EKSPO FAKTORİNG 2019

ANNUAL REPORT

EKSPO Faktoring A.Ş.

CONTENTS

GÜRBÜZ TÜMAY
HONORARY CHAIRMAN

MURAT TÜMAY
CHAIRMAN OF THE BOARD & GENERAL MANAGER

A strong foundation based on a deep-rooted banking tradition and a quarter century of industry experience, know-how with an innovative outlook, consistency with the promise of a sustainable future, pursuit of tomorrow's dynamics, trusted relations that support firm steps into the future, transparent management approach, robust financial structure, creative solutions, activities that add value to the economy, and more...

All of these aspects define Ekspo Faktoring...

MESSAGE FROM THE CHAIRMAN

Ekspo Faktoring achieved successful results in 2019 despite the prevailing challenges in the domestic and global economic environments.

Dear Esteemed Stakeholders,

For the global economy, 2019 was a year that showed signs of contraction. The trade war between the US and China, decrease in production in these economies and in Europe, Brexit quagmire, and rise of separatist parties in Europe all indicate clear signs of the dawning of a new era. Due to the uncertainties related with this new era, there has been growing concern among the governments and central banks regarding how to steer the national and global economies with the least damage possible.

Aiming to overcome the negative impact of this period as early as possible, the central banks placed their tight money policies on indefinite hold. Loosening of these policies brought along cascades of support programs and interest rate cuts. The Central Bank of the Republic of Turkey (TCMB) took similar steps and decided to resume its policy of interest rate cuts that had been suspended for a while. The goal of these actions was to maintain the growth trend which had continued since the 2008 financial crisis. Indeed, all of these actions resulted in 2.9 percent global economic growth in 2019.

Although lagging slightly behind the global figures, Turkey still managed to capture growth. Despite the comparative month-over-month contractions seen a few times throughout the year, the economy completed 2019 with a 0.9 percent growth rate. The trade wars, tightening in international markets due to Brexit and the subsequent decrease in domestic demand were among the leading reasons behind sluggish growth. In response to these obstacles, interest rate cuts and government-subsidized guarantee programs yielded positive results. With the economic boost in the final quarter of the year, the economic decline was reversed and the year ended with positive economic growth. Due to the spikes in exchange rates in reaction to interest rate cuts in Turkey, imports decreased by 9,1 percent down to USD 203 billion while exports increased by 2.1 percent to USD 172 billion. Despite these positive developments, Turkish economy continued to record a current account deficit.

In the meantime, Ekspo Faktoring continued to meet the domestic and international financing requirements of its clients in 2019. I am pleased to report that our assets increased by 7 percent on an annual basis from TL 289 million to TL 310 million. The banks achieved positive momentum on their assets by utilizing the government-subsidized guarantees and this resulted in decreasing demand for factoring products. Therefore, the factoring companies recorded growth levels below inflation rates in 2019. Ekspo Faktoring was naturally impacted by this situation. Despite capturing much higher growth levels occasionally throughout the year, the company achieved limited growth due to the economic action package announced towards the end of the year. Compared to other players in the sector, Ekspo Faktoring managed to maintain its position as one of the institutions with the highest level of shareholders' equity in the sector as its capital rose from TL 152 million in 2018 to TL 174 million in 2019.

Following the Banking Regulation and Supervision Agency's (BRSA) resolution to raise the minimum paid-in capital requirement for factoring institutions to TL 50 million, we agreed with our shareholders to increase our paid-in capital from TL 60 million to TL 100 million in 2020. While we financed more than half of the placements with shareholders' equity, we operated with a financial leverage of 1.8 times, well below the sector average. In the meantime, our net profit declined on an annual basis to TL 27.5 million, due to a succession of interest rate cuts by TCMB. I strongly believe that the legal proceedings we had filed in will be finalized in 2020 and we will regain a significant share of our losses.

In 2019, our revenues reached TL 1.4 billion, with domestic transactions and international transactions accounting for the 70 and 30 percent of the total, respectively. Regarding the international transactions, USD 58.5 million consisted of export finance, which continues to increase each year. In the meantime, import finance had a transaction volume of USD 4.5 million. With the rising exchange rates, our import revenues fared in a downward trend.

Despite the negative developments across the globe, we remain hopeful about the prospects of the year 2020. Our geopolitical location, young and entrepreneurial population, and banks with strong capital are our strengths, and I am confident that some of the trillions of US dollars released with looser monetary policies of the central banks will flow to Turkey in the form of short-term funds and direct capital investments. There will be selective opportunities to achieve a better growth level in 2020 and we have the utmost faith in our company and the Turkish economy to capture this growth.

Sincerely,

MURAT TÜMAY
CHAIRMAN OF THE BOARD &
GENERAL MANAGER

BOARD OF DIRECTORS

MURAT TÜMAY
CHAIRMAN OF THE BOARD &
GENERAL MANAGER

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

ZEYNEP Ş. AKÇAKAYALIOĞLU
DEPUTY CHAIR

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

HASAN AKÇAKAYALIOĞLU
MEMBER

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

ŞERİF ORHAN ÇOLAK
MEMBER

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

MISSION, VISION, STRATEGIC GOALS

Mission

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

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

Implementing quality and efficiency-based practices in client relations management

Becoming a regional leader in international trade

Vision

Maintaining a steady growth and reaching an asset size of TL 479 million by the end of 2020

Strategic Goals

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

Ensuring sustainable growth by providing services that focus on quality and efficiency

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

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

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

TL

1.4

BILLION

2019 TURNOVER

Combining its deep-rooted banking experience and know-how with an innovative approach, Ekspo Faktoring continued to realize a consistent growth performance in 2019.

EKSPO FAKTORİNG AT A GLANCE

Ekspo Faktoring operates with the mission to offer industry-first innovative practices, services and products, keeping its focus on providing quality, efficiency and customer satisfaction.

STRONG CAPITAL STRUCTURE

Ekspo Faktoring, founded in 2000 and backed with nearly 40 years of banking experience and know-how, continues its successful journey with shareholders' equity reaching TL 174 million. Keeping its focus on ensuring quality, efficiency and client satisfaction in all its activities, Ekspo Faktoring established itself as one of the leading institutions in the financial sector in a short time. With a strong capital structure, business processes developed in line with universal ethical values, innovative management philosophy and highly qualified human resources, Ekspo Faktoring aims for sustainable growth and focuses on ensuring transparency and reliability across all its operations, bringing a new perspective to the rapidly growing Turkish factoring sector.

THE PIONEER IN THE INDUSTRY

Embracing a visionary perspective since the very beginning, Ekspo Faktoring operates with the mission of introducing industry-first innovative practices, products and services. By offering Turkey's first structured financing products for various industries, the Company has acted as an intermediary in foreign trade transactions amounting to approximately USD 465 million in the last seven years as well as letter of credit transactions worth over USD 92.5 million. As the first company in the Turkish factoring sector to fully disclose its financial statements, Ekspo Faktoring also has other firsts to its name such as being rated by an international credit rating agency, publishing its annual report and implementing SWIFT (The Society for Worldwide Interbank Financial Telecommunication System), all of which contribute to its pioneering position.

TRADITION MEETS INNOVATION

Ekspo Faktoring is built on the strong foundation of its founders' deep-rooted banking experience. Rising on this foundation, Ekspo Faktoring has successfully captured the perfect balance of innovation and tradition driven by the second generation at the helm, carrying out all business processes across the Company without sacrificing conventional values. This combination in today's evolving and transforming business world gives the Company superiority in responding to changing demands and a competitive edge in swiftly generating effective financial solutions for its clients in line with their expectations and needs.

CAPABILITY TO DEVELOP CREATIVE PRODUCTS

Ekspo Faktoring adopts a proactive approach and prioritizes keeping up with the rapid changes in the world and anticipating the dynamics of tomorrow. One aspect that helps position Ekspo Faktoring in the lead is its ability to develop creative products and services, specifically tailored for clients by analyzing their needs and expectations. This enables the Company to offer the most suitable financing, guarantee and cash management solutions in a timely manner to meet the future needs of its clients. This capability has made Ekspo Faktoring a partner preferred by some of Turkey's most prominent companies.

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

LONG-LASTING CLIENT RELATIONSHIPS BASED ON TRUST

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

Ekspo Faktoring follows its clients' activities and the developments in their respective industries and pays regular visits to keep the relations strong and fruitful.

STRONG GLOBAL CONNECTIONS

Ekspo Faktoring 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 a transparent and accountable management approach. The fact that its financial superiority is confirmed by international rating agencies also contributes to positioning Ekspo Faktoring as a preferred partner of the real sector in foreign trade transactions. The strong international correspondent relations developed over many years also give Ekspo Faktoring another important competitive advantage.

In 2019, Ekspo Faktoring continued to strengthen its wide correspondent network by further improving relations with domestic and foreign banks and financial institutions. Operating with a financing capacity of USD 500 million, the Company mediated in foreign trade finance amounting to USD 63 million in 2019. The Company's target for 2020 is to increase its domestic and international transaction volume by 64%.

COOPERATION WITH ESTABLISHED INSTITUTIONS

In line with its mission of offering privileged services to its clients, Ekspo Faktoring builds partnerships with strong and established banking institutions in various countries. This enables the Company to help its clients improve their competitiveness by providing medium and long-term resources and guarantees for their imports.

Ekspo Faktoring's partnerships with local and international institutions include Black Sea Trade and Development Bank, Turkish Eximbank, and US EXIM Bank. With such cooperation, Ekspo Faktoring enables active utilization of Turkish Eximbank loans by its clients, as well as supporting cotton imports from the US through its partnership with US EXIM Bank.

STEADY GROWTH PERFORMANCE

In 2019, Ekspo Faktoring reached a total volume of USD 58.5 million in exports and USD 4.5 million in imports, with 70% and 30% of its turnover consisting of domestic and foreign transactions, respectively. As of year-end 2019, Ekspo Faktoring achieved TL 310 million in assets, TL 1.4 billion in turnover and TL 27.5 million in profits while increasing its shareholders' equity by 14% to TL 174 million. With this performance, the Company has maintained consistent growth in profitability since its establishment.

With innovative strategies, robust shareholders' equity structure and a steady corporate governance approach, Ekspo Faktoring aims to sustain the consistent performance of 2019 in the future in a manner to contribute to Turkey's development.

QUALIFIED WORKFORCE

Highly qualified human resources consisting of solution-focused and dynamic employees play a key role in Ekspo Faktoring's sustainable success. With 200 years of experience combined, the Ekspo Faktoring team serves clients with high ethical standards and responsibility. Embracing a perfectionist approach, the Company employees are well-equipped to develop solutions that meet client needs and expectations. In addition to being good team members, they also follow the developments in the financial sector closely and keep up with the requirements of the business world. Aiming to constantly enhance its service infrastructure and to improve the competencies of its human resources, Ekspo Faktoring supports the continuous development of its employees with training programs.

ADVANCED TECHNOLOGICAL INFRASTRUCTURE

Ekspo Faktoring follows technological innovations closely to achieve operational speed and efficiency, and constantly maintains and strengthens its technological infrastructure to keep it up-to-date. In 2012, Ekspo Faktoring became the first company in the sector to implement SWIFT system. Currently, the Company conducts correspondence with banks and international financial institutions via this secure system. In 2014, the Company's system infrastructure was renewed and this was followed in 2016 by investments made in line with the requirements of the Risk Center under the Banks Association of Turkey. With these investments, the virtual platform capacity of the Company was doubled and enhancements were carried out regarding logging, testing environments, centralized management of the technological infrastructure, and data security.

ACTIVITIES ADDING VALUE TO THE ECONOMY

Ekspo Faktoring focuses on both domestic and export activities of its clients and offers the most suitable financing options by assessing their needs with a multi-dimensional approach. With a client portfolio of Turkey's leading companies, Ekspo Faktoring carries out successful project, contract and order financing activities with companies operating in industries including metal industry, machinery and equipment, durable consumer goods, textiles, leather, paper, foodstuff and construction, and mainly importing raw materials for export purposes. Supporting the real sector with such activities, Ekspo Faktoring also adds value to financing the Turkish economy.

TL

174

MILLION

SHAREHOLDERS' EQUITY

Ekspo Faktoring increased its shareholders' equity by 14% in 2019 and continued its tradition of achieving consistent growth in profitability.

MANAGEMENT APPROACH

Commitment to transparency, accountability and reliability forms the cornerstone of Ekspo Faktoring's corporate governance approach.

With focus on transparency and reliability as a priority, Ekspo Faktoring acts with financial discipline and accountability by upholding ethical values and complying with international criteria, applicable legislation, regulations and standards in all its operations. The corporate governance approach of Ekspo Faktoring is grounded on transparent management, effective risk management and internal control mechanisms. Appointment of an independent member to the Board of Directors is a testament to the Company's commitment to the principles of transparency and accountability.

Ekspo Faktoring is managed with a proactive strategy, and empowered by the vast experience and know-how of its founders and the synergy created by the second generation taking the helm, implements the "new traditional banking" approach with great success. Ekspo Faktoring comes to the forefront among its peers in the sector as the first company to disclose its financial statements, to publish its annual report, to appoint independent board members and to work with international independent audit firms for audits, assuming an important mission for raising the standards in the sector.

CORPORATE GOVERNANCE THROUGH COMMITTEES

Ekspo Faktoring has a number of committees that ensure the implementation of the company culture and corporate governance approach in the same standards across the organization, and strengthen internal communication. These committees, which have been in place since the establishment of the Company, aim to achieve sustainable corporate development and contribute to improve efficiency in business processes. The committees and their respective duties are described below:

ASSET-LIABILITY COMMITTEE (ALCO)

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

RISK ASSESSMENT COMMITTEE

The Risk Assessment Committee convenes regularly on a weekly basis and more frequently when needed. The Committee considers the proposals regarding corporate clients' utilization requests and evaluates the suggestions of the Marketing Department to approve or 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, chaired by the General Manager, convenes weekly with senior executives. Current interest rates in the financial markets, weekly positions to be taken with the banks and interest rates offered by banks are discussed, considering daily, weekly, quarterly, semi-annual, and if possible, annual outlooks. Assessing available bank limits and collateral maintained with banks, determining the financial institutions to work with and obtaining information about their financial structures also fall within the responsibilities of the Committee.

INFORMATION TECHNOLOGIES COMMITTEE

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

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 reaches its final decisions. The Committee also determines the actions - from orientation processes for new employees to training programs - to enhance the efficiency of the Company's human resources.

PRODUCTS AND SERVICES

Ekspo Faktoring analyzes and closely monitors its clients' industries in order to develop tailored products and services to match their changing needs.

- STRUCTURED FINANCE
- PRE-SHIPMENT FINANCE
- COMMODITY FINANCE
- AGRICULTURAL PRODUCTS
- GSM 102
- IMPORT FINANCE
- EXPORT FINANCE
- TRADE FINANCE SOLUTIONS
- PAYMENT GUARANTEES
- PURCHASING TRADE RECEIVABLES
- SUPPLY CHAIN FINANCE
- ECA LOANS

With the customer satisfaction principle placed at the core of all of its business processes, Ekspo Faktoring offers a wide range of products and services as well as developing tailored solutions to meet client expectations and needs.

Ekspo Faktoring provides timely financing, guarantee and cash management alternatives by anticipating its clients' their future needs, and plays a key role in the successful business processes and project that its clients undertake and deliver.

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

In 2019, Ekspo Faktoring focused on enriching and improving its product range and implementing more effective marketing strategies to expand its client portfolio.

STRUCTURED FINANCE

Importing raw materials for export-aimed production needs as well as generating energy and mining natural resources play a critical role in the exports and national welfare of Turkey and many other emerging economies. The high levels of commodity prices in the recent years have caused an unprecedented rise in demand, thus forcing businesses to seek additional credit lines. Structured finance, which has so far been effective in meeting these demands, is a means of creating funds by pledging future cash flows and current receivables as collateral. Ekspo Faktoring has been providing structured pre-export financing options since 2012. With USD 142 million in structured finance secured through international finance institutions to date, it has supported industrial companies for sourcing raw materials.

PRE-SHIPMENT FINANCE

Pre-shipment finance involves financing the expenditures of exports until the shipment stage. The Company 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 by considering several parameters, such as the continuity and reliability of the relations between the client and the buyer, the duration of shipment and the client's credibility since the amount would be claimed from the client in the event that the export receivable cannot be collected. This type of financing allows the client to gain a price advantage in procuring the goods in cash or to perform debt servicing.

