EKSPO FAKTORİNG 2017

ANNUAL REPORT

EKSPO Faktoring A.Ş.

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MURAT TÜMAY
CHAIRMAN OF THE BOARD AND
GENERAL MANAGER

GÜRBÜZ TÜMAY
HONORARY CHAIRMAN

We keep improving our performance
by the day as we blend our innovative
perspective with a traditional
approach.

We always accompany our clients
on their journeys to success, with
awareness of our responsibilities.

Long-lasting relationships built on
mutual trust drive our strong growth.

As we carry out our operations solidly,
we continue to offer creative solutions
with our wealth of experience and
expertise.

MESSAGE FROM THE CHAIRMAN

2017 was a very productive year as both Ekspo Faktoring and the sector in general maintained steady growth.

Dear Stakeholders,

The global economy maintained its steady performance in 2017 with annual growth of 3.6%. In the US, the gradual tightening policy of the Federal Reserve continued in 2017 as part of the new economic management approach. This development was in line with the protective policy which Donald Trump announced back in his first year of presidency. In Europe, the major effects of the Brexit decision on the Euro Zone was countered by the renewed economic confidence as the pro-EU parties won the elections. However, the right-wing parties increased their votes in the elections and this situation poses new worries regarding the future prospects of the Euro Zone.

The impact of the fast economic cycle in Europe and the positive state of affairs on inflation remained limited and the European Central Bank continued its supportive monetary policy. Meanwhile, despite the controlled slowing of the Chinese economy, funds kept flowing from developed countries towards emerging economies.

Turkish economy was among the fastest growing economies worldwide
With the Government offering a range of incentives such as supporting the SMEs through Credit Guarantee Fund of TL 250 billion, applying tax cuts to stimulate domestic demand and deferring due social security premium payments, Turkey became the fastest growing economy among the G20 countries immediately after India and China. As these incentives brought some easing to fiscal policies during the year, international levels were maintained in terms of fiscal discipline.

Inflation rate in double digits
Increasing geopolitical risks alongside fiscal tightening steps taken by central banks of developed countries continued to put pressure on the Turkish Lira. Due to both the devaluation of the Turkish Lira and the increased domestic demand, inflation rates reached double digits. On the other hand, the recovery observed in the European export markets reflected positively on Turkey's exports. In addition to this positive development, the increase in tourism revenues as a result of improving relations with Russia also contributed to the exports. Even though the increase in energy prices led to an increase in the cost of imports, the positive developments seen in tourism and

export items helped to sustain the current account deficit.

Factoring sector maintains steady growth

For the factoring sector, 2017 was a year of steady growth as the sector maintained its leading position among the country's non-bank financial institutions. Total asset size of the sector grew 31% on an annual basis to increase from TL 33 billion to TL 44 billion. On the other hand, the sector's total revenues recorded less growth than its assets, closing the year with an overall growth of 18%. The point of emphasis here is the significant impact of longer maturities caused by the low interest rate environment on the sector's performance.

Ekspo Faktoring grew even stronger in 2017

In addition to achieving successful results in 2017, we at Ekspo Faktoring also introduced several innovations. We increased our asset size by 30% from TL 341 million up to TL 445 million. We acted diligently by placing our investments directly in producers and foreign currency generating corporates. Our shareholders' equity, which has been steadily growing every year by regularly retaining the profits in the Company, increased by 15% from TL 112 million to TL 128 million. With the support of high return on equity, our net profit reached its highest ever level of TL 21 million. In addition, the second factor that supported our performance in such a successful year was the decrease of non-performing loans to assets ratio to 0.7% due to our protective credit policy. This ratio was among the lowest rates in the domestic banking sector.

Sustaining high performance in correspondent relations

In 2017, we processed approximately USD 78 million in foreign trade transactions. Exports accounted for USD 53 million of this amount, and imports for USD 25 million. The successful relationships with our foreign correspondents continued in 2017 and we signed a long-term loan agreement with Banco Sabadell Miami for the import of agricultural products from the US. Within the scope of this program, we served as intermediaries for long-term cotton imports of our clients.

Mobile financing products as a first in the sector

We have reached the final phase in developing mobile financing products. These products are set to become pioneering applications in the Turkish financial sector, and they will eventually gain even more functionality in the future. We also made arrangements for the software, legal, technological and marketing aspects. Our mobile financing products will go live in the second half of the year.

I would like to extend my gratitude to all of our stakeholders and our clients in particular for their valuable contributions in 2017. We, the Ekspo Faktoring team, will continue to grow together with you as we keep introducing further innovations in the days to come.

MURAT TÜMAY
CHAIRMAN OF THE BOARD AND
GENERAL MANAGER

BOARD OF DIRECTORS

MURAT TÜMAY

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Murat Tümay was born in Istanbul in 1974. He graduated from Clark University, Department of Economics in 1997. After graduation, he worked at The Park Avenue Bank N.A., as Analyst, Assistant Manager and Manager. Between 2000 and 2002, he worked as a director at Turkcell İletişim Hizmetleri and İş-Tim Telekomünikasyon Hizmetleri A.Ş.. Since 2002, Mr. Tümay has been working as General Manager and Chairman of The Board at Ekspo Faktoring A.Ş..

ZEYNEP Ş. AKÇAKAYALIOĞLU

DEPUTY CHAIRMAN

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

ŞERİF ORHAN ÇOLAK

MEMBER

Şerif Orhan Çolak was born in Istanbul in 1945. After graduating from the Department of Economics at Neuchatel University, he began his career in 1971 as a manager at Altın Mekik Tic. ve San. A.Ş.. Over the years, he has worked as a director in various financial institutions, such as the International Industry and Trade Bank, Facto Finans, Banque Internationale de Commerce, İktisat Bankası T.A.Ş., Credit Lyonnais Switzerland and Credit Agricole Switzerland. Mr. Çolak has been working at Ekspo Faktoring A.Ş. as a Board Member since 2011.

SEDEF GÜVEN GEVREKYAN

MEMBER

Sedef Güven Gevrekyan was born in Ankara in 1970. In 1991, she graduated from the Economics Department of Hacettepe University and in 1997, she received her MBA from the Middle East Technical University. She started her professional career at Garanti Bankası A.Ş. and worked as Group Manager at Finansbank A.Ş., as Turkey Representative of Garanti Bank N.V., as Assistant General Manager at Osmanlı Bankası A.Ş. and also as Turkey Representative of The Economy Bank N.V.. In October 2016, she started to work as a Board Member at Ekspo Faktoring A.Ş..

MISSION, VISION AND STRATEGIC GOALS

Mission

Leading the way for the Turkish non-banking financial sector in increasing its share in domestic and foreign trade by incorporating the latest and highly demanded global financing models into its corporate product portfolio.

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

Implementing quality and efficiency-based practices in customer relations management.

Becoming a regional leader in international trade.

Vision

Maintaining steady growth and reaching an asset size of TL 600 million by 2018.

Strategic Goals

Catering to the ever-changing needs of the real sector with innovative products and services.

Ensuring sustainable growth by adopting a service concept focused on quality and efficiency.

Maintaining competitive strength by developing “tailor-made financing models” for companies operating in different industries.

Contributing to foreign trade by offering financing support to Turkish companies in their foreign operations.

Becoming a company that stands out with its human resources quality by providing professional and personal improvement opportunities for employees.

1.4

BILLION
TURKISH LIRAS

2017 TURNOVER

Ekspo Faktoring played an effective role in increasing the competitive edge of its clients and Turkey in the global markets also in 2017, by continuing to generate resources for Turkey with its rich product and service range including tailor-made solutions for its clients.

EKSPO FAKTORİNG AT A GLANCE

Ekspo Faktoring has been offering creative products and services with an innovative approach built on a legacy of values for 17 years, operating today as an active and reliable financial institution both in Turkey and international markets.

STRONG CAPITAL STRUCTURE, INNOVATIVE MANAGEMENT PHILOSOPHY

Founded in 2000 backed with nearly 40 years of banking experience and capital of TL 1 million, Ekspo Faktoring soon became a leading institution in the finance sector. Employing a service approach focused on quality, efficiency and customer satisfaction, Ekspo Faktoring brought a brand new perspective to the rapidly growing factoring sector in Turkey.

Today, Ekspo Faktoring focuses on ensuring transparency and trust in all its operations as it continues to work seamlessly to achieve sustainable growth with its strong capital structure, business processes developed in line with universal ethical values, innovative management philosophy and skilled human resource.

PIONEERING PRACTICES IN THE SECTOR

Managed with a visionary perspective, Ekspo Faktoring has been attaining competitive edge by accomplishing many firsts in the sector since the very beginning. Always aiming to lead the way by introducing and implementing innovative practices, products and services, Ekspo Faktoring has offered Turkey's first structured financing products to be utilized by various industries, Ekspo Faktoring acted as intermediary in foreign trade transactions amounting to approximately USD 330 million in the last five years as well as letter of credit transactions worth over USD 75 million.

As the first company in the Turkish factoring sector to fully disclose its financial statements, Ekspo Faktoring has pioneered a range of practices such as being rated by an international credit rating agencies, publishing its annual report and implementing SWIFT (The Society for Worldwide Interbank Financial Telecommunication System).

FOLLOWING TRADITIONAL VALUES

Our Company operates with a customer-focused, profitable and sustainable growth strategy, carrying out all business processes in line with traditional values. The strong cooperation of the founders with the second generation enables traditional banking values to be preserved and deep-rooted banking experience to be shared; providing the Company with significant competitive advantages.

In today's changing and transforming business world, Ekspo Faktoring stands at the forefront of the sector by swiftly generating effective financial solutions for its clients in line with their expectations and needs.

CREATIVE PRODUCTS AND SOLUTIONS, TAILORED FOR CLIENTS

Ekspo Faktoring improves its superior performance in the sector every day by developing creative products and services after analyzing customer needs and expectations. Keeping up with the rapid changes in the world and anticipating the dynamics of tomorrow, the Company offers its customers financing, guarantee and cash management alternatives in a timely manner to meet their future needs. With its proactive approach, Ekspo Faktoring works with Turkey's leading companies to implement business processes and carry out successful projects with products and services custom-designed for their needs.

Ekspo Faktoring meets the financing requirements of numerous companies operating in various industries such as construction, textiles, transportation and manufacturing that form the backbone of the Turkish economy, with a range of products and services including contract financing, project financing, order financing, pre-sales financing, supply chain financing and structured products.

HIGH CUSTOMER LOYALTY

Since its foundation, Ekspo Faktoring continues to build long-term relationships based on mutual trust with its clients and aims for ultimate customer satisfaction. In its business processes that place the customer at the center, the Company creates permanent and strong relationships by rapidly generating effective solutions in line with expectations and needs. Clients that have been working with Ekspo Faktoring for a long time account for 55% of the Company's customer portfolio.

The Company is particularly sensitive to ensuring portfolio efficiency and thanks to its customer-focused approach it has a high customer retention ratio well above the sector average. Following the developments in the clients' industries, and regular customer visits enable the relationships to be kept well and alive.

STRONG RELATIONS WORLDWIDE

Ekspo Faktoring also meets the requirements of the real sector for foreign trade transactions with its vast experience and expertise. The Company is well known for its effective and consistent position in the global financial markets, thanks to the confidence it inspires with its strong financial structure as well as its transparency and accountability approach to management. Financial superiority confirmed by international rating agencies and strong international correspondent relations developed over the years bring an important competitive advantage to Ekspo Faktoring.

With a wide correspondent network spanning from Japan to the US, Ekspo Faktoring further strengthened its correspondent relations with domestic and foreign banks and financial institutions in 2017. Operating with a financing capacity of USD 500 million, the Company mediated in foreign trade finance amounting to USD 78 million in 2017. For the year 2018, Ekspo Faktoring targets to grow by 50% in terms of volume in domestic and international transactions.

PARTNERSHIPS THAT MAKE A DIFFERENCE

Ekspo Faktoring offers privileged services to its clients thanks to its partnerships with strong and established banking institutions in various countries, helping them to improve their competitiveness by providing medium and long-term resources and guarantees for their imports.

The Company's partnerships include such institutions as US Exim Bank, Banco Sabadell in Spain along with Turkish Eximbank, Takasbank and the Black Sea Trade and Development Bank. In this context, Ekspo Faktoring enables utilization of Turkish Eximbank loans by its clients, as well as supporting cotton imports from the US through its partnership with Banco Sabadell.

A YEAR OF RECORDS

In 2017, the export and import volumes of Ekspo Faktoring reached USD 53 million and 25 million, respectively. Domestic transactions accounted for 81% of the Company's turnover while 19% came from foreign transactions. As of year-end 2017, Ekspo Faktoring reached TL 445 million in asset size, recording TL 1.4 billion in turnover and TL 26 million in profit. With shareholders' equity increasing 15% up to TL 128 million and reaching the highest level in the Company's history, Ekspo Faktoring continued to increase its profitability consistently since its foundation.

With innovative strategies, strong equity structure and corporate governance approach, Ekspo Faktoring will sustain the high performance of 2017 in the future as it continues to contribute to Turkey's development.

DYNAMIC AND SKILLED WORKFORCE

Ekspo Faktoring's success is deeply rooted in its qualified, dynamic and skilled human resources. The team of professionals have a combined experience of 197 years. Serving our customers with high ethical standards, they are committed to working responsibly with a clear customer focus, and offering innovative and solutions tailored to their needs and expectations.

Focused on delivering excellence, the experts at Ekspo Faktoring work in coordination and follow the developments in the financial sector closely to improve the service infrastructure. Boasting Turkey's strongest intellectual capital in the financial sector, Ekspo Faktoring supports the continuous professional development of its employees.

ADVANCED TECHNOLOGICAL INFRASTRUCTURE

Ekspo Faktoring values the importance of operational speed and efficiency in line with its objective of ensuring ultimate customer satisfaction. The Company closely follows and applies the latest technological innovations in the sector, investing regularly in further improvements in its well-equipped and up-to-date technological infrastructure.

In 2012, Ekspo Faktoring became the first company in the sector to implement SWIFT, the secure information transfer system between banks. Currently, correspondence between banks and international financial institutions is carried out via this system. In 2014, the Company's system infrastructure was renewed. This was followed by important investments made in line with the requirements of the Risk Center under the Banking Association in 2016. As a result of these investments, the virtual platform capacity within the Company was doubled as steps were taken regarding logging, creating testing environments and centralized management of the technological infrastructure while data security was enhanced.

SUPPORTING TURKISH ECONOMY WITH OPERATIONS

The customer portfolio of Ekspo Faktoring consists of companies operating in various industries including construction, tourism, textiles, metal industry, machinery, equipment, durable goods, energy and foodstuff along with businesses mainly importing raw materials for export purposes. Ekspo Faktoring maintains close relationship with clients that focus on domestic markets as well as exports and prefer working on project, contract and order basis. Our Company assesses the needs of such clients with a multidimensional approach and proposes the most suitable financing alternatives. In this manner, Ekspo Faktoring supports leading companies in the real sector with effective business processes while playing an important role in financing the Turkish economy.

