EKSPO FAKTORİNG

2022 ANNUAL REPORT

EKSPO Faktoring A.Ş.

CONTENTS

MAINTAINING OUR VALUES,
BUILT ON OUR LONGSTANDING BANKING TRADITION
AND EXTENSIVE EXPERIENCE,

GUIDED BY A STRONG CORPORATE FRAMEWORK
WITH INNOVATIVE METHODS AND
AN ESTABLISHED GLOBAL RECOGNITION,

BACKED BY A SOLID FINANCIAL
BASE AND A HIGHLY SKILLED
WORKFORCE,

AND PROGRESSING IN
TOP STANDARDS AND
LEADING THE FIELD,

WE CONCLUDED A PRODUCTIVE YEAR!

GÜRBÜZ TÜMAY

HONORARY CHAIRMAN

MURAT TÜMAY

CHAIRMAN & GENERAL MANAGER

CHAIRMAN'S MESSAGE

'AS A COMPANY THAT VIEWS BANKING AS A MISSION AND DERIVES STRENGTH FROM A SENSE OF RESPONSIBILITY TOWARD THE COUNTRY, WE WORKED DILIGENTLY TO BACK OUR FARMERS, SMES, TOURISM PROFESSIONALS, AND ALL THE INDUSTRIES THAT FUEL OUR ECONOMY, UTILIZING OUR RESOURCES THROUGHOUT THE 2022 REPORTING PERIOD.'

Esteemed Partners,

The February 6 earthquake, the most severe natural disaster in Turkish history, caused major destruction leaving us all in deep sadness. As we grieved the thousands of lives who died in the earthquake that impacted 11 provinces in the southeastern region, we had to come together as a nation and also face the economic fallout of this horrific disaster. As a country, we have been working together to restore the socio-economic conditions of the people who survived the earthquake and to recover from the impending economic loss.

At Ekspo Faktoring, we started to take steps to stand in solidarity with our clients in the affected region and extend a helping hand to the people who were in need during that challenging time. We assisted our clients, who struggled with their payments because of the impact of the earthquake on the regional economy, in restructuring their debts if needed. We also maintained consistent communication with our clients, valuing their input and promptly attending to their requests. This support will continue in the future.

We all faced significant economic and health challenges due to the pandemic in the last three years. And we had not yet put the pandemic behind when the Russia - Ukraine conflict curbed our recovery. Still, the growth trend was maintained in 2022 despite the negative conjuncture, thanks to the dynamics of the Turkish economy and our exports push.

Even as we went through such challenges, the transaction volume of the factoring sector rose from TL 199.5 billion to TL 417.2 billion with an increase of 109%, according to the Association of Financial Institutions data. In parallel, the sector's asset size increased from TL 64.9 billion to TL 135.5 billion in 2022.

As a result of our activities in line with our strategy and targets, the total assets of our company increased by 75% year on year, reaching TL 798.3 million as of year-end 2022, while our shareholders' equity rose to TL 305.8 million, with an increase of 29%. As we continued to contribute to the national economy through our operations, our total receivables volume increased by 63% year on year, reaching TL 701 million in 2022. And we posted a net profit of TL 74.9 million, with a year-on-year increase of 65%.

As a company that regards banking as a mission and draws strength from a sense of responsibility for the country, we strived to support our farmers, SMEs, tourism professionals, and all the sectors that drive our economy, with all our resources in the 2022 reporting period. The financing we extended to the exporters, the drivers of the national economy, reached USD 31.6 million in volume, while our import financing amounted to USD 9.2 million for the raw materials of the products that would be duly exported.

We have always worked with a responsible banking approach since the very beginning and aim to give back to society. We are committed to supporting the development and advancement of our country with our services and solutions, robust capital structure, qualified human resources, and long years of experience, today and tomorrow. As always, we will strive to facilitate the industrial organizations' access to financing, support businesses that work for the future of the country, and move toward our goals, including technological development and innovation.

On behalf of the Board of Directors, I want to thank our shareholders, clients, business partners, and all our employees for their contributions to the successful results of our company in the reporting period.

Kind regards,

MURAT TÜMAY
CHAIRMAN & GENERAL MANAGER

BOARD OF DIRECTORS

MURAT TÜMAY
CHAIRMAN & 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. AKÇAKAYALIOĞLU
DEPUTY CHAIR

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 AKÇAKAYALIOĞLU
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, respectively. 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.

ŞERİF 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.

EKSPO FAKTORİNG

EKSPO FACTORİNG CONTINUES TO ADAPT TO THE CHANGING DEMANDS OF THE INDUSTRY, EMPLOYING PRACTICES CENTERED ON QUALITY AND EFFICIENCY. MOREOVER, EKSPO FACTORİNG TAKES THE LEAD IN BOLSTERING THE NONBANKING FINANCIAL SECTOR'S PRESENCE IN BOTH DOMESTIC AND INTERNATIONAL TRADE.

MISSION

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

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

Operating with a focus on quality and efficiency by understanding customer needs and expectations accurately and offering the most suitable solutions, while upholding ethical values and assuming social responsibility.

Becoming a regional leader in international trade by developing new products.

Introducing industry-first products and services with a visionary perspective and innovative applications.

VISION

Operating as a reputable institution that constantly creates difference and value in line with its deep-rooted history by embracing its clients and human resources as its most valuable assets.

Meeting the highest ethical, transparency and professionalism standards when delivering the products, services and experience to enable every company in every industry to grow.

Reaching an asset size of TL 1.2 billion in 2023 by maintaining consistent growth.

STRATEGIC TARGETS

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

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

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

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

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

Identifying the environmental and social risks accurately and integrating them into the business model.

EKSPO FAKTORİNG AT A GLANCE

EMBRACING A PERSPECTIVE ROOTED IN PROFOUND BANKING EXPERIENCE AND EXPERTISE, EKSPO FAKTORİNG STRIDES FORWARD WITH CONFIDENCE TOWARDS THE FUTURE, DRIVEN BY THE MISSION OF ACHIEVING INDUSTRY FIRSTS.

Ekspo Faktoring, founded in 2000 with a capital of TL 1 million, backed with nearly half a century of banking experience and know-how, moves forward with confident steps in line following its mission of reshaping the sector with a new perspective. Enjoying a reputable position in the financial sector with its high quality service standards, innovative practices, and a transparency- and trust-based approach, Ekspo Faktoring brings a fresh breath of air to the rapidly growing Turkish factoring segment. The company has always navigated through the crises with its robust capital structure, and looks to the future with confidence thanks to a shareholders' equity exceeding TL 305 million, sustainable growth targets, innovative vision, and qualified human resources.

Pioneer of many firsts

Ekspo Faktoring operates with a sustainable growth target, strong capital structure, innovative management philosophy, qualified human resources, and efficient services of the highest quality with a client-centric approach. These enable Ekspo Faktoring to introduce industry-first innovative practices, products and services. By offering Türkiye's first structured financing products for various industries, the company has acted as an intermediary in foreign trade transactions amounting to a total of nearly USD 743 million in the last 12 years, including letter of credit transactions worth nearly USD 112 million.

As the first company in the Turkish factoring sector to publish its annual report, Ekspo Faktoring discloses its financial statements regularly, has independent members on its Board, is audited by independent audit firms, and uses SWIFT (The Society for Worldwide Interbank Financial Telecommunication System), setting the bar higher in the sector.

112 million USD worth of letters of credit in **12** years

Innovative perspective

With the second generation at the helm, Ekspo Faktoring has integrated its innovative perspective into all business processes across the organization without compromising conventional values. Capturing a perfect balance between innovation and tradition in today's rapidly evolving and transforming world gives the company superiority and a competitive edge.

Proactive approach

As a leading Turkish financial institution, Ekspo Faktoring always succeeds to stay ahead of the curve with its excellent service quality and proactive approach, and considers keeping up with the rapid changes in the world and anticipating the dynamics of tomorrow as key priorities. With a wide range of products and services, including contract financing, project financing, order financing, pre-sales financing, supply chain financing and structured products, Ekspo Faktoring meets the financing needs of its clients, operating in a diverse spectrum of industries including textiles, transportation, construction and manufacturing, which form the backbone of the Turkish economy. One aspect that helps position Ekspo Faktoring in the lead is its ability to develop creative products and services, tailored to clients by analyzing their needs and expectations, and to offer the optimal financing, guarantee, and cash management solutions at the right time.

Long-lasting partnerships

Ekspo Faktoring regards ensuring customer satisfaction as a key priority while building and maintaining long-lasting client

+305

million TL shareholders' equity

EKSPO FAKTORİNG HAS MARKED MANY FIRSTS IN THE SECTOR BY INTRODUCING INNOVATIVE PRACTICES, SERVICES, AND PRODUCTS.

743 million USD foreign trade volume in **12** years

THE COMPANY RAPIDLY RESPONDS TO THE EVOLVING NEEDS AND OFFERS EFFECTIVE SOLUTIONS TO MEET CLIENT EXPECTATIONS AND REQUIREMENTS.

relationships, thanks to the fast and effective solutions generated in line with client expectations and needs combined with superior service quality. Focusing on portfolio efficiency and adopting a proactive approach, Ekspo Faktoring maintains a client retention rate above the sector average, follows its clients' activities and the developments in their respective industries closely, and pays them regular visits to keep the relations alive and well.

Exclusive services

Ekspo Faktoring serves numerous clients operating in diverse industries, including textiles and home textile products main industry, wholesale and retail sectors, chemicals, paper products, metal main industry, machinery and equipment, durable consumer goods, food, and construction, and primarily importing raw materials for export purposes. Financing its clients with project, contract, and order-based solutions, Ekspo Faktoring, adds value to the Turkish economy. Ekspo Faktoring works with some of the most prominent Turkish companies, aiming to provide exclusive services by focusing both on the clients' transactions in the domestic markets and also on exports.

Strong transparent structure

In addition to eliciting confidence with its strong financial structure, Ekspo Faktoring also stands apart with its management principles shaped around transparency and accountability, and enjoys a reputation as a trusted, effective, and consistent company in the global financial markets. With its financial superiority and strength confirmed by international rating agencies, and strong international correspondent relations thanks to a wide correspondent network from the USA and Germany to China and Korea, Ekspo Faktoring boasts a significant competitive advantage. The company continues to build on these strengths by partnering with local and international banks and financial institutions. Such partnerships also enable Ekspo Faktoring to support its clients' competitiveness by providing medium- and long-term import financing and guarantees.

Qualified human resources

A highly qualified and experienced human resources, consisting of professionals who follow the latest developments closely and cater to client needs and expectations with innovative and tailored services, plays a key role in Ekspo Faktoring's continued success. The human resources of the company, which ranks among the strongest Turkish financial institutions in terms of intellectual capital, works with high ethical standards and a sense of responsibility, and forms the basis of the corporate culture that drives Ekspo Faktoring to the future. In order to constantly enhance its service infrastructure and elevate the competence levels of its human resources, which is already equipped with the skills to develop creative solutions, Ekspo Faktoring supports the continuous development of its employees with training programs.

Up-to-date infrastructure

Making significant investments in information technologies, Ekspo Faktoring marked a new first in the sector by implementing the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system in 2012 to carry out transactions with banks and international financial institutions in a secure environment of correspondence and information exchange. The company, which started to communicate with banks and international financial institutions through this system, renewed its system infrastructure in 2014. In 2016 new

EKSPO FAKTORİNG CONTINUES TO STAY ONE STEP AHEAD OF THE SECTOR WITH ITS SUPERIOR SERVICE QUALITY AND PROACTIVE APPROACH.

investments were made to the system in order to meet the requirements of the Risk Center under the Banks Association of Türkiye. 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. Focusing on operational speed and efficiency, Ekspo Faktoring follows the latest technological innovations closely while maintaining and strengthening its infrastructure to keep it up-to-date.

Continuous risk management

In addition to monitoring the financial risks emerging in the current economic landscape, Ekspo Faktoring also remains alert to potential natural disasters and environmental risks, and aims to build a diverse and sustainable portfolio with risk management through customer analyses and visits, while ensuring that they are not concentrated in certain regions of the country. Therefore, the company seeks and seizes opportunities to work with large enterprises operating in different geographical locations and diverse industries.

MANAGEMENT APPROACH

EKSPO FAKTORİNG, OPERATING WITH A QUALIFIED HUMAN RESOURCES AND DILIGENTLY FOLLOWING CORPORATE GOVERNANCE PRINCIPLES, CONTINUES TO MEET ALL STAKEHOLDER EXPECTATIONS WITH INDUSTRY EXPERTISE, FINANCIAL PRUDENCE, AND ACCOUNTABILITY.

'NEW TRADITIONAL BANKING' with nearly

50

years of banking experience

Empowered by the vast experience and know-how of its founders and driven by the synergy created by the second generation at the helm, Ekspo Faktoring implements the new traditional banking approach with great success. Ekspo Faktoring conducts its business in alignment with ethical values, international criteria, and applicable legislation, regulations and standards . As the first company to disclose its financial statements, to publish its annual report, to appoint independent board members and to work with international independent audit firms for audits, Ekspo Faktoring builds its corporate governance approach on the foundation of transparent management, effective risk management and internal control mechanisms, contributing significantly to raising the standards in the sector.

Stronger corporate structure

Ekspo Faktoring continues to improve its corporate governance structure further to ensure that this approach is adopted by each department in the organization, internal communication is enhanced, and company culture is strengthened. The company aims to achieve continued corporate development through a number of committees, which have actively worked since the very beginning to contribute to sound and efficient business processes.