COMMODITY FINANCE

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

AGRICULTURAL PRODUCTS

Agriculture is a major industry for many developed and emerging economies 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 also offers increasing amounts of funding support against commodity liens and pre-shipment finance services backed by its business partners based in America, Europe and the Far East.

GSM 102

For Turkish importers, agricultural product imports from the US can be financed within the scope of the GSM 102 program run by the Commodity Credit Corporation (CCC) under the US Department of Agriculture. In GSM loans, this 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 by the importer, and following the shipment, the intermediary bank in the US pays the exporter by granting a 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 semiannually. The GSM 102 program, which is applicable for a wide range of goods, is offered for a maximum term of two years. In GSM transactions, total import amount (typically on FOB basis, or CIF for some goods) is lent with no obligation of an advance payment. This program, offered since 2012, makes it possible to import a variety of products including forestry 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, goats, horses - including the sperm and the embryo) and breeding poultry.

IMPORT FINANCE

Ekspo Faktoring offers intermediary services for clients that import non-commodity products. The guarantee given by Ekspo Faktoring within this scope to the foreign parties against the risk of non-payment by the importing clients is accepted by international banks. The guarantee that Ekspo Faktoring extends is recognized by some of the largest banks in the Far East, Asia, US and Europe and, if need be, a discount is applied and the supplier is paid in advance. With international reputation and a correspondent network, 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 to developed and emerging countries. In export finance, exporters benefit from funds at attractive costs against current or future receivables. Furthermore, comprehensive insurance agreements with export development agencies or private insurance companies provide long-term funding for machinery exports or large-scale commodity exports of emerging countries with a certain level of risk or countries that experience domestic turbulence, thus preventing potential political or credit risks. With long years of experience in this field, Ekspo Faktoring has been offering export finance since 2002.

TRADE FINANCE SOLUTIONS

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

PAYMENT GUARANTEES

Payment guarantees are used for mitigating potential commercial and sovereign risks that might arise in open account export transactions with emerging or developed countries. Such guarantees are typically 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 is a service that Ekspo Faktoring has been providing since 2004 as a main business line. This process involves purchasing commercial rights of the seller arising from a contract and paying to the seller in advance. This financing method offers several benefits such as maintaining a strong funding structure, control and management of receivables, finding alternative funding resources, resolving undercapitalization issues, facilitating management and operations, and also maintaining a sound relationship between the client and the buyer in the case of undisclosed transactions.

SUPPLY CHAIN FINANCE

In recent years, supply chain finance has been recognized by many foreign and Turkish CFOs as an important leverage that provides working capital and finance opportunities. Large-scale buyers that utilize supply chain finance generate low-cost alternative financing resources for many primary product and service suppliers, and help them with their cash flow. Offering supply chain finance 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 a number of export credit agency (ECA) loans.

US Exim Bank: Turkey buys substantial amounts of agricultural raw material from the US. As part of an agreement signed with the US EXIM Bank in 2011, Ekspo Faktoring acts as an intermediary for industrial importers in deferred payments, thus offering low-cost finance up to six months in imports from the US to Turkey.

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. This credit line, first established in 2013, was doubled in 2014 to reach USD 10 million.

Turkish Eximbank: Ekspo Faktoring, which in 2015 became one of the first factoring companies to be allocated a credit line by the Turkish Eximbank, offers post-shipment export rediscount loans through this scheme. Aiming to boost the competitive strength of its exporter clients in global markets, Ekspo Faktoring, joining forces with Turkish Eximbank, 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 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. Ekspo Faktoring utilizes its limit allocated by Takasbank A.Ş. actively.

2019 FIGURES

EKSPO FAKTORİNG

TL 174 MILLION SHAREHOLDERS' EQUITY

TL 310 MILLION ASSET SIZE

TL 1,4 BILLION TURNOVER

70% DOMESTIC 30% INTERNATIONAL SHARE IN TURNOVER

USD 63 MILLION FOREIGN TRADE FINANCE

USD 58,5 MILLION EXPORT TURNOVER

USD 4,5 MILLION IMPORT TURNOVER

TL 27,5 MILLION PROFIT BEFORE INCOME TAXES

USD

63

MILLION

FOREIGN TRADE FINANCING SUPPORT

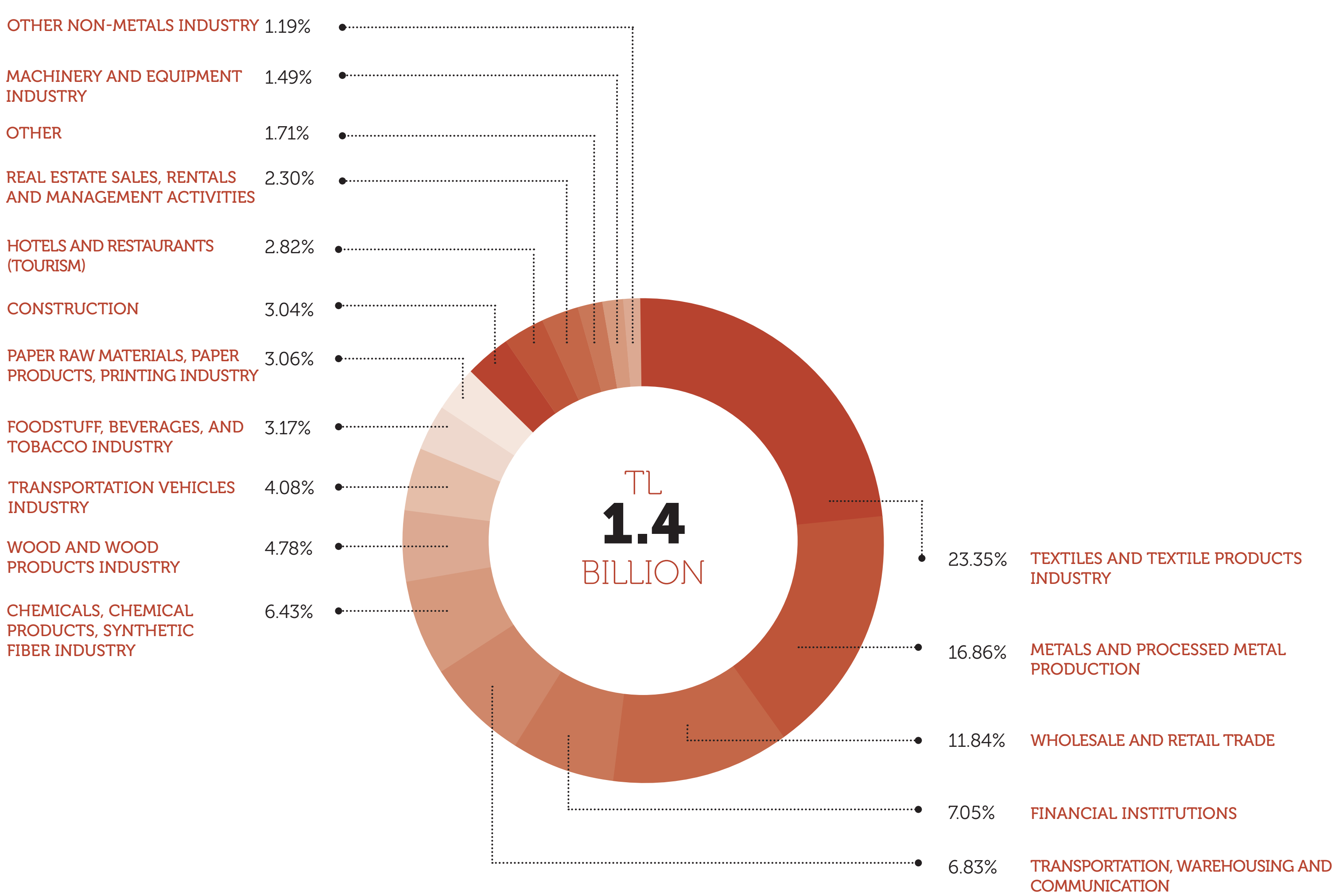
Ekspo Faktoring's diverse client portfolio was expanded further in 2019 with the addition of companies operating in various industries including paper products, consumer durables, machinery, construction and leather goods.

TRANSACTIONS FINANCED IN 2019

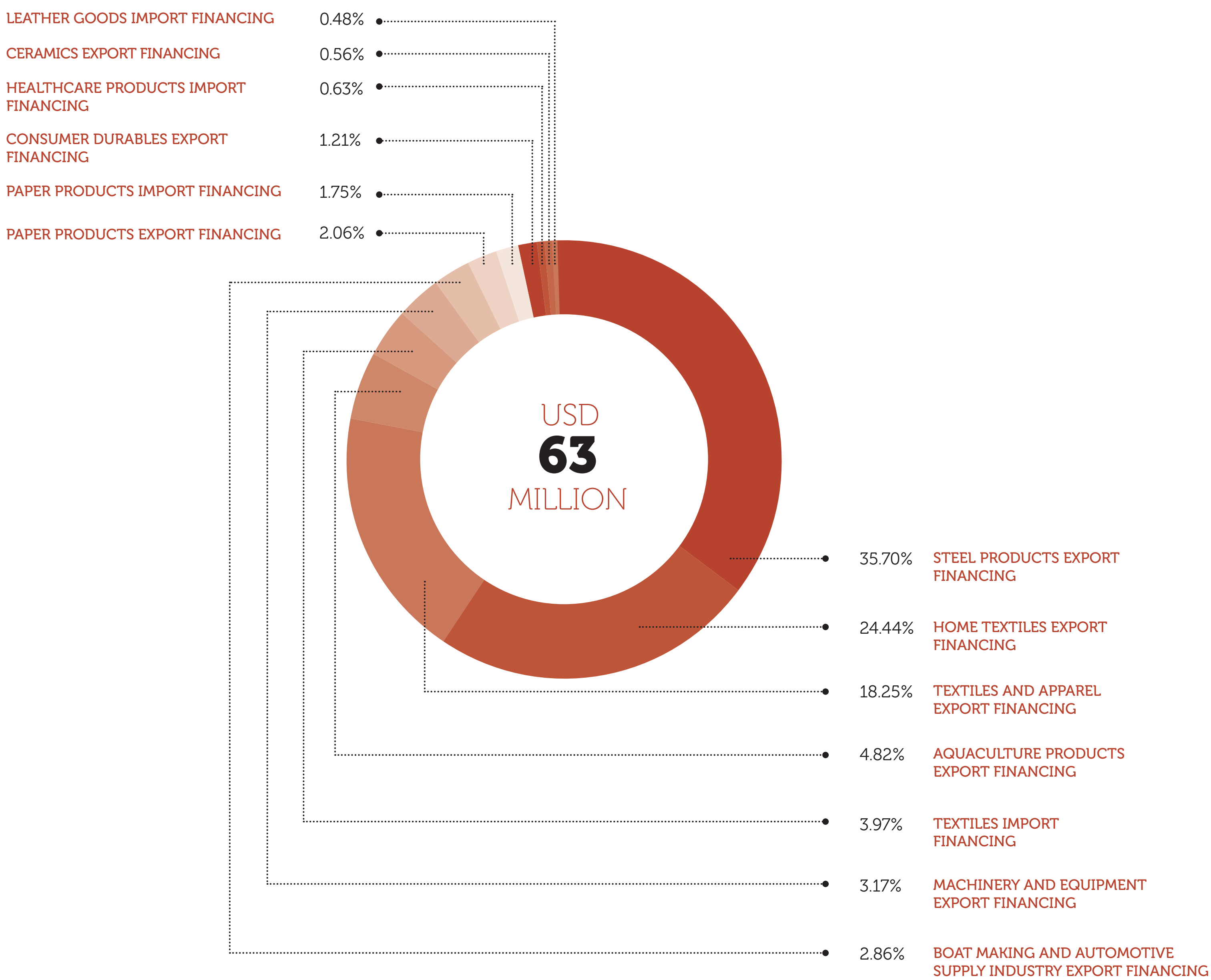
Over the last seven years, Ekspo Faktoring supported its clients across various industries by financing foreign trade transactions of USD 465 million.

Ekspo Faktoring embraces a target-oriented marketing approach and supports its clients with traditional import and export financing products as well as innovative foreign trade products tailored to their requirements. Serving as a strong bridge between the Turkish private sector and domestic and foreign financing institutions, Ekspo Faktoring develops strategies to help its clients in various industries towards attaining their business goals. Ekspo Faktoring continued to support the Turkish private sector in 2019 with USD 63 million in foreign trade finance as a solution partner for clients operating in various industries from wholesale trade and textiles to finance, construction and transportation.

TRANSACTIONS BY INDUSTRY FINANCED IN 2019



FOREIGN TRADE TRANSACTIONS FINANCED IN 2019



Ekspo Faktoring expands its client portfolio each year. In 2019, new companies operating in paper products, consumer durables, machinery, construction and leather goods industries received financing services from Ekspo Faktoring.

STEEL PRODUCTS

EXPORT FINANCING

USD 22.5 million (2019)

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

HOME TEXTILES

EXPORT FINANCING

USD 15.4 million (2019)

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

TEXTILES AND APPAREL

EXPORT FINANCING

USD 11.5 million (2019)

As the textiles industry steadily grew starting in the second half of the 1980s, it also became a major source of exports. Today, the industry still creates high added value for the national economy. Ekspo Faktoring supports the industry with long-term financing for apparel exports.

AQUACULTURE PRODUCTS

EXPORT FINANCING

USD 3.1 million (2019)

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

TEXTILES

IMPORT FINANCING

USD 2.5 million (2019)

While maintaining steady growth in terms of investments and employment, the textiles industry also creates significant tax revenues for the state through imports. Ekspo Faktoring continues to provide import financing for major Turkish textile companies.

MACHINERY AND EQUIPMENT

EXPORT FINANCING

USD 2 million (2019)

In 2019, Ekspo Faktoring continued to extend financing support to focus sectors within the framework of its core strategies. Last year, machinery industry became one of the three sectors with the highest export volume. Machinery industry accounts for 10.5% of Turkey's total exports of USD 180.5 billion. Financial support for machinery manufacturing and exports of this industry will continue to increase in 2020.

BOAT MAKING AND AUTOMOTIVE SUPPLY INDUSTRY

EXPORT FINANCING

USD 1.8 million (2019)

Ekspo Faktoring has worked with clients in the emerging boat making and automotive supply industries in Turkey for many years. In 2019, this support continued to grow.

PAPER PRODUCTS

IMPORT-EXPORT FINANCING

USD 1.3 million (2019)-Imports
USD 1.1 million (2019)-Exports

Ekspo Faktoring acts as an intermediary in foreign trade transactions of leading paper and printing companies in their trade with European countries. In 2019, the scope of this financial support expanded to meet the financing requirements for pre-production and post-production phases of the paper products industry, which is a supplier of various sectors.

In 2019, the support that Ekspo Faktoring provided for its clients across various industries amounted to USD 58.5 million in export financing and USD 4.5 million in import financing.

CONSUMER DURABLES

EXPORT FINANCING

USD 765 thousand (2019)

In 2019, Ekspo Faktoring extended export financing services to some of the top companies manufacturing industrial chillers and refrigerators used in the food industry. By securing guarantee limits from foreign correspondents, Ekspo Faktoring has helped to guarantee collection of export receivables by providing credit cover from correspondents abroad and has served as an intermediary for financing raw material sourcing.

HEALTHCARE PRODUCTS

IMPORT FINANCING

USD 400 thousand (2019)

In 2019, Ekspo Faktoring provided financing support for import transactions of companies selling medical and healthcare products.

CERAMICS

EXPORT FINANCING

USD 350 thousand (2019)

Ekspo Faktoring financed the production of porcelain floor and wall tiles and digital parquet flooring series for its clients operating in the ceramic industry last year.

LEATHER GOODS

IMPORT FINANCING

USD 300 thousand (2019)

As well as mediating for leather goods imports including shoes, bags and accessories, Ekspo Faktoring's financial support for the supply of raw materials for this industry will continue in 2020.

FINANCIAL INDICATORS

Maintaining its goal of customer-focused operations, Ekspo Faktoring increased its shareholders' equity to TL 174 million and financed total transaction volume of TL 1.4 billion.