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MILLION
TURKISH LIRAS

PAID-IN CAPITAL

Ekspo Faktoring, with 17 years of experience and many firsts to its name in the factoring sector, maintains its strong capital structure with competitive advantage attained by combining a traditional banking approach with innovative practices.

TRANSPARENT MANAGEMENT APPROACH

Ekspo Faktoring sustains its steady growth through a "new traditional banking" approach and a transparent and proactive management concept.

With a strong track record of introducing ground-breaking innovations to the sector, Ekspo Faktoring is empowered by the vast experience of its founders and the synergy created by the second generation now in management. The key factor that enables Ekspo Faktoring to successfully employ a "new traditional banking" approach is blending an innovative perspective with deep-rooted experience. With practices emphasizing transparency and trust in all its operations, Ekspo Faktoring is at the forefront of its peers as a company that has published the first annual report in the sector, has disclosed its financial statements, has included independent members on its Board of Directors and has been audited by international independent audit firms. With this management approach, Ekspo Faktoring continues to raise the standards in the sector.

The Company implements a proactive strategy adapting to market developments and acts with financial discipline and accountability by complying with international criteria, applicable legislation, specifications, standards and ethical values. The corporate governance approach of Ekspo Faktoring, supported by its experienced human resource and expertise, is based on transparent management, effective risk management and internal control mechanisms. Two independent members serving on the Board of Directors demonstrate the Company's commitment to the principles of transparency and accountability.

CORPORATE GOVERNANCE THROUGH COMMITTEES

Ekspo Faktoring works seamlessly to ensure that corporate governance is adopted throughout the entire organization, internal communication is improved and corporate culture is strengthened. Accordingly, the committees contribute greatly towards attaining healthier and more efficient work processes and they aim to identify any possible shortcomings to maintain sustainable corporate development. These committees and their respective duties are summarized below.

ASSET-LIABILITY (ALCO) COMMITTEE

Headed by the General Manager, the ALCO Committee convenes weekly with the group managers that carry out activities which would affect the balance sheet. The meeting agenda includes evaluation of the balance sheet, departmental activities, risk positions of clients, general economic data, current political and economic developments, current legislation and investments to be placed along with determining weekly strategies.

RISK ASSESSMENT COMMITTEE

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

LIQUIDITY COMMITTEE

The Liquidity Committee, headed by the General Manager, convenes weekly with the attendance of 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-annually and, if possible, annual outlooks. The Committee is also responsible for assessing available bank limits and collaterals maintained with banks, determining the financial institutions to work with and obtaining information about their financial structure.

INFORMATION TECHNOLOGIES COMMITTEE

The Information Technologies Committee, headed by the General Manager, convenes once a year and is responsible for investigating the latest technologies related to new information technology investments that the Company may need to make. Ekspo Faktoring is audited by an international independent audit firm to prevent internal and external risks associated with information technologies. Taking action in line with the results of this audit is among the principal duties of the Information Technologies Committee.

HUMAN RESOURCES COMMITTEE

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

CUSTOMER-FOCUSED PRODUCTS AND SERVICES

Ekspo Faktoring regards its clients as business partners, offering them products and services developed by analyzing their industries and anticipating their needs.

Ekspo Faktoring places its clients at the center of all business processes and continues to support the real sector with the aim of offering the right financing, guarantee and cash management alternatives that would meet their future needs.

With its strong financial structure, Ekspo Faktoring is committed to ensuring transparency and acting responsibly for its clients against all kinds of volatility that may occur in the financial and real sectors. Ekspo Faktoring regards these processes as opportunities to better understand its clients and to enhance its experience in risk management.

In addition to providing finance for domestic and international transactions in its clients' projects, the Company also provides guarantee and collection services. Ekspo Faktoring focuses on enriching and improving its product range and implementing more effective marketing strategies to expand its customer portfolio.

Our Company closely monitors the conditions in the markets that have economic and trade relations with Turkey and assesses financing opportunities to support its clients in maximizing added value.

Ekspo Faktoring is currently getting ready to introduce another novel practice in Turkey, a mobile application that has been in the design process since 2017. The FinMobile App is currently in the R&D phase and is planned to be launched in the second half of 2018.

PRODUCTS AND SERVICES

> STRUCTURED FINANCE

> PRE-SHIPMENT FINANCE

> COMMODITY FINANCE

> AGRICULTURAL LOANS

> GSM 102

> IMPORT FINANCE

> EXPORT FINANCE

> TRADE FINANCE SOLUTIONS

> PAYMENT GUARANTEE

> PURCHASING TRADE RECEIVABLES

> SUPPLY CHAIN FINANCE

> ECA LOANS

STRUCTURED FINANCE

For developing countries such as Turkey, imports utilized in export-aimed production as well as mining energy and other natural resources are of utmost importance as sources of national prosperity. Commodity prices that have fared quite high in the recent years have caused an unprecedented rise in demand thus leading businesses to seek additional credit lines. Structured finance, which has so far played a key role in meeting these demands, provides funds against pledging future cash flows and current receivables as collateral. Ekspo Faktoring has been providing structured pre-export financing options since 2012. With USD 137 million in structured finance secured through international finance institutions to date, it has supported industrial companies for sourcing raw materials.

PRE-SHIPMENT FINANCE

Pre-shipment finance involves financing the costs of exports until the goods are shipped. Ekspo Faktoring has been providing this service since 2008 to enable its clients to receive an advance payment up to a certain percentage of the total export amount on the condition that the export contract is assigned to Ekspo Faktoring. This percentage is determined considering several parameters, such as the reliability of the relations between the client and the buyer, the duration of shipment and the credibility of the client, since the amount would be reclaimed from the client in the event that the export amount cannot be collected. This type of financing allows the client to gain a price advantage when procuring the goods in cash or to perform debt servicing.

COMMODITY FINANCE

Commodity finance is a mechanism that supports small, medium- or large-sized industrial clients to benefit from short-term financing for raw material imports to be used in exports or domestic sales. Ekspo Faktoring has been heavily involved in commodity finance as a major branch of its business since 2010, mainly focusing on the energy sector and agricultural commodities with its knowhow and expertise in this field. The Company offers these financial products to its clients with the support of the world's leading banks and export credit agencies.

AGRICULTURAL LOANS

Agriculture is a major industry for many developed and developing countries, including Turkey. Ekspo Faktoring provides trade finance for a wide range of agricultural products, such as cotton, sugar, soybean, cocoa, coffee and tobacco. In addition to meeting the daily financing needs of its clients, since 2012, Ekspo Faktoring has also been offering finance against commodity liens and pre-shipment finance services with the support of its business partners located in America, Europe and the Far East.

GSM 102

For Turkish importers, agricultural product imports from the US can be term financed by the Commodity Credit Corporation (CCC) under the US Department of Agriculture's GSM 102 program. In GSM loans, the organization insures the sovereign and corporate risk while the loan is granted by the intermediary bank in the US. In the utilization stage of the loan, a sight letter of credit is opened for the importer, and following the shipment the intermediary bank in the US pays the exporter by granting loan to Ekspo Faktoring.

In this transaction, although Ekspo Faktoring is the debtor, the loan is actually extended to the importer in Turkey; this is why a credit line is allocated for this company by Ekspo Faktoring. Principal is repaid annually or semi-annually. The GSM 102 program, which encompasses a wide range of goods, is offered for a maximum term of two years. In GSM transactions, total import amount (generally for FOB value, or CIF for some goods) is lent with no obligation of an advance payment.

Offered since 2012, this program allows products such as forest products, wheat, wheat flour, semolina, rice, brown rice, feed seeds, animal feed products, protein foods, fish, vegetable oils, seeds, tallow, oil, fat, dairy products, meat, feeder cattle, cotton, cotton thread, cotton products, sowing seeds, ethanol, breeding farm animals (cattle, sheep, goat, horse - including the sperm and the embryo) and breeding poultry to be imported.

IMPORT FINANCE

Ekspo Faktoring offers intermediary services for its clients importing non-commodity products. Within this scope, the guarantee given by Ekspo Faktoring to the foreign institution against the risk of non-payment on the side of the importer clients is accepted by international banks. The guarantee provided by Ekspo Faktoring is recognized by the largest banks in the Far East, Asia, America and Europe and, if need be, a discount is applied and the supplier is paid in advance. Thanks to its international reputation and network of correspondents, Ekspo Faktoring is able to meet its clients' import finance needs swiftly.

EXPORT FINANCE

Cash flow is a common problem that many exporters face. Companies need to generate cash to finance their growth. Financing is an important issue particularly for exporters selling goods to developed and developing countries. In export finance, exporters are provided with funds at reasonable costs against current or future receivables. Furthermore, comprehensive insurance agreements made by export development agencies or private insurance companies allow long-term funding to be provided for machinery or large-scale commodity export transactions made with developing countries with a certain level of risk or countries that experience domestic turbulence, thus preventing political or credit risks that could be posed. With vast experience in this field, Ekspo Faktoring has been offering export finance since 2002.

TRADE FINANCE SOLUTIONS

Trade finance solutions involve a structure in which several products that Ekspo Faktoring offers can be utilized in combination to meet clients' needs:

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

With a team of experienced specialists, Ekspo Faktoring creates unique financing structures to help clients achieve liquidity. The Company has met its clients' financing needs with the several structuring deals it has realized until today while constantly seeking new and innovative solutions.

PAYMENT GUARANTEE

Payment guarantees are used in minimizing commercial and sovereign risks that could be posed by developing or developed countries with which open account export transactions are made.

Usually, these guarantees are used to cover the possibility of non-payment of debts that are generated by a transaction or over a period of time. Ekspo Faktoring has provided payment guarantee services to its clients since 2004.

PURCHASING TRADE RECEIVABLES

Purchasing trade receivables (factoring) is a service that Ekspo Faktoring has been providing since 2004. It involves purchasing trade rights of the seller covered by a contract and paying a specific amount to the seller in advance. This financing method provides several benefits such as retaining a strong financial structure, control and management of receivables, finding alternative financing resources, resolving undercapitalization issues, facilitating management and operation, and also maintaining a sound relationship between the Client and its Buyer in the case of undisclosed transactions.

SUPPLY CHAIN FINANCE

In recent years, supplier finance has been regarded by many foreign and Turkish CFOs as a significant tool that provides working capital and finance opportunities. Large-scale buyers that utilize the supplier finance method generate low-cost alternative financing resources for many primary product and service suppliers, giving support to them for their cash flow. Through the supplier financing method it has been using since 2009, Ekspo Faktoring provides its clients with the opportunity to make deferred payments.

ECA LOANS

Ekspo Faktoring provides exclusive services for its clients through export credit agency (ECA) loans.

US Exim Bank: Turkey sources and buys substantial amounts of agricultural raw material from the US. Under the scope of an agreement which Ekspo Faktoring signed with the US Exim Bank in 2011, the bank acts as an intermediary for industrial companies importing from the US to Turkey, with deferred payment, offering low-cost finance for imports up to six months.

Black Sea Trade and Development Bank: In 2013, Ekspo Faktoring signed a credit agreement with the Black Sea Trade and Development Bank to finance international trade for USD 5 million with a maturity of 370 days. The funds are aimed to finance import activities that Turkish companies engage in with member states of the Black Sea Trade and Development Bank and to support Turkish companies in their global export efforts. The Company extends this resource mainly to finance Turkish companies in their raw material imports from the bank's member states. This credit line, established in 2013, was doubled in 2014 to reach USD 10 million.

Turkish Eximbank: In 2015, Ekspo Faktoring became one of the first factoring companies to be allocated a credit line by the Turkish Eximbank. The Company offers post-shipment export rediscount credits through this scheme. Aiming to boost the competitive strength of its exporter clients in global markets, Ekspo Faktoring provides the most cost-effective export finance options in Turkey. While the current system was available with a maximum term of 180 days, Eximbank's Short-Term Export Credit Insurance Program now offers 360 days for exporters.

Takasbank Money Market: In 2015, a credit line of TL 45 million was established for Ekspo Faktoring by Takasbank A.Ş., enabling the Company to make transactions in the Takasbank Money Market. As an organized market, Takasbank Money Market enables intermediary institutions and banks to meet the needs of those who have surplus and/or deficit funds. Pursuant to a General Memorandum (no. 1215) issued by Takasbank A.Ş. on March 16, 2015, financial leasing, factoring and financing companies were allowed to become members of the Takasbank Money Market. The limit set for Ekspo Faktoring by Takasbank A.Ş. is utilized actively.

EKSPO FAKTORİNG IN 2017 FIGURES

TL 60 MILLION

CAPITAL

TL 445 MILLION

ASSET SIZE

USD 53 MILLION

EXPORT TURNOVER

USD 25 MILLION

IMPORT TURNOVER

81% Domestic

19% International

SHARE IN TURNOVER

TL 1.4 BILLION

TURNOVER

TL 26 MILLION

PROFIT BEFORE INCOME TAXES

TL 128 MILLION

SHAREHOLDERS' EQUITY

15%

SHAREHOLDERS' EQUITY GROWTH RATE

USD 78 MILLION

FOREIGN TRADE FINANCE

0.7%

NON-PERFORMING LOAN RATIO

78

MILLION
US DOLLARS

FOREIGN TRADE FINANCING SUPPORT

Ekspo Faktoring extends financing support for its clients' domestic and international transactions, following the market conditions closely to enrich and enhance its product range.

