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FINANCIAL REPORT

Company Profile

Fiscal Period of the Report

01.01.2015 - 31.12.2015

Trade Name

İş Faktoring A.Ş.

Head Office

İstanbul

Date of Foundation

06.07.1993

Contact Information

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Trade Registry Number

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Central Registration System

0481005923700010

Internet Site Address

www.isfaktoring.com.tr

Independent Auditor's Report on the Management's Annual Report



To the Board of Directors of İş Faktoring A.Ş., Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing which is a Component of The Turkish Auditing Standards Published by The Public Oversight Accounting and Auditing Standards Authority ("POA")

We have audited the accompanying annual report of İş Faktoring A.Ş. (the "Company") for the year ended 31 December 2015.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated 27 January 2016 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

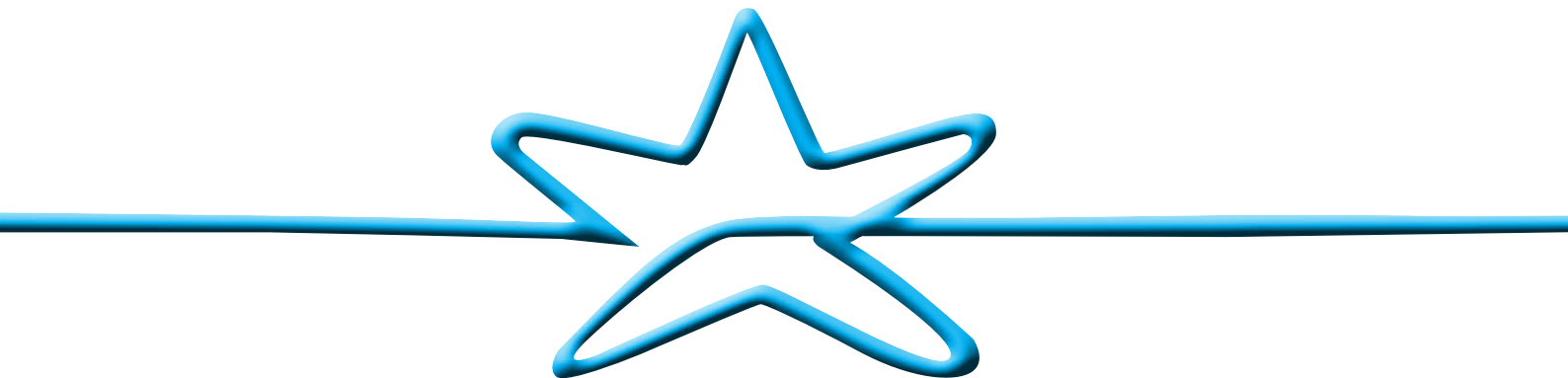
Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Company's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsiz Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International
Cooperative



(Convenience Translation of Independent Auditor's Related to Annual Report Originally Issued in Turkish)



Guidance

Polaris is the brightest star in the Ursa Minor. Being in the same direction with the earth axis, unlike other celestial bodies, it doesn't move and it is very close to the north celestial pole, making it the current northern pole star. Polaris has been a reference for direction and progress of human for thousands of years.

İş Faktoring guides its customers in all kind of market conditions and supports their economic progress with its products and services. It adopts a mentality that empathizes with the customer and therefore embraces the customers and business.

Sharing culture and know-how of İş Bank Group, of which İş Faktoring is a member, it offers the best solutions to customers managing the change and creates long-term values in management of economic risks and opportunities.

“İş Faktoring is a pioneering company, which is preferred by an increased number of customers thanks to its strong equity structure, diversified funding basis, high credibility, fast business processes and customer-oriented service mentality.”

İş Faktoring: A trustworthy business partner and an assertive player in the sector

İş Faktoring lays the foundation of its strong corporate structure on 91 years of know-how and experience of Türkiye İş Bank in financial services sector.

İş Faktoring, designing product and service delivery process with consulting approach, provides service to a rich customer portfolio, which consists of companies of different sizes from several sectors.

İş Faktoring offers country wide factoring service with its Head Office in Istanbul and four branches in Ankara, Gebze, Adana and Bursa.

İş Faktoring is a pioneering company, which is preferred by an increased number of customers thanks to its strong equity structure, diversified funding basis, high credibility, fast business processes and customer-oriented service mentality.

Competent employees, integrated team spirit and a structure, which is dedicated to corporate management

İş Faktoring offers fast and reliable solutions to customer needs with 91 employees with strong sectoral skills by the end of 2015.

Adopting a clear and accountable corporate management approach, İş Faktoring creates the difference thanks to its professional management team and employees who have teamwork skills and is focused on success.

İş Faktoring is a member of Factors Chain International (FCI).

FCI is a global network of factoring companies, whose common aim is to facilitate international trade through factoring and related financial services.

İş Faktoring has been a member of FCI, which is the world's most important international factoring initiative, since its foundation. The company provides fast and reliable services with high quality in import and export factoring thanks to this membership.

One of the top three major players in the sector, İş Faktoring continued its sustainable growth in 2015.

İş Faktoring, of which total factoring receivables were TL 1.95 billion and transaction volume was TL 6.65 billion as of December 31st, 2015, is one of the top three major factoring service providers in Turkey. İş Faktoring, which positively differentiates from the sector in terms of loan growth, profitability and non-performing receivables performances in 2015, enhanced its strong position in the sector.

www.isfaktoring.com.tr



Capital and Shareholder Structure

“İş Faktoring, of which total factoring receivables were TL 1.95 billion and transaction volume was TL 6.65 billion as of December 31st, 2015, is one of the top three major factoring service providers in Turkey.”

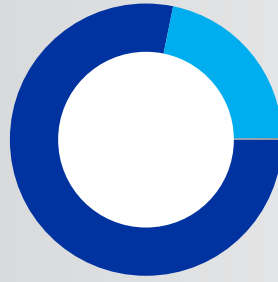
Paid -in capital of İş Faktoring is TL 63,500,000 as of December 31st, 2015 and consists of 6,350,000,000 shares of 1 Turkish kuruş which are totally paid.

In 2014 Ordinary General Assembly meeting held in 23 March 2015, İş Faktoring's paid capital amounted to TL 40,000,000 was decided to be increased to TL 63,500,000 by using domestic funding of TL 23,500,000 and subsequently Article 6 titled Capital of The Company's Article of Association was changed. New capital amount was registered in April 6th, 2015.

Shareholders and Company capital distribution as of December 31st, 2015 is presented in the table. Our company does not have privileged share, which represents the capital.

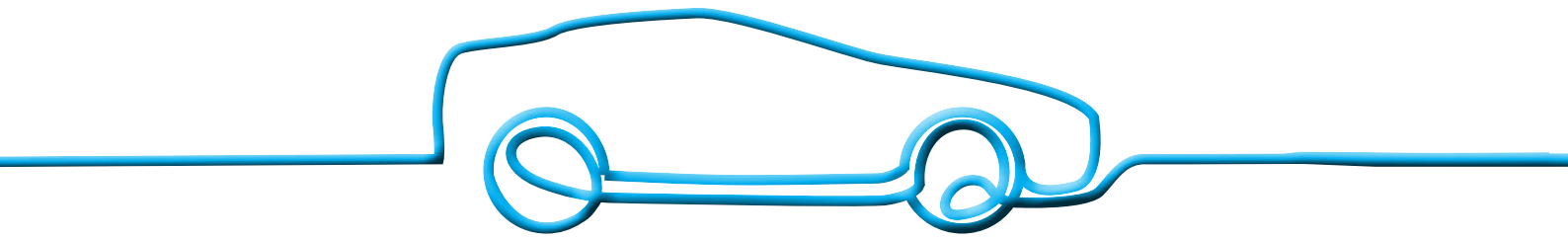
Partnership Structure

Shareholders	Paid-in Capital (TL)	Capital Distribution (%)
İş Finansal Kiralama A.Ş.	49,676,843	78.2311
Türkiye Sınai Kalkınma Bankası A.Ş.	13,811,250	21.7500
TSKB Gayrimenkul Değerleme A.Ş.	3,969	0.0063
Trakya Yatırım Holding A.Ş.	3,969	0.0063
Camiş Yatırım Holding A.Ş.	3,969	0.0063
Total	63,500,000	100



İş Finansal Kiralama A.Ş.	78.2%
Türkiye Sınai Kalkınma Bankası	21.8%
Other	0.02%





Performance

İş Faktoring is determined to progress its performance in order to achieve a healthy and sustainable growth.

İş Faktoring became one of the top three major players with its performance differentiating from other players in the sector.

Achieving an increase of 36% in total asset size and factoring receivables to TL 1,979 million and TL 1,946 million respectively, the Company made average factoring receivables totaled to TL 1,076 million with a 42% increase and transaction volume to TL 6,647 million with a 16% increase. In 2015, İş Faktoring's net profit increased 3 times to TL 24,167 thousands and equity totaled TL 100 million with a 32% rise.

“İş Faktoring is determined to provide service to more customers and increase its business volume in Turkish factoring sector, which offers middle and long term growth potential by using competences that are based on the significant strength it represents with its brand.”

**Strong Performance
Permanent Value
High Customer Satisfaction**

İş Faktoring continued to create permanent value for its shareholders under negative market conditions of 2015.

The strong performance, which was achieved in 2015, clearly presented the

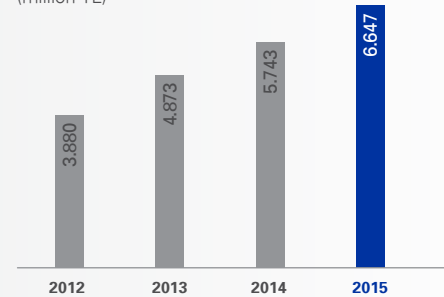
accuracy, effectiveness and efficiency of corporate structure and processes of our company.

İş Faktoring is determined to provide service to more customers in Turkish factoring sector, which offers growth potential in medium and long term and increase its business volume by utilizing competences based on the power it represents.

Transaction Volume

6,647 | 71%*

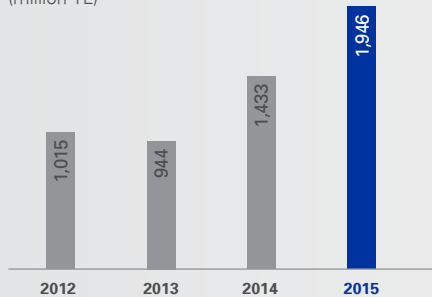
(million TL)



Factoring Receivables

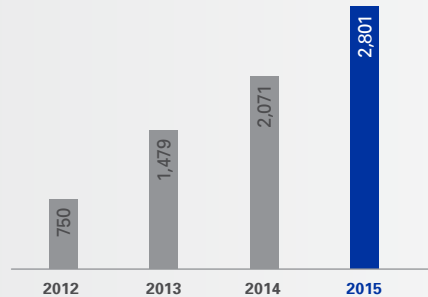
1,946 | 92%*

(million TL)



Number of Customers

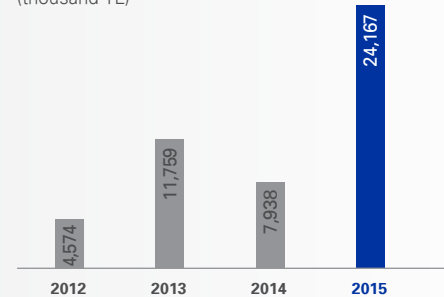
2,801 | 273%*



Net Profit

24,167 | 428%*

(thousand TL)



*Growth rate of 2012-2015 period.

	2013	2014	2015
Total Asset Size	TL 972 million	TL 1,455 million	TL 1,979 million
Factoring Receivables	TL 944 million	TL 1,433 million	TL 1,946 million
Transaction Volume	TL 4,873 million	TL 5,743 million	TL 6,647 million
Average Factoring Receivables	TL 604 million	TL 756 million	TL 1,076 million
Average Funding	TL 567 million	TL 691 million	TL 1,085 million
Equity	TL 69 million	TL 76 million	TL 100 million
Net Profit	TL 11,759 thousands	TL 7,938 thousands	TL 24,167 thousands
Market Share in Factoring Receivables	5%	6%	8%
Market Share in Transaction Volume	5%	5%	6%
Return on Assets	1.17%	0.65%	1.52%
Return on Equity	18.23%	10.91%	27.44%
NPL Ratio	1.76%	1.67%	1.85%
Number of Customers	1,479	2,071	2,801

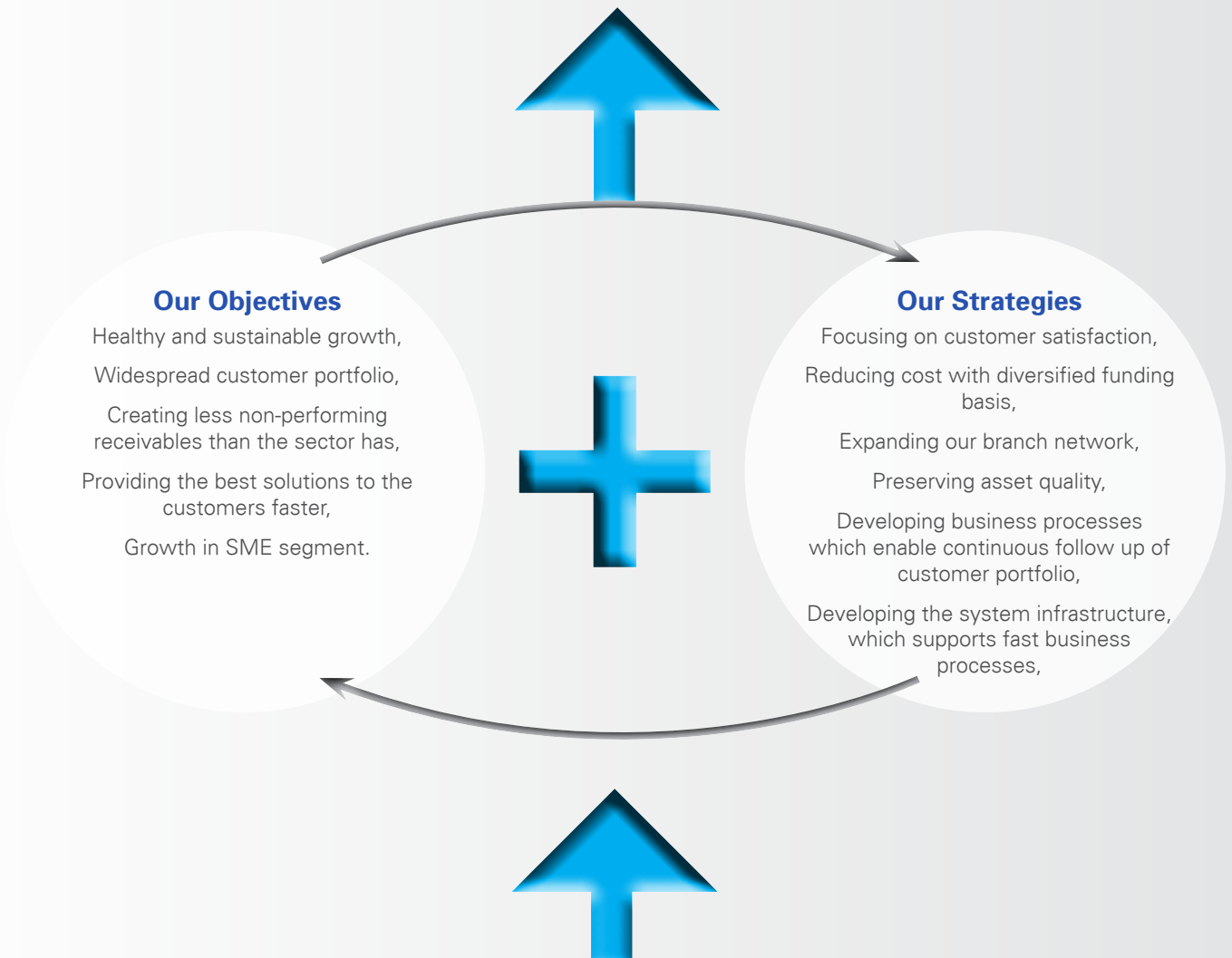
Our Business Model

Thanks to its successful performance, İŞ Faktoring managed to be one of the top three major players in the sector by the end of 2015.

As a result of successful activities, which were carried out by İŞ Faktoring last three years, the company increased;

- 3rd place in factoring receivables (2012: 4th)
- 4th place in equity profitability (2012: 48th)
- 6th place in net profit for the period (2012: 33rd)
- 13th place in total equity (2012: 19th).

İŞ Faktoring owes its success to appropriate and decisive implementation of its business model that is focused on sustainable profitability and productivity with a professional team, which adopts team work.



Our competence superiorities enable the energy, which is required to realize our business model and strengthen our market position.

Cooperation with İŞ Bank and its subsidiaries
Service presentation style, which was designed by "Consultancy" approach
Principle which defines employees as a value rather than a resource
Our strong equity structure
Diversified funding basis
Transparent and accountable management mentality
Corporate governance culture with ethical rules

İş Faktoring’s services, customer satisfaction and quality oriented, are classified under three main categories.



Financing

A certain amount of receivables related to short-term sales of product or service, is paid to customers in advance.

The amount of advance payment varies according to the factoring interest which is determined in line with the payment terms, the amount of the receivable and the market conditions.

With the financing service, the seller firm’s short term receivables are transformed into cash, the assets structure of its balance sheet becomes more liquid and the company benefits from a regular cash flow and working capital.

Guarantee

The guarantee of payment of the receivables assigned in case of the financial incapability of the buyer company, if all the conditions of the agreement between the factoring and the seller companies are fulfilled.

The sold item must be delivered in full and complete.

Export companies have the opportunity to find new customers in international markets and to achieve riskless transactions due to the guarantee limits provided.

Collecting

Companies are able to collect the amounts of the goods and services sold through İş Faktoring.

These services offer the companies the opportunity to save on the number of employees and operation work flows.

Domestic factoring products	International factoring products
Checks / bill transactions with receipt	Correspondent guaranteed export factoring
Transactions with assigned invoice	Direct export factoring
Direct Debiting System discount	Import factoring
Supplier financing	TSKB / Türk Eximbank based loans
Factoring via letter of guarantee	
Refactoring	

Our Vision

To be the most preferred factoring company by maintaining our leading position with our strong capital structure, expert team and customer-oriented business mentality.

Our Mission

To offer suitable, fast and effective solutions for customer needs and position our company as a solution partner of our customers with the principle of providing the best service to our customers whom we regard as our reason for being.

Power Groups

- Synergy with İş Bank and its subsidiaries
- Service presentation style, which was designed by “Consultancy” approach
- Our perspective which considers our employees as a value rather than a resource
- Our strong equity structure
- Diversified funding basis
- Accountable and clear management mentality
- Our corporate culture which respects ethical rules





“FED’s interest rate rising at the meeting held in December 2015 is a milestone because it will affect the performance of global economy in 2016 and later.”

FED raised interest rates for the first time in nearly a decade.

FED raised interest rates 25 basis points at 2015 December Annual Meeting. Although, the increase in interest rate was very low and it seems as an ordinary economic progress, it is a milestone because it will affect the performance of global economy in 2016 and the following years.

Policies of central banks in the US and Euro zone began reaping their benefits.

Recovery in growth and employment sector in the US continues. Unemployment rate has reached to levels before the crisis. On the other hand, whilst \$US protects its power, inflation carried on its course below 2% target. The US economy had a growth of 2% in the 3rd quarter of 2015 when compared to the same period of the previous year. There is also a recovery in Euro zone, although the growth is not as strong as the growth on the other side of Atlantic. In 2015, there was an increase in capital goods and durable consumer goods. December production PMI index, which is one of the most important indicators of this increase, was over expectation.

Slowdown in developing economies

The recent growth in developing economies mainly progresses with the effect of internal factors. Whilst developments in international markets negatively affect good demand from developing economies, it is seen that growth rate is insufficient.

External factors such as monetary policies, which developed countries’ central banks follow, and decreased trade volumes besides geopolitical factors, adversely affected performances of developing countries.

Slowdown in Chinese economy

The development in China in 2015, which is one of the world’s largest economies, has been a factor that increased concerns about the global economy.

Global share market suffered from this negative fluctuation as the momentum of growth in China slowed down by autumn. Yuan was devaluated 3 times in the 3rd quarter of 2015; and problems of property sector and banking industry increased concerns about Chinese economy. China, which had a rapid growth in the last 10 years, passes through a period in which market economy conditions are balanced.