FINANCIAL INDICATORS	DECEMBER 2017 (TL THOUSAND)	DECEMBER 2018 (TL THOUSAND)	DECEMBER 2019 (TL THOUSAND)
TOTAL ASSETS	445,314	289,755	309,561
TOTAL SHAREHOLDERS' EQUITY	127,695	152,200	173,787
PAID-IN CAPITAL	60,000	60,000	60,000
NET WORKING CAPITAL	144,833	151,745	171,669
FACTORING RECEIVABLES	432,976	267,796	290,392
FACTORING PAYABLES	8,717	8,261	16,316
NET ADVANCES TO CLIENTS	424,259	259,535	274,076
BANK LOANS, BOND LOANS	304,206	124,183	116,500
TOTAL INCOME	66,725	92,106	87,106
FACTORING INCOME	64,203	86,294	74,071
GROSS PROFIT	26,064	37,653	27,512
NET PROFIT	20,887	29,305	21,587

FINANCIAL DATA (%)	DECEMBER 2017	DECEMBER 2018	DECEMBER 2019
CURRENT RATIO (TIMES)	1.40	2.10	2.28
LIQUIDITY RATIO (TIMES)	1.38	2.08	2.25
NET WORKING CAPITAL/TOTAL ASSETS RATIO	28	52	55
LIQUID ASSETS/TOTAL ASSETS RATIO	98	98	98
DEBTS/ASSETS (INDEBTEDNESS RATIO)	71	47	44
DEBTS/EQUITY (FINANCIAL LEVERAGE RATIO) (TIMES)	2.24	0.82	0.67
FINANCIAL LIABILITIES/TOTAL ASSETS RATIO	71	43	44
INTEREST COVERAGE RATIO (TIMES)	1.82	1.95	3.21
AVERAGE COLLECTION PERIOD (DAYS)	91	90	74
TOTAL EXPENSES/TURNOVER RATIO	3.6	3.9	3.8
GROSS PROFIT MARGIN	15	25	26
NET PROFIT MARGIN (SALES PROFITABILITY)	7	11	10
RETURN ON EQUITY (EQUITY PROFITABILITY)	22	27	17

TOTAL TURNOVER	(TL THOUSAND)
2019	TL 1,368,625
2018	TL 1,405,754
2017	TL 1,447,965

TOTAL INCOME	(TL THOUSAND)
2019	TL 87,106
2018	TL 92,106
2017	TL 66,725

GROSS PROFIT	(TL THOUSAND)
2019	TL 27,512
2018	TL 37,653
2017	TL 26,064

TOTAL ASSETS	(TL THOUSAND)
2019	TL 309,561
2018	TL 289,755
2017	TL 445,314

TOTAL SHAREHOLDERS' EQUITY	(TL THOUSAND)
2019	TL 173,787
2018	TL 152,200
2017	TL 127,695

FACTORING RECEIVABLES	(TL THOUSAND)
2019	TL 290,392
2018	TL 267,796
2017	TL 432,976

2019 PERFORMANCE

Ekspo Faktoring, keeping its focus on transparent management, strong international partnerships and customer satisfaction, maintained its performance levels in 2019 and completed the year with consistent results.

PREFERRED PARTNER OF LEADING COMPANIES

Ekspo Faktoring builds relationships with clients, based on mutual trust and a win-win approach, and serves a portfolio consisting mainly of Turkey's top 500 companies and multinationals. In 2019, Ekspo Faktoring continued to take part in numerous important business processes and projects while maintaining its long-lasting relationships. The Company caters to the requirements of its clients, which it regards as business partners, with unique financing products tailored to their needs. Managing its operations with consistency since its establishment, the Company reached TL 1.4 billion in turnover by year-end 2019.

SUPPORTING IMPORTS AND EXPORTS

Ekspo Faktoring supports companies mainly engaged in imports and exports by developing and offering effective foreign trade financing solutions. With an experienced team of experts, the Company continued to expand its product and service diversity in 2019 and maintained its leading position in export and import financing.

Providing financial services and resources with a strategic perspective to help its clients achieve their targets, Ekspo Faktoring contributed financing worth USD 63 million to foreign trade.

EXPORT-SPECIFIC SOLUTIONS

Ekspo Faktoring's financial products and services create a competitive edge for Turkish companies trying to sell to foreign markets in today's challenging circumstances. The funds that the Company secures via an extensive international correspondent network and the assurances it provides result in financing advantages for its clients. Positioned as a solution partner to Turkish exporters, Ekspo Faktoring strives to find new markets for export products and to offer exporters a competitive edge in international markets. By supporting the Turkish exporters, Ekspo Faktoring also provides a valuable contribution towards developing Turkey's export potential.

Ekspo Faktoring extended USD 58.5 million in export financing to several industries including textiles, aquaculture, metals, healthcare, boat making and automotive supply, paper products, machinery and equipment, and leather goods in 2019. The Company's target for the next year is to reach USD 95.6 in export financing.

STRONG INTERNATIONAL PARTNERSHIPS

Ekspo Faktoring values the importance of establishing international connections and continues to pursue partnership opportunities to strengthen foreign relations further. To this end, senior executives of the Company have also paid visits to international finance institutions in 2019. Ekspo Faktoring has added Banco Sabadell of Spain to its network of partnerships in the recent years to support clients importing cotton from the US to Turkey.

With the vision of becoming an international player, Ekspo Faktoring joined Factors Chain International (FCI), the world's largest non-bank financial services network, in 2004. The Company continued to expand its correspondent network and financial resources in 2019, thanks to strong relationships with other member institutions of FCI. 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 almost 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.

CONTRIBUTING TO NATIONAL ECONOMY

Maintaining a competitive edge with a flexible organization enables Ekspo Faktoring to help its clients to succeed in launching and implementing projects and their processes while also indirectly contributing to the national economy. The total assets of Ekspo Faktoring, which distinguished in the sector with innovative and pioneering practices, amounted to TL 310 million last year.

INTERNATIONAL AUDITS

Ekspo Faktoring has been evaluated by international rating agencies Fitch, Moody's and JCR Eurasia Rating since 2006. The Company changes the rating agencies and audit firms at certain intervals as specified by the European Union audit reform for the assurance of audit results and ratings. Ekspo Faktoring believes that rotating rating agencies and audit firms will improve quality and play a preventive role against global and local financial crises such as those 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. Such ratings also contribute to the reputation of an institution. In the future, once sufficient depth is achieved, pricing of funds to be secured from domestic money markets will be based on this rating.

JCR Eurasia Rating confirmed the Long-term National Rating of Ekspo Faktoring as 'A+ (Trk)' and Short-term National Rating as 'A-1 (Trk)', determining the outlook of the Company for both ratings as STABLE following the rating process finalized on April 8, 2020.

FINANCIAL ADVANTAGES

With effective solutions, Ekspo Faktoring maintained its position as a strong and trusted financial partner to companies engaged mainly in exports and imports, in 2019.

RESULTS IN WORLD-STANDARDS

With important competitive advantages such as solid capital structure, qualified human resources and solution-based business culture, Ekspo Faktoring is a leading company that offers innovative products and services in the non-bank financial sector. Partnering with some of the largest banks worldwide, Ekspo Faktoring is among a small number of non-bank financial institutions whose risks are purchasable. For the past 19 years, Ekspo Faktoring has strived to improve and deepen relations between global and Turkish companies while continuously elevating its reputation in the international arena. Driven by the principles of mutual trust and transparency, the Company continues to create resources for Turkish companies at reasonable costs, and adopts a global perspective to offer its clients opportunities for achieving world-class results.

A STRONG PARTNER IN FINANCE

Ekspo Faktoring has further strengthened its correspondent relationships with domestic and foreign banks and financial institutions in 2019, has continued to elevate its position through successful strategic partnerships. With its strategic goals in sight, Ekspo Faktoring has expanded its product portfolio and developed effective solutions for foreign trade financing to become one of the strongest financial partners of its clients, mainly engaged in exports and imports.

Ekspo Faktoring has a financing capability of approximately USD 500 million. The Company acted as an intermediary for foreign trade finance amounting to USD 63 million in 2019, and it is targeting 64% growth in foreign trade finance volume in 2020.

TAILORED FINANCING SOLUTIONS

The products and services that Ekspo Faktoring offers include a variety of international transactions such as Irrevocable Export Financing, Revocable Export Financing, Assignment of Export Letters of Credit, Import Letters of Credit, the US Department of Agriculture GSM 102 Loan, US Exim Bank and Black Sea Trade and Development Bank loans, Assignment of Export Receivables with Acceptance Credit, Import Financing, and Direct Factoring. The Company's offering for the domestic market also includes Assignment of Receivables with or without Notice, and Assignment of Receivables via Checks and Bonds, as well as products and services aimed at financing deferred trade transactions.

Having gained a significant competitive edge since 2011 by placing emphasis on supplier finance, Ekspo Faktoring provides market consultancy services, industry analyses and project finance among other areas with its expertise in domestic and foreign transactions.

TURNOVER, PROFITABILITY, SHAREHOLDERS' EQUITY

As of year-end 2019, the Company reached a transaction volume of TL 1.4 billion, with 70% accounting for domestic and 30% for international transactions. In 2019, Ekspo Faktoring posted a profit of approximately TL 27.5 million, completely generated by the Company's main operations. The Company carries manageable levels of maturity, liquidity and currency risks. The shareholders' equity of the Company, founded in 2000 with TL 1 million capital, has reached TL 174 million by the end of 2019. Focusing on sustainability since its establishment, Ekspo Faktoring has maintained disciplined and steady growth ever since.

LEVERAGE

The Company's low leverage ratio is among the key factors that give Ekspo Faktoring a competitive edge. It has enabled Ekspo Faktoring to develop strong relationships with domestic and international correspondents and financial institutions.

Ekspo Faktoring carries out its operations depending heavily on its shareholders' equity, and the Company's effective business processes result in high margins. Pursuant to Banking Regulation and Supervision Agency's (BRSA) regulation of 24.04.2013, non-bank finance companies are required to continuously maintain a shareholders' equity/total assets ratio of minimum 3%. Considering the changing market conditions in 2019, Ekspo Faktoring has achieved a remarkable ratio of 56%.

ASSET QUALITY

Ekspo Faktoring's receivables are 98% revocable. Furthermore, the Company works with due diligence to ensure that a single party's debt does not exceed 10% of the related client's total outstanding risk. This is a clear indication of the Company's high asset quality and the reliability of its rating system. Ekspo Faktoring continuously improves its risk evaluation system using methods applied by leading international rating agencies to assess its financial receivables in a healthy and consistent manner, which enables the Company to add low-risk clients to its portfolio to maintain the asset quality above sector average.

ASSET SIZE

Ekspo Faktoring's asset size amounted to TL 310 million as of year-end 2019. With industry expertise, strong funding structure and qualified human resources, the Company generates fast and effective solutions in line with client expectations and requirements, and adopts this approach in serving numerous local and international businesses operating in diverse industries.

Ekspo Faktoring regards its clients as long-lasting, loyal business partners, and structures the funds secured from domestic and foreign banks with advantageous terms and conditions to offer financing solutions tailored to client expectations.

Ekspo Faktoring's 2020 target is to reach TL 479 million in placements. With its financial advantages confirmed by international rating agencies, the Company aims to maintain its profitability as well as its strong support of the real sector by developing fast and cost-effective solutions for its clients.

GLOBAL ECONOMY

According to the IMF data, global economy grew by 2.9% in 2019, performing below the previous year's 3.7% level. In its report published prior to the Covid-19 pandemic, the IMF estimated 3.3% and 3.4% growth in 2020 and 2021, respectively.

PROBLEMS OF 2018 REFLECTED ON 2019

The ongoing trade wars between the US and China, weak demand for products and services, and the uncertainties due to the tensions in international relations were some of the key reasons that led to limited global economic growth. Given these uncertainties and economic insecurities, companies tended to invest less in machinery and employment while households chose to hold off spending on high cost products such as durable goods, electronics and automotive. Such adverse developments in demand are considered to play a major role in the global economy's lowest growth rates since the financial crisis of 2008. The US economy grew by 2.3% in 2019, falling well behind the targeted 3%. Strong employment figures, meeting the targeted 2% inflation rate and recovery in economic activities led the Fed to revise its monetary policy in 2019 and cut policy interest rates three times down to 1.5-1.75% levels. The Fed maintained its policy rate in December but decreased it to 0-0.25% levels as the effects of the pandemic began to be felt in March 2020, marking the most dramatic policy decision of the Fed since the 2008 crisis. The actions that the current US President Donald Trump will take about the ongoing Covid-19 situation and its economic impact will certainly play a role in the outcome of the presidential election in November 2020. The outbreak of a pandemic in an election year has never been seen in the history of the United States before. However, in times of catastrophic events such as wars and/or attacks that cause fear and anxiety among people, Americans have tended to re-elect sitting presidents; e.g. Roosevelt during World War II, or Bush after 9/11. On the contrary, President Carter, who failed to manage the Iran hostage crisis when the US Embassy in Tehran was taken over after the 1979 revolution, lost the election to Reagan. Considering such examples from history, it could be a logical expectation for Trump to win the upcoming election unless he faces a major setback. On the other hand, inflation rate in the Euro Zone was 1.2% in 2019. Meanwhile the Bank of Japan continued to struggle with interest rates, aimed to be brought to 2% in the medium term.

EURO ZONE

The Euro Zone grew at a disappointingly low level of 1.2% in 2019. Contractions in the French and Italian economies, especially in the last quarter, contributed to this result. The European Central Bank predicts a growth rate of 0.8% in 2020. However, considering that the impact of the Covid-19 pandemic was not factored in this forecast, seeing a contraction instead of growth in the Euro Zone will be more realistic in 2020.

FRANCE, GERMANY AND THE UK

With Brexit still causing political confusion, the UK recorded a growth of 1.3% in 2019, a level similar to 2018. German economy grew by 0.6% and the French economy by 1.3% in 2019. Growth expectations of the central banks in these three countries seem to be low for 2020, with the Bank of England aiming for 0.8%, Germany for 0.6% and France for 1.3%.

CHINESE ECONOMY

The decline in the overall demand for goods and services both in the country and around the world, and the ongoing trade wars with the US were two of the key factors that led to the low growth performance of the Chinese economy. Inflation rate rose to 2.9%, marking a significant spike from 1.9% in 2018. China is one of the countries hit worst by the Covid-19 pandemic, and it is still expected to grow at a rate of 4-5% in 2020. China's dollar reserves were around USD 3.1 trillion at the beginning of 2019 and closed the year at similar levels.

EMERGING MARKETS

According to the World Bank data, emerging markets grew by 3.5% in 2019, indicating a slowing trend compared to 4.3% of 2018. Indian economy is estimated to grow by 5% in 2019. The World Bank predicts that the Indian economy will grow by 5.8% and 6.1% in 2020 and 2021, respectively. However the Covid-19 pandemic that broke out in March 2020 will most likely cause these expectations to be revised soon and pulled to lower levels.

OIL AND COMMODITY PRICES

In late 2018, oil prices rose to USD 67.8 with a 34% increase. However, due to the price and market share wars between Russia and Saudi Arabia in March 2020, the price of Brent oil dropped to USD 35 per barrel. Although the commodity prices index maintained a horizontal trend throughout the year, latest developments point to looming uncertainties in 2020. After the sharp drop due to decreased demand during the Covid-19 pandemic, oil prices are expected to fare somewhere between USD 20 – 35 per barrel in 2020.

2020 OUTLOOK

The World Bank reported in January 2020 that growth in the global economy dropped from 3% in 2018 to 2.4% in 2019. Even though the organization announced a growth expectation of 2.5% for 2020, it is clear that we will witness a contraction, given the impact of the Covid-19 pandemic. In a January 2019 statement, the IMF announced that it expected global economy to grow by 3.3% and 3.4% in 2020 and 2021, respectively. Before the Covid-19 pandemic, the World Bank expected an average growth of 1.4% in developed countries and 4.1% in emerging countries. It is worth noting that determining the impact of the Covid-19 pandemic, an unprecedented situation for many years, will be quite difficult for now. The fact that the pandemic will likely have a more devastating impact than any other economic scenario will undoubtedly affect all countries very adversely.

TURKISH ECONOMY

The Turkish economy continued to feel the impact of the challenges and fluctuations of 2018 in the first half of 2019 as well, began to recover in the second half, and saw 6% growth and relatively stable exchange rates in the last quarter.

ECONOMIC RECOVERY

After recording -2.8% and -1.6% contraction in the first two quarters of 2019, respectively, the Turkish economy grew by 0.6% in the third quarter and saw a significant growth of 6% in the last quarter. Overall, the Turkish economy achieved a growth rate of 0.9% in 2019, which fell well below the targeted 5.5% in the Medium Term Program.