FINANCED TRANSACTIONS IN 2017

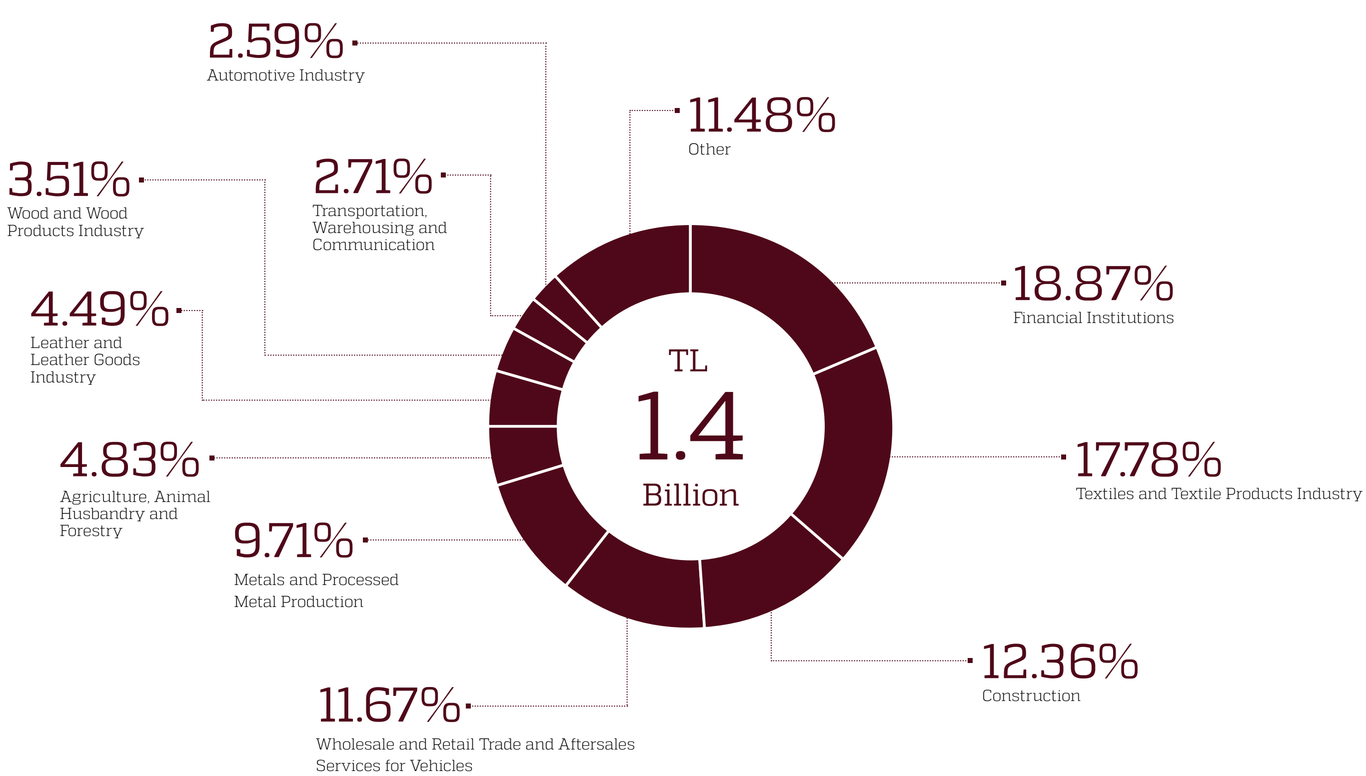
The product and service range of Ekspo Faktoring, which differentiates itself by developing innovative foreign trade products tailored for client needs, also includes traditional products for imports and exports. The foreign trade financing support extended by the Company in 2017 for clients operating in different industries amounted to USD 78 million and reached USD 330 million over the last five years.

Ekspo Faktoring, serving as a robust bridge between the Turkish private sector and domestic and foreign financing institutions, supports its clients with traditional import and export financing products as well as innovative foreign trade products shaped according to client requirements.

In line with a target focused marketing approach, the Company develops strategies to help its clients in various industries toward attaining their business goals.

In 2017, Ekspo Faktoring supported the Turkish private sector with USD 78 million in foreign trade financing, offering financing solutions to clients operating in various industries from wholesale trade and textiles to finance, construction and transportation.

FINANCED TRANSACTIONS BY INDUSTRY



FINANCED FOREIGN TRADE TRANSACTIONS IN 2017

Ekspo Faktoring offers innovative foreign trade products alongside traditional import and export financing products for its clients operating in various industries ranging from textiles and mining to information technologies, healthcare and finance sector.

EXPORT FINANCING FOR HOME TEXTILES

USD 28 million (2017)

The Turkish home textiles industry, with 5% share in global home textiles trade, is among the key export sectors for Turkey. Ekspo Faktoring continues to support the industry through medium-term financing of apparel and home textiles exports.

IMPORT FINANCING FOR TEXTILES

USD 12 million (2017)

The textiles industry, steadily growing in terms of investments and employment, creates significant tax revenues for the state with the imports they actualize. Ekspo Faktoring continues to provide import financing for major textile companies.

EXPORT FINANCING FOR TEXTILES AND APPAREL

USD 11 million (2017)

From the second half of the 1980s onward, Turkish textile exports grew significantly, becoming the most important export item. The industry creates great added value for the country's economy. Ekspo Faktoring continues to support the industry through long-term financing for apparel exports.

IMPORT FINANCING FOR COTTON AND YARN COMMODITIES

USD 7.7 million (2017)

Cotton and yarns are among the essential raw materials of the Turkish textiles and apparel industry, which drives the country's exports. Ekspo Faktoring helps importers in securing loans with favorable conditions through foreign development agencies.

EXPORT FINANCING FOR AQUACULTURE PRODUCTS

USD 7 million (2017)

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

Ekspo Faktoring contributed significantly to the country's economy through import and export financing amounting to USD 78 million in 2017.

EXPORT FINANCING FOR STEEL PRODUCTS

USD 4 million (2017)

The steel industry, which primarily produces construction steels, pipes and profiles, continues to develop high value products with new investments. Ekspo Faktoring provides export financing for the steel industry.

EXPORT FINANCING FOR MINING PRODUCTS

USD 2.2 million (2017)

Coal continues to be an important input for energy generation. Ekspo Faktoring intermediates in providing finance for coal used in industrial production as well as domestic consumption. The financing options provided in this field included letters of credit for importing coal used in industrial production and cash loans for domestic coal mining operations.

IMPORT FINANCING FOR HEALTHCARE PRODUCTS

USD 1.9 million (2017)

In 2017, businesses selling medical and healthcare products were another industry that Ekspo Faktoring supported with import financing.

IMPORT FINANCING FOR CONSUMER GOODS

USD 1 million (2017)

Ekspo Faktoring provides pre-shipment guarantees and financing services for the importation of consumer goods from China.

IMPORT FINANCING FOR IT PRODUCTS

USD 507 thousand (2017)

Information technology continues to develop very rapidly, both globally and in Turkey. Ekspo Faktoring provides important financing for companies operating in the Turkish IT products industry and successfully serving the banking sector.

FINANCIAL INDICATORS

With shareholders' equity rising up to TL 128 million, Ekspo Faktoring sustained a consistent financial performance, maintaining its customer-focused growth target. Total financed transaction volume increased 7% in 2017, reaching TL 1.447 million.

FINANCIAL INDICATORS	DECEMBER 2015 (TL THOUSAND)	DECEMBER 2016 (TL THOUSAND)	DECEMBER 2017 (TL THOUSAND)	DECEMBER 2017 (USD THOUSAND)
TOTAL ASSETS	289,850	341,704	445,314	118,060
TOTAL SHAREHOLDERS' EQUITY	97,880	111,308	127,695	33,854
PAID IN CAPITAL	60,000	60,000	60,000	15,907
NET WORKING CAPITAL	95,716	109,381	144,833	38,397
FACTORING RECEIVABLES	278,900	331,452	432,976	114,790
FACTORING PAYABLES	4,022	5,932	8,717	2,311
NET ADVANCES TO CLIENTS	274,878	325,520	424,259	112,479
BANK LOANS	185,874	221,008	304,206	80,651
TOTAL INCOME	45,827	57,672	66,725	18,325
FACTORING INCOME	42,335	56,186	64,203	17,631
GROSS PROFIT	13,050	21,304	26,064	7,158
NET PROFIT	10,424	17,028	20,887	5,736

FINANCIAL DATA (%)	DECEMBER 2015	DECEMBER 2016	DECEMBER 2017
CURRENT RATIO (TIMES)	1.50	1.50	1.40
LIQUIDITY RATIO (TIMES)	1.49	1.50	1.38
NET WORKING CAPITAL/ TOTAL ASSETS RATIO	33	32	28
LIQUID ASSETS/ TOTAL ASSETS RATIO	99	99	98
DEBTS/ASSETS (INDEBTEDNESS RATIO)	66	67	71
DEBTS/EQUITY (FINANCIAL LEVERAGE RATIO) (TIMES)	1.95	2.10	2.24
FINANCIAL LIABILITIES/ TOTAL ASSETS RATIO	64	65	71
INTEREST COVERAGE RATIO (TIMES)	1.80	1.90	1.82
AVERAGE COLLECTION PERIOD (DAYS)	91	85	91
TOTAL EXPENSES/TURNOVER RATIO	3	3	3.6
GROSS PROFIT MARGIN	15	18	15
NET PROFIT MARGIN (SALES PROFITABILITY)	5	7	7
RETURN ON EQUITY (EQUITY PROFITABILITY)	13	20	22

TOTAL TURNOVER (TL THOUSAND)

2017	1,447,965
2016	1,348,877
2015	1,123,950

TOTAL INCOME (TL THOUSAND)

2017	66,725
2016	57,672
2015	45,827

GROSS PROFIT (TL THOUSAND)

2017	26,064
2016	21,304
2015	13,050

TOTAL ASSETS (TL THOUSAND)

2017	445,314
2016	341,704
2015	289,850

TOTAL SHAREHOLDERS' EQUITY (TL THOUSAND)

2017	127,695
2016	111,308
2015	97,880

FACTORING RECEIVABLES (TL THOUSAND)

2017	432,976
2016	331,452
2015	278,900

2017 PERFORMANCE

Ekspo Faktoring, which came to the forefront of the sector with successful projects and effective solutions in 2017, strengthened its leading position by providing financial support for businesses primarily focusing on imports and exports.

STEADY GROWTH

TL 1,447 million in revenues with 7% growth

Ekspo Faktoring, which continued to maintain a perfect balance between innovative concepts and traditional banking approach in 2017, has been steadily increasing its turnover since its establishment. The Company delivered high performance by implementing successful projects while recording significant progress in all financial indicators. As of 2017 year-end, the Company's turnover reached TL 1.447 million.

Ekspo Faktoring particularly serves Turkey's top 500 companies and multinationals. Building relationships with clients based on mutual trust and a win-win approach, Ekspo Faktoring maintains its steady growth by developing unique products tailored to the financial requirements of its clients, regarded as business partners.

DOMESTIC AND FOREIGN TRADE SUPPORT

USD 78 million in foreign trade support

In 2017, Ekspo Faktoring maintained its leading position in financing exports and imports. Expanding its diverse product and service portfolio further, the Company strengthened its position in the sector by offering effective financing solutions for businesses focusing primarily on foreign trade. Last year, the Company continued to provide financial resources with a strategic perspective to help its clients achieve their targets with its experienced team of experts in financing domestic and foreign trade, and thus supported foreign trade with approximately USD 78 million in financing.

ALWAYS A MAINSTAY OF EXPORTERS

USD 53 million in export financing

Providing valuable contribution toward developing Turkey's export potential, Ekspo Faktoring strives to find new markets for export products and to offer exporters a competitive edge in international markets. The Company, which offers financial resources secured through an extensive international correspondent network to its exporter clients, stands at the forefront of the sector as a solution partner with well-defined strategies and assurances. Under the current circumstances where Turkish companies face a number of challenges while trying to sell to foreign markets, the services of Ekspo Faktoring bring important financial benefits that provide a competitive edge.

The Company, which provided USD 53 million of export financing for textiles, aquaculture products, metals and cement industries in 2017, aims to reach USD 77 million in export financing in the coming year.

DISTINGUISHED INTERNATIONAL PARTNERSHIPS

Factors Chain International member since 2004

Senior executives of the Company continued to visit international finance institutions in 2017 with the aim of establishing partnerships to further strengthen foreign connections. In 2016, Ekspo Faktoring added the Spanish bank, Banco Sabadell to its network of partnerships to support clients importing cotton from the USA into Turkey.

Ekspo Faktoring, a member of Factors Chain International (FCI), the world's largest non-bank financial services network since 2004, continued to develop its correspondent network and financial resources in 2017, thanks to strong relationships with member institutions. FCI, set up in 1968 as an umbrella organization to develop a framework for international factoring and promote best practices in international standards, has grown into a global network with close to 400 members in 90 countries. Transactions carried out by the members of the world's largest factoring network account for approximately 80% of global factoring volume.

ECONOMIC CONTRIBUTION

TL 445 million in total assets

Since day one, Ekspo Faktoring has maintained a competitive edge with a fast decision-making process and a flexible organizational structure that enables quick implementation of decisions. The Company, standing apart with innovative and pioneering practices in the sector, increased its assets 30% year on year, reaching TL 445 million in 2017. With this figure, Ekspo Faktoring is currently in a position to finance approximately 1% of the sector, aiming to increase its share in offering financing support for the Turkish economy in 2018.

RATINGS AND AUDIT QUALITY

Evaluated by international rating agencies

Ekspo Faktoring, firmly positioned in the sector with its healthy asset quality and strong shareholders' equity, 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 intervals for the assurance of audit results and ratings as set out by the European Union audit reform. Ekspo Faktoring believes that the rotation of rating agencies and audit firms will improve quality and play a preventive role against global and local financial crises seen in in recent years. The rating of a company is a highly regarded indicator in the eyes of lenders or investors, and all pricing is based on this score. The rating also contributes to the reputation of an institution. Once sufficient depth is achieved, pricing of funds to be secured from domestic money markets is based on this rating. Therefore, many local financial and non-financial institutions seek to be rated.

JCR Eurasia Rating determined the Long and Short-Term National Ratings of Ekspo Faktoring as 'A (Trk)' and 'A-1 (Trk)', respectively following the rating process which ended on January 17, 2018.

ISSUANCE OF DEBT INSTRUMENTS

TL 20 million issued

On November 27, 2017, Ekspo Faktoring was granted an issuance certificate under Capital Market Board resolution no. 43/1434, approving the issuance of debt instruments to sell to private and/or qualified investors in the domestic market without offering to the public within the total maximum limit of TL 50 million in one or multiple times within a one-year period. The Company issued the first tranche of TL 20 million.

FINANCIAL ADVANTAGES

Ekspo Faktoring, maintaining its sector leading position since its establishment with products and services tailored for its clients, continued to preserve its financial advantages in 2017 thanks to the solid financial structure of the Company.

WORLD-CLASS BUSINESS RESULTS

Ekspo Faktoring, partnering with the largest banks worldwide, is among a number of non-bank financial institutions, whose risks are purchasable. The Company continues to create resources for Turkish companies at reasonable costs based on mutual trust and transparency. For 17 years, the Company has been striving to improve and deepen relations between global companies and Turkish businesses, continuously elevating its reputation in the international arena.

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

SUCCESSFUL STRATEGIC PARTNERSHIPS

Having further strengthened its correspondent relationships with domestic and foreign banks and finance institutions in 2017, Ekspo Faktoring maintains its ascent through successful strategic partnerships. Coming closer to attaining its strategic goals now more than ever, Ekspo Faktoring has expanded its product portfolio and has become one of the most prominent financial partners, preferred by companies focused on imports/exports, with its effective foreign trade financing solutions.

Ekspo Faktoring has a financing scope of approximately USD 500 million. In 2017, Ekspo Faktoring acted as an intermediary for foreign trade financing in the amount of USD 78 million in total, now aiming at 50% growth in domestic and international transactions in 2018.

FINANCING SOLUTIONS TAILORED TO REQUIREMENTS

The products and services that Ekspo Faktoring offers within the scope of international transactions include Irrevocable Export Financing, Revocable Export Financing, Assignment of Export Letters of Credit, Import Letters of Credit, the US Department of Agriculture GSM 102 Loan, American Exim Bank, Black Sea Trade and Development Bank loans, Assignment of Export Receivables with Acceptance Credit, Import Financing and Direct Factoring. On the other hand, the Company also provides products and services for the domestic market such as Assignment of Receivables without Notice, Assignment of Receivables with Notice and Assignment of Receivables via Checks and Bonds, as well as products and services that play a key role in developing Turkey's export potential.