EKSPO FAKTORİNG AIMS TO ACHIEVE CONTINUED CORPORATE DEVELOPMENT THROUGH A NUMBER OF COMMITTEES, ACTIVELY WORKING SINCE THE BEGINNING.

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

Risk Assessment Committee:
Convening weekly and more frequently when needed in light of the economic and client-related risks, the Risk Assessment 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: Chaired by the General Manager, the Liquidity Committee convenes weekly with senior executives. Current interest rates in the financial markets, weekly positions to be taken with the banks and interest rates offered by banks are discussed, considering daily, weekly, quarterly, semi-annual, and if possible, annual outlooks. Assessing available bank limits and collateral maintained with banks, determining the financial institutions to work with, obtaining information about their financial structures, and researching alternative financial resources also fall within the responsibilities of the committee.

Human Resources Committee:
Headed by the Board Member in charge of human resources, the Human Resources Committee convenes every December. The Committee evaluates the vertical (advancement in title as well as duties and responsibilities) and horizontal (a change in duties and responsibilities under the same title) promotion of all employees and reaches its final decisions. The committee also determines the actions - from orientation processes for new employees to training programs - to build a highly qualified, motivated, and dedicated human resources.

Information Technologies Committee: Headed by the General Manager, Information Technologies Committee 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 the internal and external risks associated with information technologies. Taking action according to the results of this audit is among the primary duties of this committee.

PRODUCTS AND SERVICES

DRIVEN BY ITS CORPORATE GOVERNANCE APPROACH AND TRUST-BASED RELATIONS, EKSPO FAKTORİNG REGARDS ITS CLIENTS AS BUSINESS PARTNERS AND OFFERS TAILORED SOLUTIONS AND PRODUCTS TO MEET THEIR EXPECTATIONS.

+150

million USD
structured finance

Enhancing the service quality and diversity in the factoring sector has always been a key priority for Ekspo Faktoring since its establishment. Therefore, the company, which offers tailored solutions to meet the financing requirements of its clients in diverse industries, always focuses on enriching and improving its product range, implementing more effective marketing strategies, and creating ultimate customer satisfaction. With a broad range of products and services, robust financial structure, and an experienced team, the company implements fast and effective business processes to meet client needs accurately and in a timely manner. With the customer satisfaction principle placed at the core of all of its business processes, and driven by the momentum of globalization, Ekspo Faktoring continues to offer the optimal solutions in response to the evolving client expectations.

In addition to financing local and international transactions, Ekspo Faktoring also offers guarantee and collection services. The company's ability to anticipate the clients' future needs and provide the right financing, guarantee and cash management alternatives today plays a key role in helping the clients undertake and deliver successful business processes and projects. Ekspo Faktoring closely follows the conditions in the markets that have economic and commercial relations with Türkiye and addresses financing opportunities to support its clients towards creating maximum added value. Ekspo Faktoring is committed to ensuring transparency and acting with due diligence for its clients against all kinds of volatility that may occur in the financial and real sectors, and aims to offer financing options at affordable rates, particularly to the exporters in 2023.

Structured Finance: Importing raw materials for export-aimed production needs as well as generating energy and mining natural resources play a critical role in the exports and national welfare of Türkiye and many 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 more than USD 150 million in structured finance secured through international finance institutions to date, Ekspo Faktoring has supported industrial companies in sourcing raw materials.

Pre-shipment Financing: Since 2008, Ekspo Faktoring has provided pre-shipment financing services, which enable the 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, transportation time, 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 the clients to gain a price advantage in procuring the goods in cash or to perform debt servicing.

9.2

million USD
import financing

IN 2023, EKSPO FAKTORİNG AIMS TO OFFER FINANCING OPTIONS AT AFFORDABLE RATES, PARTICULARLY TO THE EXPORTERS.

31.6

million USD
export financing

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

Export Financing: Companies need to generate cash to finance their growth. Therefore, financing becomes key, particularly for exporters selling to developed and emerging countries. On the other hand, cash flow is a common problem that many exporters face. With long years of experience in this field, Ekspo Faktoring has been offering export finance since 2002. In export finance, Ekspo Faktoring extends funds at attractive prices for exporters against their current or future receivables. Furthermore, comprehensive insurance agreements with export development agencies or private insurance companies provide long-term funding for machinery exports or large-scale commodity exports to emerging countries with a certain level of risk or countries that experience domestic turbulence, thus preventing potential political or credit risks. Ekspo Faktoring, which became one of the first factoring companies to be allocated a credit line by the Turkish Eximbank in 2015, offers post-shipment export rediscount loans. Aiming to boost the competitive strength of its exporter clients in global markets, Ekspo Faktoring joins forces with Turkish Eximbank to provide export finance options in Türkiye.

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

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

40.8

million USD foreign trade finance

FINANCIAL ADVANTAGES

EKSPO FAKTORİNG HOLDS IMPORTANT COMPETITIVE ADVANTAGES SUCH AS A ROBUST CAPITAL STRUCTURE, A QUALIFIED HUMAN RESOURCES, A SOLUTION-FOCUSED BUSINESS CULTURE, AND A CORPORATE GOVERNANCE APPROACH. THESE ADVANTAGES PLACE THE COMPANY, WHICH PARTNERS WITH SOME OF THE LARGEST BANKS AND FINANCIAL INSTITUTIONS WORLDWIDE, AMONG A SMALL NUMBER OF NON-BANK FINANCIAL INSTITUTIONS WHOSE RISKS ARE PURCHASABLE.

As a strong financial partner that offers innovative products and services to importers and exporters, Ekspo Faktoring has continued to improve and deepen relations between global and Turkish companies while steadily elevating its reputation in the international arena for the last 23 years. Positioned as the right place to go when it comes to innovative products and services in the non-bank financial sector, the company is empowered by the principles of mutual trust and transparency, and adopts a global perspective to offer its clients opportunities for achieving world-class results.

Strategic partnerships

Ekspo Faktoring has continued to elevate its position through successful strategic partnerships, and further strengthened its correspondent relationships with local and international banks and financial institutions in 2022. 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, moving toward its long-term strategic targets with confident steps.

Tailored 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, Opening Import Letters of Credit, Assignment of Export Receivables with Acceptance Credit, Import Financing, and Direct Factoring. The company's product and service offering for the domestic market also include Assignment of Receivables with or without Notice, and Assignment of Receivables via Checks and Bonds. Providing products and services aimed at financing deferred trade transactions, the company has gained a significant competitive edge since 2011 by focusing on supplier finance.

Competitive advantages

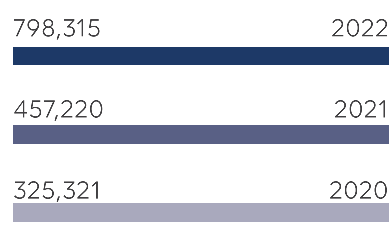
Ekspo Faktoring provides market consultancy services, industry analyses and project finance among other areas with its expertise in domestic and international transactions, which enable the company to develop financial solutions tailored to client needs and expectations. The company adopts a proactive approach to meeting the strategic and financial needs of its clients, catering to them as "business partners."

Supporting the real sector

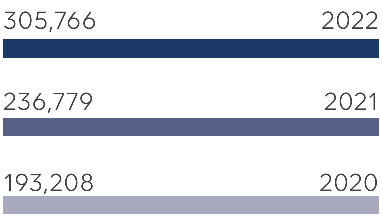
With industry expertise, a qualified human resources, and a strong funding structure, Ekspo Faktoring generates fast and effective solutions to meet client expectations and requirements and embraces this approach while serving numerous local and international businesses operating in diverse industries. Ekspo Faktoring regards its clients as long-lasting, loyal business partners, and structures the funds secured from domestic and foreign banks with attractive terms and conditions to offer financing solutions tailored to their expectations. As a result of these practices, Ekspo Faktoring's asset size amounted to TL 798.3 million as of year-end 2022. The company's 2023 target is to reach

EKSPO FAKTORİNG AIMS TO GROW ITS ASSET SIZE OF TL 798.3 MILLION AS OF YEAR-END 2022 TO TL 1.2 BILLION IN 2023.

TOTAL ASSETS (THOUSAND TL)



TOTAL SHAREHOLDERS' EQUITY
(THOUSAND TL)



38%

Shareholders Equity/Total Asset ratio

97%

Ratio of the company's revocable receivables

TL 1.2 billion in placements. With its financial advantages confirmed by international rating agencies, Ekspo Faktoring aims to maintain its profitability in 2023 as well as its strong support for the real sector by developing fast and cost-effective solutions for its clients.

Continued success

Ekspo Faktoring, founded in 2000 with TL 1 million capital, maintains a consistent growth trend by focusing firmly on continued success. As of year-end 2022, the shareholders' equity of the company reached TL 305.8 million and a transaction volume of TL 2.5 billion, with its main operations resulting in TL 100.6 million in profit before tax. Domestic transactions accounted for 69.8% of Ekspo Faktoring's revenues in 2022 and international transactions for 30.2%. Ekspo Faktoring carries manageable levels of maturity, liquidity, and currency risks, and traditionally does not pay out dividends, while regularly retaining the profits in shareholders' equity.

High profitability

Ekspo Faktoring carries out its activities depending mainly on its shareholders' equity, and delivers high profitability thanks to its effective business processes. Pursuant to Banking Regulation and Supervision Agency's (BRSA) regulation of 24.04.2013, non-bank finance companies are required to continuously maintain a shareholders' equity/total assets ratio of minimum 3%. Despite, the volatilities in the markets in 2022, Ekspo Faktoring has captured a remarkable ratio of 38%.

High asset quality

Ekspo Faktoring operates with a low leverage ratio, which is a key competitive advantage, enabling the company to develop strong relationships with local and international correspondents and financial institutions. Currently, Ekspo Faktoring's receivables are 97% 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 assessment 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 and maintain the asset quality above sector average.

THE EXPORT FINANCING THAT EKSPO FAKTORİNG EXTENDED TO EXPORTERS OPERATING IN VARIOUS INDUSTRIES AMOUNTED TO NEARLY **USD 32 MILLION.**

EKSPO FAKTORİNG CONTINUED TO SERVE ITS CLIENTS FROM DIFFERENT INDUSTRIES, WITH ITS FOREIGN TRADE SUPPORT REACHING **USD 40.79 MILLION.**

TRANSACTIONS FINANCED IN 2022

EKSPO FAKTORİNG FOLLOWS A TARGETED MARKETING APPROACH AND DEVELOPS STRATEGIES TO HELP ITS CLIENTS ATTAIN THEIR BUSINESS GOALS.

Ekspo Faktoring follows a targeted marketing approach and serves as a strong bridge between the Turkish private sector and the local and international financing institutions. In the last 12 years, Ekspo Faktoring supported its clients across various industries by financing foreign trade transactions of nearly USD 743 million.

2.5
billion TL
total revenues

TRANSACTIONS FINANCED IN 2022 BY INDUSTRY (%)	
TEXTILES AND TEXTILE PRODUCTS	32.83
WHOLESALE AND RETAIL TRADE MOTOR VEHICLE AFTERSALES SERVICES	16.68
MAIN METAL INDUSTRY AND FINISHED GOODS MANUFACTURING	13.44
CHEMICALS AND SYNTHETIC FIBERS INDUSTRIES	7.54
PAPER PULP AND PAPER PRODUCT PRINTING INDUSTRY	6.45
TRANSPORTATION VEHICLES INDUSTRY	3.11
REAL ESTATE AGENCY, PROPERTY RENTAL AND OPERATION ACTIVITIES	2.72
RUBBER AND PLASTICS INDUSTRY	2.52
WOOD AND WOOD PRODUCTS INDUSTRY	2.50
CONSTRUCTION	2.39
LEATHER AND LEATHER GOODS INDUSTRY	2.28
ORE MINING	1.96
OTHER NON-METAL MINING INDUSTRY	1.37
TRANSPORTATION, WAREHOUSING AND COMMUNICATION	1.32
FOOD & BEVERAGE AND TOBACCO INDUSTRIES	0.66
HOTELS AND RESTAURANTS (HOSPITALITY)	0.60
UNCATEGORIZED MANUFACTURING INDUSTRY	0.45
MACHINERY AND EQUIPMENT INDUSTRY	0.40
OTHER CIVIC, SOCIAL, AND PERSONAL SERVICES	0.37
FINANCIAL BROKERAGE	0.23
AGRICULTURE, ANIMAL HUSBANDRY, FORESTRY	0.18

FOREIGN TRADE TRANSACTIONS FINANCED IN 2022

THE FOREIGN TRADE TRANSACTIONS THAT EKSPO FAKTORİNG FINANCED IN 2022 SPREAD ACROSS VARIOUS INDUSTRIES, INCLUDING PRIMARILY TEXTILES AND RETAIL TRADE SECTORS AND SHIPBUILDING AND SHIP REPAIR, ALUMINUM, PLASTICS AND AUTOMOTIVE SUPPLY INDUSTRY.

The export financing that Ekspo Faktoring extended to its clients operating in various industries amounted to nearly USD 32 million in 2022. The company's foreign trade financing in support of the clients in different industries reached a total of USD 40.79 million.