The uncertainties in the global economy and the fragile nature of the Turkish economy inevitably played a role in this high difference between the actual and targeted rates. Current account improved by USD 29 billion compared to the previous year, generating a surplus of USD 1.7 billion.

Meanwhile, trade deficit dropped to USD 31.2 billion with a decrease of 43.4%.

POSITIVE CURRENT ACCOUNT BALANCE

Given the weakened domestic demand, compounded by the falling oil prices, current account balance yielded a surplus of USD 1.7 billion in 2019, meaning that the current account deficit of USD 27.6 billion in 2018 improved by USD 29 billion. In 2019, budget expenditures rose to TL 999 billion with an increase of 20.3% while budget revenues increased by 15.5% to TL 876 billion. As the budget deficit rose to TL 123 billion, one-time revenues kept the decline in the budget outlook limited. Tax revenues, which constitute 77% of the budget revenues, grew by 8.3% to TL 673 billion, with income taxes taking the biggest share with TL 23.9 billion in the total TL 52 billion increase. The central government's gross debt stock was TL 1,329 billion, consisting of TL 755 billion in local currency and TL 573.7 billion in foreign currency.

EXPORTS AND IMPORTS

Exports increased by 2.1% compared to last year to reach USD 171.5 billion while imports decreased by 9.1% down to USD 202.7 billion in 2019. Compared to the previous year, foreign trade volume decreased by 4.3% to USD 374.2 billion, and foreign trade deficit by 43.4% to USD 31.2 billion, with the ratio of exports to imports reaching 84.6%.

RISE IN UNEMPLOYMENT

Unemployment rate, which was 11% in 2018, rose to 13.7% in 2019 with a marked increase, as total figures reached 4.469 million people, with labor force participation rates of 72% among men and 34.4% among women.

DECLINE IN INFLATION RATE AND STABLE EXCHANGE RATES

Despite the speculative FX transactions following the local elections in March 2019 and the tension of geopolitical developments, Turkish economy entered a phase of stabilization and then growth in the second half with the impact of measures taken and the reforms introduced. Due to the weak demand in the domestic market, Turkish Lira's relatively stable performance, high base effect and moderately faring commodity prices the inflation rates displayed a downward trend.

After seeing its highest level at 20.35% at the end of January, inflation rate declined continuously over the following months and reached 8.55% at the end of October. However, it began to rise again in November and December, completing 2019 at 11.84%. Considering the improvement in inflation rates and favorable global liquidity conditions, the Central Bank of the Republic of Turkey (TCMB) announced interest rate cuts in the second half of 2019.

The policy interest rate of 24% at the beginning of 2019 declined to 12% with the cuts in July, September, October and December. With changes in the required reserve ratios and provision procedures throughout the year, TCMB also introduced policies to ensure fiscal stability.

DOWNGRADES IN CREDIT RATINGS

Rating agencies Standard & Poor's (S&P), Fitch and Moody's are currently keeping Turkey's credit rating below 'investment' levels. Fitch downgraded Turkey's rating from 'BB' to 'BB-' in July 2019, and kept its outlook as negative, which was later revised as stable in November 2019.

S&P maintained Turkey's rating at 'B+' in July 2019, and kept it the same in January 2020 while upgrading outlook to stable. On the other hand, Moody's downgraded the credit rating from 'Ba3' to 'B1' in June 2019, and maintained the outlook as negative.

2020 OUTLOOK

So far, 2020 has proved to be a year filled with unprecedented uncertainties, not only for Turkey but also the entire world. As the effects of the Covid-19 pandemic began to be felt in Turkey in March, the government announced an economic stimulus package of TL 100 billion on March 18, 2020. Deferring payments of taxes, SSI premiums and loan repayments of employers in the service sector, facilitating the companies' access to bank loans by raising CGF (Credit Guarantee Fund) limits, introducing short-term employment allowance to provide temporary income support for employees working for businesses that suspended operations, and allocating a total of TL 2 billion in resources for families in need were some of the measures included in the economic stimulus package. However, deferring tax revenues and increasing government spending will result in higher borrowing and therefore higher budget deficit.

Given that the interest of foreign capital wanes in times of crisis when risk appetite is lower, the pressure on FX rates and the increase in budget deficit will exacerbate the Turkish economy's fragility and make 2020 more difficult to cope with.

Prior to the outbreak of the Covid-19 pandemic, both the OECD (Organization for Economic Cooperation and Development) and the World Bank had announced that they expected the Turkish economy to grow 3% in 2020. In an interim report in March, the OECD decreased its guidance for Turkey from 3% to 2.7%.

ECONOMIC DATA

The growth rate of the Turkish economy, which had reached 19% the previous year, declined sharply to 14.9% while GDP in current prices rose to TL 4,280 billion in 2019.

BANKING INDUSTRY TOTAL ASSETS	(TL BILLION)
2019	4,490
2018	3,867
2017	3,258

GROSS DOMESTIC PRODUCT (CURRENT PRICES)	(TL BILLION)
2019	4,280
2018	3,724
2017	3,111

BANKING SECTOR NET PROFIT	(TL BILLION)
2019	49,0
2018	53,8
2017	49,1

GROSS DOMESTIC PRODUCT GROWTH RATE (CURRENT PRICES)	(%)
2019	14.90
2018	19.70
2017	19.30

IMPORTS	(USD BILLION)
2019	203,0
2018	223,0
2017	234,2

EXPORTS	(USD BILLION)
2019	172,0
2018	167,9
2017	157,1

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

Turkey's exports recorded 2.1% increase reaching USD 171.5 billion in 2019 whereas imports decreased by 9.1% to USD 202.7 billion.

CONSUMER PRICE INDEX	(%)
2019	11.84
2018	20.30
2017	11.92

GROWTH RATE OF THE TURKISH ECONOMY	(%)
2019	0.90
2018	2.60
2017	7.40

UNEMPLOYMENT RATE	(%)
2019	13.70
2018	11.00
2017	10.90

GROSS DOMESTIC PRODUCT PER CAPITA	(USD)
2019	9,127
2018	9,632
2017	10,597

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

EVOLUTION OF THE BANKING SECTOR IN TURKEY

The Turkish banking sector, with deep roots dating to the 19th century, operates with a total of 53 banks, including 34 deposit banks as well as a number of participation, development and investment banks as of year-end 2019. These banks provide services with 188,837 employees working at 10,199 branches across the country. The banking sector recorded 16.2% increase in total assets while successfully maintaining profitability and growth last year.

DEEP-ROOTED BANKING TRADITION

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

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

At the Turkish Economy Congress, which convened four months prior to the signing of the Treaty of Lausanne, the economic targets of the Republic were determined, and several privileges previously granted to foreign banks were retracted by the Treaty. The resolutions reached during the Congress about the national character of economic development constituted the first steps of the statist approach that would make its mark on the Turkish economy until the 1950s. The "golden principle" was adopted for public finance with a balanced budget approach that aims to avoid deficits in the state budget.

DEVELOPMENT OF NATIONAL BANKING

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

After World War II, government control over the economy began to loosen as a new development policy led by the private sector started to prevail. Private sector banking flourished in this period, and with the transition to multiparty democracy, the economy began to expand beyond borders. However, from 1953 onward, the economic balances were upset as inflation rates and foreign trade deficit rose rapidly.

STATE-CONTROLLED BANKING

In the 1960s, 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.

FX MARKETS ARE BORN

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

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

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.

THE IMPACT OF CRISES ON BANKING

The 2000-2001 crisis caused significant damage on the financial system, and particularly on the Turkish banking sector. The “Restructuring Program for the Banking System”, introduced in the aftermath of the crisis under the supervision of the IMF, marked the start of 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. Today, 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.

SUSTAINABLE GROWTH IN THE SECTOR

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

As of year-end 2019, there are 53 banks including 34 deposit banks along with participation and development – investment banks in the banking sector, operating with 10,199 branches and 188,837 employees. The banking sector recorded 16.2% increase in total assets while successfully maintaining profitability and growth in 2019.

OVERVIEW OF THE BANKING SECTOR IN 2019

The Turkish banking sector recorded growth in 2019 in line with the stabilization and recovery efforts. Meanwhile, the sector's annual profit decreased by 9.4% to TL 49.0 billion.

A YEAR OF STABILIZATION AND RECOVERY

Even though the economy began to enter a phase of stabilization and recovery in 2019, demand for loans and profitability continued to decline. On the other hand, shareholders' equity increased by 16.6% and reached TL 492.2 billion in 2019 with the impact of retaining profits and adding to equity while average return on equity decreased by 3.3 percentage points to 11.5%.

Meanwhile, the Turkish banking sector maintained its healthy growth in 2019 with an increase of 16.1% in total assets. With this increase, total assets reached TL 4.491 billion. Total loans amounted to TL 2.656 billion and accounted for 59.1% of the assets. By the end of December 2019, the sector's interest revenues amounted to TL 420.5 billion, and interest costs to TL 258.2 billion while net period profit was recorded as TL 49.0 billion. The capital adequacy ratio of the banking sector was 18.4% as of year-end 2019, while net profit decreased by 9.4% year on year.

DECLINE IN CREDIT DEMAND AND PROFITABILITY

The performance of the banking sector in terms of credit growth was below par in the first half of 2019 due to high interest rates, the continued trend of companies aiming for debt reduction and low household demand. Following the Central Bank of the Republic of Turkey's interest rate cuts in the second half of the year, the sector as a whole saw a significant increase in TL loan volume, which annually grew by 14.1% as of December 2019. In the same period, FX loan volume decreased by 5.8% in USD terms while the total loan volume grew by 6.1% due to favorable developments in exchange rates. Total assets of the banking sector increased by 16.1% compared to the previous period to reach TL 4,491 billion. The sector's profits decreased by 9.4% year on year, dropping to TL 49 billion. Return on assets was down from 1.45% to 1.16% while return on equity decreased from 14.83% to 11.48% compared to the previous year.

As the uncertainties continued in 2019, the share of foreign currency deposits within the total volume of deposits, the main funding source of the sector, increased. Decline in loan demand led to a decrease in the sector's need for non-deposit funds. While FX deposit volume increased by 31.6% annually due to the exchange rate effect, the increase in TL deposit volume was around 20.8% in the same period.

STRONG POSITION MAINTAINED

Total loan amount in the banking sector was up 10.9% from the previous year, reaching TL 2,655.9 billion in 2019. The sector's ratio of non-performing loans rose and overdue receivables increased annually by 56%, climbing to TL 150.8 billion. The ratio of the loans turning into non-performing loans rose from 3.87% to 5.36% while the securities portfolio increased by 38.4% annually to TL 660.2 billion. Seeing rapid increase compared to the previous years, deposits and non-deposit resources rose by 26.1% and 1.8%, respectively.

While the annual growth rate of equity declined from 17.7% in 2018 to 16.6% in 2019, the share of equity in total liabilities remained almost the same at 11%. With a capital adequacy ratio of 18%, the sector performed better than regulatory ratios.

DEVELOPMENTS IN THE FACTORING SECTOR

As the high risk environment caused by the adverse economic developments in 2018 continued in the first three quarters of 2019, the factoring sector's receivables decreased by 0.8% compared to the same period of 2018. In parallel to the economic growth recorded in the last quarter of the year, factoring receivables recorded an increase of 8.3%. Even though the last quarter of 2019 began to show signs of economic recovery, companies remained cautious about growing their businesses and investing in fixed assets throughout 2019; and accordingly, TL loans shrank by 11.1% and foreign currency loans decreased markedly by 38.7% on annual basis. On the other hand, issues faced in debt repayments and debt collections continued in 2019. However, the sector's non-performing loan ratio improved slightly, down from 6.3% to 5.9%.

The Central Bank of the Republic of Turkey's expansionary steps and interest rate cuts, and CGF loans facilitated via banks resulted in in the factoring sector's growth to remain below inflation rates in 2019. Due to a heightened risk perception, the factoring companies raised their interest margins, which led to an increase in the sector's profits by 5.2% to TL 1.37 billion year on year. The sector, which meets its funding requirements through their shareholders' equity or short-term bank loans, narrowed by 47% in terms of the securities issued by the sector due to weakened demand. In light of these developments, the sector saw an improvement in the leverage ratio, which increased from 80% to 78.5% year on year.

As of year-end 2019, there are 56 companies registered with the Association of Financial Institutions (FKB), operating with 352 branches and providing jobs for 4,269 employees. The transaction volume of the sector decreased by 11% annually down to TL 129.2 billion, consisting of TL 109.4 billion in domestic funding, TL 18.3 billion in export financing and TL 1.5 billion in import financing. Factoring receivables and asset size rose by 8.3.% and 7% to TL 34 billion and TL 37 billion, respectively.

2020 EXPECTATIONS

Considering the impact of the Covid-19 pandemic on Turkey and around the world since March, it is clear that 2020 will be a year of economic uncertainty. With the pandemic affecting not only Turkey but the whole world, if stricter quarantine measures are implemented in the country for more than two months, the economy will inevitably suffer seriously, especially due to decreased domestic and foreign demand. If the pandemic situation extends into the summer months, the crisis that will arise in tourism, one of the key sectors bringing in foreign currency, will hinder the inflow of foreign currency and weaken the Central Bank of the Republic of Turkey's ability to repay foreign debts.

In order to stimulate domestic demand and solve the businesses' cash problems, a series of urgent measures are required. In this respect, leniency measures were introduced on March 14 under the leadership of BDDK to extend the period of legal action against loans in default from 90 days to 180 days. Banks also made important decisions to support businesses through a variety of loans for salary payments, additional cash and working capital needs.

In case cash is injected into the economy to increase liquidity with the aim of stimulating domestic demand, an increase in inflation rates will be quite likely. In the event that the low domestic demand causes prices to decline overall, such an action will be highly probable. Therefore, it should be recognized as a fact that the Covid-19 pandemic of 2020 will seriously test both the economy and the banking system, and all institutions should act together to overcome these challenges in an organized manner.

HIGHLIGHTS OF THE FACTORING SECTOR

(TL MILLION)

(TL MILLION)	DECEMBER 2017	DECEMBER 2018	DECEMBER 2019	INCREASE (%)
INTERNATIONAL TURNOVER	27,337	26,208	19,751	-24.6
DOMESTIC TURNOVER	117,399	118,954	109,403	-8.0
TOTAL TURNOVER	144,737	145,161	129,154	-11.0
RECEIVABLES IN FOREIGN CURRENCY	4,467	4,698	4,388	-6.6
RECEIVABLES IN TL	38,081	26,712	29,638	11.0
TOTAL RECEIVABLES	42,548	31,410	34,026	8.3
LOANS AND BORROWINGS AGAINST ISSUED INSTRUMENTS	36,195	26,556	27,442	3.3
SHAREHOLDERS' EQUITY	5,781	6,770	8,136	20.2
TOTAL ASSETS	43,715	34,608	37,017	7.0
NET PROFIT	935	1,306	1,374	5.2
NON-PERFORMING FACTORING RECEIVABLES (GROSS)	1,500	2,096	2,140	2.1
SPECIAL PROVISIONS	1,318	1,717	1,730	0.8
NON-PERFORMING FACTORING RECEIVABLES (NET)	182	380	410	7.9
NON-PERFORMING FACTORING RECEIVABLES (GROSS/SHAREHOLDERS' EQUITY, %)	25.9	31.0	26.3	-15.2
NON-PERFORMING FACTORING RECEIVABLES (NET/SHAREHOLDERS' EQUITY, %)	3.2	5.60	5.0	10.7
SPECIAL PROVISIONS/ASSETS (%)	3.0	5.0	4.7	-5.8

TL

310

MILLION
ASSET SIZE

Ekspo Faktoring carries out its activities with a transparent and accountable corporate governance approach, and together with its clients, contributes to the development of the country.

INTERNAL AUDIT AND FINANCIAL CONTROL

The Internal Audit and Financial Control Department is responsible for ensuring that the internal audit and financial control activities at Ekspo Faktoring are conducted regularly, efficiently and effectively.

INTERNAL AND EXTERNAL AUDITS BY EXPERTS

Internal audits in companies include all methods and measures that aim to improve operational efficiency, protect the assets, investigate the accuracy and reliability of accounting information, and promote commitment to predefined management policies. An effective internal audit system is in place at Ekspo Faktoring in order to reach the Company's goals and demonstrate the reliability of its financial statements in compliance with predefined policies and legislative/administrative regulations.

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

RELIABLE AND TRANSPARENT MANAGEMENT

Since its establishment, Ekspo Faktoring has always prioritized full compliance with transparency and accountability principles with the audits performed by its own Internal Audit staff and independent international audit firms. The Company verifies its financial data and information through internal and external audits without ever compromising its above referred principles.

