EKSPO FAKTORİNG 2021 ANNUAL REPORT

EKSPO Faktoring A.Ş.

Gürbüz Tümay
Honorary Chairman

Murat Tümay
Chairman of the Board & General Manager

Built on the robust experience of its founders in the banking sector, Ekspo Faktoring has integrated its innovative perspective into all business processes of the company, preserving its traditional values with the second generation at its helm. In today's world, as we experience a rapid change and transformation in every aspect of our lives, the Company's ability to combine tradition and innovation in a harmonious and balanced way has given the Company a significant advantage.

Message from Chairman

Over the past 22 years, we had the privilege to have been able to support your growth, our business partners, thanks to the trust you have placed in us, and we are grateful for it. We continue to work with faith and determination to support the development of our country's economy together with you, by protecting our core values, on which our success flourish.

Dear Business Partners,

The effects of the pandemic, which deeply affected all our lives and the economy beginning by 2020, finally started to ease in the year we left behind. While the growth trend in the global economy returned to pre-pandemic levels, the Turkish economy recorded a significant growth of 11 percent.

The banking sector has an important role in this growth. The year-on-year increase in the total loan size of the Turkish banking industry of 37.05 percent is an indicator of this role. Accordingly, the asset size of the industry has continued its development, increasing by 50.9 percent, while its ratio to GDP approached 1.3 percent. By the end of 2020, this rate was 1.21 percent.

However, the reignition of the economy after its almost complete stall during pandemic, brought some difficulties with it. The most important of these was the deterioration in price stability, mainly due to the rise in food and energy prices. Inflation in OECD countries has reached the highest level in the last 20 years. In Turkey, with the serious depreciation of the Turkish lira against foreign exchange rates, the inflation rate has reached levels that we have not witnessed for quite some time. This brought an increase in the share of foreign currency deposits in total deposits.

Due to this fact, the CBRT directly intervened to ease the exchange rate and has taken steps to restore confidence in the Turkish lira by introducing new instruments such as currency-protected deposit accounts.

Along with the revival in the Turkish economy, where industrial production has increased throughout the year, the factoring industry saw a rise of 35.3 percent in assets and 33.6 percent in receivables volume, in line with the banking industry.

As Ekspo Faktoring, providing an ethical, transparent, and professional service at the highest standards in order to contribute to the added value created by our business partners in this period when the wheels of the economy started to revolve again, we managed to increase our equity by 22.5 percent and our transaction volume by 80 percent compared to the previous year. While 64.5 percent of our turnover was realized through our domestic transactions, the ratio of our international transactions to our turnover was 35.5 percent. We achieved an impressive 2.4 times increase in our profit before tax.

We consider that geopolitical risks and uncertainty regarding the price stability will play an important role in the picture that awaits us next year. However, there is a crystal clear certainty on the other side of that uncertainty: The world that has changed with the pandemic will never be the same as before. The digitalization spearheads this transformation. Keeping in mind that digitalization, which brings new tools, priorities, policies and structures to the financial industry, is no longer a competitive edge, but one of the basic elements of competitiveness. We are constantly renewing our technological infrastructure with our competent staff and we are determined to be one of the leaders in the industry in this field.

In 2022, we will accelerate our digital finance investments, which we started earlier. We will continue to be the pioneering, innovative, and entrepreneurial financial institution of our country with strong capital, technological infrastructure, competent human resources, and an innovative and visionary management approach by preserving our traditional core values.

Kind regards,

Murat Tümay
Chairman of the Board & 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 in Massachusetts, US. He started his professional career at The Park Avenue Bank N.A. as an analyst, and held the roles of Assistant Manager and Manager in the following years. After working in executive positions at Turkcell İletişim Hizmetleri and İş-Tim Telekomünikasyon Hizmetleri A.Ş. (2000-2002), he started Ekspo Faktoring A.Ş. where he has served as General Manager and Chairman since 2002.

Zeynep Ş. Akçakayalıoğlu
Deputy Chairperson

Zeynep Şükriye Akçakayalıoğlu (born in 1969, Istanbul) holds a bachelor's degree in Business Administration Systems from the University of West Georgia, Georgia, US. She worked as a Director at Arthur Andersen Human Resources Consultancy 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 Akçakayalıoğlu
Board Member

Hasan Akçakayalıoğlu (born in 1963, Ankara), holds bachelor's and master's degrees in Computer Engineering from Middle East Technical University, Ankara and an MBA from Yeditepe University, Istanbul, Turkey. 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 in the Netherlands, Romania, Bulgaria, and Kazakhstan, he also served as a board member at the Turkish Industry & Business Association (TÜSİAD) and as the Chairman of the Turkish - Israeli Business Council of Foreign Economic Relations Board. Mr. Akçakayalıoğlu is currently the Chairman of Demir Kyrgyz International Bank, and also an independent board member in companies, including TFI TAB Gıda Yatırımları and Abdi İbrahim İlaç Sanayi ve Tic A.Ş. He has served on the Board of Ekspo Faktoring A.Ş. since October 2018.

Şerif Orhan Çolak
Board Member

Şerif Orhan Çolak (born in 1945, Istanbul) studied Economics at Université de Neuchâtel, Switzerland. His professional career began 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

Pioneering 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 industry with its corporate governance approach and innovative products by offering premium financial solutions to companies operating in diverse industries.

Introducing quality and efficiency-based practices in client relations management

Becoming a regional leader in international trade

To continue to break new ground in the industry with a visionary perspective, innovative applications, services and products.

Vision

Providing the products, services and experience to the highest standard of ethics, transparency and professionalism that will enable every company in every industry to grow

Maintaining a steady growth and reaching an asset size of TRY 825 million by the end of 2022

Strategic Goals

Responding to the changing needs of the real economy with innovative products and services

Achieving a sustainable growth trend with a service approach based on quality and efficiency

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

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

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

Ekspo Faktoring at a Glance

Adopting a visionary perspective since the very day it was founded, Ekspo Faktoring takes firm steps forward with its mission of breaking new ground in the industry with its innovative applications, services and products.

Ekspo Faktoring was founded in 2000 with a capital of TRY 1 million, on the solid basis of the banking experience of its founders and top executives that have aggregated 100 years, intending to reconstruct the industry with a different perspective. Thanks to its innovative practices, transparency and trust-based approach, it has become one of the leading companies in the financial industry in a short time. Bringing a breath of fresh air to the rapidly growing factoring industry in Turkey, the Company has always successfully emerged from economic crises with its strong equity structure. Today, the company looks to the future with confidence with its shareholders' equity exceeding TRY 236 million, as well as its sustainable growth-oriented and innovative vision.

A banking experience of over **100** years

Shareholders' equity exceeding TRY **236** million

Pioneer of innovations and firsts

Continuing its activities with a focus on quality, efficiency and client satisfaction with its strong capital structure, innovative management approach, competent human resources and sustainable growth goal, Ekspo Faktoring has achieved many firsts in the industry with its innovative applications, services and products. By offering Turkey's first structured finance products to the use of different industries, it has concluded foreign trade transactions of approximately $702 million, including $102 million of letter of credit transactions in the past 11 years.

As the first company in the Turkish factoring industry to publish an annual report, fully disclose its financial statements regularly, audited by independent auditors and switching to the SWIFT (The Society for Worldwide Interbank Financial Telecommunication System), Ekspo Faktoring is raising the standards of the industry with its transparency.

Foreign trade transactions of **$702** million in **11** years

The perfect match of traditional and innovative

Built on the robust experience of its founders in the banking sector, Ekspo Faktoring has integrated its innovative perspective into all business processes of the company, preserving its traditional values with the second generation at its helm. In today's world, as we experience a rapid change and transformation in every aspect of our lives, the Company's ability to combine tradition and innovation in a harmonious and balanced way has given the Company a significant advantage.

Tailored solutions and services

Always one step ahead in its industry with its superior service quality and proactive approach, Ekspo Faktoring is among the strongest financial institutions in Turkey, and it considers keeping up with the rapid change in the world and predicting the dynamics of the future among its priorities. Offering a wide range of services, primarily contract financing, project financing, order financing, pre-sales financing, supply chain financing and structured products, the Company meets the financing needs of many companies operating in industries including manufacturing, textile, transportation and construction, which form the backbone of the Turkish economy. It also makes a difference with its ability to analyze the needs and expectations of its clients, to develop special, creative products and services, and to offer the most accurate financing, guarantee and cash management solutions for their future needs.

Ekspo Faktoring offers effective solutions for client expectations and needs, while responding quickly to changing needs.

Long-term collaborations based on trust

The client stands at the very center of all business processes and its satisfaction is regarded as the top priority at Ekspo Faktoring. This is why its long-term relationships with its clients are based on trust, as the company offers effective and rapid solutions in line with client expectations and needs, as well as its care for superior service quality. The Company, which has a client retention rate well above the industry average thanks to its rigor and proactive approach to portfolio efficiency, closely monitors the business of its clients and the industries in which they operate, and keeps its relations alive with regular visits and meetings.

> Ekspo Faktoring enjoys a client retention rate well above the industry average.

Proactive approach, privileged service

Ekspo Faktoring has accomplished successful business operations with Turkey's leading companies thanks to its proactive approach, and the company focuses on export activities as well as the transactions carried out by its clients in the domestic market with its mission of providing privileged service. It adds value to the Turkish economy with its successful projects, contracts and orders with companies operating in the steel industry, machinery equipment, durable consumer goods, textile, leather, paper, food and construction industries and importing raw materials mainly for export purposes.

Worldwide correspondent network

Ekspo Faktoring is renowned as a reliable, effective and stable institution in global financial markets thanks to its strong financial structure and management approach shaped within the framework of transparency and accountability principles, and its financial superiority and strength are rated by international rating agencies. The company also has a significant competitive edge with the international correspondent relations it has established. Ekspo Faktoring has a widespread correspondent network spanning from the US to Germany, and from China to Korea, and the company continues to reinforce this network by working in cooperation with domestic and foreign banks and financial institutions. With these partnerships, it supports the competitiveness of its clients by providing them with medium and long-term resources and guarantees in their import operations.

> Widespread correspondent network spanning from the US to Germany, and from China to Korea

Qualified intellectual capital

Ekspo Faktoring is among the strongest financial institutions in Turkey in terms of intellectual capital. The secret to its success is that its team of experienced professionals, who closely monitor current developments, offers innovative and customized solutions that meet the needs and expectations of clients. Working within the framework of high ethical standards and with a strong sense of responsibility, this team is the foundation of the corporate culture that carries Ekspo Faktoring to the future. Aiming to further strengthen its service infrastructure and increase the competence of its human resources, the Company supports the development of its employees, who are equipped to develop creative solutions, through tailored training.

Operational speed and efficiency

Ekspo Faktoring made significant investments in information technologies. In order to ensure the security of its relations with banks and international financial institutions, it switched to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system in 2012, becoming the first company in its industry to do so. 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. It has increased data security by taking steps related to logging, creation of test environments and centralized management of technological infrastructure. Ekspo Faktoring prioritizes operational speed and efficiency in its operations, closely follows technological innovations, and constantly updates and strengthens its infrastructure.

> Ekspo Faktoring was the first company in its industry to use SWIFT and continues to raise the standards of the industry.

Governance Approach

Ekspo Faktoring adopts a corporate governance approach that is nourished by industrial expertise and experienced human resources, and it includes financial discipline and accountability principles among its priorities, as a company managed with a proactive strategy.

Empowered by the synergy of the vast experience and know-how of its founders and executives, along with the innovative approach of the second generation at the helm, Ekspo Faktoring implements the "new traditional banking" approach with great success. Transparent management, effective risk management and internal control mechanism are the basis of the corporate governance approach of the Company, which focuses on making its success sustainable by conducting its activities in accordance with ethical values, international criteria, applicable legislation, specifications and standards. Ekspo Faktoring makes a significant contribution to raising the standards of the industry in which it operates, as it is the first company in its industry to appoint independent members to its Board, be audited by international independent auditors, publish its annual report, and disclose its financials.

> "New traditional banking" with a banking experience of over **100** years

Stronger corporate structure with commitees

Ekspo Faktoring continues its efforts to ensure that its corporate governance approach is adopted at the same standards in every unit of the organization, to improve internal communication and to further strengthen the corporate culture. The company aims to make its corporate development sustainable through committees that have been actively working since day one. These committees and their duties, which contribute greatly to healthy and efficient business processes, are as follows:

> Corporate governance applied at the same standards in every unit of the organization

Asset-Liability Committee (ALCO)

Headed by the CEO, 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 an 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 a determination of the weekly strategy.

Risk Assessment Committee

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.

Liquidity Committee

The Liquidity Committee, chaired by the CEO, 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, half-year, 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.