Since 2011, the Company has gained a significant competitive edge by placing emphasis on supplier financing, providing consultancy services on market, and industry analyses and project financing with its expertise in domestic and foreign transactions.

TURNOVER, PROFITABILITY, SHAREHOLDERS' EQUITY

Ekspo Faktoring traditionally does not distribute profits while profits are regularly added to the capital to ensure that the issued capital is increased at least by the inflation rate. The shareholders' equity of the Company, founded in 2000 with TL 1 million capital, has reached TL 128 million as of 2017 year-end. The Company has focused on sustainability since its establishment, maintaining disciplined and steady growth ever since. As of 2017 year-end, Ekspo Faktoring reached a transaction volume of TL 1.4 billion, with a turnover composed of 81% domestic and 19% international transactions. In 2017, Ekspo Faktoring earned a net profit of approximately TL 21 million, completely derived from the Company's activities. The Company carries a manageable level of maturity risk, liquidity risk and currency risk.

LEVERAGE

The Company's leverage ratio of 2.4 is among the primary factors that give Ekspo Faktoring a competitive edge. Low leverage ratio has enabled Ekspo Faktoring to develop strong relationships with domestic and international correspondents and financing organizations.

Ekspo Faktoring, carrying out its operations based heavily on its shareholders' equity, has achieved a high level of profitability through effective business processes. Pursuant to Banking Regulation and Supervision Agency (BDDK) Regulation dated 24.04.2013, non-bank finance companies are required to continuously maintain a shareholders' equity/total assets ratio of minimum 3%. This ratio was recorded around 28% at Ekspo Faktoring.

ASSET QUALITY

Ekspo Faktoring's non-performing loan level fares well below the sector average. While the ratio of non-performing loans for the sector as a whole was 3.5% in 2017, this ratio was 0.7% for Ekspo Faktoring. Furthermore, 98% of the Company's receivables are revocable. The Company takes utmost care to ensure that a single debtor's debt does not exceed 10% of that client's total outstanding risk. This is a clear indication of the Company's high asset quality and the reliability of its rating system.

Ekspo Faktoring continuously improves its risk evaluation system by using methods applied by leading international rating agencies with the aim of assessing its financial receivables in a healthy and consistent manner. The Company adds low-risk clients to its portfolio to maintain the asset quality above sector average.

ASSET SIZE

Ekspo Faktoring's asset size reached TL 445 million as of 2017 year-end. With its industry expertise, strong funding structure and qualified human resources, the Company generates fast and effective solutions in line with client expectations and requirements, serving numerous domestic and foreign businesses operating in different industries with this approach. Ekspo Faktoring regards its clients as long-term and loyal business partners, structuring its resources secured from domestic and foreign banks with advantageous terms and conditions to offer financing tailored to client expectations.

Ekspo Faktoring's goal for 2018 is to reach TL 600 million in loans. With its financial advantages confirmed by international rating agencies, Ekspo Faktoring aims to maintain its profitability as well as its strong support for the real sector by developing fast and cost-effective solutions for its clients in 2018.

GLOBAL ECONOMY

Global economy surpassed expectations and grew by 3.7% in 2017. It is expected to maintain this trend and grow by around 3.9% annually in 2018 and 2019.

SIGNS OF IMPROVEMENT IN GLOBAL ECONOMY

The rise of nationalistic tendencies, anti-immigrant political climate, the US discourse and actions that have created deep conflicts with its allies, power struggles among Russia, the US and China, and their ensuing disputes regarding Syria, North Korea and the South China Sea served as uncertainties that effected the global economy in 2017. The investments, which have been favoring emerging markets in the aftermath of the 2008 crisis, have been heading back to developed markets in the recent years with the influence of the interest rate rising monetary policies of the FED and the European Central Bank.

The US maintained its gradual money tightening strategy and raised its policy rate three times in 2017 to reach 1.25-1.50% level. In the current environment, where economic activity and the labor market fare strongly and the moderate increase in spending continues, the US economy performed well with a 2.3% growth in 2017. Inflation at the end of the year was recorded as 2.1%, moving in line with the medium term target of 2%. In 2018, the policy rate is again expected to be raised three times up to the 2-2.25% level.

The potential effects of the 2017 tax reform introduced in the US include an increase in foreign debt. However, the real impact of this reform will become clearer in 2018, leading to possible updates in the country's monetary policy. On the other hand, the scale of Russia's involvement in the last presidential election and investigations into its direct links with Trump, as well as the outcome of these investigations and the political polarization observed in the country might bring about serious political developments, which are hard to predict. Such a development in the US where the country increasingly alienates itself from the world would pose a risk for the global economy. Overall, the global economy, which surpassed expectations and grew by 3.7% in 2017, is estimated to maintain the trend at similar rates in 2018 and 2019, growing at a rate of around 3.9%. Meanwhile, in the Euro Zone, the inflation rate was recorded as 1.4% in 2017. Furthermore, Bank of Japan announced that the expansionary monetary policy would continue with 2% inflation targeted for medium term.

EURO ZONE

The Euro Zone achieved its highest performance since 2008, growing by 2.5% in 2017. The Zone economy is expected to grow around the same rate in 2018.

The economy, which gained momentum in 2017, owes its growth to increasing domestic demand, exports, and sufficiency of borrowing resources, low inflation rates and monetary policies promoting growth.

MAJOR EUROPEAN ECONOMIES

The UK only grew by 1.5% in 2017, mainly due to the environment of uncertainty in the aftermath of the Brexit vote. France and Germany recorded growth rates of 2% and 2.2%, respectively, showing better performance than the UK economy.

The general anticipation for 2018 is similar to that in 2017, as the UK's growth is expected to slow further down to 1% with the continued effect of Brexit while French and German economies are expected to perform at the same levels.

CHINESE ECONOMY

The Chinese economy grew by 6.9% in 2017, recording a year-on-year increase in growth rate for the first time since it started contracting in 2011. The continued global interest in Chinese goods at a time when construction activities have slowed down and property prices have escalated to unsustainable levels, as well as companies high profits from high commodity prices and the Government's infrastructure spending at levels similar to previous years, all had a positive impact on the growth of the economy.

The inflation rate was 1.6%, slowing down compared to 2% of 2016. In 2018, the Chinese economy is anticipated to grow at a rate of 6.5% with a similar performance to that manifested in 2017. China's dollar reserves, USD 3 trillion at the beginning of 2017, remained at a similar level throughout the year and ended the year at USD 3.1 trillion.

EMERGING MARKETS

In 2017, the Indian economy grew by 6.7%, remaining below the 7.1% growth recorded in 2016. The IMF anticipates the Indian economy to grow by 7.4% in 2018 and 7.9% in 2019. The incremental raises in the policy interest rates by the US and other developed countries provide a volatile impact in developing economies.

OIL AND COMMODITY PRICES

Oil prices rose nearly 23%, reaching USD 65 per gallon by the end of 2017. The main reasons causing this increase were OPEC regulating production according to demand, global economy's growth exceeding expectations, and favorable trends in the financial markets. The commodity price index fluctuated throughout the year and completed 2017 at around the same level as in 2016. Overall, oil and commodity prices are not expected to fluctuate significantly in 2018, with only an average increase of 5% projected.

2018 EXPECTATIONS

The World Bank announced in January 2018 that the global economy was expected to grow by 3.1% in 2018. The IMF, on the other hand, stated around the same time that the annual growth in global production was expected to be circa 3.9% for both 2018 and 2019. According to the World Bank, the average growth rate anticipated in developed countries and emerging economies would be 2.2% and 4.5%, respectively.

Keeping in mind that the year 2018 will be the first year when global production will reach 100% capacity utilization rate since the global financial crisis of 2008, the economists state that implementation of the required capacity increase programs will provide resources for future growth and that this is an opportunity not to be missed. On the other hand, increasing geopolitical risks, growing tensions particularly between the US and other countries, trade and economic sanctions and the developments in countries and territories such as Syria, North Korea and South China Sea are factors likely to have a negative impact on the growth projection.

TURKISH ECONOMY

Turkish economy demonstrated strong growth performance in 2017 as unemployment declined, but the inflation rate reached double digits.

GROWTH BEYOND EXPECTATIONS

The strong growth performance that Turkey demonstrated in 2017 exceeded the forecasts of international institutions and organizations including the International Monetary Fund (IMF), World Bank, Moody's and Fitch. With 11.1% growth in the third quarter, Turkey became the fastest growing economy in the world for that period. In the first and the second quarters, Turkish economy grew by 5.3% and 5.4%, respectively, and the growth recorded in the third quarter was the highest performance captured since the 11.6% rate recorded in the third quarter of 2011.

In the same period, Turkey also outperformed China and India, the top two G20 countries. In 2017, the current account deficit increased by USD 14.5 billion to reach USD 47.1 billion. Meanwhile, international net foreign direct investment inflow decreased by 18.8% year-on-year to USD 10.83 billion. On the other hand, foreign trade deficit increased by 36.9%, amounting to USD 76.8 billion.

CURRENT DEFICIT INCREASE

The ratio of current account deficit to GDP was recorded as 5.5%, which was 3.8% higher than in 2016. The Central Bank of the Republic of Turkey (TCMB) maintained its disciplined monetary policy aiming to lower the inflation and foreign exchange rates, both of which showed rising trends in 2017. Furthermore, budget expenditures increased by 16% to reach TL 677 billion while budget revenues increased by 13.8% to TL 630 billion, resulting with a budget deficit of TL 47 billion in line with expectations.

Tax revenues, which accounted for 85% of budget revenues, increased by 16.8%. The largest portion of the TL 77 billion increase in total tax revenues, which amounted to TL 536 billion, came from the rise in import VAT with TL 22.8 billion. Meanwhile, central government gross debt stock amounted to TL 876.5 billion, consisting of TL 535.4 billion in local currency and TL 341 billion in foreign currencies.

EXPORTS AND IMPORTS

Exports and imports reached USD 157.94 billion and USD 234.16 billion, growing annually by 10.2%, and 17.9%, respectively. As foreign trade volume increased by 14.7% to USD 391.25 billion, foreign trade deficit also increased by 37.5% to USD 77.63 billion with an exports-to-imports ratio of 67.1%.

INFLATION ON THE RISE

In 2017, consumer price index (CPI) inflation rate reached 11.92%, nearly double the 6.5% level projected by the Ministry of Development in the Medium-Term Plan. The main spending groups that recorded highest increases in 2017 were transportation with 18.2%, food and non-alcoholic beverages with 13.8%, miscellaneous goods and services with 12.8% and household goods with 12.7%. On the other hand, producer price index (PPI) based inflation rate reached its highest level since it was first calculated in 2005, closing the year at 15.47%.

High levels of inflation rate and developments in core inflation indicators continued to pose risks for pricing behavior. In this framework, the TCMB Monetary Policy Committee decided to tighten the monetary position. Starting on November 22, 2017, the whole TCMB funding was based on Late Liquidity window (GLP), and on December 14, 2017, the GLP weighted average cost of funds was increased by approximately 50 basis points to 12.75%. The Committee furthermore raised Late Liquidity Window interest rate from 12.25% to 12.75% while keeping the marginal funding rate at 9.25%.

TCMB raised the weighted average cost of funds, which was 8.28% on the first trading day of 2017, by 447 basis points to 12,75% with changes in the funding composition throughout the year. With the resolution of the Monetary Policy Committee on March 7, 2018, all the rates mentioned here were kept at the same levels.

LOWER UNEMPLOYMENT

The economic growth seen in 2017 after the unfavorable political and economic developments of 2016 led to positive developments in unemployment. According to Turkish Statistical Institute (TÜİK) data, unemployment declined from 11.1% in 2016 to 10.4% in 2017. The total number of unemployed people was 3.291 million while workforce participation ratios were 71.7% for men and 33.5% for women, respectively.

TURKEY STABLE IN CREDIT RATINGS

In 2016 and January 2017, rating agencies Standard & Poor's (S&P), Fitch and Moody's downgraded Turkey's credit rating to below 'investment' level. Fitch maintained Turkey's rating at BB+ in January 2018, and rated the country's outlook as stable. S&P and Moody's did not revise Turkey's credit rating in the updates they released at various intervals.

2018 EXPECTATIONS

In 2018, the economy agenda will be largely shaped by Trump's policies, the FED's interest rate decisions, the credit bubble in China and the UK's exit from the E.U.. In Turkey on the other hand, most important agenda items of 2018 expected to affect economic performance will most likely be geopolitical risks, financing the current account deficit and high inflation rates.

Considering that the TCMB maintains its tight monetary policy position with the aim of dealing with inflation, which consistently fares above the targeted rates, economic growth in 2018 would likely be lower than 2017. While Fitch expects economic growth to be at 3.9% in 2018, the World Bank predicts this rate as 3.5%.

ECONOMIC DATA

The growth rate of the Turkish economy, which declined to 2.9% in the previous year, jumped to 7.4 with record increase in 2017. Meanwhile, GDP at current prices increased to TL 3,105 billion in 2017.

BANKING INDUSTRY TOTAL ASSETS (TL BILLION)

2017	3,258
2016	2,731
2015	2,357

GROSS DOMESTIC PRODUCT (CURRENT PRICES) (TL BILLION)

2017	3,105
2016	2,590
2015	1,954

BANKING SECTOR NET PROFIT (TL BILLION)

2017	49.1
2016	37.5
2015	26.0

GROSS DOMESTIC PRODUCT GROWTH RATE (CURRENT PRICES) (%)

2017	19.0
2016	10.8
2015	11.7

IMPORTS (USD BILLION)

2017	234.2
2016	198.6
2015	207.6

EXPORTS (USD BILLION)

2017	157.1
2016	142.6
2015	143.9

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

Turkish exports amounted to USD 157.94 billion with an increase of 10.2% in 2017, while imports reached USD 234.16 billion, increasing by 17.9%.

CONSUMER PRICE INDEX (%)

2017	11.92
2016	8.53
2015	8.81

GROWTH RATE OF THE TURKISH ECONOMY (%)

2017	7.4
2016	2.9
2015	4.0

CAPITAL INFLOW EXCEPT RESERVES (USD BILLION)

2017	42.5
2016	27.9
2015	25.9

GROSS DOMESTIC PRODUCT PER CAPITA (USD)

2017	10,597
2016	10,807
2015	9,261

UNEMPLOYMENT RATE (%)

2017	10.4
2016	11.1
2015	10.3

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

EVOLUTION OF BANKING IN TURKEY

In the Turkish banking sector, which dates back to the 19th century, 47 banks are operational as of 2017, serving with 10,550 branches and 193,504 employees. The banking sector recorded 19.3% increase in total assets, successfully maintaining profitability and growth.

DEEP-ROOTED BANKING TRADITION

The Turkish banking system is built on a deep-rooted banking tradition dating to the 19th century. The economic life shaped during the last period of the Ottoman Empire was heavily influenced by the economic structure of the European countries. With the establishment of foreign banks, followed by Ottoman Bank in 1863, money and capital markets began to develop in the modern sense.