Downside trend on general demand level and slowdown of growth cause decrease in production levels in China. Recession, which occurs in economy of China with a high production capacity, causes devolution in global growth view via commodity demand and negatively affects economies of commodity exporters.

2016: Deflation and modest growth expectation

Deflation and growth was the most discussed issues in terms of global economy after 2008 crisis took place. We think that in 2016 deflationary tendencies in global economy will continue whilst modest growth will proceed if authorities prefer expansionary policies.

It is thought that recovery in developed economies will continue in 2016 and following years. On the contrary, developing economies are expected to feel recession in capital movements and pressure of structural problems.

Completing 2015 with an impressive performance, İŞ Faktoring created permanent value for its customers via its products and services.

“Completing 2015 with an impressive performance, İŞ Faktoring created permanent value for its customers via its products and services.”

Turkish economy had a growth of %4 in the third quarter of 2015.

Turkey, which is in the top 20 economy of the World has faced chaos and geopolitical risks that occurred in locations such as Iraq and Syria; all located in the vicinity of our country besides conflicts with Russia and fluctuations in global finance market.

Two general elections which were held in June and November, inflation, which cannot be decreased to target levels and value loss of TL were main problems which created a pressure on Turkish economy in 2015.

Despite all negative circumstances, Turkish economy had a growth of 4% in the third quarter of 2015. Confirming structural dynamics of Turkish economy towards fluctuations, the power of financial services sector, mainly banking sector and middle-long term sustainable growth potential, the results provided extremely important moral support in terms of all economic players.

We focused on strengthening and continuing our success.

Completing 2015 with an impressive performance, İŞ Faktoring created permanent value for its customers' commercial lives via its products and services.

Our corporate management mentality, competent human resource and strong financial structure lie behind this success. The synergy we created with İŞ Bank Group, which we are a member, also contributed to 2015 results of our company.

In 2016, we are determined to continue the forward momentum of our financial performance in 2015.

Our objective is strengthening entrepreneurs and enterprises mainly SMEs, which are the leaders of Turkish economy, and increasing their competitiveness potential. When we carry out our business appropriately with an increasing success graphic, we will provide service to more customers and increase our capacity for employment and value production. We will also enhance our contribution to Turkish economy accordingly.

İŞ Faktoring will continue its growth without compromising from its service and product quality, customer-oriented structure, which was designed by "consultancy" approach and corporate governance mentality in the rapidly changing market conditions and increased competition circumstances.

I would like to thank to particularly our employees, who support our objective to be an assertive player in factoring sector with their efforts and works, our customers and other stakeholders on behalf of our Board of Directors.

Yours sincerely



Ertuğrul Bozgedik
Chairman

Our objective is strengthening entrepreneurs and enterprises, mainly SMEs, which are the leaders of Turkish economy, and increasing their competitiveness potential.

iŞ FAKTORING





“We are both proud and excited for our future steps and growth target by our 2015 performance.”

İş Faktoring completed 2015 with results over all anticipations in terms of all objectives.

Our company left 2015 as a successful year despite fluctuations in domestic and global markets.

Total assets growth of İş Faktoring reached TL 1,979 million by the end of 2015 with an increase of 36%. Our average factoring receivables, which are accepted as the most accurate measurement for real growth, was TL 1,076 by a 42% increase. This increase, which is over sector average, is of high importance as it represents effective operations of İş Faktoring.

İş Faktoring achieved a transaction volume of TL 6.65 billion by the end of 2015. Domestic transactions volume increased by 18% and foreign transactions volume increased by 9% when compared to 2014.

In the same period, net profit of İş Faktoring reached to TL 24,167 thousands with a record increase of 204%, while equity reached TL 100 million with an increase of 32% and return on equity reached to 27.44%.

I would like to express that İş Faktoring completed 2015 with results over all anticipations in terms of all objectives. Our 2015 performance confirms that positively differentiating from other players of the sector in a complex conjuncture, İş Faktoring is now one step closer to its claim to be a leader.

Briefly, we are both proud and excited for our future steps and growth target by our 2015 performance.

We are proud to be one of the top three major players in the sector.

In 2015, our company accomplished strong results of its spurt in the last 3 years.

Whilst positive reflections of the multiple change and transformation process, which we achieved, accelerated our total performance, the value that we created for our stakeholders mainly our shareholders is over expectation.

İş Faktoring is one of the top three major players in the sector with its differentiating performance in all performance measurements especially loan growth, profitability and non-performing receivables levels.

Adopting an approach of being a company accountable for its customers, İş Faktoring expanded its customer base in 2015.

2015 was a successful year in terms of customer growth. When considered in 3-year-perspective, our active customer number, which was 750 in 2012 reached to 2.800 with a 273% increase by the end of 2015 thanks to our proactive marketing policies.

Trying to maintain the customer satisfaction at highest level with the approach of accountability for its customers, our company is focused on offering the best service experience to its customers by following the markets closely. Our gains on customer side fairly represents increasing brand recognition and enhanced market position.

Corporate governance mentality, transparency and accountability are our primary business principles.

İş Faktoring believes in the importance of transparency and accountability besides corporate governance. We carried out important changes in our structuring and business processes with the transformation, which took place recently. We focused on completing operations in a more systematic and fast way, increasing employee number, improving organizational structure, controlling costs with corporate governance mentality. We placed a special importance to team spirit and build a collective success by adopting a work approach, that focuses on “We” rather than “I”, while our employee number increases.

We are aware that achieving a healthy and sustainable growth, in other words a strong performance at all points requires a corporate governance mentality, a shared culture and operational manner accordingly. We will continue to develop our new skills, which we internalized in a short period, in the process of growth and providing service to more customers.

“We try to develop solutions for specific needs and expectations of our customers rather than categorical approaches. Our solutions must be offered in a format which can be compared with similar products in the market in all aspects. We also place importance to achieve permanent cooperation.”

We create difference with our consultancy approach.

We have multiple responsibilities to our customers as a financial service supplier. The service, which we provide, is directly and primarily related to our customers' financial conditions, commercial successes and future progresses. We try to offer factoring as a product which is easily accessed and used.

We are focused on developing appropriate solutions for special needs of our customers. Our solutions must be offered in a format which can be compared with similar products in the market in all aspects. We also place importance to achieve permanent and strong relations with our customers. We consider all of our customers as our business partners and carry out our operations accordingly. We support our customers with our consultancy approach, which we designed in line with know-how and experience that our Group represents in addition to provide solutions to their needs. We also focus on developing the best solution for our customers regardless of their business lines.

Our consultancy approach, which enables extensive relations with our current customers and healthy progress in our business volume in order to accelerate new customer gain, will continue to be the primary element of added value which we provide to our customers.

There were several major developments in İŞ Faktoring in 2015.

We carried out several developments in 2015. They can be summarized as follows:

- Our company continues to be assigned international ratings. Fitch Ratings announced risk level of İŞ Faktoring as “investible” and credit rating as “BBB-”, the highest rating which is assigned to companies in Turkey.
- İŞ Faktoring achieved 4 successful bond issuances in 2015 after issuing financing bonds for the first time in its history in 2014.
- İŞ Faktoring created low-priced foreign exchange funding by initiating derivative transactions and effectively benefited from derivative products during 2015.
- Our product, which enables exporters' access to cost-effective financing via factoring, was launched as part of cooperation agreement between our company and Eximbank.

- We offer cost-effective factoring opportunities to SMEs and exporter companies, which provides required conditions with low-cost fund via TSKB as part of the Access to Innovative Finance Project of the World Bank. The product is high importance as it is a first in our sector.
- We launched a new product in order to improve guarantee qualities of factoring operations that our company parties to, and to transform letters of guarantees, which are issued by İŞ Bank, drawee bank of our customers, to finance.
- International Factoring and Correspondent Relations Department was found and significant steps were made in order to progress relations with correspondents in Factors Chain International (FCI) and increase business volume in line with mutual interests.
- We opened 2 new branches in 2015 as a result of our objective to provide service to more customers.

We consider our employees as value rather than resource.

Our employees are certainly amongst the most important factors which enabled our success in 2015. We believe that the contribution of our exclusive team, which is distinguished in the sector both for its know-how and competence, has a key role in our success. We consider them as value rather than resource.

“Our synergy with İŞ Bank Group of which we are a member, had a significant role in our growth.”

We place great importance to career development and training of our employees and we carry out systematic achievements accordingly. In 2015, we continued to develop our performance evaluation and career management system in line with requirements of current conditions and feedback from our employees. We plan to make changes in our employee premium benefit system in 2016.

We plan to increase our employee number, which is 91 by the end of 2015, to 100 in parallel to our targeted growth.

Our cooperation with İŞ Bank

Our synergy and cooperation with İŞ Bank Group of which we are a member, had a significant role in our growth.

Projecting to enhance the strong synergy, we believe that the cooperation with our group had important effects in items such as profitability, transaction volume, and increase in factoring receivables.

We believe that corporate identity and logo change, which we realized in 2015, was a significant step offering leverage on our existence under “İŞ” brand and growth of our market power.

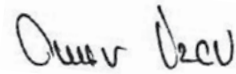
We aim to continue our profitable growth by our prudent business model in 2016.

İŞ Faktoring aims to preserve its prudent attitude and business model in 2016 as in the previous years. Our company will continue its profitable growth by abstaining from destructive competition and preserving its asset quality and focus on stable and permanent growth. We will continue to contribute to Turkish foreign trade by providing increased financing to export and import transactions and support to meet working capital needs of our customers whom we consider as business partners.

İŞ Faktoring plans to achieve a 15% growth in 2016 when average growth expectation of the sector is about 10%. Our long-term objective is ranking as the most preferred and popular company in the sector by diversifying our portfolio and resource structure without compromising on the quality.

I would like to thank all shareholders, Group companies and employees who participated in 2015 activities of İŞ Faktoring, which progress with its objective to be the most popular and preferred company in the sector.

Yours sincerely,



Onur V. İzci
General Manager

“Although 2015 macroeconomic gains were far from the target level of European Central Bank, they present a significant positive view when compared to 2014.”

FED decided to increase interest rates on December 16th, 2015.

FED increased interest rates in 25 basis points on December 16th, 2015.

Announcing the increase in interest rates after a decade, FED Governor Janet Yellen highlighted that they certainly believe that strength in economy will continue. Underlining that risks in global economy has decreased, Governor Yellen stated data shows that recovery in labor market will continue, showing the signals of interest increases forthcoming period in relation with economic growth and long-term inflation expectations. Markets welcome FED's move to raise interest rates and US Dollar gained value whilst the US treasury bills began recovering their losses.

Economic recovery in the US continued in 2015

Whilst economic recovery in the US continued in 2015, recovery in employment market stood out. Unemployment rate has reached to levels before the crisis. However, low commodity, mainly oil prices and strong dollar rates caused inflation over 2% target.

The US economy had a growth of 2% in the 3rd quarter of 2015 when compared to the same period of the previous year.

Euro zone had a recovery in 2015.

Euro zone had a slow recovery in 2015.

Although 2015 macroeconomic gains were far from the target level of European Central Bank, they represented a significant positive view when compared to 2014.

The increase in general price level was over the target of 3 per cent, which was announced by European Central Bank, because of the low progress in energy prices that was observed in global scale. On the other hand, there was an increase in capital goods and durable consumer goods in Euro zone. It is observed that economic outlook of Euro zone was in recovery phase in line with December production PMI index, which was above expectations. Decrease in unemployment rate in December also confirms the recovery.

These are positive developments in terms of developing economies including Turkey, which export goods to European geography. A recovery in export to Euro zone was achieved especially in the 2nd half of 2015. Extending scope and duration of asset purchase program, which was put into use by European Central Bank at the beginning of 2015, excites the expectations. This decision will strongly support positive developments in Euro zone.

Problems, which are related to structural factors, affect growth performance of developing countries.

Developing economies had a slowdown in their growth performance in 2015 when compared to previous period.

When growth compositions of developing economies, mainly China, are considered, it is seen that they partly present insufficiencies in terms of sustainable growth of domestic market dynamics.

“China is one of the largest economic powers in the world. Slowdown in growth and demand in China caused decrease in production and economic slowdown in world economy.”

Structural problems of developing countries are main factors which determine fragility of their growth performances. Most of the developing countries do not have production and employment policies, which provide productivity increase and international competitiveness. These are main elements which decrease progress and sustainable growth.

Capital exits and value loss of local currencies

As a result of fluctuations in financial markets and inevitably recovery in developed economies, significant amounts of capital exits and loss in value of their local currencies were seen in developing countries.

Slowdown in Chinese economy became clear and stock markets had significant losses. Fluctuations in Chinese market in 2015 affected global markets as well as the countries within the region.

Chinese economy goes through a process in which market economy conditions are being balanced

China is one of the largest economic powers in the world. Slowdown in growth and demand in China caused a decrease in production and economic slowdown in world economy. This also caused a global decrease of all commodity prices, especially energy and metals via request channel, and downside risks. Economies of commodity supplier countries, which are on the other side of the cycle, and global growth are also negatively affected by the slowdown.

In 2015, Chinese economy had the lowest growth in 25 years with 6.8%.

Economic operations in China are considered to be under pressure in 2016, too. Property sector and banking industry, which constitutes 1/4 of GDP, creates an important problem for the economic impasse in China.

A focus on precautions and implementations is expected for reducing surplus capacity, decreasing property stock, restructuring financial risks and lowering costs of the companies following the decisions of Chinese government.

According to growth estimations of IMF...

According to IMF's estimations, which were updated in January 2016, world economy will have a growth of 3.4% in 2016. In the same period, recovery in developed economies is foreseen with a 2.1% of growth. The growth in developing countries is expected on 4.3% level with effects of re-balancing process in China, pressure of structural risks in other countries, and low commodity prices.

“Turkish economy had a growth of 4% in the third quarter of 2015. This growth, which was achieved when market expectation was 2.8%, is a sign that structural dynamics of Turkish economy, which succeeded to have a growth in 24 quarters successively, works appropriately.”

Growth success in 24 quarters successively

Turkish economy had a growth of 4% in the third quarter of 2015. This growth, which was achieved when market expectation was 2.8%, is a sign that structural dynamics of Turkish economy, which succeeded to have a growth in 24 quarters successively, works appropriately.

Domestic consumption, which had a slowdown when compared with the second quarter of the year, made the most significant contribution to growth in the third quarter of the year. Service sector made the most important contribution to growth with 1.9 points in the third quarter in line with GDP data which is calculated according to production method. As a result of increase in agriculture production and seasonal effects, agriculture sector's contribution to growth was 1.6 point, which was the record score of last 10 years. Industry and construction sectors contribution to growth was limited with 0.4 and 0.1 points.

Ongoing recovery trend in industrial production.

Recovery trend in industrial production also continued in November, 2015. Calendar adjusted industrial production increased 43.5% compared to the same month last year.

Mining and quarrying sector index had a 6.6 per cent decrease, production industry sector index had a 4.3 per cent increase and electricity, gas, steam and air conditioning production and distribution sector index had an increase of 2.4 per cent in November, 2015 compared to the same period of the

last year when sub-sectors of industry are reviewed. According to key industry group classification, the highest fall was in durable consumer goods with 6.5% in November, 2015 compared to the same period of the last year.

Stiffness in unemployment also continued in 2015. Number of unemployed in Turkey was 3,025,000 people with an increase of 29,000 and unemployment rate was 10.5% with a 0.2 point decrease in November 2015 compared to the same period of the last year. Non-agricultural unemployment rate was 12.4% and young unemployment rate was 19.1%.

Number of employed in Turkey was 26,676,000 people with an increase of 802,000 and unemployment rate was 45.8% with a 0.7 point decrease in November 2015 compared to the same period of the last year. Participation to labor force was at 51.2% level with a 0.7 point increase in the same period.

Support of energy and commodity prices...

According to December data of TurkStat (Turkish Statistical Institution), export had a decrease of 8.7% and import 14.4% on yearly basis. Foreign trade deficit was reduced 25.2% in the period of 12 months. Decrease in energy prices and recession in commodity prices had a significant role in reducing foreign trade deficit. On the other hand, positive attitude towards exportation was increased parallel to recovery in Euro Zone. Whilst share of European Union (EU-28) in export was 40.2% in December 2014, it increased to 46% in December, 2015. Exportation to EU was 5 billion 428 million US Dollar with 1.7% increase compared to the same month of 2014.

Current account deficit to national income ratio, which was expected to be over 4.5% at the end of 2015, can increase because of negativities emerging from increased geopolitical concerns and tension encountered with Russia.

Producer and consumer inflation: Distinction is getting clear.

Consumer Price Index (CPI) rose to 8.81% level by the end of 2015 with record inflation level in the last four years. On the other hand, Domestic Price Index, which has continuously decreased on the monthly basis since October, completed 2015 with 5.71%, which is the lowest end-of-year Producers Price Index inflation of last 3 years. Strong decrease in commodity prices, especially oil prices, is the most important reason of decrease in Domestic Producers Price Index (D-PPI).

Core Inflation (H and I indicators) have increased since August. Annual inflation rate of these indicators was calculated as 9.27% and 9.51% respectively in December.

Turkish Central Bank (CBRT) made an announcement following the meeting on December 22nd, 2015 and stated that it will preserve the straight position in liquidity policy and money policy decision will be subject to inflation in the following period by paying attention to effects of uncertainties in global markets on inflation expectations and volatility in energy and unprocessed food prices.

“Factoring sector reached TL 120 billion turnover, TL 27 billion total assets growth and TL 25 billion factoring receivables amount at the end of 2015.”

It was a stable year in negative global conjuncture.

Factoring sector completed 2015 with a 3% growth in transaction volume which is below targeted level with the effect of regression in Turkish economy and two election processes successively. Factoring transaction volumes was steady during the year as political uncertainty affects both sectoral growth rates and business life.

Factoring sector reached TL 120 billion turnover, TL 27 billion total assets growth and TL 25 billion factoring receivables amount at the end of 2015.

Company number in the sector decreased to 66 by the end of 2015. According to Association of Financial Institutions data, customer number is 95,416, branch number is 379 and employee number is 4.804.

A sector in consolidation process

Adaptation period of Law No. 6361 on Financial Lease, Factoring and Finance Companies, which was put into effect on December 13th, 2012, for minimum TL 20 million capital liability, expired by the end of 2016.

Company number in the sector decreased to 66 by the end of 2015.

It is foreseen that consolidation process will continue in 2016 and company number will decrease especially in companies who are not in partnership with banks.

Other developments in 2015 and an overview to 2016

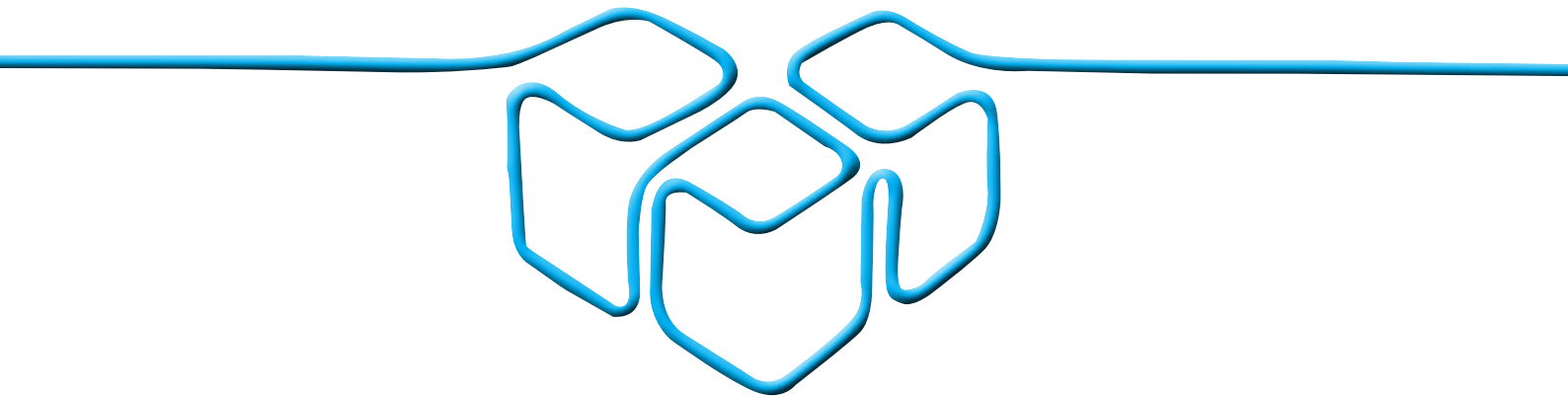
Cost increase that emerge from pressure of interest raise on profit, was not reflected to the customers, which caused problems in 2015 balance-sheet performance.