Human Resources 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 the 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.

Information Technologies Committee

The Information Technologies Committee, chaired by the CEO, 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.

Products & Services

Ekspo Faktoring has managed to institutionalize above the sector average in client relations management, thanks to the trust-based relationships it has established since its foundation. The company swiftly meets the expectations and needs of its clients with its tailored solutions.

Increasing the service quality and diversity in the financial sector has been among Ekspo Faktoring's priorities since the day it was founded. With this understanding, Ekspo Faktoring offers to-the-point solutions to the financing needs of its clients operating in different industries, and always focuses on enriching and developing its product range, further increasing the effectiveness of its marketing methods and ensuring the highest level of client satisfaction. It meets the needs of its clients accurately and on time by structuring fast and effective business processes with a wide range of products and services, curated by its experienced team.

Wide product and service portfolio

Providing financing, as well as guarantee and collection services, for both domestic and international transactions, the Company supports its clients as they carry out successful projects and business processes, thanks to its ability to foresee future needs and to offer the most accurate financing, guarantee and cash management alternatives available. It also closely monitors the market conditions in the markets, which have economic and commercial ties with Turkey, and contributes to the creation of the highest possible added value for its clients by evaluating financing opportunities.

Despite any fluctuations that may occur in the financial and real economies, Ekspo Faktoring acts transparently and with integrity in favor of its clients, and sees these processes as an opportunity to better understand its clients and gain experience in risk management.

Structured Finance

Importing raw materials for export-oriented manufacturing as well as generating energy and mining natural resources play a critical role in the exports and national welfare of Turkey and other emerging economies. With commodity prices trending high in 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 $146 million in structured finance secured through international finance institutions to date, it has supported its clients for supplying their raw material needs.

Structured financing of over
$146 million

Pre-Shipment Financing

Ekspo Faktoring has been providing pre-shipment financing services since 2008, covering the expenditures to be made in export transactions until the shipment stage. 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 cost advantage in procuring the goods in cash or performing 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 produced 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.

The guarantee that Ekspo Faktoring extends is recognized by some of the world's largest banks, in the Far East, Asia, the US and Europe.

Import financing of **$7.1** million (2021)

Export Financing

Businesses need to generate cash to finance their growth and financing is an important issue, particularly for exporters selling to advanced and developing 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 collaborates with Turkish Eximbank to provide export finance options in Turkey.

Export financing reaches
$49.6 million (2021)

Foreign trade financing (2021)
$56.7 million

Supplier Finance

Supplier finance is regarded as 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 of 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.

Financial Advantages

Ekspo Faktoring, with its significant competitive advantages thanks to its strong capital structure, qualified human resources and solution-oriented business culture, is one of the few non-bank finance companies that can facilitate intermediary transactions with the world’s largest banks.

Ekspo Faktoring, one of the strongest financial partners of export and import-oriented companies with its innovative products and services, has been making an important contribution to the development and deepening of relations between global companies and Turkish companies for 22 years, continuously solidifying its presence in the international arena.

Ekspo Faktoring, home to innovative products and services in the non-bank finance sector, offers its clients the opportunity to achieve world-class results from a global perspective and creates cost-effective resources with the strength of mutual trust and transparency.

A robust finance partner

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 2021. 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 finance solutions

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 and 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.

> Competitive edge fortified with supplier finance

In addition to its expertise in domestic and international transactions, Ekspo Faktoring also provides consultancy services in areas such as market, industry analyses and project finance, thus offering customized financial solutions that are in line with the needs and expectations of its clients. The company provides services by meeting the strategic and financial needs of its clients with a proactive approach - just like a “business partner”.

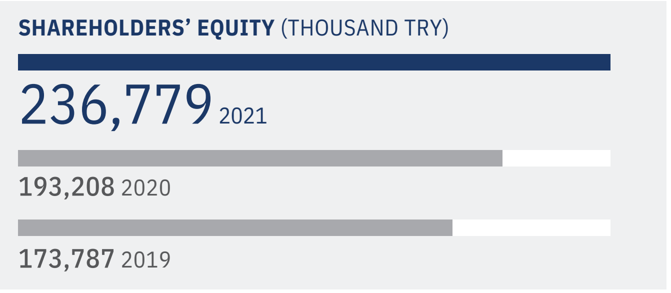
A remarkable support for real economy

Ekspo Faktoring, offers fast and effective solutions in line with the needs and expectations of its clients, thanks to its expertise in the industry, strong fund structure and qualified human resources, and serves many companies operating in different industries at home and abroad. The company regards its clients as long-term and permanent business partners and offers the resources it obtains from domestic and foreign banks under attractive conditions by structuring it in line with the expectations of its clients. As a result of its activities with this approach, Ekspo Faktoring’s asset size is recorded at TRY 457.2 million as of the end of 2021. In 2022, it aims to reach an asset size of TRY 825 million. The company, whose financial superiority has also been confirmed by international rating agencies, aims to maintain its profitability and strong support to the real economy by offering swift and low-cost solutions for its clients in 2022.

TOTAL ASSETS (THOUSAND TRY)

Steady growth

Focusing on sustainable success, Ekspo Faktoring continues its steady growth. The shareholders' equity of the Company, founded in 2000 with TRY 1 million capital, has reached TRY 236.8 million by the end of 2021. The Company's transaction volume of TRY 1.8 billion as of year-end 2020 has generated a profit before tax of TRY 60.8 million, completely from its main operations. As of year-end 2021, domestic transactions accounted for 64.5% of Ekspo Faktoring's total turnover and international transactions for 35.5%. 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.



Sustainable 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 the 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 a minimum of 3%. Considering the changing market conditions in 2021, Ekspo Faktoring has achieved an outstanding ratio of 52%.

52%
Shareholders' equity/total assets ratio

Reliable rating system

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 the sector average.

98%
Revocable receivables

Business Financed in 2021

Ekspo Faktoring provides services by developing strategies that will meet the needs of its clients and help them achieve their corporate goals. In addition to traditional products, Ekspo Faktoring continues to offer innovative foreign trade products to its clients.

Acting as a solid intermediary between domestic and foreign fund providers and the Turkish private sector with its target-oriented marketing approach, Ekspo Faktoring has provided approximately $702 million in support for the foreign trade transactions of its clients operating in different industries in the past 11 years.

Total Turnover (2021)

1.8 billion (TRY)

DISTRIBUTION OF BUSINESS FINANCED IN 2021 BY INDUSTRY (%)

TEXTILES AND APPAREL INDUSTRY	29.75
METALS AND ARTICLES MANUFACTURING	19.52
CHEMICALS, CHEMICAL PRODUCTS AND ARTIFICIAL FIBRES	10.46
WHOLESALE AND RETAIL AUTOMOTIVE TRADE INTERMEDIARY SERVICES	9.97
TRANSPORTATION VEHICLES INDUSTRY	5.23
PAPER RAW MATERIALS AND PAPER PRODUCTS, PRINTING	3.95
MACHINERY AND EQUIPMENT INDUSTRY	3.77
REAL ESTATE COMMISSION, RENTAL AND MANAGEMENT ACTIVITIES	3.12
LEATHER AND LEATHER PRODUCTS MANUFACTURING	1.99
CONSTRUCTION	1.68
NON-METAL MINING INDUSTRY	1.62
RUBBER AND PLASTIC MATERIALS INDUSTRY	1.42
TRANSPORTATION, STORAGE AND TELECOMMUNICATION	1.33
FOOD, BEVERAGE AND TOBACCO INDUSTRY	1.07
FINANCIAL INSTITUTIONS	1.07
EXTRACTION OF NON-ENERGY-PRODUCING MINERALS	1.06
HOTELS AND RESTAURANTS (TOURISM)	1.01
MANUFACTURING OF MATERIALS NON-CLASSIFIED ELSEWHERE	0.66
WOOD AND WOOD PRODUCTS INDUSTRY	0.47
OTHER SOCIAL AND PERSONAL SERVICES	0.30
UTILITIES	0.29
AGRICULTURE, ANIMAL HUSBANDRY, FORESTRY	0.27
EXTRACTION OF ENERGY-PRODUCING MINERALS	0.01

Foreign Trade Transactions Financed in 2021

Serving companies from different industries, Ekspo Faktoring's portfolio includes steel, textile, chemistry and retail trade industries, as well as shipbuilding and repair, aluminum and automotive supply industry in 2021.

STEEL PRODUCTS (EXPORT)	**$10.4** MILLION (18.34%)
TEXTILES AND APPAREL (EXPORT)	**$10.5** MILLION (18.51%)
HOME TEXTILE (EXPORT)	**$16** MILLION (28.22%)
ALUMINUM (EXPORT)	**$1.3** MILLION (2.29%)
BOAT MANUFACTURING & AUTOMOTIVE SUPPLY INDUSTRY (EXPORT)	**$6.3** MILLION (11.11%)
SHIPBUILDING AND REPAIR (EXPORT)	**$3.9** MILLION (6.87%)
CHEMICALS (EXPORT)	**$855** THOUSAND (1.50%)
PAPER PRODUCTS (EXPORT)	**$400** THOUSAND (0.70%)
TEXTILE (IMPORT)	**$6.6** MILLION (11.64%)
RETAIL (IMPORT)	**$442** THOUSAND (0.77%)

TOTAL IMPORTS

$7.042 MILLION (12.42%)

TOTAL EXPORTS

$49.655 MILLION (87.57%)

TOTAL

$56.697 MILLION

Steel Products

Export Financing (2021)

$10.4 million

The Turkish steel industry has strategic importance in terms of its high export volume, direct and indirect contribution to employment and providing raw materials to other industries. The Turkish steel industry, which continued production despite the pandemic, became the world's 7th largest steel producer and the largest in Europe. In the first half of 2021, it grew by around 20 percent and increased its export value by 50 percent. Ekspo Faktoring provides export financing support to this strategic industry.

Textiles and Apparel

Export Financing (2021)

$10.5 million

Turkey's textile exports showed a remarkable increase after 1985 and have become the most important export item of the country since then. The Turkish textile industry continues to maintain its increase in exports, and thus provides remarkable added value to the country's economy. In 2021, Turkey's textile exports reached a historical high at $12.9 billion. Ekspo Faktoring supports textile and apparel exports with medium-term financing.

Home Textile

Export Financing (2021)

$16 million

The Turkish home textile industry, which has an important share in the global home textile trade, is among the industries with the largest export volume in Turkey. With an export volume of $2.49 billion, Turkey enjoys a four percent share of the global home textile market, which has a total market size of approximately $65 billion. Ekspo Faktoring supports the industry by providing medium-term financing for home textile exports.

Boat Building and Automotive Supply Industry

Export Financing (2021)

$6.3 million

Boat building and automotive supply industries are emerging industries in Turkey. Ekspo Faktoring has worked with clients in these industries in the past and in 2021, this support continued to increase.

Aluminum

Export Financing (2021)

$1.3 million

Aluminum is used in a wide range of areas from automotive to white goods, from air, land and sea vehicles to the construction sector, and its usage is getting more widespread. Defined as the "metal of the future" by industry representatives, aluminum is among the important materials of many industries due to its easy formability, being suitable for recycling, environmentalism and aesthetics. Ekspo Faktoring finances its clients who supply aluminum to different countries with medium-term loans.

Shipbuilding and Repair

Export Financing (2021)
$3.9 million

Today, the intense logistics traffic in the world, the importance of supply security and the intense competition in the world highlight the value of shipbuilding. This rapidly growing and developing industry is supported by Ekspo Faktoring with export financing products.

Chemicals

Export Financing (2021)
$855 thousand

The chemical industry has an important place in the Turkish economy in terms of industrial production and foreign trade, and it supplies intermediate goods and raw materials to various industries. The growth in the global economy is also reflected in the chemical exports. Accordingly, Turkey's chemicals exports reached a record high in 2021 at $25.4 billion, with a year-on-year increase of 50 percent, and ranked second among Turkey's most exported goods.
The chemical industry is among the industries that Ekspo Faktoring provides financial support.

Paper Products

Export Financing (2021)
$400 thousand

The paper and printing industry ranks among the industries 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 te pre-production and post-production phases of the paper products industry, which is a supplier of various industries.

Textile

Import Financing (2021)
$6.6 million

The textile industry is developing every year in terms of investment and employment. It also provides an important source of tax revenue to the Turkish economy with its imports. Ekspo Faktoring provides import financing to Turkey's leading textile companies.

Retail Trade

Import Financing (2021)
$442 thousand

In 2021, Ekspo Faktoring provided financing to Turkey's leading retail companies in the field of ready-to-wear imports from the Far East.