Following the declaration of the Second Constitutionalist Monarchy Period, national banks that relied on domestic capital grew in number. That period, which ended with the War of Independence, is significant in Turkish history as a time of gaining experience in banking.

At the Turkish Economy Congress, which convened four months prior to the signing of the Treaty of Lausanne, the economic targets of the Republic were set, 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 aims to avoid deficits in the state budget.

DEVELOPMENT PERIOD IN NATIONAL BANKING

Following the proclamation of the Republic, several banks were established through government incentives to promote national banking. The Central Bank of the Republic of Turkey (TCMB) was founded in 1931. After the Great Depression that led to economic collapse worldwide, government interventions were seen in banking. Starting with this period, the weight of public banks increased in Turkey.

After World War II, government control over the economy began to loosen as a new development policy led by the private sector started to prevail. Private sector banking flourished in this period, and with the transition to multi-party 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

The first half of the 1960s saw 15 banks closing and going into liquidation. The banking system was once again under government control. Until the 1980s, the Turkish economy maintained an isolated outlook with the governments adjusting interest rates and exchange rates without much consideration for international markets.

From 1980 onward, liberalization was introduced in the financial system and the economy reopened to international markets. As the financial system expanded with rapid economic growth, the banking sector began integrating with international banking and financial systems. Several international banking institutions including commercial, investment and retail banks started operations in Turkey and established partnerships with Turkish banks while major Turkish banks opened branches and established new banks abroad.

THE BIRTH OF FOREIGN EXCHANGE MARKETS

With the regulations that came into force in 1989, money markets and foreign currency markets were established and investors began to turn to foreign currency. However, the Treasury and TCMB fell short in balancing this new trend. In this competitive environment where the number of banks multiplied and the market itself determined the interest rates, exacerbated with the influence of globalization, the banking system faced a crisis.

With TCMB lacking sufficient reserves to intervene in a timely and efficient manner, the banking and financial crisis of 1994 spread and became a threat for the entire banking sector and the economy. The main reason for the banking sector to be so seriously affected by the 1994 crisis was the drop in profitability due to the low exchange rate-high interest rate policies of 1989-1993 being no longer in place.

INTRODUCTION OF FACTORING

The first factoring activities in Turkey began in 1988 with transactions carried out by the banks. In 1990, the first authorized factoring company was founded. Factoring, which is the leading sector in the non-banking financial segment with an important role in diversifying and developing financial services, began to develop rapidly from the second half of the 2000s onward.

Turkey entered the new millennium in an environment of major economic decisions. In February 2001, another economic crisis unfolded with the decline of confidence in financial markets. Consequently, the money and foreign currency policies projected in the Disinflation Program of 2000 were abandoned and a flexible exchange rate system was adopted on February 22, 2001, effectively bringing the disinflation program to an end.

IMPACT OF CRISES ON BANKING

The 2000-2001 crisis caused significant damage on the financial system, and particularly the Turkish banking system. The “Restructuring Program for the Banking System”, introduced in the aftermath of the crisis under the supervision of the IMF, marked the start of a reform 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 among the struggling banking sectors in other emerging and developed countries. As a matter of fact, Turkey happened to be the only OECD member state not to extend any type of open or discreet public support to the banking sector after the 2008-2009 crisis.

THE SECTOR’S SUSTAINABLE GROWTH

The sector has grasped the importance of introducing regulations for its sustainability by identifying the issues in the system in a timely manner and resolving them quickly and efficiently. A strong economy can only be possible through a growing and healthy finance sector. In a country like Turkey with resource deficits, having a strong banking sector is essential for using financial savings in the most economically efficient way. Establishing such a financial system depends mainly on the level of confidence in the system itself, and macroeconomic balances supported by political stability.

As of year-end 2017, there are 47 banks including 34 deposit banks along with participation and development - investment banks in the banking sector, operating with 10,550 branches and 193,504 employees. The banking sector recorded 19.3% increase in total assets, successfully maintaining profitability and growth in 2017.

OVERVIEW OF THE BANKING SECTOR IN 2017

The Turkish banking sector maintained its stable position with the help of fast economic growth and the increase in loans in 2017. The sector's annual profit increased by 30.8% to reach TL 49.1 billion.

CONSISTENT PERFORMANCE

In 2017, the banking sector saw an increase in return on equity, which had long been faring at low levels, with the help of fast economic growth and increase in loans. Equity increased 19.6% to TL 359.1 billion in 2017 with the addition of retained profits while average return on equity increased 1.5 points to 14.7%.

The Turkish banking sector sustained its healthy growth in 2017 with an increase of approximately 19.3% in total assets. With this growth, total assets reached TL 3,257 billion. Total loans amounted to TL 2,098 billion, accounting for 64.4% of the assets. As of year-end 2017, the sector's interest income and interest expenses reached TL 194.7 billion and TL 103.4 billion, respectively, with the sector earning TL 37.5 billion in net profits for the period. The increase in credit supply and demand with the support of KGF (Credit Guarantee Fund) was the most important driving force of the sector. The capital adequacy ratio of the banking sector was recorded as 16.9% as of year-end 2017 while net profit increased by 30.8% on annual basis.

KGF-SUPPORTED INCREASE IN LOAN SUPPLY AND DEMAND

The increase in credit supply and demand with the support of KGF aided the annual growth of total loan volume by 20.6%. In addition to the strong growth in loans, total assets of the banking sector also increased by 19.3% on an annual basis, reaching TL 3.258 billion.

The sector's profits increased by 30.8% in 2017 to reach TL 49.1 billion. Return on assets rose from 1.50% to 1.63% and return on equity from 14.3% to 16.0% compared with the year before. As in the previous years, deposits were the main funding source of the banking sector in 2017. The sector continued to meet additional resource requirements by issuing securities and through foreign credits. In this respect, the sector did not face any difficulties in securing funds from abroad. Long-term external debt rollover ratio was 96% as of November 2017 according to cumulative data of the last 12 months.

DEVELOPMENTS IN THE FACTORING SECTOR

In the last two years, factoring companies acted as intermediary for exporters through Eximbank for low-cost financing of USD 755 million from TCMB resources. The ratio of checks in factoring transactions continued to decline. In 2017, open account transactions made up 55% of the total turnover of TL 145 billion. Moreover, total amount of e-billed transactions in total factoring transactions exceeded those with printed invoices (non-e-bill) for the first time in 2017.

The e-billing rate, which was 45% in 2016, rose to 53% in 2017. This development is important in that it shows the advanced level of digitalization in the factoring sector. In the upcoming period, the TARES (Movable Collateral Registry) system and MFKS (Central Invoice Registration System) will begin to work in integration, pursuant to a protocol signed between Association of Financial Institutions (FKB) and the Turkish Ministry of Customs and Trade. The integration of these systems will enable the commercial pledges to be seen in the MFKS system as well. From now on, it will be possible to query and compare on a virtual platform the data in MFKS, where the commercial receivables taken over by banks and factoring companies under Law No. 6361 are registered, and the data in TARES, where commercial pledges are recorded.

In the factoring sector, 61 companies registered with the Association of Financial Institutions (FKB) operate with 388 branches in total, providing jobs for 4,778 employees as of end of 2017. The transaction volume of the sector increased 4.1% annually to reachTL 144.7 billion, consisting of TL 117.4 billion in domestic funding, TL 24.2 billion in export financing and TL 3.1 billion in import financing. Factoring receivables increased by 34.2% to reach TL 41.6 billion while asset size increased by 32.1% to TL 43.7 billion.

STRONG AND ROBUST SECTOR STRUCTURE

Total loan amount in the banking sector was up 21% from the previous year, reaching TL 2,098.2 billion in 2017. The sector maintained a low ratio of nonperforming loans but overdue receivables increased annually by 10% to climb to TL 64.0 billion. While 2.95% of the loans turned into non-performing loans, securities portfolio rose by 14.3% to TL 400.8 billion. The annual increases in deposits and non-deposits were recorded as 17.7% and 21.6% in 2017, respectively.

While the annual growth rate of equity increased from 14.5% in 2016 to 19.6% in 2017, the share of equity in total liabilities was 11%. With a capital adequacy ratio of 16.9%, the sector performed better than regulatory ratios.

2018 EXPECTATIONS

Turkish economy, with the help of incentives aimed at supporting economic activity, as well as the base effect and the implementation of KGF in particular, demonstrated strong growth in 2017. Preserving fiscal discipline in the medium and long term will be essential to ensure sustainable development. The anticipation for this period is that economic growth would be largely dependent on domestic demand while the economic outlook in our main export markets, especially in the E.U. states, would continue to support export performance. While potential increases in oil prices may cause upward pressure on the current account deficit, continued recovery observed in tourism revenues may help to keep this effect under control.

On the inflation side, it would be fair to state that the course of the TL, volatility in food prices, oil prices and developments in domestic demand would continue to play a key role in the rates. Sustainable healthy growth with a view to ensuring asset quality will continue to be the priority target of the Turkish banking sector just like it was in the previous years. The steps toward normalization of monetary policies in many developed countries are expected to continue in 2018 and the increase in interest rates to be gradual. This would lead to investors' interest in emerging economies to fluctuate but continue in the first half of the year.

Moreover, the possibility of a gradual decline in portfolio flows toward Turkey and other countries exposed to geopolitical risks might lead to cost increases due to higher foreign exchange and interest rates and also cause an increase in resource costs in the banking sector in the second half of 2018. On the other hand, the new equity ratios within the scope of Basel III reforms will lead to a rise in the cost of capital and to more emphasis on ensuring liquidity.

BASIC HIGHLIGHTS OF THE FACTORING SECTOR

(TL MILLION)

	DECEMBER 2015	DECEMBER 2016	DECEMBER 2017	INCREASE (%)
INTERNATIONAL TURNOVER	22,946	20,032	27,337	36.5
DOMESTIC TURNOVER	94,886	102,664	117,399	14.4
TOTAL TURNOVER	117,833	122,695	144,737	18.0
RECEIVABLES IN FOREIGN CURRENCY	2,617	4,088	4,467	9.3
RECEIVABLES IN TL	22,367	26,947	38,081	41.3
TOTAL RECEIVABLES	24,984	31,036	42,548	34.0
LOANS AND BORROWINGS	21,285	26,899	36,195	34.6
SHAREHOLDERS' EQUITY	4,587	5,082	5,781	13.8
TOTAL ASSETS	26,685	33,080	43,715	32.1
PRE-TAX PROFIT	387	670	930	38.8
NON-PERFORMING FACTORING RECEIVABLES (GROSS)	1,467	1,505	1,500	-0.3
SPECIAL PROVISIONS	1,196	1,283	1,318	2.7
NON-PERFORMING FACTORING RECEIVABLES (NET)	271	222	182	-17.9
NON-PERFORMING FACTORING RECEIVABLES (GROSS/SHAREHOLDERS' EQUITY, %)	32.0	29.6	25.9	-12.4
NON-PERFORMING FACTORING RECEIVABLES (NET/SHAREHOLDERS' EQUITY, %)	5.9	4.4	3.2	-27.8
SPECIAL PROVISIONS/ASSETS (%)	4.5	3.9	3.0	-22.3

Reference: The Association of Financial Institutions

INTERNAL AUDIT AND FINANCIAL CONTROL

Ekspo Faktoring carries out its operations in compliance with the Regulation on Financial Leasing, Factoring and Financing Companies while fully respecting transparency and accountability principles of governance. The Internal Audit and Financial Control Team is responsible for ensuring that internal audits and financial control activities are conducted regularly, efficiently and effectively.

RELIABLE AND TRANSPARENT MANAGEMENT THROUGH INTERNAL AUDITS

Internal audit includes all methods and measures that aim to protect the assets of a company through an organizational plan, investigate the accuracy and reliability of accounting information, improve the efficiency of operations and promote commitment to pre-defined management policies. Ekspo Faktoring takes utmost care to ensure that an effective internal audit system is in place in order to reach its goals and to demonstrate the reliability of its financial statements in compliance with predefined policies and legislative/administrative regulations.

Audits, risk management and financial control are priority areas for finance companies that compete in the international arena and aim for sustainable development and growth. Ensuring that there are sufficient and auditable internal controls can be a very effective tool for managing current assets and growth-related risks. The Capital Markets Board (SPK), the Banking Regulation and Supervision Agency (BDDK) and Risk Center of the Banks Association of Turkey (TBB Risk Center) require businesses to conduct audits and risk management activities.

INTERNAL AND EXTERNAL AUDITS BY TEAMS OF EXPERTS

Since the very beginning, Ekspo Faktoring has always prioritized full compliance with transparency and accountability principles through internal and external audits performed by the Financial Control Department and international independent audit firms. The Company protects its financial data and information through internal and external audits without ever compromising these principles.

The internal and external audits at Ekspo Faktoring are conducted by teams of experts in their respective fields while two separate independent audit firms, among the leading international companies, conduct tax and financial statement audits. Furthermore, necessary notifications are regularly submitted to the BDDK and the Ministry of Finance, and two separate Independent Audit Reports are prepared using the International Financial Reporting Standards (IFRS) and BDDK formats.

AUDIT INTEGRITY AND EFFICIENCY

The Internal Audit and Financial Control Department serves to ensure 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 is responsible for making sure that the information in the books, records and data systems are readily available. The Internal Audit Department is further responsible for auditing the activities, which employees on all levels are required to perform in order for the Company to function seamlessly within the governance and organizational structure defined by the Board of Directors and Senior Management.

The Internal Audit and Financial Control Department operates with two key people, the Internal Audit and Financial Control Manager, and the Internal Audit and Financial Control Analyst. The results of independent operational, financial and other controls performed by the department are reported to the management concurrently.

COMPREHENSIVE RESEARCH AND ANALYSES

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

Financial Control, on the other hand, involves inspecting financial statements prepared in compliance with IFRS and BDDK standards, preparing all quarterly Non-Bank Financial Institutions Supervision System reports and submitting them to BDDK and obtaining confirmation that these reports are imported to the database.

The Internal Audit and Financial Control Department is also responsible for creating the Company's budget forecasts through macro- and micro-economic analyses, preparing relevant reports and presenting them to the Board of Directors.

COMPLIANCE WITH LAWS AND REGULATIONS

Since January 9, 2008, non-bank finance companies have been included as obliged parties within the scope of Law No. 5549 on Prevention of Laundering Proceeds of Crime and the related regulation (26751). The Company management appoints tasks to the Internal Audit Department to take informative and preventive measures in accordance with MASAK notices and the provisions of the regulation. Pursuant to regulation no. 26999 of September 16, 2008, the Board of Directors has appointed the duties of the Compliance Officer to the Internal Audit and Financial Control Manager.

The Compliance Officer attends the trainings delivered by the Association of Financial Institutions and MASAK, and informs the employees about important seminar notes to consider. Law No. 6698 on Protection of Personal Data (KVKK) was published in the Official Gazette No. 29677 of April 7, 2016. The obligated parties were given two years until April 7, 2018 for full compliance after the KVKK came into force. Ekspo Faktoring fulfills its obligations under this law.