The sector was also affected by high rise in non-performing loans. Non-performing loans, that were 4.5% at the end of 2014, was increased to 5.5% levels by the end of 2015, which was the most determinant factor on the decrease of 39% in sector profitability.

It is foreseen that consolidation in the sector will continue; big and strong factoring companies, which can benefit from scale economy, with extensive customer basis will progress whilst small companies will continue to be out of the system.

On the other hand, the expectation that some customers will prefer factoring sector for working capital needs in accordance with slowdown in growth of banking sector besides continuous recovery of sector perception and increasing recognition are important and positive developments for the sector.

It is foreseen that in 2016, the sector will not achieve the positive growth of the previous years in export factoring and the growth ratio will be around 10% with the anticipation majority of trade being domestic, the risk of decrease in some regional export sectors and continuing effects of global crisis that trade will increase in Turkey.



Strength

Standing out with strong equity structure and high credibility, İş Faktoring is a member of İş Group, which has a prestigious and trustable position in Turkey and worldwide.

The company develops reflexes in order to get ready for the changing economic conditions by following up realizations continuously in order to preserve its strong structure and spurs the business processes with recoveries in organizational structure and technological infrastructure investments.

In order to preserve its assets quality and credibility, the objectives of İş Faktoring are;

- Reaching a wide customer basis without sector concentration.
- Continuing the operations with low NPL ratio by selective customer penetration.
- Evaluating the services in terms of profitability, İş Faktoring follows up portfolio productivity.

“Providing service to many companies, which need resource and consultancy support, from all around the country, İŞ Faktoring has a significant role in realizing their growth visions. Operating with a company mentality that is accountable for its customers, İŞ Faktoring provides working capital support to the customers with modern factoring services and guides companies to reach strong structures by avoiding short, middle and long term economic difficulties.**”**

Strong growth, increased customer satisfaction

Strategic transformation and change program, which was initiated in 2014 in order to increase transaction volume, expand customer base, improve organizational structure and strengthen technological infrastructure and service processes in all segments of İŞ Faktoring, brought positive result in 2015.

Accelerating performance of İŞ Faktoring in 2015, the multiple changes also enabled a growth over targets in values which the company creates for its stakeholders.

İŞ Faktoring is one of the top three major players in factoring receivables in the sector and became prominent in all performance measurements especially

- factoring receivables (loan growth),
- profitability,
- non-performing receivables level.

The company, which had a growth over sector average, raised its total factoring transaction volume to TL 6,647 million with a 16% increase by the end of the year. Total factoring receivables of the company was TL 1,946 million and average factoring receivables were TL 1,076 million with a 42% increase.

Service mentality designed by consultancy approach

Providing service to many companies, which need resource and consultancy support, from all around the country, İŞ Faktoring has a significant role in realizing their growth visions. Operating with a company mentality that is accountable for its customers,

İŞ Faktoring provides working capital support to the customers with modern factoring services and guides companies to reach strong structures by avoiding short, middle and long term economic difficulties.

Services and solutions, which are specially designed for each customer and business transaction rather than a categorical approach, is developed and implemented in line with real market conditions.

Customer base is expanded and diversified.

Expanded and diversified customer base is one of the most important factors which differentiated İŞ Faktoring with its positive performance in 2015. Operating with a company mentality that is accountable for its customers, İŞ Faktoring took very significant steps as part of customer satisfaction, in line with achievements for expanding customer base, which is the most important element of a profitable and sustainable growth.

Expert teams are organized due to changes in-house corporate structure. The teams which are specially positioned for SMEs, commercial and corporate segments, began providing tailor-made solutions to the customers in the rapidly changing market conditions and increased competition circumstances.

Customer number of İŞ Faktoring, which had a 273% increase in the last 3 years, reached 2,801 by the end of 2015.

Progress in domestic factoring transactions

İŞ Faktoring became a pioneering company in domestic factoring services with its professional team, which has a strong experience in sector, deep knowledge of market and business lines, adopting a risk-oriented mentality. Total domestic factoring transaction volume of the company was TL 5,172 million with an increase of 18% in 2015 thanks to the synergy with İŞ Bank Group.

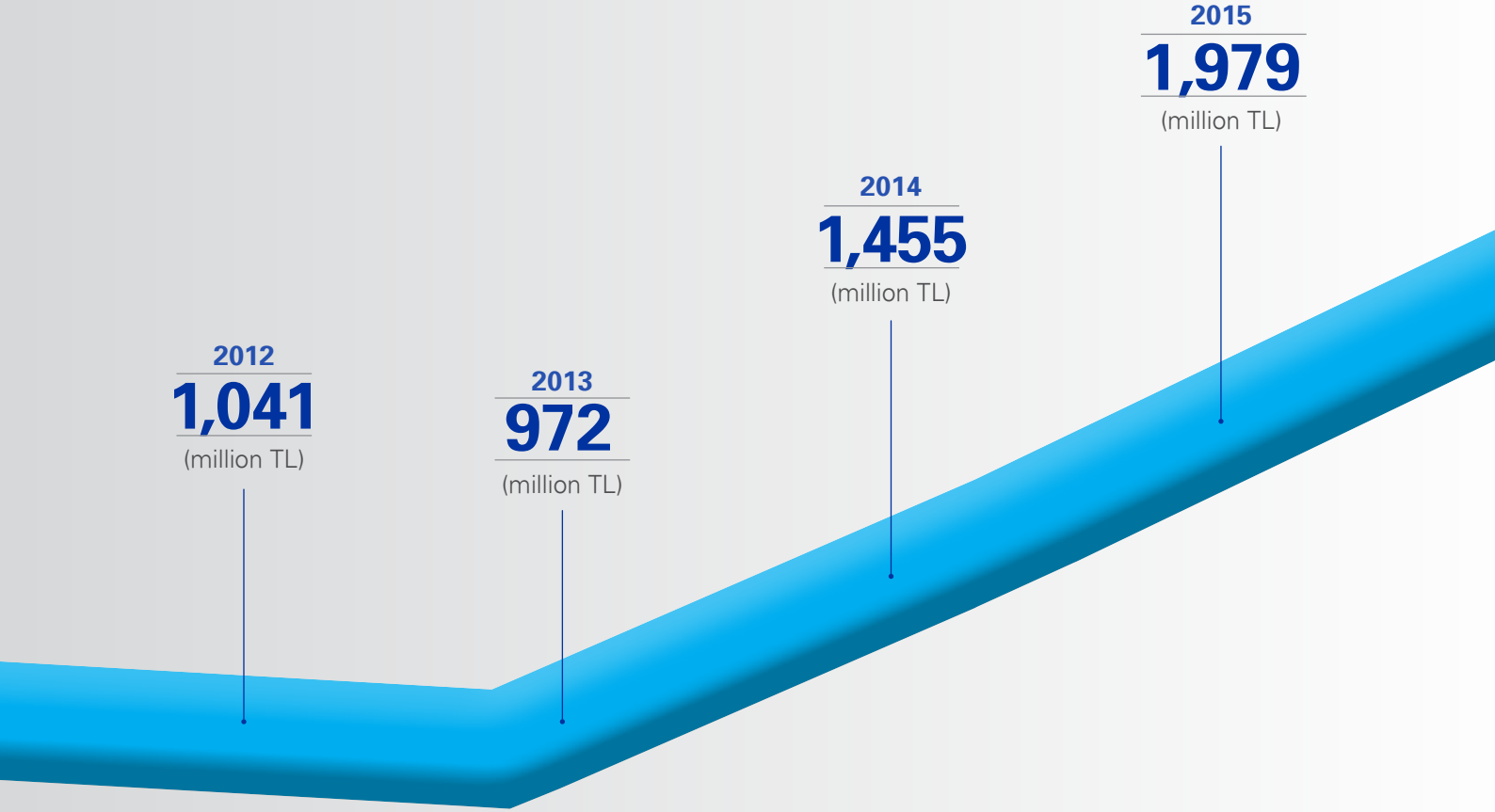
Ongoing success in export factoring

Continuing its success in export factoring in 2015, İŞ Faktoring mediated export factoring transaction of TL 1,105 million for the customers.

Export factoring provides many advantages such as;

- Increase sales with installments which can be assigned to buyers in international market,
- Provide information support for sale decision as part of intelligence/limit about new purchasers,
- Provide guarantee in case of non-payment risk,
- Enable regular cash flow and a more liquid balance sheet in case of obtaining finance,
- Solving language problems with customers via correspondents
- Decrease in operational costs with collection follow-up.

Total Assets



İş Faktoring is one of the top three major players in the sector with its differentiating performance in all performance measurements especially

- transaction volume,
- factoring receivables (loan growth),
- profitability,
- equity growth and
- non-performing receivables level.

“İş Faktoring founded International Factoring and Correspondent Relations Department as part of 2015 activities. The department positively affected performance of İş Faktoring in international factoring sector and accelerated correspondent relations with FCI.”

Rapid growth in import factoring

İş Faktoring supports import transaction of its customers with factoring products and services. Import factoring transaction volume, which has a rapid growth in 2015, was 370 million with a 39% increase.

Exporters can benefit from Türk Eximbank sources

Exporter companies can benefit from Eximbank resources as part of the agreement between İş Faktoring and Türk Eximbank.

The main objective of loan, which is assigned by Türk Eximbank via companies that carry out export factoring, is supporting exporters. The loan helps SMEs, which have difficulty in access to financing sources and low-cost bank loans, increases their share in international commerce and provides them with the support they need for their operations via cost-advantage.

The main objective of the product is boosting exports' access to low-cost financing via factoring products. Bonds which are assigned to factoring companies by exporters and negotiated to Türk Eximbank are subject to discount by CBRT in order to help SMEs low-cost sources via İş Faktoring.

The customers must have the following criteria for Türk Eximbank loan;

- It is required that the company must be an exporting company,
- Payment to the customers must be in TL according to request of Türk Eximbank,

- Export must be realized and statements must be closed in Tax Authority Automation Project (VEDOP), as loan type is "after delivery", Retroactive invoices must be subject to transaction up to 30 days,
- Customers must issue bonds in the amount of obtained loan limit in order to be submitted to CBRT.

İş Faktoring participates in the World Bank Access to Innovative Finance Project.

The objective of the World Bank Access to Innovative Finance Project is to improve access to longer term factoring services for SMEs and export oriented enterprises. The World Bank selected Türkiye Sınai Kalkınma Bankası (TSKB) as its business partner in the process of providing US\$ 250 million equivalent under state guarantee.

İş Faktoring, which is a stakeholder of World Bank Innovative Access to Finance Project, began providing the source to SMEs with appropriate conditions. This product and similar products are of high importance for SMEs, which encounter difficulties in loan source allocation compared to corporate companies. İş Faktoring puts in the utmost effort for providing flexible and innovative products to SMEs and creates more attractive alternatives compared to bank loans in the process of market development.

The criteria of İş Faktoring for its customers to assign The World Bank loan is as follows:

- The operation must be included in SME category,
- Annual turnover or total assets must be under TL 40,000,000 and employ less than 250 people, or

- The operation must be included in "Exporter Companies" category,
- At least 10% of annual sale of the Company must consist of exportation and the Company must have less than 1,000 employees.

İş Faktoring will continue to develop innovative finance methods and offer different alternatives to its customers in tough and complex market conditions.

İş Faktoring, a member of FCI, founded International Factoring and Correspondent Relations Department.

The company founded International Factoring and Correspondent Relations Department as part of 2015 activities. The department positively affected performance of İş Faktoring in international factoring sector and accelerated correspondent relations with FCI.

The objectives of International Factoring and Correspondent Relations Department are as follows;

- Developing relations with correspondents in Factors Chain International (FCI),
- Creating new business volumes and benefits in line with joint business relations with FCI,
- Extending business volumes in international sector both in export and import factoring business lines.

In 2015, International factoring volume of the company was 507 million US Dollar; 75% was export transactions and 25% was import transactions.

Average Factoring Receivables



In 2015, **İş Faktoring** achieved a growth far above sector average.

Total factoring receivables of İş Faktoring was TL 1,946 million and average factoring receivables were TL 1,076 million with a 42% increase (average factoring receivables of the Company had a growth of 156% in the last 3 years). İş Faktoring raised its total factoring transaction volume to TL 6,647 million with a 16% increase by the end of the year.

Summary of 2015 Activities

Bond Issuance Date	Date of Redemption (TL)	Nominal Bond Amount (TL)	Bond Issuance Amount (TL)	Simple Interest Rate (%)
08.09.2014	06.03.2015	100,000,000	95,504,000	9.60
26.06.2015	22.12.2015	163,779,576	155,541,463	10.80
18.09.2015	15.03.2016	75,223,260	71,061,909	11.94
16.10.2015	12.04.2016	60,997,164	57,684,408	11.71
22.12.2015	17.06.2016	157,000,000	148,512,580	11.72

FCI is a global network of factoring companies, whose common aim is to facilitate international trade through factoring and related financial services.

With more than 400 member companies and 274 correspondents in 90 countries, FCI offers a unique network for cooperation in half of the world's cross-border factoring transaction volume.

İş Faktoring has been a member of FCI, which is the world's most important international factoring initiative, since its foundation.

Our new product: Financing with letters of guarantees of İş Bank

İş Faktoring initiated a new product as of 2015.

We launched a new product in order to improve guarantee quality of factoring operations that our company parties to, and transforming letters of guarantees, issued by İş Bank, drawee bank of our customers, to finance. These letters are taken over by İş Faktoring in order to provide financing to the customers.

Receivables which existing/future accounts emerged from sale of good and service, that are guaranteed by letters of guarantee issued by İş Bank are taken over by İş Faktoring regarding customer request and the related letters are subject to warrant of factoring transactions.

Diversified funding basis

Bank loan limits of İş Faktoring had a significant increase in 2015

As of December 31st, 2015, total credit limit, which is assigned to İş Faktoring by domestic and international banks, is TL 4.5 billion with a 27% increase in our bank limits compared to 2014.

İş Faktoring realized bond issuances 4 times in 2015.

Issuing financing bonds for the first time in its history in 2014, İş Faktoring continued its operations and issued bonds to qualified investors in 2015.

4 discounted bonds TL 457,000,000 of nominal bond amount were issued in 2015 and nominal bond amount of TL 263,779,576 was amortized.

The company plans to issue financing bonds in line with its targets of diversifying its liabilities and source structure and debt with a lower cost.

BBB- scaling to İş Faktoring

The first credit rating report of İş Faktoring was announced in 2014.

İş Faktoring, which was subject to credit ratings of Fitch Ratings, is a company in highly investible category according to the report on June 16th, 2015.

According to the same report, Fitch Ratings affirmed National Long-term Rating at 'AA+(tur)' with a 'stable

outlook' and Short Term International FC and LC IDR as 'F3' whilst Long-term International FC and LC IDRs affirmed at 'BBB-'. 'BBB-' is the highest rating which is assigned to a company in Turkey by Fitch Ratings and it is equal to country risk rating.

İş Faktoring - Fitch Ratings credit rating notes

Long-term International Foreign Currency BBB- / (Outlook Stable)
 Long-term International Local Currency: BBB- / (Outlook Stable)
 National Long-term Rating: AA+(tur) / (Outlook Stable)
 Short-term International Foreign Currency: F3
 Short-term International Local Currency: F3
 Support Rating: 2

In credit rating report, Fitch Ratings also stated İş Faktoring is equalized with its respective parent, İş Bank Group, reflecting Fitch's view that it is a core, highly integrated, subsidiary.

Derivative Transactions: A tool which provides cost advantage

In 2014, İş Faktoring initiated derivative transactions in order to strengthen and diversify its resource structure with cost-advantage and created a source of foreign exchange via these transactions.

İş Faktoring boosts its liability structure and reflects cost advantage to customers with derivative transactions besides bank loans, which are the main fund source of the company.

“Risk Monitoring and Collection function, which operated as a unit of the Company until 2015, was structured as a division with increased number of employee and expanded operational scope.”

Our focus on branching is continuing...

İş Faktoring continued to open new branch in 2015 in order to enhance customer portfolio, be close to field and enable easy access to SMEs, which are its main target audiences.

Opening its first branch in 2014, İş Faktoring offers country wide factoring service with its four branches in Ankara, Gebze, Adana and Bursa. The company plans to open its 5th branch in Izmir in 2016.

Risk Monitoring and Collection Division began its operations.

Risk Monitoring and Collection function, which operated as a unit of the Company until 2015, was structured as a division with increased number of employee and expanded operational scope.

Risk Monitoring and Collection Division

carries out operations for early determination and management of risk. As part of Risk Monitoring model, customer portfolio is graded according to risk levels whilst new companies which are included to the portfolio are evaluated in detail.

Collection procedures are carried out the legal proceeding for the customers who fail to fulfill their commitments despite all kind of attempts and effort.

Express limit implementation was initiated.

In 2015, as in 2014, the Company assigned allocation power to department employees according to their positions and Express Limit application was developed in order to provide faster response to customer demands by prioritizing targets of customer portfolio expansion and targets of smooth growth.

Creating synergy with İş Bank Group

Collaboration and strong communication skills with principal shareholder Türkiye İş Bank and other Group companies have a significant role in high prestige and strong position of İş Faktoring in both domestic and international markets.

We operated in a dense collaboration with Turkey İş Bank branches and presented a successful performance in terms of customer gain.

İş Faktoring, which places importance on sustainability, common benefit and productivity in all stakeholder relations, adopts corporate culture of İş Bank Group.

New web site is online

In 2015, İş Faktoring re-designed and opened its website as part of technological infrastructure development.

The website, which has a more flexible and dynamic structure after it was re-designed, is available at www.isfaktoring.com.tr.



Including a wide range of content from information on İş Faktoring to services, human resources implementations to frequently asked questions on factoring, the website also provides a plain visual explanation of the definition and process of factoring.

Shortly after our web site was opened, it was awarded with the “Standard of Excellence” award in “Financial Services” category by Web Marketing Association.

Change in Corporate Identity

İş Faktoring renewed corporate identity in 2015. The objectives of the renewal, which was carried out in parallel to corporate identity work of İş Bank Group, are increasing synergy and strongly presenting sense of belonging to Group within all stakeholders.

Success achieved via team mentality

Benefiting from long-established corporate culture of Türkiye İş Bank, İş Faktoring has a young and dynamic team, which realizes a product and service cycle with high added value, building the success.

İş Faktoring positively differentiates from the sector in competition conditions thanks to its experienced human resource. Highly professional and competent employees work in cooperation with a strong team spirit.

“Considering its employees as a value rather than a resource, İŞ Faktoring with its innovative and dynamic structure is focused on success and productivity within its operations.”

Believing in the importance of team work, İŞ Faktoring operates with the awareness that team work is a must for success.

Supporting career development of its employees, İŞ Faktoring represents a careful approach of financial and social rights to its employees.

Human Resources and Training achievements in İŞ Faktoring

Considering its employees as a value rather than a resource, İŞ Faktoring with its innovative and dynamic structure is focused on success and productivity within its operations.

Attaching great importance to career development, the company has a careful approach for financial and social rights of the employees. Offering different training options to its employees, İŞ Faktoring operates in cooperation with several organizations and institutions, mainly Association of Financial Institution.

İŞ Faktoring carries out systemic developments both internally and externally in order to enhance performance evaluation and career management system. The project on revising the system in line with present requirements is ongoing.

Employee number of İŞ Faktoring was increased to 91 by the end of 2015. Labor turnover rate was significantly decreased as a positive reflection of employee rotation program which has been recently realized. The progress also showed positive effects on employee satisfaction and performance. Developments of the company in H&R and training in 2015 are summarized below.

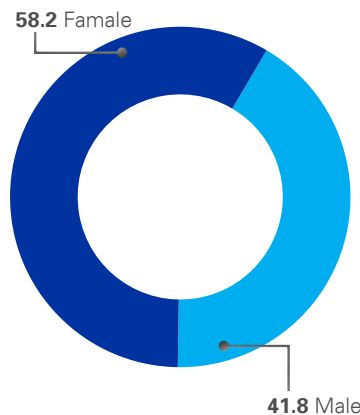
- In 2015, 23 people were included to team whilst 10 people left the Company.
- 58.2% of the employees are female and 41.8 are male; 92.3% were graduated from an undergraduate or post-graduate program.
- Employees were provided 22 various individual and group training programs.