Financial Indicators

Ekspo Faktoring continued to increase its support to the real economy in 2021 with its strong financial structure, client-oriented approach, and innovative products and services. As a result of its success, the Company increased its shareholders' equity to TRY 236.8 million and achieved a total financed transaction volume of TRY 1.8 billion.

FINANCIAL INDICATORS (THOUSAND TRY)	December 2019	December 2020	December 2021
TURNOVER	1,400,000	1,000,000	1,792,200
TOTAL ASSETS	309,561	325,321	457,220
TOTAL SHAREHOLDERS' EQUITY	173,787	193,208	236,779
PAID-IN CAPITAL	60,000	60,000	60,000
NET WORKING CAPITAL	171,669	190,436	237,956
FACTORING RECEIVABLES	290,392	299,265	431,613
FACTORING PAYABLES	16,316	14,194	7,702
NET ADVANCES TO CLIENTS	274,076	285,071	423,911
BANK & BOND LOANS	116,500	113,931	202,702
TOTAL INCOME	87,106	62,035	111,933
FACTORING INCOME	74,071	44,216	87,602
GROSS PROFIT	27,512	24,761	60,777
NET PROFIT	21,587	19,421	45,511

FINANCIAL DATA (%)	December 2019	December 2020	December 2021
CURRENT RATIO (TIMES)	2.28	2.45	2.07
LIQUIDITY RATIO (TIMES)	2.25	2.44	2.05
NET WORKING CAPITAL/TOTAL ASSETS RATIO	55	59	51
LIQUID ASSETS/TOTAL ASSETS RATIO	98	98	98
DEBTS/ASSETS (INDEBTEDNESS RATIO)	44	41	48
DEBTS/EQUITY (FINANCIAL LEVERAGE RATIO) (TIMES)	0.67	0.59	0.86
FINANCIAL LIABILITIES/TOTAL ASSETS RATIO	44	41	48
INTEREST COVERAGE RATIO (TIMES)	3.21	4.05	3.17
GROSS PROFIT MARGIN	26	15	20
NET PROFIT MARGIN (SALES PROFITABILITY)	10	8	17
RETURN ON EQUITY (EQUITY PROFITABILITY)	17	13	28

TURNOVER (THOUSAND TRY)

1,792,200	2021
1,000,000	2020
1,400,000	2019

TOTAL INCOME (THOUSAND TRY)

111,933	2021
62,035	2020
87,106	2019

GROSS PROFIT (THOUSAND TRY)

60,777	2021
24,761	2020
27,512	2019

TOTAL ASSETS (THOUSAND TRY)

457,220	2021
325,321	2020
309,561	2019

TOTAL SHAREHOLDERS' EQUITY (THOUSAND TRY)

236,779	2021
193,208	2020
173,787	2019

FACTORING RECEIVABLES (THOUSAND TRY)

431,613	2021
299,265	2020
290,392	2019

236.8
MILLION TRY

SHAREHOLDERS' EQUITY

457.2
MILLION TRY

ASSET SIZE

1.8
BILLION TRY

TURNOVER

64.5%

DOMESTIC SHARE IN TURNOVER

35.5%

INTERNATIONAL SHARE IN TURNOVER

56.7
MILLION $

FOREIGN TRADE FINANCE

49.6
MILLION $

EXPORT TURNOVER

7.1
MILLION $

IMPORT TURNOVER

60.8
MILLION TRY

PROFIT BEFORE INCOME TAXES

Activities in 2021

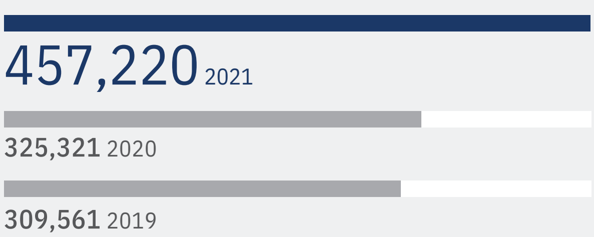
Showing a successful performance in 2021 with its strong shareholders' equity structure, innovative approach and corporate governance approach, Ekspo Faktoring continues to contribute consistently to the development of Turkey.

Mainly serving Turkey's top 500 companies and multinational companies, Ekspo Faktoring focuses on transparent management, strong international cooperation and client satisfaction, and maintains its long-term relationships within the framework of mutual trust and profit. The company continues to develop authentic products that meet the financial needs of its clients, whom it considers business partners, and to implement pioneering practices that shape the industry. Ekspo Faktoring took part in important business processes and projects again in 2021.

Profitable and solid performance

By the end of 2021, Ekspo Faktoring reached an asset size of TRY 457.2 million, a turnover of TRY 1.8 billion, and a pre-tax profit of TRY 60.8 million. The Company continued its solid success and its shareholders' equity grew by 22.5 percent to TRY 236.8 million. In 2021, the Company's turnover included an export volume of $49.6 million and an import volume of $7.1 million, with the share of domestic transactions at 64.5 percent and international transactions at 35.5 percent.

TOTAL ASSETS (THOUSAND TRY)



Solution partner in export and import operations

Maintaining its leading position in the industry in export and import financing activities in 2021, Ekspo Faktoring expanded its product and service range thanks to its experienced and expert team. Focusing on the financing of both domestic and international trade, it continued to provide financial support to companies working mainly on imports and exports, with effective solutions it implemented. Ekspo Faktoring, which provides services with a strategic point of view and provides the necessary resources for its clients to achieve their goals, provided approximately $56.7 million in foreign trade financing support in 2021.

Foreign trade support of
$56.7 million

With the funding sources and guarantees it provides from its international correspondent network, and the financial products and services it offers, Ekspo Faktoring provides a competitive edge and a financial advantage to Turkish companies targeting foreign markets in today's challenging conditions, where supplying products to foreign markets involves many difficulties. Ekspo Faktoring carries out activities with the aim of finding new markets for export goods and giving exporters competitiveness in international markets. The Company provided export financing services worth $49.6 million in 2021 for the textile, aquaculture, metal, health, boat building and automotive supply industries, as well as paper, machinery equipment, and leather sectors.

Export financing services worth
$49.6 million

CORRESPONDENT NETWORK

Strong presence with global cooperation

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 2021, 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.

International rating and audit

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.

JCR Eurasia Rating has recently confirmed the long-term national rating of Ekspo Faktoring as 'AA- (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 the high level of risk management skills, experience and effective management capabilities were instrumental in Ekspo Faktoring receiving such a positive rating.

AA-
Long-term national rating

Global Economy

The world economy grew by 5.9 percent in 2021, approaching its pre-pandemic course after shrinking by 3.5 percent in 2020.[1] However, it closed 2021 with a weaker outlook compared to previous expectations, due to supply shortages that marked some industries such as automotive[2], high inflation throughout the globe, the increase in energy prices across the year, and the ongoing uncertainties about the pandemic.

The engine of recovery: Government supported incentives

The easing of the effects of the pandemic thanks to the success of the vaccination campaigns, especially in developed economies, as well as government-supported financial incentive programs, were effective in the economic growth to reach pre-pandemic levels in 2021. The total government-sponsored financial stimulus programs provided reached 29 percent of GDP from the start of the pandemic to November 2021. Comparatively, incentives provided after the 2008 global crisis were at the level of 3.3 percent of the GDP.[3]

Uneven economic recovery across countries

However, the economic recovery showed significant differences across countries and industries. Secondly, although employment and working hours have yet to return to normal levels in some industries, serious employment issues have been observed. Third, the persistent gap between supply and demand for some commodities, coupled with rising food and energy costs, has resulted in higher-than-expected and prolonged price increases.[4]

The highest inflation rise in the last 20 years

As the year 2021 come to an end, high inflation has become one of the most important issues globally, and there has been significant uncertainty about how the central banks will react. As of December 2021, 12-month inflation rates were measured above 5 percent in 15 of 34 countries classified as developed economies by the IMF. By modern standards, such a sudden and nationwide jump in inflation has not been recorded for more than 20 years. This increase in inflation was not limited to developed economies; emerging and developing economies (78 of the 109 countries classified as such) also faced annual inflation of more than 5 percent.[5]

According to the World Bank's Global Economic Outlook, one of the most important issues affecting developed and developing economies has been the problems encountered in global supply chains due to the economic slowdown in the last two years. Transport costs have risen sharply. Unlike the oil-related supply crisis of the 1970s, the COVID-19-related supply crisis has brought more uncertainty as it depicts a more diverse and opaque picture.

Energy prices increased 59 percent

In 2021, energy prices included in the S&P Goldman Sachs Commodity Index (GSCI) rose 59 percent. The price increases stemmed from the economic recovery seen with the easing of the pandemic. By comparison, for most other commodities within the GSCI, the increase was around 20 percent.[6]

ECONOMIC GROWTH EXPECTATIONS (%)

	Estimate		Projection
	2021	**2022**	**2023**
WORLD	**5.8**	**4.4**	**3.8**
ADVANCED ECONOMIES	**5**	**3.9**	**2.6**
USA	5.6	4	2.6
EURO ZONE	5.2	3.9	2.5
GERMANY	2.7	3.8	2.5
FRANCE	6.7	3.5	1.8
ITALY	6.2	3.8	2.2
SPAIN	4.9	5.8	3.8
JAPAN	1.6	3.3	1.8
UK	7.2	4.7	2.3
CANADA	4.7	4.1	2.8
OTHER ADVANCED ECONOMIES	**4.7**	**3.6**	**2.9**
EMERGING AND DEVELOPING ECONOMIES	**6.5**	**4.8**	**4.7**
CHINA	8.1	4.8	5.2
INDIA	9	9	7.1
RUSSIA	4.5	2.8	2.1
BRAZIL	4.7	0.3	1.6
MEXICO	5.3	2.8	2.7
SAUDI ARABIA	2.9	4.8	2.8
SOUTH AFRICA	4.6	1.9	1.4

Source: IMF, World Economic Outlook Update, January 2022

China's real estate appeal brings a crisis

At the beginning of 2021, Evergrande, one of China's largest real estate companies, tumbled into a debt restructuring process with the Chinese government, after the financial crisis and announcing that it could not repay its debt of approximately 300 billion dollars to its foreign investors.[7] However, the crisis does not seem to be over.

While Chinese real estate developers' offshore debts in dollar terms in the last quarter of 2021 are at the level of 10.2 billion dollars, their debts for the first quarter of 2022 are almost double this, at the level of 19.8 billion dollars. This debt burden, which has caused Evergrande to default, highlights the threat of default by other developers such as Kaisa.[8]

China has invested heavily in real estate projects for many years. However, in 2021, the declines in home sales and new construction by 16 percent and 21 percent respectively, indicate that the good days are over.

The year 2022 started with serious uncertainty

Despite the IMF's forecast in January 2022 that the world economy will grow by 4.4 percent in 2022[9], political risks arising with the Russian occupation of Ukraine at the end of February caused serious uncertainty in the economy, including the financial markets.[10] The possible effects of the sanctions against Russia, posed especially by the USA and the European Union, on the global economy, including the removal of Russia from the SWIFT system, are yet to be known. However, considering that 41 percent of Europe's natural gas needs and 25 percent of its oil needs are supplied from Russia, it is predicted that the increase in energy prices will continue.[11]

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Turkish Economy

The Turkish economy grew by 11 percent in 2021 after the limited growth of 1.8 percent in the previous year[1], in line with the global economy, as the effects of the pandemic weakened. However, the Turkish lira depreciated 44 percent against the dollar.[2] When energy prices in the world markets and price increases across sectors are added, annual inflation in Turkey reached 36.08 percent as of the end of December.[3]

Economy switched to growth

With the vaccination rate reaching 85 percent in Turkey[4], the impact of COVID-19 weakened, and daily life and economic activities continued to normalize throughout the year. Accordingly, the economy, which grew by 7.3 percent in the first quarter of the year, showed significant growth of 21.9 percent in the second quarter. Third and last quarter growth rates were recorded as 7.5 percent and 9.1 percent, respectively. With the annual growth reaching 11 percent, the 5.8 percent target envisaged in the 2021-2023 Medium Term Program has been exceeded.

As a reflection of the economic recovery seen throughout the world, increases were recorded in industrial production and employment. However, the Turkish economy was hit by the significant depreciation of the Turkish lira and high inflation in 2021.

In order to relieve the low-income group most affected by high inflation, measures such as exemption of the minimum wage from income and stamp tax were applied - considering that approximately 42 percent of registered workers are subject to the minimum wage.

On the other hand, the consumer confidence index, which rose to 86.7 points in March, declined continuously until the end of the year and fell to 68.9 in December due to high inflation and the depreciation of the lira.

While the economic confidence index was 97.2 points in December 2019, it dropped to its lowest level of 58.4 points in April 2020. Although the economic confidence index, which closed 2020 with 86.4 points in December, rose above 100 points for a short time with the normalization process, it closed the year at 97.6 points.