CUSTOMER FOLLOW UP

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

PROFESSIONAL AND PERSONAL DEVELOPMENT WITH TRAININGS

The Internal Audit and Financial Control Department is furthermore responsible for convening the Internal Audit Committee at regular intervals and implementing the resolutions reached by the Committee. The Department also manages the projects requested by Senior Management to improve the current system and presents them to the employees. The Department identifies the types of training the employees would need for their professional and personal development, ensuring that relevant content is prepared, trainers are selected and trainings are provided. Moreover, it performs background checks of persons and organizations in lists of banned and suspected persons and organizations published by international authorities (such as U.N., OFAC, E.U. Black Lists).

RISK MANAGEMENT

Ekspo Faktoring established the sector's first rating system in 2009 with the aim of achieving unconditional success in all its endeavors through effective risk management. Similar to the previous years, the Company once again operated with a non-performing loan ratio much lower than the sector average in 2017.

EFFECTIVE RISK MANAGEMENT

Effective risk management is a key factor in achieving sustainable success. Implementing an effective risk management system is particularly important in the finance sector, where it is essential for institutions to survive. Every finance company that intends to carry a healthy risk portfolio and to fully collect its receivables in a timely manner should systematically manage the processes after taking a risk. Identifying and defining the risks that the Company could face and carrying out proactive control and management activities against these risks are key and essential steps to take toward strategic goals.

ANALYTICAL RISK MEASUREMENT

International standards and regulations require finance companies to use scientific, numerical and systematic risk measurement techniques. However, these measurements and technical methods are usually only used to calculate statutory requirements rather than in making concrete, up-to-date assessments. Companies need more tangible data, industry expertise, personal experience and market intelligence when assessing the risk of working with a specific firm and the possibility of nonperforming loans. Given the widespread off-the-books practices in Turkey in particular and accountability issues in bookkeeping, diligent risk assessment is essential.

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

COMPREHENSIVE ASSESSMENT OF RISK FACTORS

At Ekspo Faktoring, credit risk analyses, which play an important role in the decision-making processes, are regularly reported to the management while company policies are defined by taking all possible risks into consideration. 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.

The Company manages its lending policy with a dynamic and proactive approach by monitoring the possible portfolio risks using various parameters and developing scenarios according to different models. Before taking any risks, issues such as the establishment date and history of a company, its field of operation, industry experience of executives and partners, shareholders' equity structure and funding potential are taken into account.

INTERNATIONAL STANDARDS IN RISK ASSESSMENT

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

Conducting healthy risk assessments in accordance with international standards is of utmost importance for Ekspo Faktoring. The Senior Management has worked extensively in order to boost the efficiency of risk monitoring activities and to develop an effective risk assessment system. The new system, developed with the assistance of consulting firms, was adapted to a rating application in international standards in late 2008. Since early 2009, all Ekspo Faktoring clients are analyzed using the new client rating system.

REGULAR MONITORING

Ekspo Faktoring takes utmost care in ensuring the quality of the assigned loans and constantly monitors its receivables. The Company effectively uses the check drawing report and risk reports, which were initially offered to the use of non-bank finance companies by Kredi Kayıt Bürosu (KKB - Credit Bureau) in late 2012 and later continued by the Risk Center of the Banks Association of Turkey. The services 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, biweekly and monthly as part of its risk monitoring activities, and also uses the combined risk follow up system where combined risks are listed and changes can be reported.

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

CONTEMPORARY APPROACH

Aiming to maintain its asset quality above sector average, Ekspo Faktoring acts prudently and with due diligence while forming its credit portfolio. For this process, the Company benefits from the experience of the Risk Assessment Department, specialized in financial analysis methods and techniques. The financial analysis and intelligence team within the Risk Assessment Department follows the latest techniques and regularly attends credit, financial analysis and intelligence trainings provided by professional training institutions to stay up-to-date.

The Risk Assessment Committee evaluates clients that apply for financing according to various criteria including financial position, industry, operational risks and market intelligence. The Committee convenes twice a week, or more frequently if necessary, to evaluate and finalize client requests in maximum two days, and holds interim meetings in critical situations that require immediate attention. In the meetings, the Company Assessment Report, prepared in light of financial analysis and market intelligence, is discussed. At the end of this process, the credit line allocation request presented to the Risk Assessment Committee is either approved or declined.

DATA BANK WITH A BROAD SCOPE

As the vast data bank of the Company is constantly developed in terms of content and quality, Ekspo Faktoring refers to this extensive data bank not only for credit line allocation decisions, but also for the development and implementation of marketing strategies. The data bank contains detailed and complementary information such as client information, payment habits and check drawing performance.

Ekspo Faktoring utilizes the sector and company information in its data bank while allocating credit lines. The analyses conducted by the Company review the Turkish lira and foreign currency positions of the subject companies, taking Basel III criteria as basis for evaluating market risks. The reports generated as a result of these intensive and diligent efforts are presented to the Company's senior management.

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MILLION
TURKISH LIRAS

ASSET SIZE

Focused on growing its asset size since its establishment in 2000, Ekspo Faktoring maintains its sustainable growth by promoting corporate governance principles and employing a transparent management approach.

CORPORATE GOVERNANCE

Ekspo Faktoring considers institutionalizing all business processes as an essential principle, operates with transparency and ethical values, and adopts a "new traditional banking" approach.

TRANSPARENCY AND COMMITMENT TO ETHICAL VALUES IN CORPORATE GOVERNANCE

Ekspo Faktoring accepts the principles of transparency, fairness, equality, responsibility and accountability as the cornerstones of the corporate culture, striving to carry out all business processes with a professional management approach. Aiming to maintain its privileged position in the Turkish finance sector and creating value for all its stakeholders and clients in particular, Ekspo Faktoring acts with the awareness and responsibility of serving as an institutionalized company across all stages of its operations.

Ekspo Faktoring, with its commitment to transparency and ethical values, continues to improve its reputation further in the sector. These values support and improve the Company's consistent profitability and efficiency while rendering the corporate structure sustainable.

ACTIVE AND EFFECTIVE COMMITTEES

Ekspo Faktoring strives to ensure that the corporate governance approach is adopted in the same standards across all departments, and to further reinforce corporate culture. Improving the organization in a sustainable manner is a key objective with committees functioning effectively since the foundation of the Company.

The Asset-Liability Committee (ALCO), Risk Assessment Committee, Liquidity Committee, Information Technologies Committee and Human Resources Committee provide valuable contribution to healthy and efficient business processes.

INDEPENDENT AUDIT

Ekspo Faktoring is audited by an international independent audit firm twice a year, with the first half audit conducted in limited scope. In order to sustain the transparency of the audit results, the Company switches to a different independent audit firm every seven years.

The financial statements of Ekspo Faktoring are reviewed quarterly by an independent audit firm. Meanwhile, tax audits are conducted by a different firm. Even though the Company is not open to public, there are two independent directors serving on the Board of Directors.

INFORMING THE PUBLIC CLEARLY AND ACCURATELY

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

Ekspo Faktoring is at the forefront of the sector with its effective organizational structure. Thanks to this structure, the Company operates in a fast and effective manner, combining its advantages with its technological infrastructure and maintaining an important competitive edge. It aims to achieve corporate targets together with its employees and therefore invests in trainings and advanced systems.

INFORMATION TECHNOLOGIES

Ekspo Faktoring is at the forefront of the sector both in terms of operational speed, efficiency and customer satisfaction, thanks to continuous investments aimed at reinforcing its well equipped and up-to-date technological infrastructure.

UP-TO-DATE AND RELIABLE TECHNOLOGICAL INFRASTRUCTURE

Ekspo Faktoring understands how important information technologies are in operating fast and efficiently, and therefore makes continuous investments to keep its well equipped, reliable and rich system infrastructure up-to-date. The Company believes in the importance of expertise and meets its information technology requirements by procuring from experienced and reliable external sources that provide good service.

The major investments that Ekspo Faktoring makes by considering the latest technological innovations include maximum-security servers maintained up-to-date all the time, a Disaster Recovery Platform for continuity with minimum loss during disasters, applications to run updates of operating systems first on the test platform, comprehensive backup procedures, and logging and reporting on all levels from basic to highest.

RELIABLE RECOVERY SYSTEM

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

Ekspo Faktoring uses Facto 2000, a software package developed by a company specialized in financial software according to the latest requirements of the sector. This package enables running marketing, client relations and accounting activities in coordination. Clients can also access Ekspo Online to submit queries about various transactions and check the status of their accounts.

ANOTHER FIRST IN THE SECTOR

In 2012, Ekspo Faktoring started using the SWIFT system, an interbank medium of secure information transfer, and became the first company in the factoring sector to communicate with banks and international finance organizations via this system.

The Company renewed all of its system infrastructures including the servers, in 2014 with the aim of increasing operational speed and efficiency, and made new investments to further strengthen data security as required by the Risk Center of the Banks Association of Turkey in 2016. With these investments, Ekspo Faktoring took steps for logging and creating test environments by doubling its virtual platform capacity, and centralized the management of technological infrastructure. The firewall product was renewed while a device that prioritizes security principles more was preferred.

EKSPO FAKTORING ON THE WEB

Ekspo Faktoring is represented online by **www.ekspofaktoring.com**, the corporate website that plays an important role in transparent and consistent communication with clients. The website, with an infrastructure designed with the latest technology, offers clients the opportunity to view their checks in collection, account statements, risk balances and other relevant information any time. It also provides partners access to the Company on a transparent platform where public disclosures are shared.

Ekspo Faktoring was the first factoring company to implement the check viewing system on its corporate website, reinforcing the control mechanism for both the clients and the Company. While continually updating online services, the Company also strives to develop new projects to serve its clients in even higher standards. With corporate website fully revamped in 2013, Ekspo Faktoring now provides services for clients and investors more easily and effectively.

A NEW APP IN 2018: FINMOBILE

Ekspo Faktoring aims to offer different products and services in every field where technology and finance intersect. Currently, the Company is in the process of introducing another first in Turkey. The R&D activities for the FinMobile app are ongoing and the application is planned to be launched in 2018. FinMobile will be a pioneering step in the factoring sector and it will assist in bringing a number of other innovations to life.

HUMAN RESOURCES

Ekspo Faktoring considers human resources as one of the Company's greatest assets. With more professional experience and expertise than the sector average, the Company's employees set it apart from the competition. Ekspo Faktoring provides its employees with continuous development opportunities to improve both professionally and personally while creating business processes that make a difference.

SKILLED AND QUALIFIED WORKFORCE

The qualified human resource at Ekspo Faktoring consists of 32 employees with more professional experience and expertise than the sector average. Ekspo Faktoring invests regularly in human resources in line with its sectoral development and healthy growth strategy, ensuring the sustainability of its corporate structure and achievements.

It always values team spirit and believes that establishing an inclusive corporate culture boosts employee satisfaction. The Company therefore maintains high employee retention and satisfaction rates with average employment duration of seven years.

STRICT RECRUITMENT PROCESS

The Human Resources Department, in line with the primary goals and strategies of Ekspo Faktoring, assumes responsibility for many processes from orientation of new employees to professional training programs. Improving the professional skills, increasing the motivation and expanding the horizons of employees are considered the prerequisites of providing high-quality service for clients.

In the recruitment process, criteria such as having a university degree, speaking a foreign language, having past experience in the banking sector, specializing in one's specific field and the ability to represent the company are considered to ensure that the quality of employees is maintained above sector average.

WORK ENVIRONMENT OPEN TO DEVELOPMENT

The Company supports employees for attending training programs and sectoral events that could contribute to their professional and personal development and promotes a work environment open to progress. The training programs coordinated by Ekspo Faktoring Academy in partnership with the Association of Financial Institutions, the FCI (Factors Chain International - the largest non-bank financial services network in the world), private consultancy companies and also the ICC (International Chamber of Commerce) in Turkey, offer the employees continued development opportunities.

The training programs are carried out in many different fields in order to increase the technical and personal capacities of the employees while the trainings and seminars are designed according to their needs. Participation in trainings and seminars on new regulations and practices, is also encouraged.

MOTIVATIONAL PRACTICES

The Human Resources Committee convenes annually in December as part of the performance appraisal process, which aims at comprehensive measuring/assessment of targets and skills. Performance appraisal considers several criteria such as professional know-how, cooperation abilities, client/human relations, representation skills, sense of responsibility, personal development, problem solving skills, taking initiative and making decisions, and quality and quantity of the work. This process, which reveals encouraging outcomes in terms of motivation and work discipline, and ensures that employees' contribution to corporate success is evaluated, also forms an analytical basis for promotions, salaries and incentives.

EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 AND INDEPENDENT AUDITOR'S REPORT

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ekspo Faktoring A.Ş.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ekspo Faktoring A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
Recognition, Classification, Measurement, and Accounting of Impairment on Factoring Receivables The Company's factoring receivables are comprised of import and export receivables amount to 432,976 Thousand TL, follow-up loans amount to 3,233 Thousand TL and impairment amount to 3,233 Thousand TL. Details on receivables are disclosed in note 11. The Company may not determine and account for impairment on factoring receivables correctly and timely. Due to the factoring receivables being the major balance sheet item and the main business activity of the Company, results of the risks mentioned above may have a significant effect on balance sheet and profit loss statement.	**Audit procedures applied for the determined risk;** We assessed design and implementation of the significant controls over the impairment of the factoring receivables. We selected our samples based on audit methodology and our experience and we tested classification of factoring receivables. The Company booked full provision for impaired receivables so we did not need to further test for impairment.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Müjde Aslan.