FOREIGN TRADE TRANSACTIONS FINANCED IN 2022 BY INDUSTRY (%)

EXPORTS		
	HOME TEXTILES	50.89%
	ALUMINUM	30.02%
	BOAT MAKING AND AUTOMOTIVE SUPPLY INDUSTRY	11.63%
	TEXTILES AND APPAREL	5.72%
	SHIPBUILDING AND SHIP REPAIR	1.74%
IMPORTS		
	TEXTILES	65.25%
	RETAIL	31.08%
	PLASTICS PRODUCTION	3.67%

TOTAL IMPORT FINANCING	**9.15** MILLION USD (22.44%)
TOTAL EXPORT FINANCING	**31.63** MILLION USD (77.56%)
TOTAL	**40.79** MILLION USD

Home Textiles
Export Financing

16 million USD

Aluminum
Export Financing

9.5 million USD

Textiles
Import Financing

6.0 million USD

Textiles and Apparel
Turkish textile exports grew steadily after 1985 and became a major export item since then. The Turkish textile industry, which creates significant added value for the country's economy, reached a volume of nearly USD 10.5 billion in 2022, maintaining its growth trend in total exports. Ekspo Faktoring supports textile and apparel exports with medium-term financing.

Home Textiles
With a significant share in global home textiles trade, the Turkish home textiles industry ranks among Türkiye's highest exporting sectors, reaching USD 2.2 billion as of year-end 2022. Ekspo Faktoring supports the industry through medium-term financing of home textiles exports.

Boat Making and Automotive Supply Industry
Boat making and automotive supply industries are among the emerging sectors in Türkiye. Ekspo Faktoring has worked with clients in these industries in the past, further increasing this support in 2022.

Aluminum
Aluminum, widely used in various areas from automotive to white goods, from aircraft, land vehicles, and sea vessels to the construction sector, is utilized more and more by the day. Aluminum, which is referred to as the metal of the future, is among the main materials of many industrial sectors because of its properties such malleability, suitability for recycling, environment-friendliness, and aesthetics. Ekspo Faktoring finances aluminum exporters, who ship to various countries worldwide, with medium-term loans.

Shipbuilding and Ship Repair
Shipbuilding comes to the forefront in today's industrial landscape because of the importance of supply continuity in the logistics sector and the strong competition in the market. Ekspo Faktoring supports this rapidly growing and developing sector with export financing products.

IN 2022, EKSPO FAKTORİNG SUPPORTED THE LEADING TURKISH APPAREL RETAILERS WITH IMPORT FINANCING IN THEIR TRADE WITH THE FAR EAST.

Boat Making and Automotive Supply Industry Export Financing	Retail Trade Import Financing	Textiles and Apparel Export Financing
3.7 million USD	**2.8** million USD	**1.8** million USD

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

Retail Trade
In 2022, Ekspo Faktoring supported the leading Turkish apparel retailers with import financing in their trade with the Far East.

Plastics Production
Ekspo Faktoring extended import financing to leading Turkish companies producing high-added-value plastics in 2022.

2022 PERFORMANCE

EKSPO FAKTORİNG MAINTAINED ITS SUCCESSFUL PERFORMANCE TREND IN 2022, CATERING TO SEVERAL OF THE TOP 500 LARGEST TURKISH COMPANIES AND MULTINATIONALS. WITH A STRONG SHAREHOLDERS' EQUITY, INNOVATIVE APPROACH AND CORPORATE GOVERNANCE STRUCTURE, THE COMPANY CONTINUES TO STEADILY CONTRIBUTE TO THE TURKISH ECONOMY.

AA-(TR)

LONG-TERM INTERNATIONAL CREDIT RATING

CORRESPONDENT NETWORK

- CANADA
- USA
- GERMANY
- CHINA
- KOREA
- TAIWAN

Empowered by its transparent management approach, strong international partnerships, and a highly qualified human resources, Ekspo Faktoring focuses on ensuring ultimate customer satisfaction and builds long-lasting relations based on mutual trust and a win-win approach. The company continues to develop unique financing products and services tailored to the requirements of its clients, which it regards as business partners, while guiding the sector. Despite the economic headwinds that faced the world in 2022, the company has remained committed to engaging in major projects and activities.

Shareholders' equity growth

As of year-end 2022, Ekspo Faktoring reached TL 798.3 million in total assets and TL 2.5 billion in revenues, recording TL 100.6 million in profit before tax and increasing its shareholders' equity to TL 305.8 million with a growth of 29.1%. The company's export turnover amounted to USD 31.6 million and import turnover to USD 9.15 million, with domestic transactions accounting for 69.8% and international transactions for 30.2% of total revenues.

Effective solutions

Ekspo Faktoring maintained its pioneering position in the sector with export and import financing in 2022, while expanding its product and service diversity thanks to its team of experienced and expert professionals. The company continued to introduce effective solutions by focusing on domestic and international trade financing and to extend financial support to importers and exporters. Even though the year 2022 saw economic challenges in terms of access to resources, Ekspo Faktoring maintained its strategic perspective to provide the necessary financing and services to help

2.5	798.3	100.6
billion TL total revenues	million TL total assets	million TL profit before tax

its clients achieve their goals. As a result, the company contributed nearly USD 40.8 million toward financing foreign trade in 2022.

Continued support

The funds that the company secures through its international correspondent network and the assurances it provides result in financing advantages for its clients. The financial products and services that Ekspo Faktoring offers create a competitive edge for Turkish companies striving to sell to foreign markets in today's challenging circumstances and limited resources. Always exploring new markets for export products and aiming to offer exporters a competitive edge in international markets, Ekspo Faktoring extended USD 31.6 million in export financing to several industries, including textiles, home textiles, aluminum, boat making and automotive supply industry, retail, shipbuilding and ship repair, and plastics production in 2022.

Global partnerships

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. 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, consisting of nearly 400 companies in 90 countries, account for approximately 80% of global factoring volume. As Ekspo Faktoring continued to expand its correspondent network and financial resources in 2022, the company's senior management, which maintain strong relationships with other members of FCI, had meetings with several finance institutions to explore partnership opportunities.

International rating

Ekspo Faktoring, enjoying 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. Most recently, JCR Eurasia Rating increased the Long-term National Rating of Ekspo Faktoring to AA- (TR) and determined its outlook as Stable. Long-term revenue generation capability, asset quality, a capital adequacy ratio above the factoring sector average and lower leverage ratios as well as high level of risk management skills, experience and effective management capabilities were instrumental in Ekspo Faktoring receiving this rating.

FINANCIAL INDICATORS

WITH ITS EXPERIENCED AND SKILLED TEAM, EKSPO FAKTORİNG EXPANDED ITS PRODUCT AND SERVICE DIVERSITY IN 2022 AND ACHIEVED AN ASSET SIZE OF TL 798.3 MILLION, A REVENUE OF TL 2.5 BILLION, AND A PRE-TAX PROFIT OF TL 100.6 MILLION. FURTHERMORE, IT INCREASED ITS EQUITY TO TL 305.8 MILLION, MARKING A GROWTH OF 29.1%.

FINANCIAL INDICATORS	DECEMBER 2020 (TL THOUSAND)	DECEMBER 2021 (TL THOUSAND)	DECEMBER 2022 (TL THOUSAND)
TURNOVER	1,000,000	1,792,200	**2,503,789**
TOTAL ASSETS	325,321	457,220	**798,315**
TOTAL SHAREHOLDERS' EQUITY	193,208	236,779	**305,766**
PAID-IN CAPITAL	60,000	60,000	**60,000**
NET WORKING CAPITAL	190,436	237,956	**274,145**
FACTORING RECEIVABLES	299,265	431,613	**701,928**
FACTORING PAYABLES	14,194	7,702	**10,852**
NET ADVANCES TO CLIENTS	285,071	423,911	**691,076**
BANK LOANS, BOND LOANS	113,931	202,702	**466,465**
TOTAL INCOME	62,035	111,933	**226,237**
FACTORING INCOME	44,216	87,602	**190,908**
GROSS PROFIT	24,761	60,777	**100,636**
NET PROFIT	19,421	45,511	**74,987**

FINANCIAL DATA (%)	DECEMBER 2020	DECEMBER 2021	DECEMBER 2022
CURRENT RATIO (TIMES)	2.45	2.07	**1.56**
LIQUIDITY RATIO (TIMES)	2.44	2.06	**1.54**
NET WORKING CAPITAL/TOTAL ASSETS RATIO	59	51	**34**
LIQUID ASSETS/TOTAL ASSETS RATIO	98	98	**95**
DEBTS/ASSETS (INDEBTEDNESS RATIO)	41	48	**62**
DEBTS/EQUITY (FINANCIAL LEVERAGE RATIO) (TIMES)	0.59	0.86	**1.53**
FINANCIAL LIABILITIES/TOTAL ASSETS RATIO	41	48	**62**
INTEREST COVERAGE RATIO (TIMES)	4.05	3.17	**2.04**
GROSS PROFIT MARGIN	15	20	**27**
NET PROFIT MARGIN (SALES PROFITABILITY)	8	17	**18**
RETURN ON EQUITY (EQUITY PROFITABILITY)	13	28	**37**

TOTAL TURNOVER (TL THOUSAND)

2022	2,503,789
2021	1,792,200
2020	1,000,000

TOTAL INCOME (TL THOUSAND)

2022	226,237
2021	111,933
2020	62,035

GROSS PROFIT (TL THOUSAND)

2022	100,636
2021	60,777
2020	24,761

TOTAL ASSETS (TL THOUSAND)

2022	798,315
2021	457,220
2020	325,321

TOTAL SHAREHOLDERS' EQUITY (TL THOUSAND)

2022	305,766
2021	236,779
2020	193,208

FACTORING RECEIVABLES (TL THOUSAND)

2022	701,928
2021	431,613
2020	299,265

GLOBAL ECONOMY

THE GLOBAL GROWTH SLOWED FROM 6.2 IN 2021 TO 3.4% IN 2022, FACING SEVERE HEADWINDS AND WEAK ECONOMIC PROSPECTS. THE ONGOING RUSSIA – UKRAINE WAR, ELEVATED INFLATION RATES WORLDWIDE, AND MOST OF THE CENTRAL BANKS CONTINUING TO INCREASE THE POLICY RATES TO TACKLE INFLATION WERE AMONG THE KEY FACTORS THAT CONTRIBUTED TO SLOWER GROWTH.

Higher inflation rates take hold of the world economies

The Russia-Ukraine war, which started on February 24, 2022 with Russia's military operations in Ukraine, had a significant negative impact on the supply chains that were just recovering from the pandemic, causing volatilities in energy and food prices.

The inflation, which was a natural result of the state-funded financial incentive programs and the loosened monetary policies during the pandemic, began to demonstrate a significant increase trend, fueled by the effect of the war.

Energy spending, which had reached 18% of the gross domestic product in the OECD countries during the energy crisis of the 1970s, rose to similar levels with the Russia-Ukraine war. As of year-end 2022, the inflation rates rose to 7% in the USA (highest year-on-year increase since 1981), 10.5% in the UK (highest in the last 41 years), 7.9% in Germany (highest since the end of World War II), 5.9% in France, and 11.6% in Italy (highest in the last 37 years). The rising food and energy prices with high inflation levels have caused people and households to restrict their expenditures, leading to lower demand and raising economic recession concerns.

Economic stability first, economic growth next

The current situation points to a vulnerable period for the global economy. The March 2023 collapses of Silicon Valley Bank and Signature Bank in the

USA were among the initial indicators that a risk not faced since 2008 was beginning to emerge at the level of banks and indirectly the global financial sector. Aware of the risks that the economic policies based on regular interest rate hikes to tackle high inflation bring, Federal Reserve increased the interest rate by 25 percentage points to the 4.75%-5% in range March 2023, and advised that the following interest hike decisions would depend on the economic developments and the overall situation of the banks. The Bank of England also maintained its interest hike policy of the last 11 months and increased the policy rate by 25 percentage points to 4.25%. And the European Central Bank reached a similar decision on March 16, 2023, increasing the policy rate of 3% by 50 percentage points.

China may be a cure for the global economy

After managing the COVID-19 with very strict rules, China continued to impose strict lockdowns based on its zero tolerance policy and confined a large part of its population to their homes in 2022 at a time when the rest of the world was recovering from the effects of the pandemic. IMF forecasts that the Chinese economy, which grew by 3% in 2022, would recover faster than expected by 5.2% in 2023. An IMF reports indicated that a 1% annual growth in the Chinese economy had a positive spillover effect of 0.3% on the growth rates of other countries. Amidst a deepening crisis in the real estate market, the country aims to boost its growth rate above the 2021 levels by stimulating domestic consumption, despite the implicit sanctions caused by rising energy and commodity costs and the geopolitical tensions.

2023 will be a year of challenges to prevent a possible economic crisis

In the first quarter of 2023, the rise of food and fuel prices came to a halt, the increase in inflation rates began to slow down, the Chinese economy returned to full mobility, and the consumer confidence and business sentiment started to improve, all leading to a somewhat more hopeful outlook. The OECD projected that the global economic growth would remain quite lower than the recent years, dropping to 2.6% in 2023 and picking up slightly in 2024 to 2.9%. However, a gradual return to the normal inflation levels could take time, possible in the second half of 2024. Meanwhile, the central banks' decisions could trigger a new banking or real sector crisis that would worsen the situation, or strategic developments such as the Ukraine war and NATO expansion may result in new sanctions and disruption of global economic activity. Therefore, eyes will be on central banks' decisions and the tensions the West faces with Russia and China.

Sources
World Economic Outlook Update, IMF, January 2023

Economic Outlook, OECD, November 2022

Economic Outlook, OECD, March 2023

TURKISH ECONOMY

AFTER CAPTURING A GROWTH RATE OF 11% IN 2021, THE TURKISH ECONOMY ONLY GREW BY 5.6% IN 2022, PARALLEL TO THE GLOBAL ECONOMY AS THE EFFECTS OF THE PANDEMIC WEAKENED. HOWEVER, THE TURKISH LIRA WAS DEVALUED BY 44% AGAINST USD AND THE ANNUAL INFLATION ROSE TO 64.27%, FUELED BY THE ENERGY AND COMMODITY PRICE INCREASE IN THE GLOBAL MARKETS.