In 2021, Turkey's credit rating was announced by Moody's as B2, as in the previous year. Moody's had changed Turkey's credit rating from B1 to negative at the end of 2019 and announced its new credit rating as B2. In addition, Turkey has been rated at the "non-investable-speculative" level since January 2017 by Moody's, Standard & Poors (S&P) and Fitch.[5]

The current account deficit, which was $36.7 billion in 2020, stood at $14.9 billion by the end of 2021. In 2021, the foreign trade deficit decreased by 7.5 percent to $46.13 billion.

Lower current account deficit

In 2020, the current account deficit was at the level of $36.8 billion dollars. In 2021, the current account had a deficit of $14.88 billion. Budget revenues increased by 36.8 percent in 2021 compared to the previous year and reached TRY 1.40 trillion, while budget expenditures increased by 32.9 percent to TRY 1.60 trillion. Thus, the central government budget deficit increased by 9.7 percent and was recorded as TRY 192 billion.[6]

In 2021, tax revenue collection increased by 39.8 percent and reached TRY 1.1 trillion. The realization rate of tax revenues according to the budget estimation was determined as 126.2 percent.

As of December 31, 2021, the central government gross debt stock was TRY 2.7 trillion. The TRY 933.2 billion of debt stock consisted of Turkish lira debt, and TRY 1.8 trillion consisted of foreign currency debt.[7]

Foreign trade deficit decreased

The foreign trade deficit, which was at the level of $49.88 billion in 2020, marked by the epidemic, decreased by 7.5 percent to $46.13 billion in 2021.

According to the general trade system, in the January-December period of 2021, exports increased by 32.8 percent compared to the same period of the previous year and reached $225.29 billion, while imports increased by 23.6 percent and reached $271.42 billion. While the ratio of exports to imports was 76.7 percent in the January-December period of 2020, it increased to 82 percent in the same period of 2021.

Germany took first place in exports in the January-December period. While exports to Germany were $19.32 billion, it was followed by the USA with $14.72 billion, the UK with $13.7 billion, Italy with $11.48 billion, and Iraq with $11.13 billion. Exports to these first five countries accounted for 31.2 percent of total exports.

In the January-December period, China took the first place in imports. While the imports from China was $32.24 billion, it was followed by Russia with $28.96 billion, Germany with $21.76 billion, the USA with $13.15 billion, and Italy with $11.56 billion. Imports from these first five countries constituted 39.7 percent of total imports.

Employment rate increased

Seasonally adjusted unemployment rate was 11.2 percent in 2021. The employment rate, which was 49.1 percent in December 2020, increased to 52.9 percent as of December 2021.[8]

Currency depreciation and high inflation hit economy

The depreciation of the Turkish lira in 2021, which is much higher than that of all developing countries, and high inflation left their mark on the Turkish economy.

The CPI, which was at the level of 14.6 percent in December 2020, rose to 36.08 percent as of December 2021, the highest rate recorded since September 2002. Inflation across OECD countries reached 6.6 percent, the highest level in the last 30 years.[9] This was mainly due to the increase in energy and food costs. However, inflation in Turkey was recorded much higher than the OECD average. This was due to the fact that unorthodox fiscal policies caused the Turkish lira to depreciate significantly.

Although the Central Bank first increased the policy rate, which was 17 percent in January 2021, to 19 percent as of March, it gradually decreased it from September to 14 percent in December, in line with the government's assumption that "High interest rates are the cause of high inflation". Along with the changes in the Central Bank's management throughout the year, the policy of lowering interest rates was effective in the depreciation of the Turkish lira. The Turkish lira depreciated by 44 percent against the dollar, showing its worst performance in the last 20 years.

As a result of the Central Bank's interventions in the exchange rate, as of December 31, 2021, the net foreign exchange reserves of the CBRT decreased to 8.3 billion dollars, which is the lowest level recorded since August 2002. Excluding swaps, net reserves decreased to minus $56.4 billion.[10]

In order to prevent the dollarization seen with the increase in the exchange rate, on December 20, 2021, the CBRT announced that in case the foreign exchange deposit accounts and participation funds in US dollars, Euros and British pounds are converted into Turkish lira deposit/participation accounts, if the amount to be calculated over the exchange rate at the end of maturity is greater than the interest yield, the difference will be covered by the CBRT. It is estimated that approximately 8 billion dollars of deposits have been converted into deposit accounts in the period from the announcement of the incentive until the end of the year.

Expectations for the year 2022

The Turkish economy started the year 2022 with significant uncertainties in line with the world economies.

Inflation rise continued throughout 2021, accelerating at the beginning of 2022, and the annual CPI reached 54.44 percent as of February. The continuous increase in energy prices due to the Ukraine-Russia war played an important role in high inflation. It is quite uncertain how a political tension that has not been seen on an international scale since the Cold War years will be reflected in the economy for the rest of the year. As of March, Turkey has been trying to minimize the impact of the conflict on its already fragile economy by implementing a constructive balance policy towards Russia and Ukraine, its Black Sea neighbors.

However, since the Central Bank's instruments to intervene in exchange rates have weakened due to negative net reserves, the course of the exchange rates, which eased after the intervention on 20 December 2021, for the rest of the year is uncertain.

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Economic Data

TOTAL ASSETS OF BANKING INDUSTRY (BILLION TRY)

9,213 2021

6,106 2020

4,490 2019

NET PROFIT OF BANKING INDUSTRY (BILLION TRY)

92 2021

58.5 2020

49.0 2019

GDP (WITH CURRENT PRICES) (BILLION TRY)

7,209 2021

5,048 2020

4,320 2019

IMPORTS (BILLION $)

271.4 2021

219.5 2020

210.3 2019

EXPORTS (BILLION $)

225.3 2021

169.7 2020

180.8 2019

GROWTH RATE OF TURKISH ECONOMY (%)

11.00 2021

1.80 2020

0.90 2019

GDP PER CAPITA ($)

9,539 2021

8,599 2020

9,127 2019

CONSUMER CONFIDENCE INDEX (POINTS)

69.9 2021

79.8 2020

80.5 2019

CPI (%)

36.08 2021

14.60 2020

11.84 2020

UNEMPLOYMENT (%)

11.20 2021

13.20 2020

13.70 2020

Evolution of Banking in Turkey

Banking tradition starting in the 19th century

The Turkish banking system developed relatively late compared to Europe and began to emerge in the 19th century. Banking was conducted by minorities and foreign nationals in the country. Since the bankers were active in the Galata district of Istanbul, they were briefly called Galata Bankers since the beginning of the 1850s.

The first important legal text in terms of Turkish banking is the Murabaha Regulation, which was issued in 1852 and tried to prevent usury by limiting interest rates.

With the closure of the Izmir Bank, which was opened unofficially in Izmir in 1842 by foreign nationals, without the permission of the Ottoman government, there was no attempt to establish any bank for a long time. In 1847, Bank-ı Dersaadet was established. Dersaadet Bank, which was active between 1849-1852, was a kind of stabilization fund, the losses of which were covered by the state, in order to maintain the stability of the foreign exchange rate.

The Ottoman Bank, on the other hand, was established in Istanbul in 1863 under the name Bank-ı Osmanî-i Şahane, in partnership with the British-owned Bank-ı Osmani (Ottoman Bank), which was established in 1856, and the French financial group Banque de Paris et des Pays-Bas, which undertook the financing in 1862. The Ottoman administration, which could not establish its own bank, gave the privilege and monopoly of printing banknotes to Bank-ı Osmanî Şahane for 30 years. Deutsche Bank of Germany entered the country as an investment bank.

With the proclamation of the Second Constitutional Monarchy, the number of national banks based on domestic capital also increased. This period, which ended with the War of Independence (1922), is important as a process of gaining experience in terms of the Turkish banking history. The economic targets of the new republic to be established were determined at the Turkish Economy Congress, which was held four months before the signing of the Treaty of Lausanne, and many privileges previously granted to foreign banks were withdrawn with the Treaty of Lausanne. Decisions taken at the congress that economic development should be of a national nature was the first step of the statist approach that would leave its mark on the Turkish economy until the 1950s. The balanced budget approach, which is called the "golden principle" in public finance, has been adopted to ensure that the state budget does not run into deficits.

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.

A new era with digitalization

The first ATM in the world was installed in New York in 1961, but it was removed six months later due to the lack of interest from customers. In the US, the first Electronic Funds Transfer Act was passed in 1978. The first EFT transaction in Turkey was conducted on April 1, 1992, and internet banking started in 1997. Digitization, which has accelerated in banking since the 2000s, has moved to a whole new dimension with the COVID-19 epidemic that started in 2020. The working hours of banks in the world have shortened, but besides, they have gained new digital features: 34 percent have started to open accounts online, 23 percent have remote identification and verification, and 18 percent have activated contactless payment features. Thanks to artificial intelligence and advanced data analysis, the use of Chatbot has started to increase customer satisfaction. However, the privacy and security of personal and financial data has opened up a whole new threat area and has made cyber security one of the most important investments in banking.

Turkish banking today

As of year-end 2021, there are 51 banks including 35 deposit banks along with participation and development – investment banks in the banking sector, operating with 9,726 branches and 185,248 employees.

Overview of Banking in 2021

The banking industry provided significant support to the Turkish economy, which closed 2021 with a high growth rate of 11 percent, in this recovery. Macro-prudential measures were taken in order to reduce the negative impact of inflation and the current account deficit.

In 2021, the world economy switched to a rise in a surprisingly short time, while banks have been able to avoid worst-case scenarios. Banks and bankers played a major role in this recovery. Banks have not only been effective in providing state aid and maintaining financial stability through their continuous day-to-day operations, they have also opened their balance sheets to lending. Global loans increased by 11 percent last year. It should be noted that banks achieved this at a time when most branches were closed.[1]

Loan volume increased 37 percent

Looking at the Turkish banking sector, according to the BRSA's (Turkish banking authority) December 2021 data[2], the total loan size increased by 37.05 percent compared to the end of 2020 and reached TRY 4,901 billion. The ratio of foreign currency (FX) loan volume within the total loan amount increased by eight points compared to the previous year and became 42 percent. When the distribution of loans by sectors is analyzed, it is seen that the first three ranks did not change compared to the previous year. Accordingly, the share of the construction sector in total loans is 8.29 percent, the electricity, gas and water resources production and distribution industry is 7.69 percent, and the share of the wholesale trade and brokerage sector is 7.26 percent. The NPL ratio of loans, which was 4.08 percent in 2020, decreased to 3.16 percent as of December 2021.

Depreciation of Lira pulled FX deposit rate up

In the same period, total deposits increased by 53.4 percent compared to the previous year and amounted to TRY 5,303 billion. The TRY 1,880 billion of the total deposits consisted of Turkish Lira deposit/participation funds, TRY 3,006 billion from foreign exchange deposit accounts/participation funds, and TRY 417 billion from precious metal accounts. Due to the sharp increase in exchange rates throughout the year, the share of foreign exchange deposit accounts/participation funds in total deposits increased by 10 percentage points compared to December 2020 and reached 57 percent.

The share of the banking sector in the economy close to 1.3%

The asset size of the Turkish banking sector increased by 50.9 percent in December 2021 compared to the end of the previous year and reached TRY 9.213 billion. The most important sign of the strengthening of the banking sector is that the ratio of the sector's asset size to GDP approached 1.3 percent as of December 2021. By the end of 2020, this rate was 1.21 percent.

Profitability increased in banking

As of December 2021, the net profit of the Turkish banking industry is TRY 92 billion with an increase of 53.3 percent compared to the previous year. In the same period, net profit increased in all public, domestic private and foreign bank groups compared to the same period of 2020. The profit of public banks increased by 0.23 percent to TRY 21.53 billion, the profit of domestic private banks increased by 88.2 percent to TRY 40.26 billion, and the profit of foreign banks increased by 93.79 percent to TRY 30.29 billion. Return on equity, which was 11.36 percent in 2020, reached 15.34 percent in 2021, while return on assets increased from 1.38 percent to 1.67 percent in the same period. The capital adequacy ratio of the sector remained almost at the same level compared to the previous year and was recorded as 18.34 percent.

Factoring industry continued its growth in the last four years

While the turnover of the Turkish factoring sector was TRY 199.6 billion as of December 2021, the net profit of the sector was TRY 1.8 billion. Its total assets increased by 35.2 percent compared to the previous year to TRY 65 billion TL, and factoring receivables increased by 33.6 percent compared to the previous year to TRY 59.5 billion. Accordingly, it is seen that the receivables volume of the industry has grown continuously in the last four years and there is an increase of up to 89.5 percent when the end of 2021 compared with the end of 2018.