- 17 individual training organizations were held in order to support development of employees and increase technical know-how. Two employees participated in “Experts Certificate” training, which was held by Association of Financial Institutions.
- Company motivation meeting was held in Cappadocia.

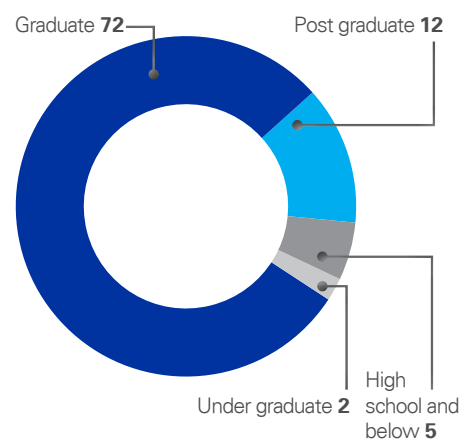
2016 objectives of Human Resources Department

İŞ Faktoring plans to increase its employee number to 100 with new branches and realize innovation in its premium system as part of its targets in human resources department. The company is determined to continue training programs for its employees.

Breakdown by Gender (%)



Breakdown by Education (%)



Works to be completed in 2016

Works to be completed in 2016

İş Faktoring will continue its healthy growth and decisive steps to be a leader in 2016. Objectives of the company are summarized as follows;

- **Opening Izmir branch:** The Company plans to open its 5th branch in Izmir.
- **Implementation of receivable insurance:** Receivable Insurance, which is planned to be implemented for the first time in order to assure company receivables, which are resulted from irrevocable transactions, will solve most of the collection problems.
- **Developing relations with correspondents in Factors Chain International:** Negotiations about İş Faktoring's involvement in FCI Marketing Committee at a manager level and active participating were initiated. The objective is increasing business relations with FCI member correspondents and creating new business opportunities in international factoring sector.
- **Completing technological infrastructure investment:** As part of 2016 objectives of the Company, software infrastructure is planned to be modified for making faster loan decisions, enabling more practical and rapid processes and decreasing operational faults.
- **Implementing Emergency Disaster Scenario:** An online and full time back up project, which is out of the location of operation, is planned to be put into operation within the scope of technological infrastructure renovation works. The objectives are providing daily back up of Company data and continuing operations in a reasonable time in case servers are disabled.
- **Carrying Out Rotation and Backup Developments:** İş Faktoring plans rotation between departments and units towards benefiting potential competencies of the staff and organize a backup pool as company employees reached projected levels in terms of both quality and quantity.

İş Faktoring Team, February 2016





Focus

İş Faktoring adopts a clear and accountable corporate management mentality with the responsibility towards all of its shareholders.

Objectives of İş Faktoring are organizing an integrated team spirit and a structure which is devoted to corporate management and creating difference with teamwork-oriented professional team and employees who are prone to collaboration.

Operating within the scope of mutual productivity with its customers, İş Faktoring adopts a clear and accountable corporate management mentality as part of its responsibility to stakeholders.

Board of Directors



Ertuğrul Bozgedik

Chairman

Ertuğrul Bozgedik was born in 1964 and graduated from Ankara University Faculty of Political Sciences Department of Economics. In 1986, he began his active career in Türkiye İş Bankası A.Ş. Assistant Inspector on the Board of Inspectors. After working as Assistant Manager and Director of Region in Monitoring and Recovery Loans and 1. Loans Departments between 1995 and 1999, Bozgedik was assigned as Department Manager in Corporate Loans Department in 2004. Assigned as The Chairman of the Board of Inspectors between 2008 and 2011, Mr. Bozgedik continues to perform his duties as Türkiye İş Bankası A.Ş. Deputy Chief Executive since April 13th, 2011 and Chairman of the Board of Directors of our Company since June 1st, 2011.



H. Fevzi Onat

Vice Chairman

H. Fevzi Onat was born in 1959 and graduated from Hacettepe University, Faculty of Social and Administrative Sciences, Department of Economics. Taking his position in 1981 in Türkiye İş Bankası A.Ş. Assistant Inspector on the Board of Inspectors, Mr. Onat was assigned to Assistant Manager position in Department of Corporate Loans in 1993, to Department's Regional Manager in 1995, to Intelligence and Financial Analysis Department's Department Manager in 1997, and to Department Manager position in Department of Corporate Loans in 1998. After being assigned to Yenişehir Ankara Branch Manager in 2001, Mr. Onat became Türkiye İş Bankası A.Ş. Deputy Chief Executive in 2002. Mr. Onat worked as Board Membership of Türkiye İş Bankası A.Ş. between March 28th, 2008 and March 31st, 2011 and at the same period he also performed as Vice Chairman of the Board of Directors. Mr. Onat worked as Türkiye Sınai Kalkınma Bankası A.Ş. General Manager between May 30th, 2011 and January 31st, 2013 and he has been continuing his career as Board Member and Vice Chairman of the Board of Directors of our Company since March 27th, 2013.



H. Cahit Çınar

Board Member

Cahit Çınar was born in 1967 and graduated from Ankara University, Faculty of Political Sciences, Department of International Relations in 1988. Mr. Çınar took his first position in Türkiye İş Bankası A.Ş. Department of Economic Research in 1991 and worked as Assistant Inspector on the Board of Inspectors in 1992. Çınar continued his career in İşbank AG, subsidiary of Türkiye İş Bankası A.Ş. established in Germany and then acted as Assistant Manager in Department of Commercial Loans Allocation. He was assigned as Department Manager in the same Department. Çınar have continued his career as Güneşli Corporate Branch Manager since 2013.



Nurettin Hak

Board Member

Nurettin Hak was born in 1967 and graduated from Ankara University, Faculty of Political Sciences, Department of International Relations in 1989. Nurettin Hak started his career in Türkiye İş Bankası A.Ş. Assistant Inspector on the Board of Inspectors. He worked as Assistant Manager in Department of Credit Cards between 1999 and 2001, in Department of Consumer Loans between 2001 and 2003, and in Galata Branch between 2003 and 2006, as Unit Manager in Department of Organization between 2006 and 2007. He acted as the Branch Manager in Gaziantep Corporate Branch between 2007 and 2008, and as Unit Manager in Department of Change Management in 2009 for 5 months, and as the Branch Manager in Şişli Branch between 2009 and 2011. Nurettin Hak has been working as Department Manager of Financial Analysis Department since 2011.



Ümit Zeki Şimşek

Board Member

Ümit Şimşek was born in 1968 graduated from Gazi University, Department of Public Administration in 1990. Ümit Z. Şimşek was assigned as Assistant Specialist in Türkiye İş Bankası A.Ş. Department of Intelligence in 1991. He worked as Assistant Specialist in the Berlin Branch of İşbank AG in 1994 and as Assistant Manager in the same branch in 1997. He was assigned as Stuttgart Branch Manager in 1999, as Ankara Region II Assistant Manager in 2004, as Ostim/Ankara Branch Manager in 2007, as Ostim Commercial/ Ankara Branch Manager at the end of 2008 and as SME Loans Allocation Department Ankara Region II Manager in 2010. Şimşek has worked as SME Loans Allocation Department Manager since 2013.



Z. Hansu Uçar

Board Member

Hansu Uçar was born in 1971 and graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Business Administration. Uçar began her career in 1994 as Assistant Investment Specialist in Türkiye İş Bankası A.Ş. Subsidiaries Department. Uçar worked as Assistant Manager and Unit Manager in the same Department and was assigned to Subsidiaries Department as Department Manager in October 2015. Uçar also has worked as a board member in Türkiye Şişe ve Cam Fabrikaları A.Ş., Soda Sanayii A.Ş., Trakya Cam Sanayii A.Ş., Trakya Yenişehir Cam Sanayii A.Ş., Trakya Polatlı Cam Sanayii A.Ş., Anadolu Cam Sanayii A.Ş., Anadolu Cam Yenişehir Sanayi A.Ş., Paşabahçe Cam Sanayii ve Ticaret A.Ş., Paşabahçe Mağazaları A.Ş., Çayırova Cam Sanayii A.Ş., Camiş Madencilik A.Ş., Cam Elyaf Sanayii A.Ş., Anadolu Cam Eskişehir Sanayii A.Ş., Asmaş Ağır Sanayi Makinaları A.Ş., Kültür Yayınları İş Türk A.Ş., Camiş Yatırım Holding A.Ş., Avea İletişim Hizmetleri A.Ş., İş Finansal Kiralama A.Ş.

Board of Directors



Ozan Uyar
Board Member

Ozan Uyar was born in 1974 and graduated from Middle East Technical University, Department of Business Administration in 1997. Mr. Uyar started his career in Türkiye İş Bankası A.Ş. as Assistant Inspector on the Board of Inspectors in 1997. After working as Assistant Manager in the Department of Commercial Loans Allocation between 2006 and 2009, Ozan Uyar was assigned as the Unit Manager in the same department in 2009-2015. Since February 27th, 2015, Mr. Uyar has worked as Department Manager in Credit Portfolio Management Department.



Ferhunde Aygen
Board Member

Ferhunde Aygen was born in 1967 and graduated from Boğaziçi University, Department of Business Administration in 1990. Completing MBA in the same university in 1993, Mrs. Aygen started her career as Financial Analysis Specialist and Senior Specialist in T. Sınai Kalkınma Bankası A.Ş. between 1995 and 2002 and as Assistant Manager in the Department of Monitoring and Recovery Loans between 2002 and 2005. Mrs. Aygen, who was assigned as Manager in Credits department in 2005, worked as Group Manager in the Credits Department between 2007 and 2009. She is still Manager of Credit Department. Mrs. Ferhunde Aygen, who was Executive Board Membership in Senapa Stampa A.Ş. between 2007 and 2010, in TSKB Gayrimenkul Değerleme A.Ş. between 2009 and 2011, in İş Finansal Kiralama A.Ş. in 2011, and İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. between of 2011 and 2014, is still an Executive Board Member in our company.



İnci Önal
Board Member

İnci Önal was born in 1970 and graduated from Middle East Technical University, Department of Industrial Engineering in 1992. Mrs. Önal began working as Assistant Specialist in T. İş Bankası A.Ş. Department of Loans in 1992 and as Assistant Manager between 1999-2000. Mrs. Önal was assigned as Assistant Manager of Department of Corporate Loans between 2000 and 2004, then became Regional Director in the same department in 2004. She was assigned as Department Manager in Türkiye İş Bank Commercial Banking Marketing Department as of 2011 and still continues to carry out her duty in this position.



A. Emrah Koyuncu
Board Member

Emrah Koyuncu was born in 1971 and graduated from Istanbul University Faculty of Law in 1993. He worked as Assistant Inspector on the Board of Inspectors of Türkiye İş Bankası A.Ş. between 1994 and 2003. He worked as Assistant Manager in İzmir Intelligence and Financial Analysis Group Department between 2003 and 2005. He carried out his duties as Board of Inspectors Vice President between 2005 and 2008, and then was assigned as Commercial Loans Department İzmir Center Region II Manager in 2008. Koyuncu has been working as Department Manager in Retail Loans Monitoring and Recovery Department since December 27th, 2013.

Onur V. İzci
Board Member and General Director
See page 39 for Curriculum Vitae.

Senior Management



Onur V. İzci

General Manager

Onur İzci was born in 1968 and graduated from Middle East Technical University, Department of Public Administration in 1989. Onur V. İzci started his career in Türkiye İş Bankası A.Ş. as Assistant Inspector on the Board of Inspectors in 1990. Acting as Assistant Manager in İzmir Branch between 1998 and 2001, and as Branch Manager in Uşak Branch between of 2001 and 2003, and in Elazığ Branch between 2003 and 2005, Mr. İzci was assigned as Unit Manager in Corporate Marketing Department in 2005. Assigned as Unit Manager in Corporate Banking Product Department in 2007, Mr. İzci acted as Şişli Branch Manager between 2008 and 2009 and Şişli Commercial Branch Manager between 2009 and 2012. Onur V. İzci was assigned as Assistant General Manager position in our Company as of October 1st, 2012. Mr. İzci has been working as General Manager since April 10th, 2013.



Hüseyin Çalışkan

Deputy General Manager

Hüseyin Çalışkan was born in 1971 and graduated from Middle East Technical University, Department of Business Administration in 1993. Hüseyin Çalışkan started his career in Türkiye İş Bankası A.Ş. as Assistant Inspector on the Board of Inspectors in 1993. After he worked as Assistant Manager in Commercial Loans Allocation Department between 2002 and 2007 and Unit Manager in SME Credits Allocation Department between 2007 and 2013, Çalışkan was assigned as Assistant General Manager in our Company on May 2nd, 2013 and still continues to carry out the same duty.

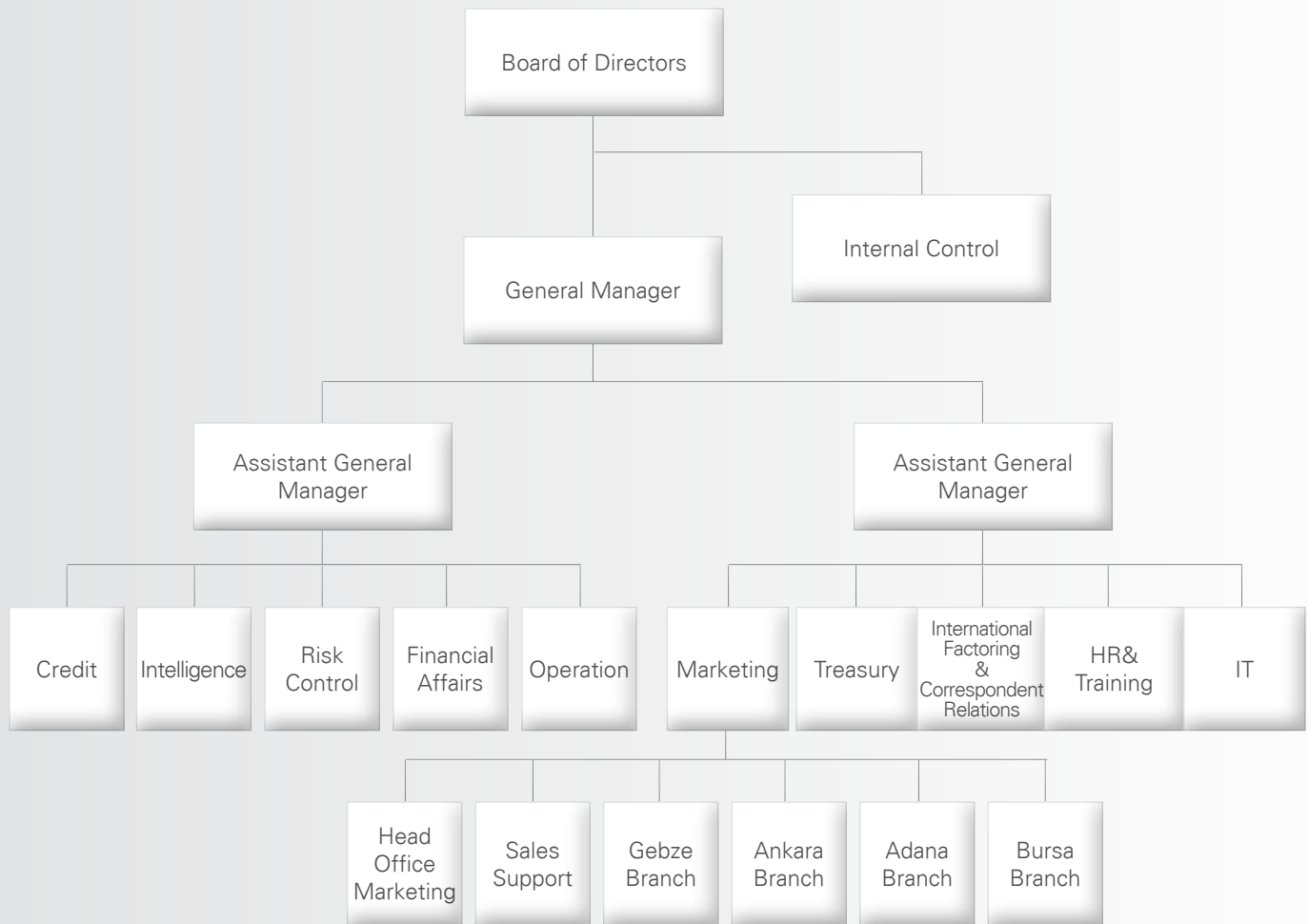


M. Armağan Saraçoğlu

Deputy General Manager

Armağan Saraçoğlu was born in 1974 and graduated from European University of Lefke, Department of Business Administration in 1998. He started his career in Türkiye İş Bankası A.Ş. as Assistant Inspector on the Board of Inspectors in 1998. Continuing his career as Assistant Manager in Human Resources Department in 2007, Saraçoğlu acted as Unit Manager responsible from Bank and Finance Subsidiaries in the Department of Subsidiaries in 2011. Saraçoğlu has been working as Assistant General Manager position in our Company since July 22nd, 2013.

Organization Chart



Risk Management and Internal Audit

Risk Management Policies

Risk policies are general standards which include organization and scope of risk management function. Integrating risk policies with company structure appropriately is of high importance for our company.

Credit Risk

Credit risk arises when the counterparty of the financial tools fails to fulfill contractual obligation and causes a financial loss for the Company. The Company works with parties that have appropriate credit ratings and operates to decrease credit risk with obtaining adequate guarantee when possible. Credits risk which the company is subject to and customers' credit levels are continuously followed up. Credit risk is also controlled through internal restrictions which were defined for the customers by the Board of Directors.

Factoring receivables include a great number of customers in different sectors. Live loan portfolio is continuously scanned via organized business processes and early detection mechanisms are operated for the possible problems.

Development works were carried out in order to implement company analysis with a significant data variety within loan process. Whilst new customer gain and factoring receivables average items progressed significantly, assets quality was not destroyed and legal follow-up ratio was kept under sector averages.

Liquidity Risk

Managing bodies of our company formed a liquidity risk management according to short, middle and long term funds and liquidity requirements. The Company manages liquidity risk through maintaining adequate reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

A lot of banks provided loan limits on behalf of our Company by continuous negotiations with domestic and international creditor institutions for the continuation of our operations in the periods with liquidity crunch.

Finance bonds are issued as a result of achievements for creating alternative sources.

Cash and cash equivalents of our company are assigned high credit ratings by prestigious credit rating organizations and kept in banks which are allocated limit by our Board of Directors.

Market Risk

Market risk refers to the risk of change in the income or financial assets of the Company as a result of the changes in the financial market such as exchange rates, interest rates or the rates of the instruments traded at the securities markets. Market Risks, which are encountered on our company level, are measured according to sensitivity analysis basis.

Our Company, which shows ultimate attention to provides currency of funds identical with currency of loans, adopts not bearing a short position as a principle policy.

Our company does not have any speculative financial tools (including derivative financial tools) and does not carry out any activities about buying-selling of these kinds of tools. No changes took place in the market risk that our Company is subject to or method of handling the risks or the method of measuring the risks in 2015 compared to the previous year.

Operational Risk

Operational risks are defined as the risks caused by operational faults which the company experiences while continuing its operations. Regular training sessions are provided to employees in order to decrease operational faults to minimum while

carrying out operations. Amendments in the regulations and different situations which occur during implementation are clearly explained to the employees. In addition to that, an ultimate attention is shown to assign different people as operators and approver/controller.

Internal Audit Activities

Audits by our Internal Audit Department are classified in two main titles; namely transaction and process audits. Examinations are carried out on sample, which were chosen from finance, guarantee and collection activities and detected problems were submitted to the related units in order to take action within the scope of transaction audits. Whether the control systems on the process being audited works sufficiently and efficiently is evaluated in process audits and proposals were submitted in order to decrease the exposure risk of the process. Root cause analysis was carried out as much as possible for the problems, which were detected during examinations. Studies were carried out towards defining controls which will prevent the repetition of the problem by examining underlying reasons. The processes of Credit, Intelligence, Treasury, Operation, Accounting and Administrative Affairs, Human Resources and Training, Risk Monitoring and Collection Division, International Factoring and Correspondent Relations and IT departments of our Company were audited in 2015.

Assessment of Internal Control by the Audit Committee

İŞ FAKTORİNG A.Ş. AUDIT COMMITTEE

Resolution No : 2016/3
Resolution Date : 11.02.2016
Time of the Meeting : 4:00 PM
Agenda Item :

SUBJECT: Declaration of Audit Committee on Internal Control Environment

Internal audit system of our Company is structured and carried out in order to carry out operations efficiently and productively in accordance with the Law and other legislations, company principles and customs and enable information on time. The Board of Directors authorized Audit Committee for supervision and evaluation of internal control activities.