Efforts to tackle inflation were sacrificed in favor of economic growth

As the negative effects of COVID-19 and its variants began to dissipate in early 2022, economic activity entered a fast recovery period. After growing by 7.6% in the first quarter of the year, the economy maintained stability in the second quarter, growing by 7.8%, while growth rates were recorded as 4% and 3.5% in the third and last quarters, respectively. With annual growth reaching 5.6%, the target of 5% projected in the 2021-2023 Medium-Term Program was exceeded.

The Turkish economy was marked by the devaluation of the Turkish lira and high inflation rates in 2022, as it did in 2021. The minimum wage, which directly affects seven million people, was increased by 80% year on year, with two increases in 2022, exceeding TL 10,000 in 2023. Meanwhile, the consumer confidence index rose to 72.7 points in January and reached 75.4 points by the end of the year. On the other hand, the economic confidence index fared at 94-101 point levels during the year, and was determined as 98.1 points at the end of the year.

All of the leading credit rating agencies revised Türkiye's credit rating in 2022. Based on the August 2022 assessment, Moody's downgraded Türkiye's credit rating from B2 to B3 but changed the outlook from negative to stable. In its assessment in July 2022, Fitch downgraded Türkiye's credit rating from B+ to B, citing concerns about inflation and the economy. And S&P, based on its monetary policy assessments, downgraded Türkiye's credit rating from B+ to B in September 2022.

Current account deficit at its highest in nine years

The current account deficit rose from USD 14.9 billion in 2021 to USD 48 billion 769 million in 2022. Budget revenues doubled in 2022 year on year to TL 2.80 trillion, while budget spending increased by 83.4%, reaching TL 2.94 trillion. On the other hand, the central government's budget deficit was recorded as TL 139 billion, with a decrease of 31%. While tax revenue collection increased by 102% to TL 2.35 trillion, the central government's gross debt stock reached TL 4 trillion by the end of 2022. TL 1 trillion 392 billion of this stock consisted of Turkish lira debts, and TL 2 trillion 641 billion of foreign currency debts.

Foreign trade deficit remained high

The foreign trade deficit rose from USD 46.21 billion in 2021 to USD 109.51 billion in 2022 with an increase of 137%. According to the general trade system, exports increased by 12.9% to USD 254 billion 201 million in 2022 and imports by 34% to USD 363 billion 708 million.

Meanwhile, the ratio of exports to imports decreased from 83% in 2021 to 69.9% in 2022. As in 2021, Germany was again the number one export market in 2022. Exports to Germany amounted to USD 21 billion 143 million, followed by the USA with USD 16 billion 887 million, Iraq with USD 13 billion 750 million, the UK with USD 13 billion 5 million, and Italy with USD 12 billion 397 million. Exports to these five countries accounted for 30.4% of the total exports.

In imports, Russia was the number one market in 2022. Imports from Russia amounted to USD 58 billion 848 million, followed by China with USD 41 billion 354 million, "undisclosed origin" country with USD 34 billion 472 million, Germany with USD 24 billion 33 million, and Switzerland with USD 15 billion 335 million. Imports from these five countries accounted for 47.9% the total imports.

Workforce participation rate increased

In 2022, the seasonally adjusted unemployment rate was recorded as 10.2% while the workforce participation rate rose from 52.6% in December 2021 to 53.9% in December 2022.

High FX and inflation rates remained effective

The high inflation rate and devaluation of the Turkish lira at a much higher rate compared to other emerging countries continued to negatively affect the Turkish economy. The CPI rose from 36.08% at the end of 2021 to 64.27% by the end of 2022.

Maintaining its unorthodox fiscal policies, the Central Bank kept the policy interest rate at 14% until August 2022. In the following months, the Bank continued to make regular rate cuts, bringing the policy rate to 9% in November and keeping it the same in December. This policy resulted in further devaluation of the Turkish lira by 44% against USD, as the USD/TL rate reached TL 18.7 per 1 USD. As of March 17, 2023, the net foreign currency reserves of the CBRT had dropped to USD 5.8 billion, which is reported to stand at (-) USD 54.3 billion, excluding the swap agreements.

2023 outlook

High inflation remains one of the key concerns that the Turkish economy must address. The Turkish economy is projected to grow by 2.8% in 2023 by OECD and 2.3% by IMF. Bringing down current inflation rate to single-digit levels will require significant structural reforms along with higher interest rates. In order to achieve the desired outcomes after the elections, the decision makers will need to sacrifice economic growth. Considering the economic fallout of the earthquake that destroyed a vast region, let alone the major loss of life that the whole country still grapples with, along with the global vulnerabilities and the efforts to tackle inflation, 2023 will be a year of serious challenges for Türkiye.

Moreover, potential sharp upward spikes in the FX rates, which had maintained a relatively stable trend for a while, would come with the risk of further straining the already fragile economy. In this period, Türkiye has been forced to pay very high risk premiums in terms of borrowing from the international markets. Therefore, the economic and structural decisions that the new government will make after the elections will be critical.

To recap, the developments after the elections will determine whether the economy will improve. Still, economic growth should be expected to slow down compared to 2022, and the efforts to tackle inflation to remain key.

Sources
TURKSTAT
CBRT
Turkish Ministry of Treasury and Finance

EVOLUTION OF THE BANKING SECTOR

FACTORING ACTIVITIES, WHICH STARTED IN 1988 WITH THE TRANSACTIONS INITIALLY PERFORMED BY BANKS, ENTERED A RAPID DEVELOPMENT PHASE AFTER 2005. FACTORING, THE LEADING SEGMENT OF THE NON-BANK FINANCIAL SECTOR, PLAYS A KEY ROLE IN DIVERSIFYING AND DEVELOPING FINANCIAL SERVICES.

The birth of the banking tradition
The Turkish banking system started to develop in the 19th century, quite later than Europe. At the time, mostly minority populations and foreigners were engaging in banking activities. Since the bankers were active in the Galata district of Istanbul, they were called Galata Bankers in the early 1850s.

The first important legal document in the history of Turkish banking was the Usury Regulation (Murabaha Nizamnamesi), which was issued in 1852 to prevent usury by limiting interest rates. After Izmir Bank, which was opened in 1842 in Izmir by some foreigners without seeking the permission of the Ottoman government, there was no attempt to establish any bank for a very long time.

Bank-ı Dersaadet was established in 1847, and operated from 1849 to 1852 as a stabilization fund, meaning its losses were covered by the state, to ensure the stability of foreign exchange. Then, Ottoman Bank (Bank-ı Osmanî-i Şahane) was established in 1863 in Istanbul as a partnership of the British-owned Bank-ı Osmani (Ottoman Bank), founded in 1856, and the French financial group Banque de Paris et des Pays-Bas, which undertook the loan in 1862. The Ottoman government, which was unable to establish its own bank at the time, granted the minting privileges and monopoly to Bank-ı Osmanî Şahane for 30 years. Deutsche Bank of Germany was another banking institution that operated in the Ottoman era as an investment bank.

Following the declaration of the Second Constitutionalist Monarchy Period, national banks that relied on domestic capital grew in number. This period, which ended with the War of Independence, is significant in Turkish history as a period of gaining experience in banking. At the Turkish Economy Congress, which convened four months before the signing of the Treaty of Lausanne, the economic targets of the Republic were determined, and several privileges previously granted to foreign banks were retracted by the Treaty. The resolutions reached during the Congress about the national character of economic development constituted the first steps of the statist approach that would make its mark on the Turkish economy until the 1950s. The "golden principle" was adopted for public finance with a balanced budget approach that aimed to avoid deficits in the state budget.

Steps toward 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 Türkiye (CBRT) 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 Türkiye.

After World War II, state 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 state 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 Türkiye and established partnerships with Turkish banks while major Turkish banks opened branches and established new banks abroad.

Turn to foreign currency

With CBRT 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 CBRT 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.

First factoring transactions

The first factoring activities in Türkiye 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.

The effects of the financial crisis

Türkiye 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 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.

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, Türkiye 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.

The advent of digitalization

The world's first ATM was installed in New York City in 1961, but removed six months later due to lack of customer interest. The first Electronic Funds Transfer Act of the USA was drafted in 1978. The first EFT transaction in Türkiye took place on April 1, 1992, and internet banking started in 1997.

Digitalization in the banking sector gained significant momentum starting in the 2000s, and was elevated to the next level during the COVID-19 pandemic. As the banks worldwide began to work shorter hours, they continued to introduce new digital features: 34% offered the option to open accounts online, 23% remote identification and verification, and 18% contactless payment.

Chatbots, brought to life with AI technologies and advanced data analytics, became a feature used to improve customer satisfaction. On the other hand, as threats to the privacy and security of personal and financial data rose to the level of major concern, cybersecurity opened a new investment area for the banking sector.

Latest data on banking

As of year-end 2022, there are 52 banks, including 35 deposit banks along with participation and development – investment banks in the banking sector, operating with 9,661 branches and 188,687 employees in Türkiye.

Source
The Banks Association of Türkiye

1980s

THE FIRST FACTORING ACTIVITIES IN TÜRKİYE STARTED WITH THE TRANSACTIONS CARRIED OUT BY BANKS IN 1988.

1990s

THE FIRST AUTHORIZED FACTORING COMPANY WAS ESTABLISHED IN 1990.

2000s

FACTORING, THE LEADING SEGMENT IN THE NON-BANK FINANCIAL SECTOR WITH AN IMPORTANT ROLE IN DIVERSIFYING AND DEVELOPING FINANCIAL SERVICES, BEGAN TO EVOLVE RAPIDLY FROM THE SECOND HALF OF THE 2000S ONWARD.

OVERVIEW OF THE BANKING SECTOR IN 2022

MARKED WITH HIGH INFLATION, LOW POLICY RATES, AND MACROPRUDENTIAL MEASURES SHAPING THE FINANCIAL SYSTEMS, THE YEAR 2022 PROVIDED THE BANKING SECTOR WITH AN OPPORTUNITY TO PREPARE FOR RISK MANAGEMENT IN 2023, PROJECTED TO BE EVEN MORE TURBULENT.

The banking sector faced an environment of high inflation rates worldwide with the Russia - Ukraine war remaining at the top of the global agenda and the increasing profitability after the COVID-19 pandemic accompanied rising risks. Even though the interest rates played an important role in higher profits, they brought along increased risks.

55% growth in loans

An overview of the Turkish banking sector demonstrates that the total loan volume increased by 54.7% compared to year-end 2021 and reached TL 7,581 billion according to the December 2022 data of the Banking Regulation and Supervision Agency (BRSA). Foreign currency (FX) loan volume within the total loan amount decreased from 42.2% to 32.6% year on year. In terms of total loan volume, the top three sectors utilizing loans were wholesale trade and brokerage (7.9%), construction (7.2%), and electricity, gas and water resources generation and distribution (6.5%). On the other hand, the NPL ratio of loans dropped from 3.16% in 2021 to 2.01% by year-end 2022.

Strong increase in deposits

In the reporting period, total volume of deposits increased by 65.1% year on year to reach TL 8,756 billion, which consisted of TL 4,737 billion in Turkish Lira deposit accounts/participation funds, and TL 4,019 billion in FX deposit accounts/participation funds. Turkish Lira deposit accounts increased by 152% year on year, and FX deposit accounts by 33.7%. The share of FX deposit accounts/participation funds in total volume of deposit accounts decreased by 10.5% compared to 2021, dropping to 46.1%.

Higher profitability in the banking sector

The total loan amount in the banking sector was up 55.7% from the previous year, reaching TL 14,347 billion by December 2022. As of December 2022, the Turkish banking sector posted a net profit of TL 431.6 billion, marking a year on year increase of 364.4%. All state-owned and private local and international foreign banks performed at similar profitability levels. Net period profits of state-owned banks increased by 387.2% to TL 104.3 billion, private local banks by 383.2% to TL 199.6 billion, and private international banks by 322.5% to TL 127.6 billion. Return on equity rose from 15.48% in 2021 to 49.92% in 2022, while return on assets increased from 1.32% to 3.66% in the same period. On the other hand, the capital adequacy ratio of the sector was 19.46% with a slight increase compared to the previous year.

Factoring sector's assets and receivables grow in parallel

The Turkish factoring sector recorded TL 417 billion in transaction volume and TL 5.2 billion in net profits as of December 2022. The total asset size grew by 108.8% to TL 135.6 billion, and the factoring receivables by 113.8% to TL 127.3 billion year on year.

In 2022, the loans extended to factoring companies by the banks increased by 125%, debt instruments by 93.3%, and shareholders' equity by 52.8% compared to the previous year. As of December 2022, factoring receivables amounted to TL 127.3 billion, total assets to TL 135.6 billion, and net profit of the sector to TL 5.2 billion. As of year-end 2022, there are 49 companies registered with the Association of Financial Institutions (FKB), operating with 357 branches, and providing jobs for 4,008 employees.

2023 outlook

The agenda of 2023 will be most likely dominated by a few major topics; Ukraine – Russia war, tackling high inflation, the state of the banking sector, commodity prices, the effects of climate change, and China-US relations. With interest rate hikes directly affecting the financial structures of banks and the latest developments immediately spreading on social media, the international financial sector and the global economy will potentially continue to face serious threats.