While teams of experts in their respective fields are tasked with internal and external audits at Ekspo Faktoring, two separate independent audit firms, among the leading international companies, conduct tax and financial statement audits. Furthermore, material disclosures are regularly submitted to the BDDK and the Ministry of Treasury and Finance, and Independent Auditor's Report is prepared as per BDDK standards.

INTEGRITY AND EFFICIENCY IN AUDITS

The Internal Audit and Financial Control Department at Ekspo Faktoring 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 for the Company to function seamlessly within the governance and organizational structure defined by the Board of Directors and Senior Management.

All activities of the Internal Audit and Financial Control Department are carried out by two key individuals, the Internal Audit and Financial Control Manager and the Internal Audit and Financial Control Analyst. The results of these independent operational, financial and other controls performed by the Department are reported to the management concurrently.

THOROUGH ANALYSES

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

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

Pursuant to the "Communiqué of BDDK on the Management and Supervision of Information Systems" that entered into force on April 6, 2019, Ekspo Faktoring began working on the policies, procedures, processes and actions for the first audit of 2020.

CLOSE MONITORING OF CLIENTS

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. For this purpose, the activities of the Marketing, Operations, Treasury, Accounting, Risk Assessment and Foreign Transactions Departments are audited by this Department according to defined workflows. The issues identified are resolved within the day, and weekly and monthly reports are prepared to present to the Senior Management and the Board of Directors.

TRAINING PROGRAMS FOR DEVELOPMENT

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

RISK MANAGEMENT

Ekspo Faktoring adopts a proactive approach to risk management at each stage, and determines policies by carefully addressing potential risks.

SYSTEMATIC RISK MANAGEMENT

Effective risk management is a key factor in achieving sustainable success in the financial sector. 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 that follow after taking the risk. Identifying and defining the risks that the company could encounter, and carrying out proactive control and management activities against these risks are key and essential steps to take toward strategic goals.

RISK ASSESSMENT WITH TECHNICAL ANALYSES

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 non-performing loans. Given the widespread illicit 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 on its own is not sufficient. Although risk measurement and assessment techniques could be used as aids, 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 RISK ASSESSMENT

At Ekspo Faktoring, credit risk analyses, which play a major 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.

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

COMPLIANCE WITH INTERNATIONAL STANDARDS

Ekspo Faktoring manages all risks within sector and group limitations, making sure that a client's risk never exceeds 25% of its 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 international standards is of utmost importance for Ekspo Faktoring. The Senior Management has worked extensively to boost the efficiency of risk monitoring activities and to develop an effective risk assessment system. The new system, developed with 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 reviewed using the new client rating system.

EFFECTIVE MONITORING SYSTEM

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, and other such services. Ekspo Faktoring reviews its clients as well as its collateral portfolio weekly, bimonthly and monthly as part of its risk monitoring activities, and also uses the combined risk follow up system where combined risks are listed and changes can be reported.

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

EXPERIENCED TEAM OF EXPERTS

Aiming to maintain its asset quality above sector average, Ekspo Faktoring acts prudently and with due diligence in 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 once a week, or more frequently when needed, to evaluate and finalize client requests in maximum two days, and holds interim meetings in critical situations that require immediate attention. In the meetings, the Company Assessment Report, prepared in the light of criteria as 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.

EXTENSIVE DATA BANK

Ekspo Faktoring refers to its 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 data, payment habits and check drawing performance, and is constantly enhanced in terms of content and quality.

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

CORPORATE GOVERNANCE

With its commitment to transparency and ethical values as the cornerstone of its corporate culture, Ekspo Faktoring aims to create value for all its stakeholders, and particularly clients.

COMPANY CULTURE COMMITTED TO ETHICAL VALUES

Ekspo Faktoring strives to carry out all business processes according to the principles of transparency, fairness, equality, responsibility and accountability as the cornerstones of its corporate culture. Aiming to maintain its reputable position in the Turkish financial sector and creating value for all its stakeholders, and clients in particular, Ekspo Faktoring acts with a professional management approach and 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 elevate its reputation further in the sector. These values support and improve the Company's consistent profitability and efficiency while rendering the corporate structure sustainable.

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.

INTERNATIONAL AUDITS

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 also reviewed quarterly by this independent audit firm. Meanwhile, tax audits are conducted by a different firm. Even though the Company is not listed publicly, there is one independent director serving on the Board of Directors.

TRANSPARENCY AND CONSISTENCY

The BDDK promotes the importance of transparency and consistency in the financial sector and therefore recommends all finance companies to disclose their financial statements at regular intervals online. Knowing that the financial sector is built on trust, Ekspo Faktoring considers it a duty to disclose open, clear and accurate information to the public. Accordingly, the Company has been disclosing its annual financial statements on its corporate website since the very beginning. 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, which enables the Company to operate quickly and effectively, combining its advantages with its technological infrastructure and maintaining an important competitive edge. The Company aims to achieve corporate targets together with its employees and therefore invests in trainings and advanced systems.

HUMAN RESOURCES

Ekspo Faktoring operates with human resources of professional experience and expertise above sector average, and provides its employees with continuous training opportunities to support their development.

TEAM SPIRIT

Ekspo Faktoring invests regularly in its human resources in line with its sectoral development and healthy growth strategy, ensuring the sustainability of its corporate structure and achievements. As of year-end 2019, the qualified human resources at Ekspo Faktoring consist of 33 employees with professional experience and expertise above the sector average. Ekspo Faktoring 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 tenure of eight years.

STRICT RECRUITMENT CRITERIA

In the recruitment process, Ekspo Faktoring considers 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 to ensure that the quality of employees is maintained above sector average.

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.

CONTINUOUS DEVELOPMENT OPPORTUNITIES

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

The training programs are carried out in many different topics to increase the technical and personal capabilities 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. The Human Resources Committee convenes annually in December as part of the performance review process, which aims at comprehensive measuring/assessment of targets and skills.

ASSESSMENTS AND REVIEWS

The Human Resources Department convenes annually in December with the aim to measure and to assess the performance of the personnel based on their success in meeting their goals and their capabilities as part of the performance review process. Several criteria such as professional know-how, cooperation abilities, client/public relations, skills, representation skills, sense of responsibility, personal development, problem solving skills, taking initiative and making decisions, and quality and quantity of the work are considered in performance reviews. This process, which reveals encouraging outcomes in terms of motivation and work discipline, and ensures that employees' contribution to corporate success is evaluated, also forms an analytical basis for promotions, salaries and incentives.

INFORMATION TECHNOLOGIES

Ekspo Faktoring constantly improves and enhances its well-equipped and up-to-date technological infrastructure to keep up with the latest technological developments and to maximize operational speed and efficiency.

OPERATIONAL SPEED AND EFFICIENCY

Ekspo Faktoring serves its clients with a well-equipped, reliable and rich system infrastructure. The Company's information technology requirements are procured from experienced and reliable external sources that provide quality service. Ekspo Faktoring enhances and maintains its infrastructure up-to-date at all times to achieve maximum operational speed and efficiency.

The major investments that Ekspo Faktoring makes by considering the latest technological innovations include maximum-security servers maintained up-to-date at all times, a Disaster Recovery Platform for continuity with minimum loss during disasters, applications to run updates of operating systems first on the test platform, comprehensive backup procedures, and logging and reporting on all levels from basic to highest. As a result of faithfully following the principle of backing up everything on the technological infrastructure, Ekspo Faktoring closed 2019 with 100% uptime.

RELIABLE BACKUP SYSTEM

Ekspo Faktoring launched its Disaster Recovery Center in Ankara in 2006 and completed the hardware and software development activities for this Center in 2007. The Company, which 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 via the corporate website to submit queries about various transactions and check the status of their accounts. In 2019, Ekspo Online was upgraded to offer a more user-friendly product.

INVESTMENTS FOR ENHANCED SECURITY

Ekspo Faktoring started using the SWIFT system, an interbank medium of secure information transfer in 2012 and became the first company in the factoring sector to communicate with banks and international finance organizations via this system.
The Company renewed 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, creating test environments and centralized management of technological infrastructure by doubling its virtual platform capacity. The firewall product was renewed while a device that prioritizes security protocols was preferred.

TRANSPARENT COMMUNICATIONS PLATFORM

Ekspo Faktoring's online face is www.ekspofaktoring.com, the corporate website that plays a major role in transparent and consistent communication with clients. The website operates on an infrastructure designed with the latest technology, and offers clients the opportunity to instantly view their checks in collection, account statements, risk balances and other relevant information. The site also provides its business 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 works seamlessly to develop new projects to serve its clients in even higher standards. With the corporate website fully revamped in 2013, Ekspo Faktoring now provides services for clients and investors more easily and effectively.

EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 AND INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF THE REPORT ORIGINALLY ISSUED IN TURKISH.)

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ekspo Faktoring A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Ekspo Faktoring A.Ş. ("the Company"), which comprise the balance sheet as at 31 December 2019, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to 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 2019, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Accounting Practices of Financial Leasing, Factoring and Financing Companies and their Financial Statements" published in the Official Gazette No. 28861 dated 24 December 2013 and the communique on "The Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies" and communiques, circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis of Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements 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 Matter	How the matter was addressed in the audit
Recognition, Classification, Measurement, and Accounting of Impairment on Factoring Receivables Company's factoring receivables are comprised of import and export receivables (net) amount to 290,392 Thousand TL, non-performing loans amount to 25,142 Thousands TL and provision amount to 25,142 Thousand TL. Details on receivables are disclosed in note 4. The Company determines overdue factoring receivables and account provision for factoring receivables in accordance with Communique Regarding to provision of receivables for Financial Leasing, Factoring and Financing Companies The Company may not determine and account expected credit loss on factoring receivables correctly in accordance with regulations, or the Company performed determination of expected credit loss correctly but did not comply with the provision ratios that are stated in Comminuque and may not have been able to measure the quality of collaterals correctly. 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 classification of the factoring receivables and their calculation of impairment. We selected our samples based on audit methodology and our experience and we tested classification of factoring receivables and calculation of impairment. Since the Company provisioned a hundred percent of all impaired factoring receivables, no additional procedures required.

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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, 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.

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

Responsibilities of independent auditors in an independent audit are as follows:

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 the SIA 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 the SIA, 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.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January - 31 December 2019 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 2 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Company's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

DRT Bağımsız Denetim ve SMMM A.Ş.

Müjde Aslan
Partner
İstanbul, 16 March 2020

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EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position (Balance Sheet)

			THOUSAND TURKISH LIRA					
			Audited			Audited		
	ASSETS		CURRENT PERIOD (31/12/2019)			PRIOR PERIOD (31/12/2018)		
		Notes	TL	FC	Total	TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**126**	**11,138**	**11,264**	**11,251**	**4,650**	**15,901**
1.1	Cash and Cash Equivalents	3.1.1	126	11,138	11,264	10,451	4,650	15,101
1.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
1.3	Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
1.4	Financial Assets at Amortized Cost		-	-	-	-	-	-
1.5	Derivative Financial Assets	3.2.1	-	-	-	800	-	800
1.6	Impaired Financial Assets		-	-	-	-	-	-
1.7	Expected Credit Loss (-)		-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)**		**194,843**	**95,549**	**290,392**	**195,307**	**72,489**	**267,796**
2.1	**Factoring Receivables**	**4**	**194,843**	**95,549**	**290,392**	**195,307**	**72,489**	**267,796**
2.1.1	Discounted Factoring Receivables (Net)	4.1	137,459	43,993	181,452	146,293	27,097	173,390
2.1.2	Other Factoring Receivables	4.1	57,384	51,556	108,940	49,014	45,392	94,406
2.2	**Loans**		**-**	**-**	**-**	**-**	**-**	**-**
2.2.1	Consumer Loans		-	-	-	-	-	-
2.2.2	Bank Credit Card		-	-	-	-	-	-
2.2.3	Installment Commercial Loans		-	-	-	-	-	-
2.4	**Impaired Factoring Receivables (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
2.4.1	Impaired Factoring Receivables	4.2	22,842	2,300	25,142	9,062	-	9,062
2.4.2	Impaired Financial Borrowings		-	-	-	-	-	-
2.4.3	Impaired Receivables From Leasing Activities		-	-	-	-	-	-
2.4.4	Lifetime Expected Credit Loss (-)	4.2	(22,842)	(2,300)	(25,142)	(9,062)	-	(9,062)
2.5	**Expected Credit Loss (-)**		**-**	**-**	**-**	**-**	**-**	**-**
III.	**EQUITY INVESTMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
3.1	**Investment in Associates (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
3.1.1	Associates Value Based on Equity Method		-	-	-	-	-	-
3.1.2	Unconsolidated Associates		-	-	-	-	-	-
3.2	**Subsidaries (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
3.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
3.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
3.3	**Joint Ventures (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
3.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
3.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
IV.	**PROPERTY AND EQUIPMENT (Net)**	**5**	**1,671**	**-**	**1,671**	**1,305**	**-**	**1,305**
V.	**INTENGIBLE ASSETS (Net)**	**7**	**282**	**-**	**282**	**263**	**-**	**263**
VI.	**INVESTMENT PROPERTIES (Net)**	**6**	**1,482**	**-**	**1,482**	**1,007**	**-**	**1,007**
VII.	**CURRENT TAX ASSET**	**13**	**1,851**	**-**	**1,851**	**-**	**-**	**-**
VIII.	**DEFERRED TAX ASSET**	**13**	**1,508**	**-**	**1,508**	**2,320**	**-**	**2,320**
IX.	**OTHER ASSETS**	**9**	**1,045**	**66**	**1,111**	**1,177**	**5**	**1,182**
	SUB TOTAL		**202,808**	**106,753**	**309,561**	**212,630**	**77,144**	**289,774**
X.	**NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**8**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Held for Sale		-	-	-	-	-	-
10.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**202,808**	**106,753**	**309,561**	**212,630**	**77,144**	**289,774**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Financial Position (Balance Sheet)

			THOUSAND TURKISH LIRA					
			Audited			Audited		
	LIABILITIES		CURRENT PERIOD (31/12/2019)			PRIOR PERIOD (31/12/2018)		
		Notes	TL	FC	Total	TL	FC	Total
I.	**FUNDS BORROWED**	10	26,794	89,706	116,500	56,554	67,629	124,183
II.	**FACTORING LIABILITIES**	4.1	1,092	15,224	16,316	288	7,973	8,261
III.	**LEASE LIABILITIES**		-	-	-	-	-	-
3.1	Financial Lease Liabilities		-	-	-	-	-	-
3.2	Operational Lease Liabilities		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
3.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
IV.	**SECURITIES ISSUED (Net)**	11	-	-	-	-	-	-
4.1	Bonds		-	-	-	-	-	-
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bills		-	-	-	-	-	-
V.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL ASSETS**	3.2.2	-	-	-	573	-	573
VII.	**PROVISIONS**	14	1,317	-	1,317	1,130	-	1,130
7.1	Restructuring Provision		-	-	-	-	-	-
7.2	Reserve for Employee Benefits		1,317	-	1,317	1,058	-	1,058
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	72	-	72
VIII.	**CURRENT TAX LIABILITY**	13	728	-	728	2,445	-	2,445
IX.	**DEFERRED TAX LIABILITIES**		-	-	-	-	-	-
X.	**SUBORDINATED DEBT INSTRUMENTS**		-	-	-	-	-	-
XI.	**OTHER LIABILITIES**	12	563	350	913	509	473	982
	SUB TOTAL		30,494	105,280	135,774	61,499	76,075	137,574
XII.	**NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
12.1	Held for Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**	15	173,787	-	173,787	152,200	-	152,200
13.1	Paid in Capital		60,000	-	60,000	60,000	-	60,000
13.2	Capital Reserves		-	-	-	-	-	-
13.2.1	Share Premium		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-	-	-	-
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
13.5	Profit Reserves		15,191	-	15,191	13,725	-	13,725
13.5.1	Legal Reserves		15,191	-	15,191	13,725	-	13,725
13.5.2	Status Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Income or (Loss)		98,596	-	98,596	78,475	-	78,475
13.6.1	Prior Periods' Income or (Loss)		77,009	-	77,009	49,170	-	49,170
13.6.2	Current Period Income or (Loss)		21,587	-	21,587	29,305	-	29,305
	TOTAL LIABILITIES		204,281	105,280	309,561	213,699	76,075	289,774