DRT Bağımsız Denetim ve SMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

İstanbul, 13 March 2018

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position as on 31 December 2017

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

	Notes	31 December 2017	31 December 2016
Assets			
Cash and cash equivalents	10	4,140	4,447
Derivative financial assets	21	1,374	684
Factoring receivables	11	432,976	331,452
Other assets	12	1,407	945
Investment properties	14	1,069	1,095
Tangible assets	15	1,262	1,416
Intangible assets	16	54	79
Deferred tax assets	9	3,032	1,586
Total assets		**445,314**	**341,704**
Liabilities			
Borrowings	17	285,466	221,008
Debt securities issued	18	18,740	-
Derivative financial liabilities	21	567	508
Factoring payables	19	8,717	5,932
Other liabilities	20	1,656	1,493
Income taxes payable	9	1,692	795
Reserve for employee severance payments and unused vacation pay liability	22	781	660
Total liabilities		**317,619**	**230,396**
Equity			
Share capital	23	60,000	60,000
Adjustment to share capital	23	279	279
Legal reserves	23	12,482	11,466
Retained earnings		54,934	39,563
Total shareholders' equity		**127,695**	**111,308**
Total shareholders' equity and liabilities		**445,314**	**341,704**
Commitments and contingencies	25	-	-

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2017

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

	Notes	1 January-31 December 2017	1 January-31 December 2016
Factoring interest income		58,366	52,632
Factoring commission income, net		5,837	3,554
Income from factoring operations		**64,203**	**56,186**
Interest expense on bank borrowings		(26,227)	(23,659)
Interest expense on debt securities issued		(195)	-
Derivative trading profits, net		630	156
Foreign exchange gains / (losses), net		1,838	803
Interest income other than on factoring interest income	5	54	26
Other income		-	501
Interest, commission and foreign exchange income, net		**40,303**	**34,013**
Personnel expenses	7	(9,685)	(8,145)
Administrative expenses	8	(3,486)	(2,890)
Provision for impaired factoring receivables, net	11	(814)	(1,372)
Depreciation and amortisation expenses	14, 15 and 16	(254)	(302)
Profit before income taxes		**26,064**	**21,304**
Income tax expense	9	(5,177)	(4,276)
Profit for the year		**20,887**	**17,028**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**20,887**	**17,028**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Changes in Equity for the Year Ended 31 December 2017

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

	Notes	Share Capital	Adjustment to Share Capital	Legal Reserves	Retained Earnings	Total Equity
Balances at 1 January 2016		**60,000**	**279**	**10,878**	**26,723**	**97,880**
Total comprehensive income for the year						
Profit for the year		-	-	-	17,028	17,028
Total comprehensive income for the year		**-**	**-**	**-**	**17,028**	**17,028**
Transfer to legal reserves		-	-	588	(588)	-
Dividend paid		-	-	-	(3,600)	(3,600)
Total		**-**	**-**	**588**	**(4,188)**	**(3,600)**
Balances at 31 December 2016	**23**	**60,000**	**279**	**11,466**	**39,563**	**111,308**
Balances at 1 January 2017		**60,000**	**279**	**11,466**	**39,563**	**111,308**
Total comprehensive income for the year						
Profit for the year		-	-	-	20,887	20,887
Total comprehensive income for the year		**-**	**-**	**-**	**20,887**	**20,887**
Transfer to capital		-	-	-	-	-
Transfer to legal reserves		-	-	,016	(1,016)	-
Dividend paid		-	-	-	(4,500)	(4,500)
Total		**-**	**-**	**1,016**	**(5,516)**	**(4,500)**
Balances at 31 December 2017	**23**	**60,000**	**279**	**12,482**	**54,934**	**127,695**

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Cash Flows
for the Year Ended 31 December 2017

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

	Notes	1 January-31 December 2017	1 January-31 December 2016
Cash Flows From Operating Activities:			
Profit for the year		20,887	17,028
Adjustments for:			
Depreciation and amortisation expense	14 15 and 16	280	302
Provision for employee severance payments	22	196	174
Other expense/(income) accruals		4,612	(895)
Deferred and income taxes	9	5,177	4,276
Interest income		(58,420)	(52,658)
Interest expenses		26,227	23,659
Provision for impaired factoring receivables	11	814	1,372
Unrealized foreign currency exchange gain		(216)	(595)
Changes in fair value of derivative financial instruments	21	(631)	(47)
Changes in factoring receivables and payables		**(1,074)**	**(7,384)**
Factoring Receivables and Payables		(96,962)	(50,459)
Changes in other assets		(6,775)	(181)
Changes in other liabilities		(2,974)	604
Employee severance paid	22	(104)	(129)
Taxes paid	9	(5,726)	(4,165)
Interest received		58,420	51,446
Proceeds from recoveries of impaired factoring receivables	11	431	364
Net cash provided by / (used in) operating activities		**(54,764)**	**(9,904)**
Cash Flows From Investing Activities:			
Acquisition of property and equipment	15	(75)	(20)
Acquisition of intangible assets	16	-	(22)
Net cash used in investing activities		**(75)**	**(42)**
Cash Flows From Financing Activities:			
Interest paid		(22,984)	(21,781)
Debt issued		18,740	-
Changes in loans and borrowings		63,060	33,444
Dividends paid	23	(4,500)	(3,600)
Net cash (used in) / provided from financing activities		**54,316**	**8,063**
Effect of changes in foreign exchange rate on cash and cash equivalents		216	595
Net increase / (decrease) in cash and cash equivalents		**(307)**	**(1,288)**
Cash and cash equivalents at 1 January		**4,447**	**5,735**
Cash and cash equivalents at 31 December	**10**	**4,140**	**4,447**

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Ekspo Faktoring Anonim Şirketi ("the Company") was incorporated in Turkey to provide factoring services to industrial and commercial firms and registered to Turkish Trade Registry on 2 June 2000.

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

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

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

The Company's head office is located at Maslak Mah. Maslak Meydan Sok. No: 5/B Spring Giz Plaza B Blok Sarıyer-İstanbul/Türkiye.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of compliance

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

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

(b) Basis of measurement

The financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. They are prepared on the historical cost basis, except for derivatives which are measured at fair value, adjusted for the effects of inflation during the hyperinflationary period lasted till 31 December 2005.

(c) Functional and presentation currency

The financial statements are presented in TL, which is the Company's functional currency. All financial information presented in thousand TL is rounded to the nearest digit.

(d) Use of estimates and judgements

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

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (Continued)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Accounting in hyperinflationary economies

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

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

(b) Foreign currency transactions

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

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

	2017	2016
USD	3.7719	3.5192
EURO	4.5155	3.7099
GBP	5.0803	4.3189
CHF	3.8548	3.4454

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise factoring receivables, other assets, cash and cash equivalents, bank borrowings, debt securities, factoring payables and other liabilities.

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

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

Cash and cash equivalents

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

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

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

Factoring receivables

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

Borrowings

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

Other

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (Continued)

(ii) Derivative financial instruments

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

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

(iii) Share capital

Ordinary shares

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

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

(d) Investment property

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

(e) Assets held for sale

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

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Tangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Furniture and fixtures	5 years
Motor vehicles	5 years

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

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

(g) Intangible assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Employee benefits

(i) Reserve for employee severance payments

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

The assumptions used in the calculation are as follows:

	31 December 2017	31 December 2016
Net discount rate	4.69%	3.44%
Expected salary / limit increase	6.50%	7.50%

(ii) Short-term benefits

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

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

(j) Provisions

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

(k) Offsetting

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

(l) Related parties

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue and cost recognition

(i) Factoring interest and commission income

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

(ii) Factoring commission expense

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

(iii) Other income and expenses

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

(iv) Financial income / expenses

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

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

(n) Income tax

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

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

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

Tax rate used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years (2016: 20%).

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

New and Revised International Financial Reporting Standards

a) Amendments to IFRSs that are mandatorily effective from 2017

Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses [1]
Amendments to IAS 7	Disclosure Initiative [1]
Annual Improvements to IFRS Standards 2014 -2016 Cycle	IFRS 12 [1]

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

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 7 Disclosure Inıtiative

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to IFRS Standards 2014–2016 Cycle

IFRS 12: IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal company that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Company's interests in these entities are classified, or included in a disposal company that is classified, as held for sale.

IFRS 9	Financial Instruments [1]
IFRS 15	Revenue from Contracts with Customers [1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 16	Leases [2]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions [1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration [1]
Amendments to IAS 40	Transfers of Investment Property [1]
Annual Improvements to IFRS Standards 2014–2016 Cycle	IFRS 1 [1], IAS 28 [1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures [2]

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

[2] *Effective for annual periods beginning on or after 1 January 2019.*

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

New and Revised International Financial Reporting Standards (continued)

Annual Improvements to IFRS Standards 2014–2016 Cycle (continued)

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

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

New and Revised International Financial Reporting Standards (continued)

IFRS 9 Financial Instruments (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Annual Improvements to IFRS Standards 2014–2016 Cycle

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below. The package also includes amendments to IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after 1 January 2017 (see section 1A above for details).

- **IFRS 1:** The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.

- **IAS 28:** The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

- **Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures**

  - This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
  - The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company's financial statements.
  - The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Statement of cash flows

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

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

(q) Events after the reporting period

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

(r) Segment reporting of financial information

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

4. DETERMINATION OF FAIR VALUES

Fair value hierarchy

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

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

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

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

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	1,374	-	1,374
	-	**1,374**	**-**	**1,374**
Derivative financial liabilities	-	567	-	**567**
	-	**567**	**-**	**567**

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

4. DETERMINATION OF FAIR VALUES (CONTINUED)

Fair value hierarchy (continued)

31 December 2016	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	684	-	**684**
	-	**684**	**-**	**684**
Derivative financial liabilities	-	508	-	**508**
	-	**508**	**-**	**508**

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

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

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

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

	2017		2016	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	4,140	4,140	4,447	4,447
Factoring receivables	432,976	432,976	331,452	331,452
Financial liabilities				
Bank borrowings	285,466	285,466	221,008	221,008
Debt issued	18,740	18,740	-	-
Factoring payables	8,717	8,717	5,932	5,932
Other liabilities	1,656	1,656	1,493	1,493

Fair value is estimated to approximate carrying value.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

5. INTEREST INCOME OTHER THAN FACTORING OPERATIONS

As at and for the years ended 31 December, interest income other than factoring operations are as follows:

	2017	2016
Interest income on bank deposits	48	26
Interest income from securities	6	-
	54	**26**

6. OTHER INCOME

For the year ended 31 December 2017, other income comprised of mediation income amounting to 0 TL (2016: 501 TL).

7. PERSONNEL EXPENSES

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

	1 January-31 December 2017	1 January- 31 December 2016
Salary expenses	7,240	6,889
Bonus payment	842	-
Social security premium employer's share	712	628
Insurance expenses	431	245
Transportation expenses	169	164
Meal expenses	137	128
Unemployment security employer's share	53	47
Others	101	44
	9,685	**8,145**

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

8. ADMINISTRATIVE EXPENSES

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

	1 January-31 December 2017	1 January- 31 December 2016
Rent expenses	1,018	851
Legal expenses	331	449
Depreciation and amortization expense	280	302
IT related expenses	306	261
Audit and consultancy expenses	290	216
Provisions for employee termination benefits expense	196	174
Subscription fees	183	164
Travel expenses	111	153
Vehicle expenses	145	135
Taxes and duties other than on income	103	94
Communication expenses	62	85
Presentation expense	91	67
Other	622	238
	3,740	**3,192**

9. TAXATION

As at 31 December 2017, corporate income tax is levied at the rate of 20% (2016: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15^{th} and 30^{th} Articles of the Law no. 5520 on the Corporate Tax, was redefined according to the Cabinet Decision numbered 2006/10731, which was announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those which are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

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

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

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

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

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

9. TAXATION (CONTINUED)

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

	2017		2016	
	Amount	**%**	**Amount**	**%**
Reported profit before income taxes	26,064		21,304	
Taxes on reported profit per statutory tax rate	(5,213)	(20)	(4,261)	(20)
Permanent differences:				
Non-taxable expenses/deductions	36		(15)	
Income tax expense	**(5,177)**		**(4,276)**	

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

	2017	2016
Current tax expense	6,623	4,529
Deferred tax expense	(1,446)	(253)
Income tax expense	**(5,177)**	**(4,276)**

In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the statement of financial position.

The taxes payable on income at 31 December comprised the following:

	2017	2016
Taxes on income	6,623	4,529
Less: Corporation taxes paid in advance	(4,931)	(3,734)
Income taxes payable	**1,692**	**795**

For the years ended 31 December 2017 and 2016, movement of the Company's net deferred tax assets and liabilities is as follows:

	2017	2016
Opening balance	1,586	1,333
Deferred tax income recognized in profit or loss	1,446	253
Closing balance	**3,032**	**1,586**

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

9. TAXATION (CONTINUED)

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

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

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Unearned interest income	13,720	7,215	3,018	1,443
Reserve for employee severance payments	624	532	125	106
Reserve for employee permission payments	157	128	31	26
Prepaid commissions	419	665	93	133
Deferred tax assets	**14,920**	**8,540**	**3,267**	**1,708**
Derivative financial instruments	288	348	58	70
Tangible assets, and intangible assets	807	176	177	35
Prepaid commissions	-	85	-	17
Deferred tax liabilities	**1,095**	**609**	**235**	**122**
Deferred tax assets (net)			**3,032**	**1,586**

For the years ended 31 December 2017 and 2016, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2017 and 2016, there are no unrecognised deferred tax assets and liabilities. Future profit projections and potential tax planning strategies have been taken into consideration during assessment of recoverability of deferred tax assets.

10. CASH AND CASH EQUIVALENTS

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

	2017	2016
Demand deposits at banks	4,140	4,447
Total cash and cash equivalents	**4,140**	**4,447**

As at 31 December 2017, there is not any blockage on bank deposits (31 December 2016: None).

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

11. FACTORING RECEIVABLES

At 31 December, factoring receivables comprised the following:

	2017	2016
Domestic factoring receivables	392,468	272,884
Export and import factoring receivables	54,228	65,783
Impaired factoring receivables	3,233	4,247
Factoring receivables, gross	449,929	342,946
Unearned factoring interest income	(13,720)	(7,215)
Allowance for impaired factoring receivables	(3,233)	(4,247)
Factoring receivables	**432,976**	**331,452**

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

	2017	2016
Customer notes and cheques	256,217	169,996
Mortgage	19,092	14,177
Suretyship	3,974,022	2,639,959
Total	**4,249,331**	**2,824,132**

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

	2017	2016
Balance at the beginning of the year	4,247	4,401
Sold loans (*)	(1,828)	(1,526)
Provision for the year	1,245	1,736
Recoveries during the year	(431)	(364)
Balance at the end of the year	**3,233**	**4,247**

(*) The Company has sold non-performing loans amounting to 1,828 TL with %100 provision at the price of 0.5 TL (31 December 2016: 1,526 TL-1 TL)

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

	2017	2016
Overdue 1 to 3 months	1,245	354
Overdue 3 to 12 months	-	1,351
Overdue over 1 year	1,988	2,542
	3,233	**4,247**

12. OTHER ASSETS

As at 31 December, other assets are as follows:

	2017	2016
Prepaid expenses	540	410
Others	867	535
	1,407	**945**

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

13. ASSETS HELD FOR SALE

As at 31 December 2017, there are no assets classified as held for sale. (2016: None).

14. INVESTMENT PROPERTIES

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2017 is as follows:

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Buildings	1,344	-	-	1,344

	1 January 2017	Year Charge	Disposals	31 December 2017
Less: Accumulated Depreciation				
Buildings	249	26	-	275
Net carrying value	**1,095**			**1,069**

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Buildings	1,344	-	-	1,344

	1 January 2016	Year Charge	Disposals	31 December 2016
Less: Accumulated Depreciation				
Buildings	226	23	-	249
Net carrying value	**1,118**			**1,095**

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.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

14. INVESTMENT PROPERTIES (CONTINUED)

Fair value measurement of the Company's investment properties

The fair value of the investment property of the Company is determined by an independent real estate appraisal company as of 31 December 2017 and 2016. The appraisal company has the appropriate qualification and experience for the valuation of property. The expertise report was prepared in accordance with International Valuation Standards and by considering the market prices of the similar properties around the same locations with the related properties.