With the upcoming elections, 2023 will no doubt be a year of uncertainties in terms of economic outlook. In any case, decreasing the inflation and allowing a controlled increase in FX rates will be the priorities of the new government. Accordingly, managing the banking sector by taking into account the liquidity, interest and FX rate risks should be a key considerations. In terms of the global and national economic parameters that may vary significantly, we may expect 2023 to be the year of banks supporting the economy and managing their liquidity risks with agility.

KEY INDICATORS OF THE FACTORING SECTOR

(TL MILLION)	DECEMBER 2021	DECEMBER 2022	INCREASE (%)
INTERNATIONAL TURNOVER	30,894	62,381	101.92%
DOMESTIC TURNOVER	168,640	354,679	110.32%
TOTAL TURNOVER	199,534	417,060	109.02%
TOTAL RECEIVABLES	59,538	127,276	113.77%
LOANS AND BORROWINGS AGAINST ISSUED INSTRUMENTS	51,275	113,765	121.87%
SHAREHOLDERS' EQUITY	10,815	16,526	52.81%
TOTAL ASSETS	64,970	135,626	108.75%
NET PROFIT	1,820	5,201	185.78%
NON-PERFORMING FACTORING RECEIVABLES (GROSS)	1,705	2,099	23.12%
SPECIAL PROVISIONS	1,513	1,491	-1.46%
NON-PERFORMING FACTORING RECEIVABLES (NET)	192	608	216.67%
NON-PERFORMING FACTORING RECEIVABLES (NET/SHAREHOLDERS' EQUITY, %)	1.9	4.5	136.50%

Sources
All data related to the banking sector was derived from the Monthly Banking Sector Data on the BRSA's website (www.bddk.org.tr).

All data related to the factoring sector was curated from the Factoring Sector Reports on Association of Financial Institutions' website (www.fkb.org.tr).

ECONOMIC DATA

IN TÜRKİYE, THE TOTAL ASSET SIZE OF THE BANKING SECTOR HAS INCREASED BY 55.7% COMPARED TO THE PREVIOUS YEAR, REACHING TL 14.347 BILLION. THE NET PROFIT OF THE FACTORING SECTOR IN TÜRKİYE HAS BEEN DETERMINED AS TL 5.2 BILLION.

BANKING INDUSTRY TOTAL ASSETS (TL BILLION)

2022	14,347
2021	9,213
2020	6,106

GROSS DOMESTIC PRODUCT (WITH CURRENT PRICES) (TL BILLION)

2022	15,007
2021	7,249
2020	5,048

BANKING SECTOR NET PROFIT (TL BILLION)

2022	431.6
2021	92.0
2020	58.5

CONSUMER CONFIDENCE INDEX (POINTS)

2022	75.60
2021	68.90
2020	80.10

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

IMPORTS (USD BILLION)

2022	363.7
2021	271.4
2020	219.5

EXPORTS (USD BILLION)

2022	254.2
2021	225.3
2020	169.7

CONSUMER PRICE INDEX (%)

2022	64.27
2021	36.08
2020	14.60

GROWTH RATE OF THE TURKISH ECONOMY (%)

2022	5.60
2021	11.00
2020	1.80

UNEMPLOYMENT RATE (%)

2022	10.20
2021	11.00
2020	12.60

GROSS DOMESTIC PRODUCT PER CAPITAL (USD)

2022	10,655
2021	9,539
2020	8,599

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

CORPORATE GOVERNANCE

WITH A REPUTABLE POSITION IN THE TURKISH FINANCIAL SECTOR, EKSPO FAKTORİNG ENJOYS CONTINUED SUCCESS, THANKS TO ITS CORPORATE GOVERNANCE APPROACH BUILT ON TRANSPARENCY, FAIRNESS, ETHICAL VALUES, AND ACCOUNTABILITY.

Ekspo Faktoring has always been committed to managing all its business processes with a professional corporate governance approach since its establishment and built its system on the principles of transparency, fairness, commitment to ethical values and accountability. Strictly adhering to these principles, the company aims to maintain its reputable position in the Turkish financial sector, steadily increase its profitability and efficiency, and create value for all its stakeholders, starting with its clients.

A stronger corporate culture

Ekspo Faktoring strives to ensure that the corporate governance approach is adopted in the same standards across each department in the organization, enhance internal communication, and further strengthen the corporate culture. The committees that have worked actively since the very beginning aim to ensure continued organizational development. 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.

Independent and 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 ensure that the audit results are continuously transparent, the company switches to a different independent audit firm every seven years. The financial statements of Ekspo Faktoring are also reviewed quarterly by an independent audit firm. Meanwhile, tax audits are conducted by a different firm. Even though the company is not listed publicly, one independent director serves on the Board of Directors.

Transparency and accountability

The BRSA promotes the importance of transparency and consistency in the financial sector and therefore recommends that all finance companies disclose their financial statements periodically online. Recognizing that the financial sector is built on trust, Ekspo Faktoring considers it a duty and responsibility 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 earnings 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.

TRANSPARENCY

RECOGNIZING THAT THE FINANCIAL SECTOR IS BUILT ON TRUST, EKSPO FAKTORİNG CONSIDERS IT A DUTY AND RESPONSIBILITY TO DISCLOSE OPEN, CLEAR AND ACCURATE INFORMATION TO THE PUBLIC.

COMPETITIVE ADVANTAGE

AN EFFECTIVE ORGANIZATIONAL STRUCTURE ALLOWS EKSPO FAKTORİNG TO WORK QUICKLY AND EFFECTIVELY WHILE THE COMPANY'S TECHNOLOGICAL INFRASTRUCTURE LENDS TO AN IMPORTANT COMPETITIVE EDGE.

CONTINUOUS DEVELOPMENT

EKSPO FAKTORİNG INVESTS IN THE DEVELOPMENT AND TRAINING OF ITS EMPLOYEES TO ACHIEVE CORPORATE TARGETS.

INTERNAL CONTROL SYSTEM

EKSPO FAKTORİNG PRIORITIZES THE PRINCIPLES OF TRANSPARENCY AND ACCOUNTABILITY IN ALL ITS PROCESSES, EMPLOYING AN INTERNAL CONTROL TEAM SINCE ITS ESTABLISHMENT, WHILE EXTERNAL AUDITS ARE CONDUCTED BY INTERNATIONAL INDEPENDENT AUDIT FIRMS.

For financial companies that operate in the international arena and aim for sustainable development and growth, audits and risk management are key priorities. The internal control activities carried out to meet these priorities include protecting the company assets with organization plans, investigating the accuracy and reliability of accounting information, improving operational efficiency, and promoting commitment to the management policies. Ensuring that there are sufficient and auditable internal controls in place can be a very effective tool for managing the current assets and growth-related risks.

The Capital Markets Board (CMB), the Banking Regulation and Supervision Agency (BRSA) and Risk Center of the Banks Association of Türkiye (TBB) require businesses to conduct regular audits and engage in risk management activities. Ekspo Faktoring has an effective internal audit system put in place to reach its targets and demonstrate the reliability of its financial statements in compliance with predefined policies and applicable legislation and administrative regulations.

Regular audits

Since its establishment, Ekspo Faktoring has always worked with team of experts in their respective fields to carry out its internal control activities. Furthermore, external audits are conducted by international independent audit firms to assure the company's financial data and information in compliance with transparency and accountability principles. In addition to the internal and external audits at Ekspo Faktoring, two separate independent audit firms, among the leading international companies, conduct tax and financial statement audits. Material disclosures are regularly submitted to the BRSA and the Ministry of Treasury and Finance, and Independent Auditor's Report is prepared in BRSA standards.

Effective governance in compliance with management policies

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

Manager, the department reports the results of these independent operational, financial and other controls to the senior management and the Board of Directors concurrently.

Reporting of internal control activities

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 (BRSA), Financial Crimes Investigation Board (MASAK), and the Ministry of Treasury and Finance and other related legislation. The department is also tasked with monitoring the processes that involve preparing the monthly Non-Bank Finance Institutions Supervision System reports fully and accurately and submitting them to BRSA, and confirming that these reports are uploaded to the database on time.

Legal and regulatory compliance

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 advisory 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 provided by the Association of Financial Institutions and MASAK and informs the employees about important seminar notes.

Additionally, Law No. 6698 on Protection of Personal Data (KVKK) was published in the Official Gazette No. 29677 of April 7, 2016. Ekspo Faktoring has fulfilled its obligations under this law and uploaded its data inventory to the Data Controllers Registry Information System (VERBIS) on November 11, 2019. The Internal Audit Manager has been designated as the company's contact for KVKK. The manager is responsible for attending the KVKK meetings and seminars, managing the KVKK Working Group and updating the data inventory. The manager's responsibilities also include searching the sanctions lists (UN, OFAC, EU Blacklists) issued by international organizations for background checks of people and companies in relation to foreign transactions. Pursuant to the BRSA Communiqué on the Management and Supervision of Information Systems that entered into force on April 6, 2019, Ekspo Faktoring has prepared the policies and procedures, and undergone the relevant audits.

Risk management

Other duties of the Internal Control Department include monitoring the domestic and international transactions of clients, minimizing the risks of potential errors, and anticipating and mitigating possible issues. Therefore, the Internal Control Department also monitors the activities of the Marketing, Operations, Treasury, Accounting, Risk Assessment, and Foreign Transactions Departments in terms of compliance with defined workflows and resolving the detected issues. The department submits weekly and monthly reports to the senior management and the Board of Directors.

Identifying training needs

The Internal Control Department also manages the projects requested by senior management to improve the current system and presents them to the employees. The department identifies the types of training the employees would need for their professional and personal development, ensuring that Ekspo Faktoring manages the training process, which includes content creation, selection of the trainers, and delivery of training.

RISK MANAGEMENT

MARKING A FIRST IN THE SECTOR BY INTRODUCING A NEW RATING SYSTEM IN 2009, EKSPO FAKTORİNG APPLIES A SUCCESSFUL RISK MANAGEMENT SYSTEM THANKS TO ITS MARKET AND INTELLIGENCE DATA BANK, AND MANAGES POTENTIAL RISKS AT ALL STAGES WITH A PROACTIVE APPROACH.

Implementing an effective risk management policy is essential for the companies' continued success in the financial sector. Any finance company that intends to collect its receivables fully and in a timely manner should systematically manage the processes that follow after taking the risk. Therefore, companies should identify and define the risks and proactively control and manage their activities to reach their strategic goals.

Effective risk management

International standards and regulations require finance companies to use scientific, numerical and systematic risk measurement techniques for legal compliance purposes. However, companies need more tangible data, industry expertise, personal experience and market intelligence when assessing the risk of working with a specific firm and the possibility of non-performing loans. The widespread informal economic practices, particularly in Türkiye, and accountability issues in bookkeeping call for diligent risk assessments. Understanding the risk weight of a company based solely on technical analyses is not possible just as assessing a business on its own is not sufficient. Therefore, following the changes in national economy and the global conjuncture to evaluate a company's credit portfolio and taking necessary measures are essential to understand the risk weight. For this purpose, risk measurement and assessment techniques could be used as tools. Implementing these practices requires employing sufficient number of experts, organizing the risk monitoring function as a department, and allocating adequate resource and time for this purpose. Before taking any risks, Ekspo Faktoring assesses a subject company based on several criteria, including the establishment date and history of a company, its field of operation, industry experience of executives and partners, equity structure, and funding potential.

Proactive placement policy

At Ekspo Faktoring, company policies are defined by considering all possible risks. Credit risk analyses, which play a major role in the decision-making processes, are regularly reported to the management. The Risk Assessment Department monitors the developments in the sector closely with a team of experts, specialized in corporate and commercial banking, financial analysis, loan allocation and intelligence. Ekspo Faktoring manages its lending policy with a dynamic and proactive approach by monitoring the possible portfolio risks using various parameters and developing scenarios according to different models.

Risk assessment in international standards

As part of its effective risk management policies, Ekspo Faktoring strives to diversify the risks 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 2009, all Ekspo Faktoring clients are reviewed using the new rating system.

Effective monitoring system

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 Türkiye. 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 tracking system where combined risks are listed and changes can be reported. Outstanding risks are also assessed in terms of balance sheets, intelligence, and collateral in the weekly Asset Quality Committee meetings.

Financial analyses and intelligence

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 leverages the experience of the Risk Assessment Department, specialized in financial analysis methods and techniques. The Financial Analysis and Intelligence Team within the Risk Assessment Department follows the latest techniques and regularly attends credit, financial analysis and intelligence training programs 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 within maximum two days and holds interim meetings in critical situations that require immediate attention. In the meetings, Company Assessment Reports, prepared as a result of financial analyses and market intelligence for individual companies, are discussed. At the end of this process, the credit line allocation request presented to the Risk Assessment Committee is either approved or declined.

Extensive data bank

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

HUMAN RESOURCES

THE HIGHLY EDUCATED AND SOLUTION-FOCUSED TEAM AT EKSPO FAKTORİNG, WHO FOLLOW THE COMPANY'S CORPORATE CULTURE AND STRATEGIC APPROACH, CONTINUE TO DESIGN AND IMPLEMENT INNOVATIVE BUSINESS PROCESSES THAT SET THE COMPANY APART SINCE ITS ESTABLISHMENT.

EKSPO FAKTORING HAS A TEAM OF PROFESSIONALS WITH EXTENSIVE EXPERIENCE AND EXPERTISE THAT EXCEEDS TYPICAL STANDARDS IN THE SECTOR.

31
employees

Ekspo Faktoring believes that ensuring the continuity 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. The company regards building on the professional skills of the employees, motivating them and expanding their vision as prerequisites of service excellence. Ekspo Faktoring promotes team spirit by establishing an inclusive corporate culture to boost employee satisfaction and aims to ensure its sustainability.