KEY INDICATORS OF FACTORING INDUSTRY (MILLION TRY)

	December 2019	December 2020	December 2021	Increase (%)
INTERNATIONAL TURNOVER	19,751	20,236	30,894	52.66
DOMESTIC TURNOVER	109,403	128,272	168,640	31.47
TOTAL TURNOVER	129,912	148,508	199,534	34.35
TOTAL RECEIVABLES	34,026	44,565	59,538	33.59
LOANS & BORROWINGS AGAINST ISSUED INSTRUMENTS	27,442	37,588	51,275	36.41
SHAREHOLDERS' EQUITY	8,136	8,943	10,815	20.93
TOTAL ASSETS	37,017	48,041	64,970	35.23
NET PROFIT	1,374	976	1,820	86.47
NON-PERFORMING FACTORING RECEIVABLES (GROSS)	2,140	1,830	1,705	-6.83
SPECIAL PROVISIONS	1,730	1,599	1,513	-5.37
NON-PERFORMING RECEIVABLES (NET)	410	230	192	-16.52
NON-PERFORMING RECEIVABLES (NET)/SHAREHOLDERS' EQUITY	5	2.7	1.9	-29.62

In 2021, loans provided to factoring companies from banks increased by 37 percent, securities issued by 32 percent, and shareholders' equity increased by 21 percent compared to the previous year. As of December 2021, factoring receivables amounted to TRY 59.5 billion, with total assets recorded at TRY 65 billion, and the net profit of the sector was TRY 1.8 billion.

As of the end of 2021, the factoring industry, in which 54 companies affiliated with the Association of Financial Institutions (FKB) operate with a total of 350 branches, employs 4,026 people.

Expectations for the year 2022

The factors that are evaluated to affect the global economic growth, which returned to its pre-pandemic course in 2021, are listed as geopolitical developments, the course of the pandemic and finally the monetary policies to be followed by developed countries. In the face of rising inflation on a global scale, it is estimated that there will be a tightening tendency in the monetary policies of central banks in developed economies. In addition, the fact that the latest Omicron variant is more contagious than previous variants, but lighter in terms of the burden on human health and the health system has led to the relaxation of epidemic measures in many countries, but the effects of possible new variants on the economy remain unclear. It is considered that the risks related to maintaining capital adequacy in the face of increasing inflation and exchange rate volatility in the Turkish economy and managing the asset/liability composition in terms of maturity, currency type and profitability dimensions will be hot topics.

With the ongoing digitalization in the banking sector as well as across the sectors, information technologies, cyber security and data protection risks have increased on a global scale, so the differentiation in the sector is shaped by the investments channeled in these areas.

The outlook of the global banking sector is overshadowed by the fact that half of the banks cannot meet their equity costs. There is a chance that banks will perform reasonably but not exceptionally in the coming years. Three macro factors -interest rates, government support for economic recovery, and the way banks manage excess liquidity- will determine the future of the industry. Regardless of the macro scenario, however, banks' business models remain extremely liquid and capital-intensive, with balance sheets less attractive and less relevant to monetization of incomes than institutions focused on credit creation. Finally, the pandemic has accelerated digital transformation and has given fintech and other digital players the opportunity to consolidate their significant advances in financial services.[3]

SOURCES

1. McKinsey Global Banking Annual Review 2021
2. Türk Bankacılık Sektörü Temel Göstergeleri, December 2021, BDDK
3. McKinsey Global Banking Annual Review 2021

Corporate Governance

Ekspo Faktoring, which has a privileged position in the Turkish financial sector, has a corporate governance approach built on values such as transparency, fairness, commitment to ethical values and accountability, making a significant contribution to the Company's sustainable success.

Ekspo Faktoring has attached great importance to maintaining all business processes within the framework of a professional and corporate management approach since its establishment. Having succeeded in establishing a transparent, fair, ethical and accountable corporate structure and strictly adhering to these principles, the Company aims to maintain its privileged position in the Turkish financial sector, increase its profitability and efficiency in a stable manner, and create value for all its stakeholders, especially its clients.

A stronger corporate structure 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 with 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 another firm. Even though the Company is not listed publicly, one independent director serves on the Board of Directors.

Information flow to ensure transparency and accountability

The BDDK promotes the importance of transparency and consistency in the financial sector and therefore recommends all finance companies 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.

Internal Audits

Ekspo Faktoring, attaches great importance to the principles of transparency and accountability and has an Internal Audit staff since its establishment. The Company carries out external audits with international independent audit firms.

The priorities of financial companies that operate on international platforms and whose goals are to grow and develop are auditing and risk management. Internal audit includes all measures and methods that aim to protect the organizational plan and assets of institutions, investigate the accuracy and reliability of accounting information, increase the efficiency of their activities, and encourage adherence to pre-determined management policies. Adequate and auditable controls carried out within the company are the most effective means of protecting existing assets and risks to growth. The Capital Markets Board (CMB), the Banking Regulation and Supervision Agency (BDDK) and the Risk Center of the Banks Association of Turkey (TBB) require studies on auditing and risk management. Ekspo Faktoring attaches great importance to the effective implementation of its internal control system in order to achieve its objectives, demonstrate the reliability of financial reports, and ensure compliance with pre-determined policies and legal and administrative regulations.

Regular audit for effective business processes

Ekspo Faktoring, which has been conducting internal audits with its expert teams since its establishment, also secures its financial data and information by adhering to the principles of transparency and accountability through audits performed by international independent audit firms. In addition to internal audits, the company's tax and financial statement audits are carried out by two different international independent audit firms, which are among the best in the market. In addition, necessary notifications are made regularly to the BRSA and the Ministry of Finance. A report is prepared in BRSA format for the Independent Audit Report.

Qualified and expert team

The responsibilities of the Internal Audit Department include the effective management of company activities in accordance with the Financial Leasing, Factoring and Financing Companies Regulation and the company's management policies. The Internal Audit Department also works to obtain the information in the account and record order and the data system in a timely manner. Within the scope of the management and organizational structure determined by the Board of Directors, the control of the activities that must be carried out by employees at all levels in order to maintain the company's work completely is among the responsibilities of the Internal Audit function. Operational, financial and other controls performed independently by this department, where the Internal Audit Manager works, are reported and shared simultaneously with the Board of Directors and Senior Management.

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.

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 training 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 on 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, The Company constituted the necessary policies, procedures and processes, and the audits are completed.

Proactive approach

Another duty of the Internal Audit Department is to monitor the domestic and international transactions of clients, minimize risks, and 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 Department manages the projects requested by the Senior Management with the aim of improving the existing system and presenting them to the employees. In addition, Ekspo Faktoring determines the training needs of its employees in order to ensure their professional and personal development and ensures that the training content is created, trainers are selected and the training is implemented.

Risk Management

Establishing the first rating system in the sector in 2009, Ekspo Faktoring implements successful risk management thanks to its market and intelligence data bank and manages risks with a proactive approach at all stages.

The implementation of an effective risk management policy in the financial sector is of vital importance for the continuation of the existence of institutions. Every financial institution that seeks to collect its receivables on time and in full should also systematically manage the stages after taking the risk. Therefore, effective risk management in the financial sector is one of the key elements of sustainable success. In order to achieve strategic goals, companies should predetermine and define the risks they may be exposed to, and perform proactive control and management activities for risks.

Effective and successful risk management

Scientific, numerical and systemic risk measurement techniques are needed in financial institutions within the framework of international standards and legal regulations. These measurements and methods are often used to calculate legal requirements rather than actual concrete assessments. Concrete data, industry information, personal experience and market intelligence are required in determining the risk that companies bear for the institution and the risk of not being able to collect the loan. Especially the prevalence of informality in Turkey and the unreliability of company accounting records lead to this result. It is not possible to understand the risk weight of a company only with technical analysis. In addition, it is not sufficient to evaluate the company on its own. In order to understand the risk weight, the change in the country's economy and the world economic conjuncture should be consciously followed in the monitoring of the institution's loan portfolio and necessary measures should be taken accordingly. Risk measurement and assessment techniques can be used as auxiliary tools. Realizing this practice requires employing a sufficient number of expert employees, organizing the risk monitoring function effectively as a department, and allocating sufficient resources and time for this work.

Analysis of risk

At Ekspo Faktoring, company policies are determined by taking risks into account. Analysis of credit risk, which is critical in the decision-making process, is regularly reported to the Senior Management. The staff of the Risk Assessment Department, experienced in corporate and commercial banking and are experts in financial analysis, loan allocation and intelligence, closely follow the developments in the industry. Ekspo Faktoring manages its placement policy with a dynamic and proactive approach by closely monitoring the risks in its portfolio in the light of different parameters and developing scenarios under various models. While taking risks, factors such as the establishment date and history of the company, the sector in which it operates, the industrial experience of the company's managers and partners, the shareholders' equity structure and fund-raising potential are taken into consideration.

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 is evaluated objectively. Outstanding risks are also assessed in terms of balance sheets, intelligence, and collateral in the weekly Asset Quality meetings.

Detailed and diligent 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, which 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 training 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 of 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 the 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.

Human Resources

Adopting the corporate culture, having a strategic awareness, well-trained, as well as solution and result oriented Ekspo Faktoring team, has been implementing business processes that make a difference since the company was founded.

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.

Professional experience above the sector average

As of year-end 2021, 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 in 2021 and instead, online training programs and seminars on new regulations and practices were provided.

Extensive 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

Keeping the operational speed and efficiency at the highest level in its activities, Ekspo Faktoring serves its clients with a well-equipped, reliable, rich and up-to-date 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 2021 with 100% uptime.

Reliable 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.

High level 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.

Transparent and consistent communication

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 ANONİM ŞİRKETİ

FINANCIAL STATEMENTS

AS OF JANUARY 1, - DECEMBER 31, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

EKSPO
Faktoring A.Ş.

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Independent Audıtor'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, 2021 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 December 31, 2021, 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.	Our audit procedures included assessing applied procedures 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 have been evaluated.

4) 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.

5) 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, 2021 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, 2021 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.

Bu bağımsız denetimi yürütüp sonuçlandıran sorumlu denetçi Fatih Polat’tır.

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

Fatih Polat, SMMM
Sorumlu Denetçi
22 Şubat 2022
İstanbul, Türkiye

Ekspo Faktoring Anonim Şirketi

Financial Position (Balance Sheet)
as of December 31, 2021
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

			Audited Current Period December 31, 2021			Audited Previous Period December 31, 2020		
ASSETS		Notes	TP	YP	Toplam	TP	YP	Toplam
I.	CASH, CASH EQUIVALENTS AND THE CENTRAL BANK	3	2.947	13.800	16.747	171	19.359	19.530
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)					-	-	-
III.	DERIVATIVE FINANCIAL ASSETS	2.5	-	-	-	-	-	-
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	4	-	-	-	-	-	-
V.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		332.095	99.518	431.613	217.738	81.527	299.265
5.1	Factoring Receivables	5	332.095	99.518	431.613	217.738	81.527	299.265
5.1.1	Discounted Factoring Receivables (Net)		207.388	38.453	245.841	145.740	58.994	204.734
5.1.2	Other Factoring Receivables		124.707	61.065	185.772	71.998	22.533	94.531
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	21.042	-	21.042	21.815	-	21.815
5.6	Expected Loss Provisions/Specific Provisions (-)	6	(21.042)	-	(21.042)	(21.815)	-	(21.815)
VI.	EQUITY INVESTMENTS		-	-	-	-	-	-
6.1	Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	7	1.853	-	1.853	1.659	-	1.659
VIII.	INTANGIBLE ASSETS (Net)	8	294	-	294	272	-	272
IX.	INVESTMENT PROPERTIES (Net)	9	1.953	-	1.953	1.999	-	1.999
X.	CURRENT PERIOD TAX ASSETS		-	-	-	-	-	-
XI.	DEFERRED TAX ASSETS	10	2.906	-	2.906	1.527	-	1.527
XII.	OTHER ASSETS	12	1.841	13	1.854	1.062	7	1.069
	SUBTOTAL		343.889	113.331	457.220	224.428	100.893	325.321
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	11	-	-	-	-	-	-
13.1	Assets Held For Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
	Total Assets		343.889	113.331	457.220	224.428	100.893	325.321

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 Faktoring Anonim Şirketi

Financial Position (Balance Sheet)
as of December 31, 2021
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

			Audited Current Period December 31, 2021			Audited Previous Period December 31, 2020		
LIABILITIES		**Notes**	**TP**	**YP**	**Toplam**	**TP**	**YP**	**Toplam**
I.	**FUNDS BORROWED**	**13**	**150.216**	**52.486**	**202.702**	**54.708**	**59.223**	**113.931**
II.	**FACTORING LIABILITIES**	**15**	**272**	**7.430**	**7.702**	**1.419**	**12.775**	**14.194**
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**	**1.324**	**-**	**1.324**	**1.158**	**-**	**1.158**
7.1	Restructuring Reserves		-	-	-	-	-	-
7.2	Reserves for Employee Benefits		1.324	-	1.324	1.158	-	1.158
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	-	-	-
VIII.	**CURRENT PERIOD TAX LIABILITY**	**31**	**7.775**	**-**	**7.775**	**1.192**	**-**	**1.192**
IX.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**SUBORDINATED DEBT INSTRUMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
XI.	**OTHER LIABILITIES**	**17**	**606**	**332**	**938**	**544**	**1.094**	**1.638**
	SUBTOTAL		**160.193**	**60.248**	**220.441**	**59.021**	**73.092**	**132.113**
XII.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
12.1	Held for Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**		**236.779**	**-**	**236.779**	**193.208**	**-**	**193.208**
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	16.512	-	16.512	16.271	-	16.271
13.5.1	Legal Reserves		16.512	-	16.512	16.271	-	16.271
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		160.267	-	160.267	116.937	-	116.937
13.6.1	Prior Periods Profit/Loss	22	114.756	-	114.756	97.516	-	97.516
13.6.2	Current Period Profit/Loss		45.511	-	45.511	19.421	-	19.421
	TOTAL LIABILITIES AND EQUITY		**396.972**	**60.248**	**457.220**	**252.229**	**73.092**	**325.321**

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

Ekspo Faktoring Anonim Şirketi

Statement of Off-Balance Sheet Items
as of December 31, 2021
(Amounts are expressed in thousands of Turkish Lira ("TL"), unless otherwise stated.)