Audit Committee periodically evaluates efficiency of internal audit system with internal audit and control reports, which are designed by Internal Control Department and submits the reports and their suggestions about required precautions to Board of Directors. It was concluded that there were not any control deficiencies which prevent effective, trustable and continuous operation in business processes as a result of evaluations on audit and control activities, which were carried out in 2015.

In 2016, the Audit Committee will continue to supervise the sufficiency and efficiency of internal audit systems in line with Company organization structure.



Z. Hansu UÇAR
Denetimden Sorumlu Komite Üyesi



Ertuğrul BOZGEDİK
Denetimden Sorumlu Komite Başkanı

Committees

Audit Committee

The Audit Committee is responsible from ensuring that the internal systems of the Company function efficiently and sufficiently, that these systems and the accounting and reporting systems operate within the framework of the related regulations, company policies, laws and customs and that the information produced has integrity. Audit Committee consists of two members, our Chairman Ertuğrul Bozgedik is the President and Z. Hansu Uçar is the member.

Early Risk Detection Committee

Early Risk Detection Committee carries out its activities for early detection of the risks that may endanger the existence, progress and continuity of the Company in order to take necessary measures regarding the detected risks and to carry out activities with the purpose of risk management. Committee is composed of Onur V. İzci, Ozan Uyar and Z. Hansu Uçar.

Credit Committee

The Credit Committee is responsible from examining the loan proposals and concludes the ones that are within the scope of its loan allocation authorization limits, which are specified as part of Company credit risk policy. İş Faktoring Chairman Ertuğrul Bozgedik is Credit Committee President; Onur V. İzci and Ozan Uyar are the members of committee.

Credit Department, Marketing Department and Intelligence Department when required organize a meeting at least once a week (on demand if necessary) and General Directorate pre-assets limit allocation/ revision/condition change/ warranty type change demands, which are entitled to General Directorate or exceed authority of General Directorate.

Assets and Liabilities Committee

Assets and Liabilities Committee determines principles and implementation methods in order to enable optimum management of company balance sheet by observing the balance between risk-capital-profitability in line with financial policies and strategies. Committee operates with meeting basis. Directed by General Manager, the Committee meets at least once a month with the participation of authorities of Deputy General Managers, Treasury, Marketing and International Factoring and Correspondent Relations departments.

The committee basically evaluates the developments in domestic and international markets and general economy, ensures risk management of balance sheet amount and installment-interest structure, carries out analysis within the frame of capital sufficiency and profit maximization basis, organizes pricing principals on loans which are provided by banks and their installment structure, determines policy for Company currency position, searches and provides the best funding opportunities in domestic and international financial markets in order to minimize funding cost of the Company.

Meeting agenda of the committee includes financial forecasting in domestic and international markets, predictions and evaluations on the progress of risk factors for funding costs and possible funding requirements, evaluations of liquidity position and operation results of previous period.

H&R Committee

H&R Committee consists of General Manager, Deputy General Managers and Human Resources Manager of the Company. Human Resources Committee makes on employment, reassignment in the Company, assignment and promotion, salary and financial support decisions for Director and lower positions.

Content and organization principles of Performance Evaluation Form is defined and announced by Human Resources Committee in the performance periods.

Employee participation fees to private certificate programs and/or exams under the conditions defined by the company can be paid by the Company with the decision of Human Resources Committee.

Submitted to Human Resources and Training Department, ideas of employees which will support profitability, saving time, quality or progress of operations are evaluated by Human Sources Committee. If the idea is approved as appropriate and implemented, the employee can be awarded. Human Resources Committee decides on presentation of an award and its details.

Training Committee

Training Committee is founded in order to gather and evaluate training requests of the employees with the participation of one representative from each department. Training Committee meets at least twice a year. Training agendas are organized by evaluating training requests, which are submitted for individual and technical development of the employees and researching training companies. Training is organized according to the plan.

Product Committee

The objective of the New Products Committee is to ensure that all parties are informed beforehand on the process, which will be carried out, when a new product is launched or an existing product will have modifications, conducting examinations for the suitability of the product in terms of legislation and operational process and provide approval of committee members by realizing and developing the product. Product Committee consists of Operation Department, International Factoring and Correspondent Relations Department, Accounting and Administrative Affairs Directors, Internal Audit Director and Deputy General Managers.

Agenda for the Ordinary General Assembly Meeting of Shareholders

Ordinary General Assembly Meeting was decided to be held at the head office of the company at 2 p.m. on Tuesday, March 22nd, 2016 in order to negotiate the issues, which are defined in the following agenda determined at the meeting held by the meeting of the Board of Directors on February 19th, 2016.

Agenda of 2015 Ordinary General Assembly Meeting

1. Opening and establishment of the council of Chairmanship,
2. Reading and discussing the Board of Directors' Annual Report and Independent Auditor Report relating to 2015 activities and operations,
3. Presentation, discussion and ratification of independent audited balance sheet and profit/loss accounts for the year end 2015,
4. Release of the members of Board of Directors,
5. Discussing and deciding the Profit Distribution Proposal of the Board of Directors,
6. Discussing and deciding on "Debt securities and Extraction of Securities with Purchase-Conversion Right" Article 10 of the Articles of Association of the company,
7. Selecting and defining assignment periods of The Members of the Board of Directors,
8. Election of Independent Audit Company,
9. Determination of remunerations payable to the Directors,
10. Authorizing the members of the Board of Directors according to Article 395 and 396 of the Turkish Commercial Code,
11. Suggestions and wishes.

Dividend Distribution Policy and Proposal

Profit distribution policy of our Company is determined by considering plans and investments, which are created in line with long-term strategies of our Company, according to Turkish Commercial Law and other legislation provisions.

Profit distribution is approved and implemented by the General Board with the recommendations of the Board of Directors. 2014 net profit of TL 7,938 thousand was not distributed and kept in the company with the decision of General Assembly.

It has been submitted to the approval of the General Board that after sparing TL 1,208,332 from the net profit of 2015, which is TL 24,166,637, for general legal reserves (first legal reserves), the remaining TL 22,958,305, which is net available for distribution, shall be distributed to the shareholders as a total of TL 5,000,000 cash annuity, of which is composed of TL 3,175,000 first dividend and TL 1,825,000 secondary dividend while after sparing TL 182,500 for general legal reserves (secondary legal reserves), the remaining TL 17,775,805 shall be kept as extraordinary reserves as summarized in the profit distribution chart for 2015 on page 45 of this report herein.

Profit Distribution Offer

We submit to your approval of the distribution of TL 24,166,637, which is net profit in accordance with article 31 of the company Articles of Association and the applicable laws.

2015 Profit Distribution Chart (TL)	
1. Profit /Loss for the period	30,643,415
2. Taxes and Legal Duties Payable	(6,476,778)
Corporate Tax (Income Tax)	(6,364,255)
Other Taxes and Duties	(112,523)
Net Profit / Loss for the Year	24,166,637
3. Accumulated Losses	-
Net Profit based on Legal Reserve Allocation	24,166,637
4. First Legal Reserve	(1,208,332)
Net Profit Available For Distribution	22,958,305
5. First Dividend to Shareholders	3,175,000
6. Dividends to Board of Directors	-
7. Secondary Dividend to Shareholders	1,825,000
8. Secondary Legal Reserve	182,500
9. Extraordinary Reserves	17,775,805
10. Profits of Previous Years	-

Extraordinary General Assembly Meetings occurred during Operating Year

An Extraordinary General Assembly was organized by our company on November 5th, 2015. General Assembly authorized on issuing debt toll until TL 157 million in accordance with Turkish Commercial Code, Capital Market Law and other regulations at the Extraordinary General Assembly Meeting.

The issue of TL 157 million was realized on December 22nd, 2015 in line with the assigned authority.

Compensation and Benefits Granted to Board Members and Executives with Management Responsibility

Senior Management, which consists of members of the Board of Directors, General Manager and Deputy General Managers, was provided salary and other royalty payments of TL 2,428 during 2015.

No bank loans were assigned to members of the Board of Directors or senior managers in the operating year.

Information on Acquired Shares

İş Faktoring has not acquired any of its own shares in the operating year.

Information on Private Audit and Public Audit occurred within the year

The Company did not undergo any public audits in 2015. The Company is audited by an international independent audit company.

Information on Lawsuits filed against İş Faktoring A.Ş. and Possible Results

During 2015, no lawsuits have been filed against the Company that could significantly affect its financial situation and activities.

Administrative or Legal Penalties Imposed on İş Faktoring A.Ş. and/or Board Members

The Company is obliged to comply with legislations of Banking Regulation and Supervision Agency and other governing legal organizations and institutions. The Company develops policies and procedures in order to comply with governing law and other provisions of regulations and places a significant importance to their implementation.

Compliance to legal regulations is one of the most important policies of our Company, which prevents our managing body, members or Company from an administrative or legal sanction because of improper actions. In 2015, Company or members of managing body was not imposed to any administrative or legal sanctions because of improper actions to provisions of regulations.

Information on Direct or Indirect Subsidiaries and Share Rates

Title of the Investment	Core Business	Incorporation and Location	Voting Right (%)	Ownership Rate (%)		Carrying Amount (Thousand, TL)	
				2014	2015	2014	2015
Companies which are traded at the exchange market:							
İş Yatırım Menkul Değerler A.Ş.	Investment and Security Services	Istanbul	2.43	2.43	2.43	9,287	9,732
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	Istanbul	0.89	0.89	0.89	1,467	1,069
Companies which are not traded at the exchange market:							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Security Services	Istanbul	0.06	0.06	0.06	39	39
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	Inf. Comm. and Technology Services	Istanbul	1.00	1.00	1.00	302	347
Efes Varlık Yönetim A.Ş.	Asset Management	Istanbul	5.00	5.00	5.00	1,000	1,000
TOTAL						12,095	12,187

Research&Development and Investments

According to "Regulation on the Procedure and Principles Regarding Factoring Companies", which was published in the Official Gazette dated February 4th, 2015 by Banking Regulation and Supervision Agency (BRSA), as of January 2nd, 2015 a new implementation was initiated in which factoring companies register invoice and similar document information of their transactions on Central Invoice Recording System (MKFS) for a duplicity control.

Some different implementations in the sector had a uniform design besides progress in creating data unity.

Total investment for improving the system infrastructure for enhancing operational processes, equipment renewal and server reinforcement is TL 487,689.

Expenses as part of Donations, Aid and Social Responsibility Projects

No donations were provided by our Company during 2015.

Determination on Whether the Capital is Unreturned Management Assessment

2015 year end equity capital of our Company is TL 100 million and the capital was not unreturned.

Relations with Main Company and it's Affiliated Companies

As İş Finansal Kiralama A.Ş owns 78.23% of shares and ultimate controlling party is Türkiye İş Bankası A.Ş, in all transactions made with the İş Finansal Kiralama A.Ş and the companies affiliated to the controlling company in 2015, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided.

Remarks on Main Shareholder and Ultimate Controlling Party

No changes occurred in main partner and ultimate controlling party companies during 2015.

The operations, which our Company directly or indirectly associates with, do not own any shares in our Company capital.

Conclusion Part of Affiliated Company Report

Our Company continued to be an affiliated company of directly İş Finansal Kiralama A.Ş and indirectly Türkiye İş Bankası A.Ş in line with relevant Turkish Commercial Code provisions in 2015. According to Article 199 of the Turkish Commercial Code, Our Board of Directors declared the following statement in the affiliation report, which it organized about its relations with controlling Company and its affiliated companies:

"It is concluded that in all transactions made with the controlling company and the companies affiliated to the controlling company in the period of January 1st - December 31st, according to situations and conditions known to us and prevailing at the time the related transaction was made or related measure were taken or refrained from being taken, an appropriate consideration for each transaction has been provided. We hereby state that the Company did not suffer a loss because of a transaction which emerged from known conditions and provision in 2015.

Regulations on Factoring Legislation which Affect Company Activities

"Regulation on the Procedure and Principles Regarding Factoring Companies", which was published in the Official Gazette dated February 4th, 2015, was introduced by Banking Regulation and Supervision Agency (BRSA). Regulations, which were issued by BRSA for factoring sector as notices were included in the aforementioned regulation and principles on Central Invoice Registration Systems were ensured.

Important Events that Occurred after the End of the Operating Year

None.

**Financial Statements as at and
For the Year Ended 31 December 2015 with Independent Auditors' Report**
(Convenience Translation of Financial Statements and Related Disclosures and
Footnotes Originally Issued in Turkish, See Note 2.1)

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To the Board of Directors of İş Faktoring Anonim Şirketi,

Report on the Financial Statements

We have audited the accompanying statement of financial position of İş Faktoring Anonim Şirketi ("the Company") as at 31 December 2015, and the related statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, 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.

Auditors' Responsibility

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit in Banks" published on the Official Gazette no. 26333 dated 1 November 2006 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements.

The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that our audit provides a reasonable basis for our audit opinion.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İş Faktoring Anonim Şirketi as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation (Note 2)

Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 27 January 2016.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative


Funda Aslanoglu, SMMM
Sorumlu Denetçi

İstanbul, 27 Ocak 2016

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

İş Faktoring Anonim Şirketi

Statement of Financial Position (Balance Sheet) as at 31 December 2015

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

BALANCE SHEET - ASSETS	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH AND CASH EQUIVALENTS AND CENTRAL BANK		-	-	-	-	-	-
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	3.986	3	3.989	2	-	2
2.1 Financial Assets Held for Trading		3.825	-	3.825	-	-	-
2.2 Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3 Derivative Financial Assets Held for Trading		161	3	164	2	-	2
III. BANKS	5	875	4.741	5.616	1.545	2.724	4.269
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	12.187	-	12.187	12.095	-	12.095
VI. FACTORING RECEIVABLES	7	1.612.297	333.480	1.945.777	1.203.168	230.042	1.433.210
6.1 Discounted Factoring Receivables		433.174	-	433.174	469.711	-	469.711
6.1.1 Domestic		444.050	-	444.050	481.987	-	481.987
6.1.2 Foreign		-	-	-	-	-	-
6.1.3 Unearned Income (-)		(10.876)	-	(10.876)	(12.276)	-	(12.276)
6.2 Other Factoring Receivables		1.179.123	333.480	1.512.603	733.457	230.042	963.499
6.2.1 Domestic		1.179.123	-	1.179.123	733.457	-	733.457
6.2.2 Foreign		-	333.480	333.480	-	230.042	230.042
VII. FINANCING LOANS		-	-	-	-	-	-
7.1 Private Customer Loans		-	-	-	-	-	-
7.2 Credit Cards		-	-	-	-	-	-
7.3 Installment Based Commercial Loans		-	-	-	-	-	-
VIII. LEASE RECEIVABLES		-	-	-	-	-	-
8.1 Lease Receivables		-	-	-	-	-	-
8.1.1 Finance Lease Receivables		-	-	-	-	-	-
8.1.2 Operational Lease Receivables		-	-	-	-	-	-
8.1.3 Unearned Income (-)		-	-	-	-	-	-
8.2 Leasing Contracts in Progress		-	-	-	-	-	-
8.3 Advances Given for Lease Transactions		-	-	-	-	-	-
IX. OTHER RECEIVABLES		-	-	-	-	-	-
X. RECEIVABLES UNDER FOLLOW-UP		5.497	-	5.497	-	-	-
10.1 Factoring Receivables Under Follow-up	7	36.640	-	36.640	24.348	-	24.348
10.2 Financial Loans Under Follow-Up		-	-	-	-	-	-
10.3 Lease Receivables Under Follow-Up		-	-	-	-	-	-
10.4 Specific Provisions (-)		(31.143)	-	(31.143)	(24.348)	-	(24.348)
XI. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE		-	-	-	-	-	-
11.1 Fair Value Hedges		-	-	-	-	-	-
11.2 Cash Flow Hedges		-	-	-	-	-	-
11.3 Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
XII. INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII. INVESTMENT IN SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV. INVESTMENT IN ASSOCIATES (Net)		-	-	-	-	-	-
XV. INVESTMENT IN JOINT VENTURES (Net)		-	-	-	-	-	-
XVI. TANGIBLE ASSETS (Net)	9	560	-	560	557	-	557
XVII. INTANGIBLE ASSETS (Net)	10	452	-	452	326	-	326
17.1 Goodwill		-	-	-	-	-	-
17.2 Other Intangibles		452	-	452	326	-	326
XVIII. PREPAID EXPENSES	12	805	-	805	390	-	390
XIX. CURRENT TAX ASSETS		-	-	-	-	-	-
XX. DEFERRED TAX ASSETS	11	2.646	-	2.646	2.758	-	2.758
XXI. OTHER ASSETS		1.159	68	1.227	984	18	1.002
SUBTOTAL		1.640.464	338.292	1.978.756	1.221.825	232.784	1.454.609
XXII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
22.1 Assets Held For Sale		-	-	-	-	-	-
22.2 Assets Of Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		1.640.464	338.292	1.978.756	1.221.825	232.784	1.454.609

İlişkitedeki dipnotlar bu finansal tabloların tamamlayıcı bir parçasıdır.

Statement of Financial Position (Balance Sheet) as at 31 December 2015

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

BALANCE SHEET - LIABILITIES	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	393	-	393	354	-	354
II. FUNDS BORROWED	13	1.296.696	292.960	1.589.656	1.069.986	204.265	1.274.251
III. FACTORING PAYABLES	7	1.498	652	2.150	1.360	53	1.413
IV. LEASE OBLIGATIONS		-	-	-	-	-	-
4.1 Financial Lease Obligations		-	-	-	-	-	-
4.2 Operational Lease Obligations		-	-	-	-	-	-
4.3 Others		-	-	-	-	-	-
4.4 Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
V. DEBT SECURITIES ISSUED (Net)	14	281.602	-	281.602	98.367	-	98.367
5.1 Bills		281.602	-	281.602	98.367	-	98.367
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. OTHER PAYABLES	15	320	164	484	350	21	371
VII. OTHER LIABILITIES		593	542	1.135	220	236	456
VIII. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1 Fair Value Hedges		-	-	-	-	-	-
8.2 Cash Flow Hedges		-	-	-	-	-	-
8.3 Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
IX. TAXES AND DUTIES PAYABLE	16	1.412	-	1.412	712	-	712
X. PROVISIONS		1.135	-	1.135	823	-	823
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserve For Employee Benefits	17	1.135	-	1.135	823	-	823
10.3 Other Provisions		-	-	-	-	-	-
XI. DEFERRED INCOME		-	-	-	-	-	-
XII. CURRENT TAX LIABILITIES	18	957	-	957	1.685	-	1.685
XIII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	-	-	-	-	-
SUBTOTAL		1.584.606	294.318	1.878.924	1.173.857	204.575	1.378.432
XV. PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1 Payables Related to the Assets held for Sale		-	-	-	-	-	-
15.2 Payables Related to the Discontinued Operations		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		99.832	-	99.832	76.177	-	76.177
16.1 Paid-in Capital	19	63.500	-	63.500	40.000	-	40.000
16.2 Capital Reserves	19	5.277	-	5.277	5.277	-	5.277
16.2.1 Share Premiums		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		5.277	-	5.277	5.277	-	5.277
16.3 Accumulated Other Comprehensive Income that will never be Reclassified to Profit or Loss		68	-	68	69	-	69
16.4 Accumulated Other Comprehensive Income that are or may be Reclassified to Profit or Loss		830	-	830	1.341	-	1.341
16.5 Profit Reserves	20	5.990	-	5.990	20.998	-	20.998
16.5.1 Legal Reserves		2.925	-	2.925	2.528	-	2.528
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		3.065	-	3.065	18.470	-	18.470
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or Loss		24.167	-	24.167	8.492	-	8.492
16.6.1 Prior Periods Profit/Loss		-	-	-	554	-	554
16.6.2 Net Income or Loss for the Current Period		24.167	-	24.167	7.938	-	7.938
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.684.438	294.318	1.978.756	1.250.034	204.575	1.454.609

İlişikteki dipnotlar bu finansal tabloların tamamlayıcı bir parçasıdır.