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Off Balance Sheet Items

			THOUSAND TURKISH LIRA					
			Audited			Audited		
	OFF-BALANCE SHEET		CURRENT PERIOD (31/12/2019)			PRIOR PERIOD (31/12/2018)		
		Notes	TL	FC	Total	TL	FC	Total
I.	**FACTORING TRANSACTIONS AT RISK**		**28,760**	**24,453**	**53,213**	**20,929**	**18,211**	**39,140**
II.	**FACTORING TRANSACTIONS NOT AT RISK**		**322,853**	**19,240**	**342,093**	**280,465**	**31,874**	**312,339**
III.	**GUARANTEES TAKEN**	23.1	**4,372,880**	**783,544**	**5,156,424**	**4,052,803**	**793,305**	**4,846,108**
IV.	**GUARANTEES GIVEN**	23.2	**25,008**	**-**	**25,008**	**25,015**	**-**	**25,015**
V.	**COMMITMENTS**	23.3	**-**	**-**	**-**	**-**	**-**	**-**
5.1	Irrevocable Commitments		-	-	-	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Leasing Commitments		-	-	-	-	-	-
5.2.1.1	Financial Leasing Commitments		-	-	-	-	-	-
5.2.1.2	Operational Leasing Commitments		-	-	-	-	-	-
5.2.2	Other Irrevocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	23.4	**-**	**-**	**-**	**4,089**	**5,261**	**9,350**
6.1	Derivative Financial Instruments Held For Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Risk Hedging Transactions		-	-	-	-	-	-
6.1.2	Cash Flow Risk Hedging Transactions		-	-	-	-	-	-
6.1.3	Net Foreign Investment Risk Hedging Transactions		-	-	-	-	-	-
6.2	Transactions For Trading		-	-	-	4,089	5,261	9,350
6.2.1	Forward Foreign Currency Buy/Sell Transaction		-	-	-	4,089	5,261	9,350
6.2.2	Currency Swap-Buy		-	-	-	-	-	-
6.2.3	Options Buy-Sell		-	-	-	-	-	-
6.2.4	Currency Futures-Sell		-	-	-	-	-	-
6.2.5	Other		-	-	-	-	-	-
VII.	**CUSTODY AND PLEDGED ASSETS**	23.5	**269,276**	**198,043**	**467,319**	**288,455**	**162,626**	**451,081**
	TOTAL OFF BALANCE SHEET		**5,018,777**	**1,025,280**	**6,044,057**	**4,671,756**	**1,011,277**	**5,683,033**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement of Income

	INCOME AND EXPENSES	Notes	THOUSAND TURKISH LIRA Audited CURRENT PERIOD (01/01-31/12/2019)	THOUSAND TURKISH LIRA Audited PRIOR PERIOD (01/01-31/12/2018)
I.	**OPERATING INCOME**	**16**	**74,071**	**86,294**
	FACTORING INCOME	**16**	**74,071**	**86,294**
1.1	Interest Income from Factoring Receivables		69,034	81,584
1.1.1	Discounted		46,126	58,993
1.1.2	Other		22,908	22,591
1.2	Commission and Fee Income from Factoring Receivables		5,037	4,710
1.2.1	Discounted		2,223	1,280
1.2.2	Other		2,814	3,430
	INTEREST INCOME		**-**	**-**
1.3	Interest on Loans		-	-
1.4	Commission and Fee Income from Loans		-	-
	LEASING INCOME		**-**	**-**
1.5	Financial Leasing Income		-	-
1.6	Operational Leasing Income		-	-
1.7	Commission and Fee Income from Leases		-	-
II.	**INTEREST EXPENSE (-)**	**19**	**(10,682)**	**(31,794)**
2.1	Interest Expenses on Loans		(9,770)	(29,525)
2.2	Interest Expenses on Factoring Transactions		-	-
2.3	Financial Leasing Expenses		-	-
2.4	Interest Expense on Money Market Transactions		-	(1,260)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Expenses		(912)	(1,009)
III.	**GROSS OPERATING INCOME /LOSS (I+II)**		**63,389**	**54,500**
IV.	**OTHER OPERATING EXPENSES (-)**	**17**	**(20,013)**	**(15,887)**
4.1	Personnel Expenses		(14,834)	(11,981)
4.2	Provisions for Employee Termination Benefits		(248)	(180)
4.3	Research and Development Expenses		-	-
4.4	General Operating Expenses		(4,809)	(3,609)
4.5	Other		(122)	(117)
V.	**NET OPERATING INCOME/LOSS (III+IV)**		**43,376**	**38,613**
VI.	**OTHER OPERATING INCOME**	**18**	**13,035**	**16,163**
6.1	Interest Income from Banks		1,088	1,263
6.2	Interest Income from Reverse Repo Transactions		-	-
6.3	Interest Income on Securities		-	27
6.3.1	Fair Value Through Profit or Loss		-	-
6.3.2	Fair Value Through Other Comprehensive Income		-	-
6.3.4	Measured at Amortized Cost		-	-
6.4	Dividend Income		-	-
6.5	Trading Gains / (Losses) on Securities		-	-
6.6	Gains / (Losses) on Derivate Financial Transactions		573	(182)
6.7	Foreign Exchange Gains / (Losses)		6,302	14,899
6.8	Other		5,072	156
VII.	**PROVISION EXPENSES**	**20**	**(22,395)**	**(6,348)**
7.1	Special Provisions		(22,395)	(6,348)
7.2	Expected Credit Loss		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**21**	**(6,504)**	**(10,775)**
8.1	Provision for Marketable Securities		-	-
8.1.1	Fair Value Through Profit or Loss		-	-
8.1.2	Fair Value Through Other Comprehensive Income		-	-
8.2	Impairment Expenses on Non-current Assets		-	-
8.2.1	Impairment Expenses on Property Plant and Equipments		-	-
8.2.2	Impairment Expenses on Assets Held for Sale		-	-
8.2.3	Impairment Expenses on Intangible Assets		-	-
8.2.4	Impairment Expenses on Subsidiaries		-	-
8.3	Gains / (Losses) on Derivate Financial Transactions		(800)	(580)
8.4	Foreign Exchange Gains / (Losses)		(5,704)	(10,195)
8.5	Other		-	-
IX.	**NET OPERATING INCOME / (EXPENSES) (V+...+VIII)**		**27,512**	**37,653**
X.	**INCOME AFTER MERGER**		**-**	**-**
XI.	**INCOME /(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**	**-**
XII.	**INCOME / (LOSS) ON NET MONETARY POSITION**		**-**	**-**
XIII.	**PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (IX+...+XII)**		**27,512**	**37,653**
XIV.	**TAX PROVISIONS FOR CONTINUED OPERATIONS (±)**		**(5,925)**	**(8,348)**
14.1	Current Tax Provision	13	(5,113)	(7,636)
14.2	Deferred Tax Expense Effect (-)	13	(812)	(712)
14.3	Deferred T ax Income Effect (+)		-	-
XV.	**CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XIII±XIV)**		**21,587**	**29,305**
XVI.	**INCOME FROM DISCONTUNIUED OPERATIONS**		**-**	**-**
16.1	Income from Non-Current Assets Held for Sale		-	-
16.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
16.3	Income from Other Discontinued Operations		-	-
XVII.	**EXPENSES FOR DISCONTINUED OPERATIONS (-)**		**-**	**-**
17.1	Expenses for Non-current Assets Held for Sale		-	-
17.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
17.3	Expenses for Other Discontinued Operations		-	-
XVIII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVI-XVII)**		**-**	**-**
XIX.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**	**-**
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII±XIX)**		**-**	**-**
XXI.	**NET PROFIT/(LOSS) (XV+XX)**		**21,587**	**29,305**
	Profit / (Loss) Per Share		**-**	**-**
	Profit / (Loss) Per Share from Continuing Operations		-	-
	Profit / (Loss) Per Share from Discontinued Operations		-	-
	Diluted Profit / (Loss) Per Share		**-**	**-**
	Diluted Profit / (Loss) Per Share from Continuing Operations		-	-
	Diluted Profit / (Loss) Per Share from Discontinued Operations		-	-

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement Of Profit Or Loss Items Accounted Under Shareholders' Equity

		THOUSANDS TURKISH LIRA
		Audited
		CURRENT PERIOD (01/01-31/12/2019)
I.	**CURRENT PERIOD INCOME/LOSS**	**21,587**
II.	**OTHER COMPREHENSIVE INCOME**	**-**
2.1	**Not Reclassified Through Profit or Loss**	**-**
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2	**Reclassified Through Profit or Loss**	**-**
2.2.1	Foreign Currency Translation Differences	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	-
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Loss	-
2.2.6	Tax on Other Comprehensive Income Items Reclassified Through Profit or Loss	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**21,587**

		THOUSANDS TURKISH LIRA
		Audited
		PRIOR PERIOD (01/01-31/12/2018)
I.	**CURRENT PERIOD INCOME/LOSS**	**29,305**
II.	**OTHER COMPREHENSIVE INCOME**	**-**
2.1	**Not Reclassified Through Profit or Loss**	-
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2	**Reclassified Through Profit or Loss**	-
2.2.1	Foreign Currency Translation Differences	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	-
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Loss	-
2.2.6	Tax on Other Comprehensive Income Items Reclassified Through Profit or Loss	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**29,305**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Statement Of Changes In Shareholders' Equity

	AUDITED PRIOR PERIOD (01/01/2018-31/12/2018)						Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)			Other Comprehensive Income Items Reclassified Through Other Profit or Loss)			THOUSAND TURKISH LIRA							
		Paid in Capital	Capital Reserves	Share Premiums	Share Cancellation	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Net Profit / (Loss)	Prior Period Profit / (Loss)	Total Equity
I.	**Opening Balance**	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,482**	**-**	**-**	**-**	**20,887**	**34,326**	**127,695**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1.	Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Opening Balance (I+II)**	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,482**	**-**	**-**	**-**	**20,887**	**34,326**	**127,695**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
V.	**Capital Increase by Cash**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Sources**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid in Capital Inflation Adjustment Difference**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Share**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instrument**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase / Decrease by Other Change**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Net Profit/ (Loss) for the Period**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,305**	**-**	**29,305**
XII.	**Profit Distribution**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,243**	**-**	**-**	**-**	**(20,887)**	**14,844**	**(4,800)**
12.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,800)	(4,800)
12.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	1,243	-	-	-	-	(1,243)	-
12.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,887)	20,887	-
	Period End Balance (I+II+III+...+X+XI+XII)	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,725**	**-**	**-**	**-**	**29,305**	**49,170**	**152,200**
	AUDITED CURRENT PERIOD (01/01/2019-31/12/2019)																			
I.	**Opening Balance**	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,725**	**-**	**-**	**-**	**29,305**	**49,170**	**152,200**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1.	Effects of Correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Opening Balance (I+II)**	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,725**	**-**	**-**	**-**	**29,305**	**49,170**	**152,200**
IV.	**Total Comprehensive Income**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
V.	**Capital Increase by Cash**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase by Internal Sources**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Paid in Capital Inflation Adjustment Difference**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds to Share**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Debt Instrument**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase / Decrease by Other Change**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Net Profit/ (Loss) for the Period**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,587**	**-**	**21,587**
XII.	**Profit Distribution**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,466**	**-**	**-**	**-**	**(29,305)**	**27,839**	**-**
12.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	1,466	-	-	-	-	(1,466)	-
12.3.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(29,305)	29,305	-
	Period End Balance (I+II+III+...+X+XI+XII)	**60,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,191**	**-**	**-**	**-**	**21,587**	**77,009**	**173,787**

1. Revaluation Increase/(Decrease) on Property, Plant and Equipments
2. Defined Benefit Pension Plan Remeasurement Gain/Loss
3. Other Comprehensive Income Items Not Reclassified Through Profit or Loss
4. Foreign Currency Translation Differences
5. Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income
6. Other Comprehensive Income Items Reclassified Through Profit or Loss

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

VI. Statement Of Cash Flows

			THOUSAND TURKISH LIRA	
			Audited	Audited
		Notes	CURRENT PERIOD (01/01-31/12/2019)	PRIOR PERIOD (01/01-31/12/2018)
A.	**CASH FLOWS FROM OPERATIONS**			
1.1	**Operating Profit Before Changes in Operating Assets and Liabilities**		**26,281**	**25,144**
1.1.1	Interest Received/Leasing Income		63,068	79,168
1.1.2	Interest Paid/Leasing Expenses		(12,067)	(30,864)
1.1.3	Leasing Expenses		(1,831)	(1,330)
1.1.4	Dividends Received		-	-
1.1.5	Fees and Commissions Received		4,869	4,872
1.1.6	Other Income		-	-
1.1.7	Collections from Previously Written off Receivables	**4.2**	4,789	92
1.1.8	Cash Payments to Personnel and Service Suppliers		(14,834)	(11,981)
1.1.9	Taxes Paid		(9,331)	(7,726)
1.1.10	Other		(8,382)	(7,086)
1.2	**Changes in Assets and Liabilities Subject to Operations**		**(32,110)**	**(11,075)**
1.2.1	Net (Increase) / Decrease in Factoring Receivables		(35,471)	168,802
1.2.2	Net (Increase) / Decrease in Loans		-	-
1.2.3	Net (Increase) / Decrease in Leases		-	-
1.2.4	Net (Increase) / Decrease in Other Assets		(867)	252
1.2.5	Net Increase / (Decrease) in Factoring Payables		8,055	(456)
1.2.6	Net Increase / (Decrease) in Leasing Liabilities		-	-
1.2.7	Net Increase / (Decrease) in Borrowings		(5,386)	(179,944)
1.2.8	Net Increase / (Decrease) in Matured Payables		-	-
1.2.9	Net Increase / (Decrease) in Other Payables		1,559	271
I.	**Net Cash Provided from Operations**		**(5,829)**	**14,069**
B.	**CASH FLOWS FROM INVESTMENT ACTIVITIES**		**-**	**-**
2.1	Cash Paid for Purchase of Joint Ventures, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Sale of Entities Joint Ventures, Associates and Subsidiaries		-	-
2.3	Fixed Assets Purchases	**5-6**	(1,077)	(87)
2.4	Fixed Assets Sales	**5**	16	-
2.5	Cash Paid for Purchase of Financial Assets		-	-
2.6	Cash Obtained from Sale of Financial Assets		-	-
2.7	Cash Paid for Purchase of Investment Securities		-	-
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other	**7**	(120)	(234)
II.	**Net Cash Paid from Investing Activities**		**(1,181)**	**(321)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		**-**	**-**
3.1	Cash Obtained from Loans Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Loans Borrowed and Securities Issued		-	-
3.3	Bonds Issued		-	-
3.4	Dividends Paid	**15.7**	-	(4,800)
3.5	Payments for Leases		-	-
3.6	Other		-	-
III.	**Net Cash Flow from Financing Activities**		**-**	**(4,800)**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**3,173**	**2,012**
V.	**Net Increase / (Decrease) in Cash and Cash Equivalents**		**(3,837)**	**10,961**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	**3.1.1**	**15,101**	**4,140**
VII.	**Cash and Cash Equivalents at End of the Period**	**3.1.1**	**11,264**	**15,101**

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

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

1. GENERAL INFORMATION

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 shareholders structure is as follows:

	31 December 2019	Share (%)	31 December 2018	Share (%)
M. Semra Tümay	29,400	49,00	29,400	49,00
Murat Tümay	15,300	25,50	15,300	25,50
Zeynep Ş. Akçakayalıoğlu	15,300	25,50	15,300	25,50
Capital	**60,000**	**100,00**	**60,000**	**100,00**

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

Approval of Financial Statements

The financial statements were approved by the board of directors and authorized for issue on 16 March 2020.

2. EXPLANATIONS ON BASIS OF PRESENTATION

2.1. Basis of Presentation

2.1.1. Application of Accounting Policy Standards

The Company performs according to dated December 24, 2013 and published in the Official Gazette No. 28861 "Financial Leasing, Factoring and Financing Companies for to be applied by the Communiqué on Uniform Chart of Accounts and Prospects" within the scope of Turkey are accounted for in accordance with Accounting Standards.

In the accounting of the activities, Financial Leasing, Factoring and Financing Companies' Accounting Practices and Financials published in the Official Gazette dated 24 December 2013 and numbered 28861 and published in the Official Gazette dated 13 December 2012 and numbered 28496. The provisions of the Regulation on Tables have been applied.