			Audited Current Period December 31, 2021			Audited Previous Period December 31, 2020		
OFF-BALANCE SHEET ITEMS		**Notes**	**TP**	**YP**	**Toplam**	**TP**	**YP**	**Toplam**
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**34.518**	**62.689**	**97.207**	**15.364**	**25.572**	**40.936**
II.	**REVOCABLE FACTORING TRANSACTIONS**	**5**	**174.639**	**44.641**	**219.280**	**160.730**	**2.901**	**163.631**
III.	**COLLATERALS RECEIVED**	**5-23**	**5.962.371**	**1.990.511**	**7.952.882**	**4.666.337**	**985.503**	**5.651.840**
IV.	**COLLATERALS GIVEN**	**23**	**42.508**	**-**	**42.508**	**34.608**	**-**	**34.608**
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**		**391.326**	**393.502**	**784.828**	**259.404**	**243.182**	**502.586**
	TOTAL OFF-BALANCE SHEET ITEMS		**6.605.362**	**2.491.343**	**9.096.705**	**5.136.443**	**1.257.158**	**6.393.601**

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

Ekspo Faktoring Anonim Şirketi

Statement of Profit or Loss and Other Comprehensive Income for the Period Ended December 31, 2021

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

	STATEMENT OF PROFIT OR LOSS	NOTES	Current Period Audited January 1 - December 31, 2021	Previous Period Audited January 1 - December 31, 2020
I.	**OPERATING INCOME**	**24**	**87.602**	**44.216**
	FACTORING INCOME		**87.602**	**44.216**
1.1	Interest Received from Factoring Receivables		79.548	41.350
1.1.1	Discounted		44.294	23.075
1.1.2	Other		35.254	18.275
1.2	Fees and Commissions Received from Factoring Receivables		8.054	2.866
1.2.1	Discounted		5.090	1.645
1.2.2	Other		2.964	1.221
	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**	**(21.894)**	**(6.991)**
2.1	Interest Expenses on Funds Borrowed		(20.983)	(6.367)
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		(911)	(624)
III.	**GROSS PROFIT/LOSS (I+II)**		**65.708**	**37.225**
IV.	**OPERATING EXPENSE (-)**	**25**	**(23.794)**	**(21.525)**
4.1	Personnel Expenses		(17.254)	(16.145)
4.2	Provision Expense for Employment Termination Benefits		(316)	(348)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(6.067)	(4.883)
4.5	Other		(157)	(149)
V.	**OPERATING GROSS PROFIT/LOSS (III+IV)**		**41.914**	**15.700**
VI.	**OTHER OPERATING INCOME**	**26**	**24.331**	**17.819**
6.1	Interest Received from Banks		51	619
6.2	Trading Gains on Securities		-	-
6.3	Dividend Income		-	-
6.4	Interest Received from Marketable Received Portfolio		-	-
6.5	Derivative Financial Transactions Profit		-	-
6.6	Foreign Exchange Gains		22.867	13.600
6.7	Other		1.413	3.600
VII.	**PROVISIONS FOR DOUBTFUL RECEIVABLES (-)**	**28**	**(765)**	**(56)**
7.1	Specific Provisions		(765)	(56)
7.2	Expected Loss Provisions		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**29**	**(4.703)**	**(8.702)**
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		-	-
8.5	Foreign Exchange Loss		(4.703)	(8.702)
8.6	Other		-	-
IX.	**NET OPERATING INCOME/EXPENSE (V+...+VIII)**		**60.777**	**24.761**
X.	**INCOME RESULTED FROM MERGER**		**-**	**-**
XI.	**SHARES FROM PROFITS AND LOSSES OF INVESTMENT VALUED BY EQUITY METH-OD**		**-**	**-**
XII	**NET MONETARY POSITION GAIN/LOSS**		**-**	**-**
XIII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)**		**60.777**	**24.761**
XIV.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS (±)**	**30**	**(15.266)**	**(5.340)**
13.1	Current Tax Provision		(16.645)	(5.359)
13.2	Deferred Tax Expense Effect (+)		-	-
13.3	Deferred Tax Income Effect (-)		1.379	19
XV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)**		**45.511**	**19.421**
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)**		**45.511**	**19.421**

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

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

INCOME OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT ITEMS		NOTES	Audited Current Period January 1 - December 31, 2021	Audited Prior Period January 1 - December 31, 2020
I.	**PERIOD INCOME/LOSS**		**45.511**	**19.421**
II.	**OTHER COMPREHENSIVE INCOME**		**-**	**-**
2.1	**Other comprehensive 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 comprehensive income or expense that will be reclassified**		**-**	**-**
2.2.1	Translation differences for transactions in foreign currencies		-	-
2.2.2	Valuation/ or and classification revenues/ expenses 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)**		**45.511**	**19.421**

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Ekspo Faktoring Anonim Şirketi

Statement of Changes in Shareholders' Equity
as of December 31, 2021

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

	CHANGES IN EQUITY						Other comprehensive income or expense that will not be reclassified subsequently to profit or loss			Other comprehensive income or expense that will be reclassified subsequently to profit or loss						
		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 (31/12/2020)															
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**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**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**
	CURRENT PERIOD (31/12/2021)															
I.	**Balances at the beginning of the period**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.271**	**97.516**	**19.421**	**193.208**
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**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.271**	**97.516**	**19.421**	**193.208**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45.511**	**45.511**
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**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**241**	**17.240**	**(19.421)**	**(1.940)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(1.940)	-	(1.940)
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	241	(241)	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	19.421	(19.421)	-
	Balances at the end of the period (III+IV+......+XI+XII)		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.512**	**114.756**	**45.511**	**236.779**

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

(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 Faktoring Anonim Şirketi

Statement of Cash Flows
as of December 31, 2021
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

CASH FLOW STATEMENT		Notes	Audited Current Period January 1 - December 31, 2021	Audited Prior Period January 1 - December 31, 2020
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit before Changes in Operating Assets and Liabilities**		**37.809**	**12.146**
1.1.1	Interests Received/ Leasing Income		85.012	42.139
1.1.2	Interests Paid / Leasing Expenses		(21.693)	(7.077)
1.1.3	Leasing Expenses		(2.183)	(2.183)
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		7.271	3.594
1.1.6	Other Income		-	-
1.1.7	Collections from Previously Written-off Doubtful Receivables	6	(1.568)	(2.981)
1.1.8	Payments to Personnel and Service Suppliers		(17.254)	(16.145)
1.1.9	Taxes Paid	31	(10.062)	(4.903)
1.1.10	Other		(1.714)	(298)
1.2	**Changes in Operating Assets and Liabilities**		**(54.839)**	**(10.621)**
1.2.1	Net (Increase)/Decrease in Factoring Receivables		(136.682)	(8.766)
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		(745)	1.925
1.2.5	Net Increase/(Decrease) in Factoring Payables		(6.492)	(2.122)
1.2.6	Net Increase/(Decrease) in Lease Payables		-	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed		89.481	(1.859)
1.2.8	Net Increase/(Decrease) in Due Payables		-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities		(401)	201
I.	**Net Cash Used in Operating Activities**		**(17.030)**	**1.525**
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	(328)	(623)
2.4	Disposals of Property and Equipment	7,8	120	-
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		(161)	(22)
II.	**Net Cash (Used in)/Provided from Investing Activities**		**(369)**	**(645)**
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	20	(1.940)	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
III.	**Net Cash (Used in)/Provided from Financing Activities**		**(1.940)**	**-**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**16.556**	**7.361**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**(2.783)**	**8.241**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**3**	**19.530**	**11.264**
VII.	**Cash and Cash Equivalents at End of the Period**		**16.747**	**19.505**

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 Faktoring Anonim Şirketi

Profit Distribution Table
as of December 31, 2021
(Amounts are expressed in thousands of Turkish Lira (“TL”), unless otherwise stated.)

		Audited Current Period January 1 - December 31, 2021(*)(**)	Audited Prior Period January 1 - December 31, 2020
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT(*)**		
1.1	CURRENT PERIOD PROFIT	60.777	24.761
1.2	TAXES AND DUES PAYABLE (-)	(15.266)	(5.340)
1.2.1	Corporate Tax (Income Tax)	(16.645)	(5.359)
1.2.2	Withholding Tax		-
1.2.3	Other taxes and dues(**)	1.379	19
A.	**NET PERIOD PROFIT (1.1-1.2)**	**45.511**	**19.421**
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-) (-)	-	-
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**45.511**	**19.421**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	19.421
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	-	-
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	-	0,32368
3.2	TO OWNERS OF STOCKS (%)	-	32,37
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF STOCKS	-	0,32368
4.2	TO OWNERS OF STOCKS (%)	-	32,37
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 1.379 (2020: TL 19) was not taken into account in the calculation of distributable profit.

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

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, 2021, the number of employees of the Company is 32 (December 31, 2020: 35). 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 2021	Share (%)	31 December 2020	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 22, 2022. The General Assembly has the authority to modify the financial statements.

Additional paragraph for convenience translation to English

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.

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.

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

2.1. Basis of presentation (cont’d)

2.1.1 Application of Accounting Policy Standards (cont’d)

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

The Company prepared the financial statements for the year ended as of December 31, 2021 in compliance with the Turkish Accounting Standards (“TAS”) which was communicated by Public Oversight Accounting and Auditing Standards Agency (“POA”). TAS, Turkish Accounting Standards, comprises Turkish Financial Reporting Standards (TFRS)’ and its supplements and interpretations.

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, 2021. Besides, the predictions and assumptions used in the following periods will be reviewed again.

Based on BRSA's decision dated September 16, 202 mainly due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic, the 90-day delay period is possible to apply 180 days including the receivables not yet classified in the "Non-Performing Receivables" account as of the date of this Board Decision has been terminated. However, as of October 1, 2021, it has been decided to It was decided to grant an additional period of 180 days for loans whose delay period does not exceed 180 days.

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.

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2021, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

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 of December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2021 and thereafter. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of January 1, 2021 are as follows:

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 January 1, 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.

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

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

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

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 amendments did not have a significant impact on the financial position or performance of the Company.

Amendments to TFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions

In June 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. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after April 1, 2021. Early application of the amendments is permitted.

Overall, the Company expects no significant impact on its balance sheet and equity.

2. Basis of Presentation of Financial Statements (cont'd)

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

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 the 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.

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

January 1, 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 January 1, 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.

2. Basis of Presentation of Financial Statements (cont'd)

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

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

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

January 1, 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.

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 January 1, 2023; early application is permitted.

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

On January 15, 2021, 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 January 1, 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.

2. Basis of Presentation of Financial Statements (cont'd)

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

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after January 1, 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier 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 TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after January 1, 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after January 1, 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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 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 to 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 January 1, 2022. Earlier application is permitted for all.

The Company is in the process of assessing the impact of the amendments / 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 exchange 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 of 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. Based on BRSA's decision dated September 16, 202 mainly due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic, the 90-day delay period is possible to apply 180 days including the receivables not yet classified in the "Non-Performing Receivables" account as of the date of this Board Decision has been terminated. However, as of October 1, 2021, it has been decided to It was decided to grant an additional period of 180 days for loans whose delay period does not exceed 180 days.