Professional experience and expertise

As of year-end 2022, the qualified human resources at Ekspo Faktoring consists of 31 employees, each with professional experience and expertise above the sector average. In the recruitment process, Ekspo Faktoring considers criteria such as holding a university degree in a relevant area of education, 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 assigning them 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 Türkiye, offer the employees continued development opportunities. Due to the restrictions imposed during the pandemic in 2021 and 2022, classroom trainings were put on hold and instead, online training programs and seminars on new regulations and practices were provided.

Competency-based performance assessment

The Human Resources Committee convenes every December to conduct performance reviews, which involve measuring and assessing the competencies and performance of the employees in meeting their targets. Several criteria such as professional knowledge level, collaborative 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 assessments. This process, which reveals encouraging outcomes in terms of motivation and work discipline, ensures that the 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. Accordingly, the company implemented maximum measures to create a safe work environment throughout the COVID-19 pandemic.

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.

INFORMATION TECHNOLOGIES

EKSPO FAKTORİNG AIMS FOR MAXIMUM OPERATIONAL SPEED AND EFFICIENCY IN ALL IN ITS ACTIVITIES AND CATERS TO ITS CLIENTS WITH A WELL-EQUIPPED, RELIABLE, UP-TO-DATE SYSTEM INFRASTRUCTURE WITH RICH CONTENT.

100%

uptime

EKSPO ONLINE IS A SYSTEM THAT ALLOWS THE CLIENTS TO SUBMIT QUERIES ABOUT VARIOUS TRANSACTIONS AND CHECK THE STATUS OF THEIR ACCOUNTS.

Ekspo Faktoring outsources its information technology requirements to experienced and reliable third-party providers that deliver quality service. The company 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 uninterrupted uptime 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. Faithfully following the principle of backing up everything on the technological infrastructure, Ekspo Faktoring closed 2022 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 upgraded to the newest 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 may also access Ekspo Online, upgraded in 2020 as a more user-friendly application, via the corporate website to submit queries about various transactions and check the status of their accounts.

Investments in data security

Ekspo Faktoring marked a first in the sector by implementing the SWIFT system, an interbank medium of secure information transfer in 2012 and started to communicate with banks and international finance institutions 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 Türkiye. With these investments, Ekspo Faktoring took steps to double its virtual platform capacity for logging, creating test environments and centralized management of technological infrastructure. Additionally, the firewall product was renewed and a device that prioritizes security protocols was preferred.

State-of-the-art infrastructure

Ekspo Faktoring recognizes that its corporate website and online services play a key role in transparent and consistent communication with clients. Therefore, the company continuously updates its online services, while seamlessly developing new projects to further elevate its service quality. With its corporate website built on a state-of-the-art infrastructure, Ekspo Faktoring became the first factoring company to implement the check viewing system. This system offers clients the opportunity to instantly view their checks in collection, account statements, risk balances and other relevant information. The website also serves as an accessible and transparent platform where public disclosures are published and stakeholders are informed.

EKSPO FAKTORİNG MARKED A FIRST IN THE SECTOR BY IMPLEMENTING THE SWIFT SYSTEM, AN INTERBANK MEDIUM OF SECURE INFORMATION TRANSFER, IN 2012 AND STARTED TO COMMUNICATE WITH BANKS AND INTERNATIONAL FINANCE INSTITUTIONS VIA THIS SYSTEM.

EKSPO FAKTORİNG A.Ş.

Financial statements as of
January 1, - December 31, 2022
together with independent auditor's
report

(Convenience translation into English of financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the General Board of Ekspo Faktoring Anonim Şirketi

A. Audit of the Financial Statements

1. Opinion

We have audited statement of financial position of Ekspo Faktoring A.Ş. ("the Company") as at December 31, 2022 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, 2022, 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.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

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

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, 202 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.

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

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

Fatih Polat, SMMM
Partner

March 10, 2023
Istanbul, Türkiye

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EKSPO FAKTORİNG ANONİM ŞİRKETİ

Financial position (balance sheet) as of December 31, 2022

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

	ASSETS	Notes	Audited current period December 31, 2022			Audited previous period December 31, 2021		
			TL	FC	Total	TL	FC	Total
I.	**CASH, CASH EQUIVALENTS and THE CENTRAL BANK**	**3**	**25.931**	**25.182**	**51.113**	**2.947**	**13.800**	**16.747**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)**		**-**	**-**	**-**	**-**	**-**	**-**
III.	**DERİVATİVE FINANCIAL ASSETS**	**2.5**	**-**	**-**	**-**	**-**	**-**	**-**
IV.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**	**4**	**-**	**-**	**-**	**-**	**-**	**-**
V.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)**		**592.153**	**109.775**	**701.928**	**332.095**	**99.518**	**431.613**
5.1	**Factoring Receivables**	**5**	**592.153**	**109.775**	**701.928**	**332.095**	**99.518**	**431.613**
5.1.1	Discounted Factoring Receivables (Net)		363.960	-	363.960	207.388	38.453	245.841
5.1.2	Other Factoring Receivables		228.193	109.775	337.968	124.707	61.065	185.772
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**	**21.953**	**-**	**21.953**	**21.042**	**-**	**21.042**
5.6	**Expected Loss Provisions/Specific Provisions (-)**	**6**	**(21.953)**	**-**	**(21.953)**	**(21.042)**	**-**	**(21.042)**
VI.	**EQUITY INVESTMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	**TANGIBLE ASSETS (Net)**	**7**	**1.837**	**-**	**1.837**	**1.853**	**-**	**1.853**
VIII.	**INTANGIBLE ASSETS (Net)**	**8**	**286**	**-**	**286**	**294**	**-**	**294**
IX.	**INVESTMENT PROPERTIES (Net)**	**9**	**32.469**	**-**	**32.469**	**1.953**	**-**	**1.953**
X.	**CURRENT PERIOD TAX ASSETS**		**-**	**-**	**-**	**-**	**-**	**-**
XI.	**DEFERRED TAX ASSETS**	**10**	**7.695**	**-**	**7.695**	**2.906**	**-**	**2.906**
XII.	**OTHER ASSETS**	**12**	**2.968**	**19**	**2.987**	**1.841**	**13**	**1.854**
	SUBTOTAL		**663.339**	**134.976**	**798.315**	**343.889**	**113.331**	**457.220**
XIII.	**ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**	**11**	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Assets Held For Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**663.339**	**134.976**	**798.315**	**343.889**	**113.331**	**457.220**

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

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Financial position (balance sheet) as of December 31, 2022

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

	LIABILITIES		Audited current period December 31, 2022			Audited previous period December 31, 2021		
		Notes	TL	FC	Total	TL	FC	Total
I.	**FUNDS BORROWED**	**13**	**466.435**	**30**	**466.465**	**150.216**	**52.486**	**202.702**
II.	**FACTORING LIABILITIES**	**15**	**2.186**	**8.666**	**10.852**	**272**	**7.430**	**7.702**
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**	**2.971**	**-**	**2.971**	**1.324**	**-**	**1.324**
7.1	Restructuring Reserves		-	-	-	-	-	-
7.2	Reserves for Employee Benefits		2.971	-	2.971	1.324	-	1.324
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	-	-	-
VIII.	**CURRENT PERIOD TAX LIABILITY**	**31**	**10.598**	**-**	**10.598**	**7.775**	**-**	**7.775**
IX.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**SUBORDINATED DEBT INSTRUMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
XI.	**OTHER LIABILITIES**	**17**	**1.652**	**11**	**1.663**	**606**	**332**	**938**
	SUBTOTAL		**483.842**	**8.707**	**492.549**	**160.193**	**60.248**	**220.441**
XII.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
12.1	Held for Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**		**305.766**	**-**	**305.766**	**236.779**	**-**	**236.779**
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**	**16.846**	**-**	**16.846**	**16.512**	**-**	**16.512**
13.5.1	Legal Reserves		16.846	-	16.846	16.512	-	16.512
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	**Other Profit Reserves**		**-**	**-**	**-**	**-**	**-**	**-**
13.6	Profit or Loss		228.920	-	228.920	160.267	-	160.267
13.6.1	Prior Periods Profit/Loss	22	153.933	-	153.933	114.756	-	114.756
13.6.2	Current Period Profit/Loss		74.987	-	74.987	45.511	-	45.511
	TOTAL LIABILITIES AND EQUITY		**789.608**	**8.707**	**798.315**	**396.972**	**60.248**	**457.220**

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

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of off-balance sheet items as of December 31, 2022

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

	OFF-BALANCE SHEET ITEMS	*Notes*	Audited current period December 31, 2022			Audited previous period December 31, 2021		
			TL	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**30.860**	**56.325**	**87.185**	**34.518**	**62.689**	**97.207**
II.	**REVOCABLE FACTORING TRANSACTIONS**	5	**243.294**	**7.243**	**250.537**	**174.639**	**44.641**	**219.280**
III.	**COLLATERALS RECEIVED**	5-23	**7.518.013**	**2.969.978**	**10.487.991**	**5.962.371**	**1.990.511**	**7.952.882**
IV.	**COLLATERALS GIVEN**	23	**110.596**	**-**	**110.596**	**42.508**	**-**	**42.508**
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**		**806.219**	**532.840**	**1.339.059**	**391.326**	**393.502**	**784.828**
	TOTAL OFF-BALANCE SHEET ITEMS		**8.708.982**	**3.566.386**	**12.275.368**	**6.605.362**	**2.491.343**	**9.096.705**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of profit or loss for the period ended December 31, 2022

(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, 2022	Previous Period Audited January 1, - December 31, 2021
I.	**OPERATING INCOME**	**24**	**190.908**	**87.602**
	FACTORING INCOME		**190.908**	**87.602**
1.1	Interest Received from Factoring Receivables		183.794	79.548
1.1.1	Discounted		99.810	44.294
1.1.2	Other		83.984	35.254
1.2	Fees and Commissions Received from Factoring Receivables		7.114	8.054
1.2.1	Discounted		3.986	5.090
1.2.2	Other		3.128	2.964
	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**	**(77.575)**	**(21.894)**
2.1	Interest Expenses on Funds Borrowed		(71.841)	(20.983)
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		(5.734)	(911)
III.	**GROSS PROFIT/LOSS (I+II)**		**113.333**	**65.708**
IV.	**OPERATING EXPENSE (-)**	**25**	**(44.068)**	**(23.794)**
4.1	Personnel Expenses		(32.104)	(17.254)
4.2	Provision Expense for Employment Termination Benefits		(583)	(316)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(11.165)	(6.067)
4.5	Other		(216)	(157)
V.	**OPERATING GROSS PROFIT/LOSS (III+IV)**		**69.265**	**41.914**
VI.	**OTHER OPERATING INCOME**	**26**	**35.329**	**24.331**
6.1	Interest Received from Banks		12	51
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		35.252	22.867
6.7	Other		65	1.413
VII.	**PROVISIONS FOR DOUBTFUL RECEIVABLES (-)**	**28**	**(1.984)**	**(765)**
7.1	Specific Provisions		(1.984)	(765)
7.2	Expected Loss Provisions		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**29**	**(1.974)**	**(4.703)**
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		(1.974)	(4.703)
8.6	Other		-	-
IX.	**NET OPERATING INCOME/EXPENSE (V+...+VIII)**		**100.636**	**60.777**
X.	**INCOME RESULTED FROM MERGER**		**-**	**-**
XI.	**SHARES FROM PROFITS AND LOSSES OF INVESTMENT VALUED BY EQUITY METHOD**		**-**	**-**
XII	**NET MONETARY POSITION GAIN/LOSS**		**-**	**-**
XIII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)**		**100.636**	**60.777**
XIV.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS (±)**	**31**	**(25.649)**	**(15.266)**
13.1	Current Tax Provision		(30.438)	(16.645)
13.2	Deferred Tax Expense Effect (+)		-	-
13.3	Deferred Tax Income Effect (-)		4.789	1.379
XV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)**		**74.987**	**45.511**
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)**		**74.987**	**45.511**

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

Statement of profit or loss and other comprehensive income for the period ended December 31, 2022

(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, 2022	Audited Previous Period January 1- December 31, 2021
I.	**PERIOD INCOME/LOSS**		**74.987**	**45.511**
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)**		**74.987**	**45.511**

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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EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of changes in shareholders' equity as of December 31, 2022

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

	CHANGES IN EQUITY	NOTES	Paid-in Capital	Share Premium	Share Premium	Other Capital Reserves	Other comprehensive income or expense that will not be reclassified subsequently to profit or loss: 1	2	3	Other comprehensive income or expense that will be reclassified subsequently to profit or loss: 4	5	6	Profit Reserves	Prior Period Profit/ Losses	Net Profit/ Losses	Total Equity
	PREVIOUS 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	19.180	(19.421)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (III+IV+......+XI+XII)		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.512**	**114.756**	**45.511**	**236.779**
	CURRENT PERIOD															
	(31/12/2022)															
I.	**Balances at the beginning of the period**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.512**	**114.756**	**45.511**	**236.779**
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**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.512**	**114.756**	**45.511**	**236.779**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74.987**	**74.987**
XI..	**Profit distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**334**	**39.177**	**(45.511)**	**(6.000)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(6.000)	-	(6.000)
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	334	45.177	(45.511)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (III+IV+......+XI+XII)		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.846**	**153.933**	**74.987**	**305.766**