Factoring, Financial Leasing and Financing Companies did not switch to TFRS 9 as of 31 December 2019, according to BRSA's "Regulation on the Amendment to the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published on May 2, 2018. In this framework, the Company continues to apply the existing legislation.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.1. Basis of Presentation (Continued)

2.1.1 . Application of Accounting Policy Standards (Continued)

The accompanying financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") the supplementary information and the interpretations related to them.

The financial statements have been prepared on the historical cost basis, except for the revaluation of some financial instruments. In determining the historical cost, the fair value of the amount generally paid for the assets is taken as basis.

2.1.2. 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.

2.1.3. Financial Reporting in Hyperinflationary Economies

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

2.1.4. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the 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.

2.2. Significant Changes in Accounting Policies

Significant changes in accounting policies and significant accounting errors detected are applied retrospectively and prior period financial statements are restated. The company has applied its accounting policies consistent with the prior period.

2.3. Changes in Accounting Estimates and Errors

If the changes in accounting estimates are for only one period, they are applied prospectively in the current period when the change is made, both in the period when the change is made and in the future periods. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There has not been a significant change in the accounting estimates of the Company in the current year.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4. Application of New and Revised International Financial Reporting Standards

a) New and Amended TFRS Standards That are Effective for the Current Year

TFRS 16	*Leases*
TFRS Interpretation 23	*Uncertainty over Income Tax Treatments*
Amendments to TAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to TAS 19 Employee Benefits	*Plan Amendment, Curtailment or Settlement*
Annual Improvements to TFRS Standards 2015–2017 Cycle	*Amendments to TFRS 3 Business Combinations, TFRS 11 Joint Arrangements, TAS 12 Income Taxes and TAS 23 Borrowing Costs*

TFRS 16 *Leases*

General Impact of Application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the New Definition of a Lease

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and

- The right to direct the use of that asset.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4. Application of New and Revised International Financial Reporting Standards (Continued)

a) New and Amended TFRS Standards That are Effective for the Current Year (Continued)

TFRS 16 *Leases (Continued)*

Impact of the New Definition of a Lease (Continued)

The Company applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

TFRS 16 changes how the Company accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Company has:

a) Recognised right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;

c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

Finance Leases

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17.

EKSPO FAKTORİNG ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4. Application of New and Revised International Financial Reporting Standards (Continued)

a) New and Amended TFRS Standards That are Effective for the Current Year (Continued)

Impact on Lessor Accounting

TFRS 16 does not change substantially how a lessor accounts for leases. Under TFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, TFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under TFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

TFRS 16 has no impact on financial statements of the Company.

TFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

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

This amendment clarifies that an entity applies TFRS 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.

Amendments to TAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.

These standards, amendments and improvements have no impact on the financial position and performance of the Company.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4. Application of New and Revised International Financial Reporting Standards (Continued)

b) New and Revised TFRSs in Issue But Not Yet Effective

The Company has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	*Insurance Contracts*
Amendments to TFRS 3	*Business Combinations*
Amendments to TAS 1	*Presentation of Financial Statements*
Amendments to TAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to TFRS 3 *Business Combinations*

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in TFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 *Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Effects of Revised Accounting Policies

In this note, the new accounting policies, which the Company has started to apply as of 1 January 2019, have been disclosed with the effect of application of TFRS 16 Leases standard on the Company's financial statements.

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2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies

(a) Revenue and Cost Recognition

(i) Factoring Interest and Commission Income

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

(ii) Other Income and Expenses

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

(iii) Financial Income and Expenses

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

(b) Financial Instruments

Financial Assets

The Company classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

Amortised Cost and Effective Interest Method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Assets (Continued)

Amortised Cost and Effective Interest Method (Continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met:

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

Financial Assets Measured at Fair Value Through Other Comprehensive Income

A financial asset is measured if both of the following conditions are met:

(a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Assets (Continued)

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

Factoring Receivables

Factoring receivables are measured at amortised cost less expected credit loss and unearned interest income.

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

Impairment of Financial Assets

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

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

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Assets (Continued)

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.

Hedge Accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:Hedge accounting is not applied at 31 December 2019 and 2018.

Financial Liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss

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

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

Other Financial Liabilities

Other financial liabilities, including financial liabilities, are initially recognized at fair value.

Other financial liabilities are accounted over the amortized cost value by using the effective interest method together with the interest expense calculated over the effective interest rate in the following periods.

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2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Liabilities (Continued)

Other Financial Liabilities (Continued)

Effective interest method is the method of calculating the amortized costs of the financial liability and distributing the related interest expense to the related period. Effective interest rate; It is the rate that precisely reduces the estimated future cash payments to be made in the lifetime of the financial instrument or, if appropriate, for a shorter period of time, to the net present value of the relevant financial liability.

(c) Property, Plant and Equipments

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

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

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

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

Description	***Years***
Furniture and fixtures	5 years
Vehicles	5 years

(d) Intangible Assets

Purchased Intangible Assets

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

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(e) Impairment of Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

(f) Share Capital Increase

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

(g) Employee Benefits

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 TAS 19.

The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement and reflected to the financial statements.

(h) Provisions

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

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2019

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(i) Borrowing Costs

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

(j) Effects of Currency Changes

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.

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

	31 December 2019	31 December 2018
USD	5,9402	5,2609
EUR	6,6506	6,0280
GBP	7,7765	6,6528
CHF	6,0932	5,3352

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

(k) Earnings Per Share

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares in the Company. The weighted average number of shares is the number of stocks found by multiplying the number of ordinary stocks at the beginning of the period and the number of stocks bought or exported during the period by multiplying by a time-weight factor. Time-weight factor is the ratio of the number of days in which a certain number of shares are issued to the number of days in the total period.

TAS 33 "Accounting Standard for Earnings Per Share" shares are not traded on the stock exchange by the company are not required to disclose earnings per share. Since the shares of the Company are not traded on the stock exchange, earnings per share are not calculated in the accompanying financial statements.

(l) Events After 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 TAS 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.

(m) 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.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(n) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2019

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2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(o) Financial Leasing Policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

The Company as Lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

(p) Cash Flow Statements

In the cash flow statement, cash flows for the period are classified and reported based on main, investment and financing activities.

Cash flows arising from main activities indicate the cash flows arising from the factoring activities of the Company.

Cash flows related to investment activities show the cash flows used and obtained by the Company in investment activities (fixed investments and financial investments).

Cash flows related to financing activities show the resources used by the Company in financing activities and the repayments of these resources.

(r) Related Parties

The shareholders of the Company and other companies that are controlled by them or related with them and key management personnel of the Company are considered and referred to as the related parties. The detail of related party balances and transactions are disclosed at note 22.

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2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5. Summary of Significant Accounting Policies (Continued)

(s) Assets Held for Sale

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

(t) Investment Property

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

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

3. FINANCIAL ASSETS, NET

3.1.1. Cash and Cash Equivalents

As of 31 December 2019 and 2018, there is no cash on hands.

		31 December 2019		31 December 2018
	TL	**FC**	**TL**	**FC**
Cash and Cash Equivalents	126	11,138	10,451	4,650
	126	**11,138**	**10,451**	**4,650**

As of 31 December 2019, there is no blockage on bank deposits. As of 31 December 2019, total amount of time deposits is TL 7.128 (31 December 2018: None). The effective interest rate for time deposits is 2.25% and the maturities are between 27-31 days.

3.1.2. Banks

The detail of bank balances as of 31 December 2019 and 2018 are as follows:

		31 December 2019		31 December 2018
	TL	**FC**	**TL**	**FC**
Demand Deposits	126	4,010	10,451	4,650
Time Deposits	-	7,128	-	-
	126	**11,138**	**10,451**	**4,650**

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Notes to the Financial Statements for the Year Ended 31 December 2019

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

3. FINANCIAL ASSETS , NET (Continued)

3.2. Derivative Financial Assets And Liabilities

3.2.1. Derivative Financial Assets

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

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Derivative Financial Assets	-	-	800	-
	-	**-**	**800**	**-**

3.2.2. Derivative Financial Liabilities

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

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Derivative Financial Liabilities	-	-	573	-
	-	**-**	**573**	**-**

4. FINANCIAL ASSETS MEASURED AT AMORTIZED COST, NET

4.1. Factoring Receivables and Payables

Factoring Receivables

The detail of factoring receivables as of 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Discounted Factoring Receivables	137,459	43,993	146,293	27,097
Other Factoring Receivables	57,384	51,556	49,014	45,392
	194,843	**95,549**	**195,307**	**72,489**

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Notes to the Financial Statements for the Year Ended 31 December 2019

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4. FINANCIAL ASSETS MEASURED AT AMORTIZED COST, NET (Continued)

4.1. Factoring Receivables and Payables (Continued)

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

	31 December 2019	%	31 December 2018	%
Retail and wholesale trade	45,414	15	37,231	14
Textiles	60,967	22	34,816	13
Financial Services	21,864	7	51,798	19
Tourism	1,334	0	1,393	1
Transportation, storage and communication	26,009	9	20,794	8
Chemicals and pharmaceuticals	20,274	7	123	0
Wood and Wooden Products	23,619	8	16,659	7
Construction	15,459	5	43,830	16
Iron, steel, coal, petroleum, other mines	28,977	10	11,831	4
Agriculture and ranching	1,927	1	15,204	6
Machinery and equipment	13,139	5	323	0
Non-metal industry	8,721	3	3,855	1
Leather industry	705	0	15,900	6
Computer and computer equipment	1,400	1	-	-
Food, beverages and tobacco	1,400	1	2,096	1
Researching	17,329	6	-	-
Electrical equipment	742	0	1,509	1
Rubber and plastic goods	-	-	8,730	3
Education	-	-	623	0
Cultural, recreational and sports activities	-	-	1,081	0
Other	1,112	0	-	-
	290,392	**100%**	**267,796**	**100%**

As at 31 December 2019, there is no factoring receivables that would otherwise be past due or impaired whose terms have been renegotiated (2018: None).

The Company has no factoring receivables that are linked to protocol as of 31 December 2019 (2018: None).

Factoring Payables

The detail of factoring payables as of 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Factoring Payables	1,092	15,224	288	7,973
	1,092	**15,224**	**288**	**7,973**

Factoring payables are the amounts collected on behalf of factoring customers and not yet deposited into the relevant factoring customers account.

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

4. FINANCIAL ASSETS MEASURED AT AMORTIZED COST, NET (Continued)

4.2. Impaired Factoring Receivables, Net

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

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Impaired Factoring Receivables	22,842	2,300	9,062	-
Provision	(22,842)	(2,300)	(9,062)	-
Impaired Factoring Receivables, Net	**-**	**-**	**-**	**-**

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

	31 December 2019		31 December 2018	
	Total Impaired Factoring Receivables	**Provision**	**Total Impaired Factoring Receivables**	**Provision**
Overdue 0 to 3 months	16,928	(16,928)	4,807	(4,807)
Overdue 3 to 6 months	2	(2)	1,541	(1,541)
Overdue 6 to 12 months	5,538	(5,538)	-	-
Overdue over 1 year	2,674	(2,674)	2,714	(2,714)
Total	**25,142**	**(25,142)**	**9,062**	**(9,062)**

The movement of provision for 31 December 2019 and 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Opening	**9,062**	**3,233**
Transferred (*)	(1,526)	(427)
Provision for the Period	22,395	6,348
Recovered During the Period	(4,789)	(92)
Balance as of 31 December	**25,142**	**9,062**

(*) During the period, the Company has allocated 100 percent provision for the amount of TL 1,526 and transferred all of its impaired receivables to the asset management company with a price of TL 0.5 (31 December 2018: All of the non-performing receivables amounting to TL 427 for the asset with a value of TL 0.5 transferred to the management company).

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5. PROPERTY PLANT AND EQUIPMENTS

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2019 is as follows:

	1 January 2019	Addition	Disposal	31 December 2019
Cost				
Furniture and Fixtures	666	72	-	738
Vehicles	1,679	497	(247)	1,929
Lease Improvements	341	-	-	341
Other (*)	837	-	-	837
	3,523	**569**	**(247)**	**3,845**

	1 January 2019	Depreciation	Disposal	31 December 2019
Depreciation				
Furniture and Fixtures	496	63	-	559
Vehicles	1,381	124	(231)	1,274
Lease Improvements	341	-	-	341
	2,218	**187**	**(231)**	**2,174**
Net Book Value	**1,305**			**1,671**

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

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2018 is as follows:

	1 January 2018	Addition	Disposal	31 December 2018
Cost				
Furniture and Fixtures	618	87	(39)	666
Vehicles	1,819	-	(140)	1,679
Lease Improvements	341	-	-	341
Other (*)	837	-	-	837
	3,615	**87**	**(179)**	**3,523**

	1 January 2018	Depreciation	Disposal	31 December 2018
Depreciation				
Furniture and Fixtures	471	64	(39)	496
Vehicles	1,508	13	(140)	1,381
Lease Improvements	341	-	-	341
	2,320	**77**	**(179)**	**2,218**
Net Book Value	**1,295**			**1,305**

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

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6. INVESTMENT PROPERTY

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

	1 January 2019	Addition	Disposal	31 December 2019
Cost				
Investment Property	1,308	508	-	1,816
	1,308	**508**	**-**	**1,816**

	1 January 2019	Depreciation	Disposal	31 December 2019
Accumulated Depreciation				
Investment Property	301	33	-	334
	301	**33**	**-**	**334**
Net Book Value	**1,007**			**1,482**

	1 January 2018	Addition	Disposal	31 December 2018
Cost				
Investment Property	1,308	-	-	1,308
	1,308	**-**	**-**	**1,308**

	1 January 2018	Depreciation	Disposal	31 December 2018
Accumulated Depreciation				
Investment Property	275	26	-	301
	275	**26**	**-**	**301**
Net Book Value	**1,033**			**1,007**

The fair value of the investment property of the Company is determined by an independent real estate appraisal company as of 31 December 2019 and 2018. 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.

The fair value of investment property of the Company as of 31 December 2019 is TL 5,158.(2018: TL 4,400).

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7. INTANGIBLE ASSETS

Movement of intangible assets and related accumulated depreciation during the year ended 31 December 2019 is as follows:

	1 January 2019	Addition	Disposal	31 December 2019
Cost				
Computer Softwares and Rights	494	120	-	614
	494	**120**	**-**	**614**

	1 January 2019	Amortization	Disposal	31 December 2019
Accumulated Amortization				
Computer Softwares and Rights	231	101	-	332
	231	**101**	**-**	**332**
Net Book Value	**263**			**282**

Movement of intangible assets and related accumulated depreciation during the year ended 31 December 2018 is as follows:

	1 January 2018	Addition	Disposal	31 December 2018
Cost				
Computer Softwares and Rights	261	234	(1)	494
	261	**234**	**(1)**	**494**

	1 January 2018	Amortization	Disposal	31 December 2018
Accumulated Amortization				
Computer Softwares and Rights	207	25	(1)	231
	207	**25**	**(1)**	**231**
Net Book Value	**54**			**263**

As at 31 December 2019 and 2018, the Company does not have any internally generated intangible assets.

8. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)

As at 31 December 2019 and 2018, the Company has no assets classifed as held for sale.

As at 31 December 2019 and 2018, the Company has no discontinued operations.

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9. OTHER ASSETS

The details of other assets as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Receivables from Customers (*)	1,026	66	582	-
Prepaid Expenses	19	-	595	-
Other	-	-	-	5
	1,045	**66**	**1,177**	**5**

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

10. FUNDS BORROWED

The details of funds borrowed as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Funds Borrowed	26,794	89,706	56,554	67,629
	26,794	**89,706**	**56,554**	**67,629**

	31 December 2019			
			TL Equivalent	
	Original Balance	**Interest Rate (%)(*)**	**Up to 1 Year**	**Over 1 Year**
TL	26,794	11.03-15.49	26,794	-
EUR	1,392	0.40-0,50	9,270	-
USD	13,393	2.41-5.90	80,427	-
GBP	1	-	9	-
Total			**116,500**	**-**

	31 December 2018			
			TL Equivalent	
	Original Balance	**Interest Rate (%)(*)**	**Up to 1 Year**	**Over 1 Year**
TL	56,554	19.75-27.00	56,554	-
EUR	177	0.45	1,069	-
USD	12,650	2.70-6.35	66,553	-
GBP	1	-	7	-
Total			**124,183**	**-**

(*) These rates represent the interest rate range of loans received at fixed and floating interest rates that are open as of December 31, 2019 and December 31, 2018.

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

11. SECURITIES ISSUED

As at 31 December 2019, the Company has no securities issued (2018: None).