İŞ Faktoring Anonim Şirketi

Off-Balance Sheet Items as at 31 December 2015

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

STATEMENT OF OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
		TL	FC	TOTAL	TL	FC	TOTAL
I. REVOCABLE FACTORING TRANSACTIONS		50.022	14.269	64.291	88.602	11.940	100.542
II. IRREVOCABLE FACTORING TRANSACTIONS		224.007	10.827	234.834	150.821	15.789	166.610
III. COLLATERALS RECEIVED	21	15.227.013	6.506.210	21.733.223	12.242.541	4.494.653	16.737.194
IV. COLLATERALS GIVEN	21	3.135	-	3.135	2.544	-	2.544
V. COMMITMENTS		14.131	-	14.131	66.638	-	66.638
5.1 Irrevocable Commitments		14.131	-	14.131	66.638	-	66.638
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1.1 Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2 Operational Lease Commitments		-	-	-	-	-	-
5.2.2 Other Revocable Commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	21	141.227	143.091	284.318	93.782	93.650	187.432
6.1 Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1 Fair Value Hedges		-	-	-	-	-	-
6.1.2 Cash Flow Hedges		-	-	-	-	-	-
6.1.3 Net Foreign Investment Hedges		-	-	-	-	-	-
6.2 Trading Derivatives		141.227	143.091	284.318	93.782	93.650	187.432
6.2.1 Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2 Swap Purchases/Sales		141.227	143.091	284.318	93.782	93.650	187.432
6.2.3 Put/Call Options		-	-	-	-	-	-
6.2.4 Futures Purchases/Sales		-	-	-	-	-	-
6.2.5 Others		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	21	266.719	26.006	292.725	199.797	24.047	223.844
TOTAL OFF-BALANCE SHEET ITEMS		15.926.254	6.700.403	22.626.657	12.844.725	4.640.079	17.484.804

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

Statement of Profit or Loss for the Year Ended 31 December 2015

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

INCOME STATEMENT		Notes	Audited Current Period 1 January- 31 December 2015	Audited Prior Period 1 January- 31 December 2014
I.	OPERATING INCOME	24	134.490	88.732
1.1	FACTORING INCOME		134.490	88.732
1.1.1	Factoring Interest Income		124.855	82.009
1.1.1.1	Discounted		46.447	36.671
1.1.1.2	Other		78.408	45.338
1.1.2	Factoring Commission Income		9.635	6.723
1.1.2.1	Discounted		2.950	2.732
1.1.2.2	Other		6.685	3.991
	INCOME ON FINANCING LOANS		-	-
1.2	Interest Income on Financial Loans		-	-
1.3	Fees and Commission Income on Financial Loans		-	-
	LEASE INCOME		-	-
1.4	Finance Lease Income		-	-
1.5	Operational Lease Income		-	-
1.6	Fees and Commission Income on Lease Operations		-	-
II.	FINANCING EXPENSES	25	(98.185)	(58.742)
2.1	Interest Expense on Funds Borrowed		(81.996)	(54.705)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense on Financial Leases		-	-
2.4	Interest Expense on Debt Securities Issued		(14.214)	(2.863)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commission Expenses		(1.975)	(1.174)
III.	GROSS PROFIT/LOSS (I+II)		36.305	29.990
IV.	OPERATING EXPENSES (-)	26	(16.056)	(13.706)
4.1	Personnel Expenses		(10.660)	(7.832)
4.2	Provision Expense for Employee Termination Indemnity		(76)	(76)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(5.320)	(5.798)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT/LOSS (III+IV)		20.249	16.284
VI.	OTHER OPERATING INCOME	27	133.315	85.020
6.1	Interest Income on Banks		402	230
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities		75	29
6.3.1	Interest Income on Trading Financial Assets		75	29
6.3.2	Interest Income on Financial Assets Valued at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available-for-Sale		-	-
6.3.4	Interest Income on Investments Held to Maturity		-	-
6.4	Dividend Income		1.997	1.328
6.5	Trading Account Income		75.092	3.796
6.5.1	Derivatives		75.092	3.796
6.5.2	Others		-	-
6.6	Foreign Exchange Gains		51.352	75.314
6.7	Other		4.397	4.323
VII.	SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)	28	(6.971)	(11.095)

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

Statement of Profit or Loss for the Year Ended 31 December 2015

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

INCOME STATEMENT		Notes	Audited Current Period 1 January- 31 December 2015	Audited Prior Period 1 January- 31 December 2014
VIII.	OTHER OPERATING EXPENSES (-)	29	(115.950)	(78.791)
8.1	Impairment in Value of Securities		-	-
8.1.1	Impairment in Value of Financial Assets Designated at Fair Value Through Profit or Loss		-	-
8.1.2	Impairment in Value of Financial Assets Available-for-Sale		-	-
8.1.3	Impairment in Value of Investments Held to Maturity		-	-
8.2	Impairment in Value of Non Current Assets		-	-
8.2.1	Impairment in Value of Tangible Assets		-	-
8.2.2	Impairment in Value of Assets Held for Sale and Assets Related to Discontinued Operations		-	-
8.2.3	Impairment in Value of Goodwill		-	-
8.2.4	Impairment in Value of Other Intangible Assets		-	-
8.2.5	Impairment in Value of Subsidiaries, Associates and Joint-Ventures		-	-
8.3	Trading Account Losses from Financial Derivatives		(83.581)	(4.499)
8.4	Foreign Exchange Losses		(32.369)	(74.292)
8.5	Other		-	-
IX.	OPERATIONAL PROFIT/LOSS, NET (V+...+VIII)		30.643	11.418
X.	INCOME RESULTED FROM MERGERS		-	-
XI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XII.	PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES(IX+X+XI)		30.643	11.418
XIII.	PROVISION FOR TAXES FROM CONTINUING OPERATIONS (±)	30	(6.476)	(3.480)
13.1	Current Tax Charge		(6.364)	(4.712)
13.2	Deferred Tax Charge (-)		(112)	-
13.3	Deferred Tax Credit (+)		-	1.232
XIV.	NET PROFIT/LOSS AFTER TAXES FROM CONTINUING OPERATIONS(XII±XIII)		24.167	7.938
XV.	INCOME FROM DISCONTINUED OPERATIONS		-	-
15.1	Income from Assets Held for Sale		-	-
15.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
15.3	Other Income From Discontinued Operations		-	-
XVI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
16.1	Expense From Assets Held for Sale		-	-
16.2	Expense from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
16.3	Other expense from Discontinued Operations		-	-
XVII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS		-	-
XVIII.	PROVISION FOR TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3	Deferred Tax Credit (+)		-	-
XIX.	NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-
XX.	NET PROFIT/LOSS		24.167	7.938
	EARNINGS PER SHARE	30	0,00381	0,00125
	Earnings Per Share from Continuing Operations		0,00381	0,00125
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	30	0,00381	0,00125
	Earnings Per Share from Continuing Operations		0,00381	0,00125
	Earnings Per Share from Discontinued Operations		-	-

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

Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 31 December 2015

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period	Audited Prior Period
		1 January- 31 December 2015	1 January- 31 December 2014
I.	NET PROFIT/LOSS	24.167	7.938
II.	OTHER COMPREHENSIVE INCOME	(512)	(1.037)
2.1	Items that will never be Reclassified to Profit or Loss	(1)	7
2.1.1	Revaluation of Tangible Assets	-	-
2.1.2	Revaluation of Intangible Assets	-	-
2.1.3	Remeasurement of Reserve for Employee Benefits	(1)	9
2.1.4	Other Comprehensive Income that will never Reclassified to Profit or Loss	-	-
2.1.5	Related Tax	-	(2)
2.1.5.1	Current Tax Benefit/Charge	-	-
2.1.5.2	Deferred Tax Benefit/Charge (-)	-	(2)
2.2	Items that are or may be Reclassified to Profit or Loss	(511)	(1.044)
2.2.1	Foreign Currency Translation Differences	-	-
2.2.2	Assets Held for Sales- Net Change in Fair Value	(511)	(1.044)
2.2.3	Cash Flow Hedges- Effective Portion of Changes in Fair Value	-	-
2.2.4	Net Investment Hedge Income/Losses	-	-
2.2.5	Other Comprehensive Income that are or may be Reclassified to Profit or Loss	-	-
2.2.6	Related Tax	-	-
2.2.6.1	Current Tax Benefit/Charge	-	-
2.2.6.2	Deferred Tax Benefit/Charge (-)	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	23.655	6.901

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

İş Faktoring Anonim Şirketi

Statement of Changes in Equity for the Year Ended 31 December 2015

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

CHANGES IN EQUITY	Notes	Paid-in-Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated other comprehensive income that will never be reclassified to profit or loss		
							1	2	3
Prior period (01.01 - 31.12.2014) (Audited)									
I. Beginning balance (31.12.2013)		40.000	-	-	-	5.277	-	62	-
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		40.000	-	-	-	5.277	-	62	-
IV. Total Comprehensive Income		-	-	-	-	-	-	7	-
V. Cash Capital Increase		-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Reserves		-	-	-	-	-	-	-	-
VII. Capital Reserves From Inflation Adjustments To Paid-In Capital		-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-
X. Increases/Decreases due to Other Changes		-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2014)		40.000	-	-	-	5.277	-	69	-
Current period (01.01 - 31.12.2015) (Audited)									
I. Beginning balance (31.12.2014)		40.000	-	-	-	5.277	-	69	-
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		40.000	-	-	-	5.277	-	69	-
IV. Total Comprehensive Income	17	-	-	-	-	-	-	(1)	-
V. Cash Capital Increase		-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Reserves	19	23.500	-	-	-	-	-	-	-
VII. Capital Reserves From Inflation Adjustments To Paid-In Capital		-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-
X. Increases/Decreases due to Other Changes		-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-
XII. Profit Distribution		-	-	-	-	-	-	-	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2015)		63.500	-	-	-	5.277	-	68	-

1. Revaluation increase/decrease of property and equipment,
2. Employee benefits re-measuring income/loss,
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations,
5. Net change in fair value of available-for-sale financial assets,
6. Other (Cash flow hedge income/(losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

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

Accumulated other comprehensive income that are or may be reclassified to profit or loss

								Net Current			
4	5	6	Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Profit/ Loss	Prior Period Profit/ Loss	Period Profit/ Loss	Total Equity
-	2.385	-	9.239	1.940	-	7.299	-	12.313	554	11.759	69.276
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	2.385	-	9.239	1.940	-	7.299	-	12.313	554	11.759	69.276
-	(1.044)	-	-	-	-	-	-	-	-	-	(1.037)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	7.938	-	7.938	7.938
-	-	-	11.759	588	-	11.171	-	(11.759)	-	(11.759)	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	11.759	588	-	11.171	-	(11.759)	-	(11.759)	-
-	-	-	-	-	-	-	-	-	-	-	-
-	1.341	-	20.998	2.528	-	18.470	-	8.492	554	7.938	76.177
-	1.341	-	20.998	2.528	-	18.470	-	8.492	554	7.938	76.177
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	1.341	-	20.998	2.528	-	18.470	-	8.492	554	7.938	76.177
-	(511)	-	-	-	-	-	-	-	-	-	(512)
-	-	-	(22.946)	-	-	(22.946)	-	(554)	(554)	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	24.167	-	24.167	24.167
-	-	-	7.938	397	-	7.541	-	(7.938)	-	(7.938)	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	7.938	397	-	7.541	-	(7.938)	-	(7.938)	-
-	-	-	-	-	-	-	-	-	-	-	-
-	830	-	5.990	2.925	-	3.065	-	24.167	-	24.167	99.832

Statement of Cash Flows for the Year Ended 31 December 2015

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

		Audited Current Period	Audited Prior Period
	Notes	31 December 2015	31 December 2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	30.044	(14.949)
1.1.1	Interests received/Lease income	122.284	57.152
1.1.2	Interests paid/Lease Payments	(96.210)	(69.733)
1.1.3	Lease Expenses	-	-
1.1.4	Dividends Received	1.393	733
1.1.5	Fee and Commissions Received	9.635	6.723
1.1.6	Other Income	75.092	3.796
1.1.7	Collections From Previously Written-Off Receivables	176	1.311
1.1.8	Payments to Personnel and Service Suppliers	(10.348)	(7.585)
1.1.9	Taxes Paid	(7.092)	(4.422)
1.1.10	Others	(64.886)	(2.924)
1.2	Changes in Operating Assets and Liabilities	(212.164)	(86.356)
1.2.1	Net (Increase) Decrease in Factoring Receivables	(522.464)	(483.574)
1.2.2	Net (Increase) Decrease in Other Assets	(8.102)	(1.006)
1.2.3	Net (Increase) Decrease in Factoring Payables	737	883
1.2.3	Net Increase (Decrease) in Lease Payables	-	-
1.2.4	Net Increase (Decrease) in Funds Borrowed	317.327	395.870
1.2.5	Net Increase (Decrease) in Matured Payables	-	-
1.2.6	Net Increase (Decrease) in Other Liabilities	338	1.471
I.	Net Cash From Operating activities	(182.120)	(101.305)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Joint-Ventures	-	-
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures	-	-
2.3	Purchases of Tangible and Intangible Assets	(490)	(370)
2.4	Sales of Tangible and Intangible Assets	-	-
2.5	Cash Paid for Purchase of Financial Assets Available-for-Sale	-	-
2.6	Cash Obtained From Sale of Financial Assets Available-for-Sale	-	-
2.7	Cash Paid for Purchase of Held-to-Maturity Investment Securities	-	-
2.8	Cash obtained from Sale of Held-to-Maturity Investment Securities	-	-
2.9	Others	-	(140)
II.	Net Cash Used in Investing Activities	(490)	(510)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1	Cash Obtained from Funds Borrowed and Debt Securities Issued	183.235	95.504
3.2	Cash Used for Repayment of Funds Borrowed and Debt Securities Issued	-	-
3.3	Equity Instruments Issued	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Others	-	-
III.	Net Cash Generated from in Financing Activities	183.235	95.504
IV.	Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents	722	127
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	1.347	(6.184)
VI.	Cash and Cash Equivalents at the Beginning of the Year	4.269	10.453
VII.	Cash and Cash Equivalents at the End of the Year	5.616	4.269

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

Statement of Profit Distribution for the Year Ended 31 December 2015

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

	Current Year (31 December 2015)	Prior Year (31 December 2014)
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)		
1.1 PROFIT FOR THE YEAR	30.643	11.418
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(6.476)	(3.480)
1.2.1 Corporate Tax (Income Tax)	(6.364)	(4.712)
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties (**)	(112)	1.232
A. NET PROFIT FOR THE YEAR (1.1-1.2)	24.167	7.938
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Redeemed Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Redeemed Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1 DISTRIBUTION OF RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Redeemed Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE	-	-
3.1 TO OWNERS OF ORDINARY SHARES (full TL) (***)	0,00381	0,00125
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,381	0,125
3.3 TO OWNERS OF PRIVILEGED SHARES (full TL)	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF ORDINARY SHARES (TL)	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) As at the report date, the General Assembly Meeting has not been held; therefore, only net profit is presented in the profit distribution table above for 2015.

(**) As per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company has no deferred tax income will not be included in profit distribution as of 31 December 2015 (31 December 2014: TL 1.232 deferred tax income).

(***) Please see Note-31 "Earnings Per Share" for details.

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

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Faktoring Finansman Hizmetleri A.Ş., was incorporated on 6 July 1993 in Turkey and started its operations in October 1993. Company's trade name was amended as İş Faktoring A.Ş. ("the Company") at the Ordinary General Assembly on 27 March 2013. The change in title has been registered in the Trade Registry Gazette dated 16 April 2013 and numbered 1353. The core business of the Company is factoring operations, both domestic and abroad. The Company maintains its operations in accordance with "Finance Lease, Factoring and Financing Companies Law" published on Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies of Banking Regulation and Supervision Agency ("BRSA)".

The ultimate parent of the Company is Türkiye İş Bankası A.Ş. The main shareholder of the Company is İş Finansal Kiralama A.Ş. with 78,23% shareholding. Türkiye Sınai Kalkınma Bankası A.Ş. is also shareholder of the Company with 21,75% shareholding.

As at 31 December 2015, the number of employees of the Company is 91 (31 December 2014: 79).

The head office of the Company is located at:

İş Kuleleri, Kule 1 Kat: 10 34330 4. Levent/İstanbul Türkiye

Dividend payable:

As at 31 December 2015, the Company does not have any dividend payable declared by the General Assembly (31 December 2014: None).

Approval of the financial statements:

The financial statements as of 31 December 2015 have been approved by the Board of Directors of the Company and authorized for issue at 27 January 2016. The General Assembly and/or regulatory authorities have the discretion of making changes in the financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

The accompanying financial statements are prepared in accordance with "Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public" published on the Official Gazette no.28861 dated 24 December 2013 promulgated by Banking Regulation and Supervision Agency ("BRSA"), Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and the appendices and interpretations promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the statements and guidance published by BRSA on accounting and financial reporting principles (together referred to as "Reporting Standards").

The accompanying financial statements are prepared on the historical cost basis except for the financial instruments recognized at fair value. Historical cost determined by the amount paid for the assets is based on fair value.

Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Functional and Reporting Currency

Functional currency of the Company, and the presentation currency for the financial statements is Turkish Lira ("TL").

Preparation of Financial Statements in Hyperinflationary Periods

The financial statements of the Company have been adjusted for the effects of inflation in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies" until 31 December 2004. By a circular issued on 28 April 2005, BRSA declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore.

Comparative information and correction of prior periods' financial statements

The accompanying financial statements are presented comparatively to determine the trends in the financial statements of the Company. If the presentation and reclassification of the financial statement items change, the prior year financial statements are reclassified accordingly to conform the current year's presentation and the restatement is explained in the notes.

Accounting estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant accounting estimates used are described in the following notes:

Note 7 - Factoring receivables, non-performing receivables

Note 17 - Employee benefits

Note 21 - Commitments and contingencies

2.2 Change in accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Company in the current year.

While the Company making provision of 100% without considering the number of aging days for the doubtful factoring receivables without valuable security deposit, beginning from 1 April 2015, the Company started to make provision according to BRSA requirements, which is the policy of gradual provisioning of the doubtful receivables. The impact of this change to Company's current year profit is TL 5.497.

Material accounting errors are adjusted retrospectively and prior periods' financial statements are restated.

2.3 Changes in Standards and Interpretation

The Company applied all of the relevant and required standards and related interpretations as at 31 December 2015.

Certain new standards, amendments to standards and interpretations not yet effective as at 31 December 2015 were not applied in the preparation of these financial statements. These standards and interpretations are as follows:

TFRS 9 - Financial instruments

TFRS 9 - As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and valuation principles used to prepare the accompanying financial statements are as follows:

a. Revenue

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. Commission income is a certain percentage of the total amount of invoices subject to factoring. Factoring interest and commission income is recognised on accruals basis using effective interest methods.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net carrying value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the payment.

All income and expenses are accounted for on accrual basis.

b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date.

Leasehold improvements are depreciated in straight-line method, over shorter of their useful lives or tenancy.

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

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the statement of profit or loss.

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

<u>Descriptions</u>	<u>Years</u>
Furniture and fixtures	5 years
Leasehold improvements	5 years

c. Intangible Assets

Intangible assets include computer software and licenses. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

d. Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

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

e. Borrowing Costs

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

f. Financial Instruments

Financial assets

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

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

Effective interest method

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

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Company's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss statement are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Factoring receivables and other receivables

Loans and receivables include factoring receivables and other receivables. Factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

In accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013 and numbered 28861 and the Communiqué No. 26588 on the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued at 20 July 2007 by BRSA, special provision rate allocated for the factoring receivables considering their guarantees are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Fair Value Through Profit or Loss Financial Liabilities

At fair value through profit or loss are financial liabilities are initially recognized at fair value and are each reporting period revalued at fair value at the balance sheet date. Changes in fair value are recognized in the income statement. Net gains or losses recognized in the income statement incorporates any interest paid on the financial liability.

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

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

g. Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Company classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

h. Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

The foreign currency exchange rates used by the Company as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
USD	2,9076	2,3189
EUR	3,1776	2,8207
GBP	4,3007	3,5961
AUD	2,1154	1,8894

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

i. Earnings Per Share

In Turkey, companies can increase their share capitals by issue of "Bonus Shares" to their shareholders from their retained earnings. In computing earnings per share, such issues of "Bonus Shares" are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

j. Events after the Reporting Period

Events after the reporting period means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 "Events After the Reporting Date"; post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

k. Provisions, Contingent Liabilities and Contingent Assets

In accordance with the TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

l. Leases

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

Assets held under finance leases are 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 balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

m. Segment Reporting

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company's management separately. Hence, the Company has not disclosed segment reporting.

n. Taxes on Income

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o. [Employee Benefits/Reserve for Employee Termination 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 recognized in the accompanying financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 "Employee Benefits", the Company calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financial statements. The main estimates used are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Discount rate	4,38%	3,30%
Expected rate of salary/limit increase	6,15%	5,00%
Probability of retirement	100%	100%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TL 3.828,37 effective from 31 December 2015 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2014: full TL 3.438,22).

p. [Statement of Cash Flows](#)

In the statement of cash flows, cash flows are reported as classifying according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investing activities express cash used in investing activities (direct investments and financial investments) and cash flows generated from investing activities of the Company.