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

	Carrying vlue			Fair value as at 31 December 2017
	31 December 2017	Level 1 TL	Level 2 TL	Level 3 TL
Commercial property	1,069	-	-	4,400

	Carrying value			Fair value as at 31 December 2016
	31 December 2016	Level 1 TL	Level 2 TL	Level 3 TL
Commercial property	1,095	-	-	4,000

15. TANGIBLE ASSETS

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2017 is as follows:

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Motor vehicles	1,833	-	-	1,833
Furniture and fixtures	606	56	(34)	628
Leasehold improvements	345	-	-	345
Others (*)	831	19	-	850
Total cost	**3,615**	**75**	**-**	**3,656**

	1 January 2017	Year charge	Disposals	31 December 2017
Less: Accumulated depreciation				
Motor vehicles	1,396	195	(34)	1,557
Furniture and fixtures	462	56	-	518
Leasehold improvements	341	4	-	341
Total accumulated depreciation	**2,199**	**255**	**-**	**2,416**
Net carrying value	**1,416**			**1,262**

(*) Other item included tables which are not subject to depreciation.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

15. TANGIBLE ASSETS (CONTINUED)

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Motor vehicles	1,833	-	-	1,833
Furniture and fixtures	586	20	-	606
Leasehold improvements	345	-	-	345
Others (*)	831	-	-	831
Total cost	**3,595**	**20**	**-**	**3,615**

	1 January 2016	Year charge	Disposals	31 December 2016
Less: Accumulated depreciation				
Motor vehicles	1,201	195	-	1,396
Furniture and fixtures	406	56	-	462
Leasehold improvements	337	4	-	341
Total accumulated depreciation	**1,944**	**255**	**-**	**2,199**
Net carrying value	**1,671**			**1,416**

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

As at 31 December 2017, total amount of insurance on tangible assets is 3,108 TL (31 December 2016: 3,009 TL) and total amount of insurance premium on tangible assets is 39 TL (31 December 2016: 31 TL). As at 31 December 2017 and 2016, there is no pledge on tangible assets.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

16. INTANGIBLE ASSETS

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2017 is as follows:

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Rights	261	-	-	261

	1 January 2017	Current yearcharge	Disposals	31 December 2017
Less: Accumulated amortisation				
Rights	182	25	-	207
Net carrying value	**79**			**54**

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2016 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Rights	239	22	-	261

	1 January 2016	Current year charge	Disposals	31 December 2016
Less: Accumulated amortisation				
Rights	158	24	-	182
Net carrying value	**81**			**79**

As at 31 December 2017 and 2016, the Company does not have any internally generated intangible assets.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

17. BORROWINGS

As at 31 December, borrowings are as follows:

		2017		
			TL amount	
	Original Amount	**Nominal Interest Rate (%) (*)**	**Up to 1 year**	**1 year and over**
TL	230,203	13.24 – 16.25	230,203	-
TL (**)	3,601	5	3,601	-
USD	2,244	0.5- 2.95	10,140	-
EUR	10,837	1.63 – 5.26	41,519	-
GBP	-	-	3	-
Total			**285,466**	**-**

		2016		
			TL amount	
	Original Amount	**Nominal Interest Rate (%) (*)**	**Up to 1 year**	**1 year and over**
TL	148,209	10.48-13.10	148,209	-
TL (**)	10,492	3.60-3.65	10,492	-
EUR	3,523	0.5-2.95	13,077	-
USD	13,778	1.23-4.19	48,823	-
GBP	93	0.75-3.13	407	-
Total			**221,008**	**-**

(*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2017 and 2016.

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

As at 31 December 2017, the Company has cheques and promissory notes amounting to 412,168 TL (31 December 2016: 308,831 TL) given as collateral against its outstanding bank borrowings.

18. DEBT SECURITIES ISSUED

As of 31 December 2017, debt securities issued is follow (31 December 2016: None) ;

			31 December 2017		
	Currency	**Maturity**	**Interest Rate**	**Notional Amount**	**Book Value**
Bond(*)	TL	5 June 2018	%15.24	20,000	18,740
				20,000	**18,740**

(*) The company issued debt with nominal amount to 20,000 TL and interest rate 15.24% with maturity 5 June 2018. Debt book value is 18,740 TL.

19. FACTORING PAYABLES

As at 31 December, factoring payables comprised the following:

	2017	**2016**
Domestic factoring payables	8,717	5,932
Total	**8,717**	**5,932**

Factoring payables represent the amounts collected on behalf of but not yet paid to the factoring customers at the reporting date.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

20. OTHER LIABILITIES

As at 31 December, other liabilities comprised the following:

	2017	2016
Taxes and duties other than on income tax	698	456
Trade payables to vendors	383	295
Unearned income	419	665
Social security payables	84	77
Total	**1,656**	**1,493**

21. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

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

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

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

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Currency swap purchases and sales	1,374	567	684	508
	1,374	**567**	**684**	**508**

As at 31 December 2017 and 2016, the details of derivative transactions are presented in Note 25.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

22. PROVISION FOR EMPLOYEE SEVERANCE INDEMNITY

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of 4.732,48 TL at 31 December 2017 (2016: 4.297,21 TL) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

	2017	2016
Balance at the beginning of the year	**532**	**487**
Interest cost	18	18
Service cost	180	140
Paid during the year	(104)	(129)
Actuarial difference	(2)	16
Balance at the end of the year	**624**	**532**

Provision for employee benefis	**2017**	**2016**
Unused vacation liability	157	128
	157	**128**

Unused Vacation Liability Movement

	2017	2016
Balance at the beginning of the year	128	199
Current charge (benefit)	29	(71)
	157	**128**

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

23. CAPITAL AND RESERVES

23.1. Paid-in capital

At 31 December 2017the Company's nominal value of authorized and paid-in share capital amounts to 60,000,000 TL (2016: 60,000,000 TL) comprising registered shares of par value of TL 1 each. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL as of 31 December 2005.

As at 31 December, the composition of the authorized and paid-in share capital are as follows:

	2017		2016	
	Share (%)	**TL**	**Share (%)**	**TL**
M. Semra Tümay	49.00	29,400	49.00	29,400
Murat Tümay	25.50	15,300	25.50	15,300
Zeynep Ş. Akçakayalıoğlu	25.50	15,300	25.50	15,300
Share capital	100%	60,000	100%	60,000
Adjustment to share capital		279		279
Total share capital		**60,279**		**60,279**

23.2. Legal Reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital.

23.3 . Dividends

According to the decisions made at the extraordinary general assembly meeting held on 12 January 2017 and 6 July 2017 the Company has decided to distribute dividend to shareholders amount to 2,000 TL and 2,500 TL, respectively. As of 31 December 2017 all dividend amounts paid to shareholders.

According to the decision based on the extraordinary general assembly meeting held on 8 January 2018, the Company has decided to distribute dividend to shareholders amount to 2,400 TL and all amounts has been paid.

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

24. RISK MANAGEMENT DISCLOSURES

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

- credit risk
- market risk
- liquidity risk

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

Credit risk

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

At 31 December 2017, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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

	2017	%	2016	%
Financial Services	103,195	24	63,988	19
Construction	57,757	13	30;369	9
Retail and wholesale trade	47,543	11	56,476	17
Iron, steel, coal, petroleum, other mines	39,311	9	25,262	8
Leather industry	32,617	8	19,436	6
Textiles	29,769	7	57,478	17
Agriculture and ranching	29,046	7	29;927	9
Wood and wooden products	20,038	5	24,561	7
Transportation, storage and communication	19,560	5	6,317	2
Tourism	15,829	4	-	0
Electrical equipment	10,651	2	1,115	0
Non-metal industry	5,898	1	2,102	1
Machinery and equipment	5,034	1	333	0
Food, beverages and tobacco	4,620	1	543	0
Chemicals and pharmaceuticals	3,292	1	4,847	1
Cultural, recreational and sports activities	2,543	1	646	0
Rubber and plastic goods	2,422	1	6,402	2
Computer and computer equipment	1,086	0	1,436	0
Researching, consulting and advertising	801	0	-	0
Other	1,964	0	214	0
	432,976	**100.00**	**331,452**	**100.00**

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

24. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Credit risk (Continued)

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

As at 31 December 2017 and 2016, details of the financial assets exposed to credit risk are as follows:

	2017	2016
Cash at banks	4,140	4,447
Factoring receivables, net	432,976	331,452
Derivative financial assets	1,374	684

24. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Market risk

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

Interest rate risk

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

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

	31 December 2017				31 December 2016			
	USD (%)	EURO (%)	GBP (%)	TL (%)	USD (%)	EURO (%)	GBP(%)	TL (%)
Assets								
Factoring receivables	6.21	2.30	4.21	19.69	3.79	1.20	3.86	17.19
Liabilities								
Borrowings	4.17	0.68	-	15.56	3.24	0.84	0.76	11.60
Debt issued	-	-	-	15.24	-	-	-	-

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

24. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Market risk (Continued)

Interest rate profile

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

	Carrying Amount	
Fixed rate instruments	**2017**	**2016**
Factoring receivables	123,310	185,019
Loans and borrowings	230,204	148,209
Floating rate instruments		
Factoring receivables	309,666	146,433
Loans and borrowings	55,262	72,799
Debt Issued	18,740	-

Cash flow sensitivity analysis for variable rate instrument

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

	Profit or (loss)	
	100 bp increase	**100 bp decrease**
2017		
Floating rate instruments	159	(159)
2016		
Floating rate instruments	76	(76)

Fair value sensitivity analysis for fixed rate instruments

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

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

Foreign currency risk

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

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

	31 December 2017	31 December 2016
A. Foreign currency monetary assets	60,129	79,170
B. Foreign currency monetary liabilities	(62,898)	(77,034)
C. Derivative financial instruments	807	176
Net foreign currency position (A+B+C)	**(1,962)**	**2,312**

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Notes to the Financial Statements
as at and for the Year Ended 31 December 2017

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

24. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

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

31 December 2017				
	USD	**Euro**	**GBP**	**Total**
Foreign currency monetary assets				
Cash and cash equivalents	2,959	1,029	55	4,043
Factoring receivables	43,182	11,083	1,812	56,077
Other assets	4	-	5	9
Total foreign currency monetary assets	**46,145**	**12,112**	**1,872**	**60,129**
Foreign currency monetary liabilities				
Loans and borrowings	45,120	10,140	3	55,263
Factoring payables	2,920	2,666	1,821	7,407
Other payables	76	150	2	228
Total foreign currency monetary liabilities	**48,116**	**12,956**	**1,826**	**62,898**
Net on balance sheet position	**(1,971)**	**(844)**	**46**	**(2,769)**
Off balance sheet net notional position	807	-	-	807
Net position	**(1,164)**	**(844)**	**46**	**(1,962)**

31 December 2016				
	USD	**Euro**	**GBP**	**Total**
Foreign currency monetary assets				
Cash and cash equivalents	4,095	53	118	4,266
Factoring receivables(*)	57,873	14,003	3,024	74,900
Other assets	4	-	-	4
Total foreign currency monetary assets	**61,972**	**14,056**	**3,142**	**79,170**
Foreign currency monetary liabilities				
Loans and borrowings(**)	59,315	13,077	407	72,799
Factoring payables	534	995	2,695	4,224
Other payables	5	3	3	11
Total foreign currency monetary liabilities	**59,854**	**14,075**	**3,105**	**77,034**
Net on balance sheet position	**2,118**	**(19)**	**37**	**2,136**
Off balance sheet net notional position	176	-	-	176
Net position	**2,294**	**(19)**	**37**	**2,312**

(*) 1,957 TL Amounting Factoring Receivables which is foreign currency indexed has been included. (2016: 9,117 TL)
(**) 3,601 TL Amounting loans which is foreign currency indexed has been included (2016: 10,492 TL).

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

24. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Market risk (Continued)

Foreign currency sensitivity analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2017 and 2016 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2017 and 2016 remain constant.

TL	Profit/(Loss) 2017	Profit/(Loss) 2016
USD	(116)	229
EURO	(84)	(2)
GBP	4	4
Total	**(196)**	**231**

(*) Equity effect includes profit or loss effect.

Liquidity risk

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

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

	31 December 2017					
	Carrying Amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**313,306**	**316,288**	**189,900**	**126,388**	**-**	**-**
Loans and borrowings	285,466	287,188	180,800	106,388	-	-
Debt issued	18,740	20,000	-	20,000		
Factoring payables	8,717	8,717	8,717	-	-	-
Other liabilities	383	383	383	-	-	-
Derivative financial liabilities	**807**	**824**	**236**	**588**	**-**	**-**
Inflow	1,374	44,589	28,578	16,011	-	-
Outflow	(567)	(43,765)	(28,342)	(15,423)	-	-

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

24. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Liquidity risk (Continued)

	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	**227,235**	**230,536**	**167,904**	**62,632**	**-**	**-**
Loans and borrowings	221,008	224,309	161,677	62,632	-	-
Factoring payables	5,932	5,932	5,932	-	-	-
Other liabilities	295	295	295	-	-	-
Derivative financial liabilities	**176**	**347**	**180**	**167**	**-**	**-**
Inflow	684	9,115	8,497	618	-	-
Outflow	(508)	(8,768)	(8,317)	(451)	-	-

Capital management

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

25. COMMITMENTS AND CONTINGENCIES

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

Letters of guarantee	**2017**	**2016**	**2012**
Given Guarantees and suretyship for the benefit of customer	19,092	14,177	-
Total	**19,092**	**14,177**	**739,631**

As at 31 December 2017, the Company has given cheques and notes amounting to 412,168 TL (2016: 308,831 TL) as collateral against its outstanding bank borrowings.

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

	31 December 2017		**31 December 2016**	
	TL	**FC**	**TL**	**FC**
Forward purchases	21,906	22,683	3,862	4,300
Forward sales	22,925	20,840	3,681	4,299
	44,831	**43,523**	**7,543**	**8,599**

Currency: Thousands of Turkish Lira ("TL") unless otherwise stated

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As at 31 December 2017 and 2016, the details of the Company's items held in custody is as follows:

	2017	2016
Customers' Cheques	388,226	282,729
Customers' Notes	200,811	93,881
Mortgages	4,559	4,076
	593,596	**380,686**

26. RELATED PARTY DISCLOSURES

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

Balances with related parties

Transaction with related parties	1 January- 31 December 2017	1 January- 31 December 2016
General administrative expenses		
M. Semra Tümay - rental expense	986	821
	986	**821**

Top management fees and rights:

As of 31 December 2017 the company paid amount to 5,815 TL to Board of Directors and top management (31 December 2016: 5,007 TL).

27. EVENTS AFTER THE REPORTING PERIOD

According to the decision based on the Extraordinary General Assembly Meeting held on 8 January 2018, the Company has decided to distribute dividend to shareholders amounting to 2,400 TL and all amounts has been paid.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261.

The 20% corporate tax rate, will be applied as 22% for entities' corporate income for the years 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To accounting years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.

MANAGEMENT

MURAT TÜMAY
GENERAL MANAGER

ERHAN MERAL
ASSISTANT GENERAL MANAGER

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