12. OTHER LIABILITIES

The details of other liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Trade Payables to Vendors	494	6	393	8
	494	**6**	**393**	**8**

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Deferred Commissions	69	344	116	465
	69	**344**	**116**	**465**

13. TAX ASSETS AND LIABILITIES

The details of tax assets and liabilities as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Income Tax Payables	353	-	325	-
BITT Payables	252	-	402	-
Premium	38	-	99	-
Stamp Tax Payables	8	-	7	-
VAT Payables	77	-	10	-
	728	**-**	**843**	**-**

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Notes to the Financial Statements for the Year Ended 31 December 2019

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13. TAX ASSETS AND LIABILITIES (Continued)

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a tax return. Therefore, provisions for taxes, as reflected in the accompanying financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2019 is 22% (2018: 22%) for the Company.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22%. (2018: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

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.

	1 January-31 December 2019	**1 January-31 December 2018**
	Amount	**Amount**
Reported Profit Before Income Taxes	27,512	37,653
Taxes on Reported Profit Per Statutory Tax Rate (22%)	(6,053)	(8,284)
Non-Taxable Deductions	128	(64)
Income Tax Expense	**(5,925)**	**(8,348)**

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Notes to the Financial Statements for the Year Ended 31 December 2019

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13. TAX ASSETS AND LIABILITIES (Continued)

The detail of current tax assets and liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Corporate Tax Provision	5,114	7,636
Prepaid Taxes	(6,965)	(6,034)
Tax (Assets) / Liabilities	**(1,851)**	**1,602**

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

	1 January-31 December 2019	1 January-31 December 2018
Current Tax Expense	5,113	7,636
Deferred Tax Expense	812	712
	5,925	**8,348**

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.

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

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 2019	31 December 2018	31 December 2019	31 December 2018
Unearned Interest Income	5,559	10,132	1,223	2,229
Employee Severance Payments	930	745	186	149
Employee Permission Payments	387	313	77	63
Prepaid Commissions	413	581	91	128
Deferred Tax Assets	**7,289**	**11,771**	**1,577**	**2,569**
Tangible and Intangible Assets	595	555	119	111
Derivative Financial Instruments	(227)	227	(50)	50
Other	-	398	-	88
Deferred Tax Liabilities	**368**	**1,180**	**69**	**249**
Deferred Tax Assets (Net)	**6,921**	**10,591**	**1,508**	**2,320**

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13. TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax assets as of 31 December 2019 and 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
1 January	2,320	3,032
Deferred Tax (Expense) / Income	(812)	(712)
31 December	**1,508**	**2,320**

14. PROVISIONS

The detail of provisions as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Provision for Severance Payment	930	-	745	-
Provision for Short-Term Employee Benefits	387	-	313	-
Other Provisions	-	-	72	-
	1,317	**-**	**1,130**	**-**

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TL 6,017.60 for each period of service at 31 December 2019 (2018: TL 5,001.76). Retirement pay liability is not subject to any kind of funding legally. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4.67% real discount rate (31 December 2018: 5.45%) calculated by using 7% annual inflation rate and 12% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 94.12% for employees with 0-16 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 6,730.15 which is in effect since 1 January 2020 is used in the calculation of Companys' provision for retirement pay liability (1 January 2019: TL 6,017.60).

Movements of the provision for employee benefits obligation during the years ended 31 December 2019 and 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Opening	**745**	**624**
Interest Expense	39	28
Service Cost	208	152
Payments	(62)	(59)
31 December	**930**	**745**

15. SHAREHOLDERS' EQUITY

15.1. Paid-in Capital

At 31 December 2019 the Company's nominal value of authorized and paid-in share capital amounts to TL 60,000 (2018: TL 60,000) comprising registered shares of par value of TL 1 each.

15.2. Capital Reserves

None.

15.3. Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss

None.

15.4. Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss

None.

15.5. Profit Reserves

As of 31 December 2019 the Company's profit reserves is TL 15,191 (31 December 2018: TL 13,725).

15.6. Prior Periods' Income or (Loss)

As of 31 December 2019 the Company's prior periods'income is TL 77,009 (31 December 2018: TL 49,170).

15.7. Dividends

Prior year's profits in the legal books can be distributed except for the provision related to the legal reserves mentioned below.

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.

As of 31 December 2019, it has been decided not to distribute the remaining balance after the legal provisions have been transferred from the Company's profit formed in 2018 (31 December 2018: It has been decided to distribute TL 4,800 of the Company's previous year profits as profit share).

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16. OPERATING INCOME

The detail of operating income as of 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Interest Income from Factoring Receivables	69,034	81,584
Commission and Fee Income from Factoring Receivables	5,037	4,710
	74,071	**86,294**

17. OPERATING EXPENSES

The detail of operating expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Personnel Expenses	14,834	11,981
Rent Expenses	1,831	1,330
Subscription Fee	451	158
IT Related Expenses	406	349
Provisions for Employee Termination Benefits Expense	248	180
Audit and Consultancy Expenses	173	162
Vehicle Expenses	226	189
Depreciation and Amortization Expenses	321	128
Taxes and Duties	122	117
Representation Expenses	115	106
Communication Expenses	79	53
Litigation Expenses	-	331
Other	1,207	803
	20,013	**15,887**

The detail of personnel expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Salary Expenses	11,025	9,273
Bonus Payment	1,899	905
Social Security Premium Employer's Share	902	767
Insurance Expenses	505	476
Transportation Expenses	181	185
Meal Expenses	175	151
Unemployment Security Employer's Share	64	62
Other	83	162
	14,834	**11,981**

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18. OTHER OPERATING INCOME

The detail of other operating income as of 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Foreign Currency Gain	6,302	14,717
Provision No Longer Required	4,789	27
Gain from Derivative Instruments	573	92
Other	1,371	1,327
	13,035	**16,163**

19. INTEREST EXPENSES

The detail of interest expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Interest Expenses on Loans	9,770	29,525
Interest Expense on Money Market Transactions	-	1,260
Fees and Commissions Expenses	912	1,009
	10,682	**31,794**

20. PROVISION EXPENSES

Special Provisions

	1 January-31 December 2019	1 January-31 December 2018
Provision Expenses	(22,395)	(6,348)
	(22,395)	**(6,348)**

21. OTHER OPERATING EXPENSES

The detail of other operating expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
Foreign Currency Loss	5,704	10,195
Loss From Derivative Instruments	800	580
	6,504	**10,775**

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22. RELATED PARTY BALANCES AND TRANSACTIONS

Related Party Balances

None.

Related Party Transactions

The detail of related party transactions as of 31 December 2019 and 31 December 2018 are as follows:

	1 January-31 December 2019	1 January-31 December 2018
M. Semra Tümay-Rent Expenses	1,831	1,330
	1,831	**1,330**

Top Management Fees and Rights:

As of 31 December 2019 the company paid amount to TL 9,587 to Board of Directors and top management (31 December 2018: TL 7,399).

23. COMMITMENTS AND CONTINGENCIES

23.1. Letters of Guarantee Received

As at 31 December 2019 and 2018, the details of the Company's items held in custody is as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Customers' Cheques	68,363	23,504	42,739	27,078
Customers' Notes	32,629	63,750	36,369	46,887
Mortgages (*)	4,271,888	696,290	3,973,695	719,340
	4,372,880	**783,544**	**4,052,803**	**793,305**

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

23.2. Letters of Guarantee Given

The details of letters of guarantee given as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Letters of Guarantee Given to Banks	17,500	-	17,500	-
Bails in Favor of Customers	7,500	-	7,500	-
Guarantee in Favor of Customers	8	-	15	-
	25,008	**-**	**25,015**	**-**

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

23. COMMITMENTS AND CONTINGENCIES (Continued)

23.3. Commitments

As at 31 December 2019 and 2018, The Company has no irrevocable commitments.

23.4. Derivative Financial Instruments

The details of derivative transactions are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Currency Swap Purchases	-	-	2,164	2,631
Currency Swap Sales	-	-	1,925	2,630
	-	**-**	**4,089**	**5,261**

23.5. Custody and Pledged Assets

The details of custody and pledged assets as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Customers' Cheques	227,138	83,640	231.186	41,425
Customers' Notes	40,638	110,413	55,419	117,584
Mortgages	1,500	3,990	1,850	3,617
	269,276	**198,043**	**288,455**	**162,626**

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1. Financial Risk Management

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.

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.1. Financial Risk Management (Continued)

24.1.1. 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 balance sheet date, 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.

24.1.2. 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.

24.1.3. 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.

(i) 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. Foreign currency position of the Company is disclosed at note 24.2.3.

(ii) 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.

24.2. Risk Management

24.2.1. Interest Rate Risk

The effective weighted average interest rate applied to the financial instruments as at 31 December 2019 and 2018 are as follows:

	31 December 2019				31 December 2018			
	US Dollars (%)	**EUR (%)**	**GBP (%)**	**TL (%)**	**US Dollars (%)**	**EUR (%)**	**GBP (%)**	**TL (%)**
Assets								
Factoring Receivables	6.45	3.06	6.53	19.61	5.90	6.14	6.22	34.10
Liabilities								
Borrowings	4.15	0.45	0.00	11.86	4.90	0.03	0.00	16.97

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2. Risk Management (Continued)

24.2.1. Interest Rate Risk (Continued)

Interest Rate Sensitivity Analysis

The sensitivity analysis of the Company against interest rate risk as at 31 December 2019 and 2018 are as follows:

Fixed Rates	31 December 2019	31 December 2018
Factoring Receivables	103,823	91,596
Borrowings	26,794	56,554
Floating Rates		
Factoring Receivables	186,570	176,200
Borrowings	89,706	67,629

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2019 would increase/decrease by TL 294 monthly (31 December 2018 TL 324).

24.2.2. Credit Risk

The details of credit risk by class of financial instruments as of 31 December 2019 and 2018 are as follows:

31 December 2019	Factoring Receivables		Impaired Receivables		Other Assets			
	Related Party	Third Party	Related Party	Third Party	Related Party	Third Party	Banks	Derivative Financial Assets
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	-	290,392	-	-	-	1,111	11,264	-
A. Net book value of financial assets that are neither past due nor impaired	-	290,392	-	-	-	1,111	11,264	-
B. Book value of financial assets whose conditions have been renegotiated, otherwise they will be deemed overdue or impaired	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired								
- Net book value	-	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
D. Secured portion of the net book value by guarantees, etc.								
- Past due (gross amount)	-	-	-	25,142	-	-	-	-
- Impairment (-)	-	-	-	(25,142)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-	-	-

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Notes to the Financial Statements for the Year Ended 31 December 2019

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2. Risk Management (Continued)

24.2.2. Credit Risk (Continued)

31 December 2018	Factoring Receivables		Impaired Receivables		Other Assets			
	Related Party	Third Party	Related Party	Third Party	Related Party	Third Party	Banks	Derivative Financial Assets
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	**-**	**267,796**	**-**	**-**	**-**	**1,182**	**15.101**	**800**
A. Net book value of financial assets that are neither past due nor impaired	-	267,796	-	-	-	1,182	15,101	800
B. Book value of financial assets whose conditions have been renegotiated, otherwise they will be deemed overdue or impaired	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired								
- Net book value	-	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
D. Secured portion of the net book value by guarantees, etc.								
- Past due (gross amount)	-	-	-	9,062	-	-	-	-
- Impairment (-)	-	-	-	(9,062)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-	-	-

24.2.3. Foreign Currency Risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro and GBP. The breakdown of foreign currency position of the Company as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019 (TL Equivalent)	31 December 2018 (TL Equivalent)
A. Foreign currency assets	109,678	77,144
B. Foreign currency liabilities	(105,280)	(76,075)
C. Derivative financial instruments	-	227
Net foreign currency position (A+B+C)	**4,398**	**1,296**

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2. Risk Management (Continued)

24.2.3. Foreign Currency Risk (Continued)

The details of breakdown of foreign currency position of the Company as at 31 December 2019 and 2018 are as follows:

31 December 2019	**US Dollar**	**EUR**	**GBP**	**Total**
Assets				
Banks	7,496	3,566	76	11,138
Factoring Receivables	83,187	13,154	2,133	98,474
Other Assets	66	-	-	66
Total Assets	**90,749**	**16,720**	**2.209**	**109,678**
Liabilities				
Borrowings	80,428	9,270	8	89,706
Factoring Payables	9,346	3,845	2,033	15,224
Others Payables	232	117	1	350
Total Liabilities	**90,006**	**13,232**	**2,042**	**105,280**
Net Foreign Currency Position	**743**	**3,488**	**167**	**4,398**
Derivative Financial Instruments	-	-	-	-
Net Position	**743**	**3,488**	**167**	**4,398**

31 December 2018	**US Dollar**	**EUR**	**GBP**	**Total**
Assets				
Banks	4,626	14	10	4,650
Factoring Receivables	66,925	2,493	3,071	72,489
Other Assets	5	-	-	5
Total Assets	**71,556**	**2,507**	**3,081**	**77,144**
Liabilities				
Borrowings	67,620	2	7	67,629
Factoring Payables	2,495	2,455	3,023	7,973
Others Payables	465	5	3	473
Total Liabilities	**70,580**	**2,462**	**3,033**	**76,075**
Net Foreign Currency Position	**976**	**45**	**48**	**1,069**
Derivative Financial Instruments	227	-		227
Net Position	**1,203**	**45**	**48**	**1,296**

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2. Risk Management (Continued)

24.2.3. Foreign Currency Risk (Continued)

Foreign Currency Sensitivity Analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2019 and 2018 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2019 and 2018 remain constant.

TL	31 December 2019 Profit/(Loss)	31 December 2018 Profit/(Loss)
US Dollar	74	120
EUR	349	4
GBP	17	5
Total	**440**	**129**

24.2.4. 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 contractual maturities of financial liabilities of the Company:

31 December 2019

	Carrying Amount	Contractual Cash Flows	Less Than 3 Months	3-12 Months	1-5 Years	More Than 5 Years
Non-Derivative Financial Liabilities	**133,729**	**134,778**	**82,809**	**51,969**	**-**	**-**
Borrowings	116,500	117,549	65,580	51,969	-	-
Factoring Payables	16,316	16,316	16,316	-	-	-
Other Liabilities	913	913	913	-	-	-

	Carrying Amount	Contractual Cash Flows	Less Than 3 Months	3-12 Months	1-5 Years	More Than 5 Years
Derivative Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Derivative Cash Inflows	-	-	-	-	-	-
Derivative Cash Outflows	-	-	-	-	-	-

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2. Risk Management (Continued)

24.2.4. Liquidity Risk (Continued)

31 December 2018

	Carrying Amount	Contractual Cash Flows	Less Than 3 Months	3-12 Months	1-5 Years	More Than 5 Years
Non-Derivative Financial Liabilities	**132,845**	**138,286**	**84,483**	**53,803**	**-**	**-**
Borrowings	124,183	129,043	75,240	53,803	-	-
Factoring Payables	8,261	8,261	8,261	-	-	-
Other Liabilities	982	982	982	-	-	-

	Carrying Amount	Contractual Cash Flows	Less Than 3 Months	3-12 Months	1-5 Years	More Than 5 Years
Derivative Financial Liabilities	**227**	**(467)**	**(467)**	**-**	**-**	**-**
Derivative Cash Inflows	800	2,164	2,164	-	-	-
Derivative Cash Outflows	(573)	(2,630)	(2,630)	-	-	-

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 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.

Fair Value of Financial Instruments

The Company has calculated the fair values of financial instruments using available market information and appropriate valuation methods. However, because it is necessary to use conviction to find the fair value, the fair value measurements may not reflect the values that may occur in the current market conditions. Due to the fact that bank loans are repriced by Libor and similar variable interest rates close to the balance sheet date, the Company management has discounted with effective interest, including receivables from banks and banks, factoring receivables, other financial assets and bank loans in short term TL. Considering that the fair values of financial assets and liabilities shown at cost value are short-term and potential losses may be insignificant, it is accepted to be close to their book values.

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25. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

31 December 2019	Level 1	Level 2	Level 3	Total
Derivative Financial Assets	-	-	-	-
Derivative Financial Liabilities	-	-	-	-

31 December 2018	Level 1	Level 2	Level 3	Total
Derivative Financial Assets	-	800	-	**800**
Derivative Financial Liabilities	-	573	-	**573**

26. EVENTS AFTER REPORTING PERIOD

None.

DEMİRBAĞ PUBLISHING

MANAGEMENT

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GENERAL MANAGER

ERHAN MERAL
ASSISTANT GENERAL MANAGER

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