Cash flows relating to financing activities express sources of financial activities and payment schedules of the Company.

r. [Share Capital and Dividends](#)

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

s. [Related Parties](#)

In accordance with TAS 24 "Related Party Disclosures" shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying financial statements, shareholders of the Company, the companies controlled by/ associated with them, key management and the Board members of the Company are referred to as related parties (Note 8).

4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative Financial Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

As at 31 December 2015 and 31 December 2014, details of financial assets held for trading are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Mutual Funds (B Type Liquid Fund)	3.825	-	-	-
	3.825	-	-	-

As at 31 December 2015 and 31 December 2014, details of derivative financial assets held for trading are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Derivative financial assets held for trading	161	3	2	-
	161	3	2	-

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Derivative financial liabilities held for trading	393	-	354	-
	393	-	354	-

5. BANKS

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Demand deposits	875	3.235	1.545	2.724
Time deposits	-	1.506	-	-
	875	4.741	1.545	2.724

As at 31 December 2015, TL 2.690 portion of total foreign currency deposits (31 December 2014: TL 1.468) and TL 648 portion of total TL deposits (31 December 2014: TL 1.464) consist of accounts at the Company's ultimate shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying financial statements and the statement of cash flows is as follows:

	31 December 2015	31 December 2014
Demand deposits	4.110	4.269
Time deposits (Up to 1 month)	1.506	-
Cash and cash equivalents	5.616	4.269

As at 31 December 2015 and 31 December 2014, there is no blockage on cash and cash equivalent.

6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2015 and 31 December 2014, details of financial assets available for sale are as follows:

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%)		Carrying Amount	
				31 December 2015	31 December 2014	31 December 2015	31 December 2014
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	2,43	2,43	2,43	9.732	9.287
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.069	1.467
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	347	302
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	5,00	5,00	1.000	1.000
TOTAL						12.187	12.095

7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Domestic factoring receivables	1.614.628	1.207.500
Export and import factoring receivables	329.783	228.314
Factoring interest income accrual	12.242	9.672
Unearned interest income	(10.876)	(12.276)
	<u>1.945.777</u>	<u>1.433.210</u>
Non-performing factoring receivables (*)	36.640	24.348
Allowance for non-performing factoring receivables (*)	(31.143)	(24.348)
	<u>1.951.274</u>	<u>1.433.210</u>

(*) Classified in Receivables under Follow-up in the statement of financial position.

TL 253.445, Euro 70.350, USD 46.309 and GBP 2.061 of factoring receivables have variable rates (31 December 2014: TL 91.587, Euro 58.981, 55.126 USD and GBP 4.631) while TL 1.364.349, Euro 67.573, USD 133.553 and GBP 13.630 of factoring receivables have fixed rates (31 December 2014: TL 1.043.414, Euro 90.433, USD 86.500 and GBP 2.538).

As at 31 December 2015, the average interest rate applicable for the factoring receivables is; 14,95% for TL, 4,58% for USD, 5,60% for Euro and 6,63% for GBP (31 December 2014: 14,84% for TL, 5,57% for USD, 7,88% for Euro and 6,80% for GBP).

The Company has contractual sureties as collateral for factoring receivables.

The details of the factoring receivables based on types of factoring transactions are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Domestic irrevocable	978.528	683.552
Domestic revocable	639.266	519.615
Foreign revocable	308.744	218.877
Foreign irrevocable	24.736	11.166
	<u>1.951.274</u>	<u>1.433.210</u>

Except for its non-performing receivables for which 100% allowance is provided, however less than 90 days, the Company has overdue factoring receivables of TL 220; the Company does not have overdue factoring receivables as at the reporting date as restructured overdue and doubtful receivables (31 December 2014: TL 1.430).

The aging of non-performing factoring receivables is as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Between 90 - 180 days	4.097	2.308
Between 180 - 360 days	5.057	8.049
Over 360 days	27.486	13.991
	<u>36.640</u>	<u>24.348</u>

The Company has contractual sureties as collateral for the above non-performing factoring receivables.

The movement of allowance for non-performing factoring receivables is as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Allowance at the beginning of the period	(24.348)	(14.564)
Allowance set during the period (Note 28)	(6.971)	(11.095)
Collections (Note 27)	176	1.311
Allowance at the end of the period	<u>(31.143)</u>	<u>(24.348)</u>

Factoring Payables:

As at 31 December 2015 and 31 December 2014, details of factoring payables are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Factoring payables	1.498	652	1.360	53
	<u>1.498</u>	<u>652</u>	<u>1.360</u>	<u>53</u>

8. RELATED PARTIES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Factoring receivables		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	29.600	9.990
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	10.134	3.037
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	1.112	-
T.Şişe ve Cam Fabrikaları A.Ş.	-	17
	<u>40.846</u>	<u>13.044</u>
Payables		
Türkiye İş Bankası A.Ş.	183	198
Anadolu Anonim Türk Sigorta Şirketi (Sigorta Primi)	-	5
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş	1	2
İş Merkezleri Yönetim ve İşletim A.Ş.	2	-
	<u>186</u>	<u>205</u>
Deposits		
Türkiye İş Bankası A.Ş. Demand Deposits	3.338	2.932
İş Bankası AG Demand Deposits	541	-
Türkiye Sınai Kalkınma Bankası A.Ş.	4	-
	<u>3.883</u>	<u>2.932</u>

Borrowings

As at 31 December 2015 and 31 December 2014, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.			
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2015</u>
TL	12,50	11.03.2016	20.153
			<u>20.153</u>
Türkiye Sınai Kalkınma Bankası A.Ş.-			
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2014</u>
TL	10,75 - 12,00	02.01.2015 - 12.06.2015 -	85.153
USD	2,65 - 2,80	24.07.2015 - 17.06.2015 -	20.301
Euro	2,50 - 2,85	13.07.2015	15.224
			<u>120.678</u>
Türkiye Sınai Kalkınma Bankası A.Ş.-			
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2015</u>
TL	12,70 - 13,15	05.01.2016 - 14.01.2016	144.169
EURO	1,29	15.03.2017	17.126
USD	1,79	15.03.2017	7.241
			<u>168.536</u>

For the periods ended 31 December 2015 and 31 December 2014, income and expenses from related parties are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Time deposit interest income</u>		
Türkiye İş Bankası A.Ş. Bahrain Branch	38	-
Türkiye İş Bankası A.Ş.	1	-
	<u>39</u>	<u>-</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Factoring interest income</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	2.296	1.579
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	914	599
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	10	-
	<u>3.220</u>	<u>2.178</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Factoring commission income</u>		
Şişecam Dış Tic.A.Ş.	79	102
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	75	79
	<u>154</u>	<u>181</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Dividend income</u>		
İş Yatırım Menkul Değerler A.Ş.	1.143	596
İş Yatırım - capital increase bonus issue	559	594
Efes Varlık Yönetim A.Ş.	100	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	90	107
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	60	30
İş Net - capital increase bonus issue	45	-
Yatırım Finansman Menkul Değerler A.Ş.	-	2
	<u>1.997</u>	<u>1.329</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Finance costs</u>		
Türkiye İş Bankası A.Ş.	14.597	4.831
Türkiye Sınai Kalkınma Bankası A.Ş.	2.765	-
İşbank AG	219	251
	<u>17.581</u>	<u>5.082</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Commission expenses</u>		
Türkiye İş Bankası A.Ş.	530	228
İş Yatırım Menkul Değerler A.Ş.	493	148
Şişecam Dış Ticaret A.Ş.	60	70
	<u>1.083</u>	<u>446</u>

As of December 31, 2015 amounts related to securities issued by the Company in its portfolio of related parties are as follows:

	<u>31 December 2015</u>		
<u>Debt Securities issued</u>	<u>Amount</u>	<u>Accrual</u>	<u>Total</u>
Anadolu Anonim Türk Sigorta Şirketi	5.479	188	5.667
İş Girişim Sermaye Yatırım Ortaklığı A.Ş.	3.526	103	3.629
İş Yatırım Menkul Değerler A.Ş.	76	2	78
	<u>9.081</u>	<u>293</u>	<u>9.374</u>

	<u>31 December 2014</u>		
<u>Debt Securities issued</u>	<u>Amount</u>	<u>Accrual</u>	<u>Total</u>
İş Girişim Sermaye Yatırım Ortaklığı A.Ş.	955	29	984
İş Yatırım Menkul Değerler A.Ş.	39	1	40
	<u>994</u>	<u>30</u>	<u>1.024</u>

<u>Interest income on securities</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Türkiye İş Bankası A.Ş. (Mutual Fund Income)	75	29
	<u>75</u>	<u>29</u>

<u>Administrative expenses</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Anadolu Anonim Türk Sigorta A.Ş.	289	187
Türkiye İş Bankası A.Ş.	266	372
İş Merkezleri Yönetim ve İşletim A.Ş.	149	63
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	75	59
Anadolu Hayat Emeklilik A.Ş.	15	11
	<u>794</u>	<u>692</u>

<u>Rent expenses</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Türkiye İş Bankası A.Ş.	1.415	1.178
	<u>1.415</u>	<u>1.178</u>

<u>Key management personnel compensation ^(*)</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Salaries and other short-term benefits ^(**)	2.429	2.076
	<u>2.429</u>	<u>2.076</u>

(*) Key management consists of general manager, assistant general managers and members of the board of directors.

(**) Consists of monetary benefits along with vehicle rentals and other associated expenses.

9. TANGIBLE ASSETS

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balance at 1 January 2015	945	165	1.110
Additions	223	22	245
Disposals	(3)	-	(3)
Closing balance at 31 December 2015	1.165	187	1.352
Accumulated depreciation			
Opening balance at 1 January 2015	(521)	(32)	(553)
Depreciation for the year	(203)	(36)	(239)
Disposals	-	-	-
Closing balance at 31 December 2015	(724)	(68)	(792)
Carrying amount at 31 December 2015	441	119	560
Cost			
Opening balance at 1 January 2014	714	26	740
Additions	231	139	370
Disposals	-	-	-
Closing balance at 31 December 2014	945	165	1.110
Accumulated depreciation			
Opening balance at 1 January 2014	(351)	(11)	(362)
Depreciation for the year	(170)	(21)	(191)
Disposals	-	-	-
Closing balance at 31 December 2014	(521)	(32)	(553)
Carrying amount at 31 December 2014	424	133	557

10. INTANGIBLE ASSETS

	2015	2014
Cost		
Opening balance at 1 January	581	441
Additions	246	140
Disposals	-	-
Closing balance at the end of the year	827	581
Accumulated amortisation		
Opening balance at 1 January	(255)	(171)
Charge for year	(120)	(84)
Disposals	-	-
Closing balance at the end of the year	(375)	(255)
Carrying amount at the end of the year	452	326

11. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2015 and 31 December 2014, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

Temporary differences subject to deferred tax:	2015	2014
Unearned interest income	10.876	12.276
Cash collected commission income and expense	1.131	455
Employee bonus accrual	580	407
Unused vacation	324	237
Reserve for employee benefits	231	179
Valuation differences on derivatives	229	(352)
Allowance for doubtful factoring receivables	111	111
Tax base differences in tangible and intangible assets	(369)	(342)
Other	115	115
	13.228	13.086
Deferred tax assets/(liabilities)	2015	2014
Unearned interest income	2.175	2.455
Cash collected commission income and expense	226	91
Reserve for employee benefits	116	81
Unused vacation	65	47
Employee bonus accrual	46	36
Valuation differences on derivatives	46	71
Allowance for doubtful factoring receivables	22	22
Tax base differences in tangible and intangible assets	(74)	(68)
Other	24	23
Deferred tax assets (net)	2.646	2.758

Movements of deferred tax assets movement for the years ended 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Opening balance at 1 January	2.758	1.528
Deferred tax benefit/(expense)	(112)	1.232
Other comprehensive income/(expense)	-	(2)
Closing balance	2.646	2.758

Tax rate used in computation of deferred tax assets and liabilities is 20% (31 December 2014: 20%).

12. PREPAID EXPENSES

As at 31 December 2015 and 31 December 2014, details of prepaid expenses are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Commission expenses	394	-	93	-
Subscription fees	242	-	175	-
Insurance expenses	163	-	117	-
Information technology expenses	6	-	5	-
	805	-	390	-

13. FUNDS BORROWED

As at 31 December 2015 and 31 December 2014, details of funds borrowed are as presented:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Short-term borrowings	1.296.696	268.593	1.069.986	42.430
Short-term portion of long-term borrowings	-	16.272	-	161.835
Total short-term borrowings	1.296.696	284.865	1.069.986	204.265
Long-term borrowings	-	8.095	-	-
Total long-term borrowings	-	8.095	-	-
Total	1.296.696	292.960	1.069.986	204.265

As at 31 December 2015 and 31 December 2014, details of borrowings based on types of currency are as follows:

Currency	Interest rate %	Original currency amount	31 December 2015
TL	11,80-16,25		1.288.050
USD	1,20-3,00	47.968	139.473
EUR	1,29-2,50	47.371	150.526
GBP	4,50	189	815
Interest accruals	-	-	10.792
Total			1.589.656

Currency	Interest rate %	Original currency amount	31 December 2014
TL	9,35-12,00	1.063.000	1.063.000
USD	2,55-3,30	41.000	95.075
Euro	1,60-3,75	37.282	105.163
GBP	4,50	596	2.143
Interest accruals	-	-	8.870
Total			1.274.251

As at 31 December 2015 and 31 December 2014, interest rates are presented as compounded.

As at 31 December 2015, fixed interest funds borrowed are TL 1.565.289 and floating interest funds borrowed are TL 24.367. As at 31 December 2014, funds borrowed are fixed interest.

As at 31 December 2015 and 31 December 2014, the details of fixed and variable rate borrowings.

Fair values of the funds borrowed are presented in Note 33.

14. DEBT SECURITIES ISSUED

As at 31 December 2015 and 31 December 2014, the details of debt securities issued are as followed:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Debt securities issued	281.602	-	98.367	-
	281.602	-	98.367	-

The details of bonds that were issued by the Company are as follows:

ISIN CODE	Date Issued	Nominal Value	Maturity Date	Sales Method	Coupon Period	Compound Interest Rate%
TRFISFA31617	16.09.2015	75.223	15.03.2016	Qualified Investor	Maturity Payment	11.94
TRFISFA41616	14.10.2015	60.997	12.04.2016	Qualified Investor	Maturity Payment	11.71
TRFISFA61614	21.12.2015	157.000	17.06.2016	Qualified Investor	Maturity Payment	11.72

15. OTHER PAYABLES

As at 31 December 2015 and 31 December 2014, details of other payables are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Payables to suppliers	320	164	350	21
	320	164	350	21

16. TAXES AND DUTIES PAYABLE

As at 31 December 2015 and 31 December 2014, details of taxes and duties payables are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Banking and Insurance Transaction Tax payable	1.096	-	468	-
Premiums payable	159	-	111	-
Income tax payable	152	-	129	-
Other taxes and duties payable	5	-	4	-
	1.412	-	712	-

17. EMPLOYEE BENEFITS

As at 31 December 2015 and 31 December 2014, details of reserve for employee benefits are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Employee bonus provision	580	407
Vacation pay liability	324	237
Reserve for employee severance indemnity	231	179
	<u>1.135</u>	<u>823</u>

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002. As the retirement pay ceiling is revised semi annually, the ceiling amount of TL full 3.828,37 effective from 31 December 2015 has been taken into consideration in calculation of provision for employee termination benefits.

TAS 19 - "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, as of 31 December 2014 and 31 December 2014, the following actuarial assumptions are used in the calculation of the total liability:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Discount rate	4.38%	3,30%
Inflation rate	6.15%	5%
Probability of retirement	100%	100%

For the periods ended 31 December 2015 and 31 December 2014, movements in retirement pay provision are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Balance at the beginning of the period	179	112
Interest cost	25	52
Service cost	51	24
Payment made during the period	(25)	-
Actuarial difference	1	(9)
Balance at the end of the period	<u>231</u>	<u>179</u>

Actuarial gains or losses are recognized in other comprehensive income.

The movements of the vacation pay liability during the periods ended 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Balance at the beginning of the period	237	167
Provision set during the period (net)	87	70
Balance at the end of the period	<u>324</u>	<u>237</u>

The movements of the employee bonus provision during the periods ended 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Balance at the beginning of the period	407	221
Provision set during the period (net)	580	407
Paid during the period	(407)	(221)
Balance at the end of the period	<u>580</u>	<u>407</u>

18. CURRENT TAX LIABILITIES

As at 31 December 2015 and 31 December 2014, details of corporate tax provision and prepaid taxes are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current period corporate tax provision	6.364	4.712
Corporate taxes paid in advance during the year	(5.407)	(3.027)
Corporate tax provision	<u>957</u>	<u>1.685</u>

	<u>31 December 2015</u>	<u>31 December 2014</u>
Corporate tax provision at the beginning of the year	1.685	1.395
Total income tax expense	6.364	4.712
Corporate taxes paid during the year	(7.092)	(4.422)
Corporate tax provision	<u>957</u>	<u>1.685</u>

19. CAPITAL AND RESERVES

As at 31 December 2015, nominal share capital of the Company is TL 63.500 and the share capital of the Company consists of 6.350.000.000 issued shares with TL 0,01 nominal value each. Pursuant to General Assembly held on 23 March 2015, the Company has increased its share capital amounting to TL 23.500, from its "extraordinary reserves" amounting to TL 22.946 and "previous year profit" amounting to TL 554, from TL 40.000 to TL 63.500.

As at 31 December 2015 and 31 December 2014, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2015</u>	<u>(%)</u>	<u>31 December 2014</u>
İş Finansal Kiralama A.Ş.	78,2311	49.677	78,2311	31.293
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	13.811	21,7500	8.698
Trakya Yatırım Holding A.Ş.	0,0063	4	0,0063	3
Camiş Yatırım Holding A.Ş.	0,0063	4	0,0063	3
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	4	0,0063	3
Total	<u>100,0000</u>	<u>63.500</u>	<u>100,0000</u>	<u>40.000</u>

The Company does not have preferred shares.

Capital Reserves

As at 31 December 2015 and 31 December 2014, details of capital reserves are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	1.213	1.213
Total	<u>5.277</u>	<u>5.277</u>

Bonus shares obtained from associates, subsidiaries and jointly controlled entities:

Bonus shares obtained from associates, subsidiaries and jointly controlled entities arise as a result of the capital increase of the associates, subsidiaries and jointly controlled entities from their capital reserves that are not stemmed from profit or loss.

Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss. As at 31 December 2015, the Company has presented TL 830 of difference gained from revaluation between cost and fair value of assets available for sale under equity (31 December 2014: TL 1.341).

Gain/(Loss) on Remeasurement of Defined Benefit Plans

The Company recognizes actuarial gains/losses arising from remeasurement of defined benefit plans in other comprehensive income and other gains/losses arising from remeasurement of defined benefit plans at personnel expense in the statement of profit or loss.

The Company recognizes gains or losses on the reimbursements or settlement of a defined benefit plan when the reimbursements or settlement occurs. The reimbursements or settlement of a defined benefit plan compromises any resulting change in the present value of the defined benefit obligation, any resulting change in the fair value of the plan assets and any related actuarial gains and losses and past service cost had not previously been recognized.

20. PROFIT RESERVES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Legal reserves	2.925	2.528
Extraordinary reserves	3.065	18.470
Total	<u>5.990</u>	<u>20.998</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 20% per annum, until the total reserve reaches 5% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

21. COMMITMENTS AND CONTINGENCIES

As at 31 December 2015 and 31 December 2014, the details of guarantees taken by the Company are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Guarantee and Sureties	12.685.280	5.983.820	10.166.091	4.158.486
Finance Note (*)	2.522.103	521.318	2.063.360	325.607
Intangible Pledge	12.565	-	7.615	200
Letter of Guarantee	7.065	1.072	5.475	9.600
Tangible Pledge	-	-	-	760
	15.227.013	6.506.210	12.242.541	4.494.653

(*) As at 31 December 2015, finance notes in financial position table amounting to TL 2.388.967 are classified from "Items Held in Custody" to "Collaterals Received".

