**
D. The net book value of assets that are impaired	**-**	**-**	**-**
- Overdue (gross book value)	**21.815**	**-**	**-**
- Impairment (-)	**(21.815)**	**-**	**-**
E. Factors including off-balance sheet credit risk	**-**	**-**	**-**

December 31, 2019	**Factoring receivables**	**Banks**	**Other**
	Assets		
The maximum credit risk exposure as of reporting date (*)	290.392	11.264	1.111
A. The net book value of financial assets that are neither past due or impaired	290.392	11.264	1.111
B. Renegotiated conditions, otherwise the book value of financial assets at maturity will be accepted as past due or impaired	-	-	-
C. The net book value of assets that are neither past due or impaired	-	-	-
D. The net book value of assets that are impaired	-	-	-
- Overdue (gross book value)	25.142	-	-
- Impairment (-)	(25.142)	-	-
E. Factors including off-balance sheet credit risk	-	-	-

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Finansal araçlardan kaynaklanan risklerin niteliği ve düzeyi (devamı)

h) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

i) Interest Rate

The Company is exposed to interest rate risk which is related to the Company's factoring transactions to over fixed and floating interest rates and debt. Such risk is allocated to receivables and payables properly and controlled by the Company.

Interest Rate Sensitivity

Interest rate risk arises from the impact of changes in interest rates on the financial statements. The Company is exposed to interest rate risk due to timing mismatches or differences of assets and liabilities that are due to be expired or re-priced in a given period. The Company manages this risk by applying risk management strategies by matching the dates of interest rate change of assets and liabilities.

	December 31, 2020	December 31, 2019
Fixed Rate Financial Instruments		
Financial Assets:		
Banks	**19.530**	11.264
Factoring Receivables	**251.488**	103.822
Financial Liabilities:		
Funds Borrowed	**113.931**	26.794
Factoring Payables	**1.419**	1.092
Debt Securities Issued	**-**	-
Floating Rate Financial Instruments		
Financial Assets:		
Factoring Receivables	**47.777**	186.570
Financial Liabilities:		
Funds Borrowed	**-**	89.706
Factoring Payables	**12.775**	15.224

j) Other Pricing Risks

None. (December 31, 2019 :None)

(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

34. Nature and level of financial risk arising from financial instruments (cont'd)

k) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity table

The following tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interests that will be charged and interests that will be paid over the Company's assets and liabilities.

December 31, 2020

Contract or Expected Maturity	Book Value	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial Liabilities	**129.763**	**130.093**	**92.690**	**37.403**	-	-
Funds borrowed	113.931	114.261	76.858	37.403	-	-
Factoring payables	14.194	14.194	14.194	-	-	-
Other liabilities	1.638	1.638	1.638	-	-	-

December 31, 2019

Contract or Expected Maturity	Book Value	Total Expected Cash Outflows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial Liabilities	**133.729**	**134.778**	**82.809**	**51.969**	**-**	**-**
Funds borrowed	116.500	117.549	65.580	51.969	-	-
Factoring payables	16.316	16.316	16.316	-	-	-
Other liabilities	913	913	913	-	-	-

l) Fair value of financial instruments

Fair value is the value that the counterparties will receive after an authorized transaction, other than liquidation and compulsory sale. The listed market value reflects the most reliable current value of an asset, when it is available.

The company determined the fair value of the financial instruments based on the data provided from the market and by using appropriate calculation methods. However the estimation of the fair values based on the market values requires judgement and interpretation. As a result, the estimations presented in this financial tables, may not always be an indicator for the realisable value for the company after a market transaction.

34. Nature and level of financial risk arising from financial instruments (cont'd)

Fair value of the financial instruments is determined based on the reliable data provided from the financial markets in Turkey. Fair value of other financial instruments is determined by benchmarking market value of a similar financial instrument or by assumption methods which includes amortizing the future cash flows with current interest rates.

The company management estimates that the carrying value of the short term assets and liabilities approximates their fair value.

It is anticipated, that the presented values of the factoring receivables and the provisions are shown at their fair values, based on their short-term maturities.

Kısa vadeli varlık ve yükümlülüklerin gerçeğe uygun değerlerinin iskonto etkisinin önemsiz akışı sebebiyle kayıtlı değerlerine yakın olduğu öngörülmektedir.

Faktoring alacakların kayıtlı değerinin, kısa vadeli olmaları sebebiyle gerçeğe uygun değeri yansıttığı öngörülmektedir.

35. Subsequent events

None (December 31, 2019: None).

DEMİRBAĞ PUBLISHING

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