According to the Official Gazette n. 30409 in May 2, 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, 2021

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, 2021 (December 31, 2020: 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.

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 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, 2021 (financial assets available for sale on December 31, 2020: None).

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 December 31, 2021 and December 31, 2020.

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.

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)

Other Financial Liabilities (cont'd)

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.

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.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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.

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

2.5 Summary of significant account policies (cont’d)

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.

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, 2021	December 31, 2020
Net discount rate	%3,93	%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.

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

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

2.5 Summary of significant account policies (cont'd)

i) Borrowing Costs

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

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, 2021 and December 31, 2020 are as follows:

	December 31, 2021	December 31, 2020
USD	12,9775	7,3405
EURO	14,6823	9,0079
GBP	17,4530	9,9438

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. Basis of presentation of the financial statements (cont’d)

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.

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

2.5 Summary of significant account policies (cont'd)

o) TFRS 16 Leases

The accounting policies applied by the company following the TFRS 16 standard are as follows.

Right of Use Assets

The Company recognizes its right-of-use assets at the date of commencement of the financial lease agreement (for example, as of the date the relevant asset is available for use). Right-of-use assets are calculated by deducting accumulated depreciation and impairment losses from their cost value. In case of revaluation of financial lease debts, this figure is also corrected.

The cost of the right-of-use asset includes:
a. the initial measurement amount of the lease liability,
b. all lease payments made on or before the actual commencement date, less any lease incentives received, and
c. All initial direct costs incurred by the Company

Unless the transfer of ownership of the underlying asset to the Company at the end of the lease term is reasonably certain, the Company depreciates the right of use asset from the actual commencement date to the end of the useful life of the underlying asset. Right-of-use assets are subject to impairment assessment.

Lease Liabilities

The Company measures the lease liability over the present value of the unpaid lease payments when the lease commences.

The lease payments included in the measurement of the lease liability at the actual commencement date consist of the following payments to be made for the right to use the underlying asset during the lease term and not paid at the time the lease commences:
a. fixed payments,
b. variable lease payments based on an index or rate, initially measured using an index or rate at the date the lease commences;
c. Amounts expected to be paid by the Company under residual value commitments.
d. If the Company is reasonably sure that it will use the option to buy, the exercise price of this option and
e. If the rental period indicates that the Company will use an option to terminate the lease, penalty payments regarding the lease's termination.

Variable lease payments that do not depend on an index or a rate are recorded as an expense in the period in which the event or condition that triggered the payment takes place.

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

2.5 Summary of significant account policies (cont'd)

o) TFRS 16 Leases *(cont'd)*

The Company uses the revised discount rate for the remaining part of the lease term if the lease's implied interest rate can be easily determined. As this rate; If cannot be determined easily, the Company determines it as the alternative borrowing interest rate on the date of re-evaluation.

The Company measures the lease liability as follows, after the date the lease commences:
a. increases the carrying value to reflect the interest on the lease liability, and
b. It reduces the book value to reflect the lease payments made.

Also, in the event of a change in the lease term, in substance, a change in fixed lease payments, or in the assessment of the option to purchase the underlying asset, the value of the financial lease obligations is remeasured.

Short-term leases and leases where the underlying asset is of low-value

The Company applies the short-term lease registration exemption to short-term machinery and equipment lease contracts (i.e., assets with a lease term of 12 months or less from the start date and without a purchase option). It also applies for the exemption from accounting for low-value assets to office equipment whose rental is considered low value. Short-term lease contracts and lease contracts of low-value assets are recorded as expenses according to the lease term's linear method.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The company has benefited from facilitating applications for leases and low value leases whose leases will expire within 12 months or less as of the transition date. The company's office equipment leases (such as personal computers, photocopiers) are considered as low value leases. It has been evaluated that the standard has no material effect on the financial statements of the company.

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.

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

2.5 Summary of significant account policies (cont'd)

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, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Cash	**-**	**-**	-	-
Banks	**2.947**	**13.800**	171	19.359
~ Demand Deposit	***2.947***	***13.800***	171	2.453
~ Time Deposits	**-**	**-**	-	16.906
	2.947	**13.800**	171	19.359

As of December 31, 2021, 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.). 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.

As of December 31, 2021, there is no blockage on bank deposits. (December 31, 2020: None).

4. Financial assets available for sale

None (December 31, 2020: None).

5. Factoring receivables

	December 31, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Discounted Factoring receivables	**207.388**	**38.453**	145.740	58.994
Other Factoring receivables	**124.707**	**61.065**	71.998	22.533
	332.095	**99.518**	217.738	81.527

	31 Aralık 2021		31 Aralık 2020	
	TP	**YP**	TP	YP
Domestic Factoring Receivables(*)	**332.095**	**38.453**	217.738	58.994
Export and import factoring receivables	**-**	**61.065**	-	22.533
Non-performing Factoring Receivables(**)	**21.042**	**-**	21.815	-
Gross factoring receivables	**353.137**	**99.518**	239.553	81.527
Specific provision for impaired factoring receivables	**(21.042)**	**-**	(21.815)	-
Factoring receivables, Net	**332.095**	**99.518**	217.738	81.527

(*) The Company has an unearned receivable about TL 11.993 from domestic factoring receivables by the date of December 31, 2021 (December 31, 2020: TL 6.154).
(**) It is classified as "non-performing receivables" in balance sheet.

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

5. Factoring receivables (cont'd)

As of December 31, 2021 and 2020, distribution of gross factoring receivables are as follows:

	December 31, 2021	December 31, 2020
Fixed rate	**184.671**	251.488
Floating rate	**257.835**	47.777
	442.506	299.265

Analysis of factoring receivables are as follows:

	December 31, 2021	December 31, 2020
Neither past due nor impaired	**431.613**	299.265
Past due but not impaired	**-**	-
Impaired	**21.042**	21.815
Gross	**452.655**	321.080
(Loss): Specific provision for impaired factoring receivables	**(21.042)**	(21.815)
Factoring receivables and non-performing receivables (net)	**431.613**	299.265

The sectoral distribution of factoring receivables as of December 31, 2021 and December 31, 2020 are as follows:

	December 31, 2021		December 31, 2020	
	Total	%	Total	%
Textiles	**98.828**	**22,90**	34.632	11,60
Chemicals and pharmaceuticals	**61.908**	**14,34**	15.876	5,30
Transportation, storage and communication	**47.562**	**11,02**	28.219	9,40
Retail and wholesale Trade	**40.607**	**9,41**	48.984	16,40
Leather industry	**25.556**	**5,92**	8.282	3,40
Researching	**21.581**	**5,00**	14.063	4,70
Wood and Wooden Products	**21.073**	**4,88**	24.920	8,30
Non-metal industry	**20.657**	**4,79**	10.961	4,30
Machinery and equipment	**19.466**	**4,51**	24.403	8,20
Construction	**17.734**	**4,11**	16.028	5,40
Iron, steel, coal, petroleum, other mines	**12.631**	**3,38**	10.139	0,00
Tourism	**10.894**	**2,93**	3.104	3,70
Financial Services	**9.746**	**2,52**	40.632	2,80
Food, beverages and tobacco	**3.421**	**2,26**	2.585	13,50
Computer and computer equipment	**2.920**	**0,79**	2.063	1,00
Agriculture and ranching	**2.447**	**0,68**	1.473	0,90
Other	**14.582**	**0,56**	12.901	0,70
	431.613	**100**	299.265	100

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

5. Factoring receivables (cont'd)

As of December 31, 2021 and 2020, distribution of revocable factoring transactions are as follows:

	December 31, 2021	December 31, 2020
Customer Checks	**219.280**	163.631
	219.280	163.631

As of December 31, 2021 and 2020, ,distribution of collaterals received for factoring receivables are as follows:

	December 31, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Received Bails(*)	**5.841.288**	**1.756.137**	4.553.888	881.814
Collateral Checks and Bills	**121.083**	**234.374**	112.449	103.689
	5.962.371	**1.990.511**	4.666.337	985.503

(*) 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, 2021	December 31, 2020
Non-performing factoring receivables	**21.042**	21.815
Specific provisions	**(21.042)**	(21.815)
	-	-

The aging of the past due factoring receivables as of December 31, 2021 and 2020 is as follows:

	December 31, 2021	December 31, 2020
Up to 90 days	**796**	56
Between 90-180 days	**-**	-
Between 180-360 days	**2**	-
360 days and above	**20.244**	21.759
	21.042	21.815

(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. Based on BRSA's decision dated September 16, 202 mainly due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic, the 90-day delay period is possible to apply 180 days including the receivables not yet classified in the "Non-Performing Receivables" account as of the date of this Board Decision has been terminated. However, as of October 1, 2021, it has been decided to It was decided to grant an additional period of 180 days for loans whose delay period does not exceed 180 days.

The movement of specific provision for allowance of non-performing factoring receivables as of December 31, 2021 are as follows:

	January 1 – December 31, 2021	January 1- December 31, 2020
Balance as of January 1	**21.815**	25.142
Provision booked during the period	**795**	56
Deleted on assets(*)	**-**	(402)
Collections	**(1.568)**	(2.981)
Balance at 31 December	**21.042**	21.815

(*) 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 (December 31, 2020: All of the non-performing receivables amounting to TL 402 for the asset with a value of TL 4 transferred to the management company).

7. Tangible Assets

	January 1, 2021	**Addition**	**Disposal**	**December 31, 2021**
Cost				
Furniture ve fixture	**826**	**36**	**-**	**862**
Vehicle	**1.929**	**230**	**(120)**	**2.039**
Special costs	**341**	**-**	**-**	**341**
Other	**837**	**-**	**-**	**837**
	3.933	**266**	**(120)**	**4.079**

	January 1, 2021	**Current year depre-ciation**	**Disposal**	**December 31, 2021**
Accumulated Depreciation				
Furniture ve fixture	**588**	**17**	**-**	**605**
Vehicle	**1.345**	**55**	**(120)**	**1.280**
Special costs	**341**	**-**	**-**	**341**
	2.274	**72**	**(120)**	**2.226**
Net book value	**1.659**			**1.853**

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

7. Tangible Assets (cont'd)

	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 depreciation	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

As of December 31, 2021, the Company has tangible fixed assets with a net book value of TL 1.853, with a cost of TL 4.079 and an accumulated depreciation amount of TL 2.226 (As of December 31, 2020, the net book value of tangible fixed assets is TL 1.659).

8. Intangible assets

	January 1, 2021	**Addition**	**Disposal**	**December 31, 2021**
Cost				
Computer softwares and rights	**636**	**62**	**-**	**698**
	636	**62**	**-**	**698**

	January 1, 2021	**Amortization**	**Disposal**	**December 31, 2021**
Accumulated Amortization				
Computer softwares and rights	**364**	**40**	**-**	**404**
	364	**40**	**-**	**404**
Net book value	**272**			**294**

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

8. Intangible assets (cont'd)

	January 1, 2020	Addition	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

As of December 31, 2021, the Company has TL 698 intangible fixed assets and the accumulated depreciation amount is TL 404 and the net book value is TL 294 (As of December 31, 2020, the net book value of intangible fixed assets is TL 272).

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, 2021	**Addition**	**Disposal**	**December 31, 2021**
Cost				
Investment Property	**2.351**	**-**	**-**	**2.351**
	2.351	**-**	**-**	**2.351**

	January 1, 2021	**Current year depreciation**	**Disposal**	**December 31, 2021**
Accumulated Depreciation				
Investment Property	**352**	**46**	**-**	**398**
	352	**46**	**-**	**398**
Net Book Value	**1.999**			**1.953**

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9. Investment Property (cont’d)

	January 1, 2020	Addition	Disposal	December 31, 2020
Cost				
Investment Property	1.816	535	-	2.351
	1.816	535	-	2.351

	January 1, 2020	Current year depreciation	Disposal	December 31, 2020
Accumulated Depreciation				
Investment Property	334	18	-	352
	334	18	-	352
Net Book Value	1.482			1.999

As of December 31, 2021, the Company has investment property of TL 2.351 and the accumulated depreciation amount is TL 398, with a net book value of TL 1.953 (As of December 31, 2020, the net book value of investment properties is TL 1.999).

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 23 in deferred tax calculations, the rate of 23 percent for the temporary differences that are likely to be recovered in 2020 and 2021, 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, 2021, for the temporary differences expected to occur or close in 2022 and after.