As at 31 December 2015, TL 3.135 of letters of guarantee are given to courts (31 December 2014: TL 2.544).

As at 31 December 2015, irrevocable commitments are TL 14.131 (31 December 2014: TL 66.638).

As at the reporting date, the Company does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables (31 December 2014: None).

As at 31 December 2015, the details of derivative instruments of the Company are as follows:

	31 December 2015	
	FC Amount	TL
Swap Purchase Transactions:		
TL	-	141.227
EUR	320	1.016
		142.243
Swap Sale Transactions:		
USD	34.800	101.184
EUR	1.550	39.879
GBP	235	1.012
		142.075

As at 31 December 2015, the Company has TL 393 loss and TL 164 profit in relation to the fair value changes of derivative transactions designated at through profit or loss (31 December 2014 TL 354 loss and TL 2 profit).

31 December 2015 and 31 December 2014, the details of the Company's items held in custody are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Cheques	259.220	22.195	183.842	21.965
Notes	7.499	3.811	15.955	2.082
	266.719	26.006	199.797	24.047

22. SEGMENT REPORTING

None.

23. EVENTS AFTER THE REPORTING PERIOD

None.

24. OPERATING INCOME

For the years ended 31 December 2015 and 31 December 2014, details of operating income are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Interest income from factoring receivables	124.855	82.009
Fee and commission from factoring receivables	9.635	6.723
	<u>134.490</u>	<u>88.732</u>

25. FINANCE COSTS

For the years ended 31 December 2015 and 31 December 2014, details of financing expenses are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Interest Expense	(81.996)	(54.705)
Interest Expense on Debt Securities Issued	(14.214)	(2.863)
Fees and Commission Expenses	(1.975)	(1.174)
	<u>(98.185)</u>	<u>(58.742)</u>

26. OPERATING EXPENSES

For the years ended 31 December 2015 and 31 December 2014, details of operating expenses are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Personnel expenses	(10.573)	(7.762)
Office rent expenses	(1.626)	(1.178)
Consultancy expenses	(790)	(728)
Depreciation and amortisation expenses	(359)	(275)
Vehicle expenses	(325)	(268)
Information technology expenses	(238)	(448)
Attorney - Litigation expenses	(174)	(383)
Vacation Expense	(87)	(70)
Severance pay expense	(76)	(76)
Other administrative expenses	(1.808)	(2.518)
	<u>(16.056)</u>	<u>(13.706)</u>

27. OTHER OPERATING INCOME

For the years ended 31 December 2015 and 31 December 2014, details of other operating income are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Gain on derivative transactions	75.092	3.796
Foreign exchange gains	51.427	75.314
Dividend income	1.997	1.328
Other interest income	402	259
Collections from non-performing receivables	176	1.311
Other	4.221	3.012
	<u>133.315</u>	<u>85.020</u>

28. SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

For the years ended 31 December 2015 and 31 December 2014, details of specific provision for non-performing receivables are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Impairment losses on factoring receivables	(6.971)	(11.095)
	<u>(6.971)</u>	<u>(11.095)</u>

29. OTHER OPERATING EXPENSES

For the years ended 31 December 2015 and 31 December 2014, details of other operating expenses are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Losses from derivative financial transactions	(83.581)	(4.499)
Foreign exchange losses	(32.369)	(74.292)
	<u>(115.950)</u>	<u>(78.791)</u>

30. TAXATION

For the years ended 31 December 2015 and 31 December 2014, details of income tax expense are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current tax charge	(6.364)	(4.712)
Deferred tax income/(expense)	(112)	1.232
	<u>(6.476)</u>	<u>(3.480)</u>

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

The reported income tax expenses for the year is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Company, as shown in the following reconciliation:

	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2014</u>
Net profit for the period		24.167		7.938
Total tax income		6.476		3.480
Profit before tax		30.643		11.418
Income tax using the Company's tax rate	20,00	6.129	20,00	2.283
Non deductible expenses	15,51	4.141	50,56	5.160
Tax exempt income	(12,37)	(3.792)	(36,46)	(3.963)
Total income tax expense	21,13	6.476	34,10	3.480

Corporate Tax

The Company is subject to the Turkish corporate taxes. Allowance is made in the accompanying financial statements for the estimated charge based on the Company's results for the period.

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

As at 31 December 2015, corporate income tax rate is 20% (31 December 2014: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2015 is 20% (2014: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses can not be carried back to offset profit from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following 4. month of the tax year for the tax responsible who have special tax years). 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 and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer Pricing

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

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

31. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Earnings per share calculations were made according to distributable net profit of issued shares divided by the weighted average number.

The weighted average number of shares of the Company and earnings per share for the periods ended 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Weighted average number of outstanding shares ^(*)	6.350.000.000	6.350.000.000
Net profit for the period (TL)	24.167	7.938
Basic earnings per share (full Kurus)	0,381	0,125

^(*) As at 31 December 2015, the share capital of the Company consists of 6.350.000.000 shares having Kurus 1 nominal price.

	<u>31 December 2015</u>	<u>31 December 2014</u>
Number of shares at beginning of the period	4.000.000.000	4.000.000.000
Capital increase ^(*)	2.350.000000	-
Number of shares at end of the period	<u>6.350.000.000</u>	<u>4.000.000.000</u>

^(*) Capital increase has been made through internal resources and has been used in the calculation of the prior period's earnings per share.

32. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED TO BE EXPLAINED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2015, the debt/equity ratio is 5% as at 31 December 2015 (31 December 2014: 6%). As at 31 December 2015 and 31 December 2014, the leverage ratios are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Funds borrowed	1.589.656	1.274.251
Debt securities issued (Net)	281.602	98.367
Factoring payables	2.150	1.413
Total debt	1.873.408	1.374.031
Banks (-)	(5.616)	(4.269)
Net debt	1.867.792	1.369.762
Total equity	99.832	76.177
Equity/Debt Ratio	5%	6%

(b) Categories of financial instruments

	<u>31 December 2015</u>	<u>31 December 2014</u>
Financial assets:		
Factoring receivables and non-performing		
Factoring receivables	1.951.274	1.433.210
Financial assets available for sale	12.187	12.095
Banks	5.616	4.269
Financial assets at fair value through profit or loss:	3.989	2
- Financial assets held for trading	3.825	-
- Derivative financial assets	164	2
Financial Liabilities:		
Funds borrowed	(1.589.656)	(1.274.251)
Debt securities issued (Net)	(281.602)	(98.367)
Other payables and other liabilities	(1.619)	(827)
Factoring payables	(2.150)	(1.413)
Financial assets at fair value through profit or loss:	(393)	(354)
- Derivative financial liabilities	(393)	(354)
Other payables	(484)	(371)

(c) Financial risk management objectives

The Company management is responsible for coordinating access to domestic and international markets, monitoring and managing the financial risks relating to the operations of the Company. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and credit risk.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section e), interest rates (refer to section f) and equity prices will affect the Company's income or the value of its holdings of financial instruments. At the Company level, market risk exposures are measured by sensitivity analysis.

The Company uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Company does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

There has been no change in the Company's exposure to market risks or the method it uses to manage and measure such risks.

(e) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company manages its foreign currency risk arising from its operations and cash flows of financial contracts by monitoring in a timely manner.

As at 31 December 2015 and 31 December 2014, details of foreign currency denominated assets and liabilities are as follows:

31 December 2015	USD 000	EUR 000	GBP 000	AUD 000	TL
Banks	688	806	41	-	4.741
Factoring receivables ^(*)	82.999	57.801	3.649	2	440.694
Other ^(**)	17	27	-	-	136
Total assets	83.704	58.634	3.690	2	445.571
Factoring payables	57	137	12	-	652
Other payables	48.381	47.669	190	-	292.960
Funds borrowed ^(***)	103	120	17	1	759
Total liabilities	48.541	47.926	219	1	294.371
Balance sheet position	35.163	10.708	3.471	1	151.200
Off balance sheet position	34.800	12.230	235	-	141.059
Net foreign currency position	363	(1.522)	3.236	1	10.141

^(*) Foreign currency indexed factoring receivables amounting to USD, 21.140 Thousand, Euro 14.397 Thousand (Total: TL 107.214) are presented in TL column in the accompanying financial statements as at 31 December 2015.

^(**) Foreign currency indexed other amounting to USD 17 Thousand and Euro 5 Thousand (Total: TL 65 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2015.

^(***) Foreign currency indexed funds borrowed amounting to USD 17 Thousand and 1 Euro Thousand (Total: TL 53 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2015.

31 December 2014	USD 000	EUR 000	GBP 000	AUD 000	TL
Banks	2.124	600	-	-	2.724
Factoring receivables (*)	141.626	149.415	7.169	-	298.210
Other (**)	29	44	-	-	73
Total assets	143.779	150.059	7.169	-	301.007
Factoring payables	-	53	-	-	53
Funds borrowed (***)	96.105	106.037	2.143	-	204.285
Other payables	139	118	-	-	257
Total liabilities	96.244	106.208	2.143	-	204.595
Balance sheet position	47.535	43.851	5.026	-	96.412
Off balance sheet position	(46.262)	(47.388)	-	-	(93.650)
Net foreign currency position	1.273	(3.537)	5.026	-	2.762

(*) Foreign currency indexed factoring receivables amounting to USD 12.716 Thousand and Euro 13.877 Thousand (Total: TL 230.042) are presented in TL column in the accompanying financial statements as at 31 December 2014.

(**) Foreign currency indexed other amounting to USD 12 Thousand and Euro 11 Thousand (Total: TL 55 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2015.

(***) Foreign currency indexed funds borrowed amounting to USD 3 Thousand and Euro 4 Thousand (Total: TL 20 Thousand) are presented in T column in the accompanying financial statements as at 31 December 2014.

Foreign currency sensitivity

The Company is mainly exposed to USD and Euro exchange rate risks. The table below indicates the sensitivity of the Company to USD and Euro when there is a 15% of change in such exchange rates. The Company uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management's expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Company's exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

31 December 2015

	Profit/(Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TL				
1- Net USD asset/liability	15.336	(15.336)	15.336	(15.336)
2- Hedged portion of TL against USD risk (-)	(15.178)	15.178	(15.178)	15.178
3- Net effect of USD (1+ 2)	158	(158)	158	(158)
15% change of the Euro against TL				
4- Net Euro asset/liability	5.104	(5.104)	5.104	(5.104)
5- Hedged portion of TL against Euro risk (-)	(5.829)	5.829	(5.829)	5.829
6- Net effect of Euro (4+5)	(725)	725	(725)	725
15% change of other currencies against TL				
7- Net other currencies asset/liability	2.240	(2.240)	2.240	(2.240)
8- Hedged portion of TL against other currency risk (-)	(152)	152	(152)	152
9- Net effect of other currencies (7+8)	2.088	(2.088)	2.088	(2.088)
TOTAL (3+6+9)	1.521	(1.521)	1.521	(1.521)

(*) Includes profit/loss effect.

31 December 2014

	Profit/(Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
15% change of the USD against TL				
1- Net USD asset/liability	16.430	(16.430)	16.430	(16.430)
2- Hedged portion of TL against USD risk (-)	(16.092)	16.092	(16.092)	16.092
3- Net effect of USD (1+ 2)	338	(338)	338	(338)
15% change of the Euro against TL				
4- Net Euro asset/liability	18.498	(18.498)	18.498	(18.498)
5- Hedged portion of TL against Euro risk (-)	(20.050)	20.050	(20.050)	20.050
6- Net effect of Euro (4+5)	(1.552)	1.552	(1.552)	1.552
15% change of other currencies against TL				
7- Net other currencies asset/liability	2.711	(2.711)	2.711	(2.711)
8- Hedged portion of TL against other currency risk (-)	-	-	-	-
9- Net effect of other currencies (7+8)	2.711	(2.711)	2.711	(2.711)
TOTAL (3+6+9)	1.497	(1.497)	1.497	(1.497)

(*) Includes profit/loss effect.

(f) Interest risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Company's exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Company management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management of the Company.

As at 31 December 2015 and 31 December 2014, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	31 December 2015	31 December 2014
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	1.506	-
Factoring receivables	1.573.613	1.222.883
Financial liabilities:		
Funds borrowed	1.565.289	1.274.251
Debt securities issued	281.602	98.367
<i>Variable rate instruments</i>		
Funds borrowed	372.164	210.327
Financial assets:		
Factoring receivables	24.367	-

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from variable rate factoring contracts would increase by TL 3.722 (31 December 2014: TL 2.103).
- Interest expense from variable rate funds borrowed (borrowings) would not change (31 December 2014: did not change).

(g) Other price risks

The Company is exposed to equity share price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Company.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

During the reporting period, all other variables are held constant and the data in the valuation method are 15% higher/(lower):

Traded in the İstanbul stock exchange and shown in the accompanying financial table below are the securities available for sale and shares measured by market values. Due to the fluctuations in the index one can see changes in the fair value of the companies' equity (excluding tax) being a TL 464 increase/(decrease) (31 December 2014: TL 412).

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors.

Factoring receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Sectoral allocation of factoring receivables is as follows:

	<u>31 December 2015 (%)</u>	<u>31 December 2014 (%)</u>
Motor vehicles	24,83	5,86
Machine and equipment	14,20	7,86
Forestry products	9,26	11,84
Energy, gas, water and petroleum resources	7,54	16,48
Construction	7,12	4,96
Metal industry	5,39	7,70
Food and beverages	4,43	2,86
Textiles	4,24	2,53
Chemical, plastic and pharmacy	2,90	2,27
Health	2,73	1,32
Logistic	0,97	2,88
Glass, Cement	0,66	0,12
Tourism	0,14	0,22
Other	15,59	33,10
	<u>100,00</u>	<u>100,00</u>

As at 31 December 2015, approximately 25% of factoring receivables consists of receivables from a risk group amounting to TL 483.868 (As at 31 December 2014, approximately 16% of factoring receivables consists of receivables from a risk group amounting to TL 208.410). The Company is exposed to a concentration risk because of higher proportion of receivables from that risk group.

As at 31 December 2015, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2015	Factoring Receivables		Cash at banks	Financial assets at fair value through profit or loss
	Related party	Other		
Exposure to maximum credit risk as at reporting date ^(*)	40.846	1.904.711	5.616	3.989
- The portion of maximum risk covered by guarantee	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	40.846	1.904.491	5.616	3.989
- The portion covered by guarantee	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	220	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	5.497	-	-
- Overdue (gross carrying value)	-	36.640	-	-
- Impairment (-)	-	(31.143)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) ^(**)	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) ^(**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

^(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

^(**) Includes collaterals for the assets impaired but not overdue.

As at 31 December 2014, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2014	Factoring Receivables			Financial assets at fair value through profit or loss
	Related party	Other	Cash at banks	
Exposure to maximum credit risk as at reporting date ^(*)	13.044	1.421.508	4.269	2
- The portion of maximum risk covered by guarantee	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	13.044	1.418.735	4.269	2
- The portion covered by guarantee	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	1.430	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-
- Overdue (gross carrying value)	-	24.348	-	-
- Impairment (-)	-	(24.348)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

(i) Liquidity risk management

The Company management has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages its liquidity risk by maintaining adequate reserves and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the Company's expected maturity for its non-derivative financial assets and liabilities. The tables below have been prepared based on the earliest dates for collections and disbursements of the Company's assets and liabilities. Interest amounts to be collected and disbursed on the Company's assets and liabilities have also been included in the table below:

31 December 2015	Carrying	Contractual Cash	Less than	3-12	1-5 Years	More than
Contractual Maturities	Amount	Flows (I+II+III+IV)	3 Months (I)	Months (II)	(III)	5 Years (IV)
Non-derivative financial assets						
Banks	5.616	5.616	5.616	-	-	-
Factoring receivables	1.945.777	1.981.127	1.396.652	560.255	24.220	-
	1.951.393	1.986.743	1.402.268	560.255	24.220	-
Non-derivative financial liabilities						
Factoring payables	2.150	2.150	2.150	-	-	-
Funds borrowed	1.589.656	1.596.845	1.340.113	231.916	24.816	-
Debt securities issued	281.602	293.220	75.223	217.997	-	-
	1.873.408	1.892.215	1.417.486	449.913	24.816	-

The Company makes payments based on contractual maturities.

31 December 2014	Carrying	Contractual Cash	Less than	3-12	1-5 Years	More than
Contractual Maturities	Amount	Flows (I+II+III+IV)	3 Months (I)	Months (II)	(III)	5 Years (IV)
Non-derivative financial assets						
Banks	4.269	4.269	4.269	-	-	-
Factoring receivables	1.433.210	1.461.827	1.048.661	407.146	6.020	-
	1.437.479	1.466.096	1.052.930	407.146	6.020	-
Non-derivative financial liabilities						
Factoring payables	1.413	1.413	1.413	-	-	-
Funds borrowed	1.274.251	1.280.512	1.116.512	164.000	-	-
Debt securities issued	98.367	100.000	100.000	-	-	-
	1.374.031	1.381.925	1.217.925	164.000	-	-

The Company makes payments based on contractual maturities.

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2015 and 31 December 2014.

31 December 2015 Contractual Maturities	Net Cash Outflow	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Derivative cash inflows	142.075	142.243	142.243	-	-	-
Derivative cash outflows	142.038	142.075	142.075	-	-	-
31 December 2014 Contractual Maturities	Net Cash Outflow	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Derivative cash inflows	93.650	93.782	93.782	-	-	-
Derivative cash outflows	93.684	93.650	93.650	-	-	-

(j) **Fair value of financial instruments**

The Company management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange. The financial assets and liabilities, such as factoring receivables, cash at banks and short-term bank borrowings in TL which are recognized by discounted amount of estimated future cash flows, are considered to approximate their respective carrying values due to their short-term nature. The fair value prices of debt securities issued are determined on the basis of their prices in the market they are traded. The fair value level of debt securities issued is level 1, whereas level of fair value of other financial instruments is Level 2.

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

31 December 2015	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
<u>Financial Assets</u>							
Banks	-	5.616	-	-	5.616	5.616	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	4
- Financial assets held for trading	3.825	-	-	-	3.825	3.825	
- Derivative financial assets held for trading	164	-	-	-	164	164	4
Factoring receivables and non-performing factoring receivables	-	-	1.951.274	-	1.951.274	1.951.274	7
<u>Financial liabilities</u>							
Derivative financial liabilities held for trading	393	-	-	-	393	393	4
Factoring payables	-	-	-	2.150	2.150	2.150	7
Other payables	-	-	-	484	484	484	15
Funds borrowed	-	-	-	1.589.656	1.589.656	1.589.656	13
Debt securities issued	-	-	-	281.652	281.652	279.330	14

Notes to the Financial Statements as at and for the Year Ended 31 December 2015

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

31 December 2014	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
<u>Financial Assets</u>							
Banks	-	4.269	-	-	4.269	4.269	5
Financial assets at fair value through profit or loss							
- Financial assets held for trading	-	-	-	-	-	-	4
- Derivative financial assets held for trading	2	-	-	-	2	2	4
Factoring receivables and non-performing factoring receivables	-	-	1.433.210	-	1.413.210	1.413.210	7
<u>Financial liabilities</u>							
Derivative financial liabilities held for trading	354	-	-	-	354	354	4
Factoring payables	-	-	-	1.413	1.413	1.413	7
Other payables	-	-	-	371	371	371	15
Funds borrowed	-	-	-	1.274.251	1.274.251	1.274.251	13
Debt securities issued	-	-	-	98.367	98.367	97.867	14

(k) Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,

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

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

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets held for trading	3.825	-	-	3.825
Derivative financial assets held for trading	-	164	-	164
Available-for-sale financial assets ^(*)	10.801	-	-	10.801
Total financial assets carried at fair value	14.626	164	-	14.790
Derivative financial liabilities held for trading	-	393	-	393
Total financial liabilities carried at fair value	-	393	-	393
31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	2	-	2
Available-for-sale financial assets ^(*)	10.754	-	-	10.754
Total financial assets carried at fair value	10.754	2	-	10.756
Derivative financial liabilities held for trading	-	354	-	354
Total financial liabilities carried at fair value	-	354	-	354

^(*) As at 31 December 2015, securities that are not publicly traded amounting to TL 1.386 (31 December 2014: TL 1.341) have been measured at cost.

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