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 FAKTORİNG ANONİM ŞİRKETİ

Statement of cash flows as of December 31, 2022

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

	CASH FLOW STATEMENT		Audited Current Period	Audited Previous Period
		Notes	January 1-December 31, 2022	January 1-December 31, 2021
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit before Changes in Operating Assets and Liabilities**		**65.150**	**37.809**
1.1.1	Interests Received/ Leasing Income		201.687	85.012
1.1.2	Interests Paid / Leasing Expenses		(71.841)	(21.693)
1.1.3	Leasing Expenses		(2.183)	(2.183)
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		7.114	7.271
1.1.6	Other Income		-	-
1.1.7	Collections from Previously Written-off Doubtful Receivables	6	(9)	(1.568)
1.1.8	Payments to Personnel and Service Suppliers		(32.104)	(17.254)
1.1.9	Taxes Paid	31	(27.615)	(10.062)
1.1.10	Other		(9.899)	(1.714)
1.2	**Changes in Operating Assets and Liabilities**		**(19.733)**	**(54.839)**
1.2.1	Net (Increase)/Decrease in Factoring Receivables		(290.170)	(136.682)
1.2.2	Net (Increase)/Decrease in Finance Loans		-	-
1.2.3	Net (Increase)/Decrease in Lease Receivables		-	-
1.2.4	Net (Increase)/Decrease in Other Assets		(1.088)	(745)
1.2.5	Net Increase/(Decrease) in Factoring Payables		3.150	(6.492)
1.2.6	Net Increase/(Decrease) in Lease Payables		-	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed		263.763	89.481
1.2.8	Net Increase/(Decrease) in Due Payables		-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities		4.612	(401)
I.	**Net Cash Used in Operating Activities**		**45.417**	**(17.030)**
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	7,8,9	(30.231)	(328)
2.4	Disposals of Property and Equipment	7,8	28	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		(334)	(161)
II.	**Net Cash (Used in)/Provided from Investing Activities**		**(30.537)**	**(369)**
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	(6.000)	(1.940)
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
III.	**Net Cash (Used in)/Provided from Financing Activities**		**(6.000)**	**(1.940)**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**4.056**	**16.556**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**12.936**	**(2.783)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**3**	**16.747**	**19.530**
VII.	**Cash and Cash Equivalents at End of the Period**	**3**	**29.683**	**16.747**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Profit distribution table as of December 31, 2021

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

		Current Period- December 31, 2022(*)(**)	Previous Period December 31, 2021
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT (*)**		
1.1	CURRENT PERIOD PROFIT	100.636	60.777
1.2	TAXES AND DUES PAYABLE (-)	(25.649)	(15.266)
1.2.1	Corporate Tax (Income Tax)	(30.438)	(16.645)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues (**)	4.789	1.379
A.	**NET PERIOD PROFIT (1.1-1.2)**	**74.987**	**45.511**
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-) (-)	3.749	-
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**71.238**	**45.511**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	(6.000)
1.6.1	To Owners of Ordinary Shares	-	(6.000)
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 (-)	-	(334)
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	-	0,7585
3.2	TO OWNERS OF STOCKS (%)	-	75,85%
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
		-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF STOCKS	-	0,1000
4.2	TO OWNERS OF STOCKS (%)	-	10,00%
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 4.789 (2021: TL 1.379 deferred tax income) 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 Türkiye 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 Türkiye.

As of December 31, 2022, the number of employees of the Company is 32 (December 31, 2021: 32). The Company's trade registry address, Maslak Maslak Mah. Meydan Sokak No: 5 / B Spring Giz Plaza Sarıyer-Istanbul / Türkiye. The company mainly continues its factoring operations in a single geographical region (Türkiye).

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 (Türkiye).

	31 December 2022	**Share (%)**	**31 December 2021**	**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 March 10, 2023. The General Assembly has the authority to modify the financial statements.

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 December 24, 2013, numbered 28861; and in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and their additions and comments issued by the Public Oversight Accounting and Auditing Standards' Authority ("POA") with the Communiqué: "The Procedures Regarding the Provisions to be Provided for the Receivables of Leasing, Factoring and Consumer Finance Companies" ("Communiqué of Provisions") issued by the BRSA. Leasing, factoring and consumer finance companies prepares and declares their financial statements in accordance with regulations issued by BRSA.

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

The Company prepared the financial statements for the year ended as of December 31, 2022 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.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

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

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)

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.

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.

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

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency of the application required by TAS 29 throughout the country. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on December 31, 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 21, 2022.

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

2.1. Basis of presentation (cont'd)

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.

2.2. 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, 2022 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, 2022 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 at January 1, 2022 are as follows:

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 must be applied prospectively. The amendments did not have a significant impact on the 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 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. The amendments did not have a significant impact on the financial position or performance of the Company.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

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

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

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

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments 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 prospectively 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). The amendments did not have a significant impact on the financial position or performance of the Company.

i) The new standards, amendments and interpretations which are effective as at January 1, 2022 are as follows:

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.

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

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

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

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

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.

TFRS 17 - The new Standard for insurance contracts

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.

The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

2.4. The new standards, amendments and interpretations (cont'd)
ii) Standards issued but not yet effective and not early adopted (cont'd)
Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2021 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after January 1, 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

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

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.

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

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.

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Notes to the financial statements for the period ended December 31, 2022

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

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

Amendments to TAS 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 1 January 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.

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

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

2.5. Summary of significant account policies

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.

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.

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, 2022

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.

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Notes to the financial statements for the period ended December 31, 2022

(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)

(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, 2022 (December 31, 2021: None).

Financial Assets Measured at Fair Value through Other Comprehensive Income

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

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

The Company does not have financial assets whose fair value changes are reflected in other comprehensive income as of December 31, 2022 (financial assets available for sale on December 31, 2021: None).

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

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

(b) Financial Instruments: (cont'd)

Financial Assets (cont'd)

Factoring receivables and other receivables

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

Impairment of financial assets

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

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

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

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Notes to the financial statements for the period ended December 31, 2022

(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)

(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, 2022 and December 31, 2021.

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 Liabilities (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.

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Notes to the financial statements for the period ended December 31, 2022

(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)

(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, 2022	December 31, 2021
Net discount rate	2,33%	3,93%

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, 2022 and December 31, 2021 are as follows:

	December 31, 2022	December 31, 2021
USD	18,6983	12,9775
EURO	19,9349	14,6823
GBP	22,4892	17,4530

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 in exchange 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.

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Notes to the financial statements for the period ended December 31, 2022

(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)

(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.

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Notes to the financial statements for the period ended December 31, 2022

(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)

(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.

(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)

(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

3. Cash and cash equivalents

	December 31, 2022		December 31, 2021	
	TL	**FC**	**TL**	**FC**
Cash	1	-	-	-
Banks	25.930	25.182	2.947	13.800
~ Demand Deposit	25.930	25.182	2.947	13.800
~ Time Deposits	-	-	-	-
Total	**25.931**	**25.182**	**2.947**	**13.800**
Blocked d (*)	-	(21.430)	-	-
Cash and cash equivalents in the statement of cash flows	**25.931**	**3.752**	**2.947**	**13.800**

As of December 31, 2022, there is no amount on bank deposits. (December 31, 2021: None).

As of December 31, 2022, there is 21.430 blockage on bank deposits. (December 31, 2021: None).

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Notes to the financial statements for the period ended December 31, 2022

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

4. Financial assets available for sale

None (December 31, 2021: None).

5. Factoring receivables

	December 31, 2022		December 31, 2021	
	TL	FC	TL	FC
Discounted Factoring receivables	363.960	-	207.388	38.453
Other Factoring receivables	228.195	109.775	124.707	61.065
	592.155	**109.775**	**332.095**	**99.518**

	December 31, 2022		December 31, 2021	
	TL	FC	TL	FC
Domestic Factoring Receivables(*)	592.155	-	332.095	38.453
Export and Import Factoring Receivables	-	109.775	-	61.065
Non-performing Factoring Receivables (**)	21.953	-	21.042	-
Gross factoring receivables	**614.108**	**109.775**	**353.137**	**99.518**
Provision for Factoring Receivables	(21.953)	-	(21.042)	-
Factoring receivables, Net	**592.155**	**109.775**	**332.095**	**99.518**

(*) The Company has an unearned receivable about TL 29.874 from domestic factoring receivables by the date of December 31, 2022 (December 31, 2021: TL 11.993).

(**) 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, 2022 and 2021, distribution of gross factoring receivables are as follows:

	December 31, 2022	December 31, 2021
Fixed rate	335.136	184.671
Floating rate	393.834	257.835
	728.970	**442.506**

Analysis of factoring receivables are as follows:

	December 31, 2022	December 31, 2021
Neither past due nor impaired	701.930	431.613
Past due but not impaired	-	-
Impaired	21.953	21.042
Gross	**723.883**	**452.655**
(Loss): Specific provision for impaired factoring receivables	(21.953)	(21.042)
Factoring receivables and non-performing receivables (net)	**701.930**	**431.613**

The sectoral distribution of factoring receivables as of December 31, 2022 and December 31, 2021 are as follows:

	December 31, 2022		December 31, 2021	
	Total	%	Total	%
Textiles	269.630	39	98.828	23
Chemicals and pharmaceuticals	80.698	12	12.631	3
Transportation, storage and communication	77.746	11	21.073	5
Retail and wholesale Trade	57.865	8	40.607	9
Leather industry	57.745	8	61.908	14
Researching	42.801	6	25.556	6
Wood and Wooden Products	27.463	4	17.734	4
Non-metal industry	25.617	4	21.581	5
Machinery and equipment	14.319	2	20.657	5
Construction	9.722	1	47.562	11
Iron, steel, coal, petroleum, other mines	3.942	1	19.466	5
Tourism	2.632	-	2.920	1
Financial Services	1.124	-	10.894	3
Food, beverages and tobacco	-	-	9.746	2
Computer and computer equipment	-	-	3.421	1
Agriculture and ranching	-	-	2.447	1
Other	30.624	4	14.582	3
	701.928	**100**	**431.613**	**100**

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Notes to the financial statements for the period ended December 31, 2022

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

5. Factoring receivables (cont'd)

As of December 31, 2022 and 2021, distribution of revocable factoring transactions are as follows:

	December 31, 2022	December 31, 2021
Customer Checks	250.537	219.280
	250.537	**219.280**

As of December 31, 2022 and 2021, distribution of collaterals received for factoring receivables are as follows:

	December 31, 2022		December 31, 2021	
	TL	FC	TL	FC
Received Bails (*)	7.363.176	2.507.459	5.841.288	1.756.137
Collateral Checks and Bills	154.837	462.519	121.083	234.374
	7.518.013	**2.969.978**	**5.962.371**	**1.990.511**

(*) 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, 2022	December 31, 2021
Non-performing factoring receivables	21.953	21.042
Specific provisions	(21.953)	(21.042)
	-	**-**

The aging of the past due factoring receivables as of December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Up to 90 days	920	796
Between 90-180 days	-	-
Between 180-360 days	-	2
360 days and above	21.033	20.244
	21.953	**21.042**

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

6. Non-performing receivables (cont'd)

The movement of specific provision for allowance of non-performing factoring receivables as of December 31, 2022 are as follows:

	January 1 – December 31, 2022	January 1- December 31, 2021
Balance as of January 1	21.042	21.815
Provision booked during the period	920	795
Collections	(9)	(1.568)
Balance at the end of the period	**21.953**	**21.042**

7. Tangible assets

	January 1, 2022	Addition	Disposal	December 31, 2022
Cost				
Furniture ve fixture	862	113	(28)	947
Vehicle	2.039	-	-	2.039
Special costs	341	-	-	341
Other	837	-	-	837
	4.079	**113**	**(28)**	**4.164**

	January 1, 2022	Current year depreciation	Disposal	December 31, 2022
Accumulated Depreciation				
Furniture ve fixture	605	129	(28)	706
Vehicle	1.280	-	-	1.280
Special costs	341	-	-	341
	2.226	129	(28)	2.327
Net book value	**1.853**			**1.837**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

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

7. Tangible assets (cont'd)

	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 depreciation	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

As of December 31, 2022, the Company has tangible fixed assets with a net book value of TL 1.837, with a cost of TL 4.079 and an accumulated depreciation amount of TL 2.227 (As of December 31, 2021, the net book value of tangible fixed assets is TL 1.853).

8. Intangible assets

	January 1, 2022	Addition	Disposal	December 31, 2022
Cost				
Computer softwares and rights	698	-	-	698
	698	**-**	**-**	**698**

	January 1, 2022	Amortization	Disposal	December 31, 2022
Accumulated Amortization				
Computer softwares and rights	404	8	-	412
	404	**8**	**-**	**412**
Net book value	**294**			**286**

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

8. Intangible assets (cont'd)

	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**

As of December 31, 2022, the Company has TL 698 intangible fixed assets and the accumulated depreciation amount is TL 412 and the net book value is TL 286 (As of December 31, 2021, the net book value of intangible fixed assets is TL 294).

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, 2022	Addition	Disposal	December 31, 2022
Cost				
Investment Property	2.351	30.118	-	32.469
	2.351	**30.118**	**-**	**32.469**

	January 1, 2022	Current year depreciation	Disposal	December 31, 2022
Accumulated Depreciation				
Investment Property	398	-	-	398
	398	**-**	**-**	**398**
Net Book Value	**1.953**			**32.071**

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Notes to the financial statements for the period ended December 31, 2022

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

9. Investment property (cont'd)

	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**

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 Taxes Related to Turkish 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.

As of December 31 2022, 25% tax rate is used for temporary differences that are expected to be realized / closed (As of December 31, 2021, 23% tax rate is used for temporary differences that are expected to be realized / settled in 2022, and 20% for temporary differences that are expected to be realized / settled after 2022).

	Temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Employee severance payments	2.971	1.324	743	265
Prepaid commissions	337	358	84	82
Unearned interest income	29.874	11.993	7.469	2.758
Deferred tax assets	**33.182**	**13.675**	**8.296**	**3.105**
Tangible and intangible assets	(2.405)	(997)	(602)	(199)
Deferred tax liabilities	**(2.405)**	**(997)**	**(602)**	**(199)**
Deferred tax assets (net)	**30.777**	**12.678**	**7.694**	**2.906**

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

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

Movement of deferred tax asset is as follows:

	2022	2021
Beginning balance, January 1	2.906	1.527
Deferred tax income/(expense)	4.789	1.379
Closing balance, December 31	**7.695**	**2.906**

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

None (December 31, 2021: None)

12. Other assets

	December 31, 2022		December 31, 2021	
	TL	FC	TL	FC
Receivables from customers (*)	2.949	19	1.828	13
Prepaid expenses	19	-	13	-
	2.968	**19**	**1.841**	**13**

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

13. Funds borrowed

	December 31, 2022	December 31, 2021
Short-term bank borrowings	466.465	202.702
	466.465	**202.702**

The details of bank borrowings are as follows:

Currency	Average Interest rate%	Maturity	December 31, 2022
TL	17,29%	January 2023 – March 2023	466.435
			466.435
Currency	**Average Interest rate%**	**Maturity**	**December 31, 2021**
TL	21,30%	January 2022 – February 2022	150.216
			150.216

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Notes to the financial statements for the period ended December 31, 2022

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

13. Funds borrowed (cont'd)

Currency	**Average Interest rate%**	**Maturity**	**December 31, 2022**
USD	-	-	-
			-
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, 2022**
EUR	4,12%	January 2023 – March 2023	30
			30
Currency	**Average Interest rate%**	**Maturity**	**December 31, 2021**
EUR	0,70%	March 2022	777
			777

	December 31, 2022		**December 31, 2021**	
	TL	**FC**	**TL**	**FC**
Fixed rate	466.435	30	150.216	13.954
Floating rate	-	-	-	38.532
	466.435	**30**	**150.216**	**52.486**

14. Bonds and notes issued

None (December 31, 2021: None)

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

15. Factoring payables

	December 31, 2022	December 31, 2021
Factoring payable	10.852	7.702
	10.852	**7.702**

16. Financial lease obligations

None (December 31, 2021: None)

17. Other payables

	December 31, 2022		December 31, 2021	
	TL	**FC**	**TL**	**FC**
Fees and commissions collected in advance	337	3	28	330
Suppliers payable	1.315	8	578	2
	1.652	**11**	**606**	**332**

18. Provisions

Reserves For Employee Benefits

	December 31, 2022	December 31, 2021
Provision for employment termination benefits	2.971	1.324
Provision for unused vacation	-	-
	2.971	**1.324**

Provision for employment termination benefits

Provision for employment termination benefits table is as follows:

	December 31, 2022	December 31, 2021
January 1, beginning	**1.324**	**1.158**
Interest rate	897	248
Service cost	899	126
Payments during the period	(149)	(208)
Actuarial (gain) / loss	-	-
Balance at the end of the period	**2.971**	**1.324**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

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

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 15.371,40 (2021: TL 8.284,51) as of December 31, 2022 (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.

TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As of December 31, 2022 and December 31, 2021, 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 19.16% and a discount rate of 21,94%, resulting in a real discount rate of approximately 2,33% (December 31, 2021: inflation rate of 16,90% and a discount rate of 21,50%, resulting in a real discount rate of approximately 3,93%).

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, 2021: None).

20. Paid-in capital and capital reserves

Paid in-capital

As of December 31, 2022, the company's capital is TL 60.000 (December 31, 2021: TL 60.000 thousand). As of December 31, 2022, the Company has 60.000.000 (December 31, 2021: 60.000.000) non-privileged stocks with a value of TL 1 (December 31, 2021: 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 6.000.000 in July 2023 as dividends to shareholders from the profit of 2021 (with a full amount of TL) (2021: 1.940.000 TL).

21. Profit reserves

As of December 31, 2022 and 2021 profit reserves are as follows:

	December 31, 2022	December 31, 2021
Legal reserves	16.846	16.512
	16.846	**16.512**

22. Prior period's profit / loss

	December 31, 2022	December 31, 2021
Prior periods profit/loss	153.933	114.756
	153.933	**114.756**

23. Provisions, contingent assets and contingent liabilities

23.1. Letters of Guarantee Received

As of December 31, 2022, and 2021, the details of the Company's items held in custody is as follows:

	December 31, 2022		December 31, 2021	
	TL	FC	TL	FC
Received Bails (*)	7.363.176	2.507.459	5.841.288	1.756.137
Customers' Notes	106.159	444.813	76.152	222.085
Customers' Cheques	48.678	17.706	44.931	12.289
	7.518.013	**2.969.978**	**5.962.371**	**1.990.511**

(*) 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.

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Notes to the financial statements for the period ended December 31, 2022

(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, 2022 and 2021 are as follows:

	December 31, 2022		December 31, 2021	
	TL	**FC**	**TL**	**FC**
Letters of guarantee given to banks	103.096	-	35.008	-
Bails in favor of customers	7.500	-	7.500	-
	110.596	**-**	**42.508**	**-**

24. Operating income

	January 1- December 31, 2022	January 1- December 31, 2021
Factoring interest income	183.794	79.548
Factoring commission and other income	7.114	8.054
	190.908	**87.602**

25. Operating expense

	January 1- December 31, 2022	January 1- December 31, 2021
Personnel expenses	32.104	17.254
Rent expenses	4.406	2.511
Information technologies expenses	1.818	621
Audit and consultancy expenses	968	596
Subscription fee	583	316
Provisions for employee termination benefits expense	447	354
Vehicle expenses	441	113
Taxes and duties	114	114
Amortization and depreciation expenses	216	157
Representation expenses	399	161
Advertisement expenses	71	48
Other	2.501	1.549
	44.068	**23.794**

(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, 2022 and December 31, 2021 are as follows:

	January 1- December 31, 2022	**January 1- December 31, 2021**
Salary expenses	28.870	15.330
Social security premium employer's share	1.510	952
Insurance expenses	795	392
Transportation expenses	339	224
Meal expenses	396	222
Unemployment security employer's share	106	74
Other	88	60
	32.104	**17.254**

26. Other operating income

	January 1- December 31, 2022	**January 1- December 31, 2021**
Foreign currency gain	35.252	22.867
Provision no longer required	65	1.413
Interest received from banks	12	51
	35.329	**24.331**

27. Financial expenses

	January 1- December 31, 2022	**January 1- December 31, 2021**
Interest expense on bank borrowings	71.841	20.983
Fees and commissions expenses	5.734	911
	77.575	**21.894**

28. Provisions expenses

As of December 31, 2022 and 2021 provisions follows:

	January 1- December 31, 2022	**January 1- December 31, 2021**
Provision expenses	(1.984)	(765)
	(1.984)	**(765)**

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Notes to the financial statements for the period ended December 31, 2022

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

29. Other operating expenses

	January 1- December 31, 2022	**January 1- December 31, 2021**
Foreign exchange loss	1.974	4.703
	1.974	**4.703**

30. Related party transactions

The detail of related party transactions as of December 31, 2022 and December 31, 2021 are as follows:

	January 1- December 31, 2022	**January 1- December 31, 2021**
M. Semra Tümay – rent expenses	4.406	2.511
	4.406	**2.511**

Top management fees and rights:

As of December 31, 2022 the company paid amount to TL 22.383 to Board of Directors and top management (December 31, 2021: TL 16.174).

31. Tax assets and liabilities

Corporation Tax

Corporate tax rate in Türkiye is 20%. The corporate tax rate is applied to the corporates' net income which is found as a result of adding the expenses that are not accepted as a deduction and deducting the exemptions and deductions in accordance with tax laws. If there is no dividend distribution planned, no further tax charges are made. With the amendment made in Article 25 of the Law No. 7394 and the first paragraph of the Article 32 titled "Corporate Tax and Provisional Tax Rate" of the Law No. 5520 on April 15, 2020, It has been decreed that the corporate tax rate of 25% is applied over the corporate earnings of banks, financial leasing, factoring, financing and savings financing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. In addition, Article 26 of the same Law regulates that the aforementioned 25% rate can be applied in the 2022 calendar year, starting from the declarations that must be submitted as of July 1, 2022 and being valid for the corporate earnings for the taxation period starting from February 1, 2022.

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 Türkiye, or resident corporations are not subject to withholding tax. Otherwise, 10% withholding tax rate is applied to dividends paid.

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

31. Tax assets and liabilities (cont'd)

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.

Dividend payments made from companies residing in Türkiye to corporations residing in Türkiye 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 Türkiye, 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, 2022 and 2021, the tax liability has been set aside under the current tax legislation.

As of December 31, 2022 and 2021 taxes in income statement are stated below:

	January 1- December 31, 2022	**January 1- December 31, 2021**
Corporate tax provision	30.438	16.645
Prepaid taxes	(19.840)	(8.870)
Tax (assets) / liabilities	**10.598**	**7.775**

	January 1- December 31, 2022	**January 1- December 31, 2021**
Current tax expense	30.438	16.645
Deferred tax expense / (income)	(4.789)	(1.379)
Total tax expense / (income)	**25.649**	**15.266**

Reconciliation of Tax Provisions	**January 1- December 31, 2022**	**January 1- December 31, 2021**
Profit before tax	100.636	60.777
Effective Tax Rate	%25	%25
Calculated Tax	(25.159)	(15.194)
Other and Effects of Expenses are not accepted legally	(447)	(108)
Other	(43)	36
Tax expense in statement of profit or loss	**(25.649)**	**(15.266)**

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Notes to the financial statements for the period ended December 31, 2022

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

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, 2021: 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, 2022 (December 31, 2021: The Company has reached standard rate).

b) Significant account policies

The significant account policies of the Company have been explained in the Note 2.5 "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, 2022	December 31, 2021
Financial Assets:		
Cash Equivalents and Banks	51.113	16.747
Factoring Receivables	701.928	431.613
Financial Liabilities:		
Factoring Payables	10.852	7.702
Funds Borrowed	466.465	202.702

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.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

(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, 2022 and December 31, 2021, 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, 2022			
	USD	**EUR**	**Other**	**Total**
Assets				
Cash and cash equivalents	-	-	-	-
Banks	3.455	21.727	-	25.182
Factoring receivables	86.293	23.482	-	109.775
Other assets	19	-	-	19
Total assets	**89.767**	**45.209**	**-**	**134.976**
Liabilities				
Funds borrowed	-	30	-	30
Factoring payables	-	-	-	-
Other liabilities	1.433	7.233	-	8.666
Total liabilities	**1.433**	**7.274**		**8.707**
Net foreign currency position	**88.334**	**37.935**	**-**	**126.269**
Off-balance sheet position	-	-	-	-
Net position	**88.334**	**37.935**	**-**	**126.269**

	December 31, 2021			
	USD	**EUR**	**Other**	**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	51.719	760	-	52.486
Factoring payables	325	8	-	332
Other Liabilities	1.039	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**

(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, 2022			
	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	8.833	(8.833)	8.833	(8.833)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**8.833**	**(8.833)**	**8.833**	**(8.833)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	3.794	(3.794)	727	(727)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**3.794**	**(3.794)**	**727**	**(727)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	-	-	-	-
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**-**	**-**	**-**	**-**
Total (3 + 6 +9)	**12.627**	**(12.627)**	**9.560**	**(9.560)**

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Notes to the financial statements for the period ended December 31, 2022

(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, 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)**

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	701.928	51.112	2.987
A. The net book value of financial assets that are neither past due or impaired	701.928	51.112	2.987
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)	*21.953*	-	-
- Impairment (-)	*(21.953)*	-	-
E. Factors including off-balance sheet credit risk	-	-	-

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

(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, 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	-	-	-

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, 2022	December 31, 2021
Fixed Rate Financial Instruments		
Financial Assets:		
Banks	-	-
Factoring Receivables	*335.136*	*184.671*
Financial Liabilities:		
Funds Borrowed	*466.465*	*158.909*
Factoring Payables	*10.852*	*7.702*
Floating Rate Financial Instruments		
Financial Assets:	-	-
Factoring Receivables	*393.834*	*184.671*
Financial Liabilities:		
Funds Borrowed	-	*43.793*
Factoring Payables	*308.094*	*246.942*

j) Other Pricing Risks

None. (December 31, 2021 :None)

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the financial statements for the period ended December 31, 2022

(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, 2022						
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	**478.980**	**494.236**	**494.236**	**-**	**-**	**-**
Funds borrowed	466.465	481.721	481.721	-	-	-
Factoring payables	10.852	10.852	10.852	-	-	-
Other liabilities	1.663	1.663	1.663	-	-	-

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	-	-	-

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 Türkiye. 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, 2022 external auditing fee for the reporting period TL 245 (December 31, 2021: TL 150).

36. Subsequent events

The regulation abolishing the retirement age requirement for employees who entered employment before September 8, 1999 was published in the Official Gazette on March 3, 2023. Accordingly, those who completed the number of premium days and insurance period among the relevant employees were entitled to retire. This arrangement is expected to have an impact on the timing and probability of settlement of severance payments. The said regulation is not expected to have a significant impact on the Company's financial position or performance.

An earthquake occurred in the southeastern part of Türkiye that affected many of our cities. The Company Management made a preliminary assessment of the effects of the disaster on the Company's operations and financial condition. It anticipates that the earthquake will not have a negative impact on the Company's equity.

DEMİRBAĞ PUBLISHING

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