	Temporary differences		**Deferred tax assets/liabilities**	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Employee severance payments	**1.324**	1.158	**265**	231
Prepaid commissions	**358**	1.141	**82**	228
Unearned interest income	**11.993**	6.154	**2.758**	1.231
Deferred tax assets	**13.675**	8.453	**3.105**	1.690
Tangible and intangible assets	**(997)**	(817)	**(199)**	(163)
Deferred tax liabilities	**(997)**	(817)	**(199)**	(163)
Deferred tax liabilities (net)	**12.678**	7.636	**2.906**	1.527

(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:

	2021	2020
Beginning balance, January 1	**1.527**	1.508
Deferred tax (expense)/ income	**1.379**	19
Closing balance, December 31	**2.906**	1.527

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

None (December 31, 2020: None)

12. Other assets

	December 31, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Receivables from Customers(*)	**1.822**	**13**	1.043	7
Prepaid expenses	**19**	**-**	19	-
	1.841	**13**	1.062	7

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

13. Funds Borrowed

	December 31, 2021	December 31, 2020
Short-term bank borrowings	**202.702**	113.931
	202.702	113.931

The details of bank borrowings are as follows:

Currency	**Average Interest rate %**	**Maturity**	**December 31, 2021**
TL	**%21,30**	**Ocak 2022 – Haziran 2022**	**150.216**

Currency	Average Interest rate %	Maturity	December 31, 2020
TL	%18,40	Ocak 2021 – Şubat 2021	54.708
			54.708

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

13. Funds Borrowed (cont'd)

Currency	**Average Interest rate%**	**Maturity**	**December 31, 2021**
USD	**%1,48**	**January 2022 – March 2022**	**51.719**
			51.719

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, 2021**
EUR	**%0,70**	**March 2022**	**777**
			777

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

	December 31, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Fixed rate	**150.216**	**13.954**	54.708	59.223
Floating rate	**-**	**38.532**	-	-
	150.216	**52.486**	54.708	59.223

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

14. Bonds and notes issued

None (December 31, 2020: None)

15. Factoring payables

	December 31, 2021	December 31, 2020
Factoring payable	**7.702**	14.194
	7.702	14.194

16. Financial lease obligations

None (December 31, 2020: None)

17. Other payables

	December 31, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Fees and commissions collected in ad-vance	**28**	**330**	65	1.076
Suppliers payable	**578**	**2**	479	18
	606	**332**	544	1.094

18. Provisions

Reserves For Employee Benefits

	December 31, 2021	December 31, 2020
Provision for employment termination benefits	**1.324**	1.158
Provision for unused vacation	**-**	-
	1.324	1.158

Provision for employment termination benefits

Provision for employment termination benefits table is as follows:

	December 31, 2021	December 31, 2020
January 1, beginning	**1.158**	930
Interest rate	**248**	112
Service cost	**126**	234
Payments during the period	**(208)**	(118)
Actuarial (gain) / loss	**-**	-
Balance at the end of the period	**1.324**	1.158

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 TL 8.284,51 (2020: TL 7.117,17) as of December 31, 2021 (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, 2021 and December 31, 2020, 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 16.90% and a discount rate of 21,50%, resulting in a real discount rate of approximately 3,93% (December 31, 2020: 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, 2020: None).

20. Paid-In Capital and Capital Reserves

Paid in-capital

As of December 31, 2021, the company's capital is TL 60.000 (December 31, 2020: TL 60.000 Thousand). As of December 31, 2021, the Company has 60.000.000 (December 31, 2020: 60.000.000) non-privileged stocks with a value of TL 1 (December 31, 2020: TL 1). The registered capital of the company consists of 100.000.000 shares each worth TL 1.

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.

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

20. Paid-In Capital And Capital Reserves (cont'd)

Dividends

The Company distributed TL 1.940.000 as dividends to shareholders in total (with a full amount of TL), including TL 1.582.200 cash dividend payment (with a full amount of TL) and TL 357.800 withholding tax (with a full amount of TL) in March 2021 for 2020 (2020: None).

21. Profit reserves

As of December 31, 2021and 2020 profit reserves are as follows:

	December 31, 2021	December 31, 2020
Legal reserves	**16.512**	16.271
	16.512	16.271

22. Prior Period's Profit / Loss

	December 31, 2021	December 31, 2020
Prior Periods Profit/Loss	**114.756**	97.516
	114.756	97.516

23. Provisions, contingent assets and contingent liabilities

23.1 Letters of Guarantee Received

As of December 31, 2021, and 2020, the details of the Company's items held in custody is as follows:

	December 31, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Customers' Cheques	**44.931**	**12.289**	31.642	24.569
Customers' Notes	**76.152**	**222.085**	80.807	79.120
Received Bails(*)	**5.841.288**	**1.756.137**	4.553.888	881.814
	5.962.371	**1.990.511**	4.666.337	985.503

(*) 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 of December 31, 2021 and 2020 are as follows:

	December 31, 2021		December 31, 2020	
	TL	**FC**	TL	FC
Letters of guarantee given to banks	**35.008**	**-**	27.108	-
Bails in favor of customers	**7.500**	**-**	7.500	-
	42.508	**-**	34.608	-

24. Operating income

	January 1 - December 31, 2021	January 1- December 31, 2020
Factoring interest income	**79.548**	41.350
Factoring commission and other income	**8.054**	2.866
	87.602	44.216

25. Operating expense

	January 1- December 31, 2021	January 1- December 31, 2020
Personnel expenses	**17.254**	16.145
Rent expenses	**2.511**	2.183
Information technologies expenses	**596**	577
Audit and consultancy expenses	**354**	466
Subscription fee	**621**	424
Provisions for employee termination benefits expense	**316**	348
Vehicle expenses	**113**	149
Taxes and duties	**157**	149
Amortization and depreciation expenses	**114**	130
Representation expenses	**161**	65
Advertisement expenses	**48**	40
Other	**1.549**	849
	23.794	21.525

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

25. Operating expense (cont'd)

The detail of personnel expenses as of December 31, 2021 and December 31, 2020 are as follows:

	January 1- December 31, 2021	January 1-December 31, 2020
Salary expenses	**15.330**	14.139
Social security premium employer's share	**952**	937
Insurance expenses	**392**	579
Transportation expenses	**224**	210
Meal expenses	**222**	206
Unemployment security employer's share	**74**	66
Other	**60**	8
	17.254	16.145

26. Other operating income

	January 1 - December 31, 2021	January 1- December 31, 2020
Foreign currency gain	**22.867**	13.600
Provision no longer required	**51**	619
Interest Received from Banks	**1.413**	3.600
	24.331	17.819

27. Financial expenses

	January 1 - December 31, 2021	January 1 - December 31, 2020
Interest expense on bank borrowings	**20.983**	6.367
Fees and Commissions Expenses	**911**	624
	21.894	6.991

28. Provisions Expenses

As of December 31, 2021 and 2020 provisions follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Provision expenses	**(765)**	(56)
	(765)	(56)

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

29. Other operating expenses

	January 1 - December 31, 2021	January 1 - December 31, 2020
Foreign exchange loss	**4.703**	8.702
	4.703	8.702

30. Related Party Transactions

The detail of related party transactions as of December 31, 2021 and December 31, 2020 are as follows:

	January 1 - December 31, 2021	January 1 - December 31, 2020
M. Semra Tümay – rent expenses	**2.511**	2.183
	2.511	2.183

Top management fees and rights:

As of December 31, 2021 the company paid amount to TL 16.174 to Board of Directors and top management (December 31, 2020: TL 10.676).

31. Tax assets and liabilities

Corporation Tax

Corporate income is subject to corporate tax at 20%. However, the corporate tax rate which is 20% pursuant to the temporary article 13 added to the Corporate Tax Law; It will be applied at the rate of 25% for corporate earnings in 2021 and 23% for corporate earnings in 2022. This rate is applied to as accounting income modified for certain exceptions (like dividend income) and deductions (like investment incentives) and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no distribution planned, no further tax charges are made. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid until the end of the related month.

The companies 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 assessment.

Dividends 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.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

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

31. Tax assets and liabilities (cont'd)

Dividend payments made from companies residing in Turkey to corporations residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

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, provisional tax is paid on the tax bases declared in the interim period during the year to be deducted from the corporate tax.

As of December 31, 2021 and 2020, the tax liability has been set aside under the current tax legislation.

As of December 31, 2021 and 2020 taxes in income statement are stated below:

	January 1 - December 31, 2021	January 1 - December 31, 2020
Corporate tax provision	**16.645**	5.359
Prepaid taxes	**(8.870)**	(4.167)
Tax (assets) / liabilities	**7.775**	1.192

	January 1 - December 31, 2021	January 1 - December 31, 2020
Current tax expense	**16.645**	5.359
Deferred tax expense	**(1.379)**	(19)
	15.266	5.340

Reconciliation of Tax Provisions	**January 1 - December 31, 2021**	January 1 - December 31, 2020
Profit before tax	**60.777**	24.761
Effective Tax Rate	**%25**	%22
Calculated Tax	**(15.194)**	(5.447)
Other and Effects of Expenses are not accepted legally	**(108)**	(33)
Other	**36**	293
Tax expense in statement of profit or loss	**(15.266)**	(5.340)

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, 2020: 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, 2021 (December 31, 2020: The Company has reached standard rate).

b) Significant account policies

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

(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)

c) Financial instruments categories

	December 31, 2021	December 31, 2020
Financial Assets:		
Cash Equivalents and Banks	**16.747**	19.530
Factoring Receivables	**431.613**	299.265
Financial Liabilities:		
Factoring Payables	**7.702**	14.194
Funds Borrowed	**202.702**	113.931

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, 2021 and December 31, 2020, 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, 2021
	USD	**EUR**	**GBP**	**Total**
Assets				
Cash and cash equivalents	11.428	2.198	174	13.800
Factoring receivables	76.053	22.552	913	99518
Other assets	13	-	-	13
Total assets	**87.494**	**24.750**	**1.087**	**113.331**
Liabilities				
Funds borrowed	51.713	767	-	52.486
Factoring payables	324	8	-	332
Other Liabilities	1.033	5.506	891	7.430
Total liabilities	**53.083**	**6.274**	**891**	**60.248**
Net foreign currency position	**34.411**	**18.476**	**196**	**53.083**
Off-balance sheet position	-	-	-	-
Net position	**34.411**	**18.476**	**196**	**53.083**

				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 foreign currency position	**16.568**	**9.765**	**1.468**	**27.801**
Off-balance sheet position	-	-	-	-
Net position	**16.568**	**9.765**	**1.468**	**27.801**

(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** (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, 2021
		Profit/ Loss		**Equity**
	The appreciation of foreign currency	**Depreciation of foreign currency**	**The appreciation of foreign currency**	**Depreciation of foreign currency**
10% change of the USD against TL				
1 - Net USD asset/liability	3.441	(3.441)	3.441	(3.441)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**3.441**	**(3.441)**	**3.441**	**(3.441)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	1.848	(1.848)	1.848	(1.848)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**1.848**	**(1.848)**	**1.848**	**(1.848)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	20	(20)	20	(20)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**20**	**(20)**	**20**	**(20)**
Total (3 + 6 +9)	**5.309**	**(5.309)**	**5.309**	**(5.309)**

(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, 2020
		Profit/ Loss		Equity
	The appreciation of foreign currency	Depreciation of foreign currency	The appreciation of foreign currency	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)**

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.

(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, 2021	**Factoring receivables**	**Banks**	**Other Assets**
The maximum credit risk exposure as of reporting date	**431.613**	**16.747**	**1.854**
A. The net book value of financial assets that are neither past due or impaired	**431.613**	**16.747**	**1.854**
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)	**21.042**		
- Impairment (-)	**(21.042)**		
E. Factors including off-balance sheet credit risk	-	-	-

(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)*

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	-	-	-

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.

(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)

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, 2021	December 31, 2020
Fixed Rate Financial Instruments		
Financial Assets:		
Banks	**-**	*19.530*
Factoring Receivables	***184.671***	*251.488*
Financial Liabilities:		
Funds Borrowed	***158.909***	*113.931*
Factoring Payables	***7.702***	*1.419*
Floating Rate Financial Instruments		
Financial Assets:	**-**	-
Factoring Receivables	***184.671***	*47.777*
Financial Liabilities:		
Funds Borrowed	***43.793***	-
Factoring Payables	***246.942***	*12.775*

j) Other Pricing Risks

None. (December 31, 2020 :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, 2021

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	**211.342**	**215.553**	**197.439**	**18.114**	**-**	**-**
Funds borrowed	202.702	206.913	188.799	18.114	-	-
Factoring payables	7.702	7.702	7.702	-	-	-
Other liabilities	938	938	938	-	-	-

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	-	-	-

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

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.

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.

35. Fees for Services Received from External Auditor/ External Audit Firm

January 1 – December 31, 2021 external auditing fee for the reporting period TL 150.000. (December 31, 2020: TL 140.000.).

36. Subsequent events

None.

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